

Executive Summary

The International Monetary Fund (IMF) estimated global economy output for 2017 at 3.7% in January 2018, where the growth has been broad based with notable upside rises in Europe and Asia provided by the growth of manufacturing purchasing manager's index (PMI). The U.S. economy is expected with continuous growth mainly from solid domestic consumption and tax policy changes. Similarly, the growth in the Eurozone economy is driven by private consumption and capital spending whereas several risks still persist such as the election in Italy in the first quarter of 2018 and the effects from Quantitative Easing (QE) tapering by the European Central Bank. Meanwhile, the Chinese economy is viewed to be slowing slightly from tightened monetary policy and real estate market to ease the potential economic bubble. However, the volatility of the world economy is the risk of Thailand's economic growth and may affect the company's operation.

The Office of the National Economics and Social Development Board (NESDB) revealed the Thailand economic growth was at 3.9% in 2017, rose from 2016 at the rate of 3.3%. The growth is mainly driven by the recovery of investment from private sector and exports, while tourism remained as the key driver to the economy. The growth momentum of tourism resulted from the post-implementation of the measures to curb tour operators in the previous year and the government scheme to spur domestic spending for the tourism sector.

The number of international tourists to Thailand in 2017 rose 9% over the same period last year to 35.4 million, supported mainly by the final quarter of 2017 (Q4/2017) with 9.3 million international tourists, a 20% increase from the previous year. The highest numbers of visitors for the year are from China, ASEAN, and Europe. Among all regions, South Asian market has the highest growth at 16% Year-on-Year. As a result, the number of passengers carried by Thai AirAsia was at 19.8 million for the year 2017, increased by 15% over the same period last year, which is higher than 11% growth in seat capacity. In 2017, Thai AirAsia launched new domestic and international routes including Bangkok (Don Mueang) – Danang (Vietnam), Bangkok – Male (Maldives), Bangkok – Jaipur (India), Bangkok – Tiruchirapalli (India), Pattaya (U-Tapao) – Phuket, Pattaya (U-Tapao) - Ubon Ratchathani, Chiang Mai – Ubon Ratchathani, and Khon Kaen – Phuket. Additionally, Thai AirAsia also increased frequencies in dominant destinations in the domestic and Indochina region in total of 16 routes, comprised of routes departing from Bangkok – 12, Chiang Mai – 2, Hat Yai – 1 and Pattaya (U-Tapao) – 1. In addition, Thai AirAsia has converted the route Pattaya (U-Tapao) – Hangzhou (China) from charter to scheduled charter flight. As a result of capacity management, Thai AirAsia has also cancelled route Pattaya (U-Tapao) – Singapore during the year.

For the full financial ended 2017 (FY2017), Asia Aviation Plc had revenues from sales and services amounted to Baht 35,931.6 million, increased by Baht 3,531.0 million or 11% from the same period last year and a net income of Baht 1,477.5 million, down by Baht 392.0 million from the full financial ended 2016 (FY2016), which had a net income of Baht 1,869.5 million. This weaker performance resulted from the higher fuel cost as the average crude oil price of global market in 2017 increased.

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 year ended 31 December 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 31 December | | | For year ended 31 December | | |
| | 2017 | 2016 | | 2017 | 2016 | |
| Revenues from sales and services | 9,711.2 | 7,546.7 | +29% | 35,931.6 | 32,400.6 | +11% |
| Gross profit | 1,454.9 | 825.9 | +76% | 4,902.8 | 5,712.8 | (-14%) |
| Profit before finance costs and income taxes | 1,034.4 | 133.2 | >100% | 3,303.9 | 3,726.9 | (-11%) |
| Net profit for the year | 867.0 | 75.4 | >100% | 2,684.8 | 3,397.6 | (-21%) |
| Owners of the parent | 475.6 | 41.3 | >100% | 1,477.5 | 1,869.5 | (-21%) |
| Non-controlling interests | 391.4 | 34.1 | >100% | 1,207.3 | 1,528.1 | (-21%) |
| Other comprehensive income (expense): | | | | | | |
| Remeasurements of employee benefit obligations | (33.3) | (43.1) | (-23%) | (33.3) | (43.1) | (-23%) |
| Income tax on items that will not be reclassified | 6.6 | 8.6 | (-23%) | 6.6 | 8.6 | (-23%) |
| Total Comprehensive income for the year | 840.3 | 40.9 | >100% | 2,658.1 | 3,363.1 | (-21%) |
| Owners of the parent | 460.9 | 22.3 | >100% | 1,462.8 | 1,850.5 | (-21%) |
| Non-controlling interests | 379.4 | 18.6 | >100% | 1,195.3 | 1,512.6 | (-21%) |
| Earnings per share (Baht) | 0.0981 | 0.0085 | >100% | 0.3046 | 0.3855 | (-21%) |

