Asia's Boutique Airline

ANNUAL REPORT 2014

Bangkok Airways Public Company Limited


Bangkok Airways
Bangkok Airways
Bangkok Air
'**Fly** Boutique, **Feel** Unique'


HS-PZA
Bangkok Air
ASIA'S BOUTIQUE AIRLINE
PZA

Bangkok Airways

ASIA'S BOUTIQUE AIRLINE

Contents

Message
from the Chairman

During the past several years, the aviation business has evolved rapidly with the development of technology. This change can be observed through the arrival of the low cost carriers where the structures of the air transportation business and consumer behavior in the travel industry have been affected. Passengers have wider selection for their travel needs which include products, services, prices and payment methods and channels.

Bangkok Airways realized the rapid changes occurring in the aviation business in the year 2014 and revised its corporate strategy to adapt to the rapidly changing industry. It strengthened its route network by signing additional code share agreements with leading international airlines to prepare for the AEC in 2015 and continuously improve its services. And once again, Bangkok Airways was awarded World's Best Regional Airline 2014 and the Best Regional Airline in Asia 2014 by Skytrax, based on survey results from passengers worldwide. It is a testament to the constant improvements of its services to provide customers with unique travel experience. In the recent years, Bangkok Airways has ranked the top 5 in the Best Regional Airline category and was awarded the Best Regional Airline for 5 consecutive years between 2004 and 2009.

Also in 2014, Bangkok Airways filed with the Securities and Exchange Commission Thailand to list the Company in the Thailand Stock Exchange. And on November 3rd, Bangkok Airways' shares were traded publically in the SET for the first time. Proceeds from this conversion will be an important resource for the sustainable growth and development of Bangkok Airways. They will be used for fleet update, airport improvements and products and services improvements.

I, along with the Board of Directors, am proud to report to the shareholders and stakeholders that despite many obstacles endured during difficult times, Bangkok Airways' employees are committed and dedicated in working together to surpass all hurdles. Such cooperation includes changing of strategies under various circumstances enabling Bangkok Airways to achieve its goals.

Finally, as Chairman of the Board, I would like to extend my sincere gratitude to all employees for their dedication and sacrifices. And thank all customers and business partners for their confidence in Bangkok Airways. Be assured that the Board and I are fully committed to making Bangkok Airways a stronger and sustainable airline.

Air Chief Marshal Kaset Rochananil
Chairman

Message
from the Chief Executive Officer

In 2014, global aviation industry continued to expand, particularly in the Asia-Pacific region with the expansion of low-cost airlines. However, the aviation industry in Thailand was sluggish due to the imposition of the martial law in May despite the surge in tourist arrivals towards the end of the year.

Last year, number of passengers was at 4.78 million, which was 400,000 less than projected or a growth of 14.8 percent compared to 2013. Despite the impact of the external factors, in term of strategy, Bangkok Airways aims to be the hub servicing regionally. In 2014, it has introduced Chiang Mai as its northern hub with services to Udon Thani, Phuket, Samui Mandalay and Yangon. Samui, Surat Thani is used as a southern hub where the airport was permitted by the Department of Civil Aviation to increase flights to and from Samui Airport from 36 flights to 50 flights per day. The permission would allow Bangkok Airways to increase its services to Samui during the high season.

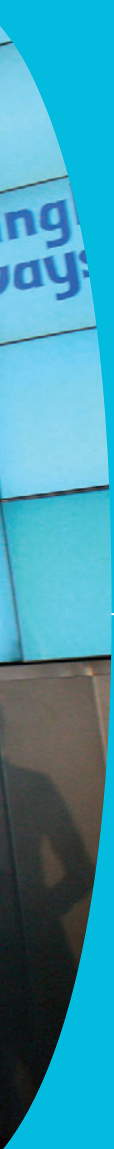
In an effort to expand its customer base in Australia, Indonesia and Russia, Bangkok Airways signed code share agreements with 3 additional airlines; Qantas Airways, Garuda Indonesia and Aeroflot. It also signed a purchase agreement with ATR for 9 ATR72-600 series to replace the current 500 series. And the delivery of the first ATR took place in November.

Despite the fact that total revenue generated in 2014 was below the projected target, total revenue was at 22,123.5 million baht, an increase of 140.2 million baht from the same period last year.

On behalf of the management and employees, I would like to extend my sincere gratitude to all customers, business partners and shareholders for their continuous support. And I would like to thank all employees for their dedication and intelligence in their performance. I, along with the management and employees pledge to work under principles of good governance and persevere to provide the best services to customers.

Prasert Prasarttong-Osoth
Chief Executive Officer

พิธีเปิดการซื้อขายหลักทรัพย์วันแรกในตลาดหลักทรัพย์แห่งประ
"BA"
SET
บริษัท การบินกรุงเทพ จำกัด (มหาชน)
วันจันทร์ที่ 3 พฤศจิกายน 2557
Bangkok Airways
BA
BANGKOK AIRWAYS
1st TRADING DAY



General Information

Company Name	:	Bangkok Airways Public Company Limited (the "Company")
Core Business	:	The Company's core business are 1. Passengers airline business including freight domestically and internationally 2. Establishment of public airport and/or operate and manage public airport, rent out space including other activities relating to the establishment and operation of airport
Head Office	:	99 Mu 14 Vibhavadirangsit Road, Chom Phon, Chatuchak, Bangkok 10900
Registration Number	:	0107556000183
Home Page	:	http://www.bangkokair.com
Telephone	:	(66) 2 265 5678
Facsimile	:	(66) 2 265 5775
Registered Capita	:	2,100,000,000 Baht
Paid-up Capital	:	2,100,000,000 Baht
A par value	:	a par value of 1 Baht per share The Company has registered the change of par value on 27 February 2013 from 10 baht per share to 1 baht per share, having the total shares of the Company at 2,100,000,000 shares as of 31 December 2014.
Shares Registrar	:	Thailand Securities Depository Co., Ltd. 62 The Stock Exchange of Thailand Building, Ratchadapisek Road, Klongtoey, Bangkok 10110, Thailand
Telephone	:	(66) 2 229 2800
Facsimile	:	(66) 2 359 1259
Company's Auditor	:	EY Office Limited 33rd Floor, Lake Rajada Office Complex, 193/136-137 Ratchadapisek Road, Klongtoey, Bangkok 10110
Telephone	:	(66) 2 264 9090
Facsimile	:	(66) 2 264 0789-90

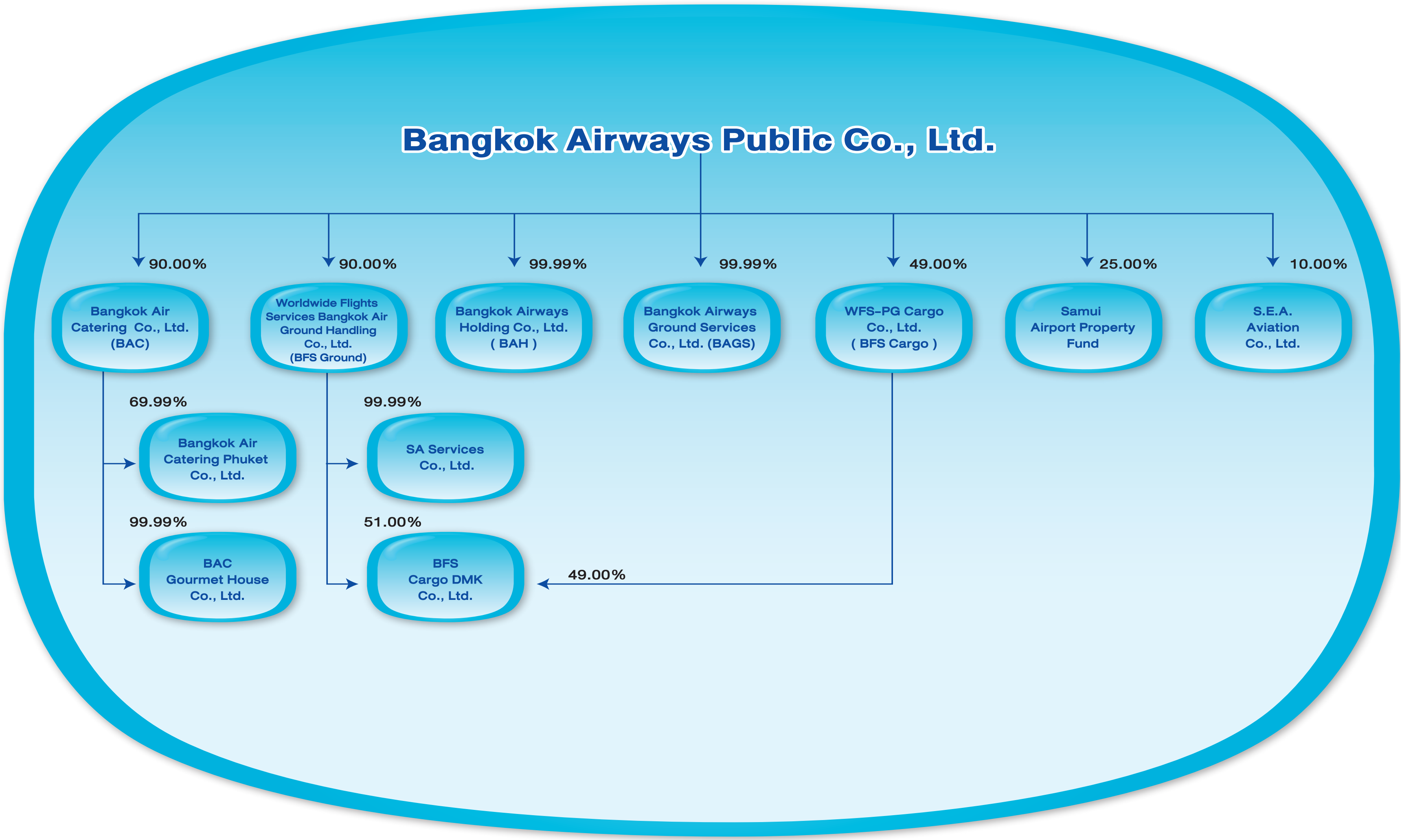
Summary Consolidated Financial and Ratio

Unit : THB million

		Year End December 31		
		2014	2013	2012
Statements of Financial Position	Total Assets	48,579	30,393	32,008
	Total Liabilities	23,147	23,201	24,289
	Total Shareholders' Equity	25,432	7,192	7,720
Statement of comprehensive Income	Revenue from airline business	17,844	16,735	14,864
	Sales and service income	2,684	2,656	2,362
	Total Revenue	22,124	20,721	19,520
	EBITDAR	4,110	4,780	4,754
	Profit for the year	386	990	1,832
Shareholder's Equity	Registered and Paid up Shares (Million share)	2,100	1,580	1,250
	Book Value Per Share (Baht)	12.1	4.8	6.4
	Earnings Per Share (Baht)	0.2	0.6	1.5
Liquidity Ratio	Current Ratio (Time)	2.5	0.8	1.0
	Quick Ratio (Time)	3.7	2.5	2.5
	Collection Period (Day)	26.8	28.0	26.8
	Stock Turnover Period (Day)	5.1	5.5	5.7
	Payment Period (Day)	33.4	34.3	35.1
Profitability Ratio	Gross Profit Margin (%)	16.5	24.4	25.5
	Operating Profit Margin (%)	8.1	13.5	15.9
	EBITDAR Margin (%)	18.58	23.07	24.35
	Net profit Margin (%)	1.7	4.8	9.4
	Return on Equity (%)	2.4	13.3	23.7
Efficiency Ratio	Return on Assets (%)	1.0	3.2	5.7
	Return on Fixed Assets (%)	15.4	24.6	35.9
	Asset Turnover (Time)	0.6	0.7	0.7
Leverage Ratio	Debt to Equity (Time)	0.9	3.2	3.1
	Interest Leverage Ratio (Time)	1.5	2.0	2.0

Corporate Structure of the Company, our Subsidiaries and Associated companies

as of December 31, 2014.



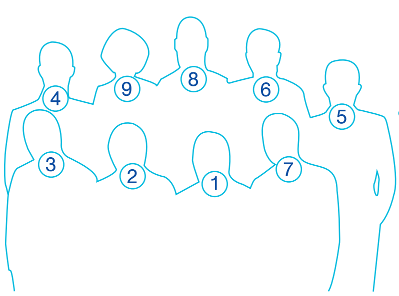
Our Subsidiaries and Associated Companies

We invested in subsidiaries and associated companies. The summary of the investment structure of the Company in the subsidiaries and associated companies are shown in the following table.

Company	Core Business	Paid - up capital (THB million)	Inversment Ratio (%)
Subsidiary Companies			
1. Bangkok Airways Holding Co., Ltd. (BAH)	Holding shares in BGH	1,001.0	99.99
2. Worldwide Flight Services Bangkok Air Ground Handling Co., Ltd. (BFS Ground)	Ground service provider at the Suvarnabhumi International Airport	670.0	90.00
3. Bangkok Airways Ground Services Co., Ltd. (PGGS)	Ground service provider at the Samui Airport	0.25	99.99
4. SA Services Co., Ltd. (1)	Ground service provider at the Don Mueang International Airport	1.0	99.99
5. BFS Cargo DMK Co., Ltd. (1) (BFS Cargo DMK)	Cargo terminal operation services at the Don Mueang International Airport	25.0	51.0
6. Bangkok Air Catering Co., Ltd. (BAC)	Catering services at the Suvarnabhumi International Airport	500.0	90.0
7. BAC Gourmet House Co., Ltd. (2)	Restaurant	25.0	99.99
8. Bangkok Air Catering Phuket Co., Ltd.(2)	Catering services at the Phuket International Airport	0.25	69.99
Associated Companies			
1. WFS-PG Cargo Co., Ltd. (BFS Cargo)	Cargo terminal operation services at the Suvarnabhumi International Airport	300.0	49.0
2. The Samui Property Fund	Investing in the holding of a 30-year lease to the assets of the Samui Airport	9,500.0	25.0
3. S.E.A Aviation Co., Ltd.	No Operation	30.0	10.00

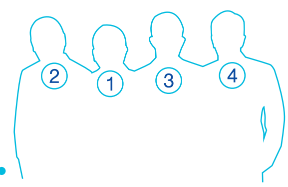
Remark : (1) Held by Worldwide Flight Services Bangkok Air Ground Handling Co., Ltd.
(2) Held by Bangkok Air Catering Co., Ltd.

Management
Board of Directors



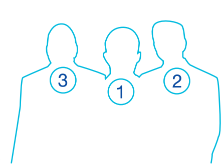
1. Air Chief Marshal Kaset Rochananil
2. Mr. Prasert Prasarttong-Osoth
3. Mr. Puttipong Prasarttong-Osoth
4. Pol. Lt. Gen Visanu Prasarttong-Osoth
5. Mr. Pradit Theekakul
6. Mr. Sripop Sarasas
7. General Vichit Yathip
8. Mr. James Patrick Rooney
9. Mrs. Narumol Noi-am

Excutive Committee



1. Mr. Prasert Prasarttong-Osoth
2. Mr. Puttipong Prasarttong-Osoth
3. Mr. Pradit Theekakul
4. Mr. Anawat Leelawatwatana

Audit Committee



1. Mr. Sripop Sarasas
2. General Vichit Yathip
3. Mr. James Patrick Rooney

Board of Directors and Executives

Air Chief Marshal Kaset Rochananil

Chairman, Bangkok Airways PCL.

Education : Bachelor of Science Degree, The Royal Thai Air Force Academy

Age : 81 Years

Position in Other Company

-None-

Mr. Puttipong Prasarttong-Osoth

Director / President, Bangkok Airways PCL.

Education : Bachelor of Accounting Degree, Chulalongkorn University

Age : 50 Years

Position in Other Company

Director Bangkok Media & Broadcasting Co., Ltd.
Director Bangkok Airways Ground Services Co., Ltd.
Director Bangkok Airways Catering Phuket Co., Ltd.
Director BAC Goumet House Co., Ltd.
Director S.E.A Aviation Co., Ltd.
Director Bangpakong Golf Club Co., Ltd.
Director Bangkok Flight Training Center Co., Ltd.
Director The Sahakol Estate Co., Ltd.
Director Bangkok Helicopter services Co., Ltd.
Director Thai Cargo Airline Co., Ltd.
Director Bangkok Air Catering Co., Ltd.
Director WFS-PG Cargo Co., Ltd.
Director Worldwide Flight Services Bangkok Air Ground Handling Co., Ltd.

Mr. Prasert Prasarttong-Osoth

Vice Chairman / CEO, Bangkok Airways PCL.

Education : Bachelor of Medicine Degree, Siriraj Hospital, Mahidol University

Age : 82 Years

Position in Other Company

Chief Executive Office / President, Bangkok Dusit Medical Services PCL.
Director Bangkok Media & Broadcasting Co., Ltd.
Director Bangkok Airways Holding Co., Ltd.
Director South East Air Co., Ltd.
Director The Sahakol Estate Co., Ltd.
Director Thai Petroleum Services Co., Ltd.
Director Thai Cargo Airline Co., Ltd.
Director The Medic Pharma Co., Ltd.
Director Prasatthong Osoth Co., Ltd.
Director Paradise Shopping Co., Ltd.

Pol. Lt. Gen Visanu Prasarttong-Osoth

Director, Bangkok Airways PCL.

Education : Master of Political Science Degree, Sukhothai Tammathirat University
MBA, University of San Francisco, USA

Age : 52 Years

Position in Other Company

Commissioner General Information and Communications Technology
Chairman of The Audit Committee Finansia Syrus Securities PCL.
Director Bangkok Media & Broadcasting Co., Ltd.
Director The Krungthep Thanakom Co., Ltd.
Director Thai Kodama Co., Ltd.

Mr. Sripop Sarasas

Director / Independent Director / Chairman of The Audit Committee, Bangkok Airways PCL.

Education : MBA, University of Southern California , USA

Age : 52 Years

Position in Other Company

Independent Director
Bangkok Dusit Medical Services PCL.
Kiattana Transport PCL.
Advance Information Technology PCL.
The Royal Ceramic Industry PCL.
Director Parute (2008) Co., Ltd.
Director Golden Lime PCL.
Director Khan Co., Ltd.

Mr. Pradit Theekakul

Director / Executive Director / Senior President Office Director, Bangkok Airways PCL.

Education : Bachelor of Law Degree, Chulalongkorn University
Bachelor of Political Science Degree, Ramkhamhaeng University

Age : 56 Years

Position in Other Company

Executive Advisor to CEO Bangkok Dusit Medical Services PCL.
Director Samitivej PCL.
Director Bangkok Media & Broadcasting Co., Ltd.
Director Bangkok Airways Catering Phuket Co., Ltd.
Director BAC Goumet House Co., Ltd.
Director Bangkok Air Catering Co., Ltd.
Director Paolo Medic Co., Ltd.
Director Bangkok Airways Holding Co., Ltd.
Director Sodexo SupportServices (Thailand) Co., Ltd.

Director South East Air Co., Ltd.
Director Bangkok Air Tour Co., Ltd.
Director Thai Petroleum Services Co., Ltd.
Director Thai Cargo Airline Co., Ltd.
Director Thai Medical Center PCL.
Director Bangkok Gloden Life Co., Ltd.
Director Prasit Pattana PCL.
Director Paradise Shopping Co., Ltd.
Director Bangkok Hospital Chiangmai Co., Ltd.
Director WFS-PG Cargo Co., Ltd.
Director Worldwide Flight Services Bangkok Air Ground Handling Co., Ltd.

General Vichit Yathip

Director / Independent Director / Audit Committee, Bangkok Airways PCL.

Education : Bachelor of Science Degree, Chulachomklao Royal Military Academy
Master of Public Administration Degree, Bangkokthonburi University

Age : 68 Years

Position in Other Company

Advisor Loxley PCL.
Tipco Asphalt PCL.
Director Nippon Pack (Thailand) PCL.
Director Three Sixtyfive PCL.
Director Vanachai Group Pcl.
Director Sing Sian Yer Pao Co., Ltd.

Mr. James Patrick Rooney

Director / Independent Director / Audit Committee, Bangkok Airways PCL.

Education : MBA, The American Graduate School Of International Management

Age : 76 Years

Position in Other Company

Director WCA Co., Ltd.
Director Diamond Building Products PCL.
Director Samitivej PCL.
Director Paradigm Asia Co., Ltd.
Director Myriad Materials Co., Ltd.
Director Asiaworks Television Co., Ltd.
Director Tax Plan Co., Ltd,
Director Tax Plan Services Co., Ltd. (Singapore)
Director J.P. Rooney and Associates Co., Ltd.

Mrs. Narumol Noi-Am

Director, Bangkok Airways PCL.

Education : MBA North Texas State , USA

Age : 57 Years

Position in Other Company

Chief Financial Officer, Bangkok Dusit Medical Services PCL.
Director Thai Listed Companies Association
Director Prasit Pattana PCL.
Director Samitivej PCL.
Director Paolo Medic Co., Ltd.
Director Paolo Samut Prakarn Co., Ltd.
Director Thai Medical Center PCL.

Mr. Anawat Leelawatwatana

Member of Executive Committee / Deputy Vice President of Finance / Corporate Secretary, Bangkok Airways PCL.

Education: MBA Cleveland State University, USA

Age : 48 Years

Position in Other Company

-None-

Policy and Business Overview

Vision Statement

To be the leading airline in Asia

Mission Statements

We hold the following core values to remind us of what we must continually strive for to be the best airline in Asia.

1. Operational safety: Our safety mission is to continually maintain worldwide industry operational safety standards.
2. Maximizing shareholders' return on investment: Our profitability mission is to use our assets effectively in order to generate optimal and sustainable profits for all of our stakeholders.
3. Our continued success depends on our customers and we promise to give them the best possible products and services available in the industry.
4. Our employees are our most important asset: We strive to have not only highly motivated staff but also the best and most productive employees in the industry.
5. Corporate accountability: We will continually adopt systems and procedures in our airline that will enhance corporate accountability, transparency and control.
6. We are proud to be a member of our community: We will increase responsibilities of good corporate citizens and continue to serve our community.

History and Corporate Milestone

Mr. Prasert Prasarttong-Osoth set up airline business in 1968. It was established in 1984 as "Sahakol Air" to take over the airline business which had been operating under a company named Krungthep Sahakol Co., Ltd. and later changed to "Bangkok Airways".

We officially commenced scheduled passenger flight services in 1986 under our current name "Bangkok Airways". In 1989, we completed construction of our first airport, located in Samui, an island in the Gulf of Thailand, which was beginning to be developed as an international tourist destination. We obtained an International Air Transport Association ("IATA") code, "PG", and commenced operations of our Samui Airport. In addition, we also received approval to fly our first route, Bangkok—Samui. In 1994, we became an IATA Clearing House member. In the same year, we added two ATR 72 to our fleet.

In 1998, we commenced operations of our second airport in Sukhothai. In 2000, we put our first Boeing 717-200 into operations. The Boeing 717-200 jet aircraft provided higher speeds and more seat capacity so we could increase capacity and reduce flight frequency. This also allowed us to expand our capacity on routes to and from Samui. In the same year, we commenced operations of our first hangar located in the Don Mueang International Airport. We also became a member of the IATA Billing and Settlement Plan ("BSP"). Being a member of the IATA BSP allows us to drive additional passenger sales and provides us with direct access to a distribution network of IATA. In 2002, we received full IATA membership which means that we upgraded our operations in adherence to the international commercial aviation standards under IATA Operational Safety Audit ("IOSA"), such membership entitles us to voting rights in respect of the fare adjustment process. In 2006, we commenced operations of our third airport in Trat.

As of 31 December 2014, the Company has a registered capital of 2,100,000,000 Baht, comprised ordinary shares of 2,100,000,000 shares, with a par value of 1 Baht per share, and the paid up capital of 2,100,000,000 Baht.

History and Corporate Milestones

Year	
2003	BA entered into 3 project agreements with the AOT for the provision of cargo services, ground support equipment services and in-flight catering operations at the Suvarnabhumi International Airport.
2004	BA received our ISO9001:2000 certification. In the same year, we added two Airbus A320 aircraft to our fleet to allow us to reduce cost per ASK, increase our competitiveness, and expand our international destinations to destinations such as Yangon.
2006	BA commenced operations of our catering facilities at the Samui Airport. In the same year, we listed the Samui Property Fund (which holds a 30-year lease to the assets of the Samui Airport) on the SET, in which we own a 25.0% interest. On the same date, we entered into an agreement to sublease the Samui Airport from the Samui Property Fund for a period of three years, renewable nine times for periods of three years each, renewable upon agreement of both parties. The parties have renewed the Sub-lease Agreement for the second time on November 24, 2012.
2007	We were awarded the royal warrant appointment to display the Garuda emblem. We began introducing six Airbus A319 aircraft to our fleet to increase our passenger capacity into our most profitable destination, the Samui Airport.
2008	We expanded the Samui Airport's runway to increase its capacity to accommodate larger jet aircraft. In the same year, we introduced our ***Blue Ribbon*** business class.
2012	In December 2012, we completed our corporate restructuring in preparation for listing on the SET. As part of the Corporate Reorganization, we sold certain non-core subsidiaries and several parcels of vacant land, which are irrelevant to airline and airport related services and airport businesses.
2013	• We marked our 45th anniversary. • The Extraordinary General Meeting No.1/2013, held on February 26, 2013 approved the conversion of the Company to be a public company limited and increased the registered capital from THB 1,250 million to THB 2,100 million by issuing additional ordinary shares of 850 million shares with the par value of THB1 to be offered to the existing shareholders for 300 million shares and to the directors and employees for 30 million Shares and to the public for not exceeding 520 million Shares. Such meeting also approved that the ordinary shares of the Company shall be listed on the SET. • Subsequently, the Company offered the additional shares to existing shareholders for the amount of 300 million shares and launched Employee Stock option program of 30 million shares at a selling price of THB10 per share. Such share allocation depends on employment position, length of employment, and responsibilities of relevant directors and employees. Therefore, as of 31 December 2013 the Company's paid-up capital was THB 1,580 million dividing into 1,580 million shares with the par value of THB1.
2014	• We entered into the ATR Sale and Purchase Agreement for nine new ATR 72-600 aircraft and the delivery of a total of nine aircraft is scheduled for between the last quarter of 2014 and the first quarter of 2017 which we applied for and have been granted tax incentives from the Thailand Board of Investment. In November 2014, the first aircraft was delivered and entered into our fleet. • The Company was listed in the Stock Exchange of Thailand on 3 November 2014 in sector Transportation & Logistics in Industry Services.

Awards and Recognition

We were recognized from various organizations for our service quality.

Year	Award and Recognition
2004-2005 and 2007-2009	We have been awarded "Asia Best Regional Airline" by Skytrax, a leading aviation research organization.
2006	We have been awarded "All-round Service Excellence for a Regional Airline" by Skytrax.
2006-2007	We have been awarded "South East Asia Best Regional Airline" by Skytrax.
2006-2013	Samui Airport was placed top 10 in the Smart Travel Asia annual best airports worldwide polls.
2006-2007 and 2009-2013	We were also voted as the "Top 10 Best Airline Worldwide for Cabin Service" in the Smart Travel Asia Best in Travel Poll an independent online frequent traveler magazine with over a million readers.
2010-2013	We ranked 3rd for "Best Regional Airline" award for The World Airline Awards from Skytrax.
2011-2012	We ranked 3rd for "Asia's Best Regional Airline" award for The World Airline Awards from Skytrax.
2012	We ranked 4th for "World's Best Regional Airline" award for The World Airline Awards from Skytrax.
2013	We ranked 2nd for "Asia's Best Regional Airline" award for The World Airline Awards from Skytrax.
2013	BFS Ground and BFS Cargo were awarded "2013 Frost & Sullivan Thailand Aviation Support Service Provider of the Year" from Frost & Sullivan, a global growth consulting and research organization.
2014	We were ranked for "World's Best Regional Airline" and for "Best Regional Airline in Asia" by Skytrax.

Overview

As of 31 December 2014, we operated scheduled flights on 14 domestic routes covering major cultural and leisure destinations in Thailand such as Phuket, Samui, Chiang Mai and Krabi. In addition, we operated scheduled flights on 13 international routes to destinations including Myanmar, Laos, Cambodia, Malaysia, Singapore, Hong Kong, India, Bangladesh and the Maldives. Through our code-share and other cooperative arrangements with other airlines such as Etihad Airways, Japan Airlines, Malaysia Airlines, British Airways, Cathay Pacific Airways, Qantas Airways and Silk Air, we are able to extend our reach to passengers originating from destinations including Europe, South Asia, the Middle East and Japan.

We operate from three principal hubs, the Suvarnabhumi International Airport in Bangkok and Samui Airport in Surat Thani, which we also own and operate, and Chiang Mai airport.

We target markets that are less than a five-hour flight time from our hubs, which give us access to passengers travelling to and from Southeast Asia and South Asia, including India. We believe that Thailand's growing economy provides an attractive market in which we can increase passenger growth as an increasing proportion of the Thai population are able to access air transport. We also believe that our premium, quality services, strong culture of hospitality and access to unique cultural and leisure destinations differentiates us from other competing airlines.

Notable events in year 2014

Route Network

We put emphasis on market development and route network expansion. To provide more direct flights to the Northeastern region in Thailand and cities in Myanmar. We focus on increasing flight frequency and introducing new routes. At the same time, to maintain our market position and strengthen our route network, we continuously seeks for new code share partners to reach out all target groups.

In order to serve our route network in the region and passengers' requirement of each route, Company added two Airbus A 320 by the end of year 2013 and one Airbus A 320 during mid of year 2014. In addition, we took delivery of a new ATR 72-600 in November 2014. Available Seat Kilometers (ASK), as a consequence increased 39% from year 2013.

Table presented number of aircraft as of end of Year 2014 and Year 2013

Aircraft Type	As of December 31, 2014	As of December 31, 2013
Airbus A319	10	10
Airbus A320	8	7
ATR 72-500	8	8
ATR 72-600	1	0
Total	27	25

Our Third Hub

In addition to Suvarnabhumi Airport and Samui Airport, we announced Chiang Mai Airport as our third hub. Chiang Mai will create connecting traffic into our route network both from domestic and international routes. We also introduced new routes from Chiang Mai to four main tourist attractions, namely Udonthani, Phuket, Mandalay, and Yangon.

New destinations and additional flights frequency

In 2014, we expanded our route network to enhance current operating destinations. With this concept, Company can create new products and optimize our resources. New routes and additional flight frequencies were presented below;

Destination	No. of Flight per week	Commencement Date
New routes		
Chiang Mai-Phuket	14	October 2014
Chiang Mai-Udonthani	28	October 2014
Chiang Mai-Yangon	8	October 2014
Chiang Mai-Mandalay	6	October 2014
Additional flights frequency to existing routes		
Bangkok-Samui	14	December 2014
Bangkok-Chiang Rai	14	November 2014
Bangkok-Krabi	14	October 2014

Product Development and Services

- **In-Flight Entertainment System (IFE)**

  In March 2014, we launched iPad mini, in-flight entertainment system, providing for Business Class passengers travelling between Bangkok-Maldives, Bangkok-Dhaka, Samui-Hong Kong and Samui-Singapore. Besides from increased passenger interaction with our branding, the platform also supports varieties of media and interactive contents which can be used to provide our information to target groups.

- **Newly launched passenger lounges at Suvarnabhumi and Chiang Mai Airports**

  We have unveiled its newly renovated domestic passenger lounges at Chiang Mai International Airport and Suvarnabhumi International Airport. The airline's new "Boutique Lounge" and the "Blue Ribbon Club Lounge" at both airports are now open for all passengers.

  All passengers will be treated with complimentary sumptuous snacks and various choices of hot and cold drinks with free Wi-Fi and Internet access

- **Lounge for Lost & Found Baggage**

We launched Lost & Found baggage lounge, located next to baggage conveyor belt No. 1 at Suvarnabhumi Airport serving with snacks, drinks, and free WIFI to all Bangkok Airways passengers.

We have implemented baggage tracking system called "WorldTracer" where passengers can use property Irregularity Report (PIR) number to check baggage status through link of baggage tracer.

- **Introducing new In-flight menus by Chef Mc Dang**

We invited one of Thailand's most celebrated chefs, Chef Mc Dang, to create a new in-flight menu concept for Bangkok Airways, "Tastes of Asia." with Thai and Asian essence inspired from Slogan "Asia's Boutique Airline". The new menu will start from 1 November 2014 and available on all Bangkok Airways flights (Domestic and International) originating from Suvarnabhumi Airport while flights originating from Samui Airport will offer the new menus from 11 November onwards.

Pricing and Revenue Management

Ticket Fare

With high competition in the market, we decided to maintain its fare structure and focused on expanding its connection traffic with our interline and code share partners.

Code share Partners

We extinded our Code share arrangements with three additional airlines comprising Qantas Airways, Garuda Indonesia, and Aeroflot, growing our network of international code share partners to 16 airlines. With code share arrangements, we are able to feed our network with passengers from the broader markets including Europe, South East Asia, Middle East, and Australia.

Code-share Agreements

Year	Airline
2007	• Thai Airways[1]
2009	• Air Berlin • Etihad Airways • Air France
2010	• EVA Airways
2011	• Malaysia Airlines
2012	• Silk Air • Japan Airlines • Finnair • KLM Royal Dutch
2013	• Qatar Airways • British Airways • Cathay Pacific Airways
2014	• Qantas Airways • Aeroflot Airline • Garuda Indonesia

Remark : (1) We do not currently code-share any of our flights with THAI, or vice versa.

Marketing

- **Loyalty Marketing**

Frequent flyer program, FlyerBonus is another important strategy to increase Bangkok Airways' loyal customer base. It focuses on establishing good relationships between members and the airline by creating unique travel experiences that are different from its competitors. These marketing activities increase repeat purchases as well as generate non-airline revenue. They are essential to building customer supports and their decisions to use Bangkok Airways' services.

In 2014, FlyerBonus members increased 17% from last year with a total of 435,716 members. Number of business partners increased 65%. FlyerBonus continued to extend benefits to members by offering special promotions with its business partners throughout the past year.

- **Marketing Campaign**

In 2014, we have implemented a system to assist in customer segmentation and marketing activities and campaigns. In a new marketing era, consumers are the main focus. Understanding their needs, requirements and behavior is an integral part in the customers' decisions to make purchases with satisfaction. Based on the analysis of the database, such particulars led us to concentrate its marketing activities and campaigns on niche markets where there are specific groups of customers with diverse requirements. And to enhance its customers' experience, we collaborated with its partners in organizing marketing activities and campaigns. It periodically distributed promotional events and news updates to its customers based on the database provided. As a result, in addition to stimulating the customers to use its service, its attentiveness proved its understanding of and ability to reach its customers.

- **Customer Relations**

  In addition to managing comments or complaints from passengers with integrity, honesty, fairness and in compliance with the law, we conducted online customer satisfaction surveys twice a year and provides real time results.

- **Reservation and Ticketing**

  Call Center is an important channel of communication to offer to customers for their convenience in obtaining information on products and services such as reservations and ticketing, payments for tickets purchased and ticket amendment fees from Bangkok Airways. The Call Center is available 24 hours.

  In 2014, calls received through the Call Center totaled 594,584, a growth of 21.18%. Bangkok Airways continued to expand its Call Center service to include Cambodia. In preparation for the AEC, we established a Call Center in Phnom Penh, Cambodia, the first of its kind, to provide convenience to customers and travel agents. Customers are also able to purchase and pay for their tickets through the Call Center.

  We introduced an anti-fraud credit card system (Accertify) to detect suspicious transactions to help reduce credit card frauds.

- **Distribution and Interline Relations**

  In 2014, the Distribution and Interline Relations Division focused on Global Distribution System (GDS) cost reduction by evaluating and renegotiating all contracts and charging travel agents for inappropriate reservations in the systems. In doing so, we were able to reduce its GDS cost by 10%. It also implemented an Automated Exchange system which enables travel agents worldwide to accurately reroute and reissue tickets. The system allows travel agents to pre-reserve seats for their customers and enter the frequent flyer number at time of reservation. Usage of the system is not limited to BSP travel agents, but all travel agents are able to access the system, enabling more than 20 non-BSP travel agents in Thailand, Myanmar and Laos to sell our tickets.

- **Sales**

  Despite negative impacts politically and economically at home and globally, Bangkok Airways' European and Offline sales team continued to put efforts on sales activities. The sales team focused on building trade partnerships and product knowledge. It conducted sales visits to top key operators, joint sales calls with code share and/or Interline partners, sponsored trade and media familiarization trips, and organized trade road shows in secondary cities. Bangkok Airways has joint exhibition stand with the Ministry of Tourism and Sports in its main countries for events such as the World Travel Mart in the UK, Top Resa in France, Leisure Fair in Russia, TTG Rimini in Italy, FITUR in Spain, IMTM in Israel, Travel Exhibition in Australia, for example.

  North Asia Market was badly affected by the political situation in Thailand, especially for Japan, Korea, Taiwan and Hong Kong. However, revenue from China market remained positive with the growth of 24.95% when compared to 2013. The rebound came after August with the ease of the martial law which saw an increase in number of visitors, thus, increased in revenue generated from the region. The penetration on the second and third tier cities in China in expanding the market had been rewarded as it saw increasing number of business partners from 70 agents in 11 cities to approximately 100 agents in 17 cities and growing.

  However, with our flight frequencies to destinations such as Mandalay, Yangon, Vientiane and Phnom Penh, it was able to capture the frequent travelers and business travelers. To further stimulate these markets, it increased its presence with partnership marketing campaigns and activities with local partners in the Indochina region.

  In the recent years, E-Commerce has gained considerable popularity and, to date, is considered an integral distribution channel in generating revenue to Bangkok Airways. In 2014, number of website visitors was recorded at 18.1 million whereas social media has increasing popularity of online payment, we are set to launch an additional payment channel to accommodate growing number of browsers. In addition to e-ticket purchases, the website offers variety travel services such as travel insurance, hotel reservations and, soon to come, tour packages.

Business Operations

1. Revenue Structure of The Company

Revenues from Core Businesses	2014 Baht (Million)	2014 Percentage	2013 Baht (Million)	2013 Percentage
Revenues from Airlines				
Passenger Revenue				
- Domestic routes	10,670.4	48.2	10,434.6	50.4
- International routes	6,821.6	30.8	5,969.6	28.8
Freight revenue	331.5	1.5	250.4	1.2
Charter flights and charter services revenue	20.6	0.1	80.1	0.4
Total revenues from Airlines	17,844.1	80.7	16,734.7	80.8
Revenues from Airport-related services				
Revenues from BFS Ground	1,454.0	6.6	1,488.0	7.2
Revenues from PGGS	253.6	1.2	211.4	1.0
Revenues from BAC	943.7	4.3	936.0	4.5
Others	33.2	0.1	63.4	0.3
Total revenues from Airport-related services	2,684.5	12.2	2,698.8	13.0
Revenues from Airports				
Passenger service charge	504.3	2.3	485.5	2.3
Total revenues from Airports	504.3	2.3	485.5	2.3
Other revenues				
Dividend income	244.1	1.1	219.6	1.1
Gain on sales of investments in securities and subsidiaries	3.4	-	44.6	0.2
Other income	843.2	3.8	538.1	2.6
Total other revenues	1,090.7	4.9	802.4	3.9
Total Revenue	22,123.5	100.0	20,721.4	100.0

2. Products and services

Products and services of the Company can be divided into core businesses and segments as follow

1. Airline Passenger Services

- **Scheduled Flights**

We provide premium scheduled passenger services to business and leisure travelers. Our scheduled passenger services accounted for approximately 79.2% and 79.1% of our total consolidated revenues, in 2013 and 2014, respectively.

- **Route Network**

As of 31 December 2014, we operated a route network ("PG Route Network") covering 23 scheduled destinations (excluding Bangkok) in 10 countries (including Thailand). Additionally, with destinations covered in our code-share arrangements extended our route network to cover eight international destinations in five countries (excluding Thailand).

Our PG Route Network focuses on short-haul routes to airports around leisure and cultural destinations, typically operating within a radius of up to 3,120 kilometers and a flight duration of up to five hours. Through our code-share and other cooperative arrangements ("Extended Route Network") with other airlines, we are able to extend our reach to passengers originating from destinations including Europe, Asia, and Australia. We also reach passengers in China through our charter flights.

Our international and domestic PG Route Network

The map below illustrates our international and domestic PG Route Network as of December 31, 2014.

Our PG Route Network and Extended Route Network domesticly and internationally

The map below illustrates our PG Route Network and Extended Route Network as of December 31, 2014.

As of December 31, 2014, our PG Route Network covered ten scheduled domestic destinations (excluding Bangkok) and 13 scheduled international destinations with 910 scheduled domestic flights per week and 378 scheduled international flights per week (reference is made from Winter Schedule 2014)

- **Airline Cooperation Arrangements**

Airline Cooperation Arrangements can be grouped in Interline Cooperation Agreement and Code Share Agreement. These interline and code-share arrangements enable us to access broader international markets and serve additional long-distance passengers without operating our own long-distance international flights and having to invest in long-haul fleet. We believe that code-share arrangements are a cost-effective means to expand the scope of our passenger services and enhance our image in the international market.

Through our hubs at Suvarnabhumi International Airport, the Samui Airport, and Chiang Mai Airport, we are able to provide efficient same airport transfer for passengers of our code-share and interline flights and to connect them to regional and domestic destinations that are part of our PG Route Network, as compared to Thailand's other airlines based on the Don Mueang Airport. This is because passengers do not need to travel from the Suvarnabhumi International Airport to the Don Mueang Airport for flight transfers.

We have successfully established code-share arrangements with 16 international airlines including Thai Airways; however, we do not currently code-share any of our flights, or vice versa, Etihad Airways, Malaysia Airlines, Finnair, KLM Royal Dutch, Air France, Silk Air, EVA Airways, Air Berlin (currently not operating flights to/from Thailand), Japan Airlines, Qatar Airways, British Airways, Cathay Pacific Airways, Qantas Airways, Aeroflot Airline, and Garuda Indonesia.

We typically seek code-share arrangements that would either increase our passenger traffic on our PG Route Network or add desirable destinations to our Extended Route Network. Our code-share arrangements enable us to access connecting passenger traffic from other airlines traveling from various international destinations in Europe, Asia, Australia and elsewhere.

- **Airline Operation**

1. Our Fleet

As of 31 December 2014, we had an operating fleet of 27 passenger aircraft, with details shown in table below.

Aircraft Model	Total	Finance Lease	Operating Lease	Owned
Airbus A320	8	-	8	-
Airbus A319	10	-	10	-
ATR 72-500	8	4	2	2
ATR 72-600	1	1	-	-
Total	27	5	20	2

We operated our aircraft for an average of 8.81 block hours per day utilization in 2014, which is typical of regional full-service airlines. This comprises an average of 9.14, 9.43 and 7.82 block hours per day utilization for our Airbus A320, Airbus A319 and ATR 72-500 aircraft, respectively.

2. Route Planning

We focus on short-haul routes to airports in and around major leisure and cultural destinations, typically operating within a radius of up to 3,120 kilometers and a flight duration of up to five hours from our hubs at the Suvarnabhumi International Airport, the Samui Airport, and Chiang Mai Airport.

We cooperate with the DCA in seeking additional air traffic rights under new or existing air services agreements. Our ability to expand our route network and to increase frequency and capacity is subject to our ability to obtain sufficient traffic rights and time slots to these destinations.

The principal factors considered in adding a new route to our existing route network or increasing the frequency of flights on an existing route are aircraft availability and projected passenger and cargo load factors, profitability of the route and contribution to traffic on other routes.

In our current route network strategy, we intend to focus more on network connecting traffic going through our Bangkok hub and our airports, particularly the Samui Airport. Additionally, we connect travelers through Chiang Mai, a gateway located in Northern Thailand. We have entered into code-share and other cooperative arrangements which are also key to our route network strategy, as they enable us to both extend our route network and to increase our passenger load with passengers connecting onto our flights from various international locations, including Europe, Asia, Australia, and other countries. In addition, we are able to reach passengers in China through our chartered flights. We actively monitor flights on our Extended Route Network to match the timing of our flights on our route network to maximize the number of connecting flights available to passengers connecting onto our flights. We also routinely monitor traffic on both our domestic and international routes, and adjust frequency and capacity from time to time to reflect peak travel season in the international markets and fluctuations in demand on these routes.

3. *Flight Scheduling*

Our network management team formulates flight schedules, based on market demand for various routes. Consistent with market demand and with IATA guidelines, we publish summer and winter flight schedules each year. The winter schedule runs from the last Sunday of October of the previous year to the last Saturday of March and the summer schedule runs from the last Sunday of March to the last Saturday of October each year. From time to time, we also vary the flight frequency and type of aircraft utilized on scheduled routes based on anticipated seasonal demand.

4. *Flight Operations*

Our operations control center ("OCC") located outside the Suvarnabhumi International Airport supervises and controls our flights in accordance with our flight operation schedules and relevant regulations of the authorities. Our OCC collects and analyzes information relating to the projected payload, weather and airport conditions and aircraft status. Our OCC also approves flight dispatches and coordinates necessary ground service equipment and maintenance services for our aircraft. Our OCC monitors and tracks flights by air and ground radar displays, radio communications, the Air Communication Addressing and Reporting System and Air-to-Ground Data Link communications. In the event of irregularities, our OCC may adjust flight schedules, combine flights and, if necessary, cancel flights.

