

Executive Summary

The global economy during the first quarter of 2018 (Q1/2018) continued to grow, led by the U.S economy due to the robust private consumption sector, supported by an increase in purchasing power and a decline in an unemployment rate, backed by the solid labour market. While, business sector also benefits from tax reform. Similarly, Eurozone economy (EU) continued to rise at a slow pace, mainly driven by a moderate growth in domestic consumption and manufacturing sector. In addition, the risk of Italy's withdrawal from the EU (Italexit) is significantly reduced. Meanwhile, Chinese economy is still grow, buoyed by domestic consumption and property investment despite the tighter measures in real estate sector. Furthermore, the risk of the U.S trade protectionism pressured Chinese's exports and international trade between regions. Therefore, the volatility of the world economy is one of the driven factors to Thailand's economic growth and may affect the company's operation.

In Q1/2018, the Thai economy expanded from exports and domestic demand following the recovery of private consumption and investment sector as well as the positive sentiment from the increase in government's infrastructure projects. Whilst, tourism remained as the key driver to the economy. Moreover, several government schemes were released to stimulate the consumption in private sector such as tax incentive for tourists in 55 secondary provinces. The objective of this scheme is to evenly distribute income from tourism in major cities to the secondary areas, which Thai AirAsia covers 20 destinations of the said secondary provinces. Overall, the positive domestic sentiments and severely weakening U.S. dollar since 2017 resulted in favourable Thai Baht, which benefits the operation costs of the business from the U.S. dollar linked transactions.

From January to March 2018, the number of international tourists to Thailand continued to grow at 15% to 10.6 million compared to the same period last year. The major international tourist is from East Asia, which accounts for 64%, especially Chinese and Asean visitors. Secondly, Europe accounts for 24% of the total visitors. While, East Asia and South Asia have the highest growth at 19% and 16% over the same period last year respectively, following an increase in international flight to the said markets. Similarly, visitors from other regions are continuously growing. Hence, the number of passengers carried during the quarter by Thai AirAsia was at 5.6 million, increased by 16% year-on-year, which is higher than 15% growth in seat capacity. During the quarter, Thai AirAsia added three aircraft, bringing its total fleet to 59 aircraft at the end of the quarter. Thai AirAsia also started operating seven new routes from Bangkok (Don Mueang) to Ranong, Johor Bahru, Chengdu and Chomphon as well as from Phuket to Macao and Kunming and from Chiang Mai to Udon Thani. Additionally, Thai AirAsia increased frequencies in favourable destinations in total of 12 routes from Bangkok (Don Mueang) and Pattaya (U-Tapao). As a result of route revenue and capacity management, Bangkok (Don Mueang) - Tiruchirappalli (India), Chiang Mai - Ubon Ratchathani and Ubon Ratchathani - Pattaya (U-Tapao) were suspended.

For Q1/2018, Asia Aviation Plc had a net income of Baht 1,004.1 million, up by 76%. This was resulted from the strong growth in number of passengers carried, high demand of peak season, and the stronger in Thai Baht despite an increasing trend of fuel costs.

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 2017 and 2018 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		
	2018	2017	
Total revenues	11,642.8	9,545.6	+22%
Total expenses	9,544.7	8,316.4	+15%
Profit before finance cost and income tax	2,098.1	1,229.2	+71%
Profit/Total comprehensive income for the period	1,829.7	1,034.8	+77%
Equity holders of the Company	1,004.1	570.3	+76%
Non-controlling interests of the subsidiary	825.6	464.5	+78%
Earnings per share (Baht)	0.2070	0.1176	+76%

In Q1/2018, Asia Aviation Plc had total revenues of Baht 11,642.8 million, increased by Baht 2,097.2 million or 22%, mainly due to revenues from sales and services of Baht 11,254.3 million, rose by Baht 2,092.6 million or 23% compared to the same period last year. Additionally, profit before finance cost and income tax amounted to Baht 2,098.1 million, soared by 77% compared to the same period last year. Thus, Profit/Total comprehensive income for the period attributable to equity holders of the Company and subsidiary in Q1/2018 was reported at Baht 1,004.1 million, rocketed by 76% from the first quarter of 2017 (Q1/2017), having a net profit margin of 9% and basic earnings was at Baht 0.2070 per share.

