



Executive Summary

Overview of the global economy during the second quarter of 2016 (Q2/2016) are as follows; the US economy grew at a slow pace as inventories fell for the first time since 2011, but surged in consumer spending. While Eurozone economy slowed down due to the political risks including the Brexit referendum and the 2nd election in Spain. Similar to Japanese economy that continued remaining weak, especially in manufacturing sector after the hardest hit by Kumamoto quake and the appreciation of Yen. Same as Chinese economic growth which was in downward trend as government tightened lending after credit risk rose sharply. The average crude oil price in Q2/2016 increased from the previous quarter but still remained at a low level as a result of the oversupply of global crude oil from the major oil producers and the slowdown of global economy as aforementioned.

In Q2/2016, the Thai economy slightly recovered even though there was a slow growth of tourism industry during the period. However, the growth of the tourism industry and the acceleration of public expenditure are the key factors to boost Thai economy. Unfortunately, Thai economy still has an impact from the deceleration of global manufacturing sectors, together with the agricultural products which were pressured from drought leading to continually weaken in exports.

The number of international tourists to Thailand from April to June 2016 amounted to 7.6 million, or increased by 8% over the same period last year. The majority of international tourists are from East Asia, particularly Chinese and ASEAN countries which grew by 14% and 6% respectively, followed by European countries at 11%. While others had a slightly increase compared with the same period last year. Hence, the total number of passengers carried of Thai AirAsia during the quarter were 4.2 million, increased by 18% YoY, outstripped the 13% growth in capacity. Moreover, Thai AirAsia took 2 additional aircraft in this quarter and Thai AirAsia has added 6 aircraft compared with the same period last year, allowing them to end the quarter with a total of 49 aircraft. In addition, Thai AirAsia inaugurated 7 new routes both domestic and international comprising of Chiang Mai – Khon Kaen, Khon Kaen – Hat Yai, Hat Yai – Chiang Rai, Bangkok(Don Mueang) – Kochi(India), Bangkok - Shantou(China), Chiang Mai – Changsha(China) and Hat Yai – Johor Bahru(Malaysia) and added frequencies on an existing route of Hat Yai – Chiang Mai.

For the second quarter of 2016, Asia Aviation Plc had a net income of Baht 422.5 million grew more than double compared with the same period last year. These was resulted 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 and the six-month period ended 30 June 2015 and 2016 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 30 June			For the six-month period ended 30 June		
	2016	2015		2016	2015	
Revenues	7,755.9	6,885.0	+13%	16,708.3	14,619.1	+14%
Gross profit	1,200.0	843.6	+42%	3,685.4	2,421.8	+52%
Profit (loss) before finance costs and income tax	799.2	448.7	+78%	2,849.2	1,663.2	+71%
Net profit (loss)/ Total Comprehensive income (expense) for the period	766.2	372.1	+106%	2,599.1	1,292.2	+101%
Owners of the parent	422.5	205.9	+105%	1,431.6	712.4	+101%
Non-controlling interests	343.7	166.2	+107%	1,167.5	579.8	+101%
Earnings (loss) per share (Baht)	0.0871	0.0425	+105%	0.2952	0.1469	+101%

For the second quarter of 2016, Asia Aviation Plc had revenues of Baht 7,755.9 million, increased by Baht 870.9 million or 13% compared with the same period last year. Additionally, profit before finance costs and income tax amounted to Baht 799.2 million, increased by Baht 350.5 million or 78% compared with the same period last year. Thus, Net profit /Total comprehensive income attributable to owners of the parent in Q2/2016 amounted to Baht 422.5 million, increased by Baht 216.6 million or 105% compared with the same period last year, having a net profit margin of 5% and basic earnings was at Baht 0.0871 per share.

For the first half year of 2016 (1H2016), Asia Aviation Plc had revenues of Baht 16,708.3 million, increased by Baht 2,089.2 million or 14% compared with the same period last year. Moreover, profit before finance costs and income tax amounted to Baht 2,849.2 million, increased by Baht 1,186.0 million or 71% compared with the same period last year. Thus, Net profit /Total comprehensive income attributable to owners of the parent in 1H2016 amounted to Baht 1,431.6 million, increased by Baht 719.2 million or 101% compared with the same period last year, having a net profit margin of 9% and basic earnings was at Baht 0.2952 per share.