For the fourth quarter of 2017 (Q4/2017), Asia Aviation Plc had revenues from sales and services of Baht 9,711.2 million, up by Baht 2,164.5 million or 29% compared to the same period last year. Additionally, profit before finance costs and income taxes amounted to Baht 1,034.4 million, increased by Baht 901.2 million compared to the same period last year. Thus, net profit attributable to owners of the parent in Q4/2017 amounted to Baht 475.6 million, increased by Baht 434.3 million from Baht 41.3 million in the fourth quarter of 2016 (Q4/2016), having a net profit margin of 5% and basic earnings was at Baht 0.0981 per share.

For the year ended 2017, Asia Aviation Plc had revenues from sales and services of Baht 35,931.6 million, increased by Baht 3,531.0 million or 11% compared to the same period last year. Moreover, profit before finance costs and income taxes amounted to Baht 3,303.9 million, decreased by 11% compared to the same period last

year. Thus, net profit attributable to owners of the parent for the year ended 2017 amounted to Baht 1,477.5 million, having a net profit margin of 4% and basic earnings was at Baht 0.3046 per share.

Total comprehensive income attributable to owners of the parent amounted to Baht 1,462.8 million for the year ended 2017, resulting from remeasurements of employee benefit obligations amounted to Baht 33.3 million and income tax on items that will not be reclassified amounted to Baht 6.6 million.

Statement of Financial Position

| Asia Aviation Public Company Limited Unit: Baht million | Consolidated | | Change |
|--|------------------------|------------------------|--------|
| | As at 31 December 2017 | As at 31 December 2016 | |
| Total assets | 62,773.6 | 56,599.4 | +11% |
| Total liabilities | 31,320.5 | 26,479.2 | +18% |
| Equity attributable to owners of the parent | 22,005.9 | 21,270.5 | +3% |
| Non-controlling interests | 9,447.2 | 8,849.7 | +7% |
| Total equity | 31,453.1 | 30,120.2 | +4% |

Assets

As at 31 December 2017, total assets amounted to Baht 62,773.6 million, increased by Baht 6,174.2 million or 11% compared to the year ended 31 December 2016, due to;

- (1) Current assets increased by Baht 289.4 million, mainly from the increase in cash and cash equivalents by Baht 676.6 million due to cash flow generating from the operating results during the period and the amounts due from related parties increased by Baht 140.1 million. On the other hand, short-term investments decreased by Baht 580.8 million, mainly from fixed deposits reaching the maturity date.
- (2) Non-current assets increased by Baht 5,884.8 million due to an increase in aircraft, leasehold improvements and equipment-net amounted to Baht 5,047.4 million as in 2017, the company delivered 4 aircraft, which 3 out of 4 aircraft were under finance lease agreements. The increase in the number of delivered aircraft is to support the future business expansion. Moreover, the aircraft maintenance reserves also increased by Baht 986.7 million, in relation to the increase in flight hours.

Liabilities

As at 31 December 2017, total liabilities amounted to Baht 31,320.5 million, increased by Baht 4,841.3 million or 18% compared to the year ended 31 December 2016, due to;

- (1) Current liabilities increased by Baht 1,640.0 million, mainly from the increase of current portion of long-term borrowings from financial institutions amounted to Baht 788.4 million, together with deferred revenues from the ticket selling in advance and accrued expenses increased by Baht 582.9 million and Baht 485.8 million, respectively. Whilst, the amounts due to related parties decreased by Baht 260.7 million.

- (2) Non-current liabilities increased by Baht 3,201.2 million, 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 payment and/or for working capital. Finance lease liabilities increased by Baht 840.9 million, owing to the delivery of 3 aircraft under finance lease agreements in 2017, although 2 aircraft under finance lease agreements were terminated early. Furthermore, the long-term borrowings from financial institutions increased by Baht 711.3 million to finance the delivery of an aircraft and use it as collateral.

