

Executive Summary

The global economy during the first quarter of 2017 (Q1/2017) is picking up, especially the U.S. economy which is expected to expand gradually supported by the recovery of labour market and investment sector. Similar to Eurozone economy that expected to have a major support from the domestic consumption, however, there are several risks including the volatility of the political pressured the recovery in manufacturing sector, the concern of a Greece's default risk, the fallout from the Brexit referendum and the election in other countries. While the China economy continued to grow due to the government infrastructure spending and a frenzied housing market, but there is still a risk from the reform of its economic structure.

In Q1/2017, the Thai economy is expected to expand gradually, driven mainly from the recovery of exports and agricultural products prices, as well as the increase in government's spending and investments. The tourism industry has a recovery sign although the sector has short-term impact from the government's measures of tour operators. However, the slow recovery growth of the world economy and the geopolitical risk are the key factors pressuring Thailand's economic growth which may affect the company's operation.

The number of international tourists to Thailand from January to March 2017 rose by 2% over the same period last year to 9.2 million. Although, Chinese visitors, which are the major tourists, declined by 7% over the same period last year due to the impact of strict government's measures of tour operators as the aforementioned. Nonetheless, the number of European visitors grew by 6% over the same period last year. Similar to the visitations from other regions continued to grow compared to the same period last year. Hence, the number of passengers carried of Thai AirAsia in Q1/2017 was 4.9 million, or an 11% year-on-year increase, which is higher than 9% growth in capacity. During the quarter, Thai AirAsia took 2 additional aircraft, bringing its total fleet to 53 aircraft. Thai AirAsia also started operating 2 domestic routes comprising Pattaya(Utapao) – Ubon Ratchathani and Pattaya – Phuket and adding frequencies on Bangkok(Don Mueang) – Mandalay(Myanmar).

For Q1/2017, Asia Aviation Plc had a net income of Baht 570.3 million, down by 43% from the first quarter of 2016 (Q1/2016) which had a net income of 1,009.1 million. This was resulted from the increase in global oil prices and the increase in the nation's excise tax on jet fuel price for domestic flight since late January. While, the average fares rebounded by 11% from the previous quarter, due to the recovery of Thailand Tourism as the aforementioned.

Financial Performance Summary

Asia Aviation Public Company Limited (“AAV”) is a major shareholder of Thai AirAsia Company Limited who is an airline operator of Thai AirAsia, in which the Company currently holds 55%.

Asia Aviation Public Company Limited's financial performance for the three-month period ended 31 March 2016 and 2017 has been summarised below:

Statement of Comprehensive Income

Asia Aviation Public Company Limited Unit: Baht million	Consolidated		Change
	For the three-month period ended		
	31 March		
	2017	2016	
Revenues	9,150.2	8,952.5	+2%
Gross profit	1,581.0	2,485.4	(-36%)
Profit (loss) before finance costs and income taxes	1,229.2	2,050.0	(-40%)
Net profit/ Comprehensive income for the period	1,034.8	1,832.9	(-44%)
Owners of the parent	570.3	1,009.1	(-43%)
Non-controlling interests	464.5	823.8	(-44%)
Earnings Per Share (Baht)	0.1176	0.2081	(-43%)

In Q1/2017, Asia Aviation Plc had revenues of Baht 9,150.2 million, increased by 2% compared to the same period last year. Additionally, profit before finance costs and income taxes amounted to Baht 1,229.2 million, decreased by 40% compared to the same period last year. Thus, Net profit/ Comprehensive income for the period attributable to owners of the parent in Q1/2017 amounted to Baht 570.3 million, decreased by 43% from Baht 1,009.1 million in Q1/2016, having a net profit margin of 6% and basic earnings was at Baht 0.1176 per share.

