

THAI AIRASIA COMPANY LIMITED

INTERIM FINANCIAL INFORMATION (UNAUDITED)

30 SEPTEMBER 2012



AUDITOR'S REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of Thai AirAsia Company Limited

I have reviewed the accompanying statement of financial position as at 30 September 2012, the related statements of comprehensive income for the three-month and nine-month periods ended 30 September 2012 and 2011, the related statement of changes in shareholders' equity, and cash flows for the nine-month periods ended 30 September 2012 and 2011, and condensed notes to interim financial information of Thai AirAsia Company Limited. Management is responsible for the preparation and presentation of this interim of financial information in accordance with Thai Accounting Standard 34, "Interim Financial Reporting". My responsibility is to express a conclusion on this interim financial information based on my reviews.

Scope of review

I conducted my reviews in accordance with Thai Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity". A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Thai Standards on Auditing and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

Conclusion

Based on my reviews, nothing has come to my attention that causes me to believe that the interim financial information is not prepared, in all material respects, in accordance with Thai Accounting Standard 34, "Interim Financial Reporting".



Statement of financial position as at 31 December 2011 presented for comparative purposes

I have audited the financial statements for the year ended 31 December 2011 of Thai AirAsia Company Limited, in accordance with Thai Standards on Auditing and expressed an unqualified opinion on those statements in my report dated 8 March 2012. The statements of financial position as at 31 December 2011, presented for comparative purposes, are part of the financial statements. I have not performed any other auditing procedures subsequent to the date of that report.

A handwritten signature in blue ink, appearing to read 'Chanchai Chaiprasit', is written over a faint, illegible stamp.

Chanchai Chaiprasit
Certified Public Accountant (Thailand) No. 3760
PricewaterhouseCoopers ABAS Ltd.

Bangkok
13 November 2012

Thai AirAsia Company Limited
Statements of Financial Position
As at 30 September 2012 and 31 December 2011

		Unaudited	Audited
		30 September	31 December
		2012	2011
	Notes	Baht	Baht
Assets			
Current assets			
Cash and cash equivalents		1,400,845,426	1,359,702,567
Cash at financial institutions pledged as security		176,053,822	14,458,500
Short-term investments		3,501,273,589	9,120,279
Trade and other receivables	6	294,534,177	191,835,196
Amounts due from related parties	13.5	250,172,083	275,965,053
Inventories		55,743,468	51,232,834
Prepaid expenses		500,626,505	225,538,898
Value added tax receivable, net		7,929,331	689,158,323
Other current assets		22,787,794	19,339,214
Total current assets		6,209,966,195	2,836,350,864
Non-current assets			
Cash at financial institutions pledged as security		7,793,880	56,000,000
General investment		8,769,300	6,929,500
Aircraft, leasehold improvements and equipment, net	8	1,656,478,400	302,933,748
Intangible assets, net	8	12,463,918	14,260,815
Other non-current assets		665,527,254	573,371,519
Total non-current assets		2,351,032,752	953,495,582
Total assets		8,560,998,947	3,789,846,446

The accompanying notes are an integral part of these interim financial information.

Thai AirAsia Company Limited
Statements of Financial Position (Cont'd)
As at 30 September 2012 and 31 December 2011

		Unaudited	Audited
		30 September	31 December
		2012	2011
	Notes	Baht	Baht
Liabilities and shareholders' equity			
Current liabilities			
Trade accounts payable		89,904,525	105,931,528
Other accounts payable		149,585,047	66,368,776
Amounts due to related parties	13.6	407,242,693	361,092,140
Deferred revenues		3,198,602,477	2,716,364,349
Accrued expenses		338,575,149	476,097,173
Current portion of long-term borrowing from a financial institution	9	-	486,000,000
Current portion of finance lease liabilities	10	68,410,069	4,767,819
Other current liabilities		15,794,324	14,029,860
Total current liabilities		4,268,114,284	4,230,651,645
Non-current liabilities			
Long-term borrowing from a financial institution	9	-	13,163,251
Finance lease liabilities	10	1,002,343,380	9,254,534
Employee benefit obligations		106,916,558	82,752,289
Total non-current liabilities		1,109,259,938	105,170,074
Total liabilities		5,377,374,222	4,335,821,719

The accompanying notes are an integral part of these interim financial information.