Equity

As at 31 December 2017, total equity amounted to Baht 31,453.1 million, increased 4% compared to the year ended 31 December 2016, resulting from the operating results during the period. Nevertheless, Asia Aviation Plc announced the interim dividend payment in respect of the operating result for the year 2017 at the rate Baht 0.15 per share, totalling Baht 727.5 million and paid to the shareholders on December 7, 2017. Hence, an equity attributable to owners of the parent and non-controlling interests ended this year amounted to Baht 22,005.9 million and Baht 9,447.2 million, respectively, with the return on equity (ROE) of 6.8%.

Statement of Cash Flows

| Asia Aviation Public Company Limited Unit: Baht million | Consolidated | |
|--|----------------------------|------------------|
| | For year ended 31 December | |
| | 2017 | 2016 |
| Net cash generated from (used in) operating activities | 5,133.1 | 4,381.6 |
| Net cash generated from (used in) investing activities | (2,846.8) | (2,785.6) |
| Net cash generated from (used in) financing activities | <u>(1,563.4)</u> | <u>(3,098.1)</u> |
| Net increase (decrease) in cash and cash equivalents | 722.9 | (1,502.1) |
| Exchange gain (loss) on cash and cash equivalents | (46.3) | 40.7 |
| Cash and cash equivalents at the beginning of the year | <u>4,661.4</u> | <u>6,122.8</u> |
| Cash and cash equivalents at the end of the year | <u>5,338.0</u> | <u>4,661.4</u> |

For the year ended 31 December 2017, Asia Aviation Plc had net cash generated from operating activities amounted of Baht 5,133.1million mainly due to operating profit in this period. In contrast, net cash used in investing activities was Baht 2,846.8 million, mainly from payments for aircraft, leasehold improvements and equipment as the company delivered 4 aircraft, which 3 out of 4 aircraft were under finance lease agreements and payment for aircraft maintenance reserves while there was cash received from fixed deposits reaching the maturity date. Net cash used in financing activities was Baht 1,563.4 million from payments for early termination of finance leases and dividend paid whilst there were the issuance of debentures and net proceeds of long-term borrowings from financial institutions. As a result, Asia Aviation Plc had net increase in cash and cash equivalents of Baht 722.9 million, while the cash and cash equivalents at the end of the year amounted to Baht 5,338.0 million.

Thai AirAsia's financial performance for the year ended 31 December 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 December | | Change | For year ended 31 December | | Change |
|--|--|---------|--------|----------------------------|---------|--------|
| | 2017 | 2016 | | 2017 | 2016 | |
| | Revenues from sales and services | 9,711.2 | | 7,546.7 | +29% | |
| Gross profit | 1,454.9 | 829.9 | +75% | 4,908.0 | 5,728.6 | (-14%) |
| Profit before finance costs and income taxes | 1,307.9 | 138.4 | >100% | 3,307.6 | 3,745.1 | (-12%) |
| Profit for the year | 869.7 | 79.6 | >100% | 2,687.8 | 3,408.2 | (-21%) |
| Total Comprehensive income for the year | 843.1 | 45.1 | >100% | 2,661.1 | 3,373.8 | (-21%) |
| Earnings per share (Baht) | 19.97 | 1.83 | >100% | 61.71 | 78.25 | (-21%) |

In Q4/2017, revenues from sales and services of Thai AirAsia amounted to Baht 9,711.2 million, increased by Baht 2,164.5 million or 29% compared to the same period of last year at Baht 7,546.7 million, supported by the 22% growth in number of passenger carried at 5.34 million from 4.37 million in Q4/2016 which was higher than 13% increase in capacity. This has led to the load factor of 88%, up by 6 percentage points from the same period of last year. In addition, the average fare in Q4/2017 increased by 6%, totalling Baht 1,496 per passenger from the recovery of Thailand's tourism, after the impact of strict government's measures of tour operators and the national mourning period during Q4/2016. In addition, Thai AirAsia inaugurated a domestic route from Khon Kaen – Phuket while frequencies were increased on both domestic and international routes, which originate from Bangkok (Don Mueang) to Chiang Mai, Phuket, Nakhon Phanom, Nakhon Si Thammarat, as well as, Bali (Indonesia).

