

## Executive Summary

The global economy during the second quarter of 2017 (Q2/2017) is picking up, led the U.S. economy which is expected to expand gradually supported by the strong recovery of investment sector and labour market. Similar to Eurozone economy that expected to have a major support from the domestic demand, however, there are several risks including the volatility of the political, 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 mainly from an export recovery amid a risk from the reform of its economic structure.

In Q2/2017, the Thai economy is expected to expand gradually, driven mainly from the recovery of exports and the tourism industry. However, the slow recovery growth of the world economy, the geopolitical risk and uncertainty on U.S. trade policy are the key factors pressuring Thailand's economic growth which may affect the company's operation.

The number of international tourists to Thailand from April to June 2017 rose by 8% over the same period last year to 8.1 million. East Asia visitors and European visitors are the major international tourists which accounted for 71% and 14%, respectively. While, South Asia visitors and American visitors are the highest growth at 14.1% and 13.6% over the same period last year, respectively. 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 Q2/2017 was 4.7 million, or an 13% year-on-year increase, which is higher than 9% growth in capacity. During the quarter, Thai AirAsia took an additional aircraft, bringing its total fleet to 54 aircraft. Thai AirAsia started operating 2 new routes comprising Bangkok (Don Mueang) – Da Nang and Chiang Mai – Udon Ratchathani. In addition, new flights were added to Bangkok – Khon Kaen, Bangkok – Roi Et, Bangkok – Phnom Penh, Bangkok – Penang, Chiang Mai – Surat Thani, Hat Yai – Kuala Lumpur, and Pattaya(Utapao) – Udon Thani.

For Q2/2017, Asia Aviation Plc had a net income of Baht 170.6 million, down by 60% from the second quarter of 2016 (Q2/2016) which had a net income of 422.5 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 was down by 5% from the previous quarter, due to the competition in airlines' business.

## 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 and six-month period ended 30 June 2016 and 2017 has been summarised below:

### Statement of Comprehensive Income

Asia Aviation Public Company Limited Unit: Baht million	Consolidated		Change	Consolidated		Change
	For the three-month period ended 30 June			For the six-month period ended 30 June		
	2017	2016		2017	2016	
Revenues from sales and services	8,335.6	7,755.9	+7%	17,485.9	16,708.3	+5%
Gross profit	869.9	1,200.0	(-28%)	2,451.0	3,685.4	(-33%)
Profit (loss) before finance costs and income taxes	426.1	799.2	(-47%)	1,655.4	2,849.2	(-42%)
Net profit/ Total comprehensive income for the period	309.6	766.2	(-60%)	1,344.4	2,599.2	(-48%)
Owners of the parent	170.6	422.5	(-60%)	741.0	1,431.6	(-48%)
Non-controlling interests	139.0	343.7	(-60%)	603.4	1,167.6	(-48%)
Basic Earnings Per Share (Baht)	0.0352	0.0871	(-60%)	0.1528	0.2952	(-48%)

In Q2/2017, Asia Aviation Plc had revenues of Baht 8,335.6 million, increased by 7% compared to the same period last year. Additionally, profit before finance costs and income taxes amounted to Baht 426.1 million, decreased by 47% compared to the same period last year. Thus, Net profit and Total comprehensive income for the period attributable to owners of the parent in Q2/2017 amounted to Baht 170.6 million, decreased by 60% from Baht 422.5 million in Q2/2016, having a net profit margin of 2% and basic earnings was at Baht 0.0352 per share.

For the first half year of 2017 (1H2017), Asia Aviation Plc had revenues of Baht 17,485.9 million, increased by 5% compared to the same period last year. Additionally, profit before finance costs and income taxes amounted to Baht 1,655.4 million, decreased by 42% compared to the same period last year. Thus, Net profit/ Comprehensive income for the period attributable to owners of the parent in 1H2017 amounted to Baht 741.0 million, decreased by 48% compared to the same period last year, having a net profit margin of 4% and basic earnings was at Baht 0.1528 per share.

