

Management Discussion and Analysis for the Third Quarter of 2022



Executive Summary

The tourism industry continued to have robust momentum globally amid the persistent economic uncertainties in recent quarters.

Following the further removal of COVID-19 travelling restrictions, global RPKs in 3Q2022 rose to 74%¹ of the level in 3Q2019 (“Pre-COVID-19”), reflecting the more substantial passenger confidence and pent-up travelling demand, although the contribution of Asia Pacific remained soft as China sustained its zero-COVID policy. The average Brent oil price in 3Q2022 was US 97.5 Dollars per barrel, down 13% quarter-on-quarter (“QoQ”), still, the concern over the tight fuel supply remained unsettled following the ongoing Russia-Ukraine war. The International Monetary Fund (“IMF”) expected that the global GDP growth for 2022 would land at 3.2% year-on-year (“YoY”). However, the monetary policy conducted by the central banks to cope with the persistently high inflation rates may post an economic slowdown, especially in the US and Europe, in the near term. Meanwhile, the US Dollar appreciation has reached a new 20-year high in the quarter, causing the depreciations of other currencies including the Thai Baht, which weakened from 35.5 Baht/US Dollar in 2Q2022 to 38.1 Baht/US Dollar in this quarter and essentially nullified the benefit of the lower fuel prices.

Arrivals to Thailand exceeded one million a month since July uplifting sentiments in the airline and other hospitality sectors

After the Thailand Pass was lifted on 1 July, the number of international arrivals totalled 3.61 million in 3Q2022, up from 1.58 million in 2Q2022, with passengers from ASEAN, Europe, and South Asia accounting for 47%, 16%, and 11%, respectively. Towards the end of 2022,

the Tourism Authority of Thailand (“TAT”) is confident that the total inbound arrivals would reach 10 million, aligned with the Bank of Thailand (“BOT”) forecast of 9.5 million. On the other hand, the domestic tourism saw a strong demand marking 56.1 million total visits, increasing 10% QoQ, partially supported by the government stimulus packages. With the current trend, both public and private houses viewed that the recovery of tourism and private consumption would be vital to drive Thailand's GDP next year.

Performance of Asia Aviation Public Company Limited (“the Company”) and Thai AirAsia Company Limited highly improved but pressured by unrealised FX loss

Thai AirAsia carried 2.75 million passengers in this quarter. The airline has firmly held its leading position in the domestic market, thanks to its outnumbered fleet capacity, while focusing on international expansion in ASEAN and South Asia markets. As a result, the overall capacity in 3Q2022 has recovered to 48% of the pre-COVID-19 level. Underpinned by the 87% load factor, the Company's total revenue stood at Baht 4,892.3 million, increasing 969% YoY and 76% QoQ. Cost management has translated into a gradual reduction in CASK to Baht 2.62 in this quarter, down 18% QoQ. However, incorporating the Thai Baht depreciation, the Company reported a net loss of Baht (4,050.2) million. Normalising the unrealised FX loss and gain/loss from derivatives, the Company continued to narrow its EBITDA loss in 3Q2022 to Baht (601.1) million.

Maintained 10 million passengers target driven by more operating aircraft and higher flight frequency.

¹ IATA – International Air Transport Association



Lately, AirAsia Group has received the “World’s Best Low-Cost Airline” award for the 13th consecutive year from Skytrax. In addition, the Company has been listed to the Thailand Sustainability Investment (“THSI”) of the Stock Exchange of Thailand for the 4th consecutive year, highlighting its commitments to the stakeholders. In 9M2022, Thai AirAsia had carried 5.89 million passengers

and utilised 35 operating aircraft out of the current total fleet of 58 aircraft. The remaining operating aircraft will serve demand in the upcoming quarters, including new routes to Fukuoka, Dhaka, and Taipei in 4Q2022. Given the high seasonality towards the year-end and the increasing number of flights, Thai AirAsia maintained the target of 10 million passengers to be carried in this year.

Financial Performance Summary

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

Asia Aviation’s financial performance for the three-month and the nine-month ended 30 September 2021 and 2022 have been summarised below:

Revenue

Due to the resurgence of COVID-19 cases in 3Q2021 in Thailand and the Company’s compliance with the regulation, Thai AirAsia suspended the operation temporarily between 12 July and 2 September last year.