Statement of Financial Position

Asia Aviation Public Company Limited Unit: Baht million	Consolidated		Change
	As at 31 March 2018	As at 31 December 2017	
Total assets	63,441.5	62,773.6	+1%
Total liabilities	30,158.7	31,320.5	(-4%)
Equity attributable to owners of the Company	23,010.0	22,005.9	+5%
Non-controlling interests of the subsidiary	10,272.8	9,447.2	+9%
Total shareholders’ equity	33,282.8	31,453.1	+6%

Assets

As at 31 March 2018, total assets amounted to Baht 63,441.5 million, increased by Baht 667.9 million or 1% compared to the year ended 31 December 2017 due to;

- (1) Current assets increased by Baht 792.2 million, mainly from an increase in cash and cash equivalents in an amount of Baht 699.7 million due to cash flow generating from the operating results during the period and the increase in amount due from related parties in an amount of Baht 178.2 million.
- (2) Non-current assets decreased by Baht 124.2 million due to a decline in aircraft, leasehold improvement and equipment in an amount of Baht 276.6 million owing to a rise in accumulated depreciation. While, aircraft maintenance reserves increased by Baht 147.5 million in relation to the increase in operating flight hours.

Liabilities

As at 31 March 2018, total liabilities amounted to Baht 30,158.7 million, decreased by Baht 1,161.8 million or 4% compared to the year ended 31 December 2017, due to;

- (1) Current liabilities decreased by Baht 639.4 million, mainly from a decline in unearned income of Baht 315.8 million since Q2/2018 is an off-season for Thailand's tourism together with a decrease in accrued expenses of Baht 211.3 million. Whilst, amount due to related parties increased by Baht 209.4 million.
- (2) Non-current liabilities decreased by Baht 522.4 million, mainly from the decrease in liabilities under finance lease agreements - net of current portion in an amount of Baht 578.0 million, owing to the repayments of finance leases and the payment of interest.

Shareholders' Equity

As at 31 March 2018, total shareholders' equity amounted to Baht 33,282.8 million, increased 6% compared to the year ended of 2017, resulting from the operating results during the period. Hence, unappropriated retain earnings for the period increased by Baht 1,004.1 million. While, an equity attributable to owners of the Company and non-controlling interests of the subsidiary at the end of the period amounted to Baht 23,010.0 million and Baht 10,272.8 million, respectively, with the return on equity (ROE) of 8.5%.

Statement of Cash Flows

Asia Aviation Public Company Limited Unit: Baht million	Consolidated	
	For the three-month period ended 31 March	
	2018	2017
Net cash generated from (used in) operating activities	1,804.8	1,458.7
Net cash generated from (used in) investing activities	(250.5)	(338.3)
Net cash generated from (used in) financing activities	<u>(648.3)</u>	<u>(593.9)</u>
Net increase (decrease) in cash and cash equivalents	906.0	526.5
Unrealised exchange gain (loss) on cash and cash equivalents	(206.3)	(54.1)
Cash and cash equivalents at the beginning of the period	<u>5,338.0</u>	<u>4,661.4</u>
Cash and cash equivalents at the end of the period	<u>6,037.7</u>	<u>5,133.8</u>

For the three-month period ended 31 March 2018, Asia Aviation Plc had net cash generated from operating activities in an amount of Baht 1,804.8 million, mainly due to operating profit in this period. In contrast, net cash used in investing activities was Baht 250.5 million, mainly from aircraft maintenance reserves and work-in-process of leasehold office building. Net cash used in financing activities was Baht 648.3 million from the repayments of finance leases and long-term borrowings, as well as the payment of interest. As a result, Asia Aviation Plc had net increase in cash and cash equivalents of Baht 906.0 million, while, the cash and cash equivalents at the end of the period amounted to Baht 6,037.7 million.

Thai AirAsia's financial performance for the three-month period ended 31 March 2017 and 2018 has been summarised below:

Statement of Comprehensive Income

Thai AirAsia Company Limited Unit: Baht million	For the three-month period ended 31 March		Change
	2018	2017	
Total revenues	11,642.8	9,545.0	+22%
Total expenses	9,538.5	8,314.5	+15%
Profit before finance cost and income tax	2,104.3	1,230.5	+71%
Profit/Total comprehensive income for the period	1,834.6	1,035.8	+77%
Earnings per share (Baht)	42.12	23.78	+77%

In Q1/2018, total revenues of Thai AirAsia amounted to Baht 11,642.8 million, rose by 22% from Baht 9,545.0 million in Q1/2017. Mainly, revenues from sales and services was at Baht 11,254.3 million, increased by 23% from Baht 9,161.7 million in Q1/2017, supported by the 16% growth in number of passenger carried in Q1/2018, achieving at 5.6 million, with a record load factor of 91%, up 2 percentage points (ppts) compared to the same period last year. As a result of tourism growth momentum and peak season travelling, the average fare grew by 6% to Baht 1,664 per passenger compared to the same period last year.

