



Executive Summary

Overview of the global economy during the first quarter of 2016 (Q1/2016) are as follows; the US economic recovery continued due to the strong domestic consumption from an improving labour market. Similar to Eurozone economy that gradually recovered, supported by the ECB's policy easing. However, Japanese economy was slowdown owing to the drop in private consumption and the contraction of public investment and exports. In addition, Chinese economy was in sluggish growth owing to the shrinking of manufacturing and exports as well as non-performing loan concern. The average crude oil price in Q1/2016 remained at a low level, slightly decreased from the previous quarter as a result of global economic pressure and the oversupply of global crude oil.

In Q1/2016, the Thais economy slightly recovered which driven mainly from the strong growth of tourism industry and the stimulus package and public investment by the government. However, a continual shrink Thailand's export sector resulted from the weak global economy. Additionally, the agricultural products price is still low and there was a severe drought. These factors pressured on household debts and impact on the domestic purchasing power.

The number of international tourists to Thailand from January to March 2016 amounted to 9.0 million, or increased by 15% over the same period last year. The majority of international tourists are from East Asia, particularly Chinese and ASEAN countries which grew by 31% and 14% respectively, followed by 9% growth of tourists from European countries. While others had a slightly increase compared with the same period last year. Hence, the total number of passengers carried of Thai AirAsia in the first quarter of 2016 are 4.4 million, increased by 18% compared with the same period last year, outstripped the 11% increase in capacity. In additional, TAA took 2 additional aircraft in this quarter and TAA has added 5 aircraft compared with the same period last year, allowing to end the quarter with a total of 47 aircraft. Moreover, TAA launched 2 new international routes including Phuket – Wuhan and Bangkok (Don Mueang) – Luang Prabang.

For the first quarter of 2016, Asia Aviation Plc had a net income of Baht 1,009.1 million, increased by 99% compared with the same period last year resulting from the strong growth of passengers carried at 18% compared with the same period last year while fuel cost decreased significantly 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 period ended 31 March 2015 and 2016 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		
	2016	2015	
Revenues	8,952.5	7,734.2	+16%
Gross profit	2,485.4	1,578.2	+57%
Profit before finance costs, share of loss from investment in an associate and income tax	2,050.0	1,214.6	+69%
Net profit/ Comprehensive income for the period	1,832.9	920.1	+99%
Owners of the parent	1,009.1	506.4	+99%
Non-controlling interests	823.8	413.7	+99%
Earnings Per Share (Baht)	0.2081	0.1044	+99%

For the first quarter of 2016, Asia Aviation Plc had revenues of Baht 8,952.5 million, increased by Baht 1,218.3 million or 16% compared with the same period last year. Moreover, profit before finance costs, share of loss from investment in an associate and income tax amounted to Baht 2,050.0 million, increased by Baht 835.4 million or 69% compared with the same period last year. Thus, Net profit /Total comprehensive income attributable to owners of the parent in Q1/2016 amounted to Baht 1,009.1 million, increased by Baht 502.7 million or 99% compared with the same period last year, having a net profit margin of 11% and basic earnings was at Baht 0.2081 per share.

Statement of Financial Position

Asia Aviation Public Company Limited Unit: Baht million	Consolidated		Change
	As at 31 March 2016	As at 31 December 2015	
Total assets	54,475.6	52,826.5	+3%
Total liabilities	24,559.5	24,743.3	-1%
Equity attributable to owners of the parent	21,151.5	20,142.4	+5%
Non-controlling interests	8,764.6	7,940.8	+10%
Total shareholders' equity	29,916.1	28,083.2	+7%

Assets

As at 31 March 2016, total assets amounted to Baht 54,475.6 million, increased by Baht 1,649.1 million or 3% compared with the year ended 31 December 2015 and the return on assets (ROA) was 3.0%, due to;

- (1) Current assets increased by Baht 1,206.8 million, mainly from an increase in cash and cash equivalents of Baht 1,395.2 million whilst there was a decrease in short-term investments of Baht 258.5 million.
- (2) Non-current assets increased by Baht 442.3 million, resulting from the aircraft maintenance reserves which increased by Baht 703.7 million whilst the aircraft, leasehold improvements and equipment-net decreased by Baht 282.4 million owing to a rise in accumulated depreciation.