Total revenues in 3Q2022 were Baht 4,892.3 million, largely increasing by 969% YoY and 76% QoQ following the continued travelling momentum since the last quarter. The total capacity served rose to 3.16 million while the overall load factor landed at 87%, the highest level since 1Q2019. The domestic capacity has recovered by 62 percent compared to the pre-COVID-19 level, marking Thai AirAsia’s leadership in the domestic market. On the other hand, the international capacity excluding China has recovered by 43 percent, driven by the increase in flights to ASEAN and South Asia, especially to Vietnam, Malaysia, Singapore, and India. This has translated into a significant improvement in ASK amounting to 2,863 million, up 2,791% YoY and 58% QoQ, along with the sustainable on-time-performance (“OTP”) at 92%.

- **Revenues from sales and services** stood at Baht 4,811.2 million, rising by 2,733% YoY and 79% QoQ, attributable to the total passengers of 2.75 million and a healthy average fare of Baht 1,404, which rose 7% QoQ. This quarter, Thai AirAsia utilised 35 operating aircraft, up from 25 aircraft in 2Q2022, with a better utilisation rate of 9.9 hours per aircraft per day, a level not seen since 4Q2019. As a result, RASK stood at Baht 1.68 compared to Baht 1.72 in 3Q2021 and Baht 1.49 in 2Q2022.
 - **Ancillary income** was Baht 954.7 million, increasing by 3,767% YoY and 99% QoQ, driven by the fees from checked baggage and other service fees along with the resumption of international flights. Ancillary income accounted for 20% of revenues from sales and services, a gradual increase from 15% in 3Q2021. As a result, ancillary income per passenger has risen to Baht 347, up from Baht 310 in 3Q2021 and Baht 285 in 2Q2022.
- **Other income** was Baht 81.1 million, decreasing by 72% YoY due mainly to the decrease in gain on derivatives in the period, but flattish QoQ.



Statement of Comprehensive Income

Asia Aviation Public Company Limited	Consolidated		Change	Consolidated		Change
Unit: Baht million	For the three-month			For the nine-month		
	period			period		
	ended 30 September			ended 30 September		
	2022	2021		2022	2021	
Total revenues	4,892.3	457.5	+969%	9,503.9	2,888.9	+229%
Total expenses	9,903.0	4,174.4	+137%	22,260.3	12,625.5	+76%
Profit (loss) from operating activities	(5,010.7)	(3,716.9)	-35%	(12,756.4)	(9,736.6)	-31%
Profit (loss) for the period	(4,050.2)	(3,818.1)	-6%	(11,328.8)	(10,286.6)	-10%
Equity holders of the Company	(4,050.2)	(2,098.3)	-93%	(11,144.4)	(5,654.7)	-97%
Non-controlling interests of the subsidiary	-	(1,719.8)	N.A.	(184.4)	(4,631.8)	+96%
Total comprehensive income for the period	(4,050.2)	(3,776.7)	-7%	(11,217.9)	(10,045.2)	-12%
Equity holders of the Company	(4,050.2)	(2,075.5)	-95%	(11,085.8)	(5,522.0)	-101%
Non-controlling interests of the subsidiary	-	(1,701.2)	N.A.	(132.0)	(4,523.2)	+97%
Basic/Diluted Earnings (loss) Per Share (Baht)	(0.3451)	(0.4326)	+20%	(0.9661)	(1.1659)	+17%
EBITDA Reconciliation						
Profit (loss) from operating activities	(5,010.7)	(3,716.9)	-35%	(12,756.4)	(9,736.6)	-31%
Gain (loss) on exchange rate	(2,885.1)	(2,066.6)	-40%	(5,073.9)	(4,187.2)	-21%
Gain (loss) on derivatives	14.6	135.4	-89%	(17.5)	373.0	N.A.
Gain (loss) from disposal assets	1.7	(0.0)	N.A.	(39.1)	(0.1)	-26,751%
Depreciation and amortisation	1,540.8	1,119.7	+38%	4,719.2	3,548.2	+33%
EBITDA	(601.1)	(665.9)	+10%	(2,906.8)	(2,374.1)	-22%

Cost and Expense

Total expenses in 3Q2022 equalled Baht 9,903.0 million, increasing by 137% YoY and 27% QoQ due mainly to higher cost of sales and services and unrealised FX loss in the quarter.

