



Executive Summary

Overview of the global economy in 2015 are as follows; The International Monetary Fund (IMF) estimated global economy growth in 2015 at 3.1% in January 2016. The U.S. economy continued growing due to an increase in household consumption whilst the unemployment rate remained at a low level. Nevertheless, there was a pressure from the dollar's appreciation during the period resulting in a slowdown of industrial sector and exports. Similar to Eurozone economy that steadily recovered, resulting from the rising in household spending which supported by strengthening labour markets. Even though, the terrorist attack in France in November 2015, there was no significant affect to Eurozone economy. Japan economy recovered during the fourth quarter 2015 driven by private investment and domestic consumption. In contrast, China economy continued to slow, particularly in the industrial and manufacturing sectors resulting in the volatility in China stock market and Yuan depreciation. According to the National Bureau of Statistics of China revealed the economic growth in 2015 was at 6.9%, although 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 2015 decreased from the prior year as a result of the oversupply of global crude oil.

The Office of the National Economics and Social Development Board revealed the Thailand economic growth for 2015 was at 2.8%. Thai economy in 2015 was sluggish mainly from continual shrink in export sector owing to the slow growth in China economy and the plummeted oil prices that dragged down the price of oil-related products. However, Tourism was the key industry driving the Thai economy and the government also spurred domestic spending via short-term measures to enhance the economic growth in late this year.

The number of international tourists to Thailand from January to December 2015 increased by 20% 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 2015 was at 14.8 million, or increased by 22% compared with the same period last year, higher than the capacity growth of 19%. In fourth quarter, the company inaugural 5 new domestic and international routes, comprised of Pattaya (U-tapao)-Macau, Pattaya-Singapore, Pattaya-Udon Thani, Pattaya-Chiang Mai, Pattaya-Hat Yai. Frequencies were added on one route: Bangkok (Don Mueang)-Phuket. Additionally, the company took in 1 additional aircraft in Q4/2015, allowing them to end the quarter with a total of 45 aircraft which increased 5 aircraft when compared with the same period last year.

For the year ended of 2015, Asia Aviation Plc had a net income of Baht 1,078.5 million, sharply increased from the prior year's net income which was at Baht 183.2 million. The increase was primarily due to strong growth of passengers carried at 22% compared with the same period last year and a solid load factor at 81%. Although fuel costs decreased significantly as the aforementioned, the company's performance also was impacted from the weaken Baht 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 year ended 31 December 2014 and 2015 has been summarised below:

Statement of Comprehensive Income

Asia Aviation Public Company Limited Unit: Baht million	Consolidated		Change	Consolidated		Change
	For the three-month period ended 31 December			For year ended 31 December		
	2015	2014		2015	2014	
	Revenues	7,634.0		7,876.1	(-3%)	
Gross profit	870.3	1,238.6	(-30%)	4,192.2	1,647.9	>100%
Profit before finance costs and income tax	624.9	915.2	(-32%)	2,566.4	642.8	>100%
Net profit (loss)	497.9	788.1	(-37%)	1,958.3	331.3	>100%
Owners of the parent	274.5	429.6	(-36%)	1,078.5	183.2	>100%
Non-controlling interests	223.4	358.6	(-38%)	879.8	148.1	>100%
Other comprehensive income (expense):						
Actuarial gain (loss) on defined retirement benefit plan	29.2	11.7	>100%	29.2	11.7	>100%
Income tax relating to components of other comprehensive income (expense)	(5.8)	(2.3)	>100%	(5.8)	(2.3)	>100%
Total Comprehensive income (expense) for the period	521.2	797.5	(-35%)	1,981.6	340.6	>100%
Owners of the parent	287.4	434.7	(-34%)	1,091.3	188.3	>100%
Non-controlling interests	233.9	362.8	(-36%)	890.3	152.3	>100%
Earnings (loss) Per Share (Baht)	0.0566	0.0886	(-36%)	0.2224	0.0378	>100%

For the fourth quarter of 2015 (Q4/2015), Asia Aviation Plc had revenues of Baht 7,634.0 million, decreased by Baht 242.1 million or 3% compared with the same period last year. Additionally, profit before finance costs and income tax amounted to Baht 624.9 million, decreased by Baht 290.3 million or 32% compared with the same period last year. Thus, Net profit attributable to owners of the parent in Q4/2015 amounted to Baht 274.5 million, decreased by Baht 155.1 million or 36% compared with the same period last year, having a net profit margin of 3.6% and basic earnings was at Baht 0.0566 per share.



