

# Management Discussion and Analysis For the First Quarter of 2022



## Executive Summary

During the first quarter of 2022 (“1Q/2022”), the global economy expanded at a slower pace than expected, even as many countries have an increased vaccination rate and have started to cautiously adopt a “live with COVID” policy, leading to the relaxation of COVID-19 restrictions and continually stimulates the resurgence of the global economic sector. However, the war between Russia and Ukraine continues to pressure the global economic recovery, resulting in a surge in energy and consumer goods prices.

In 1Q/2022, the US economy posted a contraction of 1.4 percent, from a growth of 6.3 percent in the first quarter of 2021 (“1Q/2021”), which was the first contraction since the economy experienced a recession caused by the COVID-19 pandemic in early 2020. Primarily, the decline in exports and government spending, in contrast to the rising numbers of imports, private consumption and the service sector, reflects a shifting consumer behaviour. On the contrary, the Chinese economy continually expanded at 4.8 percent. Despite the higher-than-expected data in January and February, figures in March began to reflect an economic slowdown due to travel restrictions in the key financial hub, particularly Shanghai. Similarly, the Eurozone economy increased by 5.0 percent over the same period last year, reflecting the improved economic conditions, and manufacturing activity growth remains strong.

In 1Q/2022, the overall Thai economy advanced from the previous quarter in line with the increase in exports due to healthier demand from trading partners compared to the same period last year. In addition, private consumption and investment also ramped up, despite a partial slowdown from the Omicron outbreak, including higher production costs and cost of living.

Simultaneously, the tourism sector was supported by the progress in vaccine distribution and the easing of travel restrictions. Therefore, in 1Q/2022, a strong recovery in travel demand has been seen in the tourist arrival in the amount of 497,693 visitors, dramatically increased by 2,367 percent compared to the same period last year, primarily from European, ASEAN, and the Americas, supported by tourism stimulation through the Thailand Pass (“Test & Go”). Consequently, the number of domestic tourists and income grew by 78 percent and 77 percent, respectively.

From the situation mentioned earlier, Thai AirAsia served 1.45 million passengers in 1Q/2022, or up by 48 percent Year-on-Year, with an average load factor of 73 percent. This was driven by the evolving resurgence in travel demand from the relaxation of entry rules, resulting in a solid recovery in the number of tourists’ arrival. Similarly, the Available Seat Kilometres (“ASK”) and the seating capacity also improved by 34 percent on a robust rebound. Nevertheless, Thai AirAsia observes the highest standards in service through its safety and on-time performance. As a result, Thai AirAsia placed third for on-time performance in the world on a low-cost airline by the Cirium ranking and was recognised with two awards from Thailand Safety and Health Administration (SHA).

On 20 January 2022, Asia Aviation Public Company Limited acquired the remaining 30.8 percent shares to hold 100 percent shareholding in Thai AirAsia. Given the impact described above, Asia Aviation Public Company Limited posted total revenues in 1Q/2022 of Baht 2,091.0 million, a net loss for the year of Baht 2,370.6 million, and a net loss in the statement of comprehensive income of Baht 2,312.1 million.



## Financial Performance Summary

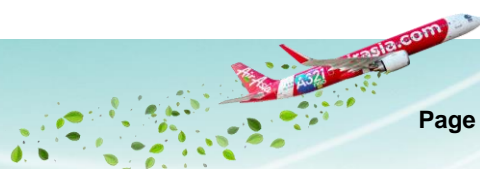
Asia Aviation Public Company Limited (“the Company”) is a major shareholder of Thai AirAsia Company Limited (“Thai AirAsia”), which is an airline operator of Thai AirAsia, in which the Company currently holds 100 percent.