Thai AirAsia Company Limited
Statements of Financial Position (Cont'd)
As at 30 September 2012 and 31 December 2011

	Note	Unaudited 30 September 2012 Baht	Audited 31 December 2011 Baht
Liabilities and shareholders' equity (Cont'd)			
Shareholders' equity			
Share capital	11		
Authorised share capital			
Ordinary shares, shares 43,555,560 shares of par Baht 10 each (31 December 2011 : 40,000,000 shares of par Baht 10 each)		435,555,600	400,000,000
Issued and paid-up share capital			
Ordinary shares, shares 43,555,560 shares of paid-up Baht 10 each (31 December 2011 : 40,000,000 shares of paid-up Baht 10 each)		435,555,600	400,000,000
Premium on share capital		2,628,786,469	1,227,629
Retained earnings (Deficits)		119,282,656	(947,202,902)
Total shareholders' equity		3,183,624,725	(545,975,273)
Total liabilities and shareholders' equity		8,560,998,947	3,789,846,446

The accompanying notes are an integral part of these interim financial information.

Thai AirAsia Company Limited
Statements of Comprehensive Income (Unaudited)
For the three-month periods ended 30 September 2012 and 2011

	<u>Note</u>	<u>2012</u> <u>Baht</u>	<u>2011</u> <u>Baht</u>
Revenues		4,426,438,338	3,788,348,803
Operating costs		<u>(3,992,947,927)</u>	<u>(3,467,072,698)</u>
Gross profit		433,490,411	321,276,105
Net gain on exchange rates		6,447,877	18,912,359
Other income		<u>117,297,266</u>	<u>79,815,378</u>
Profit before expenses		557,235,554	420,003,842
Selling expenses		(180,147,175)	(110,346,826)
Administrative expenses		<u>(116,899,635)</u>	<u>(97,970,410)</u>
Profit before finance costs and income tax		260,188,744	211,686,606
Finance costs		<u>(148,784)</u>	<u>(18,058,884)</u>
Profit before income tax		260,039,960	193,627,722
Income tax		<u>(60,985,287)</u>	<u>-</u>
Net profit for the period		<u>199,054,673</u>	<u>193,627,722</u>
Total comprehensive income for the period		<u><u>199,054,673</u></u>	<u><u>193,627,722</u></u>
Earnings per share			
Basic earnings per share	12	<u><u>4.57</u></u>	<u><u>4.84</u></u>

The accompanying notes are an integral part of these interim financial information.

Thai AirAsia Company Limited
Statements of Comprehensive Income (Unaudited) (Cont'd)
For the nine-month periods ended 30 September 2012 and 2011

	<u>Note</u>	<u>2012</u> <u>Baht</u>	<u>2011</u> <u>Baht</u>
Revenues		13,727,322,334	11,781,335,348
Operating costs		<u>(12,134,440,298)</u>	<u>(10,112,050,158)</u>
Gross profit		1,592,882,036	1,669,285,190
Net gain on exchange rates		54,605,153	122,903,469
Other income		<u>328,658,026</u>	<u>345,667,066</u>
Profit before expenses		1,976,145,215	2,137,855,725
Selling expenses		(440,332,206)	(284,387,529)
Administrative expenses		<u>(353,692,308)</u>	<u>(266,457,052)</u>
Profit before finance costs and income tax		1,182,120,701	1,587,011,144
Finance costs		<u>(6,294,107)</u>	<u>(173,691,345)</u>
Profit before income tax		1,175,826,594	1,413,319,799
Income tax		<u>(109,341,036)</u>	<u>-</u>
Net profit for the period		<u>1,066,485,558</u>	<u>1,413,319,799</u>
Total comprehensive income for the period		<u><u>1,066,485,558</u></u>	<u><u>1,413,319,799</u></u>
Earnings per share			
Basic earnings per share	12	<u><u>25.62</u></u>	<u><u>35.33</u></u>

The accompanying notes are an integral part of these interim financial information.