Statement of Financial Position

Asia Aviation Public Company Limited Unit: Baht million	Consolidated		Change
	As at 30 June 2017	As at 31 December 2016	
Total assets	59,488.3	56,599.4	+5%
Total liabilities	28,023.6	26,479.2	+6%
Equity attributable to owners of the parent	22,011.5	21,270.5	+3%
Non-controlling interests	9,453.2	8,849.7	+7%
Total equity	31,464.7	30,120.2	+4%

Assets

As at 30 June 2017, total assets amounted to Baht 59,488.3 million, increased by 5% compared to the year ended 31 December 2016 and the return on assets (ROA) was 2.1%, due to;

- (1) Current assets decreased by Baht 262.3 million, mainly from a decrease in short-term investments in an amount of Baht 555.3 million, as fixed deposits was reaching its maturity date. This was also resulted from a decrease in other current assets in an amount of Baht 125.7 million owing to Input VAT from the aircraft purchasing. While cash and cash equivalents increased by Baht 547.4 million due to cash flow generating from the operating results during the period.
- (2) Non-current assets increased by Baht 3,151.1 million due to an increase in net aircraft, leasehold improvements and equipment in an amount of Baht 2,643.1 million. The company delivered 2 aircraft under finance lease agreements in this period to support the growth of the company. Moreover, the aircraft maintenance reserves increased by Baht 536.4 million, in relation to the increase in flight hours.

Liabilities

As at 30 June 2017, total liabilities amounted to Baht 28,023.6 million, increased by 6% compared to the year ended 31 December 2016, due to;

- (1) Current liabilities decreased by Baht 649.2 million, mainly from the current portion of long-term borrowings from financial institutes and trade account payable decrease by Baht 294.9 million and Baht 203.5 million, respectively. Whilst, deferred revenues from the ticket selling in advance increased by Baht 64.8 million.
- (2) Non-current liabilities increased by Baht 2,193.6 million. The increase was mainly from the issuance of the debentures in an amount of Baht 1,600.0 million and the proceeds will use for general purpose and/or for loan repayment and/or for working capital. In addition, finance lease liabilities increased by Baht 1,090.7 million, owing to the delivery of 2 aircraft under finance lease agreements in this period. Whilst, an aircraft under finance lease agreement was terminated early. The long-term borrowings from financial institutes decreased by Baht 501.5 million due to repayment of long-term borrowings.

## Equity

As at 30 June 2017, total equity amounted to Baht 31,464.7 million, increased 4% 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 period amounted to Baht 22,011.5 million and Baht 9,453.2 million, respectively, with the return on equity (ROE) was 5.4%.

## Statement of Cash Flows

Asia Aviation Public Company Limited Unit: Baht million	Consolidated	
	For the six-month period ended 30 June	
	2017	2016
Net cash generated from (used in) operating activities	1,948.4	2,573.7
Net cash generated from (used in) investing activities	(595.6)	(812.0)
Net cash generated from (used in) financing activities	<u>(786.0)</u>	<u>(897.1)</u>
Net increase (decrease) in cash and cash equivalents	566.8	864.6
Exchange gain (loss) on cash and cash equivalents	(19.5)	(11.7)
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>5,208.7</u>	<u>6,975.7</u>

For the six-month period ended 30 June 2017, Asia Aviation Plc had net cash generated from operating activities in an amount of Baht 1,948.4 million mainly due to operating profit in this period. In contrast, net cash used in investing activities was Baht 595.6 million, mainly comprising of payments in aircraft, leasehold improvements and equipment, which increased from the delivery of 2 aircraft under finance lease agreements in this period as well as payments for aircraft maintenance reserves, despite there was proceeds from held-to-maturity fixed deposit in an amount of Baht 500.0 million. Net cash used in financing activities was Baht 786.0 million mainly comprising of repayments of long-term borrowings from financial institution, early termination of finance lease and finance leases, as well as, interest paid. Whist, there was proceeds from the issuance of the debentures in an amount of Baht 1,600.0 million. As a result, Asia Aviation Plc had net increase in cash and cash equivalents of Baht 566.8 million, while the cash and cash equivalents at the end of the period amounted to Baht 5,208.7 million.