For the year ended 2015, Asia Aviation Plc had revenues of Baht 29,507.3 million, increased by Baht 4,151.8 million or 16% compared with the same period last year. Moreover, profit before finance costs and income tax amounted to Baht 2,566.4 million. Thus, Net profit attributable to owners of the parent for the year ended 2015 amounted to Baht 1,078.5 million, having a net profit margin of 3.7% and basic earnings was at Baht 0.2224 per share.

Total Comprehensive income attributable to owners of the parent amounted to Baht 1,091.3 million for the year ended 2015, resulting from actuarial gain on defined retirement benefit plan amounted to Baht 29.2 million and income tax relating to components of other comprehensive expense amounted to Baht 5.8 million.

Statement of Financial Position

Asia Aviation Public Company Limited Unit: Baht million	Consolidated		Change
	As at 31 December 2015	As at 31 December 2014	
Total assets	52,826.5	49,501.8	+7%
Total liabilities	24,743.3	22,485.9	+10%
Equity attributable to owners of the parent	20,142.4	19,534.2	+3%
Non-controlling interests	7,940.8	7,481.7	+6%
Total shareholders' equity	28,083.2	27,015.9	+4%

Assets

As at December 31, 2015, total assets amounted to Baht 52,826.5 million, increased by Baht 3,324.7 million or 7% compared with the year ended December 31, 2014 and the return on assets (ROA) was 2.1%, due to;

- (1) Current assets increased by Baht 1,336.6 million, mainly from an increase in cash and cash equivalents of Baht 1,333.7 million.
- (2) Non-current assets increased by Baht 1,988.1 million, resulting from the aircraft, leasehold improvements and equipment-net which increased by Baht 2,182.8 million, given that 2 aircraft under finance lease agreement deliveries in 2015 and an increase in Aircraft maintenance reserve. Whereas, the long-term investments decreased as a result of an increase in current portion of 24-month fixed deposit.

Liabilities

As at December 31, 2015, total liabilities amounted to Baht 24,743.3 million, increased by Baht 2,257.4 million or 10% compared with the year ended December 31, 2014, due to;

- (1) Current liabilities increased by Baht 431.7 million, mainly from an increase in amounts due to related parties and current portion of finance lease liabilities of Baht 445.2 million and Baht 302.4 million,



respectively. Whilst, deferred revenues decreased by Baht 599.0 million according to the change of customers' behaviour in order to book a ticket in advance.

- (2) Non-current liabilities increased by Baht 1,825.7 million, mainly from finance lease liabilities which increased by Baht 1,657.4 million as taking additional 2 aircraft in 2015.

Shareholders' Equity

As at December 31, 2015, total shareholders' equity amounted to Baht 28,083.2 million, increased by Baht 1,067.3 million, or 4% compared with the year ended December 31, 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, totalling Baht 485.0 million and paid to the shareholders on 29 September 2015. In addition, the company recorded a legal reserve amounted to Baht 26.5 million. Hence, an equity attributable to owners of the parent and non-controlling interests ended this year amounted to Baht 20,142.4 million and Baht 7,940.8 million, respectively, with the return on equity (ROE) was 5.4%.

Statement of Cash Flows

Asia Aviation Public Company Limited Unit: Baht million	Consolidated	
	For year ended 31 December	
	2015	2014
Net cash generated from (used in) operating activities	3,007.3	1,849.0
Net cash generated from (used in) investing activities	882.8	2,025.4
Net cash generated from (used in) financing activities	<u>(2,529.1)</u>	<u>(1,030.8)</u>
Net increase (decrease) in cash and cash equivalents	1,361.0	2,843.6
Exchange gain (loss) on cash and cash equivalents	(27.3)	(13.1)
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>6,122.8</u>	<u>4,789.1</u>

For the year ended December 31, 2015, Asia Aviation Plc had net cash generated from operating activities amounted of Baht 3,007.3 million mainly due to operating profit in this period. Net cash generated from investing activities was Baht 882.8 million mainly from a decrease in short-term and long-term investments while there was an increase in the payments for aircraft expansion and cash at financial institutions pledged as security. Furthermore, net cash used in financing activities was Baht 2,529.1 million from dividend paid, repayment of finance lease and interest paid. As a result, Asia Aviation Plc had net increase in cash and cash equivalents of Baht 1,361.0 million, while the cash and cash equivalents at the end of the period amounted to Baht 6,122.8 million.