5. *Our Hubs*

- Bangkok Hub and Facilities

We believe that Bangkok enjoys a number of advantages as a hub. These advantages include its role as a gateway to Southeast Asia, the Mekong region, South Asia and Southern China, and its convenient location as a stopover on routes linking Europe to North Asia and both Europe and North Asia to destinations in Australia, New Zealand and Southeast Asia.

Our primary hub is at the Suvarnabhumi International Airport, which is Thailand's principal international and largest domestic airport in terms of the number of aircraft movements and passenger volume. According to the Department of Tourism, the Suvarnabhumi International Airport hosted approximately 33.3 million passengers consisting of 15.7 million international passengers and 17.6 million domestic passengers.

The Suvarnabhumi International Airport commenced operations in 2006, and occupies approximately 20,000 rai of land in the sub-district of Bang Phil, in Samut Prakarn Province, 25.0 kilometers east of Bangkok. Following our commencement of operations at the Suvarnabhumi International Airport, we transferred the bulk of our operations previously based at the Don Mueang International Airport, except our heavy maintenance services, to the Suvarnabhumi International Airport. We pay various rents, fees and charges to AOT at the Suvarnabhumi International Airport, including landing and parking charges, space rental and other charges, and concession fees for several revenue-generating activities in which we engage at the Suvarnabhumi International Airport through our subsidiary and associated companies.

We also lease a plot of land at the Don Mueang International Airport which we use for our maintenance services. Our maintenance facility comprises a hangar, a C-check maintenance facility and adjacent workshops servicing a broad range of equipment.

- Samui Hub and Facilities

We have built and developed the Samui International Airport which opened in 1989. Developed at an estimated cost of THB 800 million, the airport was officially opened on 25 April 1989 with a 1,800 meter runway. The airport served domestic flights, primarily to and from Bangkok.

In 1997, the Samui Airport was upgraded to allow for international flights, with the development of customs and immigration facilities, as well as new passenger terminals, which allowed for the operation of new routes to the airport, including services to international destinations.

In 2004, the airport began a THB 500 million expansion program that provided for six new terminals—four domestic and two international. In addition, the program provided for extension of the runway, to 2,100 meters. The development program was completed in 2007, providing airport capacity for 16,000 passengers a day. The program increased annual passenger capacity from 1.3 million to 6 million. The growth in the airport has coincided and facilitated the growth in popularity of Samui as a tourist destination. Samui has developed into a very popular destination for Europeans, Asians, and others.

With the 2,100 meter runway, we were able to increase the size of the aircraft it operated to the airport. The carrier currently operates a mix of A319s and ATR-72s at the airport. The Samui Airport is open for other airlines such as Thai Airways International, Silk Air, Flyer Fly. Thai Airways International currently operates twice-daily services to Suvarnabhumi Airport using B737-400 aircraft.

Samui International Airport has won several awards for its design and architecture, including an environmental impact assessment award for the use of locally produced palm leaves and a natural, open-air cooling system for the terminal buildings.

- Chiang Mai Hub

In October 2014, we announced Chiang Mai Airport as our hub for the Northern Thailand region. Chiang Mai has becoming more popular for business and leisure purposes. We have observed high potential to develop tourism and create connecting traffic in this region for cultural tourism. We introduced four new route network creating Chiang Mai as the center in the Northern region for connecting traffic such as routes from Chiang Mai-Udonthani, Chiang Mai–Phuket, Chiang Mai-Mandalay, and Chiang Mai-Yangon, in addition to our existing route from Chiang Mai-Samui.

6. Chartered Passenger Services

Chartered passenger services enhance our aircraft utilization and revenues. We determine our charter flight arrangements in accordance with aircraft availability by primarily treating the scheduled passenger services as our first priority. As we increase aircraft block hour per day utilization for our scheduled passenger services, our chartered passenger services will decrease accordingly. Our charter flights and charter services accounted for approximately 0.4% and 0.1% of our total consolidated revenues 2013 and 2014, respectively.

7. Aircraft Maintenance

Aircraft maintenance, repair and overhaul (“MRO”) is critical to the safety and comfort of our passengers, the efficient use and maintenance of our aircraft and the optimization of our fleet utilization. The schedule and cycle of our maintenance services for our fleet varies depending on certain factors, including the age and type of aircraft and the manufacturers’ specifications. We conduct our maintenance services in compliance with the maintenance module issued by the European Aviation Safety Agency (“EASA”), the IATA Operational Safety Audit (“IOSA”) and International Civil Aviation Organization (“ICAO”). We are certified by the International Organization for Standardization (“ISO”) and authorized by the DCA.

Our aircraft maintenance checks involve light maintenance and line maintenance. These periodic inspections are conducted after either a certain period of time, aircraft operational cycle or period of flight hour, depending on the type of the aircraft and the manufacturer’s specifications. Generally, our aircraft maintenance checks can be divided as follows:

1. Light maintenance which includes A Checks and B Checks; and
2. Line maintenance which includes C Checks and D Checks.

Daily maintenance checks, which include visual testing and inspections of equipment and hygiene, fuel levels and emergency equipment, are conducted before and after flights to ensure that aircraft are airworthy. In addition to the daily checks, we also perform A Checks and C Checks to maintain our fleet as follows:

Aircraft Model	Light maintenance: A Checks/B Checks	Line Maintenance: C Checks
ATR-72-500 Maintenance Schedule	Every 500 hours	Every 5,000 hours
Airbus A319 and Airbus A320 Maintenance Schedule	Every 4 months or 750 flight hours or 750 cycles, whichever comes first	Every 24 months or 7,500 flight hours or 5,000 cycles, whichever comes first
Maintenance Station	Bay or aircraft parking area	Hangar
Scope of inspection	*A Check* • Includes lower check, i.e., daily check *B Check* • Includes a detailed maintenance inspection for components and aircraft systems which may require specific equipment and testing. • B Check includes lower check, i.e., daily check and A check.	Includes lower check, i.e., daily check, A Check and B Check
Example: MPD specified by Aircraft Manufacturers	• General external visual inspection of aircraft structure for evidence of damage, deformation, corrosion and missing parts • Check and test switch control • Check crew oxygen system pressure • Operationally check emergency lights • Operationally check hydraulic system	• General internal inspection of aircraft structure for evidence of damage, deformation, corrosion and missing parts • Check and test entry door and emergency Exit • Check the condition of entry door seals • Check the condition of pressure systems • Check operation of DC and Auxiliary control unit • Operationally check RAT deployment and system • Operationally check flap asymmetry System • Check operation of flight control mechanism

D Check is line maintenance which inspects the structure of aircraft and tests for traces of decay, abnormality of aircraft structure, cracking or other traces of damages. This type of maintenance is conducted by experts who deconstruct the aircraft to perform the maintenance check. The Company does not provide D Check maintenance, and in the event that the Company requires this kind of maintenance, the Company will outsource to other service maintenance providers. Any other maintenance, including component overhaul, engine overhaul and calibration services, are outsourced to third party service providers. Through our lease agreements we are able to rely on, or enjoy the benefits of, manufacturer's warranties and product support granted to our lessors. We maintain an inventory of rotable and consumable spare parts at our facilities at the Don Mueang International Airport and the Samui Airport.

8. *Privileges under BOI Certificates*

- *Airline Operations*

  We have obtained BOI Certificates for airline operations under Investment Promotion Act B.E. 2520 (as amended). Tax privileges under the BOI Certificates include (i) corporate income tax exemption for net profit for a period of eight years from the date of first income derived from such activity; (ii) import duties exemption for machines; (iii) dividend tax exemption for each project throughout the period of corporate income tax exemption; and if we suffer losses from the operation of the relevant aircraft during the period of corporate income tax exemption, we are permitted to deduct such losses from the net profits incurred after the period of corporate income tax exemption for a period of not exceeding five years, whereby we may choose to deduct such losses from the net profit of any one year or several years. Non-tax privileges include the permission to import skill non-Thai experts/technicians in amounts and period as deemed appropriate by the Thai Board of Investment (the "BOI").

  As of December 31, 2014, we have obtained seven BOI Certificates under which the corporate income tax exemption for 45 aircraft of which 17 aircraft has been utilized under BOI certificates. The remaining BOI Certificates allow us to exercise tax exemption for 28 aircraft.

- *Airport Operations*

  We have obtained BOI Certificates for airport operations under the Investment Promotion Act B.E. 2520 (as amended). Tax privileges under BOI Certificates include (i) the corporate income tax exemption for net profit for a period of eight years from the date of first income derived from such activity; (ii) the permission to deduct an amount not exceeding 25.0% of the cost of installation or construction of facility in addition to normal depreciation; (iii) import duties exemption from machines; and (iv) dividend tax exemption throughout the period of corporate income tax exemption. If we suffer losses from the operation during the period of the corporate income tax exemption, we are permitted to deduct of such losses from the net profits incurred after the period of corporate income tax exemption for a period of not exceeding five years, whereby we may choose to deduct such losses from the net profits of any one year or several years. Non-tax privileges include the permission to import skill non-Thai experts/technicians in amounts and period as deemed appropriate by the BOI.

  As of December 31, 2014, we have obtained a BOI Certificate under which the corporate income tax exemption is still valid for the extension to Samui Airport.

  We obtained the BOI Certificates for four airports (Samui Airport, Sukhothai Airport and Trat Airport) under which the exemption of corporate income tax have expired, but we are still subject to certain conditions under such BOI Certificates until the BOI Certificates have been terminated. Material conditions under each of such BOI Certificates include, but are not limited to, non-disposal of the machines, maintenance of at least a 51.0% Thai shareholding and requirement to report any change in the foreign shareholding ratio, financial status or overall operation.

2. Airport-related Businesses

Apart from airline services and airport services, we also provide airport-related services including cargo terminal services, ground and passenger services and in-flight catering services to our flights and those of other airlines through our subsidiaries and associated companies as follows:

Company	Shareholding percentage	Relationship with the Company	Business Operations
BFS Ground	90.0	subsidiary	provides passenger services and ground support equipment services
BAC	90.0	subsidiary	provides in-flight catering services
BFS Cargo	49.0	Associated company	provides international cargo terminal services

- *Ground Services*

Our ground services include passenger services and ground support equipment services. At the Suvarnabhumi International Airport, our 90.0%-owned subsidiary, BFS Ground provides ground support equipment services for our own scheduled and chartered domestic and international flights, and also both passenger and ground support equipment services on a contract basis for other airlines. Worldwide Flight Services Holding S.A. ("WFS") provides certain services to BFS Ground through the Ground Services Agreement dated August 24, 2006, which include monitoring and evaluating the quality of the operational services, marketing the services and facilities of BFS Ground, developing controls and best practice for operating costs, maintaining and administering all agreements of BFS Ground, including the Ground Project Agreement, and assisting in procuring relevant industry certification.

The AOT granted BFS Ground the right to operate ground equipment and ramp services under a build transfer-operate project agreement between the AOT and BFS Ground (the "Ground Project Agreement") for a period of 20 years, commencing from September 28, 2006. BFS Ground's principal competitor for its ground services is Thai Airways. At the Samui Airport, we provide ground services through our 99.99% owned subsidiary.

At airports in foreign countries, third-party ground service providers or principal airlines based at such airports provide ground services to our flights, typically based on pre-set contractual fees.

(a) Passenger Services

BFS Ground provides a wide range of passenger services for other airlines, scheduled flights, charter flights and private jets at the Suvarnabhumi International Airport. Passenger services include check-in and ticketing service, boarding service, lounge service (including business class lounge service), baggage handling and interline baggage handling. BFS Ground provides ramp and passenger services to over 40 other airlines at the Suvarnabhumi International Airport and its principal customers for passenger services include Emirates, Hong Kong Airlines, Sri Lanka Airlines, Qatar Airways, and British Airways. BFS Ground's passenger service contracts are typically for terms of two to three years, and are denominated in Thai Baht.

(b) Ground Support Equipment Services

BFS Ground provides a wide range of ground support equipment services at the Suvarnabhumi International Airport for other airlines, charter flights and private jets. Ground support equipment services include aircraft loading and unloading, marshaling and push back, baggage handling, ramp handling cabin cleaning, air conditioning, lavatory and water servicing, ground service equipment maintenance, crew transit service and flight operations support.

BFS Ground also provides ground support equipment services to 60 other airlines at the Suvarnabhumi International Airport, including Emirates, British Airways, Qantas Airways, Qatar Airways. BFS Ground's ground support equipment service contracts are typically for terms of two to three years, and are denominated in Thai Baht. BFS Ground was the first and only ISAGO certified provider in Thailand.

- *In-Flight Catering*

BAC, provides in-flight catering for passengers on our own flights as well as for passengers on 20 other airlines as of December 31, 2014. The AOT granted BAC the right to operate in-flight catering services under a build transfer-operate project agreement between the AOT and BAC (the "Catering Project Agreement") for a period of 20 years commencing from September 28, 2006.

BAC's catering facilities are located at the Suvarnabhumi International Airport and occupy approximately 20,000 square meters. Within BAC's facilities, it has a 2,000.0 square meter kitchen dedicated to preparing Kosher meals, a 6,000 square meter kitchen for the preparation of normal meals and a 5,000.0 square meter halal-compliant section.

This table show amount of produced and uplifted meals for our flights and for other airlines in 2013 and 2014

	2014	2013
Amount of produced and uplifted meals for our flights (million meals)	4.0	3.4
Amount of produced and uplifted meals for other airlines (million meals)	5.0	5.2
Average of produced and uplifted meals (meal)	24,528	23,430

BAC produces all meals to Good Manufacturing Practice and Hazard Analysis Critical Control Point global standards. In addition, BAC is Halal certified by the Central Islamic of Thailand and Kosher-certified by the Thai Kashrut Services Ltd.

BAC had 20 customers, and its principal customers (other than Bangkok Airways) include Emirates, Qatar Airways, Turkish Airways, EL AL Israel Airlines, China Southern Airlines, Kenya Airways, Oman Air and Ethiopia Airlines. BAC's contracts are typically for terms of one to three years. Such contracts are mostly priced in Thai Baht.

BAC's principal competitors for its in-flight catering services are Thai Airways and LSG Skychefs Co., Ltd., an affiliate of Lufthansa.

BAC also provides catering services to our economy class and business class lounges, as well as to the business class lounges of Emirates and Oman Air in the Suvarnabhumi International Airport. In addition, BAC provides outside catering services in Bangkok through its 99.99% owned subsidiary, BAC Gourmet House Co., Ltd. ("Gourmet House") which also operates "Brasserie 9" (located at the Asiatique River Front), a fine dining French restaurant and "Al Saray", a fine dining Lebanese and Indian restaurant (located at Bangkok Hospital).

- *Cargo Services*

BFS Cargo provides international cargo terminal services at the Suvarnabhumi International Airport. Our joint venture partner, WFS, a global independent cargo handler. WFS provides certain management services to BFS Cargo include monitoring and evaluating the quality of the operational services, marketing the services and facilities of BFS Cargo, developing controls and best practice for operating costs, maintaining and administering all agreements of BFS Cargo, including the Cargo Project Agreement, and assisting in procuring relevant industry certification. The AOT granted BFS Cargo the right to operate airport cargo services under a build-transfer-operate project agreement between the AOT and BFS Cargo ("Cargo Project Agreement") for a period of 20 years from September 28, 2006. The Cargo Project Agreement covers the operation and provision of cargo services for international air cargos in the Suvarnabhumi International Airport.

BFS Cargo's facilities enable it to handle premium cargo, including perishable goods and valuable cargo, in respect of which it is able to earn higher margins. Security in BFS Cargo's facilities is important to BFS Cargo. BFS Cargo has installed 186 closed circuit televisions located throughout its facilities, and in the areas where BFS Cargo stores high value cargo, BFS Cargo's facilities are equipped with static cameras. BFS Cargo also has x-ray machines to screen for explosives and has outsourced aviation trained security personnel and security guards.

BFS Cargo is certified by the Transported Asset Protection Association and the International Organization of Standards, and as of December 31, 2014, BFS Cargo was the first and only IATA Safety Audit for Ground Operations ("ISAGO") certified provider in Thailand. BFS Cargo's cargo terminal is a 55,370 square meter facility at the Suvarnabhumi International Airport. Within BFS Cargo's facilities, it has a 39,744 square meter cargo warehouse comprising a 16,000 square meter cold storage area with four direct loading bays, a 120 square meter secured storage area with an enclosed steel vault and biometric access control for valuables, a dedicated ventilated area for livestock and a 120 square meter room to store hazardous cargo. The capacity of BFS Cargo's cargo facility is 550,000 tons per annum.

This table shows weight of handled cargo and cargo tonnage for the period specified.

	As of 31 December	
	2014	2013
Weight of handled cargo (Ton)	371,550	349,935
Cargo tonnage (Ton per year)	550,000	550,000
Utilization (percentage)	67.5	63.6

As of December 31, 2014, BFS Cargo had over 50 customers, and its principal customers (other than us) include Qatar Airways, and Qantas Airways. BFS Cargo's cargo terminal service contracts are typically for terms of two to three years and are typically priced in Thai Baht.

BFS Cargo's principal competitor for its international cargo terminal services is Thai Airways.

3. Airport Businesses

The Company owns and operates 3 airports which are the Samui Airport, Trat Airport and Sukhothai Airport.

3.1 Samui Airport

The Samui Airport is our most important airport in terms of passenger traffic and contribution to income. We commenced operations at the Samui Airport in 1989 as the only privately-owned public airport in Thailand. We commenced operations with the Samui Airport Incorporation License.

In 2005, we completed an extension to the airport which now allows the airport to handle up to 16,000 passengers per day and six million passengers annually. In 2014, the Samui Airport served approximately 1.8 million passengers and 22,250 flights.

This tables shows flights into the Samui Airport as of December 2014, with details as follow

	Flights per day
Bangkok Airways	32
Thai Airways	2
Silk Air	1
Firefly	4 [1]

Remark: [1] Flights per week

The Samui Airport operates 16 hours a day. The total area of the airport's premises is approximately 600 rai. The airport has one operating runway, with a length of 2,100 meters. The Samui airport has four taxiways with an area of approximately 28,000 square meters.

The airport can accommodate ATR 72-500, Airbus A319 and Boeing 737-400 aircraft, as well as business and private jets

In November 24, 2014, The Thai Department of Civil Aviation, based on the approved Environmental impact assessment by the Office of Environmental Policy and Planning, permitted to increase number of flights in and out Samui Airport from 36 flights to 50 flights per day.

The airport has six terminals, which cover an area of 12,113 square meters, of which 1,939 square meters is commercial space. Within the arrival terminal, there are eight immigration officers on duty for 16 hours a day.

In November 2006, we leased the assets of the Samui Airport to the Samui Property Fund for a period of 30 years from November 24, 2006 in accordance with the terms of the Long-Term Lease Agreement. Under the Long-Term Lease Agreement, we have agreed to, at our expense, among others, maintain the general environment of the Samui Airport and perform required marketing activities.

The Company continues to act as the operator of the Samui Airport in accordance with the terms and conditions under the Sub-lease Agreement and the service agreement dated November 24, 2006 (the "Service Agreement"). Under the Sub-lease Agreement, the Samui Property Fund sub-leased the Samui Airport to us for a three year term, renewable for up to nine additional three year terms upon agreement by both parties. Accordingly, we have the ability to sub-lease the Samui Airport for aggregate term of not exceeding 30 years. Under the Service Agreement, the Company agrees to provide services relating to equipment, machinery and other systems (such as equipment for maintenance of runway, communication system and other systems) in the Samui Airport to the Samui Property Fund for a period of 30 years from the date of the Service Agreement. The Company also agrees to pay to the Samui Property Fund, (i) rent in an amount of THB26.1 million per month and (ii) a service fee, which consists of a fixed service fee in the amount of THB21.4 million and a variable service fee in an amount calculated based on the formula specified in the Service Agreement. Such formula is based on several factors, including the number of the departing passengers and the aircraft (excluding the rent of commercial areas within the Samui Airport).

Major revenues of the Samui Airport are obtained from passenger service charges, aircraft landing fee, aircraft parking fee and ground handling services fee charged to other airlines operating at the airport, and the rent of commercial areas within the Samui Airport.

Since we granted PGGS the right to provide ground services for other airlines at the Samui Airport, revenues from ground service charges provided to other airlines will not be directly paid to us. Instead, we obtain revenue from granting PGGS such rights. A substantial portion of our revenue from the Samui Airport operation will be paid to the Samui Property Fund as rent, fixed service fee and variable service fee and they will in turn be paid to us as dividend income because we hold a 25.0% ownership interest in the Samui Property Fund.

3.2 Trat Airport

We commenced operations at the Trat Airport in 2006 under the Trat Airport Incorporation License which is valid until March 14, 2016. On March 11, 2013, the Ministry of Finance announced the Trat Airport as a Custom Inspection and Quarantine Airport.

Trat is located 387 kilometers east of Bangkok and is closest town to the Cambodian border. We are the only airline that flies into Trat. In 2014, we carried approximately 72,689 passengers to and from the Trat Airport. We operate three flights a day in and out of Trat. Trat Airport operates 13 hours and can handle up to 3,640 passengers per day. The total area of the airport's premises is approximately 1,300 rai. The airport has one operating runway with a length of 1,800 meters and a capacity of 52 flights per day, although its current traffic movement does not exceed three flights per day.

Construction of aircraft parking bay is in progress, with an area of approximately 4,800 square meters. The first phase of the construction would expand the aircraft parking bay to accommodate two aircraft. The airport has one terminal which covers an area of 2,560 square meters, of which 1,250 square meters is commercial space.

3.3 Sukhothai Airport

We commenced operations at the Sukhothai Airport in 1998. Sukhothai is located 440 kilometers north of Bangkok. Approximately 600,000 people live in the town. Old Sukhothai, which is located 12 kilometers west, has been a UNESCO World Heritage site since 1991. In 2014, we served approximately 48,252 passengers and we are the only airline that flies into Sukhothai. We operate two flights a day in and out of Sukhothai.

The Sukhothai Airport operates 12 hours and can handle up to 3,360 passengers per day. The total area of the airport's premises is approximately 1,018 rai. The airport has one operating runway with a length of 2,100 meters and a capacity of four air traffic movements per hour or 48 flights per day. The Sukhothai Airport has one taxiway, which covers 3,870 square meters and two operative aprons, with an area of approximately 9,975 square meters. The airport has two terminals which cover an area of 1,026 square meters, of which 784 square meters is commercial space.

3. Marketing and Competition

Marketing

1. Promoting Passenger Experience

We are committed to enhancing our passenger experience by providing them with premium, quality services, including the use of complimentary lounges at the airports, friendly and passenger-focused service, a modern and fuel efficient fleet of aircraft and cultural and leisure destinations.

We distinguish our passenger experience with complimentary lounges for all passengers. Our economy class lounges offer our passengers free snacks, beverages and Internet access. We also operate separate business class lounges, or Blue Ribbon lounges, to service our business class passengers. Our Blue Ribbon lounges offer hot meals, shower rooms, library rooms and Internet access.

To provide the highest quality customer service, we employ staff who have English proficiency, friendly, and professional. Staffs are selected through a rigorous recruitment process, which is followed by extensive and ongoing training and performance management activities. We specifically budget for training for each customer service personnel every year to ensure staffs are fully prepared to assist passengers effectively and efficiently.

2. Advertising and Marketing

We believe that Thailand's popularity as a tourist destination has historically provided us with a competitive advantage. Our marketing efforts have historically emphasized the unique appeal of Thai culture, including the attributes of hospitality and friendliness, with the goal of enhancing our positioning as a boutique airline and building a strong reputation of quality personal service.

Our expenditure on marketing relates primarily to media advertising, support to tour operators and travel agents. We advertise mainly through our Internet website, social media, international and domestic trade fairs, outdoor billboards, newspapers and television and radio commercials.

While our marketing efforts focus on destinations within Thailand and Southeast Asia, through our code-share and other cooperative arrangements and our general sales agents and marketing offices located in various locations internationally, we are also able to reach international passengers connecting domestically and regionally to the destinations we serve.

3. Pricing and Revenue Management

Our business is impacted by the number of passengers flown and the fares charged. We have implemented a revenue management system to maximize revenues by flight, by market and across our entire operations. Revenue management is an integrated set of business processes used to calculate the optimal pricing and seat inventory for premium and budget passengers to maximize revenue generated by the sale of tickets based on forecasting of demand behavior for each market.

Through our current revenue management system, we seek to maximize revenue per flight by optimizing allocation of seat inventory in the fare classes. We have a multiple pricing structure to meet the varying demands of each market segment. Certain of our aircraft cabins are physically divided into business and economy cabins and virtually divided into 16 fare sub-classes. We determine the number of seats offered at each fare through a continual process of competitive analysis, being one of the most critical processes in revenue management, forecasting and optimization. Booking history and seasonal trends are used to forecast anticipated demand. We use historical forecasts, combined with current bookings, upcoming events, competitive pressures and other factors to establish a fare structure to maximize revenues.

We use AirVision Revenue Manager, a revenue management system developed by Sabre Inc. This system uses forecasting and optimization models to rapidly analyze economic tradeoffs required to determine the number of seats offered at each fare, which enables us to maximize revenues from existing capacity. We have implemented this system with respect to all of our international and domestic routes since 2008.

We actively manage passenger yields through our marketing and sales policies to maximize passenger revenues. Among other measures, we seek to increase passenger revenues by:

- simplifying the pricing structures and at the same time, introducing pricing policies at each point of sale to match the characteristic of each point of sale and channel in order to maximize yield and minimize revenue dilution;

- introducing automated ticketing to prevent revenue losses due to human error and increase revenue from optional service fees such as excess baggage fees;
- employing marketing initiatives in high-yield markets such as Samui and Siem Reap;
- optimizing seat allocation within each booking category according to fare classes and forecasted demand based on historical data for each route (such as by allocating fewer lowerfare seats for routes with higher expected demand); and
- optimizing priority allocation to passengers based on forecast demand to maximize revenue on a network basis rather than on an individual sector basis.

Like most other airlines, we overbook some flights to account for no-shows. Our overbooking percentage varies route by route and depends on historical rates of no-shows and late cancellation.

4. Maintaining frequent customers by FlyerBonus

Since its establishment in 2005, our frequent flyer program, FlyerBonus, has played a key role in our marketing strategy and is one of our principal means of creating and retaining customer loyalty. FlyerBonus has two membership tiers: regular and premier. We believe our frequent flyer program promotes loyalty by offering fare redemption for continued patronage. Members can earn mileage credits on our flights and with all of our code-share partners. We occasionally also offer double or triple point FlyerBonus promotions to promote our new routes. Mileage credits can be redeemed for free, discounted or upgraded travel on our flights or exchanged for certain goods sold through in-flight sales. FlyerBonus also has more than 30 travel partners, including all of our code-share partners, financial institutions, car rental companies and local and international hotel chains, allowing members to earn miles through everyday spending, car rentals and hotel stays.

FlyerBonus generates revenue through repeat ticket sales on our flights and stimulates interline sales with our airline partners through the members' ability to earn miles on our airline partners' frequent-flyer programs. We also earn revenue through redemption seating purchased by our airline partners when members of their frequent flyer programs redeem miles for flights on Bangkok Airways. The aggregate number of seats available for redemption seating purchased by FlyerBonus members is controlled by flight and class, as part of our efforts to maximize total yield. Air miles expire if they are unused for three years.

5. Our target customers

Our target customers are primarily tourists, as we believe that we are well-positioned to benefit from the growth of tourism in Thailand. Our boutique business model provides extra amenities to our customers such as lounge services without charging additional cost, while also supporting our ability to maintain full service fares, which we believe differentiates us from our competitors. Our passenger base consists of primarily international passengers, and still continue to increase continuously. Our domestic passenger base concurrently to benefit from the expanding domestic passenger market and to minimize our dependence on international passengers.

6. Sales and Distribution

We have two principal distribution channels: direct sales through our sales offices, call centers and website, and indirect sales

1. Direct sales

Direct sales are made at sales offices, ticket counters, airport counters, call centers and on our website.

(1) Sales offices, ticket counters and airport counters.

We operated an aggregate of 33 sales offices via 50 selling agents located in Canada, Australia, Europe, Thailand, Singapore, Hong Kong, Cambodia, Laos and Myanmar. We also sell tickets at our ticket counters located in the airports which we serve. These sales offices, ticket counters and airport counters allow guests to walk in to make or change reservations and settle payments either in cash or by using a credit or debit card

(2) Call Centers

We offer our customers the ability to reserve their seats 24-hours a day by calling a telephone number 1771. Guests may settle payment of their call center bookings by using a credit card, or by mobile phones, other similar services, as well as certain convenience shops throughout Thailand.

(3) Internet.

We rely on our website, http://www.bangkokair.com, for our Internet sales. Online bookings are paid for by credit card or direct debit, reducing credit risk and accounting processes. This also improves our operating cash flows as all revenues from Internet sales are received directly by our acquiring bank for crediting to our account. In 2010, we upgraded our website to increase Internet sales and reduce agency commissions. We also revamped the layout to be more sales-focused with more prominent fares and promotional displays. Use of the Internet to make flight reservations increased to 26.9% and 26.3% in 2013 and 2014, respectively. The Internet has become our least expensive distribution channel as it requires lower overhead and operating costs.

2. *Indirect sales*

We generally appoint general sales agents in locations inside and outside Thailand in order to reach a broader customer base. We have general sales agents in various locations including the United States, Canada, Australia and Europe. General sales agents perform similar functions to our own sale offices, including marketing, promotional functions and ticket sales. General sales agents are particularly important for code-share flights arriving from international destinations to connect to our domestic and regional flights.

IATA-authorized sales agents may also sell tickets on our flights. We became a member of the IATA BSP in the year 2000, we had established relationships with over 40 countries around the world to sell our tickets through IATA-authorized sales agents. Payments for tickets sold through IATA-authorized

Sales agents are typically settled via a bank settlement plan administered by IATA. The services that travel agents provide are particularly useful for travelers who do not have Internet access and/or credit cards, especially in rural remote areas of Thailand or in other developing countries.

Risk Factors

1. Risks Relating to Our Business

Our business, financial condition, results of operation and prospects are materially and adversely affected by the cost or unavailability of sufficient quantities of fuel.

Aircraft fuel costs represent the largest component of our cost of sales and services, comprising 27.7% and 29.7% of our total consolidated cost of sales and services in 2012, 2013 and 2014, respectively. As jet fuel constitutes a substantial portion of our operating costs, a relatively small increase in fuel costs can have negative effect on our operating costs. Jet fuel prices are subject to wide fluctuations, and within the last five years jet fuel spot prices have ranged from a high ofUS$140.99 per barrel on April 8, 2011 to a low of US$47.32 per barrel on March 12, 2009. As of December 31, 2014,the spot price of jet fuel was US$70.38 per barrel, according to MOPS. In the event of a jet fuel supply shortage, higher jet fuel prices or the curtailment of our scheduled service could result. We enter into jet fuel derivative contracts to manage our risks resulting from future changes in jet fuel prices. As of December 31, 2014 we have entered into hedging contracts for approximately 58.6% of our forecast jet fuel requirements until December 31,2015. However, we cannot assure you that our fuel hedging program will be sufficient to protect us against increases in the price of fuel. Additionally, we are also exposed to potential losses from our hedging activities.

We rely mainly on PTT Public Company Limited ("PTT") and the Shell Company of Thailand Ltd. ("Shell Thailand") for our jet fuel requirements. In 2013 and 2014, 68.1% and 68.7%, respectively, of our aircraft fuel expenses were the result of purchases of jet fuel from PTT and 26.5% and 26.2%, respectively, were from Shell Thailand. Any decline in the availability of adequate supplies of fuel and/or any increase in the cost of fuel would have a material adverse effect on our costs and on our business, financial condition, results of operation and prospects.

Our business, financial condition, results of operation and prospects have been in the past and could be in the future materially and adversely affected in the event of an emergency, accident or incident involving any of our aircraft.

We are exposed to potential significant losses in the event that any of our aircraft is lost or subject to an emergency, accident, terrorist incident or other disaster and we incur significant costs related to passenger claims, repairs or replacement of a damaged aircraft and its temporary or permanent loss from service.

We cannot assure you that we will not be involved in any similar or other more serious events, including one where injuries or death occur, in the future. We cannot assure you that the amount of our insurance coverage will be adequate to cover the losses or damages from any future accidents or incidents.

Changes in code-share agreements with other airlines may have a material adverse effect on our business, financial condition, results of operation and prospects.

As of December 31, 2014, we had code-share agreements in place with 16 airlines. We also generally enjoy positive interline balances with our code-share airlines. We expect more reliance on our code-share arrangements. However, we cannot assure you that we will not be adversely affected by any future changes in our relationships with our code-share airlines. Moreover, certain of our code-share agreements can be terminated with 30-days written notice, without cause, or immediately, with cause. Any unexpected or premature termination of our code-share agreements may have adverse effect on our business, financial condition, results of operation and prospects.

The intense competition in the airline industry along with competition from other forms of transportation could materially and adversely affect our business, financial condition, results of operation and prospects.

We have faced a high level of competition on our domestic and international routes. Airlines compete primarily on fare levels, frequency, reliability of service, brand recognition, passenger amenities, frequent flyer programs and the availability and convenience of other passenger services. In addition, some of the airlines with which we compete are larger and may have greater brand recognition, financial resources and penetration in key markets, including Thailand. They may be in a better position to operate unprofitable routes for a longer period of time than us.

Our competition for our scheduled passenger services include other full-service operators, low-cost operators and other forms of transportation. We face competition on our principal domestic routes primarily from carriers such as Thai Airways, Thai AirAsia, NOK Air, Thai Smile and Thai Lion Air. In addition, additional carriers may desire to fly in and out of Samui in the future. The intensity of competition varies from route to route. We cannot assure you that our competitors will not engage in price cutting or other activities in an attempt to shift market share, which may have adverse effect on our business, financial condition, results of operation and prospects.

Our airline and airport businesses are heavily dependent on travel to Thailand and the broader Southeast Asian markets, by Thai, regional and European passengers, and a reduction in demand for air travel in these markets may have a material adverse effect on our business, financial condition, results of operation and prospects.

The airline business is our core business, contributing 80.8% and 80.7% of our total consolidated revenues in 2013 and 2014, respectively. It comprises air transport services for passengers domestically and internationally. Our growth has focused and will continue to focus on adding domestic and international flights to and from our operations at the Suvarnabhumi International Airport,Samui Airport and Chiang Mai Airport. Our business, financial condition, results of operation and prospects would be affected by any circumstances causing a reduction in demand for air transportation in Thailand, including adverse changes in local economic conditions, declining interests in Thailand as a tourist destination, or significant price increases as a result of increases in airport access costs and fees imposed on passengers.

We believe that a substantial majority of our passenger traffic on our airline and at our airports comprises tourists attracted by Thailand's appeal as a tourist destination. Accordingly, we are dependent on the health of the Thai tourism industry. We have experienced a significant decline in international passenger traffic by a number of political demonstrations and strikes as well as reports of violence in certain areas of Bangkok. Our business is adversely affected by any circumstances causing deterioration in Thailand's appeal as a tourist destination, such as continued internal political instability, adverse changes in international economic conditions. We cannot assure you that we will be able to take any preventive measures to mitigate potential negative impacts to our operations. Moreover, as some of our interline passengers originate from Europe, any negative external factors affecting travel from Europe could have adverse effect on our business, financial condition, results of operation and prospects.

Our subsidiary and associated companies have been granted concessions to provide airline related services in the Suvarnabhumi International Airport.

Our subsidiary and associated companies have entered into project agreements with the AOT to provide airport-related services at the Suvarnabhumi International Airport, including cargo terminal services, ground services and in-flight catering services, with a term of 20 years, expiring September 27, 2026. BFS Ground and BAC contributed 7.3% and 4.5%, respectively, to our consolidated revenue in 2013 and 6.6% and 4.3%, respectively, to our consolidated revenue for 2014. We cannot guarantee you that one or more of our project agreements will not be terminated before their expiration. If our subsidiary and associated companies are unable to renew or extend their project agreements upon expiration or termination, our subsidiary and associated companies will lose their rights to operate the relevant businesses resulting in our loss of revenue stream resulting from such business, which will have adverse effect on our business, financial condition, results of operation and prospects.

Compliance with environmental laws and regulations may affect our existing and future operations and result in additional costs.

The airline industry is subject to environmental laws and regulations and will likely be subject to more stringent environmental laws and regulations in the future. These environmental laws and regulations relate to, among other issues, aircraft noise, the use and handling of hazardous materials, air emissions and environmental contamination clean-up. Several countries have issued a number of environment-related directives and other regulations including regulations relating to aircraft noise, exhaust and age. Further, environmental regulations, especially those with respect to noise and air pollution, have evolved rapidly and are expected to continue to evolve in ways that may require the termination of use of certain models of aircraft if they do not conform to the regulations. These requirements impose substantial ongoing compliance costs and operational restrictions on airlines, particularly as new aircraft brought into service will have to meet the environmental requirements during their entire service life. Compliance with these laws and regulations could increase our expenses or restrict our ability to continue to expand some of our operations.

Our maintenance costs will increase as our fleet ages.

The average age of our aircraft was 8.8 years as of December 31, 2014. Generally, the cost of maintaining aging aircraft will exceed the cost of maintaining newer aircraft. As our fleet continues to age, it will require more maintenance and our maintenance expenses will increase on an absolute basis, on an available seat kilometer basis and as a percentage of our operating expenses (provided our other operating expenses remain constant). Any significant increase in maintenance expenses will have an adverse effect on our business, financial condition, results of operation and prospects. Older aircraft typically feature older cabin products, and generally require more frequent maintenance, which may result in disruptions of flight schedules, and generally affect customer satisfaction and perceptions of our airline, each of which may generally reduce our competitiveness.

We may incur a significant amount of debt in the future to finance the acquisition of aircraft, capital expenditure or expansion plans.

We have historically leased most of our aircraft pursuant to operating lease arrangements. However, we may consider purchasing a portion of our aircraft requirements in the future. On February 12, 2014, we entered into a sale and purchase agreement for nine new ATR 72-600 aircrafts, and the delivery of the total nine aircraft is scheduled for between the last quarter of 2014 and the first quarter of 2017. We are likely to require financing and incur significant amounts of debt to fund such acquisitions. If we are unable to obtain such financing, we will remain obligated to take delivery of the nine aircrafts and will be required to finance through alternative funding sources or renegotiate with the vendor or default under the sale and purchase agreement. We may also obtain debt financing to finance our operations. If we are unable to obtain financing for new aircraft on acceptable terms, this may affect our profitability and delay our fleet expansion plans. Moreover, our future credit facilities may contain covenants that limit our operating and financing activities and require the creation of security interests over our assets. Our ability to meet our payment obligations and to fund planned capital expenditures will depend on the success of our business strategy and our ability to generate sufficient revenues to satisfy our obligations, which are subject to many uncertainties and contingencies beyond our control

We may not be successful in implementing our business strategy

Our business strategy involves increasing the number of our aircraft, increasing the frequency of our flights to destinations we currently serve, expanding the number of destinations we serve and that is part of our extended code-share network and stimulating growth in the markets that we serve. Achieving our business strategy is critical to the success of the Company.

Increasing the number of destinations that we serve depends on our ability to obtain suitable landing slots in airports located in our targeted markets in a manner that is consistent with our strategy. We need to obtain air traffic rights and airport landing slots before we can commence services to new destinations. Increasing the number of destinations, increasing the frequency to the destinations that we currently serve depends on our ability to obtain additional departure and landing slots in such destinations, including at the Suvarnabhumi International Airport, Samui Airport, Chiang Mai Airport, and other Airports where we operate flights. Any failure to obtain these traffic rights, airport departure and landing slots or approvals, to add additional code-share arrangements, or to add additional departure and landing slots may have adverse effect on our business, financial condition, results of operation and prospects.

We expect a number of planned future destinations. Adding service to new destinations may require us to commit a substantial amount of financial and other resources, even before the new service commences, and we may initially experience low load factors and be required to offer promotional fares to new destinations, which will adversely affect the profitability of these new destinations. In addition, we plan to expand our total fleet size to 43 by December 31, 2018. If we are unable to successfully implement our business strategy, we may have to delay or cancel the scheduled deliveries of these aircrafts, subject to applicable break fees, which may affect our business, financial condition, results of operation and prospects.

Other factors that may have an impact on our business strategy include:

- the general condition of the Thai, Asian and global economies and the global capital markets;
- demand for regional air transportation;
- barriers to entry into the Thai and Southeast Asian aviation market;
- our ability to operate and manage a larger operation cost-effectively;
- our ability to acquire additional licenses and traffic rights to our targeted geographical markets in order to expand our route portfolio;
- our ability to hire, train and retain sufficient numbers of pilots, cabin crew and engineers for our aircraft;
- our ability to source and take delivery of aircraft on a timely basis; and
- our ability to obtain the financing necessary to pay for expansion at cost-effective rates.

Many of these factors are beyond our control. We cannot assure you that we will be able to successfully expand within our existing markets or establish new markets, and any failure to successfully implement our business strategy may have a material adverse effect on our business, financial condition, results of operation and prospects.

Our ability to set fares on certain segments of our business is constrained by fare ceilings set by the Government.

As an airline company, we are regulated by the Government through, among others, the DCA. The DCA is the regulatory authority responsible for regulating the Thai aviation sector. The DCA issues operating licenses required for our flight operations, sets price caps for airfares on domestic passenger services sold in Thailand, regulates fuel surcharges for scheduled domestic passenger and cargo services and agrees international bilateral air service agreements with other countries. Our domestic fares are subject to fare ceilings prescribed by the DCA. Our revenue from domestic passenger services accounted for 63.3% and 60.9% of our revenues from passenger services in 2013 and the 2014, respectively. Any adverse changes in these policies, in addition to other regulations and policies governing airline operations, could have adverse effect on our business, financial condition, results of operation and prospects.

Fluctuations in currency exchange rates may have an adverse impact on our business, financial condition, results of operation and prospects.

Due to the geographic diversity of our business, we receive revenue and incur expenses in a variety of currencies, in particular the Thai Baht, and U.S. Dollar. However, most of our maintenance, aircraft leasing, jet fuel supply, insurance contracts and substantially all of our purchase contracts with respect to aircraft spares are denominated in U.S. Dollars. A number of currencies, have experienced significant volatility, which could be detrimental depending on our foreign exchange position with respect to both our income and expenses. We may, in the future, enter into derivative contracts to hedge our foreign exchange exposure. However, we cannot assure you that such hedges will be available or commercially viable or effective to hedge our exposure to foreign currency risks.

We may enter into U.S. Dollar commitments in the future, including in relation to future purchases of aircraft. Therefore, any depreciation in the Thai Baht against these foreign currencies would increase our obligations. There can be no assurance that we would be able to generate revenue increases sufficient to offset such increased obligations. As a result, fluctuations in the value of the Thai Baht against other foreign currencies may affect our business, financial condition, results of operations and prospects.

We are exposed to certain risks against which we do not insure, and may have difficulty obtaining insurance on commercially acceptable terms or at all.

Insurance is fundamental to airline and airport operations. As a result of terrorist attacks or other world events, certain aviation insurance could become unavailable or available only for reduced amounts of coverage that are insufficient to comply with the levels of coverage required by our aircraft lessors or applicable government regulations. Any inability to obtain insurance, on commercially acceptable terms or at all, for our general operations or specific assets would have a material adverse effect on our business, financial condition, results of operation and prospects.

We cannot assure you that our coverage will cover actual losses incurred. To the extent that actual losses incurred by us exceed the amount insured, we could have to bear substantial losses which may have adverse effect on our business, financial condition, results of operation and prospects. In line with industry practice, we leave some business risks uninsured, including business interruptions, loss of profit or revenue. To the extent that uninsured risks materialize, our business, financial condition, results of operation and prospects could be materially and adversely affected.

2. Risk Relating to the Aviation Industry

The airline industry tends to experience adverse financial performance during general economic downturns.

It is difficult to predict the effects of a global economic downturn. The airline industry is characterized by low profit margins and high fixed costs. A significant proportion of our expenses, including depreciation, maintenance and overhaul, aircraft handling and navigation fees, finance costs, operating lease payments and labor costs for flight deck and cabin crew and ground personnel do not vary based on our load factors, while revenue generated from a flight is directly related to the number of passengers or cargo carried and the fare structure. A change in the number of passengers in relevant markets or in pricing, load factors, or traffic mix could have a disproportionate impact on our business, financial condition, results of operation and prospects. In addition, a minor shortfall in expected revenue levels could have adverse effect on our financial performance.

Limitations of Bangkok's airports and other Thai airports may inhibit our ability to increase our aircraft utilization rates, improve our on-time performance and provide safe and efficient air transportation.

