

Executive Summary

Global economy during the third quarter of 2017(Q3/2017) is gradually back on track led by the expected increase of U.S. Gross Domestic Product, comparing to the second quarter of 2017. The growth is mainly driven by consumption and investment of private sectors, resulting in the stronger labour market. Eurozone economy has shown highest growth rate in six years led by household consumption, private investment and export although concerning issues of euro's strong appreciation trend, clearer signs of Brexit negotiations and European Central Bank Quantitative Easing tapering still exist. The Chinese economy revealed positive growth momentum despite high levels of nation's debt driven by robust domestic consumption and stronger consumer confidence. However, geopolitical and other several risks would increase the volatility of the world economy which could impact Thailand's economy, eventually leading to effects on company's operation.

In Q3/2017, Thai economy's growth is considered fragmented. Exports, with impressive recovery of 8.9% compared to the previous year, tourism and investments are key drivers to economic growth; however, nation's household debt remained elevated with stalled household domestic spending which could weaken the Thai economic growth in the final quarter of the year.

From July to September 2017, the number of international tourists to Thailand rose by 6.43% to 8.8 million comparing to the same period last year. East Asian and European visitors are the major international tourists which accounted for 71% and 14% respectively. African and South Asian visitors have the highest growth rates at 16.6% and 14.5% over the same period last year, respectively. Similarly, visitations from other regions are continuously growing. For the third quarter of 2017, the total number of passengers carried during the quarter by Thai AirAsia was 4.93 million, increased by 14% year-on-year. The percentage in comparison, is higher than 13% for the growth in seat capacity. The recorded load factor is at 85%, an increase of 1 percentage point comparing to the same period last year. There are no additional aircraft to be reported in this quarter and Thai AirAsia ends the quarter with a total of 54 aircraft, an increase of 5 fleets compared to the third quarter of 2016 (Q3/2016). Bangkok (Don Mueang) – Maldives, Bangkok – Jaipur (India), Bangkok – Tiruchirappalli (India) and Pattaya (U-Tapao) – Hangzhou were new routes successfully launched in Q3/2017. Moreover, frequencies were added to Chiang Mai – Pattaya, Bangkok – Chiang Mai and Bangkok – Phitsanulok.

For Q3/2017, Asia Aviation Plc had a net income of Baht 260.9 million, down by 34% from Q3/2016 which had a net income of Baht 396.6 million. The result was due to the increased fuel cost from the rise in global oil price as well as the nation's excise tax on jet fuel price for domestic flights. In parallel, the average fares were down by 7% from Q3/2016 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 nine-month period ended 30 September 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 September			For the nine-month period ended 30 September		
	2017	2016		2017	2016	
Revenues from sales and services	8,734.5	8,145.5	+7%	26,220.4	24,853.8	+5%
Gross profit	997.0	1,201.5	(-17%)	3,448.0	4,886.9	(-29%)
Profit (loss) before finance costs and income taxes	614.1	744.6	(-18%)	2,269.5	3,593.8	(-37%)
Net profit/ Total comprehensive income for the period	473.4	723.1	(-35%)	1,817.8	3,322.2	(-45%)
Owners of the parent	260.9	396.6	(-34%)	1,001.9	1,828.2	(-45%)
Non-controlling interests	212.5	326.5	(-35%)	815.9	1,494.0	(-45%)
Basic Earnings Per Share (Baht)	0.0538	0.0818	(-34%)	0.2066	0.3770	(-45%)

In Q3/2017, Asia Aviation Plc had revenues of Baht 8,734.5 million, increased by 7% compared to the same period last year. In addition, profit before finance costs and income taxes is reported at Baht 614.1 million, a decrease of 18% compared to the same period last year. Hence, Net profit/Total comprehensive income for the period attributable to owners of the parent in Q3/2017 to be reported at Baht 260.9 million, decreased by 34% from Q3/2016 which amounted to Baht 396.6 million, having a net profit margin of 3% and basic earnings was at Baht 0.0538 per share.