- **Cost of sales and services** stood at Baht 6,618.5 million, rising by 264% YoY and 33% QoQ, in line with the 40% QoQ higher number of flights flown.
 - **Fuel costs** were Baht 2,490.2 million, up 5,357% YoY and 60% QoQ. The QoQ increase was due to 53% higher fuel consumption and the impact from the depreciated Thai Baht, while the reference jet kerosene price still rose 5% to US 143.8 Dollars per barrel. Currently, the Company is not in any fuel hedging position.
 - **Staff costs** were Baht 710.7 million, up 266% YoY and 30% QoQ due to the higher number of onboarded staff for flight operations corresponding to an increase in the reactivation of more aircraft.
 - **Maintenance and overhaul costs** were Baht 1,160.2 million, up 245% YoY and 24% QoQ following the higher maintenance expenses to bring more aircraft into the service. The Company completed the



redelivery of one aircraft in the quarter and is still in the process of redelivering five additional aircraft towards the end of the year.

- **Other costs of sales and services** were Baht 2,257.4 million, increasing by 82% YoY and 16% QoQ mainly from a higher rate of activities in ramp and ground operations.
- **Selling and administration expenses (“SG&A”)** stood at Baht 412.4 million, rising by 45% YoY and 10% QoQ majorly due to the expenses paid to AirAsia Com Travel for online ticket sales and distribution channel in relation to the increase in sales in advance. In 3Q2022, SG&A stood at 9% of revenues from sales and services, declining from 14% in the last quarter and landing close to 8%, the pre-COVID-19 level in 2019.
- **Other expenses** were Baht 2,872.0 million, increasing by 39% YoY and 18% QoQ mainly due to the unrealised loss incurred from the marking-to-market of lease liabilities amounting to Baht 2,885.1 million in this quarter.

Consequently, CASK stood at Baht 2.62 in this quarter, down 89% YoY and 18% QoQ. Excluding the fuel costs, CASK Ex-Fuel was Baht 1.75, substantially declined from Baht 23.83 in 3Q2021 and Baht 2.33 in 2Q2022, driven by both cost control and a high rate of ASK expansion.

Profit and Loss

In 3Q2022, due to the improvement in operating performance, the Company recorded a narrower EBITDA loss of Baht (601.1) million, compared to the loss of Baht (665.9) million and Baht (1,046.5) million in 3Q2021 and 2Q2022, respectively. Finance costs were Baht 625.1 million, increasing by 31% YoY and 13% QoQ mainly due to the interest expenses from TFRS 16 on lease liabilities and higher cost of funds, while the effective interest rate stood at 5.4%, increasing from 4.4% in 3Q2021. Income tax revenue in the quarter was Baht 1,578.1 million which was mainly from the carryforward of tax losses for the period. As a result, the Company reported a net loss for the period attributable to the equity holders amounting to Baht (4,050.2) million, compared to a loss of Baht (2,098.3) million in 3Q2021 and a loss of Baht (4,723.6) million in 2Q2022, with basic and diluted loss per share of Baht (0.35), taking into account the recognition of 100% of Thai AirAsia’s net loss compared to 55% in the same period last year.

Key Operating Statistics

Thai AirAsia Company Limited	3Q/2022	3Q/2021	Change	9M/2022	9M/2021	Change
Passenger Carried (Million)	2.75	0.80	+3,354%	5.89	1.78	+231%
Capacity (Million seats)	3.16	0.13	+2,263%	7.38	2.80	+164%
Load Factor (%)	87	60	+27 ppts	80	64	+16 ppts
Revenue Passenger Kilometres (Million seats-km)	2,478	64	+3,767%	4,854	1,300	+273%
Available seat kilometres (Million seats-km)	2,863	99	+2,791%	6,062	1,972	+207%
Average fare (Baht)	1,404	1,836	-24%	1,284	1,064	+21%
Revenue per Available seat kilometres (Baht)	1.68	1.72	-2%	1.53	1.17	+31%
Cost per Available seat kilometres (Baht)	2.62	24.29	-89%	3.03	4.60	-34%
Cost per Available seat kilometres (ex-fuel)(Baht)	1.75	23.83	-93%	2.22	4.20	-47%



A snapshot of Asia Aviation's financial performance for the nine-month ended 30 September 2021 and 2022 have been summarised below:

In 9M2022, the Company reported **total revenues** of Baht 9,503.9 million, up 229% YoY largely driven by the recovery of the tourism industry since 2Q2022. **Revenues from sales and services** were Baht 9,289.4 million, highly increasing by 304% YoY, with the revenues from 3Q2022 contributing 52% of the total. Overall, the number of flights flown increased from 15,670 in 9M2021 to 40,597 in 9M2022 as Thai AirAsia has come back to fly all domestic routes previously flown in 2019 and increased domestic flights flown from Suvarnabhumi hub, especially to Chiang Mai and Phuket, in addition to its main hub at Don Mueang. With its focus on international route expansion, Thai AirAsia also increased its flights to ASEAN while continuing to capture the strong momentum in the South Asia market. The total number of passengers carried was 5.89 million, against the full-year target of 10 million, while the load factor landed at 80%, up from 64% in 9M2021, with an outstanding OTP of 95%. Propelled by more international flights, **ancillary income** in 9M2022 was recorded at Baht 1,747.4 million, up 320% YoY following the higher volume of checked baggage, inflight sales as well as processing fees. **Other income** was Baht 214.4 million, dropping by 64% YoY because the Company recorded a loss on derivatives in 9M2022 whilst gain on derivatives recorded in 9M2021.