Asia Aviation’s financial performance for the three-month and the year ended 31 March 2021 and 2022 have been summarised below:

Asia Aviation Public Company Limited	Consolidated		Change
Unit: Baht million	For the three-month period ended 31 March		
	2022	2021	
Total revenues	2,091.0	1,350.8	+55%
Total expenses	4,815.7	4,557.2	+6%
Profit (loss) from operating activities	(2,724.7)	(3,206.4)	+15%
Profit (loss) for the period	(2,555.0)	(3,390.6)	+25%
Equity holders of the Company	(2,370.6)	(1,864.6)	-27%
Non-controlling interests of the subsidiary	(184.4)	(1,526.0)	+88%
Total comprehensive income for the period	(2,444.1)	(3,197.7)	+24%
Equity holders of the Company	(2,312.1)	(1,758.5)	-31%
Non-controlling interests of the subsidiary	(132.0)	(1,439.2)	+91%
Basic and diluted earnings (loss) per share (Baht)	(0.2107)	(0.3845)	+45%

In 1Q/2022, the Company had total revenues of Baht 2,091.0 million, which increased by 55 percent compared to Baht 1,350.8 million in 1Q/2021. Primarily, revenues from sales and services amounted to Baht 1,786.5 million or increased by 56 percent compared to the same period last year as the COVID-19 pandemic situation has improved, leading to the easing of COVID-19 restrictions and stimulating domestic travel activities. As a result, the number of passengers carried was 1.45 million, an increase of 48 percent over the same period last year, which was higher than the 34 percent growth in seat capacity. Consequently, the load factor was 73 percent or rose by seven percentage points (“ppts”) compared to the same period last year. Positively, the average fare in 1Q/2022 increased by seven percent to Baht 1,018 per passenger over the same period last year. In 1Q/2022, the total ancillary revenues in an amount of Baht 313.3 million increased by 42 percent from the same period last year, particularly revenues from checked baggage, processing fee, and seat selection, which expanded in line with passenger traffic above. However, the ancillary revenue per passenger was down by 5 percent to Baht 216 from the same period previous year, partly resulting from a suspension of in-flight food and beverage services on domestic flights.

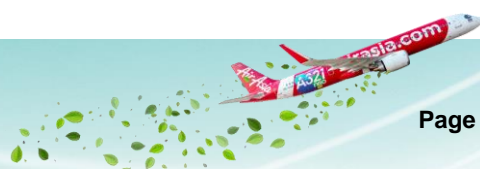
In 1Q/2022, the total expenses of the Company amounted to Baht 4,815.7 million, or increased by 6 percent from Baht 4,557.2 million in 1Q/2021. The cost of sales and services amounted to Baht 4,335.8 million, expanded by 54 percent from Baht 2,816.2 million in 1Q/2021. Primarily, maintenance and overhaul expenses increased mainly from the amortisation of aircraft maintenance reserves from sale and leaseback transactions. At the same time, fuel costs surged by 103 percent from



1Q/2021, along with the higher fuel consumption and oil prices. Ramp and airport operation expenses also increased in line with operating flights. Furthermore, the selling and administrative expenses increased by 21 percent, in part from sales commission and distribution, as well as related fees stemming from the Company's fundraising. As a result, the cost per ASK excluding fuel cost (CASK ex-fuel) was Baht 3.05, increased from Baht 2.85 in 1Q/2021, due to a rise in the operating cost excluding fuel cost outpacing growth in ASK. Whereas, fuel cost per ASK was Baht 0.62, boosted from Baht 0.41 in 1Q/2021, mainly due to a hike fuel price and fuel consumption of 61 percent and 37 percent, respectively. Meanwhile, Thai AirAsia continuously monitors our punctuality, reflected in the on-time-performance ("OTP") of 98 percent, which is better than the target of 90 percent, reinforcing that "punctuality" is of the utmost importance, as is the safety and hygiene standard we have always adhered to. Nevertheless, the aircraft utilisation in operations was an average of 7.6 hours per day of the operating aircraft as the traffic of international flights has not returned to normal.