For the nine-month of 2017 (9M2017), Asia Aviation Plc had revenues of Baht 26,220.4 million, increased by 5% from the nine-month of 2016 (9M2016). Additionally, profit before finance costs and income taxes amounted to Baht 2,269.5 million, decreased by 37% compared to the same period last year. Thus, Net profit/Total Comprehensive income for the period attributable to owners of the parent in 9M2017 amounted to Baht 1,001.9 million, decreased by 45% compared to 9M2016, having a net profit margin of 4% and basic earnings at Baht 0.2066 per share.

Statement of Financial Position

Asia Aviation Public Company Limited Unit: Baht million	Consolidated		Change
	As at 30 September 2017	As at 31 December 2016	
Total assets	59,985.0	56,599.4	+6%
Total liabilities	28,047.0	26,479.2	+6%
Equity attributable to owners of the parent	22,272.4	21,270.5	+5%
Non-controlling interests	9,665.6	8,849.7	+9%
Total equity	31,938.0	30,120.2	+6%

Assets

As at 30 September 2017, total assets amounted to Baht 59,985.0 million, increased by 6% compared to the year ended 31 December 2016 and the return on assets (ROA) was 1.8%, due to;

- (1) Current assets increased by Baht 362.8 million from an increase in cash and cash equivalents of Baht 878.7 million due to cash flow generating from the operating results during the period while short-term investments decreased in an amount of Baht 559.9 million mainly from fixed deposits reaching the maturity date.
- (2) Non-current assets increased by Baht 3,022.8 million due to an increase in net aircraft, leasehold improvements and equipment in an amount of Baht 2,312.2 million. For 9M2017, the Company delivered 2 aircraft under finance lease agreements in this period to support the future business expansion. Moreover, the aircraft maintenance reserves increased by Baht 752.9 million, in relation to the increase in flight hours.

Liabilities

As at 30 September 2017, total liabilities amounted to Baht 28,047.0 million, increased by 6% compared to the year ended 31 December 2016, due to;

- (1) Current liabilities decreased by Baht 57.3 million, mainly from the decrease of current portion of long-term borrowings from financial institutions and trade accounts payable of Baht 292.9 million and Baht 236.8 million, respectively. Whilst, deferred revenues from the ticket selling in advance increased by Baht 466.7 million.
- (2) Non-current liabilities increased by Baht 1,625.2 million. The increase was mainly from the issuance of the debentures in an amount of Baht 1,600.0 million. The proceed will be used for general purpose and/or for loan repayment and/or for working capital. In this period, finance lease liabilities increased by Baht 653.6 million, owing to the delivery of 2 aircraft under finance lease agreements in 9M2017 although an aircraft under finance lease agreement was terminated early. The long-term borrowings from financial institutions decreased by Baht 641.0 million due to repayment of long-term borrowings.

Equity

As at 30 September 2017, total equity amounted to Baht 31,938.0 million, an increase of 6% 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 22,272.4 million and Baht 9,665.6 million, respectively, with the return on equity (ROE) at 4.7%.

Statement of Cash Flows

Asia Aviation Public Company Limited Unit: Baht million	Consolidated	
	For the nine-month period ended 30 September	
	2017	2016
Net cash generated from (used in) operating activities	3,197.3	3,400.9
Net cash generated from (used in) investing activities	(919.9)	(1,968.2)
Net cash generated from (used in) financing activities	<u>(1,355.4)</u>	<u>(1,224.8)</u>
Net increase (decrease) in cash and cash equivalents	921.9	207.9
Exchange gain (loss) on cash and cash equivalents	(43.2)	(45.5)
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>5,540.1</u>	<u>6,285.2</u>

For the nine-month period ended 30 September 2017, Asia Aviation Plc had net cash generated from operating activities in an amount of Baht 3,197.3 million mainly due to operating profit in this period. In contrast, net cash used in investing activities was Baht 919.9 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 the proceeds from held-to-maturity fixed deposit. Net cash used in financing activities was Baht 1,355.4 million mainly comprising of repayments of long-term borrowings from financial institutions, early termination of finance lease and finance leases, as well as, interest paid. Whilst, there were 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 921.9 million, while the cash and cash equivalents at the end of the period amounted to Baht 5,540.1 million.