Statement of Financial Position

Asia Aviation Public Company Limited Unit: Baht million	Consolidated		Change
	As at 30 June 2016	As at 31 December 2015	
Total assets	54,465.0	52,826.5	+3%
Total liabilities	23,782.7	24,743.3	-4%
Equity attributable to owners of the parent	21,574.0	20,142.4	+7%
Non-controlling interests	9,108.3	7,940.8	+15%
Total shareholders' equity	30,682.3	28,083.2	+9%

Assets

As at 30 June 2016, total assets amounted to Baht 54,465.0 million, increased by Baht 1,638.5 million or 3% compared with the year ended 31 December 2015 and the return on assets (ROA) was 3.4%, due to;

- (1) Current assets increased by Baht 1,030.8 million, mainly from the increase in cash and cash equivalents and amounts due from related parties of Baht 852.9 million and Baht 478.0 million, respectively. Short-term investments decreased by Baht 259.1 million due to maturity of bill of exchange in an amount of Baht 750.0 million, while there was an increase in fixed deposit in an amount of Baht 500.0 million.
- (2) Non-current assets increased by Baht 607.7 million, resulting from the aircraft maintenance reserves which increased by Baht 1,041.5 million whilst the aircraft, leasehold improvements and equipment-net decreased by Baht 488.3 million owing to a rise in accumulated depreciation.

Liabilities

As at 30 June 2016, total liabilities amounted to Baht 23,782.7 million, decreased by Baht 960.6 million or 4% compared with the year ended 31 December 2015, due to;

- (1) Current liabilities decreased by Baht 173.0 million, mainly from the decrease in amounts due to related parties and accrued expenses of Baht 158.1 million and Baht 121.6 million, respectively. While other accounts payable and deferred revenues increased by Baht 73.5 million and Baht 41.8 million, respectively.
- (2) Non-current liabilities decreased by Baht 787.6 million, mainly from finance lease liabilities which decreased by Baht 810.3 million due to repayments of finance leases and interest paid.

Shareholders' Equity

As at 30 June 2016, total shareholders' equity amounted to Baht 30,682.3 million, increased by Baht 2,599.1 million, or 9% 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 1,431.6 million. Hence, an equity attributable to owners of the parent and non-controlling interests ended this period amounted to Baht 21,574.0 million and Baht 9,108.3 million, respectively, with the return on equity (ROE) was 8.6%.

Statement of Cash Flows

Asia Aviation Public Company Limited Unit: Baht million	Consolidated	
	For the six-month period ended 30 June	
	2016	2015
Net cash generated from (used in) operating activities	2,573.7	732.0
Net cash generated from (used in) investing activities	(812.0)	(430.0)
Net cash generated from (used in) financing activities	(897.1)	(721.6)
Net increase (decrease) in cash and cash equivalents	864.6	(419.6)
Exchange gain (loss) on cash and cash equivalents	(11.7)	50.9
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>6,975.7</u>	<u>4,420.4</u>

For the six-month period ended 30 June 2016, Asia Aviation Plc had net cash generated from operating activities amounted of Baht 2,573.7 million mainly due to operating profit in this period. In contrast, net cash used in investing activities was Baht 812.0 million mainly from payment for aircraft maintenance reserves. Net cash used in financing activities was Baht 897.1 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 864.6 million, while the cash and cash equivalents at the end of the period amounted to Baht 6,975.7 million.



Thai AirAsia's financial performance for the three-month and six-month period ended 30 June 2015 and 2016 has been summarised 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
	2016	2015		2016	2015	
	Revenues	7,755.9		6,885.0	+13%	
Gross profit	1,203.9	847.7	+42%	3,693.3	2,429.9	+52%
Profit (loss) before finance costs and income tax	800.9	451.3	+77%	2,854.4	1,669.2	+71%
Net Profit (loss)/ Total Comprehensive income (expense) for the period	767.6	374.2	+105%	2,599.4	1,297.0	+100%
Earnings (loss) per share (Baht)	17.62	8.59	+105%	59.68	29.78	+100%

In Q2/2016, revenues of Thai AirAsia amounted to Baht 7,755.9 million, increased by Baht 870.9 million or 13% compared with the same period last year which was Baht 6,885.0 million. The increase in revenues was driven by the 18% growth in the number of passengers carried in Q2/2016 at 4.2 million. Whereas, the load factor was at 83%, or up by 3 percentage points (ppts) compared with the same period last year resulting from the momentum growth of tourism industry even though it was the low season in Thailand. The ancillary revenues in Q2/2016 increased from Baht 1,130.6 million to Baht 1,323.9 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 meals and beverages revenues. However, the average fare in Q2/2016 dropped by 5% compared with the same period last year to Baht 1,550 per pax from Baht 1,632 per pax in Q2/2015 resulting from the promotional fare for new routes. Thus, the aircraft utilisation in Q2/2016 was at 11.6 hours per day, higher than Q2/2015 which had the aircraft utilisation at 11.2 hours per day.