Thai AirAsia Company Limited
Statements of Changes in Shareholders' Equity (Unaudited)
For the nine-month periods ended 30 September 2012 and 2011

	<u>Notes</u>	<u>Issued and paid-up share capital Baht</u>	<u>Premium on share capital Baht</u>	<u>Retained earnings (Deficits) Baht</u>	<u>Total Baht</u>
Opening balance as at 1 January 2011		400,000,000	1,227,629	(2,904,178,505)	(2,502,950,876)
Adjustments from adoption of a new accounting standard	4.1	-	-	(63,083,056)	(63,083,056)
Balance after adjustment		400,000,000	1,227,629	(2,967,261,561)	(2,566,033,932)
Total comprehensive income for the period		-	-	1,413,319,799	1,413,319,799
Closing balance as at 30 September 2011		<u>400,000,000</u>	<u>1,227,629</u>	<u>(1,553,941,762)</u>	<u>(1,152,714,133)</u>
Opening balance as at 1 January 2012		400,000,000	1,227,629	(947,202,902)	(545,975,273)
Proceeds from shares issued	11	35,555,600	2,627,558,840	-	2,663,114,440
Total comprehensive income for the period		-	-	1,066,485,558	1,066,485,558
Closing balance as at 30 September 2012		<u>435,555,600</u>	<u>2,628,786,469</u>	<u>119,282,656</u>	<u>3,183,624,725</u>

The accompanying notes are an integral part of these interim financial information.

Thai AirAsia Company Limited
Statements of Cash Flows (Unaudited)
For the nine-month periods ended 30 September 2012 and 2011

	Notes	2012 Baht	2011 Baht
Cash flows from operating activities			
Profit before income tax		1,175,826,594	1,413,319,799
Adjustments for:			
Depreciation	8	53,863,753	49,913,491
Amortisation	8	3,080,689	3,739,668
Loss (gain) on disposals of leasehold improvements, equipment and intangible assets		74,535	(1,652,204)
Share based payment	7	36,522,083	-
Employee benefit expenses		24,164,269	14,078,147
Unrealised gain on exchange rates		(46,481,932)	(57,193,247)
Finance costs		6,294,107	173,691,345
Interest income		(53,684,126)	(122,948,853)
		<u>1,199,659,972</u>	<u>1,472,948,146</u>
Changes in operating assets and liabilities:			
- Cash at financial institutions pledged as security		(113,389,202)	2,975,565
- Trade and other receivables		(74,736,687)	(57,409,343)
- Amounts due from related parties		27,856,227	1,658,363,557
- Inventories		(4,510,634)	(5,445,413)
- Prepaid expenses		(168,640,857)	(128,815,083)
- Value added tax receivable		681,228,992	(343,227,794)
- Other current assets		(3,448,580)	19,178,534
- Other non-current assets		(92,155,735)	(56,717,453)
- Trade accounts payable		(16,027,003)	44,190,168
- Other accounts payable		83,216,271	50,616,372
- Amounts due to related parties		46,150,553	(3,060,566,270)
- Deferred revenues		482,238,128	594,096,041
- Accrued expenses		(143,601,809)	(52,594,826)
- Other current liabilities		1,764,464	(8,006,649)
		<u>1,905,604,100</u>	<u>129,585,552</u>
Cash generated from operation		1,905,604,100	129,585,552
Interest paid		-	(24,046,807)
Interest received		9,601,271	28,404,405
Income tax paid		(252,309,868)	-
		<u>1,662,895,503</u>	<u>133,943,150</u>
Net cash generated from operating activities		<u>1,662,895,503</u>	<u>133,943,150</u>

The accompanying notes are an integral part of these interim financial information.

Thai AirAsia Company Limited
Statements of Cash Flows (Unaudited) (Cont'd)
For the nine-month periods ended 30 September 2012 and 2011

	Notes	2012 Baht	2011 Baht
Cash flows from investing activities			
Shor-term loan granted to a director		-	(63,041,200)
Shor-term loan repayments received from a director		-	163,041,200
Payments for short-term investment		(3,492,153,310)	-
Proceeds (payments) from general investment		(1,839,800)	557,600
Proceeds from disposals of leasehold improvements and equipment		1,277,461	6,051,840
Payments for aircraft, leasehold improvements and equipment		(342,680,614)	(41,227,308)
Payments for intangible assets		(1,283,791)	(2,483,265)
Interest received		14,057,300	9,236,423
Net cash generated from (used in) investing activities		<u>(3,822,622,754)</u>	<u>72,135,290</u>
Cash flows from financing activities			
Proceeds from issue of ordinary shares	11	2,663,114,440	-
Repayments of short-term borrowings from a financial institution		-	(200,000,000)
Repayments of finance lease		(3,268,904)	(5,408,247)
Proceeds from long-term borrowing from a financial institution		-	961,163,251
Repayments of long-term borrowing from a financial institution	9	(499,163,251)	(221,500,000)
Interest paid		(6,294,107)	(25,046,404)
Net cash generated from financing activities		<u>2,154,388,178</u>	<u>509,208,600</u>
Net increase (decrease) in cash and cash equivalents		(5,339,073)	715,287,040
Cash and cash equivalents at the beginning of the period		1,359,702,567	507,821,793
Effect of exchange rates		46,481,932	57,193,247
Cash and cash equivalents at the end of the period		<u><u>1,400,845,426</u></u>	<u><u>1,280,302,080</u></u>

