



## Executive Summary

Overview of the global economy during the third quarter of 2015 (Q3/2015) are as follows; the US economy continued growing due to an increase in household consumption whilst the unemployment rate was at the lowest level since April 2008, even if there was a pressure from the dollar's appreciation during the period, resulting in a slowdown of exports. Similar to Eurozone economy that steadily recovered, particularly in Germany, Spain and Italy which had a benefit from an increase in trade surplus as the euro depreciated while unresolved situation in Greece. However, Japan economy was weak owing to the contraction of investment and exports as well as Yen's depreciation caused the higher prices of imported goods. In line with China economy which had sent a slowdown signal to the market and also had new negative factors such as the Chinese stock market volatility and the shrinking of exports. Hence, the People's Bank of China (PBOC) devalued its Yuan currency while the central government had accelerated government expenditures to stimulate its economy. The average crude oil price in Q3/2015 remained at a low level, declined from the previous quarter as a result of global economic pressure and the oversupply of global crude oil.

According to Thai economy in the third quarter of 2015 was slowdown as the global economy remains weak, Thailand's export sector continued to shrink. Thus, the office of the National Economics and Social Development Board forecasted economic growth for 2015 in the range of 2.7% – 3.2% driven by the strong growth of tourism industry. Even in the mid of August 2015, Thailand's tourism industry had been affected by the explosion at Ratchaprasong intersection. However, the number of tourist arrival in Thailand recovered faster than expected. Some tourists decided to travel directly to other attractive destinations such as Chiang Mai, Phuket, and Krabi and so on.

The number of international tourists to Thailand from July to September 2015 increased by 24% over the same period last year. The majority of international tourists are Chinese, which grew by 71% while others had a slightly increase when compared with the same period last year. Hence, the total number of passengers carried of Thai AirAsia in the third quarter of 2015 are 3.6 million, increased by 26% compared with the same period last year, matching the 27% increase in capacity. This quarter, the company took in 1 additional aircraft and comparing YoY, TAA has added 4 aircraft allowing them to end the quarter with a total of 44 aircraft. In addition, TAA has launched a new 5<sup>th</sup> hub at U-tapao International Airport (Pattaya) as well as inaugural 3 new international routes which are 1 route from Thailand to India, Bangkok - Bengaluru and 2 routes from Thailand to China, Pattaya - Nanning and Pattaya Nanchang.

For the third quarter of 2015, Asia Aviation Plc had a net income of Baht 91.6 million, a reversal from the net loss when compared with the same period last year. The increase was primarily due to strong growth of passengers carried at 26% and the average fare also increased by 7% compared with the same period last year. While fuel cost decreased significantly as the aforementioned. Although the company's performance in this quarter was impacted by the Baht depreciation against US dollar.



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 nine-month period ended 30 September 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 September			For the nine-month period ended 30 September		
	2015	2014		2015	2014	
	Revenues	7,254.2		5,558.6	+31%	
Gross profit	900.1	(62.4)	>100%	3,321.9	409.2	>100%
Profit before finance costs, share of profit from investment in an associate and income tax	278.1	(278.3)	>100%	1,941.5	(272.5)	>100%
Net profit (loss)/ Comprehensive income (expense) for the period	168.2	(382.4)	>100%	1,460.4	(456.9)	>100%
Owners of the parent	91.6	(209.0)	>100%	804.0	(246.4)	>100%
Non-controlling interests	76.6	(173.4)	>100%	656.4	(210.5)	>100%
Earnings (loss) Per Share (Baht)	0.0189	(0.0431)	>100%	0.1658	(0.0508)	>100%

For the third quarter of 2015 (Q3/2015), Asia Aviation Plc had revenues of Baht 7,254.2 million, increased by Baht 1,695.6 million or 31% 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 278.1 million. Thus, Net profit /Total comprehensive income attributable to owners of the parent in Q3/2015 amounted to Baht 91.6 million, a reversal from the net loss compared with the same period last year, having a net profit margin of 1% and basic earnings was at Baht 0.0189 per share.

For the nine-month period ended 30 September 2015, Asia Aviation Plc had revenues of Baht 21,873.3 million, increased by Baht 4,393.9 million or 25% 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 1,941.5 million. Thus, Net profit/ Total comprehensive income attributable to owners of the parent for the nine-month period ended 30 September 2015 amounted to Baht 804.0 million, a reversal from the net loss compared with the same period last year, having a net profit margin of 4% and basic earnings was at 0.1658 Baht per share.