The ancillary revenues in Q4/2017 increased to Baht 1,730.3 million, or up by 23%, from Baht 1,402.1 million in Q4/2016, which increased more than the number of passengers' growth. As a result, ancillary revenues per passenger in Q4/2017 was at Baht 324 when compared to Baht 321 in Q4/2016. The revenues were mainly from checked baggage fees, seat selection fees, as well as, In-flight merchandise, meals and beverages. Moreover, Thai AirAsia increased its aircraft utilisation to 12.4 hours per day in Q4/2017 from 11.5 hours per day in Q4/2016 from the capacity management.

The cost per available seat kilometres (CASK) in Q4/2017 was at Baht 1.51, increased by 6% compared to the same period last year, mainly from the increase in average reference fuel price to USD 70.14 per barrel in Q4/2017 from USD 57.54 per barrel in Q4/2016 or increased by 22% and an increase in the nation's excise tax on jet fuel for domestic flight despite the advantage Thai AirAsia has from partial fuel hedging. As a result, the fuel cost per available seat kilometres increased from Baht 0.40 in Q4/2016 to Baht 0.47 or 18% increase in Q4/2017.

However, staff costs, ramp and airport operations costs increased owing to larger fleet size. Thai AirAsia delivered the two net additional aircraft, totalling 56 aircraft at the end of the year while aircraft rental slightly decreased from the appreciation of Thai Baht against U.S. dollar. As a result, gross profit in Q4/2017 amounted to Baht 1,454.9 million, increased by 75% compared to the same period last year, with a gross profit margin of 15%.

Profit before finance costs and income taxes in Q4/2017 amounted to Baht 1,037.9 million, increased from Baht 138.4 million in Q4/2016, having an operating profit margin of 11%. The proportion of selling and administrative expenses was at 8%, which slightly decreased from 9% in Q4/2016. However, Thai AirAsia recorded net unrealised gain on exchange rate of Baht 76.0 million as Thai Baht strengthening against the U.S. dollar.

Net profit in Q4/2017 amounted to Baht 869.7 million, increased from 79.6 million in Q4/2016, having a net profit margin of 9%. During the quarter, Thai AirAsia recorded finance costs amounted to Baht 174.2 million in relations to the increase in outstanding debts.

For the year ended 2017, revenues from sales and services of Thai AirAsia's amounted to Baht 35,931.6 million, increased by 11% from Baht 32,400.6 million in 2016, primarily due to the increase in the number of passengers carried at 19.8 million or 15% compared to the same period last year, higher than 11% increase in capacity compared to the same period last year with the load factor at 87%, up by 3 percentage points compared to the same period last year. In 2017, Thai AirAsia delivered 5 aircraft in support for expansion of new routes and increase the frequency of flights on well-performed routes leading to 8% increase in available seats kilometres. However, the average fare in 2017 amounted to Baht 1,500 per passenger, slightly decreased by 4% compared to the same period last year as a result of the competition among the airlines. Moreover, Thai AirAsia's on-time performance maintained the punctuality at 83% and increased its aircraft utilisation to 11.9 hours per day in 2017.

Net profit for the year ended 2017 amounted to Baht 2,687.8 million, decreased by 21% compared to the same period last year due primary to the rise in global oil price and the increase in the nation's excise tax on jet fuel for domestic flight. In addition, the selling and administrative expenses slightly increased from staff expense. However, the company recorded net unrealised gain on exchange rate of Baht 322.0 million as Thai Baht strengthening against the U.S. dollar. Moreover, the company reversed deferred tax liabilities in this year less than previous year because in 2017, the company had 2 aircraft under finance lease agreement, which was terminated early. In 2016, whereas, there was an early termination of 2 aircraft and 2 aircraft engines under finance lease agreements as aforementioned.

Total comprehensive income for the year ended 2017 amounted to Baht 2,661.1 million, resulting from remeasurements of employee benefit obligations amounted to Baht 33.3 million and income tax on items that will not be reclassified amounted to Baht 6.6 million.