Thai AirAsia's financial performance for the three-month and six-month period ended 30 June 2016 and 2017 has been summarised below:

Statement of Comprehensive Income

Thai AirAsia Company Limited Unit: Baht million	For the three-month		Change	For the six-month		Change
	period ended 30 June			period ended 30 June		
	2017	2016		2017	2016	
Revenues from sales and services	8,335.6	7,755.9	+7%	17,485.9	16,708.3	+5%
Gross profit	871.2	1,203.9	(-28%)	2,456.1	3,693.3	(-33%)
Profit (loss) before finance costs and income taxes	426.7	800.9	(-47%)	1,657.2	2,854.4	(-42%)
Net Profit/ Total Comprehensive income for the period	310.1	767.6	(-60%)	1,345.9	2,599.4	(-48%)
Earnings (loss) per share (Baht)	7.12	17.62	(-60%)	30.90	59.68	(-48%)

In Q2/2017, revenues of Thai AirAsia amounted to Baht 8,335.6 million, increased by 7% from Baht 7,755.9 million in Q2/2016, was supported by the 13% growth in number of passenger carried in Q2/2017 achieving at 4.69 million, with a load factor of 86%, up 3 percentage points (ppt) compare to the same period last year. However, the charter flight revenues amounted to Baht 379.4 million, dropped by 31% 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 5% to Baht 1,476 per passenger in Q2/2017 from Baht 1,550 per passenger in Q2/2016.

The ancillary revenues grew by 9% to Baht 1,442.8 million in Q2/2017 from Baht 1,323.9 million in Q2/2016, which is lower than 13% growth in the number of passengers. As a result, the ancillary revenue per passenger dropped by 3% compare to the same period last year. The ancillary revenues were mainly from checked baggage fees, In-flight meals, beverages and merchandise, as well as seat selection fees. In this period, Thai AirAsia remained its on-time performance with 86% of our flights and had its aircraft utilisation at 11.4 hours per day.

The cost per available seat kilometres (CASK) in Q2/2017 was at Baht 1.52, increased by 9% compared to the same period last year. The fuel cost per ASK increased to Baht 0.49 in Q2/2017 from Baht 0.39 in Q2/2016 or rose by 24% due to the gradual recovery in global crude oil prices, 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, as well as, aircraft rental increased owing to larger fleet size. As a results, Gross profit in Q2/2017 amounted to Baht 871.2 million, decreased by 28% compared to the same period last year, with a gross profit margin of 10%.

Profit before finance costs and income taxes in Q2/2017 amounted to Baht 426.7 million, decreased by 47% compared to the same period last year, having an operating profit margin of 5%. The proportion of selling and

administrative expenses over the total revenues was flat when compared to Q2/2016. However, the Company recorded net unrealised gain on exchange rates amounted to Baht 30.1 million as Thai baht strengthened against the U.S. dollar.

Net profit/ Total Comprehensive income for Q2/2017 amounted to Baht 310.1 million, decreased by 60% from the same period last year which was at Baht 767.6 million, having a net profit margin of 4%. The finance cost amounted to Baht 171.8 million, rose by 57% compared to the same period last year due to an increase in reference 3-month LIBOR for calculating effective interest rate. Meanwhile, the company had an early termination of an aircraft under finance lease agreement and recorded the following transactions; 1) reversed deferred effective interest rate and 2) recognised deferred tax liabilities adjustment due to no longer temporary difference between accounting and tax practice, resulting in the decrease in income tax.