Total expenses were Baht 22,260.3 million, increasing by 76% YoY due mainly to a rise of 115% YoY in **costs of sales and services** and a 21% YoY increase in unrealised FX loss. **SG&A** stood at Baht 1,155.6 million, increasing by 28% YoY following the higher fees paid to AirAsia Com Travel for the increased sales volume. Year-to-date ("YTD"), Thai AirAsia operated 35 aircraft out of a total fleet of 58 aircraft and has re-delivered two aircraft. The plan to re-deliver five more aircraft in 4Q2022 remains intact.

In 9M2022, the Company reported an **EBITDA** loss of Baht (2,906.8) million, compared to a loss of Baht (2,374.1) million in 9M2021. Finance costs rose 31% YoY to stand at Baht 1,735.3 million from the TFRS 16 impact and higher cost of funds. Income tax revenue was Baht 3,141.5 million, up from Baht 732.9 million in 9M2021, due mainly to the carryforward of tax losses for the period. As a result, the Company recorded a **net loss** attributable to the equity holders of Baht (11,144.4) million, compared to the net loss of Baht (5,654.7) million last year. It is to note that the Company currently holds 100% of Thai AirAsia.

Statement of Financial Position

Asia Aviation Public Company Limited Unit: Baht million	Consolidated		
	As at 30 September 2022	As at 31 December 2021	Change
Total assets	66,670.8	71,208.3	-6%
Total liabilities	61,956.0	54,379.5	+14%
Equity attributable to owners of the Company	4,714.8	20,201.1	-77%
Non-controlling interests of the subsidiary	-	(3,372.3)	N.A.
Total shareholders' equity	4,714.8	16,828.8	-72%



Assets

As of 30 September 2022, the Company had Baht 66,670.8 million of total assets, decreasing by 6% from the end of 2021 mainly from lower cash and cash equivalents, fixed assets², and right-of-use assets while partially offset by higher deferred tax assets.

- (1) Current assets were Baht 5,184.7 million, decreasing by 32% compared to the end of 2021. Cash and cash equivalents stood at Baht 1,456.3 million, dropping by 73% mainly due to the operating loss, payments for early termination of lease agreements, and a net repayment in debt. Amounts due from related parties rose by 69% to Baht 1,852.4 million mainly from sales received on behalf for the Company within the AirAsia Group.
- (2) Non-current assets were Baht 61,486.1 million, slightly declining by 3% from Baht 5,057.8 million lower aircraft maintenance reserves and fixed and right-of-use assets being depreciated and early terminated during the period, offset by deferred tax assets of Baht 2,805.9 million.

Liabilities

As of 30 September 2022, the Company reported total liabilities of Baht 61,956.0 million, increasing by 14% from the end of 2021 mainly from higher liabilities under lease agreements, unearned income, and accrued expenses.

- (1) Current liabilities were Baht 22,898.9 million, increasing by 30%. Unearned income rose by 92% to Baht 4,668.7 million mainly from an increase in sales of promotional tickets given the improving travelling sentiment. Accrued expenses were Baht 4,218.4 million and current portion of lease liabilities were Baht 7,642.4 million, increasing by 71% and 29%, respectively, majorly from the sale and leaseback transactions conducted during the period and an impact from the weaker Thai Baht.
- (2) Non-current liabilities were Baht 39,057.1 million, rising by 6% mainly from higher lease liabilities, amounting to Baht 34,235.8 million, due to the same reason mentioned above.

Equity

As of 30 September 2022, the Company had Baht 4,714.8 million of total shareholders' equity, declining by 72% from the end of 2021 mainly due to the deficits from the operating loss for the period partially offset by a higher share premium from the converted debentures during 1H22. Overall, the Company's interest-bearing and net interest-bearing debt-to-equity ratios equalled 10.46x and 10.15x, respectively. However, excluding the operating lease liabilities, the said ratios would stand at 1.86x and 1.55x, respectively.