Statement of Financial Position

Asia Aviation Public Company Limited Unit: Baht million	Consolidated		Change
	As at 31 March 2017	As at 31 December 2016	
Total assets	58,567.8	56,599.4	+3%
Total liabilities	27,412.8	26,479.2	+4%
Equity attributable to owners of the parent	21,840.8	21,270.5	+3%
Non-controlling interests	9,314.2	8,849.7	+5%
Total equity	31,155.0	30,120.2	+3%

Assets

As at 31 March 2017, total assets amounted to Baht 58,567.8 million, increased by 3% compared to the year ended 31 December 2016 and the return on assets (ROA) was 2.5%, due to;

- (1) Current assets increased by Baht 629.2 million, mainly from an increase in cash and cash equivalents in an amount of Baht 472.4 million due to cash flow generating from the operating results during the period and the increase in amounts due from related parties in an amount of Baht 453.4 million. While, other current assets decreased by Baht 232.5 million owing to Input VAT from the aircraft purchasing.
- (2) Non-current assets increased by Baht 1,339.2 million due to an increase in aircraft, leasehold improvements and equipment-net in an amount of Baht 1,339.7 million. The company delivered 1 aircraft under finance lease agreements in this quarter to support the growth of the company.

Liabilities

As at 31 March 2017, total liabilities amounted to Baht 27,412.8 million, increased by 4% compared to the year ended 31 December 2016, due to;

- (1) Current liabilities increased by Baht 141.8 million, mainly from the amounts due to related parties and deferred revenues from the ticket selling in advance increased by Baht 150.4 million and Baht 108.0 million, respectively. Whilst trade accounts payable decreased by Baht 173.3 million.
- (2) Non-current liabilities increased by Baht 791.9 million, mainly from the increase in finance lease liabilities in an amount of Baht 812.6 million, owing to the delivery of an additional aircraft under finance lease agreements in this quarter.

Equity

As at 31 March 2017, total equity amounted to Baht 31,155.0 million, increased 3% compared to the year ended 31 December 2016, resulting from the operating results during the period. Hence, an equity attributable to owners of the parent and non-controlling interests ended this year amounted to Baht 21,840.8 million and Baht 9,314.2 million, respectively, with the return on equity (ROE) was 6.7%.

Statement of Cash Flows

Asia Aviation Public Company Limited Unit: Baht million	Consolidated	
	For the three-month period ended 31 March	
	2017	2016
Net cash generated from (used in) operating activities	1,459.5	2,361.2
Net cash generated from (used in) investing activities	(339.1)	(470.6)
Net cash generated from (used in) financing activities	<u>(593.9)</u>	<u>(443.0)</u>
Net increase (decrease) in cash and cash equivalents	526.5	1,447.6
Exchange gain (loss) on cash and cash equivalents	(54.1)	(52.3)
Cash and cash equivalents at the beginning of the period	<u>4,661.4</u>	<u>6,122.8</u>
Cash and cash equivalents at the end of the period	<u>5,133.8</u>	<u>7,518.1</u>

For the year ended 31 March 2017, Asia Aviation Plc had net cash generated from operating activities in an amount of Baht 1,459.5 million mainly due to operating profit in this period. In contrast, net cash used in investing activities was Baht 339.1 million, mainly comprising of investment in aircraft, leasehold improvements and equipment, which increased from the delivery of an additional aircraft under finance lease agreements in this quarter. Net cash used in financing activities was Baht 593.9 million from repayments of finance leases and long-term borrowings, as well as, interest paid. As a result, Asia Aviation Plc had net increase in cash and cash equivalents of Baht 526.5 million, while the cash and cash equivalents at the end of the period amounted to Baht 5,133.8 million.