Gross profit in Q2/2016 amounted to Baht 1,203.9 million, increased by 42% compared with the same period last year, with a gross profit margin of 16%. The cost per available seat kilometres (CASK) was at Baht 1.39 in Q2/2016, decreased by 6% compared with the same period last year due to a drop in jet fuel costs in relation to the global oil prices. The fuel cost per ASK decreased from Baht 0.55 in Q2/2015 to Baht 0.39 in Q2/2016 or declined by 29%. However, aircraft rental, staff costs as well as repair and maintenance costs increased owing to larger fleet size.



Profit before finance costs and income tax in Q2/2016 amounted to Baht 800.9 million, increased by 77% compared with the same period last year, having an operating profit margin of 10%. While selling and administrative expenses increased slightly owing to the advertising costs in order to boost sales during the low season.

Net profit / Total comprehensive income for the period amounted to Baht 767.6 million, or increased by 105% compared with the same period last year, having a net profit margin of 10%. Thai AirAsia recorded net deferred tax assets amounted to Baht 87.9 million caused by the increase in profit exempted from corporate income tax due to promotional privilege from BOI while there was a decrease in financial costs due to the decline in finance lease liabilities.

For 1H2016, revenues of Thai AirAsia's amounted to Baht 16,708.3 million, increased by 14% from Baht 14,619.1 million in the first half year of 2015 (1H2015), primarily due to an increase in the number of passengers carried to 8.5 million or 18% compared with the same period last year, beating the 12% increase in capacity compared with the same period last year as Thai AirAsia has been delivered 6 aircraft compared with the same period last year. While the available seat kilometres (ASK) increased by 14% compared with the same period last year, resulting from launched new routes and increased frequencies in unique routes. The average fare in 1H2016 amounted to Baht 1,638 per pax, decreased by 3% compared with the same period last year. Without fuel surcharge fees, however, the average fare in 1H2016 slightly higher than the average fare in 1H2015.

Net profit / Total comprehensive income for the period amounted to Baht 2,599.4 million, or increased by 100% compared with the same period last year. Thai AirAsia was benefit from a decrease in global oil prices as 27% of its total expenses was fuel cost. In addition, the company recorded net unrealised gain on exchange rates amounted to Baht 25.9 million due to slight baht's appreciation in 1H16, reversed from the net unrealised loss on exchange rates amounted to Baht 68.9 million in 1H15 as baht's depreciation.

Thai AirAsia Company Limited	Q2/2016	Q2/2015	Change	1H2016	1H2015	Change
Passenger Carried (Million)	4.17	3.54	18%	8.53	7.24	18%
Capacity (Million seats)	5.02	4.45	13%	9.99	8.92	12%
Load Factor (%)	83%	80%	+3 ppts	85%	81%	+4 ppts
Revenue Passenger Kilometres (Million seats-km)	4,269	3,574	19%	8,604	7,268	18%
Available seat kilometres (Million seats-km)	5,138	4,410	17%	10,105	8,845	14%
Average fare (Baht)	1,550	1,632	-5%	1,638	1,695	-3%
Average fare ex-fuel (Baht)	1,550	1,603	-3%	1,637	1,631	0%
Revenue per Available seat kilometres(Baht)	1.51	1.56	-3%	1.65	1.65	0%
Cost per Available seat kilometres (Baht)	1.39	1.48	-6%	1.41	1.50	-6%
Cost per Available seat kilometres (ex-fuel)(Baht)	1.00	0.94	6%	1.02	0.93	10%



Statement of Financial Position

Thai AirAsia Company Limited Unit: Baht million	As at 30 June 2016	As at 31 December 2015	Change
Total assets	30,652.5	29,007.6	+6%
Total liabilities	20,796.0	21,750.5	-4%
Total shareholders' equity	9,856.5	7,257.1	+36%

Assets

As at 30 June 2016, total assets amounted to Baht 30,652.5 million, increased by Baht 1,644.9 million or 6% compared with the year ended 31 December 2015, due to;

- (1) Current assets increased by Baht 1,027.7 million, mainly from the increase in cash and cash equivalents and amounts due from related parties of Baht 848.2 million and Baht 478.0 million, respectively. Short-term investments decreased by Baht 259.1 million due to maturity of bill of exchange in amount of Baht 750.0 million, while there was an increase in fixed deposit in amount of Baht 500.0 million.
- (2) Non-current assets increased by Baht 617.2 million, resulting from the aircraft maintenance reserves which increased by Baht 1,041.5 million whilst the aircraft, leasehold improvements and equipment-net decreased by Baht 478.9 million owing to a rise in accumulated depreciation.