The ancillary revenues in Q1/2018 amounted to Baht 1,891.6 million, increased by 21% from Baht 1,567.8 million in Q1/2017, which is higher than the growth in number of passengers. As a result, ancillary revenues per passenger grew by 4% year-on-year to Baht 335 due to dynamic pricing and value pack promotion.

In Q1/2018, total expenses of Thai AirAsia amounted to Baht 9,538.5 million, increased by 15% from Baht 8,314.5 million in Q1/2017, majoring from cost of sales and services of Baht 8,741.7 million, increased by 16% from Baht 7,565.3 million in Q1/2017. The increase in the expenses was mainly due to a rise in fuel costs in relation to global fuel price. Moreover, the staff cost, guest services and distribution, as well as, depreciation and amortisation expenses increased owing to larger fleet size. Besides, selling and administrative expenses amounted to Baht 796.9 million, inched up by 6%, mainly from information technology related expenses to achieve competitive advantage in

digital era. However, the cost per available seat kilometres (CASK) in Q1/2018 was at Baht 1.53, edged down by 2% compared to Baht 1.56 in Q1/2017 led by a rise in available seat kilometres (ASK) from route expansion in domestic and international routes, as well as, additional frequencies in favourable destinations. Meanwhile, excluded fuel cost per available seat kilometres was at Baht 0.99, declined by 9% compared to the same period last year, resulted from an increase in its aircraft utilisation to 12.5 hours per day in Q1/2018 from at 11.9 hours per day in Q1/2017 regarding capacity management. As a result, Gross profit in Q1/2018 amounted to Baht 2,512.6 million, soared by 57% compared to the same period last year, with a gross profit margin of 22%.

Percentage of expenses by nature	Q1/2018	Q1/2017
Fuel costs	35.48	30.93
Staff costs	15.88	14.60
Aircraft and aircraft engine rental	12.89	15.20
Ramp and airport operating costs	11.40	13.84
Repair and maintenance	7.85	8.84
Selling and administrative expenses	6.48	7.16
Guest service and distribution	5.14	4.88
Depreciation and amortisation	4.21	3.91
Other operating costs	0.67	0.64

In the said quarter, Thai AirAsia recorded gain on exchange rate in an amount of Baht 77.5 million as Thai Baht strengthened against the U.S. dollar. As a result, profit before finance cost and income tax in Q1/2018 amounted to Baht 2,104.3 million, having an earning before finance cost, income tax, depreciation and amortisation, rental (EBITDAR) margin of 33%. However, finance cost and income tax grew comparing over the same period last year. Hence, Profit/Total comprehensive income for Q1/2018 amounted to Baht 1,834.6 million, rocketed by 77% from the same period last year, having a net profit margin of 16%.

Thai AirAsia Company Limited	Q1/2018	Q1/2017	Change
Passenger Carried (Million)	5.64	4.85	16%
Capacity (Million seats)	6.22	5.42	15%
Load Factor (%)	91	89	+2 ppts
Revenue Passenger Kilometres (Million seats-km)	5,618	4,749	18%
Available seat kilometres (Million seats-km)	6,245	5,327	17%
Average fare (Baht)	1,664	1,569	6%
Revenue per Available seat kilometres(Baht)	1.80	1.72	5%
Cost per Available seat kilometres (Baht)	1.53	1.56	(-2%)
Cost per Available seat kilometres (ex-fuel)(Baht)	0.99	1.08	(-9%)

Statement of Financial Position

Thai AirAsia Company Limited Unit: Baht million	As at 31 March 2018	As at 31 December 2017	Change
Total assets	39,631.9	38,902.3	+2%
Total liabilities	27,175.3	28,280.3	(-4%)
Total shareholders' equity	12,456.6	10,622.0	+17%

Assets

As at 31 March 2018, total assets amounted to Baht 39,631.9 million, increased by Baht 729.6 million or 2% compared to the year ended 31 December 2017, due to;

- (1) Current assets increased by Baht 853.8 million, mainly from the increase in cash and cash equivalents in an amount of Baht 761.0 million due to cash flow generating from the operating results during the period and the increase in amount due from related parties in an amount of Baht 178.8 million.
- (2) Non-current assets decreased by Baht 124.2 million due to an increase in aircraft, leasehold improvement and equipment in an amount of Baht 276.6 million owing to a rise in accumulated depreciation. While, aircraft maintenance reserves increased by Baht 147.5 million, in relation to a rise in operating flight hours.