Thai AirAsia's financial performance for the three-month period ended 31 March 2016 and 2017 has been summarised below:

Statement of Comprehensive Income

Thai AirAsia Company Limited Unit: Baht million	For the three-month period ended 31 March		Change
	2017	2016	
Revenues	9,150.2	8,952.5	+2%
Gross profit	1,584.9	2,489.4	(-36%)
Profit (loss) before finance costs and income taxes	1,230.5	2,053.6	(-40%)
Net Profit/ Total Comprehensive income for the period	1,035.8	1,831.8	(-43%)
Earnings (loss) per share (Baht)	23.78	42.06	(-43%)

In Q1/2017, revenues of Thai AirAsia amounted to Baht 9,150.2 million, increased by 2% from Baht 8,952.5 million in Q1/2016, was supported by the 11% growth in number of passenger carried in Q1/2017 achieving at 4.9 million, with a load factor of 89%, up 1 percentage point (ppt) compare to the same period last year. However, the charter flight revenues in an amount of Baht 394.5 million, dropped by 24% over the same period last year, due to the decrease in number of charter flights to Chinese market. These was resulted in the decline in the average fares by 9% to Baht 1,569 per passenger in Q1/2017 from Baht 1,722 per passenger in Q1/2016. While, the average fares in this quarter rebounded from Baht 1,415 per passenger or up by 11% compare to the fourth quarter of 2016 (Q4/2016) due to the recovery of Thailand tourism, after the impact of strict government's measures of tour operators and the national mourning period during the previous quarter.

The ancillary revenues in Q1/2017 increased to Baht 1,567.8 million, up by 7%, from Baht 1,470.0 million in Q1/2016 in relation to the number of passengers' growth. The revenues were mainly from checked baggage fees, In-flight meals, beverages and merchandise, as well as seat selection fees. In this quarter, Thai AirAsia remained its on-time performance with 82% of our flights and maintained its aircraft utilisation at 11.9 hours per day.

The cost per available seat kilometres (CASK) in Q1/2017 was at Baht 1.56, increased by 8% compared to the same period last year. The fuel cost per ASK increased to Baht 0.48 in Q1/2017 from Baht 0.39 in Q1/2016 or rose by 23% due to the gradual recovery in global crude oil prices since late 2016 and continued into Q1/2017, as well as, an increase in the nation's excise tax on jet fuel price for domestic flight since late January this year. Although, the Company had the advantage of fuel hedging. However, the ramp and airport operations costs, staff costs, aircraft rental, as well as, repair and maintenance costs increased owing to larger fleet size. As a results, Gross profit in Q1/2017 amounted to Baht 1,584.9 million, decreased by 36% compared to the same period last year, with a gross profit margin of 17%.

Profit before finance costs and income taxes in Q1/2017 amounted to Baht 1,230.5 million, decreased by 40% compared to the same period last year, having an operating profit margin of 13%. The increase in staff costs

and professional from international hub led to the proportion of selling and administrative expenses over the total revenues slightly increased to 8% from 7% in Q1/2016. However, Thai AirAsia recorded net unrealised gain on exchange rates in an amount of Baht 143.6 million due to baht's appreciation against dollars.

Net profit/ Total Comprehensive income for Q1/2017 amounted to Baht 1,035.8 million, decreased by 43% from the same period last year which was at Baht 1,831.8 million, having a net profit margin of 11%. However, Thai AirAsia has a profit exempted from corporate income taxes due to promotional privilege from BOI, resulting in the decrease in income taxes.

Thai AirAsia Company Limited	Q1/2017	Q1/2016	Change
Passenger Carried (Million)	4.85	4.37	+11%
Capacity (Million seats)	5.42	4.97	+9%
Load Factor (%)	89%	88%	+1 ppt
Revenue Passenger Kilometres (Million seats-km)	4,749	4,336	+10%
Available seat kilometres (Million seats-km)	5,327	4,967	+7%
Average fare (Baht)	1,569	1,722	-9%
Revenue per Available seat kilometres(Baht)	1.72	1.80	-4%
Cost per Available seat kilometres (Baht)	1.56	1.44	+8%
Cost per Available seat kilometres (ex-fuel)(Baht)	1.08	1.05	+3%

Statement of Financial Position

Thai AirAsia Company Limited Unit: Baht million	As at 31 March 2017	As at 31 December 2016	Change
Total assets	34,758.9	32,738.8	+6%
Total liabilities	24,433.7	23,449.4	+4%
Total equity	10,325.2	9,289.4	+11%