Although Thailand's commercial aviation infrastructure has improved substantially with the opening of the Suvarnabhumi International Airport in September 2006 and the re-opening of Don Mueang International Airport to domestic flights in March 2007, the resources of many segments of the commercial airline industry, including airport facilities and air traffic control systems, have been strained by the rapid increase in air traffic volume. Our ability to increase utilization rates, improve our on-time performance and provide safe and efficient air transportation in the future depends in part on factors beyond our control, including:

- capacity of landing slots, passenger capacity at terminals and air traffic congestion in major hub airports that we serve, particularly at the Suvarnabhumi International Airport in Bangkok and the Phuket Airport;
- the quality of the management of Thai airports by the relevant operator;
- the quality of national air traffic control;
- the quality of navigational systems and ground control operations at Thai airports;
- limitations on runway length and/or strength which restrict our aircraft payload;
- the quality of infrastructure at regional airports that we serve; and
- any increased security measures.

If any of these factors is inadequate, our ability to expand our route network or to increase the frequency of flights on our existing routes, improve our on-time performance and to provide safe air transportation will be compromised, and our business, financial condition, results of operation and prospects may be adversely affected.

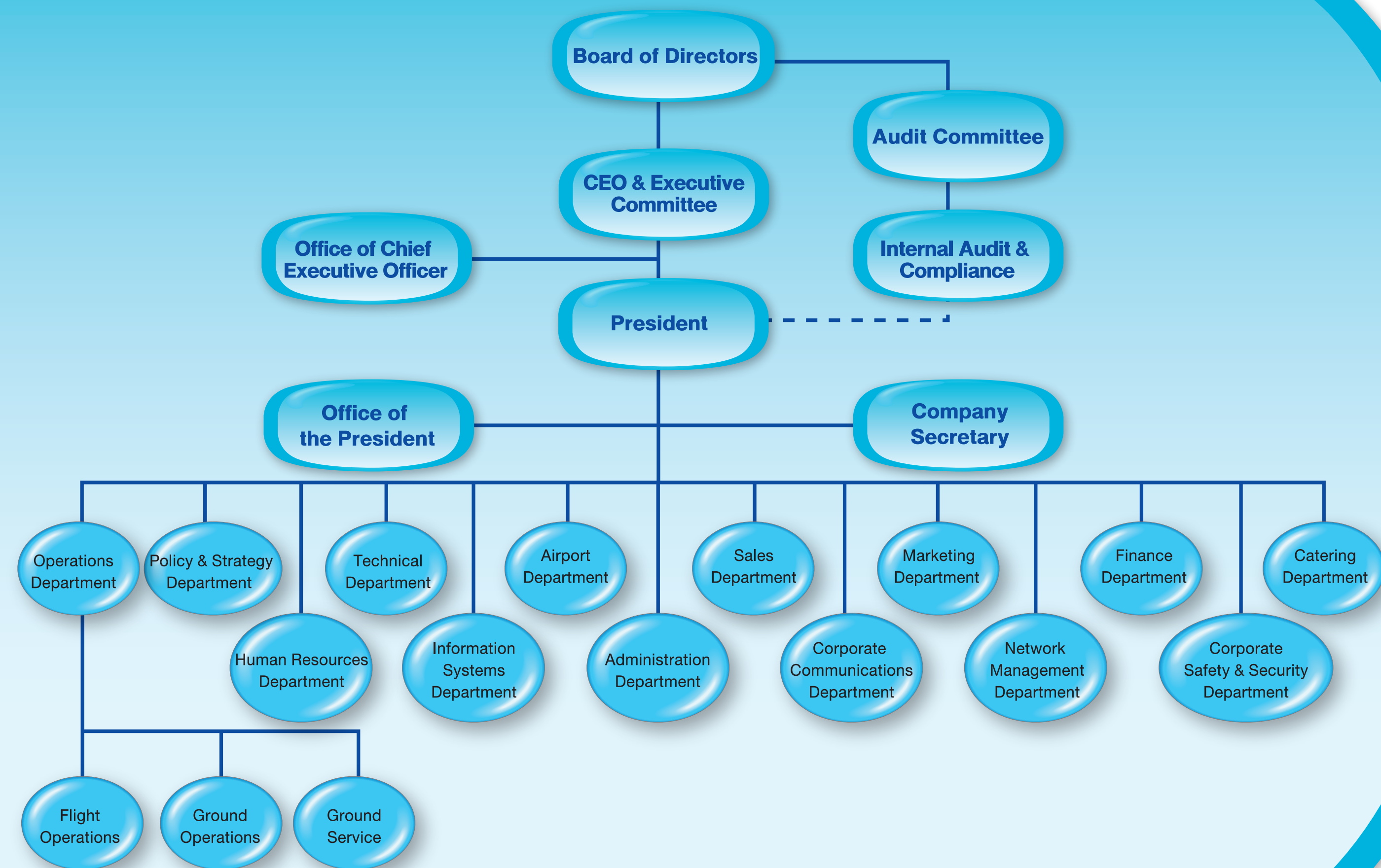
The airline industry is exposed to extraneous events such as terrorist attacks, outbreak of contagious diseases and extreme weather conditions.

Terrorist attacks, such as those on September 11, 2001, and their aftermath had a negative impact on the airline industry. The effects experienced by the airline industry include increased security and insurance costs, increased concerns about future terrorist attacks, airport shutdowns, flight cancellations and delays due to security breaches and perceived safety threats, and reduced passenger traffic and yields due to the subsequent drop in demand for air travel globally. Terrorist attacks, or the fear of such attacks, or otherworld events could result in decreased passenger load factors and yields and could also result in increased costs for the airline industry, including us. If any similar events or circumstances occur in the future, our business financial condition, results of operation and prospects could be adversely affected.

An outbreak of Severe Acute Respiratory Syndrome (SARS), the Influenza A H1N1 virus, avian flu, or another contagious disease with the potential to become a pandemic or the measures taken by the governments of affected countries against such potential outbreaks could also disrupt our operations, which could have an adverse effect on our business, financial condition, results of operation and prospects.

During the typhoon season or periods of other adverse weather conditions in Thailand or elsewhere, flights may be cancelled or significantly delayed. Thailand has experienced a number of major natural catastrophes over the years, including tsunamis and floods. If we delay or cancel flights for extreme weather conditions, our revenues and profits will be reduced and, notwithstanding that these events are beyond our control, passengers may blame us for such delays and cancellations. We could suffer a loss to our reputation, which could result in a loss of customers and adversely affect our business, financial condition, results of operation and prospects. In addition, adverse weather conditions in other countries or regions which feed passengers onto our route network could adversely affect the number of passengers on our flights.

Organization chart



Management Structure

The management structure of the Company is composed of the Company's Board of Directors and 2 sub-committees: the Audit Committee and the Executive Committee

1. The Board of Directors of the Company

As of December 31, 2014 our Board of Directors are as follows:

Names	Position	Remark
1. Air Chief Marshal Kaset Rochananil	Chairman	Non-executive Director
2. Mr. Prasert Prasarttong-Osoth	Vice Chairman/ Chairman of Executive Committee	Executive Director
3. Mr. Puttipong Prasarttong-Osoth	Director/Member of Executive Committee	Executive Director
4. Pol.Lt.Gen. Visanu Prasarttong-Osoth	Director	Non-executive Director
5. Mr. Pradit Theekakul	Director/Member of Executive Committee	Executive Director
6. Mr. Sripop Sarasas	Director/Independent Director/ Chairman of Audit Committee	Non-executive Director
7. General Vichit Yathip	Director/Independent Director/ Member of Audit Committee	Non-executive Director
8. Mr. James Patrick Rooney	Director / Independent Director/ Member of Audit Committee	Non-executive Director
9. Mrs. Narumol Noi-am	Director	Non-executive Director

Scope of Duties and Responsibilities of the Board of Directors

Policy and Governance

1. The Board of Directors shall perform duties using their knowledge and expertise for the benefit of the Company in accordance with the Company's Articles of Association and resolutions of the shareholders' meeting. Directors are authorized to perform actions indicated in the Comapany's Memorandum of Associateion, the Public Company Act and relevant laws.
2. Comply with the provisions and the good practices of listed company directors of the Stock Exchange of Thailand.
3. Determine policies and apprive matters related to the gernernal operation of the Company, such as vision, business direction, strategies, business plan, annual budgets, investment plan, and make financial decisions.
4. Monitor the operational results of the Company in order to ensure consistency with established goals and plans.
5. Procure policies on corperate governance in writing and approve such policies. The Board of Directors shall review such policies and their compliance consistently, at lease once a year.
6. Encourage the determination of code of conduct in writing in order to ensure that all directors, executive officers and employees understain ethic standard used in the Company's business operation and strictly monitor the compliance of such code of conduct.

Financial

1. Set up a reliable financial report and account audit system.
2. Procure the preparation of the Company's statement of financial position and profit and loss statement forthe approval of the Annual Genaeral Meeting of the shareholders. The Board of Directors shall engage the auditors to audit such statement of financial position and profit and loss statement prior to the proposal to the shareholders

Internal Control, Internal Audit and Risk Management

1. Put in place an appropriate internal control and internal audit system by procuring the independent personnelor working unit who is responsible for the inspection of such system and review the internal control system at least once a year.
2. Set up policies on risk managment to manage and control all risks convering the organization.
3. Review or evaluate the effiecttiveness of the internal control system and the risk managment at least once a year.

Human Resources

With respect to the Directors

1. Filter the list of cadidates to be appointed as the Company's directors to propose for the shareholders' approval.
2. Consider forms and rules concerning the payment of remuneration of directors and sub-committees to propose for the shareholders' approval.

With respect to Chief Executive Officer and President

1. Approve the appropriate qualifications, methods and rules of the selection, including forms and rules of the payment of remuneration regarding Chief Executive Officer and President.
2. Approve rules and procedures for the evaluation of performances and results of the performances of Chief Executive Officer and President.
3. Approve the determination of the annual remuneration for Chief Executive Officer and President.

With respect to Organizational Structure, Salary Adjustment and Executive Succession Plan

1. Approve the upper-level organizational structure, including scope of duties, authorities and repsonsibilities of the management of such level.
2. Approve the pay scale and the criteria for the annual salary adjustment.
3. Approve the executive succession plan for the positions of Chief Executive Officer and President.

Management of Conflict of Interest

1. Supervise and monitor to ensure the complete compliance with laws and the Stock Exchange of Thailand's regulations in relation to procedures of actions and disclosures for the conflict of interest transactions.
2. Report to the Company on any conflicts of interests, which pertain to the management of the Company or subsidiaries, of oneself or related persons. For transparency, such transactions are to be reported to the Board of Directors whenever there is a change.
3. On the date on which the independent directors accept the appointment and every year afterwards, the independent directors shall submit a confirmation letter to the Company to ascertin thier independecy as defined by the Company.

Communication with the Shareholders

1. Provide appropriae and regular communication chanels to the shareholders and porvide transparent of disclosure of information in accordance with standards.

Investment

1. Our Board of Directors is authorized to approve any investment that does not carry an unacceptable level of risk of the Company.

2. Authorize the Executive Committee to approve investments not exceeding THB500.0 million per transaction. The Executive Committee is required to present to our Board of Directors for acknowledgment, such approval of invesment. The Executive Committee is required to present to our Board of Directors for approval, any investments in securities of entities which are connected or related to the Company or its directors or management, and any director(s) related to such entities will not attend or vote.

   On July 24, 2014, the Company's Board of Directors adopted an adjustment to the Company's investment policy with respect to securities to cap the total value of the Company's investments in securities. Under this policy, the Company's total value of investments in securities may not exceed THB1,000.0 million at any time, excluding its investments in BGH and the Samui Property Fund, as of June 30, 2014 (the calculation of the THB1,000.0 million cap will refer to the market price of the securities and include the Company's investments in BGH and the Samui Property Fund after July 30, 2014.).

Others

1. Appoint the Company's corporate secretary according securities and exchange laws.
2. Establish charters of the Board of Directors and sub-committees and approve sugesstions proposed by the sub-committees in the adjustment of the content in such charters to be updated and compatible with changing rules, regulations and circumstances.
3. Perform other duties as precribed in the notifications, regulations, acts or laws governing the Company.

The above authority duties and responsibilities shall not apply to any person with possible conflict, interest or conflict of interest in any other form with the Company or subsidiaries. Furthermore, it does not include actions in connection with the connected transactions and acquisition/sale of important assets of the listed company in accordance with the regulations of the Stock Exchange of Thailand or other related notifications. The Company must act in accordance with regulations and guidelines of the Stock Exchange of Thailand or other related notifications on the related matter. In addition, the above authority duties and responsibilities shall not include any matter that is required by the Articles of Association to be approved by the shareholders. The Executive Committee or the authorized persons by the Executive Committee shall not approve any transaction in which oneself or persons who may have the conflict of interest (as defined in the notifications of the Securities and Exchange Commission or the Capital Market Supervisory Board) may have interest or other benefits or may have conflict of interest with the Company or subsidiaries, except for the approval of transactions in accordance with policies and rules as approved by the shareholders or the Board of Directors.

2) Executive Committee of the Company

To enable the Company's operation to be efficient and timely in line with circumstances, with the best benefit of the Company, the Board of Directors appointed the Executive Committee of the Company.

As of December 31, 2014, the Executive Committee of the company consists of four following directors and executive officers with the office term of 3 years.

Names of Members of Executive Committee	Positions
1. Mr. Prasert Prasarttong-Osoth	Chairman of Executive Committee
2. Mr. Puttipong Prasarttong-Osoth	Member of Executive Committee
3. Mr. Pradit Theekakul	Member of Executive Committee
4. Mr. Anawat Leelawatwatana	Member of Executive Committee

Scope of Authorities and Duties of the Executive Committee

Policy and Governance

1. Determine vision, business direction, policies, and strategies of the Company to propose for the Board of Directors' approval.
2. Review business plan, annual budgets, annual expenses, investment plan, Corporate Social Responsibility plan, of the Company to be in line with laid down policies and strategies, and propose for the Board of Directors' approval.
3. Supervise the Company's operation to be line with the specified plans, including laws, rules and regulations of the relevant authority agencies and rules and the Articles of Association of the Company.
4. Consider the summary report of the Company's operation and propose for the Board of Directors' approval.

Financial

1. Approve capital expenditures and operating expenses, including expenses for public interest or charity, which is not included in the annual budget, for the amount not exceeding Baht100,000,000, except that expenses for the investment in real estates, i.e. lands and/or buildings, leasehold rights in lands and/or buildings, which shall be registered with the land offices, shall be apprved by the Board of Directors in any case.

   On July 24, 2014, the Company's Board of Directors adopted an adjustment to the scope of duthorities, duties and responsibilities of the Executive Committee to cover the approval of the investment and expenses in emergency in order to smooth the management of the Company. The President is authorised to pre-approve capital expenditures and operating expenses, including expenses for public interest or charity, , which is not included in the annual budget within the above specified amount and shall then propose to the Executive Committee afterwards.

2. Approve or review loan facilities made to subsidiaries within the limit of Baht100,000,000; provided that 5% of the issued and paid-up shares of such subsidiaries shall not be held by ralated persons of the Comapany, and report to the Board of Directors in the subsequent meeting.

Internal Control, Internal Audit and Risk Management

1. Ensure that the Company has an effective and appropriate operational system for internal control and the management and control of risks and comply with suggestions and comments from the Audit Committee.

Human Resources

1. Consider and review forms of oreganizational structure and the scope of authorities, duties and responsiblities of upper-level personnel (President-level) to propose for the Board of Directors' approval.
2. Approve the executive succession plan.
3. Approve the appointment, transfer or removal of executive officers (from the position of Vice President). Determine and approve the list of directors and the managing director of subsidiaries to serve as guidelines for such subsidiaries to have such list further approved according to laws and rules and regulations of each subsduary.
4. Consider and review the structure of pay scale and the pinciples of annual salary adjustment of the Company and subsidiaries (however excluding Chief Executive Officer and President) to propose for the Board of Directors' approval.

Investment

1. Authorized to approve any investment with the amount not exceeding Baht500,000,000 per transaction.
2. The Executive Committee is required to present to our Board of Directors for approval, any investments in securities of entities which are connected or related to the Company or its directors or management , and any director(s) related to such entities will not attend or vote.

Others

1. Delegate a working team to solve any problem in compliance with the Company's policies.
2. Annually review the Executive Committee's charter. If the Executive Committee views that it is neccessary to amend any content in such charter to be compatible with changing rules, regulations and circumstances, the Executive Commitee shall to further propose for the Board of Directors' approval.
3. Perfrom other dutues as assigned by the Board of Directors.

The above authority duties and responsibilities shall not apply to any person with possible conflict, interest or conflict of interest in any other form with the Company or subsidiaries. Furthermore, it does not include actions in connection with connected transactions and acquisition/sale of important assets of the listed company in accordance with the regulations of the Stock Exchange of Thailand or other related notifications. The Company must act in accordance with regulations and guidelines of the Stock Exchange of Thailand or other related notifications on the related matter. In addition, the above authority duties and responsibilities shall not include any matter that is required by the Articles of Association to be approved by the shareholders. The Executive Committee or the authorized persons by the Executive Committee shall not approve any transaction in which oneself or persons who may have the conflict of interest (as defined in the notifications of the Securities and Exchange Commission or the Capital Market Supervisory Board) may have interest or other benefits or may have conflict of interest with the Company or subsidiaries, except for the approval of transactions in accordance with policies and rules as approved by the shareholders or the Board of Directors.

3) Audit Committee

The Audit Committee of the Company consists of three independent directors, who are qualified according to the SET and the Capital Market Supervisory Board regulations. As of December 31, 2014, the Audit Committee of the Company is comprised of the following non-executive directors

Names of Members of Executive Committee	Positions
1. Mr. Sripop Sarasas	Chairman of Audit Committee
2. General Vichit Yathip	Member of Audit Committee
3. Mr. James Patrick Rooney	Member of Audit Committee

Mr. Sripop Sarasas is a member of the Audit Committee who has sufficient knowledge and experience to review the reliability of the financial statements.

In this regards, Mr. Kasem Akanesuwan is the secretary of the Audit Committee. The scope of authority, duties and responsibilities of each member of the audit committee is outlined below.

Policy and Compliance

1. The audit committee is required to review and maintain compliance with the rules and regulations of the SET securities law and the law relating to the business of the Company.

Financial

The audit committee is required to:

1. review that the Company's reports and disclose the correct and credible financial report and to cooperate with the external auditor and the management in preparing financial report which are in compliance with the prescribed period by the SET, laws and other applicable government authorities;
2. consider, select and nominate an independent auditor and to propose such auditor's remuneration, as well as to attend a non-management meeting with such auditor at least once a year; and
3. provide an independent and proper procedure for the employees to report evidence relating to unreasonable financial details.

Internal Control, Internal Audit and Risk Management

The audit committee is required to:

1. review the internal control and internal audit system and ensure that they are suitable and efficient and together with the internal and in independent external auditors and, to assess the internal audit unit's independence;
2. review evidence from internal investigations where there are suspicions that corruption has occurred or the existence of unreasonable flaws in the internal control procedure and to report these to the Board of Directors;
3. investigate the evidence where there is suspicion of violations of law or regulations of the SET, which materially affect or may materially affect the financial condition and the business operation of the Company;
4. hire or procure a professional specialist to assist in the inspection and investigation, according to the Company's regulations, in cases where there are suspicions of transactions or acts which may materially affect the financial condition and operating results;
5. approve the appointment, transfer, dismissal and evaluation of the performance of the chief of internal audit, if the Company establishes an internal audit unit. If the Company hires an internal audit company, the Audit Committee shall approve the hiring and propose the remuneration;
6. review organizational risk management and recommend an efficient and suitable risk management approach relating to business operations; and
7. review risk management reports, track potential risks and report on the adequacy of the internal control system and risk management to the Board of Directors.

Conflict of Interest Management

1. The audit committee is required to review related party transactions, or any transactions that may lead to conflicts of interest, and ensure that they are done in compliance with laws and the regulations of the SET and are reasonable and beneficial to the Company

Other

The audit committee is required to:

1. prepare and disclose in the annual report, the audit committee's report, which must include information mandated by the SET regulations and related regulations;
2. annually review the Audit Committee charter to ensure that it contains the minimum scope of operational requirements for the Audit Committee as prescribed by the regulations of the SET and to also ensure that it includes adequate support to the Audit Committee's operation, such as the hiring of a professional specialist to opine on the specific subjects which require specialized expertise. If the Audit Committee is of the opinion that the Audit Committee charter needs to be amended to be in compliance with the rules and regulations, the Audit Committee shall seek the approval of the Board of Director; and
3. to perform any other act as assigned by the Board of Directors.

The Audit Committee is accountable to the boards of directors of the Company. The office term of the chairman of the Audit Committee is three years.

4) Executive Officers

As of December 31, 2014, our executive officers consist of the following persons:

Names of Executive Officers	Positions
1. Mr. Prasert Prasarttong-Osoth	Chief Executive Officer
2. Mr. Puttipong Prasarttong-Osoth	President/Executive Vice President—Flight And Ground Operations
3. Mr. Pradit Theekakul	Executive Vice President—Administration and Board member / Senior President Office Director
4. Mr. Chirstophe Clarenc	Senior Vice President—Technical
5. Mr. Peter Wiesner	Senior Vice President—Network Management
6. M.L. Nandhika Varavarn	Vice President—Corporate Communication
7. Mrs. Ariya Prasarttong-Osoth	Vice President—Sales
8. Mr. Narongchai Tanadchangsaeng	Vice President—Airport
9. Mr. Viroj Satitharopagorn	Vice President—Accounting
10. Mr. Prote Setsuwan	Vice President—Marketing
11. Mr. Ping naThalang	Vice President—Corporate Safety
12. Wg Cdr. Saravoot Thonglek	Vice President—Flight Operations/ Acting President— Flight Operations/ Captain Flight Crew
13. Mr. Kasem Akanesuwan	Vice President—Internal Audit and Compliance
14. Ms. Kanyratana Xuto[(1)]	Vice President—Human Resources
15. Mr. Anawat Leelawatwatana	Deputy Vice President—Finance/Corporate Secretary
16. General Komkrich Sriyabhandha	Specialist—Policy and Strategy Department (Vice President)
17. Mrs. Narumon Chainaknan	Executive Secretary to CEO office (Vice President)

Remark : [(1)]Resigned from Company on Jan 31,2015

(A) Scope of Authorities, Duties and Responsibilities of Chief Executive Officer

Scope of Authorities, Duties and Responsibilities of Chief Executive Officer can be outlined as follows:

Policies and Governance

1. Jointly with the Executive Committee, supervise the determination of vision, business direction, policies, and strategies of the Company
2. Communicate vision, business direction, policies, and strategies of the Company as approved by the Board of Directors to senior executives of the Company as the outline in preparing work plans and managing business of each unit.
3. Ensure that the Company put in place business plan, annual budget plan, investment plan and Corporate Social Responsibility plan, of the Company to be in line with laid down policies and strategies. Consider such plans as propose for the Executive Committee's consideration.
4. Supervise the Company's operation to be line with the specified plans, including laws, rules and regulations of the relevant authority agencies and rules and the Articles of Association of the Company in order to achieve the targeted performances, in terms of both monetary and non-monetary.
5. Supervise the management of the Company to be transparent.

Financial

1. Approve expenses incurred according to the business approved by the Board of Directors, the Executive Committee and according to the authorization.

Internal Control, Internal Audit and Risk Management

1. Ensure that the Company has an appropriate operational system for internal control according to guidelines assigned from the Executive Committee and/or the Audit Committee.
2. Ensure that the Company has an appropriate system for the management and control of risks according to guidelines assigned from the Executive Committee and/or the Audit Committee.

Human Resources

1. Supervise the management of human resources of the Company in general.

Communication with the Shareholders

1. Acting as the Company's representative in communicating with the shareholders.
2. Encourage the Board of Directors in providing regular and appropriate communication channels with the shareholders. Provide transparent disclosure according to standards.

Relationship with Third Parties

1. Acting as the Company's representative in relation to public relation, particularly building networking and promoting the Company's good image nationally and internationally.

Others

1. Perform other duties as assigned by the Executive Committee

The Executive Committee or the authorized persons by the Executive Committee shall not approve any transaction in which oneself or persons who may have the conflict of interest (as defined in the notifications of the Securities and Exchange Commission or the Capital Market Supervisory Board) may have interest or other benefits or may have conflict of interest with the Company or subsidiaries, except for the approval of transactions in accordance with policies and rules as approved by the shareholders or the Board of Directors.

(B) Scope of Authorities, Duties and Responsibilities of President

Scope of authorities, duties and responsibilities of President can be laid out as follows:

1. Determine vision, mission, objectives, goals of the Company in determining thebusiness direction in order to create a clear outline for everyone in the Company to comply systematically, and in the same direction.

2. Ensure that the Company conducts its business with integrity on the basis of rules, regulations and laws concerning transparency, and that the operation is accountable and fair to the shareholders, customers and all related parties.
3. Monitor and supervise results of operationand business performance and report to the Board of Directors and shareholders in order to estimate the tendency and determine the business direction.
4. Set policies in order to set managerial capability of the management for the preparation of the Company's personnel development, with an aim to the Company's survival and sustainable growth.
5. Determine long-term growth course to be ready for changes that might occur from economic environment and competitors to enhance the Company's effectiveness and potential in competing.
6. Manage, command, control and monitor the performance ofthe supervisees.
7. Manage the business under ethics and good governance, while being responsible to society and environment in both short-term and long-term, which will lead to sustainable development.
8. Perform other duties as assigned by the Board of Directors.

The President or the authorized persons by the President shall not approve any transaction in which oneself or persons who may have the conflict of interest (as defined in the notifications of the Securities and Exchange Commission or the Capital Market Supervisory Board) may have interest or other benefits or may have conflict of interest with the Company or subsidiaries, except for the approval of transactions in accordance with policies and rules as approved by the shareholders or the Board of Directors.

5) Table of Authority

The Company's Board of Directors determined that certain transactions such as the annual investment budget, the proposal of annual expense budget, the approval of interim urgently required projects or assets exceeding THB 100.0 million, the approval of out-of-budget expenses exceeding THB100.0 million, the procurement, purchase and long term lease of aircraft and entering into agreements or transactions with related party on terms out of the ordinary course and the investment in business or securities for value of more than THB500,000,000, require approval from the Board of Directors.

Our executive directors are required to present to our Board of Directors, any investments in securities of entities which are connected or related to the Company or its directors or management, and any director(s) related to such entities will not attend or vote.

3. Nomination and Appointment of the Board of Directors and Senior Executive Officers

1) Independent Directors

Qualifications of Independent Directors shall be as prescribed by the relevant Notification of the Capital Market Supervisory Board which can be summarized as follows:

1. Holding not exceeding 1% of the total shares with voting rights of the Company, its parent company, its subsidiary company, its associated company, or person who may have conflict of interest or controlling person of the Company, inclusive of the shares held by any related person of such independent director (related person shall mean person pursuant to Section 258 of the Securities and Exchange Act.);
2. Not being, nor having been, a director who participates in the management, an employee, staff member or advisor who receives a regular salary, or a controlling person of the Company, its parent company, its subsidiary company, its associated company, its subsidiary company at the same level, major shareholder or controlling person of the Company, unless the holding of the aforementioned positions has been discontinued for at least two years before the date of submission of the application to the Securities and Exchange Commission. However, such prohibition shall not apply in the case where such independent director has been a government official or consultant of the government sector, which is a major shareholder, or controlling person of the Company.
3. Not being a person who has a relationship by blood or registration under laws, as father, mother, spouse, sibling, and child, including spouse of child, of its executive officers, its major shareholder, its controlling person or the person who will be nominated to take up the position of director or executive officer or controlling person of the Company or its subsidiary;

4. Not having, or not having had, any business relationship with the Company, its parent company, its subsidiary company, its associated company, major shareholder or controlling person of the Company in a manner which may obstruct his independent judgment. Additionally, not being or not having been a substantial shareholder or controlling person of a person who has a business relationship with the Company, its parent company, its subsidiary company, its associated company, major shareholder or controlling person of the Company, unless such business relationship has been discontinued for at least two years before the date of submission of the application to the Securities and Exchange Commission.
5. Not being, or not having been, an auditor of the Company, its parent company, its subsidiary company, its associated company, major shareholder, controlling person of the Company, major shareholder or controlling person or the partner of the audit company for which the auditor of the Company, its parent company, its subsidiary company, its associated company, major shareholder or controlling person of the Company has worked therein, unless such holding of the aforementioned positions has been discontinued for at least two years before the date of submission of the application to the SEC;
6. Not being or not having been a professional service provider, including service provided as legal counsel or financial advisor which is retained for a fee exceeding Baht two million per annum from the Company, its parent company, its subsidiary company, its associated company, major shareholder or controlling person of the Company, and not being major shareholder or controlling person or the partner of such professional service provider, unless such business relationship has been discontinued for at least two years before the date of submission of the application to the SEC;
7. Not being a director nominated to be a representative of a director of the Company, major shareholder or shareholder who are related persons to the major shareholder;
8. Not undertaking any business which has the same nature as and is in competition with the business of the Company or its subsidiary company or not being a partner of the partnership or a director who participates in the management, an employee, a staff member, or advisor who receives a regular salary or holds shares exceeding 1% of the total shares with voting right of other companies which undertakes business of the same nature as and is in competition with the business of the Company or its subsidiary company; and
9. Having no other qualifications causing any inability to express independent judgment in respect of the Company's business operation.

2) Directors and Executive Officers of the Company

The Company has not set up a Nominating Committee, whereby the Board of Directors shall set a criteria for selection of directors and executives of the Company pursuant to policies on Good Corporate Governance as specified by the Stock Exchange of Thailand with transparency as per the Corporate Governance principle.

If there is a vacancy or a need for additional member in the Board of Directors, the Board of Directors shall select and propose nominees to fill the vacant or additional position by considering the appropriate knowledge, capabilities and business-related experiences that will be beneficial for the Company. The selected directors for the Company shall meet all the legal requirements according to Section 68 of the Public Company Limited B.E. 2535 (as amended) and the Notification of the Securities and Exchange Commission, and shall not fall within prohibited characteristic under the Securities and Exchange Act and relevant regulations. After the Board of Directors' Meeting comes to a decision, the selected nominee will be proposed to the shareholders' meeting for consideration (in a case-to-case basis).

The composition, appointment and withdrawal of the Board of Directors of the Company shall be as prescribed by the Article of Association which can be summarized as follows:

1. The Board of Directors of the Company shall consist of at least five directors to conduct the business of the Company. Not less than one half of all directors shall have residence in the Kingdom of Thailand.
2. The appointment of a director shall be made by a majority vote at the shareholders' meeting in accordance with the following conditions and procedures:
   (1) One ("1") share represents one ("1") vote. Each shareholder shall exercise all of his voting rights to elect one or several persons as a director or directors, but the shareholder cannot divide his or her votes to any nominated director in any number;
   (2) Each shareholder shall vote to elect directors on an individual basis;

(3) The persons receiving the most votes are those who are elected to be directors, in descending order, to the number of directors who are to be appointed. If there is a tie in the last to be elected and this exceeds the said number of directors, the presiding chairman shall have an additional casting vote.

3. At every Annual General Meeting, one-third of the total number of the directors shall vacate the office. If the number is not a multiple of three, then the number nearest to one-third must retire from the office. The directors to retire during the first and second years following the registration of the Company shall be drawn by lots. In subsequent years, the director who has been in office for the longest term shall retire. Theretiringdirectorsareeligibleforre-election.
4. Any director wishing to resign from the director's position shall submit a resignation letter to the Company. The resignation shall take effect upon the date on which the resignation letter reaches the Company.
5. The shareholders' meeting may pass a resolution to remove any director prior to retirement by rotation, by a vote of not less than three-fourths of the number of shareholders attending the meeting and having the right to vote, and the shares held by them shall not, in total, be less than one half the number of the shares held by the shareholders attending the meeting and having the right to vote.

3) Audit Committee

The Company's Board of Directors shall appoint at least three members of Audit Committee from independent directors whose qualifications meet the requirements per the Notification of the Capital Market Supervisory Board and the Stock Exchange of Thailand. A member of the Audit Committee will have to be qualified pursuant to requirements per the Notification of the Capital Market Supervisory Board including the followings

2. Not being a director authorized by the Board of Directors to make any decision in the business operation of the Company, its parent company, its subsidiary company, its affiliate company, its subsidiary company at the same level, major shareholder or person who may have conflict of interest of the Company;
3. Not being a director of a parent company, its subsidiary company or its subsidiary company at the same level which is a listed company;
4. Having sufficient knowledge and experience to conduct the duty as an Audit Committee member;
5. Must not be an Audit Committee member of a listed companies which in the same business or industry with the Company, and shall not be an Audit Committee member in other listed companies in the Stock Exchange of Thailand more than 5 companies, which may result in lack of performance in some companies.

At least one member of the Audit Committee must have sufficient knowledge and experience to review the reliability of the financial statements of the Company.

4. Supervision of Subsidiaries and Associated Companies :

The Company will supervise the operation of subsidiaries and associated companies as follows

(1) Appoint the Company's director or executives who have qualifications and experience suitable for that particular business which approved by the Company's Board of Directors to represent the Company on the Board of Directors of the subsidiaries and associated companies. Duties of such representative is in determining the policy and supervise the operation of business of the subsidiaries and associated companies as assigned by the Company's Board of Directors.

(2) Procure the subsidiaries to set the policies on entering into transactions between the subsidiaries and connected persons, and policies on the entering into acquisition and disposition of assets to be in compliance with relevant laws, regulations, notifications, rules, circulars by the Securities and Exchange Commission.

(3) Procure the subsidiaries to prepare financial report to show financial status and operation performance on the basis of correct, complete, and sufficient accounting information pursuant to generally acceptable accounting standard, as well as report on related party transaction between subsidiaries and persons who may have conflict of interest, including acquisition and disposition of assets of such subsidiaries, and report to the Company's Board of Directors' at least four times a year.

(4) Procure the subsidiaries which perform core business to set up an Internal Audit Unit or internal auditor from outsource to prepare work plan for conducting internal audit of such subsidiaries annually, and audit as per annual work plan which is approved by the Company's Audit Committee. The Company shall procure the subsidiaries to have report of monitoring and suggestion relating to internal control system on its sufficiency, and to procure that its employees, executives and directors of the subsidiaries have performed in accordance with internal control policy and report to the Board of Directors of the subsidiaries regularly.

5. The Use of Internal Information

The Company has set the policy and procedure for the directors and executives in using the inside information that has not been made public for personal interest as follows:

1. Educte the directors and executives regarding their duties in reporting the Securities Holding Reports for themselves, their spouses, and their minor children to the Securities and Exchange Commission as prescribed in Article 59, and the penalty as prescribed in Article 275 of the Securities and Exchange Act, along with the Acquisition or Disposal of Securities Report for themselves, their spouses, and their minor children to the Securities and Exchange Commission as prescribed in Article 246, and the penalty as prescribed in Article 298 of the Securities and Exchange Act
2. The directors and executives of the Company, along with their spouses, and their minor children shall prepare and disclose the Securities Holding Reports and the Acquisition or Disposal of Securities Report of the Company's securities to the Securities and Exchange Commission as prescribed in Article 59, and the penalty as prescribed in Article 275 of the Securities and Exchange Act, and copies of such reports shall be submitted to the Company on the same day as submitted to the Securities and Exchange Commission
3. Directors, executives and employees of the Company and its subsidiaries, who have an access of any material inside information that can affect price of stocks, shall take precaution in trading of the Company's securities within 30 days before the financial statements or such inside information are disclosed to the public and within 24 hours after the said information is made available to the public. The person related to the information shall not disclose the information to the third party before the information is disclosed to the Stock Exchange of Thailand.
4. Directors, executives and employees of the Company shall not use any inside information received from their positions, that can affect price of the Company's securities and has not been disclosed to the public, for trading, or offering to buy or sell, or persuade others to buy or sell, or to trade other shares or securities (if any) of the Company, directly or indirectly, which may cause any damage to the Company directly or indirectly, regardless for their own interests or for others', nor shall they disclose the said information to others for compensations or nothing.

6. Auditor Fee

In the fiscal year ending December 31, 2014, the Company has paid the audit fee to Ms. Pimjai Manitkajohnkit from EY Office Limited for the audit of the financial statement in the amount of Baht 5.5 million and the non-audit fee in the amount of Baht 10.4 million.

The Meetings of the Board of Directors

- Board of Directors Meetings

In 2014, the Company set up 12 meetings of the Board of Directors with the details as follows:

Names of Directors	Number of Meetings Attended 2014
1. Air Chief Marshal Kaset Rochananil	12/12
2. Mr. Prasert Prasarttong-Osoth	12/12
3. Mr. Puttipong Prasarttong-Osoth	11/12
4. Pol. Lt. Gen. Visanu Prasarttong-Osoth	11/12
5. Mr. Pradit Theekakul	12/12
6. Mr. Sripop Sarasas	12/12
7. General Vichit Yathip	12/12
8. Mr. James Patrick Rooney	11/12
9. Mrs. Narumol Noi-am (1)	-

Remark

(1) Mrs. Narumol Noi-am was appointed as a director of the Company according to the resolutions of the Board of Directors' meeting no., 12/2557, which was held on December 25, 2014, to replace Mr. Thavatvong Thanasumitra and was registered as a director with the Ministry of Commerce on January 7, 2015

The Meetings of the Audit Committee

In 2014, the Company set up 10 meetings of the Audit Committee with the details as follows:

Names of Members of Audit Committee	Number of Meetings Attended 2014
1. Mr. Sripop Sarasas	10/10
2. General Vichit Yathip	10/10
3. Mr. James Patrick Rooney	6/10

5. The Corporate Secretary

The Company's Board of Directors appointed Mr. Anawat Leelawatwatana as the Company's Corporate Secretary since March 13, 2013, with the duties and responsibilities as prescribed in the Securities and Exchange Act.

6. Compensation of Directors and Executive Officers

Monetary Compensation

(a) Remuneration of Directors

In 2014, the total remuneration paid to our nine directors was THB 36.08 million, which was paid in the form of meeting allowance and annual returns with the following details:

Names of Board of Directors and Positions		Total Remuneration as Directors (million Baht) In 2014
1. Air Chief Marshal Kaset Rochananil	Chairman	7.57
2. Mr. Prasert Prasarttong-Osoth	Vice Chairman	7.05
3. Mr. Puttipong Prasarttong-Osoth	Director	5.03
4. Pol. Lt. Gen. Visanu Prasarttong-Osoth	Director	3.10
5. Mr. Pradit Theekakul	Director	3.70
6. Mr. Sripop Sarasas	Chairman of Audit Committee	3.37
7. General Vichit Yathip	Director	3.19
8. Mr. James Patrick Rooney	Director	3.11
9. Mrs. Narumol Noi-am (1)	Director	-

Remark

(1) Mrs. Narumol Noi-am was appointed as a director of the Company according to the resolutions of the Board of Directors' meeting no., 12/2557, which was held on December 25, 2014, to replace Mr. Thavatvong Thanasumitra and was registered as a director with the Ministry of Commerce on January 7, 2015

(b) Remuneration of Executive Officers

In 2014, the total remuneration paid to the chairman of the Executive Committee, the President and our 17 executive officers of was approximately THB 175.9 million, which was paid in the form of salary, bonus and other remunerations.

Remark

(1) The amount of the above mentioned remuneration includes that of Mr. Thavatvong Thanasumitra, who was in the executive officer of the Company until July 31, 2014.

Non-monetary Remuneration

(a) Employees Stock Option Plan

The Extraordinary Meeting of the Shareholders No. 1/2013 held on 26 February 2013 approved that the Company offered newly issued shares of the Company not exceeding 30 million shares to directors and employees whose names were appeared as at 31 January 2013 (ESOP Program) at a price of baht 10 per share. Such shares were subject to restriction that all the shares allocated under the ESOP Program cannot be sold within 6 months from the first day the shares of the Company commence trading in the Stock Exchange of Thailand. However, from the 7th month to 12th month, the directors and the employees who were allocated such shares may sell such shares in an amount of not exceeding 50% of all allocated shares and after 12th month, may sell all the shares without any restriction. In this connection, during the period from March 5, 2013 to March 12, 2013, the Company has offered the shares under the ESOP Program and the directors and the employees of the Company have exercised their right to subscribe for 30 million shares, whereby the directors and the employees have been allocated 10,157,100 shares in total, equivalent to 33.9 percent. There were 2 directors and employees who were allocated the shares in excess of 5 percent of all the shares offered under the ESOP Program, who are Dr. Prasert Prasarttong-Osoth and Mr. Puttipong Prasarttong-Osoth, each of them have been allocated 3,521,100 shares and 1,700,000 shares respectively. Subsequently, the 2014 Annual General Meeting of the Shareholders of the Company held on 24 April 2014 has approved to cancel the restriction on the sale of the ESOP Program shares because holding period of the ESOP Program shares has been sufficiently long that it will not have any price impact to the shareholders who subscribed for the shares in the initial public offering.

Other benefits provided to the Company's directors are detailed and conditioned as follows:

1. A director is entitled to benefit of the medical treatment expense in the amount for each director not exceeding THB 1,000,000 per year and in total not exceeding THB 2,000,000 during his term.
2. A Director and one follower are entitled to the Company's airplane tickets for not exceeding 24 airplane tickets per year.
3. When flight schedule is available, a director is entitled to use the Company's aircrafts of not exceeding 100 hours per year for the activities of the Company and/or of the Board of Directors and/or the directors and such activities are beneficial to the Company; or promote the image of the Company or promote the Company's business; or for public interest, corporate social responsibility and other special missions.
4. The Company shall provide the Directors and Officers Liabilities Insurance for the benefits of the directors and managements of the Company

7. Employees and Training

Overview

As of December 31, 2014, the Company had the total employees of 2,449, which can be divide by function and locations as follows:

	As of December 31, 2014
Flight Crew:	
Pilots	255
Flight attendants	558
Ground Personnel:	
Ground services	245
Maintenance	198
Other centralized functions:	
Marketing, reservations and sales Cargo	270
Head office	254
Others	669
Total	*2,449*

We are determined to have highly-skilled, dedicated and efficient pilots, engineers and other personnel. Our growth plans will require us to hire, train and retain a significant number of new employees in the future. From time to time, the airline industry has experienced a shortage of skilled personnel, especially pilots and engineers. We recognize the need to ensure continuity in our management in order to maintain our edge over our competitors. Our directors believe that our continued success depends, among other factors, on the support and dedication of our management personnel. We have put in place human resource strategies, which include competitive compensation, fit-for-purpose recruitment and a succession plan.

We hire both experienced licensed pilots from the military and lateral hires from other airlines. We also hire qualified commercial pilots with no type ratings. Such pilots are required to obtain 250 flight hours prior to becoming licensed. In addition, during recent years we have recruited, and we will continue to recruit, university graduates directly and guarantee them with jobs at Bangkok Airways following graduation from local pilot schools (at their own expense).

We have made efforts to motivate and retain our staff through performance-based incentives, and to enhance employees' skills and competencies by providing training. To this end, we engage our employees continuously in conferences and training for them to acquire and enhance relevant skills and competencies. On-the-job training is another significant approach of transferring knowledge from specialists to new or junior employees. The investment in human capital increases the competency of our existing employees. In addition, these development activities serve to groom the lower and middle managementstaff to progressively assume the responsibilities of senior management

Provident Fund

We have established the Provident Fund on 1 January 1999 with SCB Asset Management Co., Ltd., with an objective to encourage long term saving by the employees and to create security for the employees and their family in case of resignation, retirement or death. In addition, the Provident Fund will incentivize the employees to work with the Company in the long period and will foster relationship between the Company and the employees which will increase work efficiency. Subsequently on 14 December 2000, the Company appointed "The Mutual Fund Co., Ltd.", (later changed to MFC Assets Management Public Company Limited.) to be provident fund management company. The Company makes a contribution at a rate of 3-8 percent of the salary of the employees, and each employee makes a contribution at a rate of 3-8 percent of the salary of each employee, to the provident fund.

Human Resource Development Policy

Pilot Training

We continuously train and develop the skill and knowledge of our pilots through a combination of both ground and our in-flight simulator training program, which is in compliance with standards set by DCA, ICAO, IATA and other leading airline alliances. Such training program focuses on pilots' knowledge and understanding in aircraft operation, aircraft system and emergency procedures and incorporates in-flight simulator training every six months. In addition, we also provide academic courses on an annual basis which include:

- Crew Resource Management
- Fire Fighting
- Dangerous Goods
- Aviation Security
- Slide and Wet Drill and Flight Safety
- Low Visibility Operation

In order to ensure that pilots are capable of operating the aircraft safely and properly and are able to resolve efficiently any problems which may occur during flights. In addition, we also encourage pilots and pilot instructors to attend external seminars or training held in Thailand or other foreign countries so that they may assist in developing our training program.

Flight Attendant Training

We continuously train and develop the skill and knowledge including the attitude of our flight attendants through a combination of both ground and our training program, which is in compliance with standards set by DCA, ICAO, IATA and other leading airline alliances. Such training program focuses on competence in assisting passengers under normal and emergency circumstances and customer services. We also provide annual academic courses similar to those provided to our pilots, including First Aid training in order to ensure that flight attendants are capable of taking care of in-flight services and properly respond to each group of customers. In order to further enhance our in-flight service, we also encourage cabin crew instructors to attend external seminars or training held in Thailand or elsewhere so that they can assist in developing our training program.