Thai AirAsia's financial performance for the three-month and year ended 31 December 2014 and 2015 has been summarised below:

Statement of Comprehensive Income

Thai AirAsia Company Limited Unit: Baht million	For the three-month period ended 31 December		Change	For year ended 31 December		Change
	2015	2014		2015	2014	
	Revenues	7,634.0		7,876.1	(-3%)	
Gross profit	874.4	1,240.9	(-30%)	4,208.5	1,660.8	>100%
Profit (loss) before finance cost and income tax expense	647.7	918.0	(-29%)	2,602.4	652.8	>100%
Net Profit (loss) for the period	519.6	790.4	(-34%)	1,991.0	335.3	>100%
Total Comprehensive income (expense) for the period	543.0	799.7	(-32%)	2,014.4	344.6	>100%
Earnings (loss) Per Share (Baht)	11.93	18.15	(-34%)	45.71	7.70	>100%

In Q4/2015, revenues of Thai AirAsia amounted to Baht 7,634.0 million, decreased by Baht 242.1 million or 3% compared with the fourth quarter of 2014 (Q4/2014) which was at Baht 7,876.1 million, mainly due to the average fare in Q4/2015 dropped by 19% to Baht 1,579 per pax compared with the same period last year. A decrease in the average fare primarily resulted from 1) The drop in the number passengers carried in international routes, from 29% growth in Q4/2014 to 5% growth in Q4/2015 in consequence of the smog in south Thailand which triggered by the Indonesian forest fires in October 2015 and also the explosion at Ratchaprasong intersection in August 2015. These factors resulted in stagnation in Thai tourism, but was continue to grow and it will rebound immediately once the circumstance was rectified. While an increase in the international tourists in Q4/2014 was mainly from the stimulation plan by the government which waiving visa fees for international tourists in some countries, together with the aggressive marketing plan to boost tourist arrivals after Thailand's situation back to normal and 2) Thai AirAsia cancelled fuel surcharge fees since the beginning of the year 2015 due to the global oil price dropped significantly. However, ancillary revenues in Q4/2015 increased to Baht 1,309.6 million from Baht 1,238.1 million in Q4/2014, or rose by 6%, mainly due to an increase in baggage handling fees from offering a marketing campaign on AirAsia's baggage tag to redeem the discount when purchasing goods and services with company's partners. There were also an increase in the connecting flight fees (Fly-Thru) and In-flight revenues, especially meals and merchandises. Thus, the aircraft utilization in Q4/2015 was at 11.8 hours per day, higher than Q4/2014 which has the aircraft utilization at 11.5 hours per day.



Gross profit in Q4/2015 amounted to Baht 874.4 million, decreased by 30% compared with the same period last year, with a gross profit margin of 12%. An increase in operating costs mainly resulted from a rise in aircraft rental as well as repair and maintenance and depreciation in relation to larger fleet size as well as the US dollar appreciation when compared with the same period last year. Ramp and airport operations costs also increased owing to the incentive descending as stated in the contract. However, fuel cost dropped in relation to the global oil prices, leading to the fuel costs per ASK decreased from Baht 0.72 in Q4/2014 to Baht 0.51 in Q4/2015 or declined by 29%.

Profit before finance costs and income tax in Q4/2015 amounted to Baht 647.7 million, or decreased by 29% compared with the same period last year, having an operating profit margin of 9%. The proportion of selling and administration expenses was still in line compared with the same period last year.

Net profit for the period decreased to Baht 519.6 million, or fell by 34% compared with the same period last year, having a net profit margin of 7%, resulting from the increase in finance costs from the additional aircraft under finance lease agreement.