Non-cash transactions

Significant non-cash transactions during the periods ended 30 September 2012 and 2011 are as follows:

Purchase of leasehold improvements and equipment which have not been paid	6,079,786	-
Purchase of an aircraft and motor vehicles under financial lease agreements	1,060,000,000	17,956,091

The accompanying notes are an integral part of these interim financial information.

Thai AirAsia Company Limited
Condensed Notes to Interim Financial Information (Unaudited)
For the three-month and nine-month periods ended 30 September 2012 and 2011

1 General information

Thai AirAsia Company Limited (“the Company”) is a limited company and incorporated in Thailand. The address of the Company’s registered office is as follows:

99 OSC Building, 1st floor, Moo 5, Kingkaew Road, Rachatewa, Bangplee, Samutprakarn 10540.

The principal business operation of the Company is to provide low-fare airline service.

On 4 May 2012 the Company was changed from a joint venture of Asia Aviation Public Company Limited, incorporated in Thailand and AirAsia Investment Ltd., incorporated in Malaysia to a subsidiary of Asia Aviation Public Company Limited in accordance with “Amend and Restated Shareholders’ Agreement” between Asia Aviation Public Company Limited and Air Asia Investment Ltd., which own 55% and 45% of the Company’s shares, respectively (31 December 2011: 51% and 49%, respectively).

The interim financial information were approved by the Board of Directors on 13 November 2012.

These interim financial information have been reviewed, not audited.

2 Basis of preparation

These interim financial information are prepared in accordance with Thai Generally Accepted Accounting Principles under the Accounting Act B.E. 2543, being those Thai Accounting Standards issued under the Accounting Professions Act B.E. 2547, and the financial reporting requirements of the Securities and Exchange Commission (“SEC”) under the Securities and Exchange Act. The primary financial information (i.e., statement of financial position, statements of comprehensive income, changes in shareholders’ equity and cash flows) are prepared in the full format as required by SEC. The notes to the financial information are prepared in a condensed format according to Thai Accounting Standard 34, “Interim Financial Reporting” and additional notes are presented as required by the SEC.

These interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011.

An English version of the interim financial information has been prepared from the interim financial information that is in the Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai language interim financial information shall prevail.

Thai AirAsia Company Limited
Condensed Notes to Interim Financial Information (Unaudited)
For the three-month and nine-month periods ended 30 September 2012 and 2011

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3 Significant accounting policies

The accounting policies used in the preparation of the interim financial information are consistent with those used in the financial statements for the year ended 31 December 2011 except as described in Note 4.

New accounting standards, amendments to accounting standards and new financial reporting standards

The new accounting standards, amendments to accounting standards and new financial reporting standards are currently mandatory for the accounting periods beginning on or after 1 January 2013, which are relevant to the Company but the Company has not early adopted them are as follows:

TAS 12	Income taxes
TAS 21 (Revised 2009)	The Effects of Changes in Foreign Exchange Rates
TFRS 8	Operating Segments

The Company's management has assessed and determined that the new accounting standards, amendments to accounting standards and new financial reporting standards will not significantly impact the interim financial information being presented, except for TAS 12 which the management is currently assessing the impact of applying this standard.

TFRS 8: The standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Company will apply this standard from 1 January 2013. The expected impact is still being assessed in detail by management, it appears that the Group may need to disclose operating segments that is consistent with the internal reporting provided to the chief operating decision-maker.

Costs that are incurred unevenly during the financial year are anticipated or deferred in the interim report only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

4 New accounting policies

4.1) Employee benefits

The Company has applied Thai Accounting Standard 19, which dealt with accounting for employee benefits since 1 January 2011 by adjusting a total amount against the deficits as of 1 January 2011. The effects of the adoption of the above standards were as follows:

	<u>Baht</u>
Statement of changes in shareholders' equity	
Deficits as of 1 January 2011 increased	63,083,056

4.2) Share-based payment

As disclosed in Note 7, the Company has share-based payment transactions so the Company applied Thai Financial Reporting Standard 2, which dealt with accounting for transactions in which an entity receives goods or services as consideration for either:

- Equity instruments of the entity (equity-settled) which is recognised as equity; or
- Cash or other assets, the amount of which is based on the price or value of the entity's share (cash-settled) that is recognised as liability.