| Thai AirAsia Company Limited | Q4/2017 | Q4/2016 | Change | 2017 | 2016 | Change |
|--|---------|---------|---------|--------|--------|---------|
| Passenger carried (Million) | 5.34 | 4.37 | +22% | 19.82 | 17.22 | +15% |
| Capacity (Million seats) | 6.03 | 5.35 | +13% | 22.70 | 20.48 | +11% |
| Load factor | 88% | 82% | +6 ppts | 87% | 84% | +3 ppts |
| Revenue passenger kilometres (Million seats-km) | 5,254 | 4,203 | +25% | 19,523 | 17,285 | +13% |
| Available seat kilometres (ASK) (Million seats-km) | 5,972 | 5,208 | +15% | 22,379 | 20,629 | +8% |
| Average fare (Baht) | 1,496 | 1,415 | +6% | 1,500 | 1,565 | (-4%) |
| Revenue per available seat kilometres (Baht) | 1.63 | 1.45 | +12% | 1.61 | 1.57 | +2% |
| Cost per ASK (Baht) | 1.51 | 1.42 | +6% | 1.52 | 1.42 | +7% |
| Cost per ASK (ex-fuel)(Baht) | 1.04 | 1.02 | +2% | 1.05 | 1.02 | +3% |

Statement of Financial Position

| Thai AirAsia Company Limited Unit: Baht million | As at 31 December 2017 | As at 31 December 2016 | Change |
|--|------------------------|------------------------|--------|
| Total assets | 38,902.3 | 32,738.8 | +19% |
| Total liabilities | 28,280.3 | 23,449.4 | +21% |
| Total equity | 10,622.0 | 9,289.4 | +14% |

Assets

As at 31 December 2017, total assets amounted to Baht 38,902.3 million, increased by Baht 6,163.5 million or 19% compared to the year ended 31 December 2016, due to;

- (1) Current assets increased by Baht 272.6 million, mainly from the increase in cash and cash equivalents by Baht 661.4 million due to cash flow generating from the operating results during the period and the amounts due from related parties increased by Baht 140.0 million. On the other hand, short-term investments decreased by Baht 580.8 million mainly from fixed deposits reaching the maturity date.
- (2) Non-current assets increased by Baht 5,890.9 million due to an increase in aircraft, leasehold improvements and equipment-net amounted to Baht 5,053.5 million as in 2017, the company delivered 4 aircraft, which 3 out of 4 aircraft were under finance lease agreements. The increase in the number of delivered aircraft is to support the future business expansion. Moreover, the aircraft maintenance reserves also increased by Baht 986.7 million, in relation to the increase in flight hours.

Liabilities

As at 31 December 2017, total liabilities amounted to Baht 28,280.3 million, increased by Baht 4,830.9 million or 21% compared to the year ended 31 December 2016, due to;

- (1) Current liabilities increased by Baht 1,628.9 million, mainly from the increase of current portion of long-term borrowings from financial institutions amounted to Baht 788.4 million, together with deferred revenues from the ticket selling in advance and accrued expenses increased by Baht 582.9 million and Baht 485.0 million, respectively. Whilst, the amounts due to related parties decreased by Baht 267.4 million.
- (2) Non-current liabilities increased by Baht 3,202.0 million, 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 payment and/or for working capital. Finance lease liabilities increased by Baht 840.9 million, owing to the delivery of 3 aircraft under finance lease agreements in 2017, although 2 aircraft under finance lease agreements were terminated early. Furthermore, the long-term borrowings from financial institutions increased by Baht 711.3 million to finance the purchase of an aircraft and use it as collateral.

Equity

As at 31 December 2017, total equity amounted to Baht 10,622.0 million, increased by Baht 1,332.6 million or 14% compared to the year ended 31 December 2016, resulting from the operating results during the period. Nevertheless, Thai AirAsia announced the interim dividend payment in respect of the operating result for the year 2017 at the rate Baht 30.50 per share, totalling Baht 1,328.4 million and paid to shareholders on 10 November, 2017.

Thai AirAsia's Debt-to-Equity ratio (Interest Bearing Debt) and Net Gearing ratio as at 31 December 2017 were 1.83X and 1.20X, 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 year ended 31 December | |
|--|----------------------------|----------------|
| | 2017 | 2016 |
| Net cash generated from (used in) operating activities | 5,121.1 | 4,336.3 |
| Net cash generated from (used in) investing activities | (2,846.9) | (2,785.6) |
| Net cash generated from (used in) financing activities | (1,566.5) | (3,113.6) |
| Net increase (decrease) in cash and cash equivalents | 707.7 | (1,562.9) |
| Exchange gain (loss) on cash and cash equivalents | (46.3) | 40.7 |
| Cash and cash equivalents at the beginning of the year | 4,549.2 | 6,071.4 |
| Cash and cash equivalents at the end of the year | <u>5,210.6</u> | <u>4,549.2</u> |