Capital Structure

As of December 30, 2014, the Company's registered capital was THB 2,100 million, dividing into2,100 million ordinary shares with the par value of THB1 and the paid-up capital of the Company was THB2,100 million, dividing into 2,100 million ordinary shares with the par value of THB1. The ordinary shares of the Company were listed in the Stock Exchange of Thailand on November 3, 2014, in the sector of Transportation and Logistics, the industry of Services, with the trading symbol of "BA".

• *Shareholders*

As of March 13, 2015, the Company has its top 10 shareholders with details as follows:

Names of Shareholders	As of 13 March 2015	
	Number of shares	%
1. The group of Prasert and Vanli Prasarttong-Osoth:	419,271,100	19.97
- Prasert Prasarttong-Osoth	383,021,100	18.24
- Vanli Prasarttong-Osoth	36,250,000	1.73
2. Vanli Prasarttong-Osoth	333,387,900	15.88
3. Poramaporn Prasarttong-Osoth	308,709,920	14.70
4. Ariya Prasarttong-Osoth	155,040,000	7.38
5. Bangkok Bank Public Company Limited	105,000,000	5.00
6. Somruthai Prasarttong-Osoth	77,542,900	3.69
7. Sahakol Estate Co., Ltd.[1]	63,934,400	3.04
8. Thai NVDR Co., Ltd.	41,738,580	1.99
9. Bualuang Long-Term Equity Fund	34,995,900	1.67
10. CREDIT SUISSE AG, SINGAPORE BRANCH	22,142,700	1.05

Remark: [1] Sahakol Estate Co., Ltd. is a wholly owned company by Prasarttong-Osoth family.

• *Dividend Policies of the Company and Subsidiaries*

The board of directors of the Company or the subsidiaries may consider the dividend payment to the shareholders as per the following policies

Dividend Policies of the Company

The Company has a policy to pay dividends at the rate of not less than 50.0% of the Company's separate net profits after deducting corporate income tax and other reserve funds as required bylaw and our Articles of Association. However, our dividend payment policy may be subject to changes, depending on the business expansion and our demand in use of funds in each year, as necessary and suitable, as our board of directors deems appropriate, subject to our shareholders' approval. For the payment of interim dividends, our board of directors may approve to pay the interim dividends from time to time when our board of directors views that the Company has sufficient net profits to do so.

Dividend Policies of Subsidiaries

Dividend payments by each of our subsidiaries is subject to shareholders' approval in accordance with such subsidiary's respective board of directors' recommendation. The following factors are taken into accountwhen considering dividend payment: the results of operation, liquidity, cash flows and financial status of eachsubsidiary, conditions and limitations of the dividend payment as provided in the relevant loan agreements,debentures or other related agreements with which each subsidiary must comply, future business plans,investment capital requirement and other factors as deemed appropriate by such subsidiary's board of directors.

Corporate Governance

The Company upholds and complies with the principles of good corporate governance in operating the Company's business by the directors, management and employees and considers that the principles of good corporate governance is an essential factor to support the overall achievement of the Company as the organization responsible for the society. The Company's policies on corporate governance will comply with the guideline on good corporate governance in accordance with the Principles of Good Corporate Governance for Listed Companies, 2012 set by the Stock Exchange of Thailand. The details of the policies on Good Corporate Governance are as follows:

Good Corporate Governance

The policies on Corporate Governance complies with the Principles of Good Corporate Governance for Listed Companies, 2012 set by the Stock Exchange of Thailand as a guideline in preparing the policies on corporate governance of listed companies, which cover the following topics:

1. Rights and equal treatment of shareholders and the shareholders' meetings
2. Policy on Treatment Towards Stakeholders
3. Disclosure and transparency
4. Responsibility of the Board of Directors and the Sub-Committees
5. Code of Conduct and Ethics

1. Rights and Equal Treatment of Shareholders and the Meeting of Shareholders

1.1. Rights and Equality of Shareholders

The Company is responsible to shareholders in disclosure of information, preparation of financial statements, utilization of insider information and conflict of interest. The management must possess ethics and any decisions made must be made with honesty and integrity, as well as be fair to major and minor shareholders for the benefit as a whole. The Company is aware of its responsibility in assigning importance to rights without bias and with equal treatment of all shareholders. It is the Board of Directors' duty to protect the rights and interests of the shareholders, including the right to receive dividends and the right to receive sufficient and relevant information regularly and in a timely manner. Moreover, the Company has the duty to disclose information with transparency and show responsibility of management by holding the shareholders' meetings. The Board of Directors has the policy to support and encourage all group of shareholders, including institutional investors, to attend the shareholders' meetings. Furthermore, the Company has the policy to support the disclosure of information and business transactions so that the shareholders may clearly understand the Company's operations. The Company has an intention to promote equality for all shareholders by which the major and minor shareholders, institutional investors and foreign investors will equally receive information on business operations, management policy and the financial statements of the Company and have the right to be treated fairly.

At each shareholders' meeting, the Company will distribute the letters of invitation in advance to inform the shareholders of the date, time and meeting agenda as well as opinion of the Board of Directors on each agenda and other documents so that the shareholders may be well informed when making the decision to vote. In the letter, the Company also informs shareholders of their rights in attending the meetings and their voting rights, including the rules relating to the shareholders' rights to submit questions in advance of the meeting. In addition, the shareholders shall receive proxy forms to allow the shareholders to appoint an authorized representative to attend the meetings and vote on their behalf. Moreover, to provide another channel in protecting shareholders' rights, the Company suggests the shareholder to appoint an independent director as proxy to attend the meeting and vote on the shareholder's behalf in the case that the shareholder cannot attend a particular meeting. In appointing such proxy, the shareholder may use any one of the proxy forms distributed to the shareholders in the invitation package.

During the Shareholders' Meeting, each shareholder has equal rights to express their opinions and pose questions within the appropriate time frame. The process of voting and counting votes is carried out swiftly with full disclosure in which using technology will be supported by the Company. The Company deems that one share equals one vote and the majority vote decides the resolution (for general agendas for which the law does not specify otherwise) or otherwise specified by the laws in particular matter. If the vote is equal, the Chairman of the meeting shall cast an additional vote, apart from his/her vote as a shareholder, as the deciding vote.

The ballots shall be used and retained as evidence and for further inspection after the meeting. The results of the voting are recorded in the minutes of the meeting. For each agenda, number of "for", "against" and "abstain" votes are recorded, as well as the questions raised, explanations and opinions of the meeting so that shareholders may later verify the information.

In the case that any shareholder has a special interest in any of the agendas, the shareholder is not allowed to vote on that agenda with the exception of voting for appointment of directors or otherwise stipulated or allowed by relevant laws in other matters. In addition, the Board of Directors has assigned the directors and management to disclose the information relating to the interests of the directors, management and related party and record in the minutes of the meeting of the Board of Directors in order that the Board of Directors is able to consider the Company's transactions which may have conflict of interests and to make a decision for the benefit of the Company as a whole. In this connection, the directors and management having interests in the transaction to be entered into with the Company must not participate in the decision-making process.

1.2. Shareholders' Meetings

The Company's policy is to convene the shareholders' meeting properly as prescribed by law and give shareholders the opportunity to fully exercise their rights with well information provided. Moreover, the shareholders are entitled to submit the questions prior to the exercise of their rights. To this end, the Company has held the annual general shareholders' meeting within four months from the end of the accounting year of the Company. The meetings are held in compliance with the applicable laws and regulations of the Stock Exchange of Thailand from announcement of the meeting and organization of the meeting to after the meeting. In this regard, the shareholders are able to request for convening the shareholders' meeting in accordance with the rules stipulated by relevant laws.

The details of procedures on the shareholders' meeting are as follow:

Prior to Meetings

The Company will send the letters of invitation at least 7 days in advance (or any period in accordance with relevant laws, rules and regulations such as the approval for the entering into the connected transaction or the acquisition or disposal of assets of listed company). The Company shall inform the Stock Exchange of Thailand of the schedule and the meeting agenda as well as opinion of the Board of Directors in accordance with rules and regulations of the Stock Exchange of Thailand and publish the same on the Company's website not less than 7 days prior to the date of shareholders' meeting. Furthermore, the letters of invitation will be prepared in English and published together with the letters of invitation in Thai.

Prior to the shareholders' meeting, the shareholders will receive the details of the meeting such as time and place for the meeting, meeting agenda, the Company's annual report, proxy form, and list of documents required for attending the meeting. In addition, the Company will distribute the details of the procedures on the meeting and casting vote, rules relating to the shareholders' rights to submit questions in advance of the meeting, and the appointment of the proxy, including suggestion on the appointment of an independent director as proxy. Moreover, the opinion of the Board of Directors on each agenda will be provided. The invitation package will be thoroughly prepared in Thai and English for the shareholders' consideration prior to attending the meeting to assist the shareholders in making informed decisions when exercising their rights on each agenda. For the shareholder's convenience, the Company will prepare the separated ballots for each agenda. In this connection, the Company, without reasonable cause, will not take any action which may restrict the shareholders' opportunity to attend the meeting and study information memorandum of the Company.

During Meetings

The Company will assign the Chairman of the meeting the duty of notifying and explaining the voting procedures in the various agendas before the meeting is officially convened. After each agenda, the results of the vote will be announced and duly recorded.

The Company has the policy to strictly adhere to the meeting agenda and to allow shareholders equal opportunity in casting votes. In the event that there are several concerns in each agenda, such as the agenda to appoint the directors, the Company will arrange for casting vote on each concern.

To honor the rights of all shareholders, the Company has put in place a policy, which requires all directors, as well as sub-committees, the auditor and relevant senior executive to attend the shareholders' meetings.

The Chairman of the meeting will provide sufficient opportunity for the shareholders to raise questions and advice on business operations, and the annual financial reports and will clarify all information during the meeting.

Furthermore, the Board of Directors encourages the procurement of the independent person to count or verify votes in the annual and extraordinary general shareholders' meetings. The Board of Directors also encourages the use of ballots in the important agenda, such as the entering into the connected transaction, the acquisition or disposal of assets, for transparency and further inspection if there is any dispute thereafter.

After Meetings

The Company will prepare the minutes of the shareholders' meeting, which will record the procedures on casting votes, the method to show the resolution, as well as the questions raised and explanations, and the results of the voting in each agenda on "approve", "disapprove" and "abstain" votes, including the name of directors who attend and absent from the meeting. The minutes of the shareholders' meeting will be submitted to the Stock Exchange of Thailand within the prescribed 14 days after the meeting, and announced on the company's website within the next working day.

1.3. The Protection of Minor Shareholders' Rights

(1) The Board of Directors has pre-determined criteria on allowing minor shareholders to propose any agenda item and on screening those proposed by them.

(2) The Board of Directors has established procedures for the nomination of candidates by minor shareholders in advance. Supporting information, candidates' qualifications and their consent, should be provided by the minor shareholders nominating the candidates.

(3) If a shareholder in a management position wishes to add any agenda item, he/she should notify other shareholders in advance, especially if it is an issue that will require shareholders to spend a good deal of time to study before deciding.

(4) The process used in election of directors should allow shareholders to vote on individual nominees.

2. Policy on Treatment Towards Stakeholders

The Company recognizes the significance of each group of stakeholders, whether they are internal personnel or external stakeholders such as shareholders, customers, creditors, counter-parties, communities, government agencies and other related organizations. The Company also recognizes that the support of each of the stakeholders will ensure the stability and longevity of the organization in the long term. Therefore, the Company has the policy to protect the rights of the stakeholders through compliance with relevant laws and regulations, as well as respecting the interests of all related parties. Moreover, the Company shall disclose the activities that it has undertaken including performance enhancing mechanisms to implement the following policies. The Company shall make a separate sustainability report on corporate social responsibility (CSR) or make it by adding into the firm's annual report.

Furthermore, the Board of Directors has determined a clear mechanism and procedures to receive and handle the stakeholders' complaint by publish them on the Company's website or annual report.

2.1. Policy on Transactions which may cause Conflict of Interest and Transactions between Companies

The Board of Directors understands that transactions which may lead to conflicts of interest and/or transactions with related counter-parties must be thoroughly contemplated to ensure compliance with the relevant laws and regulations of the Capital Market Supervisory Board and the Office of the Securities and Exchange Commission, as well as the Company's internal guidelines. Moreover, such transactions must be strictly carried out as with any other transactions with external parties which have no relationship with the Company. Also, the transactions must fully provide value to the Company and the shareholders. The terms and conditions of the transactions must follow the generally accepted standard terms and conditions of business transactions.

The Company has the policy to prevent directors and management from using their status for their own personal gain. Directors and management must refrain from engaging in transactions which have conflict of interest with the Company. Furthermore, any directors, management or employees who have a stake in any transactions shall not be allowed to participate in the decision making process. Directors, especially, will not be allowed to consider or vote on any matters in which they have an interest, including transactions between companies and transactions between subsidiaries and stakeholders and related parties.

2.2. Controlling Use of Inside Information

The Board of Directors forbids the directors, management and employees from using an opportunity or insider information received while in their position for their own personal gain or wrongfully for the benefit of others which is considered as taking advantage of other shareholders or to establish competitive or related to Company's business operation. Also it is strictly forbidden for the use of crucial insider information for trading of shares and securities of issued by the Company for the benefit of such person and forbid from disclosing such insider information to other person or juristic person for trading of shares and securities issued by the Company.

Directors and executive officers shall report ownership of all securities issued by the Company, including those that pertain to self, spouses, and underage children once there are changes to the Company's secretary as compliance with security law and for the Company's secretary to report such changes to the Board of Directors for acknowledgement.

2.3. Policy on Shareholders

The Company aims to achieve the utmost benefits in long term for the shareholders through stable growth and sustainable capability in generating profits under good governance and responsibility to the society as a whole. Including maintaining the competitive edge by recognizing the current and future business risks. The Company emphasizes business for consistent profits through continuous business development. Moreover, the Company strives on professional management, efficient internal control, systematic audit and strong risk management to reciprocate and show responsibility to our shareholders.

Other than fundamental rights of the shareholders such as the right to inspect number of shares, right to receive share certificate, right to attend shareholders' meetings and to vote, right to freely express opinions and make suggestions on the Company operations at the shareholders' meetings, right to fairly receive returns, and other lawful rights, the Company also has the policy to disclose information justly, with transparency and in a timely fashion under business limitations so that every shareholder equally receives information.

2.4. Policy on Employees

Employees are a valuable asset to the Company. Capable and experienced employees are consistently well-taken care of in compliance with the Company's strategy and operational plans. The Company also ensures equal opportunity and suitable compensation. Furthermore, the Company has arranged for the necessary training by both internal and external persons in order to continuously enhance the skills of employees. Moreover, the Company supports and promotes the healthy working environment and organizational culture, and treats employees equally and justly.

Furthermore, employees are provided with benefits and safety which include medical benefits, provident fund, and academic scholarships for employees so that they may use the knowledge to assist in the development of the organization. The aim is for the Company to be a place of learning for personnel, as well as to motivate knowledgeable and capable persons to remain with the organization in the long-term.

2.5. Policy on Management

The Company realizes that management is an important success factor. To this end, the Company has set up a suitable compensation program which is comparable to management in similar business. Moreover, management is able to carry out their duties and responsibilities independently without intervention, which is for the mutual interest of the organization and all related persons.

2.6. Policy on Counter-Parties

The Company does business justly and ethically with partners, competitors, creditors, counter-parties and others according to the terms and conditions in the trade agreement. The Company has the policy to avoid any actions which may be dishonest or infringe on the rights according to the law or as mutually agreed upon of the counter-party, as well as to ensure that the transactions are ethical business-wise.

2.7. Policy on Customers

The Company recognizes that the customers are an important success factor of the business. The Company strives for customer satisfaction by providing quality professional service with the determination to continuously improve the quality of the services in order to meet the needs and expectations of the customers. The Company has systematic scope of services in relation to safety and compensation from the Company's services. This Company maintains the privacy of customers and will not disclose any customer's information unless required by law or when the customer has given consent.

2.8. Policy on Social Responsibility and the Environment

The Company aims to consistently treat society and the environment with the highest standards by upholding safety and pollution control standards and throughout the business to ensure that the Value Chain of the Company is environment-friendly and support regularly sustainable development. The Company has been involved in public interest and has participated in many charitable activities and has supported relevant society and all employees including supporting events that promote and embed for employees to comply with relevant laws and regulations.

3. Disclosure and Transparency

The Company has the policy to ensure that disclosure of financial information and general information to shareholders, investors and securities analysts, as well as the general public, is done so sufficiently, completely, justly, timely, with transparency, and as prescribed by relevant laws and regulations.

The Company has the policy to disclose the financial statements, important information and any other information which may affect the interests of the shareholders or the decision to invest in the Company, which in turn, may affect the price of the shares or securities of the Company. This information will be disclosed sufficiently, completely and at the appropriate time through fair and suitable channels and was provided fair and reliable. The main purpose is to ensure that the decision to invest in securities of the Company is made fairly and with equal information.

The Company shall assign the appointed senior executive officers to disclose relevant information of the Company for the purpose of communication with third parties and shall establish a department or responsible person to communicate equally and fairy with third parties, such as investors, institutional investors, other investors and relevant analyst based on the rules that the information provided shall be the information as disclosed to public.

3.1 Disclosure of Information

(1) The Board of Directors has a mechanism that ensures the accuracy, clarity, and sufficiency of information disclosed to investors for their decision-making.

(2) The Board of Directors shall provide a summary of the Company's policies on Good Corporate Governance, Code of Conduct, risk management policy, and corporate social responsibility policy as approved by the Board of Directors, together with steps taken to implement such policies and identification of and reasons for each case of non-compliance through various channels, e.g., the Company's annual reports and web site.

(3) The Board of Directors shall prepare the report of responsibilities concerning the Company's financial reports along with the auditor's report in the Company's annual report and annual statements (Form 56-1).

(4) The Board of Directors shall encourage the Company to make a Management Discussion and Analysis (MD&A) for each quarterly financial statement, to help investors better understand changes in the Company's financial status and performance each quarter, not just be presented with the figures by themselves.

(5) The Board of Directors shall ensure that audit and non-audit fees are disclosed.

(6) The Board of Directors shall ensure that its roles and responsibilities, together with those of its sub-committees, the number of meetings held, attendance record of each director, and the results of tasks assigned, including ongoing professional education or training of its directors, are disclosed in the annual report as required by laws.

(7) The Board of Directors shall disclose remuneration policies for directors and senior executives that correspond to the contributions and responsibilities of each person. Also, the Board of Directors shall disclose the forms and the amounts of payment to each person. If any director of the Company is also a director of its subsidiaries, the amount paid by each subsidiary to each director should be disclosed as well as required by laws.

3.2 Disclosure of Information on the Company's Website

In addition to the disclosure of information as specified in the regulations and through the Stock Exchange of Thailand, annual statements (Form 56-1), and annual reports, the Board of Directors shall disclose information, both in Thai and English, through the Company's website regularly with an up-to-date information.

4. Responsibilities of the Board of Directors and the Sub-Committees

4.1. Structure of the Board of Directors

The Board of Directors is comprised of 9 members, pursuant to the Articles of Association of the Company which provides that the Board of Directors shall comprise of at least 6 members, for which 3 of those being the executive directors and 6 being the non-executive directors with 3 of which are independent directors. The independent directors are directors who are not involved in management of the Company, subsidiaries, associated or related companies pursuant to relevant regulations of the Capital Market Supervisory Board with independent from management, major shareholders or person with controlling power. Furthermore, the independent directors must not have a business or be involved with the interests of the Company, subsidiaries, associated or related companies which may negatively affect the interests of the Company and/or the shareholders. The independent directors shall have the qualifications as prescribed in relevant regulations of the Capital Market Supervisory Board. In addition, the Company has stipulated that the structure of the Board of Directors shall be comprised of directors who have diversity of skills, experience and expertise for the interest of the Company.

Furthermore, the Company has stipulated that the Chairman and Chief Executive Officer must not be the same person. The Chairman shall fairly perform its duty in monitoring the implementation of policies and strategic guidelines as prepared and ensuring that the Board of Directors meetings are held and that all directors participated and independently raised the questions at each meeting. The Board of Directors meetings shall be held at least 6 times per year in order to monitor and support the Company's strategic policies. If the Board of Directors meetings are not held monthly, the Company shall provide a monthly report on the operation of the Company to the Board of Directors for the months the meetings are not being held so that the Board of Directors can monitor the management's performance continuously and promptly.

In principal, the directors should not serve for a long, continuous period of time. However, there is a limitation in finding suitable replacements with specialized expertise. In addition, we must take into consideration management risk which may arise due to the operation of the previous directors, which is an important factor in selecting directors, especially in the business of the Company, which requires expertise and specialization in order to clearly understand the Company's business. Therefore, the Company has not set any official limitations on the term of the directors.

4.2. Directors' Duties

A) Policy and Governance

1. The Board of Directors shall perform duties using their knowledge and expertise for the benefit of the Company in accordance with the Company's Articles of Association and resolutions of the shareholders' meeting. Directors are authorized to perform actions indicated in the Comapany's Memorandum of Associateion, the Public Company Act and relevant laws.
2. Comply with the provisions and the good practices of listed company directors of the Stock Exchange of Thailand.
3. Determine policies and apprive matters related to the gernernal operation of the Company, such as vision, business direction, strategies, business plan, annual budgets, investment plan, and make financial decisions.
4. Monitor the operational results of the Company in order to ensure consistency with established goals and plans.
5. Procure policies on corperate governance in writing and approve such policies. The Board of Directors shall review such policies and their compliance consistently, at lease once a year.
6. Encourage the determination of code of conduct in writing in order to ensure that all directors, executive officers and employees understain ethic standard used in the Company's business operation and strictly monitor the compliance of such code of conduct.

B) Financial

1. Set up a reliable financial report and account audit system.
2. Procure the preparation of the Company's statement of financial position and profit and loss statement for the approval of the Annual Genaeral Meeting of the shareholders. The Board of Directors shall engage the auditors to audit such statement of financial position and profit and loss statement prior to the proposal to the shareholders

C) Internal Control, Internal Audit and Risk Management

1. Put in place an appropriate internal control and internal audit system by procuring the independent personnel or working unit who is responsible for the inspection of such system and review the internal control system at least once a year.
2. Set up policies on risk managment to manage and control all risks convering the organization.
3. Review or evaluate the effiecttiveness of the internal control system and the risk managment at least once a year.

D) Human Resources

<u>With respect to the Directors</u>

1. Filter the list of cadidates to be appointed as the Company's directors to propose for the shareholders' approval.
2. Consider forms and rules concerning the payment of remuneration of directors and sub-committees to propose for the shareholders' approval.

<u>With respect to Chief Executive Officer and President</u>

1. Approve the appropriate qualifications, methods and rules of the selection, including forms and rules of the payment of remuneration regarding Chief Executive Officer and President.
2. Approve rules and procedures for the evaluation of performances and results of the performances of Chief Executive Officer and President.

3. Approve the determination of the annual remuneration for Chief Executive Officer and President.

With respect to Organizational Structure, Salary Adjustment and Executive Succession Plan

1. Approve the upper-level organizational structure, including scope of duties, authorities and repsonsibilities of the management of such level.
2. Approve the pay scale and the criteria for the annual salary adjustment.
3. Approve the executive succession plan for the positions of Chief Executive Officer and President.

E) Management of Conflict of Interest

1. Supervise and monitor to ensure the complete compliance with laws and the Stock Exchange of Thailand's regulations in relation to procedures of actions and disclosures for the conflict of interest transactions.
2. Report to the Company on any conflicts of interests, which pertain to the management of the Company or subsidiaries, of oneself or related persons. For transparency, such transactions are to be reported to the Board of Directors whenever there is a change.
3. On the date on which the independent directors accept the appointment and every year afterwards, the independent directors shall submit a confirmation letter to the Company to ascertin thier independecy as defined by the Company.

F) Communication with the Shareholders

1. Provide appro priate and regular communication chanels to the shareholders and porvide transparent of disclosure of information in accordance with standards.

G) Others

1. Appoint the Company's corporate secretary according securities and exchange laws.
2. Establish charters of the Board of Directors and sub-committees and approve sugesstions proposed by the sub-committees in the adjustment of the content in such charters to be updated and compatible with changing rules, regulations and circumstances.
3. Perform other duties as precribed in the notifications, regulations, acts or laws governing the Company.

4.3. Sub-Committees

4.3.1. Audit Committee

The Company appoints the Audit Committee to assist the Board of Directors in auditing and ensuring that the Company has sufficient corporate governance. The Audit Committee is granted full authority by the Board of Directors to carry out its duties, which include systematic monitoring of business practices, ensuring efficient and strict internal control measures, ensuring compliance with laws on disclosure and determining risk management dealing with the business and finances of the Company.

The Audit Committee shall be appointed by the Board of Directors of the Company or shareholders' meeting and shall be comprised of at least 3 directors who shall be independent directors, provided that at least 1 director shall have adequate knowledge and experience in accounting or finance in order to audit the reliability of the financial statements.

The independent directors of the Company shall have the qualifications in accordance with the regulations as prescribed by the Securities and Exchange Commission and shall have the power, authority and responsibility as prescribed in the Audit Committee's charter.

4.3.2. Other Sub-Committees

The Company may consider appointing other sub-committees e.g. the Nomination and Remuneration Committee in the future, as deemed necessary and appropriate in order to comply with the good corporate governance of the listed company.

4.4. Board of Directors' Meetings

The Company shall set the dates for the Board of Directors' meetings in advance for the entire year by holding the meetings every month in order that all directors are made aware of these dates in advance so that they can arrange their schedules to accommodate all meetings. The Chairman of the Board of Directors and the President shall determine the Board of Directors' meeting agenda together and ensure that all important issues are included, provided that each director shall be free to propose an issue deemed beneficial to the Company for a meeting agenda, and the agenda to follow up on any assignments are also included. The Company Secretary shall send the invitation to the Board of Directors' meeting together with the meeting agenda at least 7 days in advance of each meeting in order to allow directors sufficient time to review the information prior to attending the meeting. In this regard, the Company has the policy to encourage all directors to attend at least 75% of all the Board of Directors' meetings held during the year and to appropriately allocate the meeting time for complete management presentation and comprehensive discussion on important matters by the directors. The Company encourages the President to invite the senior executives to attend the Board of Directors' meetings to present additional details on the issues that they are directly responsible for. In addition, the Board of Directors shall have access to additional information via the President, Company Secretary or other executives as designated, under the specified policy. If necessary, the Board of Directors may provide the opinions of an independent advisor or a professional consultant, at the Company's expense.

The Board of Directors has the policy that non-executive directors should be able to meet, as necessary, among themselves in order to discuss the matters of interest in relation to the management without management team involved in the meeting and report the result of the meeting to the President of the Company.

4.5. Determining Remuneration for Directors and Executives

The Company has specified that the Board of Directors shall determine the remuneration of directors fairly to correspond to the directors' duties and responsibilities by comparing those companies of similar size in the same industry. As for remuneration of senior executives, the Company will award appropriate remuneration by performance evaluation as stated in the guidelines specified by the Board of Directors and the Human Resources Department for each level of management. The performance is linked to the operational results of the Company and individual accomplishments.

4.6. Directors' Knowledge Enhancement

The Company has the policy to encourage directors of the Company and subsidiaries to attend the Director Certificate Program (DCP) and the Director Accreditation Program (DAP) organized by the Thai Institute of Directors (IOD) in order to support the directors to understand the most efficient corporate governance and to enable them to use the knowledge for continuous good corporate governance. The Company also encourages directors to attend training courses on amendments and updates of the regulations, policies and guidelines of the Stock Exchange of Thailand and the Office of the Securities and Exchange Commission so that they can comply with such regulations, policies and guidelines accordingly.

Every time that the new director is appointed, he will be provided with all documents and information that is useful for him to perform his duties as new director, including an introduction to the nature of the business and the operations of the Company.

5. Code of Conduct and Ethics

The Company has the policy to conduct the business with highest ethical standard i.e. keeping confidential information of the Company, legally conducting business in good faith, respecting each other's rights, taking care of the Company's property and external environment, all of which the Board of Directors, executives and all employees shall prioritize and be responsible to strictly comply with this policy. The punishment shall be imposed in case of the violation or breach of the code of conduct and or ethics as specified.

Corporate Social Responsibilities

Overall Policies

The Company and its subsidiaries focus on operating its business taking into account the ethics and Good Corporate Governance, including transparency and a commitment to promoting the interests of the economics, community and the environment through its Corporate Social Responsibility (CSR) policies. As part of its CSR policies, the Company and its subsidiaries organize charitable events encouraging its employees to participate in various activities, including environmental conservation, supporting sporting events as well as supporting religious and cultural traditions to sustainably strengthen the society and community.

1. Operation and Preparation of Report

Considering the CSR, the Company has stipulated its CSR policies in several aspects pursuant to the resolution of the Board of Directors Meeting No. 5/2014 on 22 May 2014 as follows:

(1) To emphasize the fair and legitimate business operation, taking into account the compliance of relevant laws and regulations, transparency and disclosure of material information which can be verified. In addition, the Company adheres the fair and just allocation of benefits to all relevant parties e.g. its shareholders, customers, business partners, employees, community and society. The Company is also observed the transparency of disclosure focusing on the importance of the Good Corporate Governance.

(2) To carry on its business focusing on the Good Corporate Governance, ethics and compliance of relevant laws and regulations. The Company further emphasizes the anti-corruption, including wrongful misconduct or refraining from performing duties, breaches of laws, ethics, rules and regulations or policies of the Company for its own interests e.g. ask for, accept, offer or agree to give any property including other benefits to government officials or other person dealing the business with the Company.

(3) To emphasize the management of human resources in all steps for optimization, including the continuity of recruitment and development of personnel and employees training, fair and proper determination of remuneration and benefits, commitment to promoting the qualified employees as well as maintaining safe working environment for employees.

(4) To support the policies on environmental and energy conservation, for which the Company has continuously carried out its airport management on an environmentally-friendly basis such as to conduct the survey and to prepare the Environmental Impact Assessment (EIA) Report prior to the construction of the airports, to organize and ensure that the planning and procedures for the operation of the business shall not affect the surrounding environment and community. In addition, the Company also participates in the activities focusing on the protection of the earth, including to reduce global warming and energy consumption by organizing the campaign for power and paper saver and reduce the use of elevators.

(5) To stipulate a policy encouraging social activities such as athletes, cultural, Buddhism, youth improvement, which the Company has previously created every year at our head office and other airports such as blood donation, "making merit to priest" project, art camp for kids at Koh Samui for "Samui Island Marathon".

2. Activities For the Benefit of Society and Environment (after process)

The Company and its subsidiaries continuously organize activities for the benefit of society and environment such as donation, afforest, and building a dam. We have emphasized activities which promote the learning path to local children and youth such as Children days' activities, scholarships for students with good performance. Additionally, we have created the "Car Free Day" project for environmental purposes to minimize the usage of personal vehicles and encourage the usage of public transportation and bicycles instead to help reduce air and noise pollution, traffic, accidents, and energy consumption.

Bangkok Airways helps Chiang Rai

Hosted Children's Day for 13 schools near Sukhothai Airport

Fly for Forest at Udonthani

Fly for Forest at Lampang

Fly for Forest at Sukhothai

Fly for Forest at Trat

Fly for Forest and building dam at Lampang

Car Free Day 2014

3. Anti-Corruption Policy

The Company has always conducted its business by adhering to Good Corporate Governance, business ethics, and laws. Also, the Company has communicated, publicized for acknowledgment and understanding of not to demand, or agree to receive money, items, or any other benefits, including not to act in the way which may give rise to such actions, either for the benefits of the Company, oneself or others; and these have been prescribed in the Company's Code of Conduct as fundamental guidelines for our employees.

Additionally, the Company emphasizes the significance of anti-corruption; whereby the Company's Board of Directors' meeting No. 5/2014 held on May 22, 2014 has approved the Anti-Corruption Policy so that the Company's guidelines of avoiding and opposing corruption issues are more explicit. In this regard, the Company's directors, executives, employees, including the Company' subsidiaries and the businesses over which the Company has controlling power will not or support any corruption behaviors in whatever forms and will strictly comply with fundamental guidelines in Anti-Corruption Policy, including cooperate with the internal audit investigation with an aim to avoid and correct corruption behaviors which may arise internally.

The Company has established the following guidelines for preventing corruption:

1. Define the principles for giving or receiving gifts or entertainment as part of the Company's Code of Conduct. Employees must not offer, demand, receive, or agree to receive money, items, meals, entertainment, or any other benefits which may give rise to the suspicion of bribery and corruption behavior. Gifts received should be modest, and should not be cash or cash equivalents. Employees must always be aware that all actions and non-actions must take into consideration transparency, fairness, and accountability.

2. Set out regulations on procurement, and objectives for entering into transactions, entering into agreements, and disbursement; whereby each step requires definitive supporting documentation, as well as specify approval limits and authorization approvals for each level

3. Arrange to put in place an internal audit system to cover finance, accounting, recording information, and other aspects of accounting and finance to ensure that financial transactions are entered into for approved purposes, and that business is conducted with transparency.

4. Communicate the values of Good Corporate Governance, as well as the Anti-Corruption Policy, to work units within the Company, its subsidiaries, and the businesses over which the Company has controlling power via various channels such as employee training, the Company's internal communication channels, such as the Company's website or intranet, to inform the relevant parties to ensure further compliance.

5. The Audit Committee has the duty to audit and review transactions of the Company to ensure that the Company has sufficient good corporate governance in line with the relevant policies and requirements. If the Audit Committee has found or has any question about any transaction or action which may affect the Company's transparency in its business operation, the Audit Committee may independently report such a transaction or action to the Board of Directors and/or the President (as the case may be as it deems appropriate) in order for the issue to be addressed timely and appropriately.

6. Establish whistleblower channels for reporting to or filing complaints with the Audit Committee in the event that encounter situations which may constitute dishonest behavior or misconduct by individuals, as well as the Company. Whistleblowers can raise their concerns or file complaints, and submit details and evidence by mail to the following persons at Bangkok Airways Public Company Limited, No. 99 Mu 14, Vibhavadirangsit Road, ChomPhon, Chatuchak, Bangkok 10900, based on the type of issue as follows:

Issue	Recipient
Violations of the law, dishonest behavior, violations of the work rules and Code of Conduct	The President or the highest-ranking officer of the Human Resources Department
Matters which affect the reputation and image of the Company	The President
Non-compliance with the Code of Conduct by Directors	The Chairman, the Chairman of the Audit Committee, or the Company Secretary
Irregularities regarding financial transactions	The Chairman of the Audit Committee

7. In order to prevent any potential adverse impact on whistleblowers, the Company has put in place mechanisms to protect them by establishing a confidentiality policy regarding their identity. Therefore, if information regarding whistleblowers is disclosed, persons who are responsible for such information shall be subject to disciplinary action in accordance with the Company's Work Rules.

Internal Control and Risk Assessment

1. Internal Control and Internal Audit

The Board of Directors has emphasized the importance of the internal control as it forms a part of Good Corporate Governance. In the past, the Company focus on developing the internal control structure according to COSO (The Committee of Sponsoring Organizations of the Treadway Commission), covering areas of Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring Activities.

The Board of Directors' meeting no. 2/2015 held on 26 February 2015, consisted of three members of Audit Committee attending the meeting, has considered evaluation form on sufficiency of internal control system by inquiring management and relevant departments in order to assess the sufficiency on internal control system in various aspects, the result which can be summarized as follows:

Control Environment

Overall, in the past the Company has sufficient internal control and appropriate for the Good Corporate Governance which is a good fundamental for efficient management which is factor to business sustainability. The Company has prepared Code of Conduct and disseminate and ensure understandings with employees and new employees shall be trained and tested on it. Additionally, the Company has put in place Whistle Blower Policy for receiving complaints from employees and also has reporting procedures, clear authorization of order and responsibilities to accomplish its objectives.

Risk Assessment

The Company has a risk management to minimize risks. In the last year, a policy and guidelines on risk assessment has been set and disseminated within the Company. The Company has identified risks and its implementation plan to response to such risks appropriately so that it is acceptable for the Company. There are analyzing, monitoring procedures and guidelines in relation to risk assessment. The Company also focus on the visions and good understanding of employees in risk assessment for all level of staff, for them to realize and participate in performing duties as per risk assessment guideline set out by the Company. This will provide confidence that the Company's operation may not loss or has materially effects which would affect overall Company goal.

Control Activities

Sufficient control measures are in place and implemented in different levels to minimize risks which can be obstacles to accomplishment of the Company. The Company has chosen and developed control activities by considering worthiness, possibilities of such activities, and integration of risk assessment which may affect achievement of objectives and goal of the Company. Design of internal control activities has taken into account allocation of work reasonably between personnel and procedures. In the past, when there is limitation of resources which may unable the work allocation. The management will consider other internal control activities to replace such limitation and implement reviewing and monitoring process as set out.

Information and Communication

The Company tend to improve its internal communication which the Company believes that good system of information and communication will help support other internal control units, enabling internal control system and necessary information can be gathered, utilized and disseminated in forms that is accessible to everyone in the Company in a timely manner and help employees in performing its duties relating to internal control.

The Company has provided sufficient information through its website, and put in place internal communication for employees. We open an opportunity for employees to access information and knowledge via a knowledge based intranet system called "PG Online". PG Online has gathered rules and policies for staff's acknowledgement. The Whistle Blower policy is also implemented and serves as a channel for person who may have interest (both internal and external) to communicate with the Company, as well as making complaints, comments, notifying fraud activities and submit to the Company for consideration as per the Whistle Blower policy.

Monitoring Activities

The Company has monitored the internal control system for evaluating the past operations with monitoring procedures as set out. The review of the internal control system is conducted continuously, with revision upon the changing of situations. When there is no change of any issues upon the change of situations, the unchanged will be reported to the Board of Directors for acknowledgement and consideration for solving in an appropriate deadline. This monitoring process is considered as strict mechanism, assessable, in compliance with policies and ensure that the shareholders' interest is well protects, and generate long-term sustainability to shareholders and related persons of the Company.

3. Head of Internal Audit Department and Head of Compliance

Currently, the Internal Audit Department is headed by Mr. Kasem Akanesuwan. The Internal Audit Department is comprised of seven staff members (including the head of the department) and can be divided into 2 units: (i) internal audit, which is responsible for auditing and assessing the adequacy of the internal control system, and (ii) risk and compliance, which is in charge of identifying and supervising the risk management.

At Audit Committee Meeting No. 3/2014 held on May 15, 2014, the Audit Committee was of the opinion that Mr. Kasem Akanesuwan is qualified to perform the duties as the Head of Internal Audit in an appropriate, adequate and efficient manner, given his educational background, training and experience in internal audit in the business and/or industry of the same nature as that of the Company for a period of 16 years. He has also attended training courses on internal audit, namely the Internal Auditor Course run by the Institute of Internal Auditors of Thailand and he has an understanding of and is independent in relation to the activities and operations of the Company.

Audit Committee's Report

To: The Shareholder

The Audit Committee of Bangkok Airways Public Company Limited consist of three independent directors who had the knowledge, skill and experience in finance, investment and accounting and who possessed the qualifications required by the Securities and Exchange Commission (SEC) and Stock Exchange of Thailand (SET) namely:Mr.Sripop Sarasas, acting as the chairman, Gen.Vichit Yathip, and Mr.James Pattrick Rooney acting as the committee members.

In year 2014 Audit Committee held ten meetings to perform the duties and responsibilities that specified in the Audit Committee Charter and attended the meeting with the Company's management, the internal audit, risk management & compliance departments and the external auditors, the detail of which can be summarized as follows :

1. Review of the financial statements; The Audit Committee has reviewed the Company's annual, quarterly and consolidate financial statements of year 2014, including related party transactions, conflict of interest transactions by making enquiries and considering the explanations from the auditors and executive officers with respect to the completeness, accuracy and sufficiency of the disclosure of financial statements. In this regards, the Audit Committee concur with auditor that the said financial statements are materially accurate in accordance with General Accepted Accounting Principles (GAAP).

2. Review of the efficacy of the Company's internal control system; The Audit Committee consistently considered and acknowledged the results of audit and the important weak points reported from the internal audit. The Audit Committee had the opinion that in 2014, the Company had sufficient internal control system, which conform with the SECs' form for the evaluation of the internal control.

3. Consideration to appoint auditors; The Audit Committee approved to appoint EY Office Limited as the Company's auditors for the year 2015 and proposed to the Company's board of directors to propose the appointment and the auditors' fee in the Annual General Meeting of Shareholders 2015.

In conclusion, the Audit Committee is of the view that, in the previous year, the Company had prepared the financial report disclosed information sufficiently in accordance with GAAP, had the efficient risk management and internal control system consistent with the Good Corporate Governance Policy.

Mr. Sripop Sarasas

Chairman of the Audit Committee

14. Related Parties Transaction

14.1 Name of persons who may have conflicts of interest

(1) Transactions with Bangkok Airways PCl. (Company)

	Name of persons who may have conflicts of interest	Type of Transaction	Value as of 2014 (Baht)	Facts and Reason
1	Bangkok Helicopter services Co., Ltd. *Relationship* • Subsidiary of South East Air Co., Ltd. • Associated of BDMS • Common shareholders and directors	Trade account receivable Service fee revenue	547,840 2,360,866	Company provides management and helicopter maintenance services. Management fees were charged as per stipulated in the contract. Maintenance services were charged when services provided on basis of cost plus margin at least 15%. *Opinion from Audit Committee:* Management and maintenance services provided are justified. This could help company to earn more revenue from its expertise. Contract should be reviewed every 3 years. Maintenance services fees should have at least 15% margin over cost and expenses.
2	Paradise Shopping Co., Ltd. *Relationship* Common shareholders and directors	Trade account receivable Freight revenue	4,646 32,217	Company provides cargo services to Paradise Shopping Co., Ltd. with 20% discount from normal fees for shipment with weight more than 45 kgs. *Opinion from Audit Committee:* Transactions were conducted with normal course of business at market terms and conditions.
		Trade account receivable Rental revenue (Samui Airport)	289,489 7,228,494	Company provides rental space to Paradise Shopping Co., Ltd. at normal fees as stipulated in the announced price list. *Opinion from Audit Committee:* Transactions were justified where rental fees and services fees were charged at market terms and conditions. Contracts should be reviewed on regular basis. Fees must be collected as stated in the contracts.
		Trade account payable Expenses	109,800 434,452	Company buys goods from Paradise Shopping Co., Ltd. at market price. *Opinion from Audit Committee:* Transactions were conducted with normal course of business at market terms and conditions.
3	Prasatthong Osoth Co., Ltd. *Relationship* Common shareholders and directors	Expenses	299,856	Company buys goods from Prasartthong Osoth Co., Ltd. at market price. *Opinion from Audit Committee:* Transactions were conducted with normal course of business at market terms and conditions.

Name of persons who may have conflicts of interest	Type of Transaction	Value as of 2014 (Baht)	Facts and Reason
4 Samui Accom Co., Ltd. *Relationship* • Subsidiary of Bangkok United Mechanical Co., Ltd. • Associated of The Sahakol Estate Co., Ltd. • Common shareholders and directors	Trade account payable Service expenses	24,190 257,140	Company provides passenger services and baggage services to Samui Accom Co., Ltd. with normal course of business at market price *Opinion from Audit Committee:* Transactions were conducted with normal course of business at market terms and conditions.
	Account receivable Rental revenue Freight revenue Other revenue	1,747,473 1,828,066 510,720 24,570	Samui Accom Co., Ltd. rents space and parking lots from company at normal fees as stipulated in the announced Price list. *Opinion from Audit Committee:* Transactions were justified where rental fees and services fees were charged at market terms and conditions. Fees must be collected as stated in the contracts.
5 The Sahakol Estate Co., Ltd. *Relationship* Common shareholders and directors	Land transfer and registration expenses	1,014,323	Company advanced land registration fees to The Sahakol Estate Co., Ltd. Money was collected after transaction completed. *Opinion from Audit Committee:* These were company re-organization transactions in year 2012. All transactions were justified.
6 Sukhothai Property Co., Ltd. *Relationship* • Subsidiary of The Sahakol Estate Co., Ltd. • Common shareholders and directors	Trade account payable Expenses	4,800 102,813	Company uses accommodation services with special discount. *Opinion from Audit Committee:* Transactions were justified where room rate and services fees were charged at market terms and conditions. Contracts should be reviewed on regular basis.
7 Samui Park Avenue Co., Ltd. *Relationship* • Subsidiary of The Sahakol Estate Co., Ltd. • Common shareholders and directors	Rental revenue Deposit	1,600,000 1,800,000	Samui Park Avenue Co., Ltd. leases 6,400 Sq.m. commercial spaces at Samui Airport from Company. Samui Park Avenue Co., Ltd., sub-lease commercial spaces to retailers. Company did not extend lease contracts which were expired on July 1, 2014. *Opinion from Audit Committee:* Company must be asset manager of those commercial spaces.
	Utilities revenue	101,850	Receivables from utilities provided. *Opinion from Audit Committee:* Transactions were conducted with normal course of business at market terms and conditions.
	Utilities expenses	645,056	Company rents spaces from Samui Park Avenue Co., Ltd. *Opinion from Audit Committee:* Company must be asset manager of those rental spaces.