The measurement of the transaction is based on the fair value of the goods or service received. The equity-settled transactions are not re-measured once the grant date fair value has been determined. The cash-settled transactions are required to be re-measured at the date of each statement of financial position and at the date of settlement, with change in fair value recognised in profit or loss.

5 Segment information

The Company does not disclose the segment information because there is no significant business segment other than the provision of air transportation services.

Thai AirAsia Company Limited
Condensed Notes to Interim Financial Information (Unaudited)
For the three-month and nine-month periods ended 30 September 2012 and 2011

6 Trade and other receivables

	Unaudited 30 September 2012 Baht	Audited 31 December 2011 Baht
Trade accounts receivable	217,500,930	155,797,194
Accrued revenues	60,315,817	32,542,570
Other accounts receivable	16,717,430	3,495,432
Total trade and other receivables	<u>294,534,177</u>	<u>191,835,196</u>

Trade accounts receivable can be analysed by age as follows:

	Unaudited 30 September 2012 Baht	Audited 31 December 2011 Baht
Up to 3 months	185,391,580	141,043,413
3 - 6 months	8,148,343	7,461,857
6 - 12 months	10,536,058	5,007,647
Over 12 months	13,424,949	2,284,277
Total trade accounts receivable	<u>217,500,930</u>	<u>155,797,194</u>

7 Share-based payment

On 9 May 2012, the Company announced to allot new issuance of initial public offering ordinary share of Asia Aviation Public Company Limited, the parent company of 23.69 million shares totalling Baht 87.65 million to grant to its eligible employees. The value of the shares granted to employees is equal to the public offering price of the shares. The plan is conditional on completed service of the employees for one year after initial public offering date of the parent company, then the employees would be able to sell the granted shares.

On 29 May 2012, the eligible employees acquired the granted shares totalling 23.69 million shares.

During the nine-month period ended 30 September 2012, the Company recognised the expenses related to cash-settled share-based payments in the statement of comprehensive income totalling Baht 36.52 million.

Thai AirAsia Company Limited
Condensed Notes to Interim Financial Information (Unaudited)
For the three-month and nine-month periods ended 30 September 2012 and 2011

8 Aircraft, leasehold improvements, equipment and intangible assets, net

	Unaudited Aircraft, leasehold improvements and equipment Baht	Unaudited Intangible assets Baht
	<u>Baht</u>	<u>Baht</u>
For the nine-month period ended 30 September 2012		
Opening net book amount	302,933,748	14,260,815
Additions	1,408,760,401	1,283,792
Disposals, net	(1,351,996)	-
Depreciation/amortisation	(53,863,753)	(3,080,689)
Closing net book amount	<u>1,656,478,400</u>	<u>12,463,918</u>

The significant additions in financial information for the nine-month period ended 30 September 2012 are an aircraft acquired under finance lease and related spare parts amount of Baht 1,357.25 million.

9 Long-term borrowing from a financial institution

Maturity of long-term borrowing from a financial institution is as follows:

	Unaudited 30 September 2012 Baht	Audited 31 December 2011 Baht
	<u>Baht</u>	<u>Baht</u>
Within 1 year	-	486,000,000
Over 1 year but less than 5 years	-	13,163,251
	<u>-</u>	<u>499,163,251</u>

Movements in long-term borrowing from a financial institution are summarised as follows:

	Unaudited Baht
	<u>Baht</u>
For the nine-month period ended 30 September 2012	
Opening book amount	499,163,251
Loan repayments	(499,163,251)
Closing book value	<u>-</u>

Thai AirAsia Company Limited
Condensed Notes to Interim Financial Information (Unaudited)
For the three-month and nine-month periods ended 30 September 2012 and 2011

10 Finance lease liabilities

Finance lease liabilities - minimum lease payments:

	Unaudited 30 September 2012 Baht	Audited 31 December 2011 Baht
Within one year	121,445,168	4,204,766
Later than 1 year but not later than 5 years	473,838,876	11,024,208
Later than 5 years	842,456,363	-
<u>Less</u> future finance charges on finance leases	(366,986,958)	(1,206,621)
	<u>1,070,753,449</u>	<u>14,022,353</u>
Representing lease liabilities:		
- Short-term	68,410,069	4,767,819
- Long-term	1,002,343,380	9,254,534
	<u>1,070,753,449</u>	<u>14,022,353</u>

The present value of finance lease liabilities is as follows:

	Unaudited 30 September 2012 Baht	Audited 31 December 2011 Baht
Within 1 year	118,145,999	4,049,495
Later than 1 year but not later than 5 years	406,973,972	9,972,858
Later than 5 years	545,633,478	-
	<u>1,070,753,449</u>	<u>14,022,353</u>

On 27 September 2012, the Company entered into an Aircraft Finance Lease Agreement with a lessor. The agreement has period of 12 years. The agreement carries fixed interest rate for a certain period and the payment will be reset every six months based on a floating rate. According to conditions of the agreement, the Company must comply with financial and operational covenants. The Company has a purchase option of the aircraft from the lessor at the end of the lease term.

Thai AirAsia Company Limited
Condensed Notes to Interim Financial Information (Unaudited)
For the three-month and nine-month periods ended 30 September 2012 and 2011

11 Share capital

	Par value Baht	Number of authorised ordinary shares Shares	Issued and paid-up ordinary shares Shares	Issued and paid-up ordinary shares Baht	Share premium Baht	Total Baht
At 1 January 2012	10	40,000,000	40,000,000	400,000,000	1,227,629	401,227,629
Issue of shares	10	3,555,560	3,555,560	35,555,600	2,627,558,840	2,663,114,440
As at 30 September 2012	10	43,555,560	43,555,560	435,555,600	2,628,786,469	3,064,342,069

At the Extraordinary Shareholders' Meeting of the Company held on 15 February 2012, the shareholders approved an increase in registered share capital of the Company from 40,000,000 shares to 43,555,560 shares by issuing additional ordinary shares of 3,555,560 shares with a par value of Baht 10 each in order to offer for the existing shareholders. The Company registered such increase in share capital with the Ministry of Commerce on 29 May 2012.

12 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of paid-up ordinary shares outstanding during the period.

	For the three-month periods ended 30 September (Unaudited)	
	2012	2011
Net profit for the period attributable to ordinary shareholders (Baht)	199,054,673	193,627,722
Weighted average number of paid-up ordinary shares outstanding during the period (Shares)	43,555,560	40,000,000
Basic earnings per share (Baht)	4.57	4.84
	For the nine-month periods ended 30 September (Unaudited)	
	2012	2011
Net profit for the period attributable to ordinary shareholders (Baht)	1,066,485,558	1,413,319,799
Weighted average number of paid-up ordinary shares outstanding during the period (Shares)	41,622,062	40,000,000
Basic earnings per share (Baht)	25.62	35.33

The Company does not have diluted ordinary shares as at 30 September 2012 and 2011.

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13 Related party transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related-party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

On 30 September 2012, the Company are controlled by Asia Aviation Public Company Limited which owns 55% of the Company (31 December 2011: 51%).

Related party transactions were carried out on conditions as follows:

	<u>Pricing policies</u>
- Interest income	At a mutual agreed rate and equivalent to interest expenses rate paid to other related parties.
- Share of loss (gain) on fuel price swap agreements	Based on fuel consumption ratio.
- Share of staff costs for accounting services	Actual staff costs allocated by number of aircraft.
- Aircraft rental	For aircraft owned by AirAsia Berhad, rental charge is based on AirAsia Berhad's cost of capital. For sub-leased aircraft, rental charge is based on master agreement that AirAsia Group has leased from a third party adjusted with some assumptions to reflect the Company's credit risk profile.
- Aircraft repair and maintenance	Based on the average of the contractual amount between AirAsia Berhad and the vendor, adjusted for annual escalation and stepped incremental rates under the master agreement.
- Expenses paid on behalf for purchasing of merchandises and equipment	At the purchase price with third parties.
- Management fee expenses	At agreement price with AirAsia Berhad.
- Booking fee expenses	At agreement price which approximates the master agreement that AirAsia Group has agreed with third parties.
- Pilot training expenses	At agreement price with Asian Aviation Centre of Excellence Sdn Bhd (CAE).
- Brand license fee ^(a)	At 1% of total revenues per annum (started in 2012).
- Interest expenses	At a rate equivalent to AirAsia Group's borrowing rate.