For 1H2017, revenues of Thai AirAsia's amounted to Baht 17,485.9 million, increased by 5% from Baht 16,708.3 million in the six-month of 2016(1H2016), primarily due to the increase in the number of passengers carried to 9.55 million or 12% compared with the same period last year, which is higher than 9% growth in capacity. However, the charter flight revenues amounted to Baht 773.9 million, dropped by 28% over the same period last year, due to the decrease in number of charter flights as the aforementioned. These was resulted in the decline in the average fares by 7% to Baht 1,523 per passenger in 1H2017. While, the available seat kilometres (ASK) increased by 9% compared with the same period last year, owing to launch new routes and increase the frequency of flights on well-performed routes.

Net profit/Total comprehensive income for 1H2017 amounted to Baht 1,345.9 million, or decreased by 48% compared with the same period last year. Thai AirAsia had negative sentiments from an increase in global oil prices as 30% of its total expenses was fuel cost. Moreover, the edged increase in selling and administrative expenses mainly resulted from staff costs. Nevertheless, the company recorded net unrealised gain on exchange rates amounted to Baht 173.7 million due to Thai Baht's appreciation against the U.S. dollar. In addition, the company exercised the carry forward of unused tax loss to calculate income tax for the period and recognised deferred tax liabilities adjustment due to early termination of an aircraft under finance lease agreements as the aforementioned, resulting in the decrease in income tax.

Thai AirAsia Company Limited	Q2/2017	Q2/2016	Change	1H2017	1H2016	Change
Passenger Carried (Million)	4.69	4.17	+13%	9.55	8.53	+12%
Capacity (Million seats)	5.46	5.02	+9%	10.88	9.99	+9%
Load Factor (%)	86%	83%	+3 ppts	88%	85%	+3 ppts
Revenue Passenger Kilometres (Million seats-km)	4,630	4,269	+8%	9,379	8,604	+9%
Available seat kilometres (Million seats-km)	5,373	5,138	+5%	10,700	10,105	+6%
Average fare (Baht)	1,476	1,550	-5%	1,523	1,638	-7%
Revenue per Available seat kilometres(Baht)	1.55	1.51	+3%	1.63	1.65	-1%

Thai AirAsia Company Limited	Q2/2017	Q2/2016	Change	1H2017	1H2016	Change
Cost per Available seat kilometres (Baht)	1.52	1.39	+9%	1.54	1.41	+9%
Cost per Available seat kilometres (ex-fuel)(Baht)	1.03	1.00	+3%	1.06	1.02	+3%

#### Statement of Financial Position

Thai AirAsia Company Limited Unit: Baht million	As at 30 June 2017	As at 31 December 2016	Change
Total assets	35,675.1	32,738.8	+9%
Total liabilities	25,039.8	23,449.4	+7%
Total equity	10,635.3	9,289.4	+14%

#### Assets

As at 30 June 2017, total assets amounted to Baht 35,675.1 million, increased by 9% compared to the year ended 31 December 2016, due to;

- (1) Current assets decreased by Baht 221.0 million, mainly from a decrease in short-term investments in an amount of Baht 555.3 million as fixed deposits was reaching its maturity date. This was also resulted from a decrease in other current assets in an amount of Baht 126.4 million owing to Input VAT from the aircraft purchasing. While cash and cash equivalents increased by Baht 587.9 million due to cash flow generating from the operating results during the period.
- (2) Non-current assets increased by Baht 3,157.3 million due to an increase in net aircraft, leasehold improvements and equipment in an amount of Baht 2,649.2 million. The company delivered 2 aircraft under finance lease agreements in this period to support the growth of the company. Moreover, the aircraft maintenance reserves increased by Baht 536.4 million, in relation to the increase in flight hours.