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

Statement of Comprehensive Income

Thai AirAsia Company Limited Unit: Baht million	For the three-month period ended 30 September		Change	For the nine-month period ended 30 September		Change
	2017	2016		2017	2016	
	Revenues from sales and services	8,734.5	8,145.5	+7%	26,220.4	24,853.8
Gross profit	997.0	1,205.5	(-17%)	3,453.1	4,898.8	(-30%)
Profit (loss) before finance costs and income taxes	612.5	752.3	(-19%)	2,269.7	3,606.7	(-37%)
Net Profit/ Total Comprehensive income for the period	472.1	729.2	(-35%)	1,818.0	3,328.6	(-45%)
Earnings (loss) per share (Baht)	10.84	16.74	(-35%)	41.74	76.42	(-45%)

In Q3/2017, revenues of Thai AirAsia amounted to Baht 8,734.5 million, increased by 7% from Q3/2016 at Baht 8,145.5 million, supported by the 14% growth in number of passenger carried in Q3/2017 achieving at 4.93 million, with a load factor of 85%, up 1 percentage point (ppt) compared to the same period last year. However, the charter flight revenues amounted to Baht 422.3 million, dropped by 34% over Q3/2016, due to the decrease in number of charter flights to Chinese market. These effects resulted in the decline in the average fares by 7% to Baht 1,460 per passenger in Q3/2017 compared to Baht 1,574 per passenger in Q3/2016.

The ancillary revenues grew by 16% to Baht 1,574.6 million in Q3/2017 from Baht 1,359.8 million in Q3/2016, which is higher than the growth in the number of passengers. As a result, the ancillary revenue per passenger increased by 2% compared 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 82% of our flights and had its aircraft utilisation at 11.7 hours per day.

The cost per available seat kilometres (CASK) in Q3/2017 was at Baht 1.48, increased by 4% compared to the same period last year. The fuel cost per ASK increased to Baht 0.45 in Q3/2017 from Baht 0.42 in Q3/2016 or rise of 7% 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 despite the advantage the Company has from partial fuel hedging. In addition, the ramp and airport operations costs and staff costs increased owing to larger fleet size. However, aircraft rental slightly decreased from the appreciation of Thai Baht against U.S dollar. As a result, Gross profit in Q3/2017 amounted to Baht 997.0 million, decreased by 17% compared to the same period last year, with a gross profit margin of 11%.

Profit before finance costs and income taxes in Q3/2017 amounted to Baht 612.5 million, decreased by 19% compared to the same period last year, resulting in an operating profit margin of 7%. The proportion of selling and administrative expenses over the total revenues was at 8%, similar to Q3/2016. However, the Company recorded net unrealised gain on exchange rates of Baht 72.3 million as Thai baht strengthened against the U.S. dollar.

Net profit/Total Comprehensive income for Q3/2017 amounted to Baht 472.1 million, decreased by 35% from Q3/2016 which was at Baht 729.2 million, having a net profit margin of 5%. The finance cost amounted to Baht 148.7 million, declined by 7% compared to the same period last year was resulted as in Q3/2016, Thai AirAsia had an effective interest rate adjustment due to early termination of 2 aircraft and 2 aircraft engines under finance lease agreements. Additionally, Thai AirAsia has an increase in profit exempted from corporate income taxes due to promotional privileges under BOI, resulting in the decrease in income taxes.

Thai AirAsia Company Limited	Q3/2017	Q3/2016	Change	9M2017	9M2016	Change
Passenger Carried (Million)	4.93	4.33	+14%	14.48	12.86	+13%
Capacity (Million seats)	5.79	5.14	+13%	16.67	15.13	+10%
Load Factor (%)	85%	84%	+1 ppt	87%	85%	+2 ppts
Revenue Passenger Kilometres (Million seats-km)	4,891	4,478	+9%	14,269	13,082	+9%
Available seat kilometres (Million seats-km)	5,707	5,316	+7%	16,407	15,421	+6%
Average fare (Baht)	1,460	1,574	-7%	1,502	1,616	-7%
Revenue per Available seat kilometres(Baht)	1.53	1.53	0%	1.60	1.61	-1%
Cost per Available seat kilometres (Baht)	1.48	1.43	+4%	1.52	1.42	+7%
Cost per Available seat kilometres (ex-fuel)(Baht)	1.03	1.01	+1%	1.05	1.02	+2%