Name of persons who may have conflicts of interest	Type of Transaction	Value as of 2014 (Baht)	Facts and Reason
8 Trat Golden Co., Ltd. *Relationship* Common shareholders and directors	Trade account payable Expenses	12,780 133,800	Company buys goods from Trat Golden Co., Ltd. with normal course of business at market price. *Opinion from Audit Committee:* Transactions were conducted with normal course of business at market terms and conditions.
9 Dhammachart Na Thai Co., Ltd. *Relationship* Common shareholders and directors	Trade account payable Expenses	4,350 4,350	Company buys goods from Dhammachart Na Thai Co., Ltd. with normal course of business at market price
	Trade account receivable Freight revenue	910 4,635	Company provides cargo services to Dhammachart Na Thai Co., Ltd. *Opinion from Audit Committee:* The aforementioned transactions were conducted with normal course of business at market terms and conditions.
10 Bangkok Travel Club Co., Ltd. *Relationship* • Associated of The Sahakol Estate Co., Ltd. • Common shareholders and directors	Other revenue - fees	3,000	Cancellation fees were collected.
	Trade account payable Expenses	15,600 755,295	Bangkok Travel Club Co., Ltd. provides services on visa application and hotel reservations for company's executives and staffs with normal course of business at market terms and conditions. *Opinion from Audit Committee:* The aforementioned transactions were conducted with normal course of business at market terms and conditions.
11 Bangkok Air Tour (1988) Co., Ltd. *Relationship* • Associated of The Sahakol Estate Co., Ltd. • Common shareholders and directors	Trade account receivable Air ticket revenue	4,654,015 49,610,022	Bangkok Air Tour (1988) Co., Ltd. is an air ticket agent. Transactions were conducted on normal course of business.
	Trade account payable Air ticket expenses	546,261 3,607,359	Bangkok Air Tour (1988) Co., Ltd. provides services on Visa application and air ticketing for company's executives and staffs. *Opinion from Audit Committee:* The aforementioned transactions were conducted with normal course of business at market terms and conditions.
12 Samui Convenient Store Co., Ltd. *Relationship* Common shareholders and directors	Expenses	44,750	Company uses accommodation services with normal course of business at market terms and conditions. *Opinion from Audit Committee:* Transactions were justified where room rate and services fees were charged at market terms and conditions. Contracts should be reviewed on regular basis.

Name of persons who may have conflicts of interest	Type of Transaction	Value as of 2014 (Baht)	Facts and Reason
13 Bangkok Samui Hospital Co., Ltd. *Relationship* • Subsidiary of BDMS	Air ticket revenue	3,032,160	Company sells air tickets to Bangkok Samui Hospital Co., Ltd. at discount on volume with normal terms and conditions.
	Freight revenue	7,936	Company provides cargo services to Bangkok Samui Hospital Co., Ltd. at market price with normal terms and conditions *Opinion from Audit Committee:* The aforementioned transactions were conducted with normal course of business at market terms and conditions
14 Bangkok Dusit Medical Services Pcl. - BDMS *Relationship* Common shareholders and directors	Trade account receivable Air ticket revenue	13,952,909 2,236,115	Company sells air tickets to BDMS at discount on volume with normal terms and conditions. *Opinion from Audit Committee:* The transactions were conducted with normal course of business at market terms and conditions.
	Charter flight revenue	13,262,479	Company provided chartered flight services to BDMS on basis of cost plus margin at least 15%. *Opinion from Audit Committee:* Price quotation for the services provided must calculated from actual costs and expenses plus margin of at least 15%
	Investment Dividend Income	17,344,801,468 201,683,738	Company has long term investment in BDMS shares, recored as available for sale securities. *Opinion from Audit Committee:* Transactions were justified. Company and its subsidiaries must comply with company's investment policy.
	Trade account payable Expenses Accrued expenses	1,215,486 2,244,784 95,200	BDMS provides medical check up to company's employees at market price with normal terms and conditions.
	Other revenue	2,190,964	Company received sponsorship for Queen 's cup Bangkok Airways, and Samui Blue Paradise Fest 2014 from BDMS with normal terms and conditions. *Opinion from Audit Committee:* The aforementioned transactions were justified and allied with normal terms and conditions.
15 Samui Palm Beach Resort Co., Ltd. *Relationship* • Subsidiary of The Sahakol Estate Co., Ltd. • Common shareholders and directors	Revenue - Flyer Bonus	180	Samui Plam Beach Resort Co., Ltd. participated in Flyer bonus program. Transactions were conducted with normal course of business at market terms and conditions.
	Trade account payable Expenses	122,850 11,379,891	Company uses accommodation services . Opinion from Audit Committee: The aforementioned transactions were justified Transaction were conducted at market terms and conditions. .

Name of persons who may have conflicts of interest	Type of Transaction	Value as of 2014 (Baht)	Facts and Reason
16 Aeronautical Radio of Thailand Co., Ltd. - AEROTHAI *Relationship* • State enterprise under the Ministry of Transport and Communications. • To provide air traffic control and aeronautical communication services for airline operations. • The Ministry of Finance is a major shareholder • Common directors	Investment	7,485,800	Company has investment in shares of AEROTHAI since year 2003.
	Trade account payable Expenses Deposit	44,207,615 558,807,454 72,000	AEROTHAI provides aeronautical services and related services to company.
	Trade account receivable Utilities revenue	21,427 225,288	Utilities used by AEROTHAI at Samui Airport.
	Trade account receivable Air ticket revenue Freight revenue	97,999 1,363,980 29,159	Company sells tickets to AEROTHAI with normal course of business at market terms and conditions. *Opinion from Audit Committee:* The aforementioned transactions were justified Transaction were conducted at market terms and conditions.
17 Krungthep Limousine Co., Ltd. *Relationship* Common shareholders and directors	Expenses trade account payable Deposit other revenue	252,800 122,000 63,000 105,000	Krungthep Limousine Co.,Ltd. provide passenger and baggage services at Trat Airport with normal course of business at market terms and conditions. *Opinion from Audit Committee:* Transactions were justified Transaction were conducted at market terms and conditions.
18 Bangkok Flight Training Center Co., Ltd. *Relationship* • Subsidiary of The Sahakol Estate Co., Ltd. • Common shareholders and directors	Interest payable	224,504	Company borrowed money from Bangkok Flight Training Center Co., Ltd. Loan was fully paid on May 20, 2014. *Opinion from Audit Committee:* Company has no policy to borrow money from conflicting persons.
19 Natural Rice Co., Ltd. *Relationship* Common shareholders	Expenses Accrued expenses Trade account payable	646,758 1,911 285,450	Company buys goods from Natural Rice Co., Ltd. with normal course of business at market price
	Freight revenue Inventory	27,975 7,430	Company provides cargo services to Natural Rice Co., Ltd. *Opinion from Audit Committee:* The aforementioned transactions were conducted with normal course of business at market terms and conditions.
20 Samitivej Pcl. – SVH *Relationship* • Subsidiary of BDMS • Common directors	Trade account receivable Air ticket revenue Trade account payable Expenses	560,700 1,715,700 17,193 633,229	SVH give away discounted vouchers to its customers to buy air tickets. SVH will then reimburse money of the used voucher to company. *Opinion from Audit Committee:* Transactions were justified Transaction were conducted at market terms and conditions.

Name of persons who may have conflicts of interest	Type of Transaction	Value as of 2014 (Baht)	Facts and Reason
21 National Healthcare Systems Co., Ltd. *Relationship* • Subsidiary of BDMS • Associated of SVH • Common directors	Trade account receivable Freight revenue	98,935 290,761	Company provides cargo services to National Healthcare System Co., Ltd. with normal course of business at market price Company provides 20% discount from normal fees for shipmentwith weight more than 45 kgs. *Opinion from Audit Committee:* Transactions were conducted with normal course of business at market terms and conditions.
22 Bangkok Media & Broadcasting Co., Ltd. *Relationship* • Associated of The Sahakol Estate Co., Ltd. • Common shareholders and directors	Trade account receivable Advertising revenue Advertising expenses	149,800 280,000 1,350,000	Company received revenue from Bangkok Media & Broadcasting Co., Ltd. for advertisements on board. Bangkok Media & Broadcasting Co., Ltd. produced advertising media to company. *Opinion from Audit Committee:* Transactions were conducted with normal course of business at market terms and conditions.
23 THN Network Co., Ltd. *Relationship* Common shareholders and directors	Trade account payable	841,441	TNH Network Co., Ltd. produced advertising media to company with barter trade agreement. *Opinion from Audit Committee:* Transactions were conducted with normal course of business at market terms and conditions.
24 Airport Restaurant Co., Ltd. *Relationship* Common directors	Trade account payable Expenses Trade account receivable	82,355 110,764 185,600	Company buys food vouchers for its staffs from Airport Restaurant Co., Ltd. with normal course of business at market price. Airport Restaurant Co., Ltd. pays fees to company for its operation in Airport. *Opinion from Audit Committee:* Transactions were conducted with normal course of business at market terms and conditions.
25 Bangpakong Riverside Country Club Co., Ltd. *Relationship* Common shareholders	Accrued expenses Expenses	3,000 18,400	Company pays to Bangpakong Riverside Country Club Co., Ltd. to entertain its customers. *Opinion from Audit Committee:* Transactions were conducted with normal course of business at market terms and conditions.
26 Koh Chang Accom Limited Partnership *Relationship* Common directors	Trade account payable Expenses	19,550 20,858	Koh Chang Accom baggage Limited Partnership services and vehicles to company with normal course of business at market price *Opinion from Audit Committee:* Transactions were conducted with normal course of business at market terms and conditions.
27 Mr. Pradit Theekakul *Relationship* Shareholder and directors of BA	Personal guarantee	27,020,000	Mr.Pradit Theekakul provided collateral and personal guarantee on behalf of More Than Free Co., Ltd. for Letter of Guarantee, issued by company, of bonded warehouse with the Custom Department. *Opinion from A.udit Committee:* Company risks were mitigated by the personal guarantee and collateral provided. Negotiation with the Custom Department to exchange Company's Letter of Guarantee with newly issued Letter of Guarantee must be monitored.

	Name of persons who may have conflicts of interest	Type of Transaction	Value as of 2014 (Baht)	Facts and Reason
28	Prananporn Co., Ltd. *Relationship* Deem Related Parties Transaction	Expenses	400,000	Prananporn Co.,L td. provided storage facilities for company's documents and office suppliers. Contract was terminated. *Opinion from Audit Committee:* Contract was terminated. Company will not have further business transaction with Prananporn.
29	Bangkok Aviation Services Co., Ltd.- BASE *Relationship* Deem Related Parties Transaction	Trade account payable Expenses Other revenue Deposit	2,252,621 141,564,715 131,012 543,120	BASE provides cleaning and security services to company's airports with normal course of business. *Opinion from Audit Committee:* Transactions were justified where services fees were charged at market terms and conditions. Contracts should be reviewed and compared on regular basis.
		Rental expenses	523,364	Company rents office space from BASE to use as Sales office. *Opinion from Audit Committee:* Transactions were justified where rental fees and services fees were charged at market terms and conditions.
30	Bangkok Safety Service Co., Ltd.– BSS *Relationship* Deem Related Parties Transaction	Trade account payable Expenses Revenue Deposit	251,239 56,669,080 166,142 347,200	BSS provides cleaning and security services to company's offices and Suvarnabhumi airports with normal course of business. *Opinion from Audit Committee:* Transactions were justified where services fees were charged at market terms and conditions. Contracts should be reviewed and compared on regular basis.
31	A.P. Sheriff Co., Ltd. *Relationship* Deem Related Parties Transaction	Trade account payable Accrued expenses Expenses	301,383 281,666 2,231,571	A.P. Sheriff Co., Ltd. provides cleaning and security services to company's airport with normal course of business. *Opinion from Audit Committee:* Transactions were justified where services fees were charged at market terms and conditions. Contracts should be reviewed and compared on regular basis.
32	More Than Free Co., Ltd. *Relationship* Deem Related Parties Transaction	Trade account payable	583,320	More Than Free Co., Ltd. provided outsourced Duty Free services for company. Company, then, sold bonded inventories to More Than Free Co., Ltd. and stopped Duty Free operation. *Opinion from Audit Committee:* Company will not do Duty Free business in the future since all inventories were sold.
		Expenses	2,810,083	Company buys goods from More Than Free Co., Ltd. at market price *Opinion from Audit Committee:* Transactions were conducted with normal course of business at market terms and conditions.

Name of persons who may have conflicts of interest	Type of Transaction	Value as of 2014 (Baht)	Facts and Reason
	Rental Revenue Other Revenue	1,809,680 1,149,120	More Than Free Co., Ltd. rented commercial space at Samui Airport with normal course of business. *Opinion from Audit Committee:* Transactions were justified where rental fees and services fees were charged at market terms and conditions.
	Trade account receivable Freight revenue	6,906 56,149	Company provides cargo services to More Than Free Co., Ltd. with 20% discount from normal fees for shipment with weight more than 45 kgs. *Opinion from Audit Committee:* Transactions were conducted with normal course of business at market terms and conditions.
33 Bags Ground Services Co., Ltd.–BAGS *Relationship* Deem Related Parties Transaction	Rental revenue	661,264	BAGS rents office space at Phuket Airport from company. *Opinion from Audit Committee:* Transactions were justified where rental fees and services fees were charged at market terms and conditions
	Trade account receivable Air ticket revenue Freight revenue	2,052,418 3,479,905 174,493	Company provides cargo services to BAGS with 20% discount from normal fees for shipment with weight more than 45 kgs. Company also sells air tickets to BAGS's on duty staffs. *Opinion from Audit Committee:* Transactions were justified where tickets fares, and services fees were charged at market terms and conditions.
	Expenses Deposit	303,481,480 88,920	Company sold its interest in BAGS to outsiders in August 2012. However, Company still use BAGS's ground handling services with normal course of business at market terms and conditions. *Opinion from Audit Committee:* Transactions were justified where services fees were charged at market terms and conditions. Contracts should be reviewed and compared on regular basis.
	Other revenue	835,177	Utilities usage, equipment rental fees, and miscellaneous fees from BAGS at Krabi Airport. At present, BAGS terminated its agreement with Karbi Airport. *Opinion from Audit Committee:* Contract was terminated. Company will not have transaction with BAGS

(2) Transactions with Bangkok Airways Holding Co., Ltd. (BAH)

Name of persons who may have conflicts of interest	Type of Transaction	Value as of 2014 (Baht)	Facts and Reason
1 Mr. Prasert Prasarttong-Osoth *Relationship* Shareholder and directors of BA	Interest income	76,447	BAH borrowed money from Mr. Prasert Prasarttong-Osoth. Loan was fully paid on May 20, 2014. *Opinion from Audit Committee:* Company has no policy to borrow money from conflicting persons.
2 Thai Cargo Airline Co., Ltd. *Relationship* Common shareholders and directors	Interest income	508	Thai Cargo Airline Co., Ltd. borrowed money from BAH. Loan was fully paid on May 20, 2013. *Opinion from Audit Committee:* Company has no policy to lend money to conflicting persons.
3 Bangkok Dusit Medical Services Pcl. - BDMS *Relationship* Common shareholders and directors	Investment Dividend income	3,526,000,000 41,000,000	BAH has long term investment in BDMS shares, recored as available for sale securities. *Opinion from Audit Committee:* Transactions were justified. Company and its subsidiaries must comply with company's investment policy.

(3) Transactions with Worldwide Flight Services Bangkok Air Ground Handling Co., Ltd. (BFS Ground)

Name of persons who may have conflicts of interest	Type of Transaction	Value as of 2014 (Baht)	Facts and Reason
1 Bangkok Dusit Medical Services Pcl. - BDMS *Relationship* Common shareholders and directors	Trade account receivable Service fee revenue	472,298 2,579,600	BFS Ground provided meet & assist services to BDMS at market price. *Opinion from Audit Committee:* Transactions were conducted with normal course of business at market terms and conditions.
2 Samitivej Pcl. – SVH *Relationship* • Subsidiary of BDMS • Common directors	Service fee revenue	4,250	BFS Ground provided meet & assist services to SVH at market price. *Opinion from Audit Committee:* Transactions were conducted with normal course of business at market terms and conditions.
3 Aeronautical Radio of Thailand Co., Ltd. - AEROTHAI *Relationship* • State enterprise under the Ministry of Transport and Communications. • To provide air traffic control and aeronautical communication services for airline operations. • The Ministry of Finance is a major shareholder • Common directors	Trade account payable Equipments expenses Expenses	27,600 12,778,834 137,097	BFS Ground rents communication equipments from AEROTHAI with normal terms and conditions. *Opinion from Audit Committee:* Transactions were conducted with normal course of business at market terms and conditions.

(4) Transactions with Bangkok Air Catering Co., Ltd. (BAC)

Name of persons who may have conflicts of interest	Type of Transaction	Value as of 2014 (Baht)	Facts and Reason
1 Paradise Shopping Co., Ltd. *Relationship* Common shareholders and directors	Trade account receivable Rental revenue	79,686 405,417	BAC provides storage space to Paradise Shopping Co., Ltd.. BAC also provides services to Paradise Shopping Co., Ltd. at price indicated in contracts. *Opinion from Audit Committee:* Transactions were conducted with normal course of business at market terms and conditions. Other services contract was justified since fees was charged base on cost plus margin.
2 Dhammachart Na Thai Co., Ltd. *Relationship* Common shareholders and directors	Trade account payable Expenses	23,790 353,725	BAC buys agricultural products from Dhammachart Na Thai Co., Ltd. at market price with normal terms and conditions. *Opinion from Audit Committee:* Transactions were conducted with normal course of business at market terms and conditions.
3 Bangkok Air Tour (1988) Co., Ltd. *Relationship* • Associated of The Sahakol Estate Co., Ltd. • Common shareholders and directors	Air ticket expenses	599,865	Bangkok Air Tour (1988) Co., Ltd. sells tickets to BAC at market price and normal terms and conditions. *Opinion from Audit Committee:* Transactions were conducted with normal course of business at market terms and conditions. BAC can also use other service providers to perform required services.
4 Aeronautical Radio of Thailand Co., Ltd. -AEROTHAI *Relationship* • State enterprise under the Ministry of Transport and Communications. • To provide air traffic control and aeronautical communication services for airline operations. • The Ministry of Finance is a major shareholder • Common directors	Trade account payable Equipments expenses System installation fees	1,503,900 4,680	BAC rents communication equipments from AEROTHAI with normal terms and conditions. *Opinion from Audit Committee:* Transactions were conducted with normal course of business at market terms and conditions.
5 Samitivej Pcl. - SVH *Relationship* • Subsidiary of BDMS • Common directors	Trade account payable Medical staffs expenses	100,000 1,200,000	BAC hires medical staffs from SVH to attend at BAC's first aid room. *Opinion from Audit Committee:* Transactions were conducted with normal course of business at market terms and conditions. However, contract should be reviewed and compared on regulare basis.
6 Phythai 1 Hospital Co., Ltd. *Relationship* • Subsidiary of BDMS • Common directors	Annual check up expenses	503,360	Phythai 1 Hospital Co., Ltd. provides medical check up services to BAC staffs. *Opinion from Audit Committee:* Transactions were conducted with normal course of business at market terms and conditions. However, contract should be reviewed and compared on regulare basis.

Name of persons who may have conflicts of interest	Type of Transaction	Value as of 2014 (Baht)	Facts and Reason
7 A.P. Sheriff Co., Ltd. *Relationship* Deem Related Parties Transaction	Trade account payable Expenses	67,624 750,300	A.P. Sheriff Co., Ltd. provides cleaning and security services to BAC's facilities with normal course of business. *Opinion from Audit Committee:* Transactions were justified where services fees were charged at market terms and conditions. Contracts should be reviewed and compared on regular basis.
8 More Than Free Co., Ltd. *Relationship* Deem Related Parties Transaction	Trade account receivable Rental Revenue	87,205 442,908	More Than Free Co., Ltd. provides storage space to BAC at market price and normal terms and conditions. *Opinion from Audit Committee:* Transactions were justified where services fees were charged at market terms and conditions. Contracts should be reviewed and compared on regular basis.
9 PV Consulting Co., Ltd. *Relationship* Deem Related Parties Transaction	Expenses	626,414	BAC hired PV Consulting Co., Ltd. to perform marketing function abroad. Fees were charged as indicated in service contracts. BAC already terminated contract in May 2014. *Opinion from Audit Committee:* Contract was terminated. Company will not have further business transaction with PV Consulting Co., Ltd.

(5) Transactions with BAC Goumet House Co., Ltd. (BACGH)

Name of persons who may have conflicts of interest	Type of Transaction	Value as of 2014 (Baht)	Facts and Reason
1 Bangkok Air Tour (1988) Co., Ltd. *Relationship* • Associated of The Sahakol Estate Co., Ltd. • Common shareholders and directors	Expenses	37,490	Bangkok Air Tour (1988) Co., Ltd. sells tickets to BACGH at market price and normal terms and conditions. *Opinion from Audit Committee:* Transactions were conducted with normal course of business at market terms and conditions. BAC can also use other service providers to perform required services.
2 Bangkok Dusit Medical Services Pcl. - BDMS *Relationship* Common shareholders and directors	Trade account receivable Catering revenue	228,757 816,612	BACGH provided catering services to BDMS at market price with normal terms and conditions. *Opinion from Audit Committee:* Transactions were justified where services fees were charged at market terms and conditions. Contracts should be reviewed and compared on regular basis.

Name of persons who may have conflicts of interest	Type of Transaction	Value as of 2014 (Baht)	Facts and Reason
	Trade account payable Rental expenses Utilities expenses Deposit	282,173 3,376,306 913,045 613,840	BACGH rents space from BDMS for its restaurant facility at market price and normal terms and conditions. *Opinion from Audit Committee:* Transactions were justified where services fees were charged at market terms and conditions. Contracts should be reviewed and compared on regular basis.
3 Phythai 1 Hospital Co., Ltd. *Relationship* • Subsidiary of BDMS • Common directors	Annual check up expenses	51,860	Phythai 1 Hospital Co., Ltd. provides medical check up services to BACGH staffs. *Opinion from Audit Committee:* Transactions were conducted with normal course of business at market terms and conditions. However, contract should be reviewed and compared on regulare basis.

(6) Transactions with Bangkok Airways Ground Services Co., Ltd. (PGGS)

Name of persons who may have conflicts of interest	Type of Transaction	Value as of 2014 (Baht)	Facts and Reason
1 A.P. Sheriff Co., Ltd. *Relationship* Deem Related Parties Transaction	Trade account payable Service expenses	564,960 528,000	A.P. Sheriff Co., Ltd. provides cleaning and security services to PGGS's facilities at Samui Airport with normal course of business. *Opinion from Audit Committee:* Transactions were justified where services fees were charged at market terms and conditions. Contracts should be reviewed and compared on regular basis.
2 Bags Ground Services Co., Ltd.- BAGS *Relationship* Deem Related Parties Transaction	Trade account payable Expenses Deposit	39,250,530 36,682,738 2,100,000	BAGS provides ground handling services to PGGS at Samui Airport at normal terms and conditions. *Opinion from Audit Committee:* Transactions were justified where services fees were charged at market terms and conditions. Contracts should be reviewed and compared on regular basis.

Management's Discussion and Analysis

Airline Business Information

Operating Data	Unit	Year Ended December 31	
		2014	2013
Scheduled Passenger Revenue [1]	THB million	17,492.0	16,404.2
• Domestic Routes		10,670.3	10,434.6
• International Routes		6,822.7	5,969.6
Available Seat-Kilometer - ASK[2]	Millions	5,655.0	4,062.8
• Domestic Routes		3,230.5	2,175.4
• International Routes		2,424.5	1,887.4
Revenue Passenger -Kilometer - RPK[2]	Millions	3,691.4	2,759.24
• Domestic Routes		2,209.4	1,667.8
• International Routes		1,482.1	1,091.5
Load Factor	(%)	65.3	67.9
• Domestic Routes		68.4	76.7
• International Routes		61.1	57.8
Number of scheduled passengers carried[2]	Thousands	4,789.8	4,173.4
• Domestic Routes		3,487.5	3,118.7
• International Routes		1,302.3	1,054.7
Total Seat Capacity	Thousands	7,357.2	6,006.2
• Domestic Routes		5,080.6	4.122.65
• International Routes		2,276.6	1,882.6
Average Stage Length	Kilometers	770.7	661.2
Kilometers Flown[2]	Millions	44.3	32.2
Aircraft Utilization[3]	Block hours /day/aircraft	8.81	9.14
Airbus A320		9.14	9.92
Airbus A319		9.43	10.08
ATR 72-500		7.82	8.38
Revenue per ASK (RASK)	Baht	3.41	4.50
Cost per ASK (CASK)		3.26	4.00
Cost per ASK excluding Fuel Cost		2.34	2.98
RASK – CASK		0.15	0.49
Number Flight Flown		60,612	51,441
• Domestic Routes		42,239	35,914
• International Routes		18,373	15,527
Passenger Yield[4]	Baht / RPK	4.9	6.1
Number of Aircraft at year ended		27	25
Airbus A320		8	7
Airbus A319		10	10
ATR 72-500		8	8
ATR 72-600		1	-

Remark :

(1) These figures are different from those included in our 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 us on a code-share basis, revenues derived from non-codeshare interline sales by us of seats on other airlines' flights, fuel and insurance surcharge revenue. Excludes revenues from cargo services, charter services and other revenue.

(2) Excludes non-scheduled flights and flights operated by other airlines and marketed by us but includes flights operated by us and marketed by other airlines.

(3) Excludes non-scheduled flights.

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

The following table presents operating and financial information of our subsidiaries and associated company for airport-related services for periods indicated

Unit : Million Baht

Name of persons who may have conflicts of interest	Year Ended December 31		
	2014	2013	2012
Ground services data			
Revenue[(1)]	1,948.8	1,893.9	1,571.1
EBITDA	246.0	373.9	252.5
Net Profit	111.5	258.1	148.1
Number of Flight Handled	54,871	51,838	43,856
Catering services data			
Revenue[(1)]	1,350.0	1,231.4	1,083.6
EBITDA	372.0	324.2	310.4
Net Profit	267.0	183.9	168.4
Number of meals produced and uplifted (million)	8.9	8.6	7.5
Bangkok Airways flights (million)	4.0	3.4	2.9
Other airline flights (million)	4.9	5.2	4.6
International cargo terminal services data			
Revenue[(1)]	1,557.7	1,420.8	1,370.9
EBITDA	684.1	622.8	608.1
Net Profit	453.9	389.7	372.0
Tonnage	371,530	349,935	369,245
Cargo Capacity	550,000	550,000	400,000
Utilization (%)	67.6	63.6	92.3
Number of airway bills	744,669	694,451	690,119

Remark :

(1) Revenue of subsidiaries and associated companies are shown as separated entity

Economic and Aviation Industry

Overview of the global aviation industry in 2014, the number of passengers traveling by air has increased by approximately 5 percent over the previous year resulting in the increase in the number of flights worldwide. Contributing factors for increased air travel included the recovery of global economy, declining oil prices and overall higher demands in air travels. Despite a number of air traffic incidents in the region, Asia-Pacific is the most prevalent in air travels and cargo transports, followed by Europe and North America, respectively.

For an overview of the aviation industry of Thailand, continuous political instability affected number of tourist arrivals due to safety concerns. However, tourist arrivals improved toward the end of the year in northern Thailand, the Gulf and at the islands such as Koh Samui. Though tourists from Russia, Japan and other European countries have decreased due to economic stagnation and the depreciation of their currency, Chinese tourist arrivals largely contributed to such growth and it is evident in the future hotel reservations. Moreover, it is expected that the MICE market would improve as Government has approved the budget.

Thailand's aviation industry in 2015 is expected to improve from the previous year due to the recuperation from the political situation and the decrease in oil price. Thailand's tourism industry has its potential to compete in the global and regional markets with the upcoming AEC as well as the ASEAN Single Aviation Market (ASAM) as significant supporting factors. However, the aviation industry in the region is expected to intensify as domestic carriers rival for customers with promotions and attractive airfares and international carriers expand their services to Thailand.

Overview

We are a boutique full service airline in Thailand, offering premium, quality service to our passengers. We were founded in 1984, and we officially commenced scheduled passenger flight services in 1986 under our current name "Bangkok Airways". As of December 30, 2014, we operated regularly scheduled flights on 14 domestic routes covering major cultural and leisure destinations in Thailand such as Phuket, Samui, Chiang Mai and Krabi.In addition, as of December 30, 2014, we operated scheduled flights on 13 international routes to destinations including Myanmar, Laos, Cambodia, Malaysia, Singapore, Hong Kong, India, Bangladesh and the Maldives. We determine markets that are less than a five-hour flight time from each hub, which gives us access to passengers travelling to and from Southeast Asia and South Asia. Through our code-share and other cooperative arrangements with other airlines such as Etihad Airways, Japan Airlines, Malaysia Airlines, British Airways, Cathay Pacific, Qantas Airways and Silk Air, we are able to extend our reach to passengers originating from destinations including Europe, South Asia, the Middle East and Japan. We operate our airline services from three principal hubs, the Suvarnabhumi International Airport in Bangkok, Samui Airport in SuratThani, and Chiang Mai International Airport in Chiang Mai.

We own and operate three airports, which are Samui Airport, Sukhothai Airport and Trat Airport. On November 24, 2006, we entered into an agreement to lease Samui Airport, together with its facilities, to the Samui Property Fund for a period of 30 years (ending in 2036) for THB9,300.0 million. On the same date, we entered into an agreement to sublease the Samui Airport from the Samui Property Fund for a period of three years, renewable nine times for periods of three years each and another agreement pursuant to which we are to receive utilities system services at the Samui Airport from the Samui Property Fund for a period of 30 years. The longterm lease agreement with the Samui Property Fund specified the fixed payment of THB47.5 million per month which will be increased based on number of departing passengers and number of arriving flights. We hold 25.0% of the outstanding units in the Samui Property Fund.

Apart from airline services and airport services, we also provide airport-related services including cargo terminal services, ground and passenger services and in-flight catering services to our flights and those of other airlines through our subsidiaries and associated companies as follows:

Company	Description
BFS Ground	BFS Ground, our 90.0% owned subsidiary, provides passenger services and ground support equipment services at the Suvarnabhumi International Airport. BFS Ground also holds 51.0% in its subsidiary, BFS Cargo DMK Co., Ltd., a cargo service provider based at the Don Mueang Airport.
BAC	BAC, our 90.0% owned subsidiary, provides in-flight catering services at the Suvarnabhumi International Airport. BAC also holds 99.99% in BAC Gourmet House Co., Ltd., a dining restaurant operator, and 69.99% in Bangkok Air Catering Phuket Co., Ltd., a catering service provider at the Phuket Airport.
PGGS	Bangkok Airways Ground Services Co., Ltd., our 99.99%-owned subsidiary, provides passenger services and ground support equipment services at the Samui Airport.
BFS Cargo	BFS Cargo, our 49.0% owned associated company, provides international cargo terminal services at the Suvarnabhumi International Airport. As BFS Cargo is an associated company, it is not consolidated in our consolidated Financial Statements and accordingly, its revenue is not presented in our sales and service income but our share of its income is recorded as income from investments in associates. BFS Cargo holds 49.0% in its associated company, BFS Cargo DMK, the remainder of which is owned by BFS Ground.

Our fleet size grew from 25 aircraft as of December 31, 2013 to 27 aircraft as of December 31, 2014. In February, 2014, we entered into the Sale and Purchase Agreement with ATR for nine new ATR 72-600 aircrafts and the delivery of the total nine aircrafts is scheduled for between the last quarter of 2014 and the first quarter of 2017. We expect to gradually retire our existing ATR 72-500 fleet.

2. *Factors Affecting Results of Operations*

Our financial condition and results of operation have been, and will continue to be, affected by a number of important factors, including the following:

2.1 Factors Affecting Airline Services

Aviation Operating Environment, particularly Thailand

Our passenger revenue depends primarily on tourism and, to a lesser extent, business travel to Thailand, which is in turn affected by fluctuations in the foreign exchange value of the Thai Baht against other core currencies, the levels of global and Thai economic activity, Thai domestic and political unrest, natural disasters, seasonal and other changes in traffic patterns and the availability of air traffic rights and time slots. In addition, our passenger revenue is dependent on our responses to, and ability to compete with, international and domestic airlines as well as low-cost or budget airlines.

Extraordinary events beyond our control such as terrorist attacks and outbreaks of contagious diseases have adversely affected the airline industry, the Thai economy and economic activity in the region, resulting in depressed demand for flights and ancillary services, lower airfares, higher insurance premiums and increased security costs. These extraordinary events may take place in the future and may have short-term or long-term impact on the airline industry and on our business, financial condition, results of operations and prospects.

However, despite the disruptions due to the financial crisis and the debt crisis in the Eurozone as well as other political, health and environmental shocks and the aforementioned events, we were able to consistently increase our RPKs from 2,759.2 million passenger kilometers in 2014 to 3,691.4million passenger kilometers in2014.

Capacity and Route Mix

Our capacity and route mix are the major factors that specifies the Available Seat-Kilometer (ASK).Our ASK increased from 4,062.8million passenger kilometers in 2013to 5,655.0million passenger kilometers in 2014

Aircraft Fleet

As of December 31, 2014, we had a fleet of 27 aircraft, comprising eight ATR 72-500, one ATR 72-600, ten Airbus A319 and eight Airbus A320. The average age of our fleet was approximately 8.8 years. The aircraft in our current fleet can provide 3,246 aircraft seat capacity.

Our ATR 72-500, ATR 72-600, Airbus A319 and Airbus A320 aircraft allow us to pair our aircraft with suitable routes. Our fleet currently includes ATR 72-500 and ATR 72-600 aircrafts which offer the ability to access certain airports that are inaccessible by larger aircraft, and to serve routes with lower passenger volume. They also allow us to make adjustments to effectively manage flight frequency on routes with lower demand or during the off-season. Our Airbus A319 aircraft enable us to expand the capacity of our routes to the Samui Airport, while our Airbus A320 aircraft allow us to expand our international routes to include destinations such as Mumbai and Dhaka.

Route Mix Strategy

We assess our route mix on basis using a variety of tools, including our revenue management system, to maximize revenues, yield and fleet utilization and capacity. Route mix is primarily driven by supply and demand factors, while our cabin load factors vary from route to route and during different time periods, as certain factors will vary at any given time. Similarly, we assess and adjust our route mix after reviewing the total capacity allocated to particular routes, the competition on specific routes, passengers flown and average pricing, additional revenues generated from connecting flights, as well as costs and possible cost escalation. If a new route is not profitable after a trial period of typically 18 to 24 months, we may consider lowering the frequency of the route and continuing to monitor quarterly, or cancel the route. However, we may, on a case-by-case basis, keep unprofitable routes where the passenger flow from such route into our route network generates sufficient profit to justify the route.

In 2014, we are increasingly focusing on the connectivity and compatibility of certain domestic and regional routes to other routes. Code-share and other cooperative arrangements enable us to increase our cabin load factor with passengers connecting onto our flights from various international locations. We have increased our code-share arrangements to 16 as at December 31, 2014.

Traffic Rights and Slot Availability

Our ASKs and route mix are affected by allocated traffic rights and the availability of landing and departure slots. Mandated caps on the number of total seats in aircraft that an airline is allowed to fly into a particular destination and the availability of landing and departure slots may affect our ability to adjust our route mix, as certain restrictions may prevent us from increasing flight capacity to more profitable or higher demand destinations.

Fares

Average fares, calculated as total scheduled passenger revenue divided by total number of passengers carried, amounted to THB 4,039.9and THB 3,771 in2013 and 2014 , principally due to increased competition on certain routes and the increase of low passenger yield routes, such as Bangkok–Udonthani and Bangkok–Chiang Rai, and slow growth of high yield passengers attributable to connecting flights compared to previous periods.

Pricing and Management of Revenue Strategy

The airline industry is characterized by substantial intense price competition. Generally, we and our competitors discount fares during low seasons to stimulate demand. Such discounts generally trigger discount fares from other airline competitors as well. When we discount our fares, our yields are lowered and our results of operation are adversely affected as our passenger yields are lowered. However, we have adopted a flexible pricing strategy that maximizes yield and cabin load factor. We actively manage passenger yields through our revenue management system, Air Vision Revenue Manager,and our marketing and sales policies. Our revenue management system uses forecasting and optimization models to analyze economic tradeoffs required to determine the number of seats offered at each fare, which enables us to maximize revenues from existing capacity. Similar to our review of our route mix, our marketing and sales policies take into consideration several factors, including supply and demand, market and competitor pricing and our RPK allocation to, and past performance in, the geographical areas or regions. To remain competitive, we generally make fare adjustments on a regular basis, which may involve fare discounts on certain routes to stimulate cabin load factor in advance of travel. We seek to maximize our revenues by increasing fares on flights where advance booking figures and demand are strong, and on certain routes that have historically consistent or higher cabin load factors.

Competition

We face intense competition, both from other full-service carriers and from low-cost carriers. In addition, our competitors may undercut their fares in the future or increase capacity on their routes in an effort to increase their market share, any of which could reduce our fares, load factors and market share and may cause us to revise our cost structure and fares. The airline industry is particularly susceptible to price discounting because airlines incur only nominal variable costs to provide service to passengers occupying. Any changes in competition conditions in the Thai and regional airline markets, including as a result of ASEAN "Open Skies" policies, could significantly affect our business, financial condition, results of operation and prospects.

Fuel Prices

The largest component in our cost of sales and services is aircraft fuel costs, which includes payments for aircraft fuel and gains or losses under fuel hedging contracts. Aircraft fuel costs comprised 27.7%and 29.6% of our costs of sales and services in 2013 and 2014, respectively. Our fuel costs fluctuate significantly in line with changes in global oil prices, which have historically been, and will in the future continue to be, subject to price volatility and fluctuations in supply and demand. Our average fuel price amounted to US$122.99 per barrel in 2013, and US$112.49 per barrel in 2014.

We procure a substantial majority of our aircraft fuel required for our flights pursuant to agreements with PTT and Shell Thailand with two to three year terms. Our domestic aircraft fuel supply agreements are priced in U.S. Dollars but provide for payment in Thai Baht. Our international aircraft fuel supply agreements are priced, and generally provide for payment, in U.S. Dollars. Our aircraft fuel prices under our aircraft fuel supply agreements are generally set as the mean price of fuel oil traded through Singapore, as published by Platts under Mean of Platts Singapore ("MOPS").

We engage in various hedging transactions from time to time to manage our aircraft fuel costs to a manageable level, including transactions to manage cost for periods not more than one year forward. We use a variety of hedging arrangements, including fuel price swap agreements, fuel price option agreements and fuel price collar agreements (combination of a put option and a call option), which we review on a quarterly basis. In addition, as a result of our hedging arrangements, even if market prices for aircraft fuel were to fall in the future, we may not be able to reduce our fuel costs in a timely manner. Because of the nature of our fuel price hedging arrangements, we have to recognize the difference of the fuel price if the fuel price is lower than the minimum price of the hedging arrangement and vice versa, and we will be compensated the difference if the fuel price is higher than the minimum price of the hedging arrangement, with the relevant gain or loss recorded as part of our costs of sales and services in our consolidated Financial Statements.

Airline Expenses

A significant portion of our expenses, including aircraft maintenance and overhaul costs, depreciation and amortization, lease of aircraft and spare parts, finance costs, operating lease payments and some labor costs, are recurring costs which do not vary based on the number of flights flown. Thus, higher aircraft utilization rates result in lower unit costs and higher per passenger returns. In addition, certain of our expenses, including aircraft fuel costs and labor costs for flight deck crew and cabin crew vary based on the number of flights operated but not on our cabin load factor. Thus, minor changes in cabin load factor could have a material effect on our results of operation. We seek to manage costs by maximizing aircraft utilization rates, subject to maintaining an adequate cabin load factor and any applicable operational and regulatory limits.

We seek to manage costs by focusing on route management, fuel management and hedging, headcount control, staff salaries and benefits and overtime and control of cabin crew expenses.

Aircraft lease expenses

As of December 31, 2014 , 20 out of 27 of our aircraft leases are operating leases, and the remainder were finance leases. We also own two aircrafts.

Aircraft lease expenses include the aircraft lease payments that we make to leasing companies and trading companies under operating leases. These expenses are mainly denominated in U.S. Dollars. Under our operating lease arrangements, we are entitled to use the aircraft and are obligated to make rental payments according to the relevant lease arrangements. We are required to return the aircraft in the agreed condition at the end of the lease term. Although the title remains with the lessor, we are responsible during the lease term for legal and regulatory compliance, repair and maintenance, servicing, tax and insurance of the aircraft. Lease payments made under operating leases are recognized as aircraft rent expenses in our income statement. Liabilities relating to aircraft subject to operating lease arrangements are not recorded on our balance sheet but reported in the notes to our financial statements.

Maintenance expenses

As of December 31, 2014, the average age of our fleet was approximately 8.8 years. In general, the cost of maintaining aging aircraft will exceed the cost of maintaining newer aircraft. As our fleet ages, it will require more maintenance and our operation and maintenance expenses will increase on an absolute basis, and such maintenance may affect our ASKs and aircraft utilization and as a result, affect our results of operations. Moreover, as our fleet ages we will not be able to benefit from manufacturer warranties which typically range for two to three years. Further, as our fleet ages, public perception of our aircraft fleet and any customer uncertainty as to safety and related issues could affect passenger demand for our flights and thus affect our results of operation.

Seasonality

Our results of operation are subject to seasonal fluctuations. We experience fluctuations in passenger demand at different times of the day and week and seasonal trends. In the future, we expect our results of operation to continue to fluctuate as a result of a variety of seasonal factors, including changes in passenger demand, flight schedule and cost of sales and services. The load factors are usually highest in the first quarter during Thailand's peak tourist season, and the next highest in the fourth, third and second quarters of the year, respectively.

During periods with high passenger demand, we assess the relevant supply and demand and market factors to increase flight capacity. We also reallocate or reduce flight capacity during periods with low passenger demand and undertake more aircraft maintenance during low periods of demand. As a result, we typically concentrate on our aircraft maintenance during this quarter.

Risk from the exchange rate

Ticket prices denominated in foreign currencies fluctuate according to the exchange rate of those foreign currencies against the Thai Baht. In addition, the cost of sales and services denominated in foreign currencies may increase when they are converted to Thai Baht. As a result, we have a policy aimed at managing our foreign exchange risk exposure by matching receipts and payments in each individual currency. We are also able to determine the currency we receive from the sales of passenger tickets by IATA-authorized agents. We manage the foreign currency that we cannot provide and the remaining foreign currency balance by converting amounts into the desired currency, at the spot rate at the time of conversion. We have not entered into any hedging contracts to hedge against fluctuations in exchange rates. We record profit or loss from converting the net foreign currency as other revenues or other expenses as the case may be.

Interest Rate Exposure

Our outstanding indebtedness is subject to both fixed and variable interest rates. As of December 31, 2014, 8.1% of our total indebtedness bear interest at floating rates (including finance leases). Currently, we do not have any hedging agreement on our interest rate exposure.

2.2 Factors Affecting Airport Operations

Our revenues from airports are derived from our THB 200.0 to THB 600.0 per passenger service charge received from international and domestic passengers travelling out of the Samui Airport, the Sukhothai Airport and the Trat Airport. Changes in our revenues from passenger service charges are driven by the number of departing passengers at our airports and the collected rate of passenger service charge. We also derive other revenue from landing fees and parking fees received from other airlines, which are related to the number of flights landing in our airports.

In November 2014, the DCA has granted the approval to us to increase the number of flight schedules in and out of the Samui Airport to a maximum of 50 flights. Currently, we are in the plan to increase in the number of flights of the existing routes as well as introduce new routes from Samui.

2.3 Factors Affecting our Airport-related Services

BFS Cargo

WFS - PG Cargo Co., Ltd. (BFS Cargo), our 49.0% owned associated company, is an international cargo services provider at the Suvarnabhumi International Airport. Its 49.0% owned associated company, BFS Cargo DMKCo., Ltd., is a cargo services provider at the Don Mueang International Airport.

Factors which affect BFS Cargo's results of operations include tonnage served and the prices charged, which are in turn dependent on global economic activity and supply and demand, and cost of manpower. BFS Cargo served its tonnage at 349,935 tons in 2013 and 371,530 in 2014. In January 2013, BFS Cargo expanded its storage capacity by increasing from 400,000 tons per year to 550,000 tons per year.

BAC

Bangkok Air Catering Co., Ltd. (BAC), our 90.0% owned subsidiary company, operates in-flight catering services at the Suvarnabhumi International Airport. Its 99.99% owned subsidiary company, BAC Gourmet House Co., Ltd., is a restaurant operator and its 69.99% owned subsidiary company, Bangkok Air Catering Phuket Co., Ltd. operates catering services at the Phuket Airport.