Statement of Financial Position

Asia Aviation Public Company Limited Unit: Baht million	Consolidated		Change
	As at 30 September 2015	As at 31 December 2014	
Total assets	51,723.4	49,501.8	+4%
Total liabilities	24,161.5	22,485.9	+7%
Equity attributable to owners of the parent	19,855.0	19,534.2	+2%
Non-controlling interests	7,706.9	7,481.7	+3%
Total shareholders' equity	27,561.9	27,015.9	+2%

**Assets**

As at 30 September 2015, total assets amounted to Baht 51,723.4 million, increased by Baht 2,221.6 million or 4% compared with the year ended 31 December 2014 and the return on assets (ROA) was 2.5%, due to;

- (1) Current assets increased by Baht 674.1 million, mainly from an increase in current portion of long-term investments of Baht 849.5 million, which is 24-month fixed deposits.
- (2) Non-current assets increased by Baht 1,547.5 million, resulting from the aircraft, leasehold improvements and equipment-net which increased by Baht 2,388.5 million, given that 2 aircraft under finance lease agreement deliveries in 9M2015.

**Liabilities**

As at 30 September 2015, total liabilities amounted to Baht 24,161.5 million, increased by Baht 1,675.6 million or 7% compared with the year ended 31 December 2014, due to;

- (1) Current liabilities decreased by Baht 510.3 million, mainly from a decrease in deferred revenues of Baht 862.2 million according to high advance booking during end of December 2014 for high season of January to February traveling.
- (2) Non-current liabilities increased by Baht 2,185.9 million, mainly from finance lease liabilities which increased by Baht 2,013.2 million as taking additional 2 aircraft in 9M2015.

**Shareholders' Equity**

As at 30 September 2015, total shareholders' equity amounted to Baht 27,561.9 million, increased by Baht 546.0 million, or 2% compared with the year ended 31 December 2014, resulting from the operating results during the period. Nevertheless, Asia Aviation Plc announced the interim dividend payment for the period January 1, 2015 to August 31, 2015 at the rate 0.10 baht per share, totaling Baht 485.0 million and paid to the shareholders on 29 September 2015. In addition, the company recorded a legal reserve amounted to Baht 24.2 million. Hence, an equity attributable to owners of the parent and non-controlling interests ended this period amounted to Baht 19,855.0 million and Baht 7,706.9 million, respectively, with the return on equity (ROE) was 6.3%.



Statement of Cash Flows

Asia Aviation Public Company Limited Unit: Baht million	Consolidated	
	For the nine-month period ended 30 September	
	2015	2014
Net cash generated from (used in) operating activities	1,993.3	(507.7)
Net cash generated from (used in) investing activities	(38.3)	1,530.7
Net cash used in financing activities	<u>(2,091.8)</u>	<u>(700.1)</u>
Net increase (decrease) in cash and cash equivalents	(136.8)	322.9
Exchange gain (loss) on cash and cash equivalents	157.6	(20.2)
Cash and cash equivalents at the beginning of the period	4,789.1	1,958.6
Cash and cash equivalents at the end of the period	<u>4,809.9</u>	<u>2,261.3</u>

For the nine-month period ended 30 September 2015, Asia Aviation Plc had net cash generated from operating activities amounted of Baht 1,993.3 million mainly due to operating profit in this period . In contrast, net cash used in investing activities was Baht 38.3 million mainly from payments for aircraft expansion and cash at financial institutions pledged as security while there was a decrease in short-term and long-term investments. Furthermore, net cash used in financing activities was Baht 2,091.8 million from dividend paid, repayment of finance lease and interest paid. As a result, Asia Aviation Plc had net decrease in cash and cash equivalents of Baht 136.8 million, while the cash and cash equivalents at the end of the period amounted to Baht 4,809.9 million.



Thai AirAsia's financial performance for the three-month and the nine-month period ended 30 September 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 September		Change	For the nine-month period ended 30 September		Change
	2015	2014		2015	2014	
	Revenues	7,254.2		5,558.6	+31%	
Gross profit	904.2	(60.1)	>100%	3,334.1	420.0	>100%
Profit (loss) before finance cost and income tax expense	285.5	(277.9)	>100%	1,954.7	(265.2)	>100%
Net Profit (loss) / Total Comprehensive income (expense) for the period	174.4	(382.1)	>100%	1,471.4	(455.1)	>100%
Earnings (loss) Per Share (Baht)	4.00	(8.77)	>100%	33.78	(10.45)	>100%

In Q3/2015, revenues of Thai AirAsia amounted to Baht 7,254.2 million, increased by Baht 1,695.6 million or 31% compared with the same period last year which was Baht 5,558.6 million. Even though the third quarter was a low season of Thailand tourism industry which was affected by the explosion at Ratchaprasong Intersection in August 2015. The increase in revenues was primarily due to the rising in the number of passengers carried in Q3/2015, up 26% compared with the same period last year to 3.6 million. While, the average fare in Q3/2015 amounted to Baht 1,710 per pax, up 7% compared with the same period last year. However, ancillary revenues per pax in Q3/2015 decreased from Baht 364 to Baht 321 compared with the same period last year, mainly from a decrease in seat selection fee and baggage handling fee. Thus, the aircraft utilization in Q3/2015 was at 11.2 hours per day, higher than the third quarter of 2014 (Q3/2014) which has the aircraft utilization at 9.9 hours per day.