For 9M2017, revenues of Thai AirAsia were amounted to Baht 26,220.4 million, increased by 5% from Baht 24,853.8 million in 9M2016, primarily due to the increase in the number of passengers carried at 14.48 million or 13% increase in 9M2017, which is higher than 10% growth in capacity compared to the same period last year. Thai AirAsia has 5 aircraft delivered compared to 9M2016 in support for expansion of new routes and frequencies to well-performed destinations leading to an increase of 6% in available seat kilometres (ASK) compared with the same period last year. However, the charter flight revenues amounted to Baht 1,196.2 million, dropped by 30% over the same period last year due to the reduction in number of charter flights as aforementioned, leading to average fares per passenger at 1,502 baht or 7% decrease compared to the same period last year.

Net profit/Total comprehensive income for 9M2017 resulted at Baht 1,818.0 million, decreased by 45% from 9M2016 with increase in cost of sales of goods and services by 14%. The rise of the expenses was due to the increase in global crude oil price, as a result, affected the Company's operation as fuel costs are the main cost of the operation, accounting up to 31% of the total company expenses. In addition, the selling and administrative expenses slightly increased mainly from the staff costs. However, Thai AirAsia has net unrealised gain on exchange rates amounted at Baht 246.1 million as Thai Baht strengthened against the U.S. dollar. In addition, the deferred tax

liabilities adjustment in 9M2017 was lower than 9M2016 resulting as the company had only an aircraft under finance lease agreement, which was terminated early. In 9M2016, whereas, there was an early termination of 2 aircraft and 2 aircraft engines under finance lease agreements as aforementioned.

Statement of Financial Position

Thai AirAsia Company Limited Unit: Baht million	As at 30 September 2017	As at 31 December 2016	Change
Total assets	36,176.0	32,738.8	+10%
Total liabilities	25,068.6	23,449.4	+7%
Total equity	11,107.4	9,289.4	+20%

Assets

As at 30 September 2017, total assets amounted to Baht 36,176.0 million, increased by 10% compared to the year ended 31 December 2016, due to;

- (1) Current assets increased by Baht 408.2 million, mainly from an increase in cash and cash equivalents of Baht 924.9 million due to cash flow generating from the operating results during the period while short-term investments decreased in an amount of Baht 559.9 million mainly from fixed deposits reaching the maturity date.
- (2) Non-current assets increased by Baht 3,029.0 million due to an increase in net aircraft, leasehold improvements and equipment in an amount of Baht 2,318.2 million. The company delivered 2 aircraft under finance lease agreements in this period to support the future business expansion. Moreover, the aircraft maintenance reserves increased by Baht 752.9 million, in relation to the increase in flight hours.

Liabilities

As at 30 September 2017, total liabilities amounted to Baht 25,068.6 million, increased by 7% compared to the year ended 31 December 2016, primarily due to;

- (3) Current liabilities decreased by Baht 6.3 million, mainly from the decrease of current portion of long-term borrowings from financial institutions and trade accounts payable of Baht 292.9 million and Baht 236.8 million, respectively. Whilst, deferred revenues from the ticket selling in advance increased by Baht 466.7 million.
- (4) Non-current liabilities increased by Baht 1,625.4 million. The increase was mainly from the issuance of the debentures in an amount of Baht 1,600.0 million. The proceed will be used for general purpose and/or for loan repayment and/or for working capital. In this period, finance lease liabilities increased by Baht 653.6 million, owing to the delivery of 2 aircraft under finance lease agreements in 9M2017 although an aircraft under finance lease agreement was terminated early. The long-term borrowings from financial institutions decreased by Baht 641.0 million due to repayment of long-term borrowings.