Factors which affect BAC's results of operations include the number of meals produced and uplifted, price per meal and raw material food costs. BAC has increased the number of meals produced and uplifted from an average of 23,430 meals per day in 2013 to 24,528 meals per day in 2014.

BFS Ground

Worldwide Flight Services Bangkok Air Ground Handling Co., Ltd. (BFS Ground), our 90.0% owned subsidiary, provides passenger services and ground support equipment services at the Suvarnabhumi International Airport.

Factors which affect BFS Ground's results of operations include prices charged, number of flights handled and the cost of manpower. BFS Ground has expanded its number of flights handled from 51,838 flights in 2013 to 54,871 flights in 2014. BFS Ground's pricing strategy depends primarily on the prices charged by other competitors. The number of flights BFS Ground handles also depends on flight traffic at the Suvarnabhumi International Airport.

4. Result of Operation

Operating performance summary for the year 2014 ended December 31, 2014

Consolidated financial statement for the year 2014 comprises Bangkok Airways's financial statement and nine subsidiaries as follows:

Unit : THB million

	Consolidated Financial Statement			
	2014	2013	Variance	
			Million Baht	%
Net profit (loss) for the period	385.7	990.0	(604.3)	(61.0%)
Add:				
Financial Cost	1,638.4	1,765.6	(127.2)	(7.2%)
Income tax expenses	0.5	139.9	(139.4)	(99.6%)
Written-off fixed assets	11.8	72.2	(60.4)	(83.7%)
Less:				
Dividend incomes	244.1	219.6	24.5	11.2%
Gain on sales of investments	3.4	41.6	(38.2)	(91.8%)
Gain on sales of investments in subsidiaries	-	3.0	(3.0)	(100.0%)
Gain on sales of assets	3.9	2.4	1.5	62.5%
Interest received	73.6	24.7	48.9	198.0%
EBIT(1)	1,711.3	2,676.4	(966.1)	(36.1%)
Add:				
Depreciation and amortization	644.7	572.9	71.8	12.5%
EBITDA(1)	2,356.0	3,249.3	(894.3)	(27.5%)
Add:				
Operating lease expenses	1,754.0	1,530.2	223.8	14.6%
EBITDAR(1)	4,110.1	4,779.5	(670.4)	(14.0%)
Total revenue	22,123.5	20,721.4	1,402.1	6.8%
Operating revenue(2)	21,798.5	20,430.1	1,368.4	6.7%
EBIT Ratio (%)	7.9	13.1	(5.2)	(39.7%)
EBIDA Ratio (%)	10.8	15.9	(5.1)	(32.1%)
EBITDAR Ratio (%)	18.9	23.4	(4.5)	(19.2%)

Remark

(1) 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. there are various calculation methods, our presentation may not be comparable to similarly titled measures used by other companies.

(2) Comprises total revenue net of non-operating revenue (dividend income, gain on sale of investments, gain on sale of investments in subsidiaries, gain on sale of assets, interest received).

Operating profit and net income

Operating profit of the year ended 2013 and 2014 was THB 20,430.1 million and THB 21,798.5 million respectively, increased 6.7% from year 2013. While operating expenses increased from THB 18,219.8 million to THB 20,536.6 million or 12.7% compared to the previous year. The major increase expenses were fuel, aircraft maintenance, passenger service fee and aircraft rental amounted THB 1,042.5 million, THB 563.7 million, THB 524.3 million and THB 223.8 million, respectively. As a result, lower net income for year 2014 to THB 385.7 million from THB 990.0 million.

Operating results for the year 2014 and 2013

BA's and its subsidiaries Earnings Before Interest and Taxation which is calculated from total revenues (excluding dividend income, gain on sales of assets, gain on sales of investments, interest income), after deducting by total expenses, (EBIT) of totaled THB 2,676.4 million for year 2013 and THB 1,711.3 million for year 2014 or accounted for 13.1% and 7.9% of total operating revenue, respectively.

BA's and its subsidiaries Earnings Before Interest and Taxation after adding Depreciation and Amortization which is calculated from total revenues (excluding dividend income, gain on sales of assets, gain on sales of investments, interest income), after deducting by total expenses after adding depreciation and amortization, (EBITDA), of THB 3,249.3 million for year 2013 and THB 2,356.1 million for year 2014 or accounted for 15.9% and 10.8% of total operating revenue, respectively.

BA's and its subsidiaries Earnings Before Interest and Taxation after adding Depreciation, Amortization and aircraft operating lease expenses which is calculated from total revenues (excluding dividend income, gain on sales of assets, gain on sales of investments, interest income), after deducting by total expenses, (EBITDAR), after adding depreciation and amortization and aircraft operating lease expenses totaled THB 4,779.5 million for year 2013 and THB 4110.1 million for year 2014 or accounted for 23.4% and 18.9% of total operating revenue, respectively.

Revenue

Consolidated revenue, we classify into four segments: Airlines segment, Airports segment, Airport-related service businesses segment, and Unallocated revenues. The following table shows breakdown of revenues by business segment (excluding inter-segment revenues) for the periods presented.

Unit : THB million

	Consolidated Financial Statement					
	2014	% of total revenues	2013	% of total revenues	Variance	
					Million Baht	%
Revenue by business segment						
1. Airlines	17,844.1	80.7	16,734.7	80.8	1,109.4	6.6
2. Airports	504.3	2.3	485.5	2.3	18.8	3.7
3. Airport-related services	2,684.4	12.1	2,698.7	13.0	(14.4)	(0.5)
4. Unallocated revenues	1,090.7	4.9	802.4	3.9	288.4	35.9
Total revenue	22,123.5	100.0	20,721.4	100.0	1,402.1	6.8

Revenues from Airline Services

Revenue from airline business are our primary source of revenue, contributing 80.8% and 80.7% of our total revenue of the year 2013 and 2014 respectively.

The following table presents our passenger revenue, comprising of revenues from scheduled flights and charter flights for the periods indicated.

Unit : THB million

	Consolidated Financial Statement					
	2014	**% of total revenues**	**2013**	**% of total revenues**	**Variance**	
					Million Baht	**%**
Scheduled Passenger Revenue	17,492.0	79.1	16,404.2	79.2	1,087.8	6.6
• Domestic Routes	10,670.4	48.2	10,434.6	50.4	235.8	2.3
• International Routes	6,821.6	30.8	5,969.6	28.8	852.0	14.3
Charter flights and charter services revenue	20.6	0.1	80.1	0.4	(59.6)	(74.3)
Total passenger revenue	17,512.6	79.2	16,484.3	79.6	1,028.3	3.9
Cargo revenue	331.5	1.5	250.4	1.2	81.1	32.4
Total revenue from airline business	17,844.1	80.7	16,734.7	80.8	1,109.4	6.6

Operating results for year 2013 and 2014, our scheduled passenger revenue, both domestic and international routes increased from THB 16,404.2 million to THB 17,492.0 million accordingly resulted from increased seat capacity by adding two Airbus A 320 by the end of year 2013 and one Airbus A 320 in mid of year 2014. In addition with, delivery of a new ATR 72-600 in November 2013. Consequently, Available Seat Kilometers (ASK) increased 39.2% from the previous year. Moreover, increase flight frequencies and route expansion during the year also contributed to our revenue.

Year 2014, Revenue Passenger Kilometers (RPK) was grown 33.8% while Revenue per ASK decreased from THB 4.50 to THB 3.41. The decreased in RASK was due to economic difficulties and political unrest during the fourth quarter of 2013 continued until the third quarter of 2014. In addition, intense competition and price war also have direct effect to price fluctuation. While Cost per ASK (CASK) decreased from THB 4.00 to THB 3.26 from increasing ASK.

Revenue from Airport Service

Revenue from airport business accounted for 2.3% of our total revenue for year 2014. Revenue from airport was mainly contributed from number of departing passengers at Samui Airport. Currently, we own and operate three airports, including the Samui Airport, Trat Airport, and Sukhothai Airport. The Samui Airport is the most important airport in terms of revenue contribution.

Revenue from the Airport-Related Services

We operate airport-related services through our subsidiaries and associated companies. The following table shows a breakdown of revenues (excluding services provided to Bangkok Airways) by entity.

Unit : THB million

	Consolidated Financial Statement					
	2014	% of total revenues	2013	% of total revenues	Variance	
					Million Baht	%
BAC	943.7	4.3	936.0	4.5	7.7	0.8
BFS Ground	1,454.0	6.6	1,488.0	7.2	(34.0)	(2.3)
PGGS	253.6	1.2	211.4	1.0	42.2	19.9

Bangkok Air Catering (BAC)

BAC's revenue for year 2014 was THB 943.7 million which slightly increased from year 2013. In term of operating performance, the average number of meal served increased at rate 4.7%. The growth rate was slowly increased compared to last two years, due to a decrease number of tourist travelling to Thailand and decrease number of meals served to airlines customers.

Worldwide Flight Services Bangkok Air Ground Handling (BFS Ground)

Revenue from BFS Ground for year 2014 was THB 1,454.0 million which was indifference from year 2013. The revenue was below target due to decreased/canceled number of flights served in and out Suvarnabhumi Airport.

Bangkok Airways Ground Service (PGGS)

PGGS commenced its business operation in August 15, 2012. PGGS generates income from providing ground services to other airlines at the Samui Airport.

Operating results for year 2013 and 2014, PGGS's revenue increased from THB 211.4 million to THB 253.6 million. The increase was contributed from higher tariffs for services provided at the Samui Airport.

Unallocated Revenues

The following table shows a breakdown of unallocated revenues which is not related to airline, airport related business.

Unit : THB million

	Consolidated Financial Statement					
	2014	% of total revenues	2013	% of total revenues	Variance	
					Million Baht	%
Gain on sales of investments in securities and subsidiaries	3.4	0.0	44.6	0.2	(41.2)	(92.4)
Dividend received	244.1	1.1	219.6	1.1	24.5	11.2
Other items[(1)]	843.2	3.8	538.1	2.6	305.1	56.7
Total unallocated revenues	1,090.7	4.9	802.4	3.8	288.3	35.9

Remark [(1)] Other items principally comprise revenues from items including passenger ticket charges, excess baggage interest income gain form exchange rate and others

Operating results for year 2013 and 2014, unallocated revenue increased from THB 802.4 million to THB 1,090.7 million, accounted for 4.9% of total revenue. Mostly, unallocated revenue was passenger ticket charges, excess baggage and passenger service fee.

Share of profit from investments in associates

For operating results for year 2013 and 2014, share of income from investments in associates increased from THB 394.0 million to THB 437.7 million. This increase was primarily attributed to an increase in share of income from investments in BFS Cargo, which was amounted THB 232.6 million. The increase in share of income from investments was a result from better performance of associated companies.

Expenses

The following table shows a breakdown of our consolidated expenses for the periods indicated

Unit : THB million

	Consolidated Financial Statement					
	2014	% of total revenues	2013	% of total revenues	Variance	
					Million Baht	%
Cost of sales and services	17,563.1	85.2	15,034.1	82.5	2,529.1	16.8
Selling expenses	1,510.2	7.4	1,425.2	7.8	85.0	6.0
Administrative expenses	1,456.8	7.1	1,689.9	9.3	(233.1)	(13.8)
Other expenses	6.5	0.0	70.6	0.4	(64.1)	(90.8)
Total expenses	20,536.6	100.0	18,219.8	100.0	2,316.8	12.7

Cost of sales and services

For operating results for year 2013 and 2014, cost of sales and services accounted for 82.5% and 85.5% of total consolidated expenses. The increase in cost of sales and services resulted from an increase in fuel expenses, aircraft maintenance, passenger service fee and aircraft rental expenses.

Fuel expense: the largest component in our cost of sales and services is fuel expenses, which is a variable cost based on the number of block hours flown during the period. Fuel expenses increased from THB 4,162.5 million in 2013 to THB 5,205.0 million in 2014, accounted for 30.8% and 32.7% of total cost of sales and services. The increase resulted from adding schedule flights during the year whereas decreased in fuel price from USD 123.0 per barrel to USD 112.5 in 2014. As of December 2014, we implemented jet fuel price hedging in order to reduce risk of fuel price volatility of 58.6% of annual fuel consumption. The minimum contract price was USD 96.9 per barrel while the maximum price was USD 119.3 per barrel

Aircraft repair and maintenance expenses: our aircraft repair and maintenance expenses increased from THB 1,411.2 million in 2013 to THB 1,974.9 million. The increase was resulted from the heavy maintenance (C Check level for 20 aircraft), engines and landing gears overhauls. We also obliged to pay Maintenance Reserve Funds in accordance with aircraft lease agreements. Moreover, additional maintenance expenses will incurred in relation to aging aircraft.

Passenger service costs: operating results for year 2013 and 2014, passenger service costs increased from THB 2,085.3 million in 2013 to THB 2,609.6 million in 2014. The increase of passenger service costs were primarily from higher number of passengers and flights. Additional expenses incurred from upgrading service standard during the year.

Rental expenses from operating leases: our rental expenses from operating leases increased from THB 1,530.2 million in 2013 to THB 1,754.0 million in 2014. The increase was resulted from the delivery of two Airbus A 320 in December 2013 and one Airbus A 320 in July 2014

Selling expenses

For year 2013 and 2014, selling expenses accounted for 7.8% and 7.4% of total expenses, respectively. The increases were mainly from reservation and sale support system fees which coincide with number of passengers.

Administrative Expenses

Year 2013 and 2014, Administrative expenses accounted for 9.3% and 7.1% of total expenses, respectively. In year 2013, we allotted Employee Stock Option Programs for directors and employees. As a results, administrative expenses for year 2013 was higher than previous years.

Finance Cost

Finance Cost comprises (i) the financial cost attributable to lease payments under the Sub-lease Agreement for the Samui Airport, including both the rental portion from the sub-lease agreement and the variable portion base on the number of departing passengers and number of arriving flights in computing the effective interest rate. In year 2013, we changed the way we record long term loan from related parties, in respect to the sub-lease agreement for the Samui Airport, to also include projected variable service expenses in computing the effective interest rate. This change in calculation method caused the book value of the long-term loans to the related parties to increase, since the cumulative estimated future liabilities over the term of the contract are recorded in the financial statements. (ii) interest expenses paid to financial institutions and (iii) interest expenses under finance lease agreements in the form of conditional sale agreement.

Unit : THB million

	Consolidated Financial Statement					
	2014	% of total revenues	2013	% of total revenues	Variance	
					Million Baht	%
Interest expenses paid to the Samui Property Fund	1,294.2	6.3	1,331.7	7.3	(37.6)	(2.8)
Interest and Fee expenses[(1)]	344.0	1.7	433.7	2.4	(89.7)	(20.7)
Others including credit fees	0.2	0.0	0.2	0.0	-	-
Total	1,638.4	8.0	1,765.6	9.7	(127.2)	(7.2)

Remark [(1)] Interest and fee expenses to financial institutions and rental expenses from finance leases.

Year 2013 and 2014, interest paid to the Samui Property Fund decreased from THB 1,331.7 million to THB 1,294.2 million due to decrease in number of departing passengers from Samui Airport and the decrease in flights arrival to Samui Airport. Interest expenses and fees paid to financial institutions and interest expenses paid under finance lease agreements also decreased from THB 433.7 million to THB 344.0 million as per schedule stipulated in the agreements.

Assets

As of December 31, 2014, we have total assets of THB 48,578.9 million, an increase of THB 18,185.8 million from end of last year mainly from the following issues:

Unit : THB million

As at December 31,	2014	2013	Variance
Current assets			
Cash and cash equivalents	2,175.1	2,552.9	(377.8)
Trade and other receivables	1,705.5	1,679.2	26.3
Total current Assets	16,561.0	5,741.5	10,819.5
Non-current assets			
Other long-term investments	20,936.2	14,321.9	6,614.3
Property, plant and equipment	7,033.5	6,338.8	694.7
Total Non-current assets	32,017.9	24,678.5	7,339.4
Total assets	48,578.9	30,393.1	18,185.8

Current assets

- Current assets of THB 16,561.0 million, an increase of THB 10,819.5 million from last year:
- Current investment was money, received from Initial Public Offering, deposited at banks, of THB 11,525.1 million.
- Cash and cash equivalents decreased THB 377.8 million from the repayment of financial obligations amounted THB 1,711.3 million, cash used for operating activities of THB 166.5 million, and cash used for investment activities of THB 11,086.4 million.
- Decreased in prepaid expenses of THB 116.1 million from the accrued IPO expenses and prepaid of aircraft operating leases.

Non-current assets

Non-current assets of THB 32,017.9 million, an increase THB 7,339.4 million from end of last year mainly from:

- Changes in market value of available for sales securities of THB 6,614.37million
- Acquisition of property, plant, and equipment totaled THB 694.7 million, mainly from delivery of a new ATR 72-600, acquisition of additional equipment for airport related activities, and acquisition of aircraft rotatable parts and consumable parts of totaled THB 333.8 million.
- Increase in other non-current assets of THB 102.7 million is mainly the Pre Delivery Payment for our new ATR fleet as stipulated in the sale and Purchase Agreement.

Liabilities

As of December 31, 2014, we have total liabilities of THB 23,146.9 million, a slightly decrease of THB 54.4 million from 2013 with details as follows:

Unit : THB million

As at December 31,	2014	2013	Variance
Current liabilities			
Bank overdrafts and short-term loans from banks	-	671.4	(671.4)
Current portion long-term loans and liabilities arising from financial lease of aircrafts	1,119.0	1,436.5	(317.5)
Unearned income	2,151.2	2,035.9	115.3
Other current liabilities	967.0	1,058.7	(91.7)
Total current liabilities	6,734.5	7,594.1	(859.6)

Unit : THB million

As at December 31,	2014	2013	Variance
Non-Current liabilities			
Long-term loans, Liabilities arising from financial lease of aircrafts and Finance lease liabilities – net of current portion	1,013.1	1,562.9	(549.8)
Long-term loans from related party – net of current portion	11,285.7	11,207.5	78.2
Deferred tax liabilities	3,711.6	2,486.1	1,225.5
Total non-current liabilities	16,412.5	15,607.3	805.2
Total liabilities	23,146.9	23,201.3	(54.4)

Current Liabilities

Current Liabilities of THB 6,734.5 million, a decrease THB 859.6 million from end of last year mainly from :

- Repayment of financial obligations of the current portion of long term loans and finance lease obligation THB 317.5 million as determined in agreements.
- Decrease in other current liabilities totaled THB 91.7 million mainly from a decrease of accrued employee expenses.
- Unearned revenue, an increase of THB 115.3 million due to higher number of tickets sold from the alleviated political situation.

Non-Current Liabilities

Non-Current Liabilities of THB 16,412.5 million, an increase of THB 805.2 million from:

- Deferred tax liabilities increased of THB 1,225.5 million from the changes in market value of available for sale investment in securities.
- Repayment of long term loans and finance lease obligations to financial institutions totaled THB 549.8 million.

Shareholders' Equity

Unit : THB million

As at December 31,	2014	2013	Variance
Paid up capital	2,100.0	1,580.0	520.0
Premium on ordinary shares and capital reserve for share-based payment transactions	9,319.5	477.3	8,842.2
Retained earnings	(362.7)	(3,938.0)	3,575.3
Total shareholders' equity	25,432.0	7,191.7	18,240.3

As of December 31, 2014, shareholders' equity totaled THB 25,432.0 million, an increase of THB 18,240.3 million, mainly from proceeds of the Initial Public Offering and the changes in market value of available for sale investment in securities.

Statement of Cash Flow

Unit : THB million

	For the year ended December 31,	
	2014	2013
Net cash flow from (used in) operating activities	(166.5)	1,898.9
Net cash flow from investing activities	(11,086.4)	816.4
Net cash flow used in financing activities	10,875.2	(3,828.2)
Decrease in translation adjustments	-	0.2
Net decrease in cash and cash equivalents	(377.7)	(1,112.8)

Cash flows from Operating Activities

For the year ended December 31, 2014, profit from operating activities before changes in operating assets and liabilities totaled THB 1,972.3 million. Cash flows from operating activities after changes in operating assets and operating liabilities decreased to THB 1,511.9 million. The net cash flows used in operating activities after interest expenses and income taxes expenses was THB 166.5 million.

Cash flows from Investing activities

For the year ended December 31, 2014, cash flows from investing activities of totaled THB11,086.4 million of which from increased in short term deposit at banks of IPO proceeds and delivery of a new ATR 72-600, acquisition of additional equipment for airport related activities, and acquisition of aircraft rotatable parts and consumable parts of totaled THB 715.9 million.

Cash flows from financing activities

For the year ended December 31, 2014, cash flows from financing activities totaled THB 10,875.2 million mainly from IPO proceeds of THB 12,586.4 million and the repayment of short term and long term financial obligations of THB 1,711.3 million. During the period, we have not obtained additional credit facilities from banks, except those of aircraft financing facilities for ATR 72-600 fleet from financial institutions.

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.

Bangkok Airways Public Company Limited and its subsidiaries

Report and consolidated financial statements

31 December 2014

Independent Auditor's Report

To the Shareholders of Bangkok Airways Public Company Limited

I have audited the accompanying consolidated financial statements of Bangkok Airways Public Company Limited and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2014, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of Bangkok Airways Public Company Limited for the same period.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bangkok Airways Public Company Limited and its subsidiaries and of Bangkok Airways Public Company Limited as at 31 December 2014, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

Pimjai Manitkajohnkit

Certified Public Accountant (Thailand) No. 4521

EY Office Limited

Bangkok: 26 February 2015

Statement of Financial Position

As at 31 December 2014

(Unit : Baht)

	Note	Consolidated Financial Statements		Separate Financial Statements	
		2014	2013	2014	2013
Assets					
Current assets					
cash and cash equivalents	7	2,175,125,368	2,552,859,149	1,877,258,697	2,234,505,879
Current investments	8	11,525,141,500	511,039,500	11,500,000,000	881,250,000
Trade and other receivables	6, 9	1,705,461,007	1,679,158,574	1,531,282,211	1,258,289,968
Prepaid expenses		218,187,209	334,249,252	205,751,603	321,114,686
Inventories	10	271,885,673	228,417,873	177,680,188	152,262,876
Other current assets		665,216,501	408,820,481	571,253,574	336,109,680
Total Current Assets		16,561,017,258	5,714,544,829	15,863,226,273	5,183,533,089
Non-Current Assets					
Restricted bank deposits	11	191,779,142	189,095,323	167,675,020	168,132,779
Investments in associates	13	1,669,637,551	1,925,730,032	2,405,570,907	2,405,570,907
Investments in subsidiaries	12	-	-	2,184,233,179	2,184,233,179
Other long-term investments	15	20,936,195,768	14,321,922,508	17,410,195,768	11,913,172,508
Long-term loans to related parties	6	-	56,223,301	63,283,576	98,988,953
Investment properties	14	494,742,126	312,316,484	494,742,126	312,316,484
Property, plant and equipment	16	7,033,543,213	6,338,846,792	6,234,141,509	5,669,441,707
Intangible assets	17	779,827,746	717,085,657	234,794,058	128,294,363
Leasehold rights		49,232,635	58,651,375	49,232,635	58,651,375
Deferred tax assets	30.1	25,069,520	23,512,760	-	-
Other non-current assets	6, 18	837,844,041	735,120,939	779,498,402	672,739,140
Total Non-Current Assets		32,017,871,742	24,678,505,171	30,023,367,180	23,611,541,395
Total Assets		**48,578,889,000**	**30,393,050,000**	**45,886,593,453**	**28,795,074,484**

The accompanying notes are an integral part of the financial statements.

Statement of Financial Position (Continued)

As at 31 December 2014

(Unit : Baht)

	Note	Consolidated Financial Statements 2014	Consolidated Financial Statements 2013	Separate Financial Statements 2014	Separate Financial Statements 2013
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans from banks	19	-	671,364,998	-	650,000,000
Trade and other payables	6, 20	2,440,123,782	2,356,994,015	2,298,246,385	2,217,095,999
Current portion of long-term loans	21	626,073,148	986,138,448	457,473,148	628,838,448
Income tax payable		57,113,757	34,512,345	-	-
Current portion of liabilities arising from finance lease of aircrafts	22	454,587,312	423,827,275	454,587,312	423,827,275
Current portion of finance lease liabilities	23	38,327,520	26,541,358	29,120,288	22,693,782
Unearned income		2,151,213,117	2,035,914,218	2,147,704,780	2,032,627,081
Other current liabilities	6, 8	967,022,771	1,058,759,545	640,863,912	1,152,376,699
Total current liabilities		6,734,461,407	7,594,079,202	6,027,995,825	7,127,459,284
Non-current liabilities					
Long-term loans - net of current portion	21	441,180,000	1,121,004,274	440,180,000	951,404,274
Liabilities arising from finance lease of aircrafts - net of current portion	22	508,108,259	408,658,422	508,108,259	408,658,422
Finance lease liabilities - net of current portion	23	63,788,461	33,253,210	42,956,871	28,698,998
Long-term loans from related party - net of current portion	24	11,285,745,088	11,207,489,404	11,285,745,088	11,207,489,404
Provision for long-term employee benefits	25	328,552,873	286,485,158	270,393,128	236,693,619
Deferred tax liabilities	30.1	3,711,603,911	2,486,066,070	3,202,553,911	2,200,466,070
Other non-current liabilities		73,471,072	64,302,532	-	5,000,000
Total non-current liabilities		16,412,449,664	15,607,259,070	15,749,937,257	15,038,410,787
Total liabilities		**23,146,911,071**	**23,201,338,272**	**21,777,933,082**	**22,165,870,071**

The accompanying notes are an integral part of the financial statements.

Statement of Financial Position (Continued)

As at 31 December 2014

(Unit : Baht)

	Note	Consolidated Financial Statements		Separate Financial Statements	
		2014	2013	2014	2013
Shareholders' equity					
Share capital	26				
Registered					
2,100,000,000 ordinary Shares of Baht 1 each		2,100,000,000	2,100,000,000	2,100,000,000	2,100,000,000
Issued and fully paid up					
2,100,000,000 ordinary Shares					
of Baht 1 each					
(2013 : 1,580,000,000 ordinary shares of Baht 1 each)		2,100,000,000	1,580,000,000	2,100,000,000	1,580,000,000
Premium on ordinary shares		9,319,481,872	270,000,000	9,319,481,872	270,000,000
Capital reserve for share-based					
payment transactions	27	-	207,300,000	-	207,300,000
Retained earnings					
Appropriated - statutory reserve	28	25,000,000	210,000,000	25,000,000	210,000,000
Unappropriated		(387,672,957)	(4,148,031,875)	560,782,771	(3,344,134,226)
Other components of					
shareholders' equity		14,252,109,414	8,960,952,858	12,103,395,728	7,706,038,639
Equity attributable to owners of the company		25,308,918,329	7,080,220,983	24,108,660,371	6,629,204,413
Non-controlling interests		123,059,600	111,490,745	-	-
of the subsidiaries					
Total shareholders' equity		25,431,977,929	7,191,711,728	24,108,660,371	6,629,204,413
Total liabilities and shareholders' equity		**48,578,889,000**	**30,393,050,000**	**45,886,593,453**	**28,795,074,484**

The accompanying notes are an integral part of the financial statements.

Statement of Comprehensive Income

For The Year Ended 31 December 2014

(Unit : Baht)

	Note	Consolidated Financial Statements 2014	Consolidated Financial Statements 2013	Separate Financial Statements 2014	Separate Financial Statements 2013
Profit or loss:					
Revenues					
Passenger	6	17,512,599,890	16,484,297,076	17,513,512,285	16,484,432,886
Sales and service income	6	2,684,355,336	2,656,106,362	-	-
Freight	6	331,543,221	250,428,539	331,543,221	250,428,539
Passenger service charge		504,301,879	485,531,646	504,301,879	485,531,646
Dividend income	6	244,132,188	219,645,865	1,157,151,396	728,606,221
Gain on sales of investments		3,389,500	41,562,336	7,000,000	36,590,986
Gain on transfer of investments in securities	8	-	-	-	341,250,000
Gain on sales of investments in subsidiaries		-	3,027,565	-	-
Reversal of allowance for diminution in value of investments in subsidiary		-	-	-	9,478,368
Other income	6	843,214,441	580,794,926	929,132,882	704,544,728
Total revenues		22,123,536,455	20,721,394,315	20,442,641,663	19,040,863,374
Expenses					
Cost of sales and services	6	17,563,111,197	15,034,053,800	15,903,849,967	13,515,020,802
Selling expenses	6	1,510,204,562	1,425,214,354	1,492,764,494	1,409,376,381
Administrative expenses	6	1,456,841,619	1,689,951,753	1,044,871,228	1,282,492,696
Loss on sales of investments in subsidiaries		-	-	-	2,493,696
Other expenses		6,469,948	70,598,252	-	54,009,347
Total expenses		20,536,627,326	18,219,818,159	18,441,485,689	16,263,392,922
Profit before share of income from investments in associates, finance cost and income tax expenses		1,586,909,129	2,501,576,156	2,001,155,974	2,777,470,452
Share of income from investments in associates	13.2	437,682,331	393,960,927	-	-
Profit before finance cost and income tax expenses		2,024,591,460	2,895,537,083	2,001,155,974	2,777,470,452
Finance cost		(1,638,395,472)	(1,765,611,818)	(1,602,944,055)	(1,709,494,108)
Profit before income tax expenses		386,195,988	1,129,925,265	398,211,919	1,067,976,344
Income tax expenses	30.2	(521,857)	(139,906,210)	97,451,316	(108,163,726)
Profit for the year		385,674,131	990,019,055	495,663,235	959,812,618
Other comprehensive income:					
Exchange differences on translation of financial statements in foreign currency		-	(227,143)	-	-
Gain on changes in value of available-for-sale investments		6,613,946,361	450,520,983	5,496,696,361	48,270,983
Income tax effect	30.3	(1,322,789,272)	(90,104,197)	(1,099,339,272)	(9,654,197)
Other comprehensive income for the year		5,291,157,089	360,189,643	4,397,357,089	38,616,786
Total comprehensive income for the year		**5,676,831,220**	**1,350,208,698**	**4,893,020,324**	**998,429,404**

The accompanying notes are an integral part of the financial statements.

Statement Of Comprehensive Income (Continued)

For The Year Ended 31 December 2014

(Unit : Baht)

	Note	Consolidated Financial Statements 2014	Consolidated Financial Statements 2013	Separate Financial Statements 2014	Separate Financial Statements 2013
Profit attributable to:					
Equity holders of the Company		351,105,156	932,461,551	495,663,235	959,812,618
Non-controlling interests of the subsidiaries		34,568,975	57,557,504		
		385,674,131	990,019,055		
Total comprehensive income attributable to:					
Equity holders of the Company		5,642,261,712	1,292,660,222	4,893,020,324	998,429,404
Non-controlling interests of the subsidiaries		34,569,508	57,548,476		
		5,676,831,220	1,350,208,698		
Earnings per share	32				
Basic earnings per share					
Profit attributable to equity holders of the Company		0.21	0.62	0.30	0.64
Weighted average number of ordinary shares of Baht 1 each		1,672,602,740	1,511,194,043	1,672,602,740	1,511,194,043

The accompanying notes are an integral part of the financial statements.

Statement of Changes In Shareholders' Equity

For The Year Ended 31 December 2014

Consolidated financial statements

(Unit : Baht)

	Note	Equity attributable to owners of the company											
					Retained Earnings		Other Components of Equity						
							Other Comprehensive Income						
		Issued And Paid-Up Share Capital	Premium on Ordinary Shares	Capital Reserve For Share-Based Payment Transactions	Appropriated	Unappropriated	Exchange Differences on Translation of Financial Statements in Foreign currency	Surplus On changes In value of Available For-sale Investments	Discount on Changes in Shareholding in Subsidiaries	Total other Components of Shareholders' Equity	Total equity Attributable to Owners of The company	Equity attributable to non-controlling Interests of The subsidiaries	Total Shareholders' Equity
Balance as at 31 December 2012		1,212,500,000	-	-	121,250,000	(2,565,342,809)	(2,028,559)	8,755,420,709	-	8,753,392,150	7,521,799,341	197,705,776	7,719,505,117
Profit for the year		-	-	-	-	932,461,551	-	-	-	-	932,461,551	57,557,504	990,019,055
Other comprehensive income for the year		-	-	-	-	-	(218,058)	360,416,729	-	360,198,671	360,198,671	(9,028)	360,189,643
Total comprehensive income for the year		-	-	-	-	932,461,551	(218,058)	360,416,729	-	360,198,671	1,292,660,222	57,548,476	1,350,208,698
Increase share capital	26	367,500,000	270,000,000	-	-	-	-	-	-	-	637,500,000	-	637,500,000
Share-based payment transactions	27	-	-	207,300,000	-	-	-	-	-	-	207,300,000	-	207,300,000
Dividend paid	35	-	-	-	-	(2,424,154,000)	-	-	-	-	(2,424,154,000)	-	(2,424,154,000)
Decrease from sales of investments in subsibsidiaries		-	-	-	-	(2,246,617)	2,246,617	-	-	2,246,617	-	(164,079)	(164,079)
Transferred to statutory reserve	28	-	-	-	88,750,000	(88,750,000)	-	-	-	-	-	-	-
Discount on changes in shareholding in subsibsidiaries		-	-	-	-	-	-	-	(154,884,580)	(154,884,580)	(154,884,580)	-	(154,884,580)
Dividend paid for non-controlling interest of the subsidiaries		-	-	-	-	-	-	-	-	-	-	(5,000,081)	(5,000,081)
Decrease in non-controlling interest in subsidiaries		-	-	-	-	-	-	-	-	-	-	(138,599,347)	(138,599,347)
Balance as at 31 December 2013		1,580,000,000	270,000,000	207,300,000	210,000,000	(4,148,031,875)	-	9,115,837,438	(154,884,580)	8,960,952,858	7,080,220,983	111,490,745	7,191,711,728
Balance as at 31 December 2013		1,580,000,000	270,000,000	207,300,000	210,000,000	(4,148,031,875)	-	9,115,837,438	(154,884,580)	8,960,952,858	7,080,220,983	111,490,745	7,191,711,728
Profit for the year		-	-	-	-	351,105,156	-	-	-	-	351,105,156	34,568,975	385,674,131
Other comprehensive income for the year		-	-	-	-	-	-	5,291,156,556	-	5,291,156,556	5,291,156,556	533	5,291,157,089
Total comprehensive income for the year		-	-	-	-	351,105,156	-	5,291,156,556	-	5,291,156,556	5,642,261,712	34,569,508	5,676,831,220
Transfer capital reserve for share-based payment transactions to premium on ordinary shares		-	207,300,000	(207,300,000)	-	-	-	-	-	-	-	-	-
Increase share capital	26	520,000,000	12,066,435,634	-	-	-	-	-	-	-	12,586,435,634	-	12,586,435,634
Transfer reserve and premium offset with retained loss	28	-	(3,224,253,762)	-	(210,000,000)	3,434,253,762	-	-	-	-	-	-	-
Transferred to statutory reserve	28	-	-	-	25,000,000	(25,000,000)	-	-	-	-	-	-	-
Dividend paid for non-controlling interest of the subsidiaries		-	-	-	-	-	-	-	-	-	-	(23,000,653)	(23,000,653)
Balance as at 31 December 2014		2,100,000,000	9,319,481,872	-	25,000,000	(387,672,957)	-	14,406,993,994	(154,884,580)	14,252,109,414	25,308,918,329	123,059,600	25,431,977,929

The Accompanying Notes Are An Integral Part Of The Financial Statements.

Statement of Changes In Shareholders' Equity (Continued)

For The Year Ended 31 December 2014

(Unit : Baht)

	Note	Separate financial statements							
					Retained Earnings		Other Components of Equity		
							Other Comprehensive Income		
		Issued And Paid-Up Share Capital	Premium on Ordinary Shares	Capital Reserve for Share-Based Payment Transactions	Appropriated	Unappropriated	Surplus on changes In value of Available for-Sale Investments	Total other Components of Shareholders' Equity	Total Shareholders' Equity
Balance as at 31 December 2012		1,212,500,000	-	-	121,250,000	(1,791,042,844)	7,667,421,853	7,667,421,853	7,210,129,009
Profit for the year		-	-	-	-	959,812,618	-	-	959,812,618
Other comprehensive income for the year		-	-	-	-	-	38,616,786	38,616,786	38,616,786
Total comprehensive income for the year		-	-	-	-	959,812,618	38,616,786	38,616,786	998,429,404
Increase share capital	26	367,500,000	270,000,000	-	-	-	-	-	637,500,000
Share-based payment transactions	27	-	-	207,300,000	-	-	-	-	207,300,000
Dividend paid	35	-	-	-	-	(2,424,154,000)	-	-	(2,424,154,000)
Transferred to statutory reserve	28	-	-	-	88,750,000	(88,750,000)	-	-	-
Balance as at 31 December 2013		1,580,000,000	270,000,000	207,300,000	210,000,000	(3,344,134,226)	7,706,038,639	7,706,038,639	6,629,204,413
Balance as at 31 December 2013		1,580,000,000	270,000,000	207,300,000	210,000,000	(3,344,134,226)	7,706,038,639	7,706,038,639	6,629,204,413
Profit for the year		-	-	-	-	495,663,235	-	-	495,663,235
Other comprehensive income for the year		-	-	-	-	-	4,397,357,089	4,397,357,089	4,397,357,089
Total comprehensive income for the year		-	-	-	-	495,663,235	4,397,357,089	4,397,357,089	4,893,020,324
Transfer capital reserve for share-based payment transactions to premium on ordinary shares		-	207,300,000	(207,300,000)	-	-	-	-	-
Increase share capital	26	520,000,000	12,066,435,634	-	-	-	-	-	12,586,435,634
Transfer reserve and premium offset with retained loss	28	-	(3,224,253,762)	-	(210,000,000)	3,434,253,762	-	-	-
Transferred to statutory reserve	28	-	-	-	25,000,000	(25,000,000)	-	-	-
Balance as at 31 December 2014		2,100,000,000	9,319,481,872	-	25,000,000	560,782,771	12,103,395,728	12,103,395,728	24,108,660,371

The accompanying notes are an integral part of the financial statements.

Cash Flow Statement

For The Year Ended 31 December 2014

(Unit : Baht)

	Consolidated Financial Statements		Separate Financial Statements	
	2014	2013	2014	2013
Cash flows from operating activities				
Profit before tax	386,195,988	1,129,925,265	398,211,919	1,067,976,344
Adjustments to reconcile profit before tax to net cash provided by (paid from) Operating activities:				
Depreciation and amortisation	644,734,510	572,891,620	450,352,026	406,028,058
Allowance for doubtful accounts (reversal)	(25,507,099)	50,194,420	(26,548,534)	52,219,100
Provision for obsolete inventory	1,189,227	1,127,178	1,189,227	997,178
Gain on sales of property, plant and equipment	(3,948,704)	(2,395,508)	(3,032,811)	(5,597,521)
Gain on sales of leasehold right	(3,609,634)	-	(3,609,634)	-
Gain on sales of long-term investments	-	(36,590,986)	-	(36,590,986)
Gain on sales of short-term investments	(3,389,500)	(4,971,350)	-	-
(Gain) loss from revaluation of short-term Investments	3,253,500	19,178,000	(7,000,000)	7,000,000
Gain on transfer of investment in securities	-	-	-	(341,250,000)
Written-off fixed assets	11,812,119	72,183,950	11,812,119	72,183,950
Share of profit from investments in associates	(437,682,331)	(393,960,927)	-	-
Provision for long-term employee benefits	55,199,568	35,830,314	40,351,571	23,095,302
(Gain) loss on changes in provision For long-term employee benefits	(4,150,919)	110,926,321	-	112,819,912
(Gain) loss on sales of investments in subsidiaries	-	(3,027,565)	-	2,493,696
Reversal impairment in investments in subsidiary	-	-	-	(9,478,368)
Unrealised loss on exchange	31,740,808	126,495,946	31,641,117	126,163,178
Share-based payment transactions	-	207,300,000	-	207,300,000
Dividend income	(244,132,188)	(219,645,865)	(1,157,151,396)	(728,606,221)
Interest income	(73,591,399)	(24,734,651)	(66,148,162)	(17,712,489)
Interest expenses	1,634,170,716	1,765,611,818	1,602,944,055	1,709,494,108
Profit from operating activities before changes in operating assets and liabilities	1,972,284,662	3,406,337,980	1,273,011,497	2,648,535,241
Operating assets (increase) decrease				
Trade and other receivables	198,678,416	(32,454,070)	180,041,015	46,479,857
Loans to director	-	96,657,558	-	96,657,558
Loans to related parties	54,154,904	142,326,326	34,300,000	147,850,000
Inventories	(44,657,027)	1,095,717	(26,606,539)	9,340,195
Other current assets	(89,553,026)	(131,932,784)	(67,278,604)	(117,810,536)
Other assets	(71,961,052)	(112,251,723)	(76,745,830)	(102,759,861)
Operating liabilities increase (decrease)				
Trade and other payables	124,848,172	294,340,172	112,118,568	286,094,338
Other current liabilities	8,255,240	474,608,217	(394,343,512)	803,620,696
Liabilities under finance lease payable	(640,385,031)	(315,154,574)	(636,036,027)	(311,266,362)
Long-term employee benefits paid	(8,980,934)	(21,190,171)	(6,652,062)	(20,464,609)
Other non-current liabilities	9,168,540	5,460,957	(5,000,000)	(211,203)
Cash flows from operating activities	1,511,852,864	3,807,843,605	386,808,506	3,486,065,314
Cash paid for interest expenses	(1,567,174,419)	(1,641,017,135)	(1,530,318,586)	(1,593,297,468)
Cash paid for income tax expenses	(111,192,314)	(267,883,786)	(34,858,335)	(206,392,941)
Net cash flows from (used in) operating activities	**(166,513,869)**	**1,898,942,684**	**(1,178,368,415)**	**1,686,374,905**

The accompanying notes are an integral part of the financial statements.

Cash Flow Statement (Continued)

For The Year Ended 31 December 2014

(Unit : Baht)

	Consolidated Financial Statements		Separate Financial Statements	
	2014	2013	2014	2013
Cash flows from investing activities				
(Increase) decrease in restricted bank deposits	(2,683,819)	(18,998,260)	457,759	(18,369,193)
Increase in current investments	(11,030,000,000)	(470,000,000)	(11,030,000,000)	(470,000,000)
Acquisition of short-term investments	-	(112,237,500)	-	-
Acquisition of long-term investments	(326,900)	(43,909,196)	(326,900)	(43,909,196)
Acquisition of property, plant and equipment	(715,905,543)	(528,950,186)	(453,309,181)	(404,290,971)
Acquisition of intangible assets	(129,455,989)	(123,065,074)	(126,394,101)	(122,562,168)
Interest income	21,428,289	217,159,338	12,943,936	210,622,402
Dividend income from investment in subsidiaries	-	-	34,534,479	114,999,919
Dividend income from investment in associates	495,324,907	425,612,437	495,324,906	425,612,437
Dividend income from long-term investments	244,132,188	219,645,865	201,842,737	187,993,865
Proceeds from sales of property, plant and equipment	4,145,314	248,641,160	3,044,938	248,541,160
Proceeds from sales of investment properties	-	672,820,122	-	672,820,122
Proceeds from sales of leasehold rights	10,906,600	-	10,906,600	-
Cash received from sales of short-term investments	16,034,000	116,718,850	418,250,000	-
Cash received from sales of long-term investments	-	45,503,326	-	45,503,326
Cash paid for investment in subsidiaries	-	(293,483,926)	-	(293,483,926)
Cash paid up for the shares of common stock of subsidiary	-	-	-	(430,000,000)
Cash received from sales of investment in subsidiaries	-	461,234,610	-	461,234,610
Increase in cash and cash equivalents from sales of subsidiaries	-	(57,116)	-	-
Net cash flows from (used in) investing activities	**(11,086,400,953)**	**816,634,450**	**(10,432,724,827)**	**584,712,387**
Cash flows from financing activities				
Decrease in bank overdrafts and short-term loans from financial institutions	(671,364,998)	(998,635,002)	(650,000,000)	(1,020,000,000)
Cash received from short-term loans	-	-	30,685,000	27,540,000
Repayment of short-term loans	-	-	(30,685,000)	(53,570,000)
Cash received from long-term loans	-	14,650,000	-	14,650,000
Repayment of long-term loans	(1,039,889,574)	(1,052,349,022)	(682,589,574)	(751,999,022)
Proceeds from increase in share capital	12,586,435,634	637,500,000	12,586,435,634	637,500,000
Dividend paid	-	(2,424,154,000)	-	(2,424,154,000)
Dividend paid for non-controlling interest of the subsidiaries	(21)	(5,000,081)	-	-
Decrease in non-controlling interest from sale of subsidiaries	-	(164,079)	-	-
Net cash flows from (used in) financing activities	**10,875,181,041**	**(3,828,152,184)**	**11,253,846,060**	**(3,570,033,022)**
Decrease in translation adjustments	-	(218,058)	-	-
Net decrease in cash and cash equivalents	(377,733,781)	(1,112,793,108)	(357,247,182)	(1,298,945,730)
Cash and cash equivalents at beginning of the year	2,552,859,149	3,665,652,257	2,234,505,879	3,533,451,609
Cash and cash equivalents at end of the year (note 7)	**2,175,125,368**	**2,552,859,149**	**1,877,258,697**	**2,234,505,879**
Supplemental cash flows information:				
Non-cash items				
Decrease in receivable from disposal of property, plants, and equipments	-	(226,373,174)	-	(226,373,174)
Decrease in receivable from disposal of investment properties	-	(672,820,122)	-	(672,820,122)
Increase in accrued dividend income	198,449,906	-	425,449,273	-
Increase in dividend payables	23,000,632	-	-	-
Increase (decrease) in payable from purchase of assets	(6,797,599)	(38,702,111)	4,040,708	(49,606,671)
Purchase vehicles under finance lease	755,921,684	20,867,357	729,935,646	17,039,440
Decrease in receivable from sales of investments in subsidiaries	-	(454,249,938)	-	(454,249,938)
Gain on changes in value of a Vailable-for-sale investments	5,291,157,089	360,416,729	4,397,357,089	38,616,786

The accompanying notes are an integral part of the financial statements.