For the year ended 2015, revenues of Thai AirAsia's amounted to Baht 29,507.3 million, increased by 16% from Baht 25,355.5 million in 2014, primarily due to an increase in the number of passengers carried to 14.8 million or 22% growth while the capacity grew by 19% compared with the same period last year. Whilst, the load factor was up by 1 percentage point (ppt) compared with the same period last year to at 81%. Additionally, ancillary revenues in 2015 amounted to Baht 4,851.7 million, rose by 11% compared with the same period last year, mainly from the increase in baggage handling fees, connecting flight (Fly-Thru) fees and In-flight revenues, especially meals and merchandises. Nevertheless, the average fare in 2015 amounted to Baht 1,667 per pax or fell by 3% compared with the same period last years, as fuel surcharge fees has been cancelled since the beginning of the year 2015. Thus, it clearly be shown that the average fare excluded fuel surcharge fees in 2015 was Baht 1,628 per pax, up by 3% from Baht 1,583 per pax in 2014.

Net profit for the year ended 2015 amounted to Baht 1,991.0 million, increased from Baht 335.3 million in 2014. It was primarily due to the plummet in global fuel price, which is benefiting to the company's operating results as fuel costs 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 aircraft by the year ended 2015. In addition, the company recorded net unrealised loss on exchange rates amounted to Baht 204.8 million, since Thai Baht has been weakened against US dollar throughout the year.

Total comprehensive income for the year ended 2015 amounted to Baht 2,014.4 million, resulting from actuarial gain on defined retirement benefit plan amounted to Baht 29.2 million and income tax relating to components of other comprehensive expense amounted to Baht 5.8 million.



Thai AirAsia Company Limited	Q4/2015	Q4/2014	Change	2015	2014	Change
Passenger Carried (Million)	4.02	3.44	17%	14.85	12.21	22%
Capacity (Million seats)	4.89	4.34	12%	18.22	15.31	19%
Load Factor (%)	82%	79%	+3 ppts	81%	80%	+1 ppt
Revenue Passenger Kilometers (Million seats-km)	3,953	3,550	11%	14,872	12,420	20%
Available seat kilometers (Million seats-km)	4,826	4,378	10%	18,116	15,419	17%
Average fare (Baht)	1,579	1,941	-19%	1,667	1,726	-3%
Average fare ex-fuel surcharge (Baht)	1,570	1,793	-12%	1,628	1,582	3%
Revenue per Available seat kilometres (Baht)	1.58	1.80	-12%	1.63	1.64	-1%
Cost per Available seat kilometers (Baht)	1.54	1.64	-6%	1.53	1.66	-8%
Cost per Available seat kilometers (ex-fuel)(Baht)	1.03	0.92	12%	0.98	0.93	6%

Statement of Financial Position

Thai AirAsia Company Limited Unit: Baht million	As at 31 December 2015	As at 31 December 2014	Change
Total assets	29,007.6	25,689.3	+13%
Total liabilities	21,750.5	19,488.3	+12%
Total shareholders' equity	7,257.1	6,201.0	+17%

Assets

As at December 31, 2015, total assets amounted to Baht 29,007.6 million, increased by Baht 3,318.3 million or 13% compared with the year ended 31 December 2014, due to;

- (1) Current assets increased by Baht 1,310.0 million, mainly from an increase in cash and cash equivalents of Baht 1,287.9 million.
- (2) Non-current assets increased by Baht 2,008.3 million, mainly from the aircraft, leasehold improvements and equipment-net which increased by Baht 2,202.7 million, given that 2 aircraft under finance lease agreement deliveries in 2015. Aircraft maintenance reserve also increased whilst the long-term investments decreased as a result of an increase in current portion of 24-month fixed deposit.

Liabilities

As at December 31, 2015, total liabilities amounted to Baht 21,750.5 million, increased by Baht 2,262.2 million or 12% compared with the year ended 31 December 2014, primarily due to;

- (1) Current liabilities increased by Baht 433.2 million, mainly from an increase in amounts due to related parties and current portion of finance lease liabilities of Baht 445.2 million and Baht 302.4 million,



respectively. Whilst, deferred revenues decreased by Baht 599.0 million according to the change of customers' behaviour in order to book a ticket in advance.

- (2) Non-current liabilities increased by Baht 1,829.0 million, mainly from finance lease liabilities which increased by Baht 1,657.4 million as taking additional 2 aircraft in 2015.