#### Liabilities

As at 30 June 2017, total liabilities amounted to Baht 25,039.8 million, increased by 7% compared to the year ended 31 December 2016, primarily due to;

- (1) Current liabilities decreased by Baht 603.6 million, mainly from the current portion of long-term borrowings from financial institutes and trade account payable decrease by Baht 294.9 million and Baht 203.5 million, respectively. Whilst, deferred revenues from the ticket selling in advance increased by Baht 64.8 million.
- (2) Non-current liabilities increased by Baht 2,194.0 million. The increase was mainly from the issuance of the debentures in an amount of Baht 1,600.0 million and the proceeds will use for general purpose and/or for loan repayment and/or for working capital. In addition, finance lease liabilities increased by Baht 1,090.7 million, owing to the delivery of 2 aircraft under finance lease agreements in this period. Whilst, an aircraft under finance lease agreement was terminated early. The long-term borrowings from financial institutes decreased by Baht 501.5 million due to repayment of long-term borrowings.

## Equity

As at 30 June 2017, total equity amounted to Baht 10,635.3 million, increased by 14% 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 30 June 2017 were 1.64x and 1.01x, 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 six-month period ended 30 June	
	2017	2016
Net cash generated from (used in) operating activities	1,989.0	2,569.1
Net cash generated from (used in) investing activities	(595.6)	(812.1)
Net cash generated from (used in) financing activities	<u>(786.0)</u>	<u>(897.1)</u>
Net increase (decrease) in cash and cash equivalents	607.4	859.9
Exchange gain (loss) on cash and cash equivalents	(19.5)	(11.7)
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>5,137.1</u>	<u>6,919.6</u>

For the six-month period ended 30 June 2017, Thai AirAsia had net cash generated from operating activities in an amount of Baht 1,989.0 million mainly due to operating profit in this period. In contrast, net cash used in investing activities was Baht 595.6 million, mainly comprising of payments in aircraft, leasehold improvements and equipment, which increased from the delivery of 2 aircraft under finance lease agreements in this period as well as payments for aircraft maintenance reserves, despite there was proceeds from held-to-maturity fixed deposit in an amount of Baht 500.0 million. Net cash used in financing activities was Baht 786.0 million mainly comprising of repayments of long-term borrowings from financial institution, early termination of finance lease and finance leases, as well as, interest paid. Whist, there was proceeds from the issuance of the debentures in an amount of Baht 1,600.0 million. As a result, Thai AirAsia had net increase in cash and cash equivalents of Baht 607.4 million, while the cash and cash equivalents at the end of the period amounted to Baht 5,137.1 million.



## Business Outlook

The overall U.S. economy in second half of 2017 (2H/2017) is likely to expand from the prior year. Hence, Federal Reserve (Fed) expects to gradually hike its policy interest rate later this year which may result in the U.S. dollar appreciation. However, the uncertainty of U.S. trading policy and the recovery of Asian emerging market might weaken the U.S. dollar currency. 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 relation to the global economic recovery, especially in Asia. Additionally, the OPEC and Non-OPEC reached an agreement to reduce their production until end of March 2018. While the rising of shale oil and the high level of crude-oil inventories in the U.S. have pressured the crude 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 July 31, 2017, Thai AirAsia has combined the forward fuel hedging with AirAsia Group, accounted for an average proportion of 77% of total fuel consumption in 2017 with the average effective jet fuel cost at USD 60 per barrel.

Thai Economic outlook in third quarter of 2017 (Q3/2017) 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 the aforementioned, 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. The Tourism Council of Thailand forecasts the number of tourists by nationality in Q3/2017 to reach 8.8 million, or up 6% compared to the same period last year. During Q3/2017, there are several public holidays such as Asarnha Bucha Day, H.M. the King's Birthday, H.M. the Queen's Birthday and which may accelerate the recovery of the tourism sector.

For Q3/2017, Thai AirAsia launches new routes from Bangkok (Don Mueang) to Maldives, Jaipur and Tiruchirappalli as well as adds flight frequencies on well-performed routes such as Chiang Mai – Ubon Ratchathani in order to strengthen its routes network and maintain its leading low-fares airline in Thailand. For 2017, Thai AirAsia has targeted to add 6 more aircraft to bring its fleet to 57 aircraft by the end of the year in order to keep in step with growth opportunity and business, aiming to achieve a load factor average of 84 percent and 19.5 million passengers served.

## 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