



## Executive Summary

Overview of the global economy during the second quarter of 2015 (Q2/2015) are as following; the US economy has been in recovery mode as a result of an increase in household consumption supported by a strong decline in the unemployment rate. Similar to the Eurozone economy that continue to recover, particularly in Spain, France, and Italy. Those countries benefit from the ECB's QE program that started in March 2015 even though Greece missed the deadline for the 1.6 billion euro payment to the IMF. Whilst Japan economy is strong, especially export growth which stimulate domestic consumption while the unemployment rate fall. However, the China economy is slow down due to a decline in export. Hence, the People's Bank of China (PBOC) is likely to further ease monetary policy to revitalize its economy. The average crude oil price in Q2/2015 has been improved compared with the previous quarter as a result of the political unrest in the Middle East, nevertheless, imbalances weakening oil prices remain.

Thai economy in the second quarter of 2015 has a slight recovery as the world economic growth and our economy are slow down which dragged down the household consumption, imports and exports. Thus, the office of the National Economics and Social Development Board has revised its economic growth projection for 2015 to 3.0% from 3.2%. However, Thai economy is supported by the fast growing tourism industry due to the improvement of the political stability even if it was impacted by some negative sentiments such as the confirmed of the first infected MERS's patient in Thailand in June, however, Thai immediately took action to nip the spread of MER virus. Moreover, the listed Thailand as a red-flagged by the International Civil Aviation Organization (ICAO) which response to a safety concerns. Currently, Thai Department of Civil Aviation (DCA) is in the process of Air Operator Certificate Recertification for airlines in order to resolve the aforementioned concern at the earliest. Nevertheless, Thai AirAsia (a subsidiary of Asia Aviation Plc) affirms no impact from ICAO red-flag of Thailand as its business plan remain in place and operate as usual.

The number of international tourists to Thailand in Q2/2015 increased by 35% over the same period last year. The majority of international tourists are Chinese, which grew by 122% while others have a slightly increase when compared with the same period last year. Moreover, Thai passengers are likely to travel aboard that lead to enhance the total number of passengers carried of Thai AirAsia in the second quarter of 2015 are 3.5 million, increased by 26% compared with the same period last year which is higher than the capacity growth of 23% compared with the same period last year. This quarter, one new domestic route was introduced: Bangkok – Buri Ram. Frequency was added in Bangkok – Phuket route. Thai AirAsia was delivered 1 additional aircraft in this quarter, hence it closed the period with 43 aircraft in total, up 6 aircraft compared with the same period last year.

For the second quarter of 2015, Asia Aviation Plc had a net income of Baht 205.9 million, a reversal from the net loss when compared with the same period last year. The increase was primarily due to an increase in average fare, resulting from 26% growth of passengers with a strong load factor of 80%, rose by 2 percentage points (ppt) as well as a decrease in fuel cost as the aforementioned.



## 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 the six-month period ended 30 June 2014 and 2015 has been summarized below:

### Statement of Comprehensive Income

Asia Aviation Public Company Limited Unit: Baht million	Consolidated		Change	Consolidated		Change
	For the three-month period ended 30 June			For the six-month period ended 30 June		
	2015	2014		2015	2014	
Revenues	6,885.0	5,460.9	+26%	14,619.1	11,920.8	+23%
Gross profit	843.6	(122.6)	>100%	2,421.8	471.6	>100%
Profit before finance costs, share of profit from investment in an associate and income tax	448.8	(357.5)	>100%	1,663.4	5.8	>100%
Net profit (loss)/ Comprehensive income (expense) for the period	372.1	(321.4)	>100%	1,292.2	(74.4)	>100%
Owners of the parent	205.9	(176.3)	>100%	712.4	(37.3)	>100%
Non-controlling interests	166.2	(145.1)	>100%	579.8	(37.1)	>100%
Earnings (loss) Per Share (Baht)	0.0425	(0.0364)	>100%	0.1469	(0.0077)	>100%

For the second quarter of 2015 (Q2/2015), Asia Aviation Plc. had revenues of Baht 6,885.0 million, increased by Baht 1,424.1 million or 26% compared with the same period last year. Moreover, profit before finance costs, share of profit from investment in an associate and income tax amounted to Baht 448.8 million. Thus, Net profit /Total comprehensive income attributable to owners of the parent in Q2/2015 amounted to Baht 205.9 million, a reversal from the net loss compared with the same period last year, having a net profit margin of 3% and basic earnings was at Baht 0.0425 per share.