Shareholders' Equity

As at December 31, 2015, total shareholders' equity amounted to Baht 7,257.1 million, increased by Baht 1,056.1 million or 17% 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, totalling 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 December 31, 2015 were 1.93x and 0.94x, 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 year ended 31 December	
	2015	2014
Net cash generated from (used in) operating activities	3,005.3	1,845.4
Net cash generated from (used in) investing activities	882.8	2,025.4
Net cash generated from (used in) financing activities	<u>(2,572.9)</u>	<u>(1,030.8)</u>
Net increase (decrease) in cash and cash equivalents	1,315.2	2,840.0
Exchange gain (loss) on cash and cash equivalents	(27.2)	(13.1)
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>6,071.4</u>	<u>4,783.4</u>

For the year ended December 31, 2015, Thai AirAsia had net cash generated from operating activities amounted of Baht 3,005.3 million mainly due to operating profit in this period. Net cash generated from investing activities was Baht 882.8 million mainly from the decrease in short-term and long-term investments, while there was an increase in the payments for aircraft expansion and cash at financial institutions pledged as security. Furthermore, net cash used in financing activities was Baht 2,572.9 million from dividend paid, repayment of finance lease and interest paid. As a result, Asia Aviation Plc had net increase in cash and cash equivalents of Baht 1,315.2 million, while the cash and cash equivalents at the end of the period amounted to Baht 6,071.4 million.



Business Outlook

The IMF has toned down global economy growth in 2016 from 3.6% to 3.4% in January 2016. In order to respond to the risk that may arise to affect the company's operation, the company analyses possible factors that may prevent the company in achieving its goals and mitigate its risks as follows;

1) Interest rate fluctuation: overall activity remains resilient in the United States supported by still-easy financial conditions and the low level of unemployment rate which resulting in the increase in consumer spending. However, Federal Reserve (Fed) still has a plan to hike the interest rate again during 2016-2017 even though Fed had already raised its interest rate up by 0.25% in December 2015. Hence, the company has set a measure to alleviate interest rate risk from the aircraft financial lease by opting for fixed-rate loan or entering into interest rate swap with financial institution as appropriate. Currently, the company has foreign currency debt with the floating interest rate at approximately 7%, thus, the next hiking interest rate in the near-term will not have a significant impact on company's financial performance.

2) Currency fluctuation: the company has a part of revenues and expenses in foreign currencies, approximately 60%, such as passenger fares, repair and maintenance as well as aircraft rental. Therefore, the company engage in the natural hedge scheme to prevent the foreign exchange exposure.

3) Fuel costs fluctuation: Crude oil price is expected to remain at a low level but tends to rebound during the second half of 2016 (2H2016). According to the meeting at Qatar in February 2016 between the Organization of the Petroleum Exporting (OPEC) and Non-OPEC, raise a plan to limit the ceiling of oil production level in order to sustain oil price. However, crude oil in the market is still oversupply as China (the world's second largest oil importer) tends to reduce oil consumption owing to sluggish economic growth. Hence, the company is monitoring the changes in situations for factors that can influence the fuel price. To mitigate the risks from fuel price fluctuation is by the fuel price hedging in order to keep the fluctuation in the manageable level. The average effective jet fuel cost in 2016 as of February 25, 2016 is 53 USD per barrel.

According to The Office of the National Economics and Social Development Board, the Thailand economic growth for 2016 is expected to increase by 3.3% driven by the government spending, particularly in infrastructure investment and short-term stimulus, as well as, momentum growth in the tourism industry. Tourism and Sports Ministry expects the number of international tourist arrivals in 2016 to rise over 32 million in January 2016, or increased by 7.0% when compared with the same period last year, mainly driven by the expansion of Chinese tourists and the improvement in the political situation in Thailand. The government not only has a strategy to focus on revenue growth through the quality of tourism sustainability, but also supports the philosophy of sufficiency economy in order to balance between economic, social and environmental. The first quarter is the high season of Thailand tourism and has several holidays such as New Year, Chinese New Year, and Makha Bucha Day. We expected that the tourists would be robust travel both domestic and international destinations. The aforementioned factors have positive sentiments on the aviation industry and tourism sector.



In 2016, the company set the target of passengers carried up to 16.9 million, with a strong load factor at 82%, and also plans to deliver a new 5 aircraft, totally 50 aircraft within 2016. 1 out of 5 aircraft will be NEO type (New Engine Option), which is expected to save fuel consumption approximately 15% and have lower emissions levels. Moreover, the company also plans to penetrate India and AEC market, while still keeping the market share in Chinese market. Hence, this diversified strategy tend to minimise 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