Notes to Consolidated Financial Statements

For the year ended 31 December 2014

1. General information

Bangkok Airways Public Company Limited ("the Company") is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the provision of air transportation and airport services. Its registered address is located at 99 Mu 14, Vibhavadirangsit Road, Chom Phon, Chatuchak, Bangkok.

On 3 November 2014, the Stock Exchange of Thailand approved the listing of the Company's ordinary shares, to begin trading from 3 November 2014.

2. Basis of preparation

2.1 The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from theThai language financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

2.2 Basis of consolidation

a) The consolidated financial statements include the financial statements of Bangkok Airways Public Company Limited ("the Company") and the following subsidiary companies ("the subsidiaries"):

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			2014	2013
			Percent	Percent
Held by the Company				
Bangkok Airways Holding Co., Ltd.	Holding	Thailand	99.99	99.99
Bangkok Airways Ground Services Co., Ltd.	Ground Services	Thailand	99.99	99.99
Worldwide Flight Services Bangkok Air Ground Handling Co., Ltd.	Ground Services	Thailand	90.00	90.00
Bangkok Air Catering Co., Ltd.	Catering	Thailand	90.00	90.00

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			2014	2013
			Percent	Percent
<u>Held by subsidiary companies</u>				
SA Services Co., Ltd. (99.99 percent held by Worldwide Flight Services Bangkok Air Ground Handling Co., Ltd.)	Ground Services	Thailand	89.99	89.99
BFS Cargo DMK Co., Ltd. (51.00 percent held by Worldwide Flight Services Bangkok Air Ground Handling Co., Ltd.)	Cargo	Thailand	45.90	45.90
BAC Gourmet House Co., Ltd. (99.99 percent held by Bangkok Air Catering Co., Ltd.)	Restaurant	Thailand	89.99	89.99
Bangkok Air Catering Phuket Co., Ltd. (70.00 percent held by Bangkok Air Catering Co., Ltd.)	Catering	Thailand	63.00	63.00

b) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.

c) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.

d) The assets and liabilities in the financial statements of overseas subsidiary companies are translated to Baht using the exchange rate prevailing on the end of reporting period, and revenues and expenses translated using monthly average exchange rates. The resulting differences are shown under the caption of "Exchange differences on translation of financial statements in foreign currency" in the statements of changes in shareholders' equity.

e) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.

f) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.

2.3 The separate financial statements, which present investments in subsidiaries and associates under the cost method, have been prepared solely for the benefit of the public.

3. New financial reporting standards

Below is a summary of financial reporting standards that became effective in the current accounting year and those that will become effective in the future.

(a) Financial reporting standards that became effective in the current accounting year

Conceptual Framework for Financial Reporting (revised 2014)

Accounting Standards:

TAS 1 (revised 2012)	Presentation of Financial Statements
TAS 7 (revised 2012)	Statement of Cash Flows
TAS 12 (revised 2012)	Income Taxes
TAS 17 (revised 2012)	Leases
TAS 18 (revised 2012)	Revenue
TAS 19 (revised 2012)	Employee Benefits
TAS 21 (revised 2012)	The Effects of Changes in Foreign Exchange Rates
TAS 24 (revised 2012)	Related Party Disclosures
TAS 28 (revised 2012)	Investments in Associates
TAS 31 (revised 2012)	Interests in Joint Ventures
TAS 34 (revised 2012)	Interim Financial Reporting
TAS 36 (revised 2012)	Impairment of Assets
TAS 38 (revised 2012)	Intangible Assets

Financial Reporting Standards:

TFRS 2 (revised 2012)	Share-based Payment
TFRS 3 (revised 2012)	Business Combinations
TFRS 5 (revised 2012)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 8 (revised 2012)	Operating Segments

Accounting Standard Interpretations:

TSIC 15	Operating Leases - Incentives
TSIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29	Service Concession Arrangements: Disclosures
TSIC 32	Intangible Assets - Web Site Costs

Financial Reporting Standard Interpretations:

TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4	Determining whether an Arrangement contains a Lease
TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7	Applying the Restatement Approach under TAS 29 Financial Reporting in Hyperinflationary Economies
TFRIC 10	Interim Financial Reporting and Impairment
TFRIC 12	Service Concession Arrangements
TFRIC 13	Customer Loyalty Programmes
TFRIC 17	Distributions of Non-cash Assets to Owners
TFRIC 18	Transfers of Assets from Customers

Accounting Treatment Guidance for Stock Dividend

These financial reporting standards were amended primarily to align their content with the corresponding International Financial Reporting Standards. Most of the changes were directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of the accounting standards. These financial reporting standards do not have any significant impact on the financial statements.

(b) Financial reporting standards that will become effective in the future

The Federation of Accounting Professions has issued a number of revised and new financial reporting standards that become effective for fiscal years beginning on or after 1 January 2015. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of accounting standards. The management of the Company believes that they will not have any significant impact on the financial statements in the year in which they are adopted. However, some of these financial reporting standards involve changes to key principles, as discussed below:

TAS 19 (revised 2014) Employee Benefits

This revised standard requires that the entity recognise actuarial gains and losses immediately in other comprehensive income while the existing standard allows the entity to recognise such gains and losses immediately in profit or loss, or in other comprehensive income, or to recognise them gradually in profit or loss.

At present, the Company and its subsidiaries immediately recognise actuarial gains and losses in profit or loss in the period in which they occur. The assessment of the management of the Company and its subsidiaries is that when the revised standard is applied in 2015 and the method of recognising those gains and losses is changed to immediately recognise them in other comprehensive income, there will be no impact to provision for long-term employee benefit liabilities and retained earnings in the financial statements.

TFRS 10 Consolidated Financial Statements

TFRS 10 prescribes requirements for the preparation of consolidated financial statements and replaces the part dealing with consolidated financial statements as included in TAS 27 Consolidated and Separate Financial Statements. This standard changes the principles used in considering whether control exists. Under this standard, an investor is deemed to have control over an investee if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns, even if it holds less than half of the shares or voting rights. This important change requires the management to exercise a lot of judgement when reviewing whether the Company and its subsidiaries have control over the investees and determine which entities have to be included for preparation of the consolidated financial statements.

The management of the Company and its subsidiaries believes that this standard will not have any significant impact on the Company's and its subsidiaries' financial statements.

TFRS 12 Disclosure of Interests in Other Entities

This standard stipulates disclosures relating to an entity's interests in subsidiaries, joint arrangements and associates, including structured entities. This standard, therefore, has no financial impact to the financial statements of the Company and its subsidiaries.

TFRS 13 Fair Value Measurement

This standard provides guidance on how to measure fair value and stipulates disclosures related to fair value measurements. Entities are to apply the guidance under this standard if they are required by other financial reporting standards to measure their assets or liabilities at fair value. The effect of the change from the adoption of this standard is to be recognised prospectively.

Based on the preliminary analysis, the management of the Company and its subsidiaries believes that this standard will not have any significant impact on the Company's and its subsidiaries' financial statements.

4. Significant accounting policies

4.1 Revenue recognition and expense

Passenger revenues

Revenue from ticket sales is recognised as revenue in profit or loss when transportation is provided.

Customer loyalty programmes

The Company operates a loyalty programme which allows customers to accumulate points when customers purchase tickets from the Company. The points can be redeemed for air tickets, hotel accommodations or gifts under conditions set by the Company.

The value of air tickets sales and redemption costs are allocated to the points issued, at the fair value of the points, and gradually recognised as revenue when the points are redeemed and the Company fulfills its contractual obligation to supply rewards.

Sales of goods

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discounts and allowances.

Service rendered

Revenue from providing service to passengers, freight and passenger service charge are recognised in profit or loss when the services are provided.

Aircraft rental

Revenue from aircraft rental is recognised in profit or loss based on rental period.

Interest income

Interest income is recognised on an accrual basis based on the effective interest rate.

Dividends

Dividends are recognised when the right to receive the dividends is established.

Finance cost

Finance cost is recognised on an accrual basis and calculated using the effective interest rate.

4.2 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

4.3 Trade accounts receivable

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experience and analysis of debt aging.

4.4 Inventories

Finished goods are valued at the lower of cost (first in - first out method) and net realisable value. Spare parts, supplies and air-tickets are valued at cost (moving average method) and constitute part of expenses whenever consumed.

4.5 Investments

a) Investments in securities held for trading are stated at fair value. Changes in the fair value of these securities are recorded in profit or loss.
b) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded in other comprehensive income, and will be recorded in profit or loss when the securities are sold.
c) Investments in debt securities, both due within one year and expected to be held to maturity, are recorded at amortised cost. The premium/discount on debt securities is amortised/accreted by the effective rate method with the amortised/accreted amount presented as an adjustment to the interest income.
d) Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for impairment loss (if any).
e) Investments in associates are accounted for in the consolidated financial statements using the equity method.
f) Investments in subsidiaries and associates are accounted for in the separate financial statements using the cost method.

The fair value of marketable securities is based on the latest bid price of the last working day of the year. The fair value of unit trusts is determined from their net asset value.

The weighted average method is used for computation of the cost of investments. On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

4.6 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and allowance for loss on impairment (if any).

Depreciation of investment properties is calculated by reference to their costs on the straight-line basis over estimated useful lives of 20 years. Depreciation of the investment properties is included in determining income.

On disposal of investment properties, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period when the asset is derecognised.

4.7 Property, plant and equipment/Depreciation

Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

Depreciation of plant and equipment is calculated by reference to their costs on a straight-line basis over the estimated useful lives as follows:

Buildings and improvements	-	3 and	20	years
Airport and improvements	-		20	years
Aircrafts	-		20	years
Aircrafts parts and ground equipment	-	3b and	14	years
Furniture, fixtures and equipment	-	3 and	10	years
Vehicles	-		5	years

Depreciation is included in determining income.
No depreciation is provided on land and construction in progress.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

4.8 Intangible assets

The intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to profit or loss.

A summary of the intangible assets with finite useful lives is as follows:

	Useful lives	
Concessions	20	years
Computer software	5	years

4.9 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors, and officers with authority in the planning and direction of the Company's operations.

4.10 Long-term leases

Leases of property, plant or equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the net present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in long-term payables, while the interest element is charged to profit or loss over the lease period. The assets acquired under finance leases is depreciated over the useful life of the asset.

Leases of property, plant or equipment which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight line baisis over the lease term.

4.11 Foreign currencies

The consolidated and separate financial statements are presented in Baht which is also the Company's functional currency. Items of each entity included in the consolidated financial statements are measured using the functional currency of that entity.

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the end of reporting period.

Gains and losses on exchange are included in determining income.

4.12 Impairment of assets

At the end of each reporting period, the Company and its subsidiaries performs impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. An impairment loss is recognised in profit or loss.

4.13 Employee benefits

Short-term employee benefits

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

Post-employment benefits

Defined contribution plans

The Company, its subsidiaries and their employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company and its subsidiaries. The fund's assets are held in a separate trust fund and the Company and its subsidiaries' contributions are recognised as expenses when incurred.

Defined benefit plans

The Company and its subsidiaries have obligations in respect of the severance payments that must make to employees upon retirement under labor law. The Company and its subsidiaries treat these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in profit or loss.

For the first-time adoption of TAS 19 Employee Benefits in 2011, the Company elected to recognise the transitional liability, which exceeds the ability that would have been recognised at the same date under the previous accounting policy, through on adjustment to the beginning balance of retained earnings in 2011.

4.14 Provisions

Provisions are recognised when the Company and its subsidiaries have a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

4.15 Income tax

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

Current tax

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

Deferred tax

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Company and its subsidiaries recognise deferred tax liabilities for all taxable temporary differences while it recognises deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Company and its subsidiaries review and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Company and its subsidiaries record deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

4.16 Share-based payment

The Company and its subsidiaries recognises share-based payment transactions when services from employees are rendered, based on the fair value of the share options on the grant date. The expenses are recorded over the vesting period, in accordance with the conditions regarding length of service rendered by employees stipulated in the share-based payment plan, together with a corresponding increase in "Capital reserve for share-based payment transactions" in shareholders' equity.

Estimating fair value for share-based payment transactions requires management to exercise judgement, and to apply assumptions.

5. Significant accounting judgements and estimates

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgements and estimates are as follows:

Leases

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgement regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

Allowance for doubtful accounts

In determining an allowance for doubtful accounts, the management needs to make judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

Impairment of equity investments

The Company and its subsidiaries treat available-for-sale investments and other investments as impaired when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement of the management.

Property plant and equipment/Depreciation

In determining depreciation of plant and equipment, the management is required to make estimations of the useful lives and residual values of the plant and equipment and to review estimate useful lives and residual values when there are any changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses when it is determined that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

Post-employment benefits under defined benefit plans

The obligation under the defined benefit plans is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

Litigation

The Company and its subsidiaries have contingent liabilities as a result of litigation. The Company's management has used judgement to assess of the results of the litigation. The Company and its subsidiaries recorded contingent liabilities as at the end of reporting period.

6. Related party transactions

During the years, the Company and its subsidiaries had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

(Unit : Million Baht)

	Consolidated financial statements		Separate financial statements		Pricing Policy
	2014	2013	2014	2013	
Transactions with subsidiary companies					
(Eliminated from the consolidated financial statements)					
Passenger income	-	-	1	-	Authorized price
Permission fee	-	-	152	145	Contract price
Concession lounge service income	-	-	17	17	Contract price
Rental income	-	-	3	5	Contract price
Dividend income	-	-	262	115	As declared
Catering service expenses	-	-	429	345	Contract price
Ground service expenses	-	-	451	372	Contract price
Transactions with associated companies					
Interest income	1	8	1	8	MLR
Ground service income	3	3	-	-	Contract price
Collection fee	1	1	-	-	Contract price
Dividend income	-	-	694	426	As declared
Interest expenses	1,294	1,332	1,294	1,332	Contract pric
Shipping service expenses	16	18	16	18	Actual charge
Employee expenses	-	3	-	-	Contract price
Transactions with related companies					
Permission fee	3	-	3	-	Contract price
Catering service income	5	2	-	-	Contract price
Duty fee income	-	31	-	31	Cost plus margin
Ground service income	3	3	-	-	Contract price
Rental income	12	5	12	5	Contract price
Passenger income	58	84	58	84	Contract price
Charter flight income	3	12	13	12	Contract price
Consulting income	2	3	2	3	Contract price
Sponsor income	3	1	3	1	Contract price
Utilities income	1	-	1	-	Actual charge
Dividend income	243	219	202	188	As declared
Catering service income	4	1	4	1	Contract price
Ground service expenses	341	175	307	175	Contract price
Management expenses	142	101	142	101	Contract price
Security expenses	67	44	67	44	Contract price
Stock management expenses	-	1	-	1	Contract price
Rental expenses	6	1	1	1	Contract price
Employee expenses	19	20	17	17	Actual charge
Medical expenses	3	3	3	3	Market price
Advertising expense	1	1	1	1	Contract price
Aeronautical radio	573	403	559	393	Market price
Transactions with management and directors					
Interest income	-	1	-	1	MLR

The relationships between the Company and the related companies are presented below.

List of related companies	Relationship
Bangkok Air Catering Co., Ltd.	Subsidiary
Bangkok Airways Ground Service Co., Ltd.	Subsidiary
Worldwide Flight Services Bangkok Air Ground Handling Co., Ltd.	Subsidiary
Bangkok Airways Holding Co., Ltd.	Subsidiary
BAC Gourmet House Co., Ltd.	Subsidiary (held by a subsidiary)
Bangkok Air Catering Phuket Co., Ltd.	Subsidiary (held by a subsidiary)
SA Services Co., Ltd.	Subsidiary (held by a subsidiary)
BFS Cargo DMK Co., Ltd.	Subsidiary (held by a subsidiary)
WFS-PG Cargo Co., Ltd.	Associate
Samui Airport Property Fund (Leasehold)	Associate
S.E.A. Aviation Co., Ltd.	Associate
Bangkok Dusit Medical Services Plc.	Common shareholders and/or directors
South East Air Co., Ltd.	Common shareholders and/or directors
Thai Cargo Airline Co., Ltd.	Common shareholders and/or directors
Bangkok Media & Broadcasting Co., Ltd.	Common shareholders and/or directors
Bangkok Helicopter Services Co., Ltd.	Common shareholders and/or directors
Thai Petroleum Service Co., Ltd.	Common shareholders and/or directors
Bangkok Golden Life Co., Ltd.	Common shareholders and/or directors
Bangpakong Golf Club Co., Ltd.	Common shareholders and/or directors
Prasartthong Osoth Co., Ltd.	Common shareholders and/or directors
Paradise Shopping Co., Ltd.	Common shareholders and/or directors
Bangkok Hospital Chiangmai Co., Ltd.	Common shareholders and/or directors
Bangkok Hospital Sanamchan Co., Ltd.	Common shareholders and/or directors
Bangkok Flight Training Center Co., Ltd.	Common shareholders and/or directors
Samui Park Avenue Co., Ltd.	Common shareholders and/or directors
Samitivej Plc.	Common shareholders and/or directors
Samui Accom Co., Ltd.	Common shareholders and/or directors
Sukhothai Property Co., Ltd.	Common shareholders and/or directors
The Sahakol Estate Co., Ltd.	Common shareholders and/or directors
Amsito Thai Petroleum Service Co., Ltd.	Common shareholders and/or directors
Bangkok Save Drug Co., Ltd.	Common shareholders and/or directors
The Krungthep Thanakorn Co., Ltd.	Common shareholders and/or directors
Bangkok Health Insurance Plc.	Common shareholders and/or directors
Bangkok Premier Life Insurance Broker Co., Ltd.	Common shareholders and/or directors
Bangkok United Mechanical Co., Ltd.	Common shareholders and/or directors
Siam Medical Co., Ltd.	Common shareholders and/or directors
Kiattana Transport Plc.	Common shareholders and/or directors
Khan Co., Ltd.	Common shareholders and/or directors
Sing Sian Yer Pao Co., Ltd.	Common shareholders and/or directors
Save Drug Center Co., Ltd.	Common shareholders and/or directors
Sodexo Support Services (Thailand) Ltd.	Common shareholders and/or directors
Sodexho Healthcare Support Services (Thailand) Ltd.	Common shareholders and/or directors
Trat Golden Co., Ltd.	Common shareholders and/or directors
Three Sixtyfive Plc.	Common shareholders and/or directors
THN Network Co., Ltd.	Common shareholders and/or directors

List of related companies	Relationship
Thai Kodama Co., Ltd.	Common shareholders and/or directors
Thonburi Medical Centre Plc.	Common shareholders and/or directors
Dhammachart Na Thai Co., Ltd.	Common shareholders and/or directors
Nippon Pack (Thailand) Plc.	Common shareholders and/or directors
National Healthcare Systems Co., Ltd.	Common shareholders and/or directors
Bangkok Travel Club Co.,Ltd.	Common shareholders and/or directors
Bangkok Total Communication Co., Ltd.	Common shareholders and/or directors
Bangkok River Rest Co., Ltd.	Common shareholders and/or directors
BDMS Training Co., Ltd.	Common shareholders and/or directors
BDMS Accounting Co., Ltd.	Common shareholders and/or directors
Bangkok Airtour (1988) Co., Ltd.	Common shareholders and/or directors
Prasit Patana Plc.	Common shareholders and/or directors
Parute (2008) Co., Ltd.	Common shareholders and/or directors
Paolo Medic Co., Ltd.	Common shareholders and/or directors
Paolo Samut Prakarn Co., Ltd.	Common shareholders and/or directors
Diamond Building Products Plc.	Common shareholders and/or directors
Pattaya Country Club Co., Ltd.	Common shareholders and/or directors
Paradigm Asia Limited	Common shareholders and/or directors
BIRA Property Co., Ltd.	Common shareholders and/or directors
Myraid Materials Co., Ltd.	Common shareholders and/or directors
MC Group Plc.	Common shareholders and/or directors
Mae Aroon Co., Ltd.	Common shareholders and/or directors
Modern Manu Co., Ltd.	Common shareholders and/or directors
Royal Bangkok Healthcare Co., Ltd.	Common shareholders and/or directors
Phyathai 1 Hospital Co., Ltd.	Common shareholders and/or directors
Phyathai 2 Hospital Co., Ltd.	Common shareholders and/or directors
Phyathai 3 Hospital Co., Ltd.	Common shareholders and/or directors
Sriracha Nakorn General Hospital Plc.	Common shareholders and/or directors
The Royal Ceramic Industry Plc.	Common shareholders and/or directors
Legal Connect Consultant Co., Ltd.	Common shareholders and/or directors
Vanachai Group Plc.	Common shareholders and/or directors
Aeronautical Radio of Thailand Ltd.	Common shareholders and/or directors
Visunee Landing Co., Ltd.	Common shareholders and/or directors
Thai Medical Center Plc.	Common shareholders and/or directors
Samui Convenient Store Co., Ltd.	Common shareholders and/or directors
Samui Airport Shop Co., Ltd.	Common shareholders and/or directors
Samui Palm Beach Royal Wing Co., Ltd.	Common shareholders and/or directors
Samui Palm Beach Resort Co., Ltd.	Common shareholders and/or directors
The Medic Pharma Co., Ltd.	Common shareholders and/or directors
Golden Lime Plc.	Common shareholders and/or directors
Finansia Syrus Securities Plc.	Common shareholders and/or directors
Asiaworks Television Ltd.	Common shareholders and/or directors
A.N.B. Laboratories Co., Ltd.	Common shareholders and/or directors
SBI Thai Online Securities Co., Ltd.	Common shareholders and/or directors
Advance Information Technology Plc.	Common shareholders and/or directors
Sabai Sabai Niwet Co., Ltd.	Common shareholders and/or directors
Khao Kor Wind Power Co., Ltd.	Common shareholders and/or directors

List of related companies	Relationship
Sustainable Energy Corporation Co., Ltd.	Common shareholders and/or directors
Nusasiri Plc.	Common shareholders and/or directors
PV Consulting Co., Ltd.	Deemed related party
Food and Store Co., Ltd.	Deemed related party
Bangkok Airways (Cambodia) Co., Ltd.	Deemed related party
More Than Free Co., Ltd.	Deemed related party
Prananporn Co., Ltd.	Deemed related party
Cool Latte Co., Ltd.	Deemed related party
Orange Digital Media Co., Ltd.	Deemed related party
A.P. Sheriff Co., Ltd.	Deemed related party
Bangkok Aviation Services Co., Ltd.	Deemed related party
Bangkok Security Services Co., Ltd.	Deemed related party
BAGS Ground Services Co., Ltd.	Deemed related party
Krungthep Limousine Co., Ltd.	Deemed related party
Natural Rice Co., Ltd.	Deemed related party
Airport Restaurant Co., Ltd.	Deemed related party
Koh Chang Accom Limited Partnership	Deemed related party
Café Di Bangkok Air Partnership	Deemed related party

As at 31 December 2014 and 31 December 2013, the balances of the accounts between the Company and those related companies are as follows:

(Unit : Thousand Baht)

	Consolidated inancial statements		Separate financial statements	
	2014	2013	2014	2013
Trade and other receivables - related parties (Note 9)				
Subsidiaries	-	-	274,502	42,206
Associated companies	199,247	852	198,460	-
Related companies (related by shareholders and/or directors)	28,169	87,058	25,778	86,475
Total trade and other receivables - related parties	227,416	87,910	498,740	128,681
Deposits - related parties				
Associated companies	47,500	47,500	47,500	47,500
Related companies (related by shareholders and/or directors)	3,062	72	962	72
Total deposits - related parties	50,562	47,572	48,462	47,572
Trade and other payables - related parties (Note 20)				
Subsidiaries	-	-	168,923	161,231
Associated companies	111,858	115,479	103,306	106,070
Related companies (related by shareholders and/or directors)	122,236	121,426	118,238	121,209
Total and other payables - related parties	234,094	236,905	390,467	388,510

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Other current liabilities - related parties				
Subsidiaries	-	-	-	418,250
Total other current liabilities - related parties	**-**	**-**	**-**	**418,250**

Loans to related parties and loan from related parties

The balance of loans between the Company and those related companies and the movement are as follows:

(Unit : Thousand Baht)

	Consolidated financial statements			
Loans to and accrued interest receivables	Balance as at 31 December 2013	Increase during the year	Decrease during the year	Balance as at 31 December 2014
Director	20,309	76	(20,385)	-
Associated companies	35,705	-	(35,705)	-
Related companies				
(related by directors)	209	1	(210)	-
Total	**56,223**	**77**	**(56,300)**	**-**

(Unit : Thousand Baht)

	Separate financial statements			
Loans to and accrued interest receivables	Balance as at 31 December 2013	Increase during the year	Decrease during the year	Balance as at 31 December 2014
Subsidiaries	63,284	-	-	63,284
Associated companies	35,705	-	(35,705)	-
Related companies				
(related by directors)	171	-	(171)	-
	99,160	-	(35,876)	63,284
Less: Allowance for doubtful	(171)	-	171	-
Total	**98,989**	**-**	**(35,705)**	**63,284**

Directors and management's benefits

During the years ended 31 December 2014 and 2013 the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

(Unit : Million Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Short-term employee benefits	194	159	158	124
Post-employment benefits	5	15	3	14
Share-based payment (Note 27)	-	66	-	66
Total	**199**	**240**	**161**	**204**

Guarantee obligations with related parties

The subsidiaries have outstanding guarantee obligations with its related parties, as described in Note 36.4 to the financial statements.

7. Cash and cash equivalents

(Unit : Million Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Cash	168,188	51,455	165,814	49,734
Bank deposits	2,006,937	2,381,404	1,711,445	2,184,772
Bills of exchange	-	120,000	-	-
Total	**2,175,125**	**2,552,859**	**1,877,259**	**2,234,506**

As at 31 December 2014, bank deposits in saving accounts, fixed deposits and bills of exchange carried interests between 0.10 and 2.75 percentper annum (2013: between 0.10 and 3.15 percent per annum) and Baht 118 million of cash is cash on hand of aboard stations.

8. Current investments

(Unit : Million Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Fixed deposits over three months but not over one year	11,500,000	-	11,500,000	-
Bills of exchange - at call	-	470,000	-	470,000
Trading securities	25,142	41,040	-	411,250
Total	**11,525,142**	**511,040**	**11,500,000**	**881,250**

As at 31 December 2014, fixed deposits carried interests between 2.2 and 3.0 percent per annum. During the current year, the subsidiary sold trading securities with book values totaling Baht 20 million (2013 : Baht 112 million) and recognised gains on the sales amounting to Baht 4 million in profit or loss (2013: Baht 5 million).

On 26 December 2013, a Board of Directors Meeting passed a resolution to sell 3.5 million common shares of Bangkok Dusit Medical Services Plc. to Bangkok Airways Holding Company Limited, a subsidiary at a market price on 26 December 2013 of Baht 119.50 per share (market price as at 31 December 2013 was Baht 117.50 per share), or for a total of Baht 418.25 million. The company received payment from the subsidiary on 27 December 2013 and transferred the common shares on 31 January 2014.

9. Trade and other receivables

(Unit : Million Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Trade receivables - related parties				
Aged on the basis of due dates				
Not yet due	22,662	7,931	52,806	46,447
Past due				
Up to 3 months	4,375	5,301	18,724	5,292
3 - 6 months	430	4,531	430	4,531
6 - 12 months	143	37,388	131	37,388
Over 12 months	229	12,378	186	12,378
Total	**27,839**	**67,529**	**72,277**	**106,036**
Less: Allowance for doubtful debts	-	(18,018)	-	(18,018)
Total trade receivables - related parties, net	**27,839**	**49,511**	**72,277**	**88,018**
Trade receivables - unrelated parties				
Aged on the basis of due dates				
Not yet due	1,323,710	1,037,947	986,487	671,545
Past due				
Up to 3 months	128,652	451,386	30,641	357,784
3 - 6 months	25,266	22,228	18,244	20,710
6 - 12 months	6,773	20,313	2,507	20,313
Over 12 months	80,612	87,082	80,590	86,996
Total	**1,565,013**	**1,618,956**	**1,118,469**	**1,157,348**
Less: Allowance for doubtful debts	(90,778)	(112,149)	(89,736)	(112,149)
Total trade receivables unrelated parties, net	1,474,235	1,506,807	1,028,733	1,045,199
Total trade receivable - net	**1,502,074**	**1,556,318**	**1,101,010**	**1,133,217**
Other receivables				
Advances - related party	-	2,130	-	2,130
Other receivable - related parties	199,577	36,269	426,463	38,533
Total other receivables - related parties - net	199,577	38,399	426,463	40,663
Other receivable - unrelated parties	12,880	93,512	12,879	93,480
Less: Allowance for doubtful debts	(9,070)	(9,070)	(9,070)	(9,070)
Total other receivables - unrelated parties - net	3,810	84,442	3,809	84,410
Total other receivables	203,387	122,841	430,272	125,073
Total trade and other receivables - net	**1,705,461**	**1,679,159**	**1,531,282**	**1,258,290**

10. Inventories

(Unit : Million Baht)

	Consolidated financial statements					
	Cost		Reduce cost to net realisable value		Inventories-net	
	2014	2013	2014	2013	2014	2013
Spareparts	174,755	157,379	(41,620)	(40,840)	133,135	116,539
Foods and catering	53,473	48,006	-	-	53,473	48,006
Air Tickets	445	511	(409)	-	36	511
Others	85,372	63,492	(130)	(130)	85,242	63,362
Total	**314,045**	**269,388**	**(42,159)**	**(40,970)**	**271,886**	**228,418**

	Separate financial statements					
	Cost		Reduce cost to net realisable value		Inventories-net	
	2014	2013	2014	2013	2014	2013
Spareparts	174,755	157,379	(41,620)	(40,840)	133,135	116,539
Foods and catering	24,627	21,875	-	-	24,627	21,875
Air Tickets	445	511	(409)	-	36	511
Others	19,882	13,338	-	-	19,882	13,338
Total	**219,709**	**193,103**	**(42,029)**	**(40,840)**	**177,680**	**152,263**

11. Restricted bank deposits

Current account amounting to Baht 166 million (2013: Baht 166 million) represent temporary suspended as discussed in Note 37.4 to financial statements.

12. Investments in subsidiaries

Details of investments in subsidiaries as presented in separate financial statements are as follows:

(Unit : Thousand Baht)

Company's name	Paid - up capital		Shareholding percentage		Cost		during the year	
	2014	2013	2014	2013	2014	2013	2014	2013
Bangkok Airways Holding Co., Ltd.	1,001,000	1,001,000	99.99	99.99	1,000,999	1,000,999	34,535	70,000
Bangkok Airways Ground Services Co., Ltd.	250	250	99.99	99.99	250	250	19,999	-
Worldwide Flight Services Bangkok Air Ground Handling Co., Ltd.	670,000	670,000	90.00	90.00	603,515	603,515	-	-
Bangkok Air Catering Co., Ltd.	500,000	500,000	90.00	90.00	579,469	579,469	207,000	45,000
Investment in subsidiary companies					**2,184,233**	**2,184,233**	**261,534**	**115,000**

The Company's investments in subsidiaries amounting to Baht 594 million (2013: Baht 594 million) have been used as collateral for credit facilities of the subsidiaries.

13. Investments in associates

13.1 Details of associates:

(Unit : Thousand Baht)

Company's name	Nature of business	Country of incorporation	Consolidated financial statements					
			Shareholding percentage		Cost		Carrying amounts based on equity method	
			2014 (%)	2013 (%)	2014	2013	2014	2013
WFS - PG Cargo Co., Ltd.	Cargo	Thailand	49.00	49.00	147,000	147,000	219,422	383,706
Samui Airport Property Fund (Leasehold)	Property Fund	Thailand	25.00	25.00	2,255,571	2,255,571	1,447,405	1,539,202
S.E.A. Aviation Co., Ltd.	Transportation and cargo	Thailand	10.00	10.00	3,000	3,000	2,810	2,822
Total					**2,405,571**	**2,405,571**	**1,669,637**	**1,925,730**

(Unit : Thousand Baht)

Company's name	Nature of business	Country of incorporation	Separate financial statements			
			Shareholding percentage		Cost	
			2014 (%)	2013 (%)	2014	2013
WFS - PG Cargo Co., Ltd.	Cargo	Thailand	49.00	49.00	147,000	147,000
Samui Airport Property Fund (Leasehold)	Property Fund	Thailand	25.00	25.00	2,255,571	2,255,571
S.E.A. Aviation Co., Ltd.	Transportation and cargo	Thailand	10.00	10.00	3,000	3,000
Total					**2,405,571**	**2,405,571**

13.2 Share of profit/loss and dividend received

During the years, the Company has recognised its share of profit/loss from investments in associate companies in the consolidated financial statements and dividend income in the separate financial statements as follows.

(Unit : Thousand Baht)

Company's name	Consolidated financial statements		Separate financial statements	
	Share of profit/loss from investments in associates during the year		Dividend received during the year	
	2014	2013	2014	2013
WFS - PG Cargo Co., Ltd.	232,616	189,708	396,900	132,300
Samui Airport Property Fund (Leasehold)	205,078	204,311	296,875	293,313
S.E.A. Aviation Co., Ltd.	(12)	(59)	-	-
Total	**437,682**	**393,960**	**693,775**	**425,613**

13.3 Fair value investments in listed associates

In respect of investments in associated companies that are listed companies on the Stock Exchange of Thailand, their fair values are as follows:

(Unit : Million Baht)

Company's name	Fair value as at 31 December	
	2014	2013
Samui Airport Property Fund (Leasehold)	4,109	3,753
Total	**4,109**	**3,753**

13.4 Summarised financial information of associates

Financial information of the associated companies were summaries below.

(Unit : Million Baht)

Company's name	Paid-up capital as at 31 December		Total assets as at 31 December		Total assets as at 31 December		Total revenues for the years ended 31 December		Profit for the years ended 31 December	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
WFS - PG Cargo Co., Ltd.*	300	300	1,154	1,259	645	455	1,558	1,421	454	387
Samui Airport Property Fund (Leasehold)	9,208	9,208	10,542	10,552	61	62	1,225	1,230	1,185	1,191
S.E.A Aviation Co., Ltd.	30	30	29	29	-	-	-	-	-	(1)

* Audited financial information by other auditor and including the adjustments of lease comply with TAS 17

14. Investment properties

The net book value of investment properties is presented below.

(Unit : Thousand Baht)

	Consolidated financial statements			Separate financial statements		
	Land awaiting sales	Office and shops for rent	Total	Land awaiting sales	Office and shops for rent	Total
31 December 2014						
Cost	235,226	321,016	556,242	235,226	321,016	556,242
Less: Accumulated depreciation	-	(61,500)	(61,500)	-	(61,500)	(61,500)
Net book value	**235,226**	**259,516**	**494,742**	**235,226**	**259,516**	**494,742**
31 December 2013						
Cost	235,226	107,829	343,055	235,226	107,829	343,055
Less: Accumulated depreciation	-	(30,738)	(30,738)	-	(30,738)	(30,738)
Net book value	**235,226**	**77,091**	**312,317**	**235,226**	**77,091**	**312,317**

A reconciliation of the net book value of investment properties for the years were presented below.

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Net book value at beginning of year	312,317	317,708	312,317	317,708
Increase during the year - net book value	187,817	-	187,817	-
Depreciation charged	(5,392)	(5,391)	(5,392)	(5,391)
Net book value at end of year	**494,742**	**312,317**	**494,742**	**312,317**

The fair value of the investment properties as at 31 December 2014 and 2013 stated below:

(Unit : Thousand Baht)

	2014	2013
Land awaiting sales	312,805	312,805
Office and shops for rent	114,322	30,329

The fair values of the above investment properties have been determined based on valuations performed by an accredited independent valuer determined based on the income approach and market prices and, for some land, the valuation prices from The Treasury Department.

The Company pledged investment properties amounting to approximately Baht 157 million (2013: Baht 161 million) as collateral against credit facilities received from financial institutions.

15. Others long-term investments

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Available-for-sales securities				
Market capital	2,869,965	2,869,966	2,223,465	2,223,465
Add: Unrealised gain from revaluation	18,008,745	11,394,798	15,129,245	9,632,548
Available-for-sales securities - net	20,878,710	14,264,764	17,352,710	11,856,013
Debt securities held to maturity	50,000	50,000	50,000	50,000
Other investments	7,486	7,159	7,486	7,159
Total	**20,936,196**	**14,321,923**	**17,410,196**	**11,913,172**

Certain available-for-sales securities of the Company and its subsidiaries with market value as at 31 December 2014 amounting to Baht 17,345 million (2013: Bath 12,260 million) have been used as collateral for short-term loans from financial institutions and long-term loans.

16. Property, plant and equipment

(Unit : Thousand Baht)

	Consolidated financial statements								
	Land	Building and improvements	Airport and improvements	Aircraft	Aircraft parts and ground equipment	Furniture fixture and equipment	Vehicles	Construction in progress	Total
Cost									
31 December 2012	1,819,157	1,583,762	823,317	4,364,932	2,155,249	1,141,238	568,606	134,536	12,590,797
Purchase	1,354	9,856	-	-	285,638	64,219	21,161	181,317	563,545
Disposal	(16,378)	(60,893)	(5,693)	-	(849,128)	(459,013)	(67,648)	(19,577)	(1,478,330)
Transfer in (out)	-	65,687	6,873	-	4,004	11,592	13,330	(101,486)	-
31 December 2013	1,804,133	1,598,412	824,497	4,364,932	1,595,763	758,036	535,449	194,790	11,676,012
Purchase	-	12,012	-	674,488	333,841	95,578	68,714	279,117	1,463,750
Disposal	-	-	-	-	(704)	(11,791)	(15,493)	(11,812)	(39,800)
Transfer in (out)	-	(77,777)	97,512	-	12,791	68,556	1,389	(308,419)	(205,948)
31 December 2014	1,804,133	1,532,647	922,009	5,039,420	1,941,691	910,379	590,059	153,676	12,894,014
Accumulated depreciation									
31 December 2012	-	604,114	491,999	2,088,593	1,621,675	921,972	483,032	-	6,211,385
Depreciation for the year	-	89,075	34,837	168,293	125,014	66,125	28,710	-	512,054
Depreciation - disposal	-	(51,704)	(2,604)	-	(812,553)	(451,943)	(67,470)	-	(1,386,274)
Transfer in (out)	-	-	-	-	218	(218)	-	-	-
31 December 2013	-	641,485	524,232	2,256,886	934,354	535,936	444,272	-	5,337,165
Depreciation for the year	-	89,451	35,202	171,620	154,090	83,148	35,600	-	569,111
Depreciation - disposal	-	-	-	-	(528)	(11,769)	(15,493)	-	(27,790)
Transfer in (out)	-	(25,370)	-	-	-	7,355	-	-	(18,015)
31 December 2014	-	705,566	559,434	2,428,506	1,087,916	614,670	464,379	-	5,860,471
Net book value									
31 December 2013	1,804,133	956,927	300,265	2,108,046	661,409	222,100	91,177	194,790	6,338,847
31 December 2014	1,804,133	827,081	362,575	2,610,914	853,775	295,709	125,680	153,676	7,033,543

Depreciation for the years ended 31 December	
2013 (Baht 443 million included in cost at sales and services, and the balance in selling and administrative expenses)	**512,054**
2014 (Baht 496 million included in cost at sales and services, and the balance in selling and administrative expenses)	**569,111**

(Unit : Thousand Baht)

	Separate financial statements								
	Land	Building and improvements	Airport and improvements	Aircraft	Aircraft parts and ground equipment	Furniture fixture and equipment	Vehicles	Construction in progress	Total
Cost									
31 December 2012	1,819,157	1,466,602	823,317	4,364,932	1,439,631	821,213	342,467	134,536	11,211,855
Purchase	1,354	-	-	-	193,639	55,140	13,652	160,369	424,154
Disposal	(16,378)	(56,486)	(5,693)	-	(849,028)	(455,573)	(67,648)	(19,577)	(1,470,383)
Transfer in (out)	-	65,687	6,873	-	-	15,596	13,330	(101,486)	-
31 December 2013	1,804,133	1,475,803	824,497	4,364,932	784,242	436,376	301,801	173,842	10,165,626
Purchase	-	12	-	674,488	139,841	66,177	50,457	254,737	1,185,712
Disposal	-	-	-	-	(55)	(6,196)	(15,493)	(11,812)	(33,556)
Transfer in (out)	-	(84,279)	97,512	-	-	68,556	1,389	(288,832)	(205,654)
31 December 2014	1,804,133	1,391,536	922,009	5,039,420	924,028	564,913	338,154	127,935	11,112,128
Accumulated depreciation									
31 December 2012	-	570,774	491,999	2,088,593	1,302,982	729,498	302,044	-	5,485,890
Depreciation for the year	-	75,311	34,837	168,293	64,161	36,009	13,312	-	391,923
Depreciation - disposal	-	(50,209)	(2,604)	-	(812,488)	(448,856)	(67,471)	-	(1,381,628)
31 December 2013	-	598,876	524,232	2,256,886	554,655	316,651	247,885	-	4,496,185
Depreciation for the year	-	73,258	35,202	171,620	70,065	50,885	20,518	-	421,548
Depreciation - disposal	-	-	-	-	(55)	(6,184)	(15,493)	-	(21,732)
Transfer in (out)	-	(25,369)	-	-	-	7,355	-	-	(18,014)
31 December 2014	-	643,765	559,434	2,428,506	624,665	368,707	252,910	-	4,877,987
Net book value									
31 December 2013	1,804,133	879,927	300,265	2,108,046	229,587	119,725	53,916	173,842	5,669,441
31 December 2014	1,804,133	747,771	362,575	2,610,914	299,363	196,206	85,244	127,935	6,234,141
Depreciation for the years ended 31 December									
2013 (Baht 330 million included in cost at sales and services, and the balance in selling and administrative expenses)									**391,923**
2014 (Baht 358 million included in cost at sales and services, and the balance in selling and administrative expenses)									**421,548**

As at 31 December 2014, the Company and its subsidiaries have aircraft, vehicles and equipment under finance lease which net book value amounted to approximately Baht 2,719 million (2013 : Baht 2,175 million)

As at 31 December 2014, certain property and equipments have been fully depreciated but are still in use. The gross carrying amount (before deducting accumulated depreciation) of those assets amounted to approximately Baht 1,487 million (2013: Baht 2,656 million (separate financial statements: Baht 1,233 million (2013: Baht 2,433 million)).

An airport including its facilities are used as collateral for compliance with the term and condition in the lease and services from facilities agreements with a Property Fund as discuss in Note 24 to financial statements.

Major portion of the Company's land together with the construction thereon are used as collateral for major portion of long-term loans as discussed in Note 21 to financial statements.

As at 31 December 2014, 4 aircrafts of the Company are under conditional sales agreements. The Company treats these conditional sales agreements as finance leases and treats the seller per the agreements as the lessor of the aircraft. The lessor of the aircraft has subleased them from the owners.

The Aircraft Lease Agreements specify the right of the lessor to buy the aircraft from the owner. However, if the lessors do not comply with the Aircraft Lease Agreement, the owner has the right to take back the aircraft, and in that event the Company would not be able to utilise or take ownership of the aircraft, even if the Company has made the agreed payments to the lessor. Under the Aircraft Lease Agreement, the Company will take ownership of the aircraft when it has paid the final installment to the lessor and the owner of the aircraft has transferred ownership to the lessor.

17. Intangible assets

Two subsidiary companies have signed contracts with Airports of Thailand Public Company Limited (AOT) (which has sole right to operate Suvarnabhumi Airport), in order to engage in various projects at the Airport for 20 years from the day it opened officially (from 28 September 2006 to 27 September 2026). The subsidiaries have to pay annual benefits to AOT, in amounts not less than the minimum compensation rates set for each year, throughout the period of the concession.

Company	Project	Period
Bangkok Air Catering Co., Ltd.	Catering	20 years
Worldwide Flight Services Bangkok Air Ground Handling Co., Ltd.	Ground service equipments and maintenance facilities	20 years

The rights in buildings and other components of each project are transferred to Ministry of Finance.