Gross profit in Q3/2015 amounted to Baht 904.2 million with a gross profit margin of 12%, revised from the net loss compared with the same period last year, mainly from the slump of jet fuel prices. The fuel cost per ASK decreased from Baht 0.72 in Q3/2014 to Baht 0.53 in Q3/2015 or declined by 27%. However, there was an increase in ramp and airport operation expenses owing to the incentive descending as stated in the contract and an increase in a number of flights. Moreover, the maintenance and overhaul cost increased owing to larger fleet size.

Profit before finance costs and income tax also turned to positive in Q3/2015 amounted to Baht 285.5 million, having an operating profit margin of 4%, even though the Baht depreciation against the US dollar resulting in net unrealized loss on exchange rates amounting to Baht 231.4 million. The proportion of selling and administration expenses was still in line compared with the same period last year.



Net profit / Total comprehensive income for the period increased to Baht 174.4 million, a reversal from the net loss in Q3/2014, having a net profit margin of 2%. The proportion of finance cost was still in line compared with the same period last year due to the decrease in referred interest rate.

For 9M2015, revenues of Thai AirAsia's amounted to Baht 21,873.3 million, increased by 25% from Baht 17,479.4 million in the first nine-month of 2014 (9M2014), primarily due to an increase in the number of passengers carried to 10.8 million or 23% growth while the capacity grew by 22% compared with the same period last year. The average fare in 9M2015 amounted to Baht 1,700 per pax, increased by 4% compared with the same period last year, while load factor up 1 ppt to 81%. Even though, Thai AirAsia cancelled the fuel surcharge at the end of January 2015 due to the global oil price dropped significantly. However, ancillary revenues per pax in 9M2015 decreased from Baht 359 to Baht 327 compared with the same period last year. Due to the shorter flight time and light travelers of the new domestic flights which were inaugural in the first nine month, hence, the ancillary revenues of seat selection fee and baggage handling fee during the period has been dropped.

Net profit/ Total comprehensive income in the nine-month period ended 30 September 2015 amounted to Baht 1,471.4 million, a reversal from the net loss when compared with the same period last year. It was primarily due to the plummet in global fuel price, which sent a positive sentiment to the company's operating results as fuel cost accounting for 36% of its total expenses. Nonetheless, there was an increase in finance costs from the interest payment of an additional 2 aircraft under finance leases agreements, to totally 14 by the ended of third quarter 2015, amounted to Baht 340.0 million. In addition, the company recorded net unrealized loss on exchange rates amounted to Baht 300.3 million owing to Baht depreciation against US dollar throughout the year.

Thai AirAsia Company Limited	Q3/2015	Q3/2014	Change	9M2015	9M2014	Change
Passenger Carried (Million)	3.58	2.85	26%	10.83	8.78	23%
Capacity (Million seats)	4.41	3.47	27%	13.34	10.97	22%
Load Factor (%)	81%	82%	-1 ppt	81%	80%	1 ppt
Revenue Passenger Kilometers (Million seats-km)	3,651	2,957	23%	10,919	8,870	23%
Available seat kilometers (Million seats-km)	4,445	3,553	25%	13,290	11,042	20%
Average fare (Baht)	1,710	1,592	7%	1,700	1,641	4%
Revenue per Available seat kilometers(Baht)	1.63	1.56	4%	1.65	1.58	4%
Cost per Available seat kilometers (Baht)	1.56	1.72	-9%	1.52	1.67	-9%
Cost per Available seat kilometers (ex-fuel)(Baht)	1.03	1.00	4%	0.97	0.94	3%

## Statement of Financial Position

Thai AirAsia Company Limited Unit: Baht million	As at 30 September 2015	As at 31 December 2014	Change
Total assets	27,856.9	25,689.3	+8%
Total liabilities	21,142.8	19,488.3	+8%
Total shareholders' equity	6,714.1	6,201.0	+8%

### Assets

As at 30 September 2015, total assets amounted to Baht 27,856.9 million, increased by Baht 2,167.6 million or 8% compared with the year ended 31 December 2014, due to;

- (1) Current assets increased by Baht 604.4 million, mainly from an increase in current portion of long-term investments of Baht 849.5 million, which is 24-month fixed deposits.
- (2) Non-current assets increased by Baht 1,563.2 million, mainly from the aircraft, leasehold improvements and equipment-net which increased by Baht 2,403.6 million, given that 2 aircraft under finance lease agreement deliveries in 9M2015.