For the first half year of 2015 (1H2015) Asia Aviation Plc. had revenues of Baht 14,619.1 million, increased by Baht 2,698.3 million or 23% compared with the same period last year. Moreover, Profit before finance costs, share of profit from investment in an associate and income tax amounted to Baht 1,663.4 million. Thus, Net profit/ Total comprehensive income attributable to owners of the parent in 1H2015 amounted to Baht 712.4 million, a reversal



from the net loss compared with the same period last year, having a net profit margin of 5% and basic earnings was at 0.1469 Baht per share.

#### Statement of Financial Position

Asia Aviation Public Company Limited Unit: Baht million	Consolidated		Change
	As at 30 June 2015	As at 31 December 2014	
Total assets	51,797.6	49,501.8	+5%
Total liabilities	23,489.5	22,485.9	+4%
Equity attributable to owners of the parent	20,246.6	19,534.2	+4%
Non-controlling interests	8,061.5	7,481.7	+8%
Total shareholders' equity	28,308.1	27,015.9	+5%

#### Assets

As at 30 June 2015, total assets amounted to Baht 51,797.6 million, increased by Baht 2,295.8 million or 5% compared with the year ended 31 December 2014 and the return on assets (ROA) was 1.9%, primarily due to;

- (1) Current assets increased by Baht 898.3 million, mainly from an increase in current portion of long-term investments of Baht 808.7 million, which is 24-month fixed deposits.
- (2) Non-current assets increased by Baht 1,397.4 million, mainly from the aircraft, leasehold improvements and equipment-net which increased by Baht 2,335.3 million, given that 2 aircraft under finance lease agreement deliveries in 1H2015.

#### Liabilities

As at 30 June 2015, total liabilities amounted to Baht 23,489.5 million, increased by Baht 1,003.6 million or 4% compared with the year ended 31 December 2014, primarily due to;

- (1) Current liabilities decreased by Baht 819.0 million, mainly from the decrease in deferred revenues of Baht 830.0 million as a result of a low season of Thailand tourism in the next quarter.
- (2) Non-current liabilities increased by Baht 1,822.6 million, mainly from finance lease liabilities which increased by Baht 1,682.0 million as taking additional 2 aircraft in 1H2015.

#### Shareholders' Equity

As at 30 June 2015, total shareholders' equity amounted to Baht 28,308.1 million, increased by Baht 1,292.2 million or 5% compared with the year ended 31 December 2014 due to net profit in this period led to retained earnings increased by Baht 712.3 million and the return on equity (ROE) was 4.7%. Thus, as at 30 June 2015 the equity attributable to owners of the parent and non-controlling interests amounted to Baht 20,246.6 million and Baht 8,061.5 million, respectively.



## Statement of Cash Flows

Asia Aviation Public Company Limited Unit: Baht million	Consolidated	
	For the six-month period ended 30 June	
	2015	2014
Net cash generated from (used in) operating activities	732.1	(914.5)
Net cash generated from (used in) investing activities	(430.0)	1,589.1
Net cash used in financing activities	(721.6)	(421.8)
Net increase (decrease) in cash and cash equivalents	(419.6)	252.8
Exchange gain (loss) on cash and cash equivalents	50.9	(13.3)
Cash and cash equivalents at the beginning of the period	<u>4,789.1</u>	<u>1,958.6</u>
Cash and cash equivalents at the end of the period	<u>4,420.4</u>	<u>2,198.2</u>