In 1Q/2022, the other expense was Baht 112.4 million, attributable primarily to the loss on the derivative in the amount of Baht 59.0 million from unrealised loss on the foreign exchange forward contracts. While the other income was Baht 304.5 million, inclined by 49 percent from 1Q/2021, in part from the net gain in the exchange rate difference of lease liabilities where Thai Baht strengthened against the US Dollar. Hence, loss from operating activities in 1Q/2022 amounted to Baht 2,724.7 million. Moreover, finance costs were recorded at Baht 558.5 million, inclined from Baht 425.6 million in 1Q/2021, primarily from interest on lease agreement under TFRS 16. The income tax revenue amounted to Baht 722.0 million, mainly from the entering into sale and leaseback transactions and the carry forward of tax loss for the period. On 20 January 2022, the Company acquired the remaining shares to hold 100 percent in Thai AirAsia. In consequence, the Company had a net loss for the period attributable to the equity holders of the Company in 1Q/2022 amounted to Baht 2,370.6 million, from a net loss of Baht 1,864.6 million in 1Q/2021, as well as, basic and diluted loss per share of Baht 0.2107. With other comprehensive income from the gain on cash flow hedges - net of income tax in an amount of Baht 110.9 million, and the Company posted a loss in total comprehensive income attributable to equity holders in an amount of Baht 2,312.1 million from a net loss in an amount of Baht 1,758.5 million in 1Q/2021.

Thai AirAsia Company Limited	1Q/2022	1Q/2021	Change
Passenger Carried (Million)	1.45	0.98	+48%
Capacity (Million seats)	1.99	1.48	+34%
Load Factor (%)	73	66	+7 ppts
Revenue Passenger Kilometres (Million seats-km)	1,012	699	+45%
Available seat kilometres (Million seats-km)	1,387	1,035	+34%
Average fare (Baht)	1,018	952	+7%
Revenue per Available seat kilometres (Baht)	1.29	1.11	+16%
Cost per Available seat kilometres (Baht)	3.67	3.26	+13%
Cost per Available seat kilometres (ex-fuel)(Baht)	3.05	2.85	+7%



## Statement of Financial Position

Asia Aviation Public Company Limited	Consolidated		Change
Unit: Baht million	As of 31 March 2022	As of 31 December 2021	
Total assets	67,589.5	71,208.3	-5%
Total liabilities	54,100.9	54,379.5	-1%
Equity attributable to owners of the Company	13,488.6	20,201.1	-33%
Non-controlling interests of the subsidiary	-	(3,372.3)	N.A.
Total shareholders' equity	13,488.6	16,828.8	-20%

### Assets

As of 31 March 2022, total assets amounted to Baht 67,589.5 million, decreased by 5 percent compared to as of 31 December 2021, due to;

- (1) Current assets decreased by Baht 2,030.3 million, primarily due to a decrease in cash and cash equivalents in an amount of Baht 2,552.1 million from operating results. Meanwhile, there was an increase in financial assets of Baht 197.8 million from deposits for aircraft rental from entering into aircraft sale and leaseback transactions, an escalation in amounts due from related parties in an amount of Baht 148.8 million, and an increase in trade and other receivables in an amount of Baht 106.0 million, mainly from value added tax receivables.
- (2) Non-current assets decreased by Baht 1,588.5 million, primarily due to the right-of-use assets, the property, aircraft, leasehold improvements and equipment decreased from entering into aircraft sale and leaseback transactions, accumulated depreciation, and amortisation of aircraft maintenance reserves. While there were deferred tax assets reported at Baht 386.4 million from the unused tax loss carry forward.