² Fixed assets comprise property, building, aircraft, leasehold improvements and equipment



Cash Flows

Asia Aviation Public Company Limited	Consolidated	
Unit: Baht million	For the nine-month period ended 30 September	
	2022	2021
Net cash generated from (used in) operating activities	(1,319.4)	(660.1)
Net cash generated from (used in) investing activities	(240.7)	(37.1)
Net cash generated from (used in) financing activities	<u>(2,351.9)</u>	<u>(390.6)</u>
Net increase (decrease) in cash and cash equivalents	(3,912.0)	(1,087.9)
Unrealised exchange gain (loss) on cash and cash equivalents	8.7	0.6
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>1,456.3</u>	<u>23.1</u>

For the nine-month period ended 30 September 2022, the Company had net cash used in operating activities totalling Baht 1,319.4 million, mainly due to the operating loss for the period. Net cash used in investing activities equalled Baht 240.7 million mainly from the acquisition of shares to increase the stake in Thai AirAsia to 100%, a total of Baht 3,896.1 million, offset by the proceeds received from the sales of aircraft and equipment, a total of Baht 3,873.4 million. Net cash used in financing activities stood at Baht 2,351.9 million, mainly from the Baht 4,853.1 million net payments for lease agreements including the early termination and the Baht 240.8 million net repayments for debentures and borrowings. This was partially offset by the Baht 3,000.0 million proceeds from the right offering during the period. In summary, the Company had Baht 3,912.0 million net decrease in cash and cash equivalents and had a cash balance of Baht 1,456.3 million at the end of the period.



Business Outlook

Global economic growth continues but at a slower pace amid elevated inflation rates and fuel prices forecast.

A 3.2% global GDP growth in 2022 remains unchanged from July. However, potential recessions in several economies are expected to occur in the near term, driven by the central banks' policy to increase interest rates in order to cope with elevated inflation rates globally and the overhanging conflict between Russia and Ukraine. That said, the impact on ASEAN 5³ and India, two key international markets of Thai AirAsia, is expected to be milder with an above-than-average 2022 GDP growth forecast of 5.3% and 6.8%, respectively.

The wider interest rate gap has caused the US Dollar to keep appreciating against other major currencies including the Thai Baht. As the Company has expenses in various foreign currencies such as those in repair and maintenance as well as aircraft rentals, the Company has adopted the practice of natural hedging by matching cash expenses and revenues in the same currency as practically as possible. Moreover, the foreign currency loans are structured to be in accordance with the currency of net operating cash flow. The Company also uses financial instruments for currency risk management when deemed applicable. The supply of crude oil has a high tendency to be tight toward year-end following the sanctions against several oil-producing countries while the OPEC+ persists in its lower-than-expected increase in production capacity. Correspondingly, IATA forecasts that jet kerosene prices will be averaged at US 125.5 Dollars per barrel throughout 2022. As of 30 September 2022, the Company has no fuel price swap agreements.

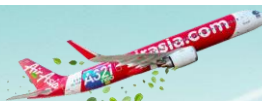
Domestic consumption and tourism are key factors to drive growth in Thailand.

For Thailand, in October 2022, the BOT maintained the GDP growth forecast of 3.3%, with domestic consumption and recovery of the tourism industry being key engines to drive the economy. This is supported by stronger forecasts of international arrivals in 2022 at 9.5 million, up from 6 million, by the BOT and 10 million by the TAT after the COVID-19 restrictions were lifted to facilitate inbound tourists. In addition, domestic tourism is expected to continue its pace, incentivised by travel campaigns from the government toward the end of the year as well as long holiday periods in the second half of 2022.

Target 10 million passengers and 81 percent load factor in 2022 with robust growth to be seen in 2H/2022.

From the above-mentioned, the Company expects a healthy resumption in tourism activities for the rest of the year. Thai AirAsia targets total passengers carried of 10 million in 2022 and a load factor of 81 percent, supported by pent-up travelling demand from last year, while implementing the strategy to rationalise capacity and network for profit maximisation. Furthermore, the Company has enhanced its revenue growth through promotional sales such as the well-accepted Super+ Pass and the opening of new routes to Fukuoka, Dhaka, and Taipei. The latest announcement in July from the Civil Aviation Authority of Thailand greenlighting in-flight food and beverage services and the imposition of a fuel surcharge in October for domestic flights would also support the Company's revenues. In 4Q2022 Thai AirAsia aims to resume its domestic capacity level close to that of the pre-COVID-19 level, while international capacity is targeted to land near 50%.

³ Consisting of Indonesia, Malaysia, Thailand, Philippines, Vietnam



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 are 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