Equity

As at 30 September 2017, total equity amounted to Baht 11,107.4 million, an increase of 20% compared to the year ended 31 December 2016, resulting from the operating results during the period. Thai AirAsia's Debt-to-Equity ratio (Interest Bearing Debt) and Net Gearing ratio as at 30 September 2017 were 1.52x and 0.89x, 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 nine-month period ended 30 September	
	2017	2016
Net cash generated from (used in) operating activities	3,243.4	3,399.1
Net cash generated from (used in) investing activities	(919.9)	(1,968.1)
Net cash generated from (used in) financing activities	<u>(1,355.4)</u>	<u>(1,224.8)</u>
Net increase (decrease) in cash and cash equivalents	968.1	206.2
Exchange gain (loss) on cash and cash equivalents	(43.2)	(45.5)
Cash and cash equivalents at the beginning of the period	<u>4,549.2</u>	<u>6,071.3</u>
Cash and cash equivalents at the end of the period	<u>5,474.1</u>	<u>6,232.0</u>

For the nine-month period ended 30 September 2017, Thai AirAsia had net cash generated from operating activities in an amount of Baht 3,243.4 million mainly due to operating profit in this period. In contrast, net cash used in investing activities was Baht 919.9 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 the proceeds from held-to-maturity fixed deposit. Net cash used in financing activities was Baht 1,355.4 million mainly comprising of repayments of long-term borrowings from financial institutions, early termination of finance lease and finance leases, as well as, interest paid. Whilst, there were 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 968.1 million, while the cash and cash equivalents at the end of the period amounted to Baht 5,474.1 million.

Business Outlook

The U.S. economy is believed to expand with strong labour market as the key driver of the economy for the remaining fourth quarter of 2017 (Q4/2017). The U.S. dollar would likely face gradual appreciation due to the upcycle of the U.S. economy, the confidence towards the currency and the potential interest rate hike by Federal Reserve (Fed) in December 2017. However, the uncertainty of U.S. trade policy might weaken the U.S. currency. The company has revenues and expenses in various different currencies such as passenger fares, repair and maintenance as well as aircraft rental. As for risk in appreciation of U.S. dollar, 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 of foreign currency loans is 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.

Crude oil price is expected to gradually inch up in an up-side trend in Q4/2017 supported by the demand for fuel consumption in the fourth quarter as several countries are entering winter season. Furthermore, growth in Asian economy especially in China, the world's second largest oil consumer, is expected to contribute to higher demand for oil consumption although the current oil production has not reached the agreed compliance rate in consensus by the Organisation of the Petroleum Exporting (OPEC) and Non-OPEC members. In an attempt to insure against the constant fluctuation in fuel costs, the Company has the fuel hedging policy as a tool to mitigate its exposure to volatility. Forward fuel hedging with AirAsia Group as of October 31, 2017, accounted for an average proportion of 77% of total fuel consumption in 2017, results in an average effective jet fuel cost at USD 61 per barrel.

Thai Economic outlook Q4/2017 is expected to grow steadily as government implements in greater focus on public investment in transportation infrastructure. It is forecasted by The Tourism Council of Thailand that there will be approximately 9.2 million of international tourists in this coming Q4/2017, or up by 18% compared with previous year. During Q4/2017, there are several public holidays such as The Passing of King Bhumibol's Day, Chulalongkorn Day, Royal Cremation of King Bhumibol Adulyadej, Father's Day, Constitution Day, Christmas and New Year's Eve in addition to the high season for tourist growth both in Thailand and international travel sectors. Tourism is expected to recover significantly as the Civil Authority of Thailand (CAAT) has recently received the red-flag lift up from International Civil Aviation Organization (ICAO) in October 2017, believed to be beneficial to the whole Thai tourism industry particularly aviation sector as airlines are permitted to add frequencies and new routes to international destinations. The Company would have indirect benefits from increased Fly-Thru as Thai Air Asia X (a member of AirAsia Group) is allowed to increase frequencies and routes to Japan and South Korea in support for future business expansions.

For Q4/2017, Thai AirAsia would add frequencies for both domestic and international destinations originating from Bangkok (Don Mueang) to popular destinations such as Chiang Mai and Phuket for domestic routes and Bali for international route as fourth quarter is the high season for tourism. Hence, the number of passengers carried for the year 2017 is expected to be over 19.5 million.

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