Assets

As at 31 March 2017, total assets amounted to Baht 34,758.9 million, increased by 6% compared to the year ended 31 December 2016, due to;

- (1) Current assets increased by Baht 676.2 million, mainly from the increase in cash and cash equivalents in an amount of Baht 519.8 million due to cash flow generating from the operating results during the period and an increase in amounts due from related parties in an amount of Baht 453.4 million. While, other current assets decreased by Baht 232.7 million owing to Input VAT from the aircraft purchasing.
- (2) Non-current assets increased by Baht 1,343.8 million due to an increase in aircraft, leasehold improvements and equipment-net in an amount of Baht 1,344.3 million. The company delivered a aircraft under finance lease agreements in this quarter to support the growth of the company.

Liabilities

As at 31 March 2017, total liabilities amounted to Baht 24,433.7 million, increased by 4% compared to the year ended 31 December 2016, primarily due to;

- (1) Current liabilities increased by Baht 192.1 million, mainly from the increase in amounts due to related parties and deferred revenues from the ticket selling in advance an amount of Baht 150.4 million and Baht 108.0 million, respectively. Whilst, trade accounts payable decreased by Baht 173.3 million.
- (2) Non-current liabilities increased by Baht 792.1 million, mainly from an increase in finance lease liabilities in an amount of Baht 812.6 million, owing to the delivery of an additional aircraft under finance lease agreements in this quarter.

Equity

As at 31 March 2017, total equity amounted to Baht 10,325.2 million, increased by 11% compared to the year ended 31 December 2016, resulted from the operating results during the period. Thai AirAsia's Debt-to-Equity ratio (Interest Bearing Debt) and Net Gearing ratio as at 31 March 2017 were 1.57x and 0.88x, respectively. Thai AirAsia has a policy to manage its Debt-to-Equity ratio less than 2x in order to maintain a strong capital structure in the competitive market.

Statement of Cash Flows

Thai AirAsia Company Limited Unit: Baht million	For the three-month period ended 31 March	
	2017	2016
Net cash generated from (used in) operating activities	1,506.9	2,364.6
Net cash generated from (used in) investing activities	(339.1)	(470.6)
Net cash generated from (used in) financing activities	<u>(593.9)</u>	<u>(443.0)</u>
Net increase (decrease) in cash and cash equivalents	573.9	1,451.0
Exchange gain (loss) on cash and cash equivalents	(54.1)	(52.4)
Cash and cash equivalents at the beginning of the period	<u>4,549.2</u>	<u>6,071.4</u>
Cash and cash equivalents at the end of the period	<u>5,069.0</u>	<u>7,470.0</u>

For the three-month period ended 31 March 2017, Thai AirAsia had net cash generated from operating activities in an amount of Baht 1,506.9 million mainly due to operating profit in this period. In contrast, net cash used in investing activities was Baht 339.1 million, mainly comprising of investment in aircraft, leasehold improvements and equipment, which increased from the delivery of an additional aircraft under finance lease agreements in this quarter. Net cash used in financing activities was Baht 593.9 million from repayments of finance leases and long-term borrowings, as well as, interest paid. As a result, Thai AirAsia had net increase in cash and cash equivalents of Baht 573.9 million, while the cash and cash equivalents at the end of the period amounted to Baht 5,069.0 million.

Business Outlook

The U.S. economy in Q1/2017 is likely to expand from the prior year amid rising political uncertainty. Hence, Federal Reserve (Fed) expects to gradually hike its policy interest rate in this year which may impact the baht to depreciate against dollars as a rising in U.S. interest rates. The company has revenues and expenses in various different currencies such as passenger fares, repair and maintenance as well as aircraft rental. Hence, the company has adopted the practice of Natural Hedging by matching cash expenses and revenues in the same currency as practically possible. While the structure the foreign currency loans are made in accordance with the highest currency net operating cash flow. Furthermore, the company may incur significant amount of debt in the future in order to finance for new aircraft or for business expansion. The increasing interest rate is likely to affect the borrowing costs of the company. Thus, the company has set a measure to alleviate interest rate risk by fixing interest rate during the negotiation for financial lease contracts and by considering using financial instruments at appropriate time.