For the six-month period ended 30 June 2015, Asia Aviation Plc. had net cash generated from operating activities amounted of Baht 732.1 million mainly due to operating profit in this period . However, net cash used in investing activities was Baht 430.0 million mainly from payments for aircraft expansion and cash at financial institutions pledged as security even though there was an increase in current portion of fixed deposits. Furthermore, net cash used in financing activities was Baht 721.6 million from repayment of finance lease and interest paid. As a result, Asia Aviation Plc. had net decrease in cash and cash equivalents of Baht 419.6 million, while the cash and cash equivalents at the end of the period amounted to Baht 4,420.4 million.



Thai AirAsia's financial performance for the six-month period ended 30 June 2014 and 2015 has been summarized below:

**Statement of Comprehensive Income**

Thai AirAsia Company Limited Unit: Baht million	For the three-month period ended 30 June		Change	For the six-month period ended 30 June		Change
	2015	2014		2015	2014	
	Revenues	6,885.0		5,460.9	+26%	
Gross profit	847.7	(118.4)	>100%	2,429.9	480.1	>100%
Profit (loss) before finance cost and income tax expense	451.3	(352.8)	>100%	1,669.2	12.7	>100%
Net Profit (loss) / Total Comprehensive income (expense) for the period	374.2	(317.6)	>100%	1,297.0	(73.0)	>100%
Earnings (loss) Per Share (Baht)	8.59	(7.29)	>100%	29.78	(1.67)	>100%

In Q2/2015, revenues of Thai AirAsia amounted to Baht 6,885.0 million, increased by Baht 1,424.1 million or 26% compared with the same period last year which was Baht 5,460.9 million, mainly due to the number of passengers carried in Q2/2015 grew by 26% compared with the same period last year to 3.5 million. The average fare price in Q2/2015 amounted to Baht 1,632 per pax, up 1% compared with the same period last year. Moreover, ancillary revenues increased from Baht 958.2 million in the second quarter of 2014 (Q2/2014) to Baht 1,130.6 million in Q2/2015, mainly from an increase in connection fees (Fly-Thru). Thus, the aircraft utilization in Q2/2015 was at 11.2 hours per day.

Gross profit in Q2/2015 amounted to Baht 847.4 million with a gross profit margin of 12%, revised from the net loss compared with the same period last year, mainly due to plummeted fuel cost from the lower average jet fuel price. The fuel cost per ASK was Baht 0.55 in Q2/2015, decreased by 24% compared with the same period last year from Baht 0.72 in Q2/2014 despite there was an increase in ramp and airport operation expenses as well as depreciation expenses owing to larger fleet size.

Profit before finance costs and income tax also turned to positive in Q2/2015 amounted to Baht 451.3 million, having an operating profit margin of 7%, even though loss on exchange rates increased amounting to Baht 83.6 million, given the Baht depreciation against the USD.

Net profit / Total comprehensive income for the period increased to Baht 374.2 million, a reversal from the net loss in Q2/2014, having a net profit margin of 5%. Although there was an increase in finance costs from the interest payment of aircraft under finance leases agreements, which have 14 aircraft at the end of second quarter



2015, up from 9 aircraft at the end of second quarter 2014. Moreover, Thai AirAsia recorded net deferred tax assets amounted to Baht 66.2 million caused by the increase in profit exempted from corporate income tax due to promotional privilege from BOI.

For 1H2015, revenues of Thai AirAsia's amounted to Baht 14,619.1 million, increased by 23% from Baht 11,920.8 million in the first half year of 2014 (1H2014), primarily due to an increase in the number of passengers carried to 7.2 million or 22% compared with the same period last year, beating the 19% increase in capacity. Thai AirAsia has been operated new routes and added frequencies on existing routes. The average fare in 1H2015 amounted to Baht 1,695 per pax, increased by 2% compared with the same period last year together with an increase in solid load factor of 2 ppts to 81% even though Thai AirAsia cancelled the fuel surcharge at the end of January 2015 due to the global oil price dropped significantly.