### Liabilities

As of 31 March 2022, total liabilities amounted to Baht 54,100.9 million, decreased by 1 percent compared to as of 31 December 2021, due to;

- (1) Current liabilities decreased by Baht 961.1 million, primarily due to a decrease in trade and other payables in an amount of Baht 653.0 million and the current portion of liabilities under lease agreements in an amount of Baht 652.7 million. Meanwhile, accrued expenses increased by Baht 437.0 million from accrued aircraft maintenance reserves.
- (2) Non-current liabilities increased by Baht 682.5 million, primarily due to an increase in liabilities under lease agreements in an amount of Baht 1,225.0 million from entering into five aircraft sale and leaseback transactions. Whereas, long-term borrowings from financial institutions net of the current portion decreased by Baht 204.9 million from loan repayment to financial institutions.





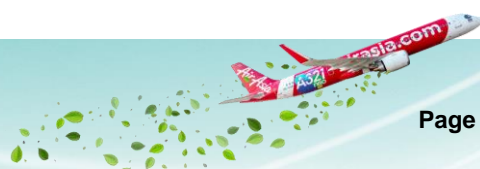
## Equity

As of 31 March 2022, total shareholders' equity amounted to Baht 13,488.6 million, decreased by Baht 3,340.2 million or 20 percent compared to as of 31 December 2021, mainly due to the restructuring of investment in Thai AirAsia and operating loss for the period, while the Company received net proceeds from the right offering in the amount of Baht 3,000.0 million. Hence, equity attributable to owners of the Company amounted to Baht 13,488.6 million and there was no non-controlling interests in the subsidiary. The Company's Debt-to-Equity ratio (Interest Bearing Debt) and Net Gearing ratio as of 31 March 2022 were 3.38x and 3.17x, respectively. Excluding the operating lease liabilities, D/E Ratio and Net Gearing Ratio were 0.65x and 0.44x, respectively.

## Statement of Cash Flows

Asia Aviation Public Company Limited	Consolidated	
Unit: Baht million	For the year ended 31 March	
	2022	2021
Net cash generated from (used in) operating activities	(2,518.7)	665.8
Net cash generated from (used in) investing activities	(316.9)	(36.9)
Net cash generated from (used in) financing activities	<u>284.9</u>	<u>(535.3)</u>
Net increase (decrease) in cash and cash equivalents	(2,550.7)	93.6
Unrealised exchange gain (loss) on cash and cash equivalents	(1.5)	15.8
Cash and cash equivalents at the beginning of the period	<u>5,359.6</u>	<u>1,110.4</u>
Cash and cash equivalents at the end of the period	<u><b>2,807.4</b></u>	<u><b>1,219.8</b></u>

For the three-month period ended 31 March 2022, the Company had net cash used in operating activities in the amount of Baht 2,518.7 million, mainly due to the operating loss for the period. Meanwhile, net cash used in investing activities was Baht 316.9 million, primarily from the acquisition of shares to increase its stake in Thai AirAsia to 100 percent in an amount of Baht 3,896.1 million, while net proceeds received from the sales of five aircraft in an amount of Baht 3,605.1 million. Net cash generated from financing activities was Baht 284.9 million, mainly due to the net proceeds received from the right offering in an amount of Baht 3,000.0 million. Whereas, there were liabilities repayment and fee to early terminate the lease agreements. As a result, the net increase in cash and cash equivalents amounted to Baht 2,550.7 million, while the cash and cash equivalents at the end of the period amounted to Baht 2,807.4 million.