Liabilities

As at 31 March 2018, total liabilities amounted to Baht 27,175.3 million, decreased by Baht 1,105.0 million or 4% compared to the year ended 31 December 2017, primarily due to;

- (1) Current liabilities decreased by Baht 583.9 million, mainly from a decline in unearned income of Baht 315.8 million as Q2/2018 is going to be the off-season period for tourism, and a decrease in accrued expenses of Baht 209.7 million. Whilst, amount due to related parties increased by Baht 209.4 million.
- (2) Non-current liabilities decreased by Baht 521.1 million, mainly due to the decrease in liabilities under finance lease agreements - net of current portion in an amount of Baht 578.0 million, owing to the repayments of finance leases and the payment of interest.

Shareholders' Equity

As at 31 March 2018, total shareholder's equity amounted to Baht 12,456.6 million, increased by Baht 1,834.6 million or 17% compared to the year ended 31 December 2017, resulting 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 2018 were 1.50x and 0.90x, 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	
	2018	2017
Net cash generated from (used in) operating activities	1,866.0	1,506.1
Net cash generated from (used in) investing activities	(250.5)	(338.3)
Net cash generated from (used in) financing activities	<u>(648.3)</u>	<u>(593.9)</u>
Net increase (decrease) in cash and cash equivalents	967.2	573.9
Unrealised exchange gain (loss) on cash and cash equivalents	(206.2)	(54.1)
Cash and cash equivalents at the beginning of the period	<u>5,210.6</u>	<u>4,549.2</u>
Cash and cash equivalents at the end of the period	<u>5,971.6</u>	<u>5,069.0</u>

For the three-month period ended 31 March 2018, Thai AirAsia had net cash generated from operating activities in an amount of Baht 1,866.0 million mainly due to operating profit in this period. In contrast, net cash used in investing activities was Baht 250.5 million, mainly from aircraft maintenance reserves and work-in-process of leasehold office building. Net cash used in financing activities was Baht 648.3 million from the repayments of finance leases and long-term borrowings, as well as the payment of interest. As a result, Thai AirAsia had net increase in cash and cash equivalents of Baht 967.2 million, while the cash and cash equivalents at the end of the period amounted to Baht 5,971.6 million.

Business Outlook

The global economy in 2018 is expected to grow continuously from the previous year with the accelerating inflation, which is one of the supporting factors for the Federal Reserve (Fed) to hike its policy interest rate again during the remaining quarters after increasing once in March. However, an increase in the interest rate as aforementioned was insufficient to strengthen the U.S. dollar compared to the previous year. As the company has revenues and expenses in various different currencies such as passenger fares, repair and maintenance as well as aircraft rental, 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 level up with limitation, resulted from the expansion of the world economy and the possibility that the Organization of the Petroleum Exporting (OPEC) will agree on the extension of oil production cut until the first half of 2019 in June 2018. However, the global crude oil price is still pressured from the rising of shale oil producers in the U.S. from an increase in oil-drilling rigs and the high level of crude-oil inventories in the second quarter. At the same time, there is the uncertainty of Iran nuclear deal, which could disrupt the global oil price due to the psychological factors, arising from the geopolitical risks. In an attempt to insure against the fluctuation in fuel costs, the company has the fuel hedging policy as a tool to mitigate its exposure to volatile.

Thai Economic outlook in second quarter of 2018 (Q2/2018) expects to grow steadily, driven by the existing and new investment projects of the government and the expansion of the private consumption. While, the tourism sector is expected to grow continuously due to the improving of world tourism in accordance with the positive sentiment from the recovery of global economy. In addition, the government continues to stimulate local tourism through several activities during the year. The Tourism Council of Thailand forecasts the number of tourists by nationality in Q2/2018 to reach 9.1 million, or rose 12% compared to the same period last year, supported by several public holidays such as Chakri Day, Songkran Festival and Wisakha Bucha Day. Meanwhile, Tourism Authority of Thailand (TAT) reveals revenues during Songkran Festival in an amount of Baht 35 billion, increased by 12% over the same period of last year.

For Q2/2018, Thai AirAsia will add frequencies in popular destinations in order to increase aircraft utilisation and dominate the market such as domestic route; Bangkok (Don Mueang) – Udon Thani, and Phitsanulok as well as international route; Bangkok (Don Mueang) - Jahor Bahru, and Chiang Mai – Macao. In 2018, the company maintains a target of 23.2 million passengers, with a solid load factor at 87%, and plans to acquire seven 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 tends to minimise the risk of dependence on major customer base, enhancing the Company and Thai AirAsia's sustainable revenue growth in the future and maintain its leading low-fares airline in Thailand.

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

Gross profit margin = Calculated as revenues from sales and services less cost of sales and service divided by revenues from sales and services

EBITDAR margin = Calculated as earning before finance cost, income tax, depreciation and amortisation, rental divided by revenues from sales and services

Net profit margin = Calculated as profit for the period divided by revenues from sales and services