Although Thai AirAsia was impacted by an increase in finance costs from the interest payment of aircraft under finance leases and the loss on exchange rates owing to Baht depreciation, the slump in global fuel price is a positive sentiment of Thai AirAsia's profit according to the fuel expense was approximately 38% of its total expenses. Hence, the Net profit/ Total comprehensive income amounted to Baht 1,296.7 million, a reversal from the net loss when compared with the same period last year.

Thai AirAsia Company Limited	Q2/2015	Q2/2014	Change	1H2015	1H2014	Change
Passenger Carried (Million)	3.54	2.81	26%	7.24	5.92	22%
Capacity (Million seats)	4.45	3.61	23%	8.92	7.50	19%
Load Factor (%)	80	78	+2 ppts	81	79	+2 ppts
Revenue Passenger Kilometers (Million seats-km)	3,574	2,855	25%	7,268	5,913	23%
Available seat kilometers (Million seats-km)	4,410	3,667	20%	8,845	7,488	18%
Average fare (Baht)	1,632	1,612	1%	1,695	1,665	2%
Revenue per Available seat kilometers(Baht)	1.56	1.49	5%	1.65	1.59	4%
Cost per Available seat kilometers (Baht)	1.48	1.65	-10%	1.50	1.64	-9%
Cost per Available seat kilometers (ex-fuel)(Baht)	0.94	0.93	1%	0.93	0.91	2%



## Statement of Financial Position

Thai AirAsia Company Limited Unit: Baht million	As at 30 June 2015	As at 31 December 2014	Change
Total assets	27,993.6	25,689.3	+9%
Total liabilities	20,495.6	19,488.3	+5%
Total shareholders' equity	7,498.0	6,201.0	+21%

### Assets

As at 30 June 2015, total assets amounted to Baht 27,993.6 million, increased by Baht 2,304.3 million or 9% compared with the year ended 31 December 2014, primarily due to;

- (1) Current assets increased by Baht 896.3 million, mainly from an increase in current portion of long-term investments of Baht 808.7 million, which is 24-month fixed deposits.
- (2) Non-current assets increased by Baht 1,407.9 million, mainly from the aircraft, leasehold improvements and equipment-net which increased by Baht 2,345.6 million, given that 2 aircraft under finance lease agreement deliveries in 1H2015.

### Liabilities

As at 30 June 2015, total liabilities amounted to Baht 20,495.6 million, increased by Baht 1,007.3 million or 5% compared with the year ended 31 December 2014, primarily due to;

- (1) Current liabilities decreased by Baht 816.5 million, mainly from the decrease in deferred revenues of Baht 830.0 million as a result of a low season of Thailand tourism in the next quarter.
- (2) Non-current liabilities increased by Baht 1,823.8 million, mainly from finance lease liabilities which increased by Baht 1,682.0 million as taking additional 2 aircraft in 1H2015.

### Shareholders' Equity

As at 30 June 2015, total shareholders' equity amounted to Baht 7,498.0 million, increased by Baht 1,297.0 million or 21% compared with the year ended 31 December 2014, resulted from net profit during the period.

Thai AirAsia manages its financial management efficiency to maintain a strong capital structure in the competitive market. Thai AirAsia's Debt-to-Equity ratio (Interest bearing debt) and Net Gearing ratio as at 30 June 2015 were 1.86x and 0.96x, respectively.