Liabilities

As at 30 June 2016, total liabilities amounted to Baht 20,796.0 million, decreased by Baht 954.5 million or 4% compared with the year ended 31 December 2015, primarily due to;

- (1) Current liabilities decreased by Baht 171.9 million, mainly from the decrease in amounts due to related parties and accrued expenses of Baht 158.1 million and Baht 120.5 million, respectively. While other accounts payable and deferred revenues increased by Baht 73.5 million and Baht 41.8 million, respectively.
- (2) Non-current liabilities decreased by Baht 782.6 million, mainly from finance lease liabilities which decreased by Baht 810.3 million due to repayments of finance leases and interest paid.



Shareholders' Equity

As at 30 June 2016, total shareholders' equity amounted to Baht 9,856.5 million, increased by Baht 2,599.4 million or 36% 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 30 June 2016 were 1.34x and 0.55x, 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 six-month period ended 30 June	
	2016	2015
Net cash generated from (used in) operating activities	2,569.1	729.8
Net cash generated from (used in) investing activities	(812.1)	(430.0)
Net cash generated from (used in) financing activities	<u>(897.1)</u>	<u>(721.6)</u>
Net increase (decrease) in cash and cash equivalents	859.9	(421.8)
Exchange gain (loss) on cash and cash equivalents	(11.7)	50.9
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>6,919.6</u>	<u>4,412.5</u>

For the six-month period ended 30 June 2016, Thai AirAsia had net cash generated from operating activities amounted of Baht 2,569.1 million mainly due to operating profit in this period. In contrast, net cash used in investing activities was Baht 812.1 million mainly from payment for aircraft maintenance reserves. Net cash used in financing activities was Baht 897.1 million from repayments of finance leases and interest paid. As a result, Thai AirAsia had net increase in cash and cash equivalents of Baht 859.9 million, while the cash and cash equivalents at the end of the period amounted to Baht 6,919.6 million.



Business Outlook

The overview of the US economy in Q2/2016 grew at a sluggish pace. This could probably lead the Federal Reserve (Fed) to postpone the period of hiking its interest rate to 2017 from the previous expectation at the second half of 2016 (2H16). As a result, the dollar is likely to appreciate as rising the US interest rates. Hence, the company prepares its plan by setting a measure to alleviate interest rate risk in the future from the aircraft financial lease by fixing the interest rate. Additionally, the company has a part of revenues and expenses in foreign currencies such as passenger revenue, repair and maintenance expense as well as aircraft rental. Therefore, the company engage in the natural hedge scheme to prevent the foreign exchange exposure.

The company expects to gain a benefit from the current weakening global oil prices even though the oil price increased slightly from the previous quarter. Thus, 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 2H2016 expects to have a weaken recover supported by the disbursement of government stimulus measures, especially providing soft loans in order to help the farmers who suffering from the drought. Moreover, there are many megaprojects which are line-up for bidding such as MRT Pink line and Yellow line. While the tourism industry continue to grow as the Tourism Council of Thailand forecasts the number of tourists by nationality in the Q3/2016 to reach 8.2 million, or up 11.5% compared with the same period last year. Although in Q3/2016 is the low season of Thailand tourism, the government encourage the people to travel by making an announcement the additional holiday during Asarnha Bucha Day. The company believes that these may stimulate tourism to grow.

In 2H2016, the company plans to deliver 2 new aircraft of Airbus A320 NEO, which is expected to save fuel consumption up to 15% and it is environmentally friendly. This lead the company to have totally 51 aircraft within 2016. Additionally, the company has plan to operate new routes in Chinese market, Indian market and CLMV market such as Bangkok(Don Mueang) – Vientiane(Laos) which is the 2nd destination in Laos and plan to add the frequency of unique routes such as Bangkok – Udon Thani. The company insists to remain its market shares and keep being a leader amongst low fare airlines.



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