The global crude oil price is expected to increase in 2017 from the global economic recovery and the possibility of the OPEC and Non-OPEC could make an agreement to reduce their production in 2H17 during the upcoming meeting on May 25, 2017. While the rising of shale oil and the high level of crude-oil inventories in the U.S. have pressured the oil prices. Therefore, the company has the fuel hedging policy as a tool to mitigate its exposure to volatile since jet fuel price is a majority of total operating costs. As of May 5, 2017, Thai AirAsia has combined the forward fuel hedging with AirAsia Group, accounted for an average proportion of 74% of total fuel consumption in 2017 with the average effective jet fuel cost at USD 62 per barrel.

Thai Economic outlook in Q2/2017 expects to grow steadily driven by the investment projects of the government. While the tourism sector is expected to grow continuity as the improving of world tourism in accordance with the positive sentiment from the recovery of global economy, as well as, the supportive of the government's measures by exempting visa fees (single entry) and reducing Visa on Arrival fees during December 1, 2016 – August 31, 2017. Due to a conflict between countries, Chinese government has banned Chinese tour groups from visiting South Korea, resulting in more Chinese visitors are coming to Thailand. The Tourism Council of Thailand forecasts the number of tourists by nationality in the second quarter of 2017 to reach 8.1 million, or up 7% compared to the same period last year. During the second quarter, there are several public holidays such as Chakri Day, Songkran Festival and Wisakha Bucha Day which may stimulate the recovery of the tourism sector.

For Q2/2017, Thai AirAsia plans to acquire an additional aircraft, totally 54 aircraft at the end of 1H17. Additionally, the Company has prepared to launch a new route: Bangkok(Don Mueang) – Danang(Vietnam) and increased flight frequency on well-performed routes such as Bangkok – Khon Kaen, Bangkok – Roi Et, Bangkok – Phnom Penh(Cambodia), Bangkok – Penang(Malaysia) and Chiang Mai - Surat Thani in order to strengthen its routes network and maintain its leading low-fares airline in Thailand. Moreover, on April 21, 2017, Thai AirAsia became the nation's first low-fares carrier to receive AOC Re-Certification based on ICAO standards following an evaluation by the Thai Civil Aviation Authority, affirming its global standard of services.

Glossary

Load factor = Represents the number of passengers carried as a proportion to capacity, which is the number of seats available for passengers

Available seat kilometres (ASK) = which is the total number of seats available on all flights multiplied by the number of kilometres these seats were flown

Revenue passenger kilometres (RPK) = Revenue passenger kilometres, which is the number of paying passengers carried on all flights multiplied by the number of kilometres those seats were flown

Average fares = Calculated as Thai AirAsia's total passenger revenues and fuel surcharge divided by total number of passengers carried

Revenue per ASK (RASK) = Calculated as Thai AirAsia's revenues divided by ASK

Cost per ASK (CASK) = Calculated as the sum of Thai AirAsia's operating costs, selling expenses and administrative expenses (but excluding finance costs) divided by ASK

Cost per ASK (CASK ex-fuel) = Calculated as the sum of Thai AirAsia's operating costs, selling expenses and administrative expenses (but excluding finance costs) less fuel costs divided by ASK

Average stage length (kilometres) = Represents the average number of kilometres flown per flight

Aircraft utilisation = Represents the average block hours per day per aircraft during the relevant period. Block hours is calculated by measuring the duration between the time of departure of an aircraft and the time of arrival at its destination.

Debt to Equity ratio (D/E) = Calculated as Thai AirAsia's total interest bearing debt divided by total equity

Net Gearing ratio = Calculated as Thai AirAsia's total interest bearing debt less cash divided by total equity