For the year ended 31 December 2017, Thai AirAsia had net cash generated from operating activities amounted of Baht 5,121.1 million, mainly due to operating profit in this period. In contrast, net cash used in investing activities was Baht 2,846.9 million mainly from payment for aircraft, leasehold improvements and equipment as the company delivered 4 aircraft, which 3 out of 4 aircraft were under finance lease agreements and payment for aircraft maintenance reserves while there was cash received from fixed deposits reaching the maturity date. Net cash used in financing activities was Baht 1,566.5 million from payments for early termination of finance leases and dividend paid whilst there was the issuance of debentures and net proceeds of long-term borrowings from financial institutions. As a result, Thai AirAsia had net increase in cash and cash equivalents of Baht 707.7 million, while the cash and cash equivalents at the end of the year amounted to Baht 5,210.6 million.

Business Outlook

In January 2018, The International Monetary Fund (IMF) expected the world economic growth in 2018 to be at 3.9%, up from last year's estimate at 3.7%. Although economic activities are projected to be at growth momentum in 2018, however, several uncertainties remain. In order to respond to the risk that may arise to affect the company's operation, the company analyses possible factors that may prevent the company in achieving its goals and mitigate its risks as follows;

- (1) Interest rate fluctuation: the U.S. economy is believed to expand continuously, leading to potential of rise in interest rate hike by the Federal Reserve (Fed) where policies remain consistent after John Powell has been nominated as the new chairman. The hike is believed to be gradually implemented during the year, similarly to Janet Yellen's policy. The effect of the increased rate would likely affect borrowing costs of the company as the company would finance for new aircrafts and business expansions. 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.
- (2) Currency fluctuation: the company has revenues and expenses in various different currencies. Therefore, the company has adopted the practice of Natural Hedging to reduce the exposure of foreign exchange rates fluctuation by matching cash expenses and revenues in the same currency as practically possible. Moreover, the structure of the foreign currency loans is made in accordance with the highest currency net operating cash flow. The company also used financial instruments for currency risk management when deemed applicable.
- (3) Fuel costs fluctuation: crude oil price is expected to level up with limitation after the Organization of the Petroleum Exporting (OPEC) and Non-OPEC members have extended the agreement to reduce their productions until the end of year 2018. At the same time, the production of Shale Oil in the U.S. and effects of short-term investment in the market could pressure the oil price if the crude oil price is traded at higher price. 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 volatile.

The Office of the National Economics and Social Development Board (NESDB) forecasts Thailand economic growth for 2018 within the range of 3.6%-4.6% driven by several factors in 2017 such as improvement of global economy, public and private investment and the improvement of employment rate including the standard wage rate for employments in system. Export and tourism are expected to be well-performed.

According to the Tourism and Sports Ministry, revenue from tourism in 2018 is expected to be at Baht 3.0 trillion, 9% growth from previous year with Baht 2.0 trillion from international and Baht 1.0 trillion from domestic tourists at growth of 9% and 8% from previous year respectively. The number of international arrivals in 2018 is forecasted to rise approximately over 37.0 million, compared to 35.4 million in the previous year, mainly from the government scheme in order to attract international tourists by promoting Thailand as Amazing Thailand Tourism

Year 2018 during November 1, 2017 – January 1, 2019 with promotion of Thai products as Million Shades of Thailand, allowing tourists to experience Thailand in various dimensions. The government continues to stimulate local tourism promoting the proactive campaign “Thailand’s 12 Hidden Gems” and “Thailand’s 12 Hidden Gems...Plus” as well as to impose tax-incentive scheme for 55 secondary provinces effective from January 1, 2018 – December 31, 2018 in order to distribute income from tourism to the potential areas. Additionally, tourism in the first quarter will be supported by the high season of Thailand tourism including New Year and Chinese New Year. It is expected that the tourists would be robust which will support the aviation industry and the tourism sector. Despite the growth, the volatility of the world’s politics is the key risk of Thailand’s economic growth.

In 2018, the company aims to reach a target of 23.2 million passengers, with a strong load factor at 87%, and plans to acquire 7 more aircraft during the year to bring its fleet to 63 aircraft. Furthermore, Thai AirAsia is planning to add more routes to the Indian and the ASEAN markets while maintaining its position in Chinese market. Therefore, this diversified strategy tend to minimise the risk of dependence on major customer base and to enhance the company’s sustainable revenue growth in the future.

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 fare = 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