### Liabilities

As at 30 September 2015, total liabilities amounted to Baht 21,142.8 million, increased by Baht 1,654.5 million or 8% compared with the year ended 31 December 2014, primarily due to;

- (1) Current liabilities decreased by Baht 534.0 million, mainly from the decrease in deferred revenues of Baht 862.2 million according to high advance booking during end of December 2014 for high season of January to February traveling.
- (2) Non-current liabilities increased by Baht 2,188.5 million, mainly from finance lease liabilities which increased by Baht 2,013.2 million as taking additional 2 aircraft in 9M2015.

### Shareholders' Equity

As at 30 September 2015, total shareholders' equity amounted to Baht 6,714.1 million, increased by Baht 513.1 million or 8% compared with the year ended 31 December 2014, resulted from the operating results during the period. However, Thai AirAsia announced the interim dividend payment at the rate 22 baht per share, totaling Baht 958.2 million and paid to the shareholders on 19 August 2015. In addition, the company recorded a legal reserve amounted to Baht 44.0 million.



Thai AirAsia's Debt-to-Equity ratio (Interest bearing debt) and Net Gearing ratio as at 30 September 2015 were 2.14x and 1.15x, respectively. However, to maintain a strong capital structure in the competitive market, Thai AirAsia has a policy to manage its Debt-to-Equity ratio less than 2x.

#### Statement of Cash Flows

Thai AirAsia Company Limited Unit: Baht million	For the nine-month period ended 30 September	
	2015	2014
Net cash generated from (used in) operating activities	1,968.8	(439.1)
Net cash generated from (used in) investing activities	(38.3)	1,530.7
Net cash used in financing activities	<u>(2,135.7)</u>	<u>(700.1)</u>
Net increase (decrease) in cash and cash equivalents	(205.2)	391.5
Exchange gain (loss) on cash and cash equivalents	157.6	(20.2)
Cash and cash equivalents at the beginning of the period	4,783.4	1,956.5
Cash and cash equivalents at the end of the period	<u>4,735.8</u>	<u>2,327.8</u>

For the nine-month period ended 30 September 2015, Thai AirAsia had net cash generated from operating activities amounted of Baht 1,968.8 million mainly due to operating profit in this period. However, net cash used in investing activities was Baht 38.3 million mainly from payments for aircraft expansion and cash at financial institutions pledged as security, while there was a decrease in short-term and long-term investments. Furthermore, net cash used in financing activities was Baht 2,135.7 million from dividend paid, repayment of finance lease and interest paid. As a result, Thai AirAsia had net decrease in cash and cash equivalents of Baht 205.2 million, while the cash and cash equivalents at the end of the period amounted to Baht 4,735.8 million.



## Business Outlook

The overview of the US economy in Q4/2015 has a recovery sign, hence the Federal Reserve (Fed) has a probability to gradually hike the interest rate in the near-term. 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 have a benefit from the current weakening global oil prices which tend to continue remaining weak throughout the year 2015. It is due to the excess of crude oil production in the market. After the lifting of Iran's sanction, Iran would try to increase its production level and the export of crude oil, leading to depress oil prices further. However, 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 economy outlook in Q4/2015 expects to gradually recover from the government's economic stimulus package, worth Baht 3.42 hundred billion to support agriculturist, low income, and SMEs. While the tourism industry growth expected to remain strong, particularly Chinese tourists which continue to grow steadily. The Tourism Council of Thailand forecasts the number of tourists by nationality in the fourth quarter of 2015 to reach 8.1 million, up 9.1% when compared with the same period last year. Hence, the expect number of international tourists in 2015 are 30.3 million, increased by 22.3% when compared with the same period last year. Moreover, the oil prices which likely to remain weak as aforementioned are the key factor to encourage consumer spending which will support the tourism industry to stay strong. In the fourth quarter is a high season of Thailand tourism, thus, the company expects the number of passenger arrival in Thailand during this period will enhance the company to meet its annual passenger target for the year 2015.

Furthermore, the company plans to deliver a new aircraft in Q4/2015, totally 45 aircraft within 2015, which will base at a new hub at U-Tapao international airport (UTP) located in Pattaya, serving new various destinations directly to both domestic and international. In 2016, the company plans to penetrate India and ASEAN market in order to expand its customer base, not only focus on Chinese market. Hence, this diversified strategy tend to minimize the risk of dependence on major customers base and to enhance the company's revenue sustainable growth in the future.



### 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