## Business Outlook

In April 2022, the International Monetary Fund (“IMF”) projects the world economic growth to recover by 3.6 percent in 2022, downgrading from the previous projection by 0.8 ppts. Negatively, the Western nations have imposed severe sanctions on Russia over its invasion of Ukraine, adding pressure on energy and food prices and leading to inflation. As a result, the IMF forecasts inflation in advanced economies of 5.7 percent and emerging market economies of 8.7 percent, up from the previous forecast of 1.8 percent and 2.8 percent, respectively. The adjustment is reflected in supply chain disruptions caused by the Russia-Ukraine war and continued COVID-Zero measures in China. Meanwhile, the US inflation surges to its 40-year high, pressuring the Federal Reserve (“Fed”) to raise policy interest rates and embark on quantitative tightening (QT) to withdraw liquidity from the system. Simultaneously, the Fed raised its policy interest rate by 0.25 percent for the first time in four years and signalled six more hikes this year to stabilise inflation, strengthening the US exchange rate. As the Company has expenses in various currencies such as repair and maintenance costs, and aircraft rentals, the Company has adopted the practice of natural hedging by matching cash expenses and revenues in the same currency as practically possible. Moreover, the structure of the foreign currency loans is made to be in accordance with the highest currency net operating cash flow. The Company also used financial instruments for currency risk management when deemed applicable.

The global crude oil price has signalled an upward trend. Many countries have begun adopting live with COVID policy leading to the expanded demand for oil

in response to travel and transportation activities. While the uncertain situation in Russia-Ukraine added concerns about supply disruptions and will be a key impact on oil price volatility. On the contrary, the potential new developments on the US-Iran deal and the coordinated release of petroleum supplies from strategic reserves in the US and Europe will pressure oil prices more or less. As of 31 March 2022, the Company has no fuel price swap agreements.

In May 2022, the Bank of Thailand (“BoT”) forecasts Thailand's economic growth for 2022 to grow by 3.2 percent, down from 3.4 percent in December 2021. The Thai economy would expand at a slower pace due to the slowdown in key trading partners' economies, particularly the US and Eurozone together with rising energy prices and inflation. Nevertheless, the easing of COVID-19 restrictions would be critical in supporting domestic spending and the tourism sector. The BoT and Tourism Authority of Thailand (TAT) maintained their tourist number projection of international tourists after the government announced to drop RT-PCR and ATK tests on arrival for vaccinated visitors on May 1, 2022. Furthermore, it is also considering the Thailand Pass cancellation to make it easier for tourists to visit Thailand.

In the second quarter of 2022, Thai AirAsia expects a resumption in tourism activity as the relaxation of government control measures. Thai AirAsia has activated the strategy to rationalise capacity and network to maximise profitability and maintain passenger load factors at a satisfactory level. Furthermore, the Company has enhanced its revenue growth through promotions such as Super+ Pass, which combines flight tickets within Thailand and



ASEAN routes, unlimited free food delivery, and travel cancellation insurance. Thai AirAsia is also considering the opening of international routes following the opening plan of the destination country. Recently, Thai AirAsia has opened flights to 8 countries and 19 routes to Maldives, Cambodia, Malaysia, Singapore, Vietnam, Indonesia, India and Laos. Moreover, Thai AirAsia plans to increase its domestic connecting flights by increasing the frequency and opening inter-regional routes to meet the needs of travellers and to return to flying 100 percent of domestic routes within this year.

On 23 February 2022, Thai AirAsia got approval to invest in AirAsia SuperApp Sdn. Bhd. ("AASP") by subscribing to 7.5 percent of AASP's shares, urging airasia SuperApp to be the number one platform for travelling and lifestyle for everyone. The platform has been developed in response to the use for overall travelling and lifestyle, with services that go beyond air travel to all facets of life. The airasia SuperApp not only offer hotels and flights booking, but also daily necessities with meal delivery service (airasia Food), parcel service (airasia Xpress), and the soon to be added e-hailing service (airasia Ride) in Thailand.

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## 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 divided by ASK

**Cost per ASK (CASK ex-fuel)** : Calculated as the sum of Thai AirAsia's operating costs, selling expenses and administrative expenses 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 and cash equivalents + short-term investment + deposit) 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.

**The earnings before interest and tax, depreciation, and amortisation (EBITDA) margin** : Calculated as total income (excluding dividend income, gain on sale of investments, gain on sale of assets, finance income, gain on exchange rate, and gain on derivative ) less total expenses plus depreciation and amortisation expenses divided by revenues from sales and services

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