Liabilities

As at 31 March 2016, total liabilities amounted to Baht 24,559.5 million, decreased by Baht 183.8 million or 1% compared with the year ended 31 December 2015, due to;

- (1) Current liabilities increased by Baht 183.2 million, mainly from an increase in amounts due to related parties of Baht 223.8 million.
- (2) Non-current liabilities decreased by Baht 367.0 million, mainly from finance lease liabilities which decreased by Baht 466.8 million due to repayments of finance leases and interest paid.

Shareholders' Equity

As at 31 March 2016, total shareholders' equity amounted to Baht 29,916.1 million, increased by Baht 1,832.9 million, or 7% compared with the year ended 31 December 2015, resulting from the operating results during the period lead to an increase in retained earnings in an amount of Baht 1,009.1 million. Hence, an equity attributable to owners of the parent and non-controlling interests ended this period amounted to Baht 21,151.5 million and Baht 8,764.6 million, respectively, with the return on equity (ROE) was 7.7%.



Statement of Cash Flows

Asia Aviation Public Company Limited Unit: Baht million	Consolidated	
	For the three-month period ended 31 March	
	2016	2015
Net cash generated from operating activities	2,361.2	642.7
Net cash used in investing activities	(470.6)	(391.5)
Net cash used in financing activities	<u>(443.0)</u>	<u>(332.1)</u>
Net increase (decrease) in cash and cash equivalents	1,447.6	(81.0)
Exchange loss on cash and cash equivalents	(52.3)	(57.3)
Cash and cash equivalents at the beginning of the period	6,122.8	4,789.1
Cash and cash equivalents at the end of the period	<u>7,518.1</u>	<u>4,650.8</u>

For the three-month period ended 31 March 2016, Asia Aviation Plc had net cash generated from operating activities amounted of Baht 2,361.2 million mainly due to operating profit in this period. In contrast, net cash used in investing activities was Baht 470.6 million mainly from payment for aircraft maintenance reserves. Net cash used in financing activities was Baht 443.0 million from repayments of finance leases and interest paid. As a result, Asia Aviation Plc had net increase in cash and cash equivalents of Baht 1,447.6 million, while the cash and cash equivalents at the end of the period amounted to Baht 7,518.1 million.



Thai AirAsia's financial performance for the three-month period ended 31 March 2015 and 2016 has been summarised below:

Statement of Comprehensive Income

Thai AirAsia Company Limited Unit: Baht million	For the three-month period ended 31 March		Change
	2016	2015	
Revenues	8,952.5	7,734.2	+16%
Gross profit	2,489.4	1,582.3	+57%
Profit before finance cost and income tax expense	2,053.6	1,217.8	+69%
Net Profit/ Total Comprehensive income for the period	1,831.8	922.8	+99%
Earnings Per Share (Baht)	42.06	21.19	+98%

In Q1/2016, revenues of Thai AirAsia amounted to Baht 8,952.5 million, increased by Baht 1,218.3 million or 16% compared with the same period last year which was Baht 7,734.2 million. The increase in revenues was driven by the 18% growth in the number of passengers carried in Q1/2016 at 4.4 million. Whereas, the load factor was a record high at 88%, or up by 5 percentage points (ppts) compared with the same period last year resulting from the momentum growth of tourism industry and it was also in the peak season of Thailand tourism. The ancillary revenues in Q1/2016 increased from Baht 1,261.0 million to Baht 1,470.0 million, or up by 17% compared with the same period last year, which rose in relation to the aforementioned passenger growth. This was mainly from an increase in checked baggage fees, online processing fees and In-flight meal revenues. The average fare in Q1/2016 slightly decreased by 2% compared with the same period last year to Baht 1,722 per pax. Without fuel surcharge fees, however, the average fare was Baht 1,721 per pax or up by 4% from Baht 1,659 per pax in Q1/2015. Thus, the aircraft utilisation in Q1/2016 was at 11.9 hours per day, higher than Q1/2015 which had the aircraft utilisation at 11.5 hours per day.