^(a) On 18 June 2012, the Company had received the letter from AirAsia Berhad to waive the brand license fee charge for one year from 1 January 2012 to 31 December 2012.

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13 Related party transactions (Cont'd)

The following significant transactions were carried out with related parties:

13.1) Income

	For the three-month periods ended 30 September (Unaudited)	
	2012	2011
	Baht	Baht
Interest income		
Other related parties	296,133	3,802,729
A director	-	495,218
	<u>296,133</u>	<u>4,297,947</u>
	For the nine-month periods ended 30 September (Unaudited)	
	2012	2011
	Baht	Baht
Interest income		
Parent company	225,173	-
Other related parties	2,063,257	118,845,123
A director	-	1,310,076
	<u>2,288,430</u>	<u>120,155,199</u>

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13 Related party transactions (Cont'd)

The following significant transactions were carried out with related parties: (Cont'd)

13.2) Purchases of goods, services and interest expenses with other related parties

	For the three-month periods ended 30 September (Unaudited)	
	2012 Baht	2011 Baht
Share of loss (gain) from fuel swap agreements	21,998,746	(2,232,638)
Share of staff costs for accounting services	(6,308,145)	(7,790,444)
Aircraft rental	789,900,540	695,926,560
Aircraft repair and maintenance	305,574,410	242,794,956
Purchase of merchandises and equipment	23,909,906	26,560,714
Management fee expenses	3,768,160	3,654,840
Booking fee expenses	16,657,744	13,256,273
Pilot training expenses	7,893,052	-
Interest expenses	-	826,152
	For the nine-month periods ended 30 September (Unaudited)	
	2012 Baht	2011 Baht
Share of loss (gain) from fuel swap agreements	(4,588,416)	(18,389,822)
Share of staff costs for accounting services	(21,832,390)	(21,442,776)
Aircraft rental	2,338,464,215	2,005,705,359
Aircraft repair and maintenance	907,775,828	719,902,464
Purchase of merchandises and equipment	130,814,823	63,198,060
Management fee expenses	11,265,324	11,010,952
Booking fee expenses	50,978,261	41,681,867
Pilot training expenses	54,569,698	-
Interest expenses	-	148,644,940

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13 Related party transactions (Cont'd)

The following significant transactions were carried out with related parties: (Cont'd)

13.3) Management remunerations

Key management includes directors (executive and non-executive). The compensation paid or payable to key management for employee service is shown below:

	For the three-month periods ended 30 September (Unaudited)	
	2012	2011
	Baht	Baht
Salaries and other short-term employee benefits	13,316,625	8,495,666
Retirement benefits	1,121,287	524,066
	<u>14,437,912</u>	<u>9,019,732</u>
	For the nine-month periods ended 30 September (Unaudited)	
	2012	2011
	Baht	Baht
Salaries and other short-term employee benefits	45,965,315	36,465,941
Retirement benefits	12,830,367	1,572,187
	<u>58,795,682</u>	<u>38,038,128</u>

13.4) Passenger revenues and expenses received and paid on behalf

	For the three-month periods ended 30 September (Unaudited)	
	2012	2011
	Baht	Baht
Passenger revenues received on behalf of the Company by other related parties	613,961,121	522,627,279
Cash received on behalf of other related party	103,195,396	112,581,443
Expenses paid on behalf of the Company by other related parties	134,057,009	178,196,617
Advance payment on behalf of other related parties and parent company	31,587,156	49,267,764

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13 Related party transactions (Cont'd)

The following significant transactions were carried out with related parties: (Cont'd)

13.4) Passenger revenues and expenses received and paid on behalf (Cont'd)

	For the nine-month periods ended 30 September (Unaudited)	
	2012	2011
	Baht	Baht
Passenger revenues received on behalf of the Company by other related parties	1,947,381,182	2,990,334,083
Cash received on behalf of other related parties	327,566,836	367,734,054
Expenses paid on behalf of the Company by other related parties	366,361,228	528,178,934
Advance payment on behalf of other related parties and parent company	117,305,184	308,351,476

Outstanding balances arising from receivables, payables, other non-current assets and accrued expenses are summarised as follows:

13.5) Amounts due from related parties

	Unaudited 30 September 2012 Baht	Audited 31 December 2011 Baht
Amounts due from related parties		
Other related parties	<u>250,172,083</u>	<u>275,965,053</u>

Amounts due from related parties have been charged with the interest for overdue amount at 6.00% per annum (2011: 6.00% per annum).