Statement of Cash Flows

Thai AirAsia Company Limited Unit: Baht million	For the six-month period ended 30 June	
	2015	2014
Net cash generated from (used in) operating activities	729.8	(914.2)
Net cash generated from (used in) investing activities	(430.0)	1,575.7
Net cash used in financing activities	<u>(721.6)</u>	<u>(421.8)</u>
Net increase (decrease) in cash and cash equivalents	(421.8)	239.7
Exchange gain (loss) on cash and cash equivalents	50.9	(13.3)
Cash and cash equivalents at the beginning of the period	4,783.4	1,956.6
Cash and cash equivalents at the end of the period	<u>4,412.5</u>	<u>2,183.0</u>

For the six-month period ended 30 June 2015, Thai AirAsia had net cash generated from operating activities amounted of Baht 729.8 million mainly due to operating profit in this period. However, net cash used in investing activities was Baht 430.0 million mainly from payments for aircraft expansion and cash at financial institutions pledged as security even though there was an increase in current portion of fixed deposits. Furthermore, net cash used in financing activities was Baht 721.6 million from repayment of finance lease and interest paid. As a result, Thai AirAsia had net decrease in cash and cash equivalents of Baht 421.8 million, while the cash and cash equivalents at the end of the period amounted to Baht 4,412.5 million.



## Business Outlook

The overview of the global economy in 2H2015 has signs of recovery. However, the US dollars are expected to appreciate if the central bank of the United States (Fed) begins to hike interest rate. Thus, the volatility of foreign exchange and interest rate are the key risk factors that effect on the company's performance because the company has a part revenues and expenses in foreign currencies such as maintenance contracts and aircraft rental. To prevent the foreign exchange exposure, the company engage in the natural hedge scheme. Whilst the company has set a measure to alleviate interest rate risk from the aircraft financial lease by fixing interest rate.

Although the oil price has been recovered from the beginning of the year. However, the expected oil price in 2H2015 still remains weak for some reasons; OPEC and Russia maintain its current daily level of crude oil production. Moreover, the negotiations for an agreement on the Iranian nuclear program are success which lead to the oversupply of crude oil in global market in the near term. To mitigate the risks from oil price volatility in order to keep the fluctuation in the manageable level since jet fuel price is a majority of total expenses. The company has a policy to hedge the jet fuel price.

Thai economy outlook in 2H2015 expects to have a weaken recover, as a result of the shrinking exports. It might impact on private investment, manufacturing, and private consumption. However, tourism industry expect to remain strong due to the absence of the political unrest and the increase inbound international tourists, particularly Chinese tourists which continue to grow. The Tourism Council of Thailand forecasts the number of tourists by nationality in the third quarter of 2015 to reach 7.3 million, up 25% when compared with the same period last year. Hence, the expect number of international tourists in 2015 are 29.5 million, increased by 19% when compared with the same period last year. Moreover, weaken oil prices will increase buying power of consumers which will support the tourism industry to stay strong. However, the third quarter is a low season of Thailand tourism, thus the company offers attractive promotions to boost up the sales and to stimulate the tourists to travel more.

Furthermore, the company plan to deploy 2 new aircraft in 2H2015, totally 45 aircraft within 2015, which will base at a new hub at U-Tapao international airport (UTP) located in Rayong province. These 2 new aircraft will serve various destinations in China. Additionally, the company will inaugurate a new international route: Bangkok (DMK)-Bangalore which enter into India market besides China market which is the substantive market. These new route will operate on September 1, 2015. To penetrate in India market is one of the company's strategy to stabilize revenues throughout the year from both existing and new base customers and to minimize the effect of revenue volatility from the seasonality in order to enhance the company's sustainable business growth.



## Glossary

**Load Factor** = Represents the number of passengers carried as a proportion to capacity, which is the number of seats available for passengers (180 seats for Airbus A320)

**Available seat kilometers (ASK)** = which is the total number of seats available on all flights multiplied by the number of kilometers these seats were flown

**Revenue Passenger Kilometers (RPK)** = Revenue passenger kilometers, which is the number of paying passengers carried on all flights multiplied by the number of kilometers 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 (kilometer)** = Represents the average number of kilometers flown per flight

**Aircraft Utilization** = 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 shareholders' equity

**Net Gearing ratio** = Calculated as Thai AirAsia's total interest bearing debt less cash divided by total shareholders' equity