Gross profit in Q1/2016 amounted to Baht 2,489.4 million, increased by 57% compared with the same period last year, with a gross profit margin of 28%, mainly from the plummeted jet fuel costs in relation to the global oil prices. The fuel cost per ASK decreased from Baht 0.59 in Q1/2015 to Baht 0.39 in Q1/2016 or declined by 34%. In Q1/2016, the company took additional 2 aircraft under operating lease, leading to an increase in aircraft rental expenses. The staff costs, ramp and airport operating costs as well as maintenance and overhaul costs increased owing to larger fleet size.

Profit before finance costs and income tax in Q1/2016 amounted to Baht 2,053.6 million, increased by 69% compared with the same period last year, having an operating profit margin of 30%. While selling and administration expenses ratio was still in line with the same period last year.



Net profit / Total comprehensive income for the period amounted to Baht 1,831.8 million, or increased by 99% compared with the same period last year, having a net profit margin of 20%. Thai AirAsia also has a profit exempted from corporate income taxes due to promotional privileges under the Board of Investment resulting in lower tax expense. Meanwhile, the increase of finance cost was mainly due to the Baht depreciation against US dollar compared with the same period last year.

Thai AirAsia Company Limited	Q1/2016	Q1/2015	Change
Passenger Carried (Million)	4.37	3.70	18%
Capacity (Million seats)	4.97	4.48	11%
Load Factor (%)	88%	83%	+5 ppts
Revenue Passenger Kilometres (Million seats-km)	4,336	3,694	17%
Available seat kilometres (Million seats-km)	4,967	4,436	12%
Average fare (Baht)	1,722	1,755	-2%
Average fare ex-fuel (Baht)	1,721	1,659	4%
Revenue per Available seat kilometres(Baht)	1.80	1.74	3%
Cost per Available seat kilometres (Baht)	1.44	1.52	-5%
Cost per Available seat kilometres (ex-fuel)(Baht)	1.05	0.93	13%

Statement of Financial Position

Thai AirAsia Company Limited Unit: Baht million	As at 31 March 2016	As at 31 December 2015	Change
Total assets	30,666.7	29,007.6	+6%
Total liabilities	21,577.7	21,750.5	-1%
Total shareholders' equity	9,089.0	7,257.1	+25%

Assets

As at 31 March 2016, total assets amounted to Baht 30,666.7 million, increased by Baht 1,659.1 million or 6% compared with the year ended 31 December 2015, due to;

- (1) Current assets increased by Baht 1,212.0 million, mainly from an increase in cash and cash equivalents of Baht 1,398.7 million, whilst there was a decrease in short-term investments of Baht 258.5 million.
- (2) Non-current assets increased by Baht 447.1 million, resulting from the aircraft maintenance reserves which increased by Baht 703.7 million, whilst the aircraft, leasehold improvements and equipment-net decreased by Baht 277.7 million owing to a rise in accumulated depreciation.



Liabilities

As at 31 March 2016, total liabilities amounted to Baht 21,577.7 million, decreased by Baht 172.8 million or 1% compared with the year ended 31 December 2015, primarily due to;

- (1) Current liabilities increased by Baht 189.5 million, mainly from an increase in amounts due to related parties of Baht 230.5 million.
- (2) Non-current liabilities decreased by Baht 362.3 million, mainly from finance lease liabilities which decreased by Baht 466.8 million due to the repayments of finance leases and interest paid.