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13 Related party transactions (Cont'd)

Outstanding balances arising from receivables, payables, and other non-current assets are summarised as follows: (Cont'd)

13.6) Amounts due to related parties

	Unaudited 30 September 2012 Baht	Audited 31 December 2011 Baht
	<hr/>	<hr/>
Amounts due to related parties		
Other related party	407,242,693	361,092,140
	<hr/>	<hr/>

Amounts due to related parties are mainly denominated in US Dollars and have been charged with the interest for overdue amount at 6.00% per annum (2011: 6.00% per annum).

13.7) Other non-current assets

	Unaudited 30 September 2012 Baht	Audited 31 December 2011 Baht
	<hr/>	<hr/>
Aircraft rental deposits		
Other related party	526,659,276	497,866,890
	<hr/>	<hr/>
Fuel price swap deposits		
Other related party	15,345,550	15,775,250
	<hr/>	<hr/>

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14 Net fair value of financial instruments

Fuel price swap agreements

The net fair value of fuel price swap agreements at the statement of financial position date is as follows:

	Unaudited	Audited
	30 September	31 December
	2012	2011
	US Dollars	US Dollars
Favourable (unfavourable) fuel price swap agreements	<u>(601,055)</u>	<u>1,611,554</u>

15 Commitments

For the nine-month periods ended 30 September 2012, there were no significant changes in commitments or contingent liabilities from the year ended 31 December 2011 (please see financial statements for the year ended 31 December 2011).

As at 30 September 2012, the Company had the future aggregate minimum lease payments in respect of non-cancellable aircraft lease agreements made with AirAsia (Mauritius) Limited, a related company of the 24 aircraft (As at 31 December 2011 : 22 aircraft) and insurance agreements of the 25 aircraft (As at 31 December 2011: 22 aircraft) as follows:

	Unaudited		Audited	
	30 September 2012		31 December 2011	
	Rental	Insurance	Rental	Insurance
	US Dollars	agreement	US Dollars	agreement
	US Dollars	US Dollars	US Dollars	US Dollars
Within 1 year	100,620,000	1,460,884	89,700,977	805,951
Later than 1 year but not later than 5 years	402,480,000	-	116,267,650	-
Later than 5 years	417,230,814	-	46,039,785	-
Total	<u>920,330,814</u>	<u>1,460,884</u>	<u>252,008,412</u>	<u>805,951</u>

16 Guarantee

As at 30 September 2012, there was a commitment related to the guarantees issued by banks in respect of pilot trainees' loans in accordance with their professional pilot courses amounting to Baht 26.9 million (31 December 2011: Baht 26.9 million).

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17 Letters of guarantee

The Company had commitments relating to guarantees issued by banks in respect of ground handling, technical support, and other flight operating activities in the ordinary course of business as follows:

	Unaudited			Audited		
	30 September 2012			31 December 2011		
	Baht million	US Dollars million	India Rupee million	Baht million	US Dollars million	India Rupee million
Guarantees relating to flight operating activities	5.60	0.45	30.83	5.60	0.09	27.83
Guarantees relating to value added tax refund process	631.11	-	-	-	-	-
Total	636.71	0.45	30.83	5.60	0.09	27.83

The Company also used its fixed-deposit accounts and bills of exchange as collateral for these letters of guarantee as follows:

	Unaudited		Audited	
	30 September 2012		31 December 2011	
	Baht million	India Rupee million	Baht million	India Rupee million
Fixed-deposit accounts	8.93	31.13	6.00	27.83
Bills of exchange	158.00	-	-	-
Total	166.93	31.13	6.00	27.83

18 Promotional privileges

During the third quarter of 2012, the Company received four certificates of promotional privileges from the Board of Investment (“BOI”) for the business of air transportation. The main privileges include exemption from payment of import duty on aircraft and related spare parts and exemption from corporate income tax for the promoted activities for a period of 8 years from the date when income is first derived. To be entitled to the privileges, the Company must comply with the conditions and restrictions provided in the promotional certificates.

19 Subsequent events

On 1 and 11 November 2012, the Company accepted the delivery of two additional Airbus A320-200 aircraft. The expansion of the Company's fleet is to support the launch of new routes and increase the frequency of flights on the Company's existing routes. These aircraft are acquired under lease agreements for periods of 12 years.