The net book value of intangible assets as at 31 December 2014 and 2013 are presented below.

(Unit : Thousand Baht)

	Consolidated financial statements			Separate financial statements		
	Concessions	Computer software	Total	Concessions	Computer software	Total
As at 31 December 2014:						
Cost 920,732	372,569	1,293,301	-	351,315	351,315	
Less: Accumulated amortisation	(380,262)	(133,211)	(513,473)	-	(116,521)	(166,521)
Net book value	**540,470**	**239,358**	**779,828**	**-**	**234,794**	**234,794**
As at 31 December 2013:						
Cost 920,732	241,717	1,162,449	-	223,524	223,524	
Less: Accumulated amortisation	(334,247)	(111,116)	(445,363)	-	(95,230)	(95,230)
Net book value	**586,485**	**130,601**	**717,086**	**-**	**128,294**	**128,294**

A reconciliation of the net book value of intangible assets for the years is presented below.

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Net book value at beginning of year	717,086	699,585	128,294	64,564
Acquisition of computer software	130,853	70,635	127,791	70,132
Amortisation	(68,111)	(53,134)	(21,291)	(6,402)
Net book value at end of year	**779,828**	**717,086**	**234,794**	**128,294**

18. Other non-current assets

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Deposit	658,053	589,386	650,926	578,817
Withholding tax	177,504	143,040	126,285	91,227
Others	2,287	2,695	2,287	2,695
Total	**837,844**	**735,121**	**779,498**	**672,739**

19. Bank overdrafts and short-term loans from banks

(Unit : Thousand Baht)

	Interest rate (percent per annum)		Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013	2014	2013
Bank overdrafts	-	7.38	-	21,365	-	-
Short-term loans from financial institutions	-	3.25-3.75	-	650,000	-	650,000
Total			**-**	**671,365**	**-**	**650,000**

Bank overdrafts and short-term loans from banks are secured by available for sales securities investment of the Company and its subsidiary, director and the director's securities.

20. Trade and other payables

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Trade payables - related parties	228,442	191,689	384,797	352,287
Trade payables - unrelated parties	1,457,398	1,384,140	1,278,546	1,333,652
Other payables - related parties	5,653	45,216	5,670	36,223
Other payables - unrelated parties	723,368	703,888	620,831	490,573
Other payables for purchase of software and equipment	25,263	32,061	8,402	4,361
Total trade and other payables	**2,440,124**	**2,356,994**	**2,298,246**	**2,217,096**

21. Long-term loans

Company

(Unit : Thousand Baht)

Loan	Credit Facility	Interest rate (percent per annum)	Period (year)	Agreement Date	Repayment	Separate financial statements 2014	Separate financial statements 2013
1	420	Year 1-2 : MLR - 0.50					
		Year 3 onward : MLR	6	29 October 2009	Monthly	117,000	261,000
2	135	Year 1-2 : MLR - 0.50					
		Year 3 onward : MLR	6	29 October 2009	Monthly	-	44,290
3	1,100	Year 1 : MLR - 1.0					
		Year 2 : MLR - 0.50					
		Year 3 onward : MLR	7	20 August 2010	Monthly	495,200	677,600
4	250	MLR	5	9 November 2010	Monthly	61,000	127,500
5	500	5.50	7	9 May 2011	Yearly	45,953	231,582
6	300	5.50	7	24 June 2011	Monthly	148,800	192,000
7	53	6.00	7	24 January 2012	Monthly	29,700	37,620
8	100	6.00	7	24 January 2012	Monthly	-	8,650
Total						897,653	1,580,242
Less: Current portion						(457,473)	(595,824)
Long-term loans, net of current portion						**440,180**	**1,721,768**

Subsidiaries

(Unit : Thousand Baht)

Company	Credit Facilities	Interest rate (percent per annum)	Period (year)	Agreement Date	Repayment	2014	2013
Worldwide Flight Services Bangkok Air Ground Handling Co., Ltd.	630	MLR - 0.75	12	15 March 2004	Quarterly	157,000	297,000
Bangkok Air Catering Co., Ltd.	710	MLR - 1.00 to MLR	8	23 February 2006	Every 6 months	-	205,000
BAC Gourmets House Co., Ltd.	6	MLR	4	20 December 2010	Quarterly	-	2,100
BAC Gourmets House Co., Ltd.	40	MLR	4	24 April 2012	Quarterly	12,600	22,800
Total						169,600	526,900
Less: Current portion						(168,600)	(300,350)
Long term loan, net of current portion						**1,000**	**526,900**

(Unit : Thousand Baht)

	Consolidated financial statements 2014	Consolidated financial statements 2013	Separate financial statements 2014	Separate financial statements 2013
Total	1,067,253	2,107,142	897,653	1,580,242
Less: Current portion	(626,073)	(986,138)	(457,473)	(628,838)
Long-term loans, net of current portion	**441,180**	**1,121,004**	**440,180**	**951,404**

Long-term loans are secured by part of the Company and its subsidiaries' land and construction, project's assets at Suvarnabhumi Airport of subsidiary, rights on the agreements of subsidiaries with Airport of Thailand Public Company Limited, common shares of subsidiary, certain available for sales securities of the Company and its subsidiary, director and the director's securities.

The loan agreements contain covenants as specified in the agreements that, among other things, require the Company and its subsidiaries to maintain certain debt to equity and debt service coverage ratios according to the agreements.

22. Liabilities arising from finance lease of aircrafts

Liabilities arising from finance lease of aircrafts (effective rate from 0.86 percent to 7.07 percent) are due as follows:

(Unit : Thousand Baht)

	Consolidated financial statements and Separate financial statements 2014		
	Liabilities arising from finance lease	Deferred interest expenses	Total
Within one year	472,690	(18,103)	454,587
After one year but within five years	193,554	(14,240)	179,314
Over five years	338,720	(9,926)	328,794
Total	1,004,964	(42,269)	962,695

(Unit : Thousand Baht)

	Consolidated financial statements and Separate financial statements 2013		
	Liabilities arising from finance lease	Deferred interest expenses	Total
Within one year	471,139	(47,312)	423,827
After one year but within five years	422,197	(13,538)	408,659
Total	893,336	(60,850)	832,486

23. Liabilities under finance lease agreements

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Liabilities under finance lease agreements	109,858	64,068	76,607	55,015
Less: Deferred interest expenses	(7,742)	(4,274)	(4,530)	(3,622)
Total	102,116	59,794	72,077	51,393
Less : Portion due within one year	(38,328)	(26,541)	(29,120)	(22,694)
Liabilities under finance lease agreements - Net Of Current Portion	**63,788**	**33,253**	**42,957**	**28,699**

The Company and its subsidiaries have entered into the finance lease agreements with leasing companies for rental of motor vehicles and equipment for use in its operation, whereby it is committed to pay rental on a monthly basis.
The terms of the agreements are generally between 3 and 5 years.
Future minimum lease payments required under the finance lease agreements were as follows:

(Unit : Thousand Baht)

	Consolidated financial statements 2014		
	1 year	1-5 years	Total
Future minimum lease payments	42,551	67,307	109,858
Deferred interest expenses	(4,223)	(3,519)	(7,742)
Present value of future minimum lease payments	**38,328**	**63,788**	**102,116**

(Unit : Thousand Baht)

	Consolidated financial statements 2013		
	1 year	1-5 years	Total
Future minimum lease payments	28,980	35,088	64,068
Deferred interest expenses	(2,439)	(1,835)	(4,274)
Present value of future minimum lease payments	**26,541**	**33,253**	**59,794**

(Unit : Thousand Baht)

	Separate financial statements 2014		
	1 year	1-5 years	Total
Future minimum lease payments	31,893	44,713	76,606
Deferred interest expenses	(2,773)	(1,756)	(4,529)
Present value of future minimum lease payments	**29,120**	**42,957**	**72,080**

(Unit : Thousand Baht)

	Separate financial statements 2013		
	1 year	1-5 years	Total
Future minimum lease payments	24,761	30,254	55,015
Deferred interest expenses	(2,067)	(1,555)	(3,622)
Present value of future minimum lease payments	**22,694**	**28,699**	**51,393**

24. Long-term loans - related party

(Unit : Thousand Baht)

Balance as at 1 January 2014	11,207,489
Increase from compound interest	1,294,146
Less: Payment during year	(1,215,890)
Balance as at 31 December 2014	11,285,745
Less: portion due within one year	-
Long-term loans - related party - net of current portion	**11,285,745**

On 24 November 2006, the Company entered into an agreement to lease Samui Airport, together with its facilities, to Samui Airport Property Fund (Leasehold) (Fund) for a period of 30 years (from 24 November 2006 to 23 November 2036) for Baht 9,300 million. The Company pledged the assets leased to the Fund, with a collateral values of Baht 20,900 million, to guarantee performance in accordance with the lease agreement. Under the term of the agreement, the Company (Bangkok Airways Co., Ltd. and/or its affiliates, and/or its subsidiaries) must hold not less than 25% of the number of units issued and offered for sale by the Fund for the period of 20 years (from 24 November 2006 to 23 November 2026).

On the same date, the Company entered into an agreement to sublease the Samui Airport from the Fund for a period of 3 years, renewable for 9 times of 3 years each, and another agreement under which the Company is to receive utilities system service at the Samui Airport from the Fund for a period of 30 years (from 24 November 2006 to 23 November 2036). Payments on these agreements are as follows:

Sublease	• Baht 26,125,000 per month
Utilities system service	
• Fixed	• Baht 21,375,000 per month
• Additional	• Vary based on number of departing passengers and number of flight arrivals

The Company has to arrange for a bank guarantee to be issued by a commercial bank in Thailand and/or deposit cash as security in the bank account of the Fund and/or pledge of listed securities and/or other securities, such that their aggregate value is equal to 12 months of the sub-lease fee specified in Sub-Lease Agreement plus the fixed service fee specified in Utilities System Service Agreement. If listed securities and/or other securities are pledged, collateral value is not to be less than 120 percent of the pledged collateralized amount throughout the pledge period.

The Company has pledged common shares of Bangkok Dusit Medical Services Public Company Limited amounting to 45 million shares with a par of Baht 0.1 (2013: 8.5 million shares with a par of Baht 1) with a fair value of Baht 774 million (2013: Baht 999 million) as at 31 December 2014, as collateral.

During the year 2013, the Company changed the way it recorded these long-term loans, to include fixed rental expenses, fixed service expenses and variable service expenses in computing the effective interest rate. This change in calculation method caused the book value of long-term loans to increase, since cumulative estimated future liabilities over the term of the contract are recorded in the financial statements. This effect to this is that in some years the long-term loans balance is increased due to compounding of interest.

25. Provision for long-term employee benefits

Provision for long-term employee benefits, which is compensations on employees' retirement, was as follows:

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Defined benefit obligation at beginning of year	286,485	160,919	236,694	121,243
Current service cost	44,037	30,001	30,984	18,761
Interest cost	11,163	5,829	9,367	4,334
Benefits paid during the year	(8,981)	(21,190)	(6,652)	(20,464)
Actuarial (gain) loss	(4,151)	110,926	-	112,820
Provisions for long-term employee benefits at end of year	**328,553**	**286,485**	**270,393**	**236,694**

Long-term employee benefit expenses included in the profit or loss was as follows:

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Current service cost	44,037	30,001	30,984	18,761
Interest cost	11,163	5,829	9,367	4,334
Actuarial (gain) loss recognised during the year	(4,151)	110,926	-	112,820
Total expense recognised in profit or loss	51,049	146,756	40,351	135,915
Line items under which such expenses are included				
in profit or loss Cost of sales and service	35,520	96,658	28,007	93,674
Selling and administrative expenses	15,528	50,098	12,344	42,241

Principal actuarial assumptions at the valuation date were as follows:

(Unit : Percent per annum)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Discount rate	3.96 - 4.10	3.96 - 4.10	4.00	3.96
Future salary increase rate	4.00 - 6.00	4.00 - 6.00	5.00	6.00
Staff turnover rate (depending on age)	0.00 - 22.00	0.00 - 31.00	4.00	5.00 - 9.00

Amounts of defined benefit obligation and experience adjustments an obligation for the current and previous four periods are as follows:

(Unit : Thousand Baht)

	Defined benefit obligation		Experience adjustments on the obligation	
	Consolidated financial statements	Separate financial statements	Consolidated financial statements	Separate financial statements
Year 2014	328,553	270,393	3,596	-
Year 2013	286,485	236,694	39,633	41,857
Year 2012	160,919	121,243	7,813	7,813
Year 2011	115,340	82,604	-	-
Year 2010	88,386	64,969	-	-

26. Share capital

On 7 February 2013, the Board of Directors Meeting No.2/2013 passed a resolution to call up the residual payment of 75 percent of the 5 million registered share capital at Baht 7.50 per share, resulting in an increase in called-up capital to Baht 1,250 million. The Company registered the increase its called-up capital with the Ministry of Commerce on 27 February 2013.

On 26 February 2013, the Extraordinary Annual Meeting of the shareholders No.1/2556 passed resolutions approving the followings:

1) A change in the par value of the Company's share from Baht 10 to Baht 1 per share, resulting in an increase in number of the ordinary shares from 125 million ordinary shares to 1,250 million ordinary shares.
2) An increase of Baht 850 million in the registered capital, from Baht 1,250 million to Baht 2,100 million. The Company registered the capital increase with the Ministry of Commerce on 27 February 2013.
3) Consider to approve an increase in the Company's share capital.
   3.1 Up to 300 million shares with a par value of Baht 1 each to be reserved for the right offering to be made to the Company's existing shareholders at the proportion of shareholding (right offering). On 21 March 2013, the Company registered its paid-up share capital of Baht 1,550 million with the Ministry of Commerce.
   3.2 The allotment of common shares to directors and employees of the Company (ESOP) as discussed in Note 27. On 29 March 2013, the Company registered its paid-up share capital of Baht 1,580 million with the Ministry of Commerce. According to this, the Company has premium on ordinary shares totalling Baht 270 million.
   3.3 Up to 520 million shares with a par value of Baht 1 each to be reserved for the Initial Public Offering.

On 14 to 17 October 2014, 21 to 22 October 2014 and 24 October 2014, the Company made an initial public offering of 520,000,000 shares of Baht 25 each, totaling Baht 13,000 million, with a share premium of Baht 12,066 Million, net of related expenses incurred in making the offering. On 28 October 2014, the Company received all payment for the initial public offering.

The Company registered the change in its paid-up capital from Baht 1,580 million (1,580,000,000 ordinary shares of Baht 1 each) to Baht 2,100 million (2,100,000,000 ordinary shares of Baht 1 each) with the Ministry of Commerce on 28 October 2014.

Reconciliation of number of ordinary shares

(Unit : Shares)

	Consolidated financial statements and Separate financial statements	
	2014	2013
Registered ordinary shares		
Number of ordinary shares at the beginning of the year	2,100,000,000	125,000,000
Increase registered ordinary shares	-	85,000,000
Decrease in par value from Baht 10 each to Baht 1 each	-	1,890,000,000
Number of ordinary shares at the end of the year	2,100,000,000	2,100,000,000
Issued and paid-up ordinary shares		
Number of ordinary shares at the beginning of the year	1,580,000,000	121,250,000
Increase paid-up ordinary shares - Baht 10 each	-	3,750,000
Increase paid-up ordinary shares - Baht 1 each	520,000,000	-
	2,100,000,000	125,000,000
Decrease in par value from Baht 10 each to Baht 1 each	-	1,125,000,000
Right offering	-	300,000,000
ESOP	-	30,000,000
Number of ordinary shares at the end of the year	**2,100,000,000**	**1,580,000,000**

27. Capital reserve for share-based payment transactions

On 26 February 2013, the Company allotted 30,000,000 common shares to employees and directors of the Company. The details are as follows:

No. of shares reserved for exercise	:	30,000,000 shares
Offering date	:	26 February 2013
Exercise price	:	Equal to or higher than net book value of the Company as at 31 December 2012 (approximately or equal to Baht 10)
Allotment method	:	The Company allotted the common shares to directors, management and employees eligible as of 31 January 2013, with the allocations dependent on position, length of service and responsibilities.
Lock up period	:	No shares may be sold for six months after the Company's shares start trading on the Stock Exchange of Thailand, while up to 50% of shares may be sold during the seventh to the twelfth month after the shares start trading, and there are no limitations on the sale of shares once a period of twelve months has passed since the shares started trading.

On 24 April 2014, The Annual Shareholder Meeting approved the cancellation of the lock up period.
The estimated fair value of each share option granted is Baht 16.91, as calculated by a financial advisor qualified independent party using the Discounted Cash Flow with Weighted Average Cost of Capital Method, applying a discount rate of 12.32 percent.

28. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net profit after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution.

On 25 December 2014, the Extraordinary General Shareholders Meeting approved the set off of all retained loss of the Company as at 30 September 2014, amounting to Baht 3,434,253,762.25 with Baht 210,000,000 offset against the legal reserve and Baht 3,224,253,762.25 against the premium on ordinary shares.

29. Expenses by nature

Significant expenses by nature are as follows:

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Salary and wages and other employee benefits	4,150,915	4,046,376	2,755,328	2,852,041
Depreciation	574,503	517,445	426,940	397,314
Amortization expenses	70,232	55,446	23,412	8,714
Rental expenses from operating lease	1,995,604	1,748,522	1,884,647	1,645,855
Fuel expenses	5,199,960	4,158,783	5,199,960	4,158,783
Repair and maintenance	2,094,226	1,531,653	1,970,278	1,420,196
Ground service expenses	934,545	726,714	1,385,997	1,098,712
Raw materials and supply used	479,409	457,131	-	-
Fuel for ground service equipment	54,335	51,371	-	-

30. Income tax

30.1 Deferred tax assets / liabilities

The components of deferred tax assets and deferred tax liabilities are as follows:

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Deferred tax assets				
Allowance for diminution in value of inventory	8,432	8,194	8,406	8,168
Impairment of assets	-	1,215	-	-
Accumulate depreciation - building and equipment	623	480	-	-
Accrued expense	14,412	13,117	1,576	1,284
Unrealised loss on re-measuring trading securities	-	-	-	1,400
Provision for long-term employee benefits	29,771	28,209	18,186	18,250
Tax loss carry forward	85,213	-	85,213	-
Total	**138,451**	**51,215**	**113,381**	**29,102**

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Deferred tax liabilities				
Unrealised gain on re-measuring securities	3,534,899	2,278,959	3,025,849	1,926,509
Unrealised gain on transfer of investments	-	-	-	68,250
Accrued income	537	400	537	400
Liabilities arising form finance lease of aircrafts	289,393	233,940	289,393	233,940
Finance lease liabilities	156	469	156	469
Total	3,824,985	2,513,768	3,315,935	2,229,568
Deferred tax assets - net	**25,070**	**23,513**	**-**	**-**
Deferred tax liabilities - net	**3,711,604**	**2,486,066**	**3,202,554**	**2,200,466**

30.2 Income tax expenses

Income tax expenses for the year are made up as follows:

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Current income tax:				
Current income tax charge	99,530	118,840	-	49,861
Adjustment in respect of current income tax of previous year	(200)	718	(200)	-
Deferred tax:				
Relating to origination and reversal of temporary differences	(98,808)	20,348	(97,251)	58,303
Income tax expenses reported in the statements of comprehensive income	**522**	**139,906**	**(97,451)**	**108,164**

Reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for year is as follows:

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Accounting profit before tax	386,196	1,129,925	398,212	1,067,976
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by applicable tax rate	77,239	225,985	79,643	213,595
Adjustment in respect of current income tax of previous year	(200)	718	(200)	-
Effects of:				
BOI Privilege (Note 31)	(59,510)	(252,831)	(59,510)	(252,831)
Tax exempted revenue	(12,495)	(85,149)	73,640	(103,922)
Non-deductible expenses	188,016	279,620	180,565	279,678
Additional expense deduction allowed	(192,528)	(28,437)	(371,589)	(28,356)
Total	(76,517)	(86,797)	(176,894)	(105,431)
Income tax expenses reported in the statements of Comprehensive Income	**522**	**139,906**	**(97,451)**	**108,164**

30.3 Income tax relating to each component of other comprehensive income

The amounts of income tax relating to each component of other comprehensive income for the year are as follows:

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Deferred tax relating to				
Increasing in gain on re-measuring available-for-sale investments	1,322,789	90,104	1,099,339	9,654
	1,322,789	**90,104**	**1,099,339**	**9,654**

31. Promotional privileges

By virtue of the provisions of Investment Promotion Act, the Company was granted certain privileges by exemption from income tax for net income from promoted business for eight years as follows:

Promotion certificate No.	Description	Conmencing date	Expiring date
Air transportation operations			
2072(2)/2548	6 aircrafts with capacity of 795 seats	1 July 2007	30 June 2015
2199(2)/2551	3 aircrafts with capacity of 430 seats	30 January 2009	29 January 2017
1204(2)/2555	2 aircrafts with capacity of 300 seats	11 March 2012	10 March 2020
2019(2)/2555	1 aircraft with capacity of 162 seats	30 November 2012	29 November 2020
1208(2)/2556	4 aircrafts with capacity of 832 seats	18 May 2013	17 May 2021
Commercial airport operations			
1352(2)/2550	Samui airport	1 May 2007	30 April 2015
Catering operations			
2110(3)/2549	Manufacturing food	-	-

As a promotion company, the Company must comply with certain conditions and restrictions provident for in the promotional certificates.

The Company's operating revenues for the years are below shown divided according to promoted and non-promoted operations.

(Unit : Million Baht)

	Computer software		Non-promoted operations		Total	
	2014	2013	2014	2013	2014	2013
Sales						
Passenger	12,526	10,865	4,987	5,619	17,513	16,484
Others	1,029	839	1,900	1,718	2,929	2,557
Total sales	**13,555**	**11,704**	**6,887**	**7,337**	**20,442**	**19,041**

32. Earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year.

The following table sets forth the computation of basic earnings per share:

	Profit for the years		Weighted average number of ordinary shares		Earnings per share	
	2014	2013	2014	2013	2014	2013
	(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
Consolidated financial statements	351,105	932,462	1,672,603	1,511,194	0.21	0.62
Separate financial statements	**495,663**	**959,813**	**1,672,603**	**1,511,194**	**0.30**	**0.64**

33. Segment information

Operating segment information is reported in a manner consistent with the internal reporting the chief operating decision maker has received and regularly reviewed to make decisions about resources to be allocated to the segment and assess its performance.

For management purposes, the Company and its subsidiaries are organised into business units based on their services, and there are the following three reportable segments:

- The airlines segment, which sells tickets and provides services to passengers.
- The airports segment, which provides location services for passengers and airlines.
- The supporting airlines business segment, which provides ground handling, cargo and catering services for airlines and customers.

The Company and its subsidiaries have aggregated operating segments of hotels, holding, duty free and training and presented as reportable segment of other segment. Since such operating segments do not meet the quantitative thresholds as set out in the financial reporting standard.

Chief operating decision maker monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the financial statements. However, the Company and its subsidiaries financing (including finance costs, finance income and income taxes) are managed on a Group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an agreed upon basis.

Inter-segment revenues are eliminated on consolidation.

The following tables present revenue, profit and total assets information regarding the Company and its subsidiaries' operating segments for the years, respectively.

(Unit : Million Baht)

	Airlines segment		Airports segment		Supporting airlines business segments		Other segments		Elimination of inter-segment revenues		Consolidation	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Revenues from external customers	17,844	16,735	504	486	2,684	2,656	-	43	-	-	21,033	19,920
Intersegment revenues	1	-	-	-	883	722	-	-	(884)	(722)	-	-
Total revenues	17,845	16,735	504	486	3,567	3,378	-	43	(884)	(722)	21,033	19,920
Segment operating profit	3,213	4,390	112	75	145	420	-	-			3,470	4,885
Unallocated income and expenses:												
Gain on sales of investments											3	42
Gain on sales of investments in subsidiaries											-	3
Other income											1,087	758
Selling expenses											(1,510)	(1,425)
Administrative expenses											(1,457)	(1,690)
Other expenses											(6)	(71)
Share of income from investments in associates											438	394
Finance cost											(1,638)	(1,766)
Income tax expenses											(1)	(140)
Non-controlling interests of the subsidiaries											(35)	(58)
Profit for the year											**351**	**932**

Transfer prices between business segments are as set out in Note 6 to the financial statements.

Of total revenue from the airlines, airports and supporting airlines business segments of the Company and its subsidiaries, 66 percent was derived from domestic operations.

For the year 2014 and 2013, the Company and its subsidiaries have no major customer with revenue of 10 percent or more of an entity's revenues.

34. Provident fund

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company contribute to the fund monthly at the rate of 2 percent to 8 percent of basic salary. The fund, which is managed by MFC Assets Management Public Co., Ltd., will be paid to employees upon termination in accordance with the fund rules. During the year 2014, the Company contributed Baht 47 million (2013: Baht 32 million) to the fund.

Subsidiaries and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and subsidiaries contribute to the fund monthly at the rate of 3 percent to 7 percent of basic salary. The fund, which is managed by Tisco Assets Management Public Co., Ltd., will be paid to employees upon termination in accordance with the fund rules. During the year 2014, Subsidiaries contributed Baht 17 million (2013: Baht 16 million) to the fund.

35. Dividends

	Approved by	Total dividends (Thousand Baht)	Dividend per share (Baht)
Interim dividends for 2012 income	Extraordinary Annual Meeting of the shareholders on 26 February 2013	850,000	7.01
Final dividends for 2012 income	Annual General Meeting of the shareholders on 25 April 2013	350,000	0.22
Interim dividends for 2013 income	Board of Directors' meeting on 25 April 2013	449,954	0.28
Interim dividends for 2013 income	Board of Directors' meeting on 22 August 2013	379,200	0.24
Interim dividends for 2013 income	Board of Directors' meeting on 28 November 2013	395,000	0.25
		2,424,154	**8.0**

36. Commitments and contingent liabilities

36.1 Operating lease commitments

The Company has entered into several aircraft lease agreements with foreign companies, office premises and utilities.

As at 31 December 2014, future minimum lease payments required under aircraft lease agreements total USD 157 million (2013: USD 125 million).

Future minimum lease payments required under concessions and non-cancellable rental agreements of building with local and aboard were as follows.

(Unit : Million Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Payable				
In up to 1 year	715	589	227	77
In over 1 year and up to 5 years	1,917	1,770	170	58
In over 5 years	3,663	4,118	73	74

36.2 Capital commitments

36.2.1 As at 31 December 2014, the Company and its subsidiaries had capital commitments of Baht 11 million (2013: Baht 30 million) mainly in building improvement, and Baht 75 million (2013: Baht 129 million) relating to acquisition of software and office equipment for the Company's operations.

36.2.2 As at 31 December 2014, the Company had commitments as a result of its signature of a sale and purchase contract for 8 ATR aircrafts with Avions de Transport Regional G.I.E. Delivery of the aircraft is scheduled for between February 2015 and February 2017.

36.3 Guarantees

36.3.1 As at 31 December 2014, the Company has guaranteed bank credit facilities of its subsidiaries companies amounting to Baht 1,910 million (2013: Baht 1,910 million) and associated companies amounting to Baht 165 million (2013: Baht 165 million).

36.3.2 As at 31 December 2014, the Company has outstanding bank guarantees of approximately Baht 73.2 million, USD 0.5 million, INR 18.8 million, BDT 1.2 million, MYR 0.02 million, EUR 0.01 million and SGD 0.1 million issued by banks on behalf of the Company in the normal course of business (2013: Baht 73.0 million, USD 1.3 million, INR 29.8 million, BDT 1.2 million, MYR 1.0 million, EUR 0.01 million and SGD 0.1 million) and its subsidiaries have outstanding bank guarantees of approximately Baht 293 million (2013: Baht 282 million).

36.4 Pledges

The Company and its subsidiaries

36.4.1 The Company and its subsidiaries have the following contingent liabilities in respect of loan guarantees.

(Unit : Million Baht)

Guarantor	Guarantee	2014	2013
Bangkok Air Catering Co., Ltd.	BAC Gourmet House Co., Ltd.	46	46

36.4.2 The Company and its subsidiaries have the following contingent liabilities in respect of guarantees for bank overdraft facilities.

(Unit : Million Baht)

Guarantor	Guarantee	2014	2013
Bangkok Air Catering Co., Ltd.	BAC Gourmet House Co., Ltd.	5	5

36.5 Other commitments

As at 31 December 2014, the Company had commitments of Baht 9 million in respect of uncalled portion of investments in a company (2013: Baht 9 million).

37. Litigation

The Company

37.1 The Company was sued by 3 ex-employees claiming Baht 0.2 million in bonuses for 2007. The Company opposed the claim, citing that the employees resigned in May 2008, making them ineligible for the bonus for the previous year that was paid in 2008. On 12 May 2014, the Count dismissed the case brought by 1 ex-employee claiming Baht 61,000, and this case is finalised. The cases of 2 ex-employees, are being considered by the Supreme Court.

37.2 The Company was sued by a plaintiff who had acted as an agent in contacting and introducing sponsors for the "Bangkok Airways Samui Super Beach Volleyball 2005" and "Bangkok Airways Open 2005" events. The plaintiff claimed payment of commissions at the rate of 10 percent of the amounts received from sponsorship of these events in the years 2006 and 2007, amounting to Baht 0.6 million together with interest at a rate of 7.5 percent per annum, calculated from 3 September 2008. The Company disputed the claim, citing that the plaintiff was hired as an agent exclusively for the year 2005, making the plaintiff ineligible for the commissions for the years 2006 and 2007. The Supreme Court dismissed the plaintiff's suit on 30 May 2014 and the case is finalised.

37.3 Koh Samui Municipality assessed House and Land tax for Samui Airport amounting to Baht 119 million for the years 2007 to 2010, and Baht 38.8 million for each of the years 2011 to 2014. The Company disagreed with such tax assessment of House and Land tax by Koh Samui Municipality since it was not in line with the law and relevant facts. The Company therefore, filed an appeal, requesting a reassessment of the House and Land tax, pursuant to its rights granted by law. However, since the House and Land Tax Act B.E. 2475 (1932) provides that the payment of assessed House and Land tax is to be made prior to submitting a case before the court, the Company was required to pay the amount of House and Land tax that had been assessed to Koh Samui Municipality.

The Company filed suit against Koh Samui Municipality with the Central Tax Court to demand Koh Samui Municipality return the House and Land tax paid. The Central Tax Court rendered a judgment in favor of the Company with respect to the House and Land tax assessments of the years 2007 to 2010 and the years 2011 and 2012, and ordered Koh Samui Municipality to return the House and Land tax for the years 2007 to 2010 and the years 2011 and2012 to the Company together with interest of 7.5 percent per annum. Koh Samui Municipality subsequently filed a petition to suspend the execution of the judgment and filed an appeal against such judgment with the Central Tax Court. Such appeal is currently being considered by the Supreme Court. In addition, the Company filed suit against Koh Samui Municipality with the Central Tax Court with respect to the House and Land tax of the year 2013 and 2014 and this is currently being considered by the Central Tax Court.

The Company has confirmed that the relevant accounting record is made for accounting purposes only and it does not prejudice and should be construed as a waiver of the Company's legal right to claim the House and Land tax from Koh Samui Municipality in accordance with the court judgment, or in any other cases in dispute and under court proceedings and the Company's appeal for House and Land tax reassessment.

37.4 The Company was sued by a plaintiff who acted as an agent for ticketing and air cargo services operated in Bangladesh. The plaintiff filed a civil lawsuit against the Company with the Civil Court, alleging that the Company was in breach of agreement as a result of the non-renewal of the agency appointment, resulting in damages amounting Bangladeshi Taka 807 million, or about Baht 308 million, and petitioned the court to issue an order of temporary protection prohibiting the Company from any transactions through the Company's accounts at the Banani Branch of HSBC Bank, as discussed in Note 8. The court of first instance accepted the lawsuit but dismissed the petition for a temporary protection order. The plaintiff therefore filed an appeal of the decision of the court of first instance with the Supreme Court and the Supreme Court decided that the temporary protection order should be granted by the court of first instance, and dissolved after 2 months from the date the order is received. The Company has engaged legal counsel to dispute the charges since the renewal of an agreement appointing an agent is the Company's right and the agreement appointing the agent did not stipulate that the Company required the consent of the agent in the matter of renewal of the agreement. Subsequently, the Company and plaintiff have attempted to conclude a settlement agreement, whereby the Company would have to pay compensation amounting to USD 1.6 million, or Baht 52 million, to a plaintiff. The Company has already set aside full provision for the compensation in the accounts. On 28 September 2014, The Company signed a dispute settlement agreement, whereby the Company undertook to pay a net settlement of USD 0.8 million, or 64 million Bangladeshi Taka, which is equal to about Baht 26 million. The settlement will be paid split in five equal installments. As of the reporting date, the Company had yet to make payment.

37.5 In February 2014, the Company was sued by a former employee, claiming damages of Baht 91.4 million for tort and breach of an employment contract. Subsequently, in April 2014, the Company countersued the plaintiff, claiming damages of Baht 10.2 million for breach of a training and learning contract. At present, the case is being considered by the Central Labour Court.

37.6 In July 2014, The Company was sued by former employee, claiming Baht 34.6 million in severance pay. The case is being considering by the Central Labour Court.

37.7 In November 2014, the Company was sued by passenger, claiming Baht 0.5 million for cancelled ticket. The case is being considering by the Court.

Subsidiaries

37.8 During 2008, the subsidiary was sued for Baht 68.6 million by its construction contractor in a dispute between the parties over the subsidiary's opinion that the contractor had not complied with the terms and conditions of a construction contract. On 20 April 2010, the Court of First Instance ordered the subsidiary to pay compensation of Baht 25.4 million, together with interest at 7.5% per annum computed from 15 October 2007 until the compensation is fully settled. On 14 July 2010, the subsidiary sought a stay of execution from the Court of Appeal.

In March 2011, the subsidiary returned the retention, amounting to Baht 10.4 million, to the plaintiff, together with the corresponding interest, or a total of Baht 13.1 million. Moreover, on 17 March 2011, the subsidiary placed the remaining Baht 15 million and the corresponding interest charge, or a total of Baht 19.8 million, as a bond, in accordance with an order of the Court of Appeal. On 2 June 2011, the Court of Appeal ordered the subsidiary to pay for incremental costs amounting to Baht 13.6 million, together with interest at 7.5% per annum computed from 15 October 2007 until the compensation is fully settled. Later, on 30 September 2011, the subsidiary filed an appeal of the case with the Supreme Court. Currently, the case is pending in the Supreme Court and the outcome cannot yet be determined. However, the subsidiary believes that the provisions made in the accounts are adequate to cover any losses that may arise from this case.

38. Financial instruments

38.1 Financial risk management

The Company's financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade accounts receivable, loans, investments, and short-term and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

Credit Risk

The Company is exposed to credit risk primarily with respect to trade accounts receivable, loans, other receivable and notes receivable. The Company manages the risk by adopting appropriate credit control policies and proceduresand therefore does not expect to incur material financial losses. In addition, the Company does not have high concentrations of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of receivables, loans, other receivables and notes receivable as stated in the statement of financial position.

Interest Rate Risk

The Company's exposure to interest rate risk relates primarily to its cash at banks, bank overdrafts, debentures and long-term borrowings. However, since most of the Company's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities classified by type of interest rate are summarised in the table below, with thosefinancial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit : Million Baht)

	Fixed interest rates			Consolidated financial statement 2014			
	Within 1 year	1-5 year	Over 5 year	Floating interest rate	Non-interest bearing	Total	Effective interest rate
							(% per annum)
Financial assets							
Cash and cash equivalent	2	-	-	727	1,446	2,175	0.10 - 2.75
Current investments	11,500	-	-	-	25	11,525	1.20 - 3.00
Trade and other receivables	-	-	-	-	1,705	1,705	-
Restricted bank deposits	22	-	-	2	168	192	1.70 - 2.95
Other long-term investments	-	-	50	-	20,886	20,936	4.375
	11,524	**-**	**50**	**729**	**24,230**	**36,533**	
Financial liabilities							
Trade and other payables	-	-	-	-	2440	2,440	-
Long-term loans	97	127	-	843	-	1,067	5.50 - 6.00 and MLR-1.5 to MLR
Liabilities arising from finance lease of aircrafts	455	179	329	-	-	963	0.86 - 7.07
Finance lease liabilities	33	48	-	-	21	102	4.50 - 6.61
Long-term loans from related parties	-	-	11,286	-	-	11,268	12.64
	585	**354**	**11,615**	**843**	**2,461**	**15,858**	

(Unit : Million Baht)

	Fixed interest rates			Consolidated financial statement 2013			
	Within 1 year	1-5 year	Over 5 year	Floating interest rate	Non-interest bearing	Total	Effective interest rate
							(% per annum)
Financial assets							
Cash and cash equivalent	120	-	-	1,113	1,319	2,552	0.10 - 3.15
Current investments	470	-	-	-	41	511	2.35
Trade and other receivables	-	-	-	-	1,679	1,679	-
Restricted bank deposits	22	-	-	-	167	189	1.60 - 3.10
Other long-term investments	-	-	50	-	14,272	14,322	4.375
Long term loans to related parties	-	-	20	34	2	56	1, MLR
	612	**-**	**70**	**1,147**	**17,480**	**19,309**	
Financial liabilities							
Bank overdrafts and short-term loans from banks	650	-	-	21	-	671	3.25 - 7.38
Trade and other payables	-	-	-	-	2,357	2,357	-
Long-term loans	186	284	-	1,637	-	2,107	5.50 - 6.00 and MLR - 1.5 to MLR
Liabilities arising from finance lease of aircrafts	424	408	-	-	-	832	6.68 - 7.79
Finance lease liabilities	27	33	-	-	-	60	2.19 - 8.07
Long-term loans from related parties	-	-	11,207	-	-	11,207	12.64
	1,287	**725**	**11,207**	**1,658**	**2,357**	**17,234**	

(Unit : Million Baht)

	Fixed interest rates			Separate financial statement 2014			
	Within 1 year	1-5 year	Over 5 year	Floating interest rate	Non-interest bearing	Total	Effective interest rate
							(% per annum)
Financial assets							
Cash and cash equivalents	2	-	-	497	1,378	1,877	0.10 - 2.75
Current investments	11,500	-	-	-	-	11,500	1.20 - 3.00
Trade and other receivables	-	-	-	-	1,531	1,531	-
Restricted bank deposits	-	-	-	2	166	168	1.70
Other long-term investments	-	-	50	-	17,360	17,410	4.375
	11,502	**-**	**50**	**499**	**20,435**	**32,486**	

(Unit : Million Baht)

	Fixed interest rates			Separate financial statement 2014			
	Within 1 year	1-5 year	Over 5 year	Floating interest rate	Non-interest bearing	Total	Effective interest rate
							(% per annum)
Financial liabilities							
Trade and other payables	-	-	-	-	2,298	2,298	-
Long-term loans	97	128	-	673	-	898	5.50 - 6.00 and MLR-1.5 to MLR
Liabilities arising from finance lease of aircrafts	455	179	329	-	-	963	0.86 - 7.07
Finance lease liabilities	29	43	-	-	-	72	4.50 - 6.61
Long-term loans from related parties	-	-	11,286	-	-	11,286	12.64
581350	**11,615**	**673**	**2,298**	**15,517**			

(Unit : Million Baht)

	Fixed interest rates			Separate financial statement 2013			
	Within 1 year	1-5 year	Over 5 year	Floating interest rate	Non-interest bearing	Total	Effective interest rate
							(% per annum)
Financial assets							
Cash and cash equivalents	-	-	-	974	1,260	2,234	0.10 - 2.75
Trade and other receivables	470	-	-	-	411	881	2.35
Short-term loans to related parties	-	-	-	-	1,258	1,258	-
Restricted bank deposits	1	-	-	-	167	168	1.60
Other long-term investments	-	-	50	-	11,863	11,913	4.375
Long-term loans to related parties	-	-	-	34	65	99	MLR
	471	**-**	**50**	**1,008**	**15,024**	**16,553**	

(Unit : Million Baht)

	Separate financial statement 2013						
	Fixed interest rates						
	Within 1 year	1-5 year	Over 5 year	Floating interest rate	Non-interest bearing	Total	Effective interest rate
							(% per annum)
Financial liabilities							
Bank overdrafts and short-term loans from banks	650	-	-	-	-	650	3.25 - 3.75
Trade and other payables	-	-	-	-	2,217	2,217	-
Long-term loans	186	284	-	1,110	-	1,580	5.5 - 6.0, MLR - 1.0 to MLR
Liabilities arising from finance lease of aircrafts	424	408	-	-	-	832	6.68 - 7.79
Finance lease liabilities	22	29	-	-	-	51	4.93 - 8.07
Long-term loans from related parties	-	-	11,207	-	-	11,207	12.64
	1,282	**721**	**11,207**	**1,110**	**2,217**	**16,537**	

38.2 Foreign currency risk

The balances of financial assets and liabilities denominated in foreign currencies are summarised below.

Consolidated financial statements						
Foreign currency	Financial assets		Financial liabilities		Average exchange rate	
	2014 (Million)	2013 (Million)	2014 (Million)	2013 (Million)	2014 (Baht per 1 foreign currency unit)	2013 (Baht per 1 foreign currency unit)
AUD	1	2	-	-	26.81	29.18
BDT	1,347	869	13	7	0.42	0.42
CNY	14	5	2	2	5.30	5.41
EUR	8	3	-	16	40.05	45.02
GBP	1	1	-	-	51.15	53.92
HKD	18	12	5	7	4.25	4.23
INR	157	181	34	16	0.52	0.53
JPY	45	31	2	-	0.27	0.31
RUB	18	25	-	-	0.56	1.00
SGD	1	1	-	-	24.89	25.88
USD	65	24	63	58	32.96	32.81
TWD	6	6	-	-	1.04	1.09
KRW	341	324	-	-	0.03	0.03

Foreign currency	Financial assets		Financial liabilities		Average exchange rate	
Separate financial statements						
	2014 (Million)	2013 (Million)	2014 (Million)	2013 (Million)	2014 (Baht per 1 foreign currency unit)	2013
AUD	1	2	-	-	26.81	29.18
BDT	1,347	869	13	7	0.42	0.42
CNY	14	5	2	2	5.30	5.41
EUR	8	3	-	2	40.05	45.02
GBP	1	1	-	-	51.15	53.92
HKD	18	12	5	7	4.25	4.23
INR	157	181	34	16	0.52	0.53
JPY	45	31	2	-	0.27	0.31
RUB	18	25	-	-	0.56	1.00
SGD	1	1	-	-	24.89	25.88
USD	63	23	53	48	32.96	32.81
TWD	6	6	-	-	1.04	1.09
KRW	341	324	-	-	0.03	0.03

38.3 Fuel Price Risk

Fuel price fluctuation depends on supply and demand of global economic situation and political uncertainty worldwide. Fuel price has direct impact on the Company's operating result as fuel plays vital factor in airline industry.

The Company has implemented jet fuel price hedging in order to reduce the risk of fuel price volatility, to protect the value of the Company for shareholders and all concerned and is not to be treated as a profit-marking venture.

This was in accordance with the Company's policy, specifying that fuel hedging be conducted on a regular basis at not lower than 50 percent and not more than 70 percent of annual fuel consumption. Whereby the tenor of each contract would be for a period of not more than 12 months. The Company selected a financial tool that was suitable for the market situation by establishing the lowest and highest prices of jet fuel, whereby the Company would incur the difference in USD currency, should the price of jet fuel falls below the lowest price. On the contrary, the Company would be compensated should the price of jet fuel rises higher than the highest price.

The Company's hedge portion account to 58.6 percent (2013: 58.3 percent) of its annual fuel consumption. As at December 31, 2014, the Company still has an obligation from fuel price hedging until December 2015 amount of 735,000 barrels (2013: 375,000 barrels) of Jet fuel whereby the lowest and the highest jet fuel prices are between USD 96.9 per barrel to USD 119.27 per barrel (2013: between USD 112 per barrel to USD 125 per barrel).

38.4 Fair values of financial instruments

Since the majority of the Company's financial instruments are short-term in nature or bear floating interest rates, their fair values are not expected to be materially different from the amounts presented in statement of financial position.

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instruments or by using an appropriate valuation technique, depending on the nature of the instrument.

39. Capital management

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2014, the Group's debt-to-equity ratio was 0.91:1 (2013: 3.23:1) and the Company's was 0.90:1 (2013: 3.34:1).

40. Events after the reporting period

40.1 **On 25 December 2014,** the Company's Board of Directors Meeting approved an investment by Bangkok Airways Holding Company Limited in the establishment of Gourmet Premo Company Limited, in order to produce and process food for distribution. Bangkok Airways Holding Company Limited holds 99.99 percent of Gourmet Premo Company Limited, which was incorporated and registered with the Ministry of Commerce on 29 January 2015 with registered share capital of Baht 50 million.

40.2 **On 26 February 2015,** a Board of Directors Meeting proposed the payment of a dividend for the year 2014 of Baht 0.20 per share amounting to Baht 420 million be considered by the General Meeting of the Shareholders.

41. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 26 February 2015.

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