Shareholders' Equity

As at 31 March 2016, total shareholders' equity amounted to Baht 9,089.0 million, increased by Baht 1,831.9 million or 25% compared with the year ended 31 December 2015, resulted 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 2016 were 1.49x and 0.58x, 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	
	2016	2015
Net cash generated from operating activities	2,364.6	647.6
Net cash used in investing activities	(470.6)	(391.5)
Net cash used in financing activities	(443.0)	(332.1)
Net increase (decrease) in cash and cash equivalents	1,451.0	(76.0)
Exchange loss on cash and cash equivalents	(52.4)	(57.3)
Cash and cash equivalents at the beginning of the period	6,071.4	4,783.4
Cash and cash equivalents at the end of the period	<u>7,470.0</u>	<u>4,650.1</u>

For the three-month period ended 31 March 2016, Thai AirAsia had net cash generated from operating activities amounted of Baht 2,364.6 million mainly due to operating profit in this period. In contrast, net cash used in investing activities was Baht 470.6 million mainly from payment for aircraft maintenance reserves. Net cash used in financing activities was Baht 443.0 million from repayments of finance leases and interest paid. As a result, Thai AirAsia had net increase in cash and cash equivalents of Baht 1,451.0 million, while the cash and cash equivalents at the end of the period amounted to Baht 7,470.0 million.



Business Outlook

The overview of the US economy in Q1/2016 continue to recover, so that there is a probability that the Federal Reserve (Fed) will gradually hike the interest rate in the second-half of 2016 (2H16). As a result, the baht is likely to depreciate against dollars as rising the US interest rates. The company has a part of revenues and expenses in foreign currencies such as passenger fares, repair and maintenance as well as aircraft rental. Hence, the company engage in the natural hedge scheme to prevent the foreign exchange exposure. Additionally, the company has set a measure to alleviate interest rate risk from the aircraft financial lease by fixing the interest rate.

The company expects to gain a benefit from the current weakening global oil prices. Although some of the world's major producers attempted to limit oil production ceiling in order to stabilise the oil prices, the meeting between the OPEC members on April 17, 2016 failed to agree on a plan to curb the global glut as Iran refused to cooperate, it continues to increase its production level and the export of crude oil. This factor lead to depress oil prices further. The company monitors the changes in oil prices and manages the fuel price regularly since jet fuel price is a majority of total operating costs. To mitigate the risks from oil price volatility in the future, the company has a policy to hedge the jet fuel price.

Thai economic outlook in Q2/2016 expects to gradually recover from the government's economic stimulus package such as infrastructure project and Pracharat housing package. While the tourism industry remains strong, particularly Chinese tourists which continue to grow steadily. The Tourism Council of Thailand forecasts the number of tourists by nationality in the second quarter of 2016 to reach 7.8 million, or up 11.6% compared with the same period last year. During the second quarter, there are many public holidays such as Chakri Day, Songkran Festival, Coronation Day and Wisakha Bucha Day. Furthermore, the government announced the additional holiday during Thai Coronation Day. The company believes that these may encourage tourists to travel which is positive to tourism sector.

In addition, the company plans to deliver 2 new aircraft in Q2/2016, totally 49 aircraft at the end of 1H16. The company still has a plan to launch new various destinations in order to connect route network across the domestic region and overseas such as Bangkok(Don Mueang) – Kochi(India), Bangkok – Shantou(China), Chiang Mai – Changsha(China), Chiang Mai – Khon Kaen, Khon Kaen – Hat Yai, Hat Yai - Chiang Rai and Hat Yai – Johor Bahru(Malaysia).



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

Revenue Passenger Kilometres (RPK) = Revenue passenger kilometres, which is the number of paying passengers carried on all flights multiplied by the number of kilometres those seats were flown

Average Fare = Calculated as Thai AirAsia's total passenger revenues and fuel surcharge divided by total number of passengers carried

Revenue per ASK (RASK) = Calculated as Thai AirAsia's revenues divided by ASK

Cost per ASK (CASK) = Calculated as the sum of Thai AirAsia's operating costs, selling expenses and administrative expenses (but excluding finance costs) divided by ASK

Cost per ASK (CASK ex-fuel) = Calculated as the sum of Thai AirAsia's operating costs, selling expenses and administrative expenses (but excluding finance costs) less fuel costs divided by ASK

Average stage length (kilometres) = Represents the average number of kilometres flown per flight

Aircraft Utilisation = Represents the average block hours per day per aircraft during the relevant period. Block hours is calculated by measuring the duration between the time of departure of an aircraft and the time of arrival at its destination.

Debt to Equity ratio (D/E) = Calculated as Thai AirAsia's total interest bearing debt divided by total shareholders' equity

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