



Management Discussions and Analysis for the three-month period ended 31 March 2013 and 2014

Financial performance summary of Asia Aviation Public Company Limited and subsidiary

Asia Aviation Public Company Limited (“the Company” or “AAV”) is a major shareholder of Thai AirAsia Company Limited who is an airline operator of Thai AirAsia, in which the Company currently holds 55%.

Asia Aviation Public Company Limited’s financial performance for the three-month period ended 31 March 2013 and 2014 has been summarized below:

Statements of comprehensive income

Asia Aviation Public Company Limited Unit: Baht million	Consolidated		Change
	For the three-month period ended 31 March		
	2014	2013	
Revenues	6,459.9	6,029.0	+7%
Gross profit	594.2	1,288.2	(-54%)
Profit before finance costs and income tax	363.3	948.1	(-62%)
Net profit (loss)/ comprehensive income (expense) for the period	246.9	726.0	(-66%)
Net profit (loss)/ comprehensive income (expense) attributable to:			
Owners of the parent	139.0	397.3	(-65%)
Non-controlling interests	108.0	328.7	(-67%)
Earnings Per Share (Baht/Share)	0.0287	0.0819	(-65%)

In the first quarter of 2014 (Q1/2014) Asia Aviation Plc. had revenues of Baht 6,459.9 million, increased by Baht 430.9 million or 7% compared to the same period last year. Net profit / Total comprehensive income attributable to owners of the parent amounted to Baht 139.0 million in Q1/2014, plummeted 65% from Baht 397.3 million in the first quarter of 2013 (Q1/2013). Earnings per share for Q1/2014 amounted to 0.0287 (Baht/Share) decreased by 65%.

Statements of financial position

Asia Aviation Public Company Limited Unit: Baht million	Consolidated		Change
	As at 31 March 2014	As at 31 December 2013	
Total assets	45,680.1	44,935.3	+2%
Total liabilities	18,757.9	18,260.0	+3%
Equity attributable to owners of the parent	19,484.9	19,345.9	+1%
Non-controlling interests	7,437.4	7,329.4	+1%
Total shareholders' equity	26,922.2	26,675.3	+1%

As at 31 March 2014, total assets amounted to Baht 45,680.1 million, increased by Baht 744.8 million or 2% which mainly from aircraft, leasehold improvements, and equipment – net, given 2 aircraft deliveries in Q1/2014, despite a decrease in short-term investment by Baht 677.6 million.

As at 31 March 2014, total liabilities amounted to Baht 18,757.9 million, increased by Baht 497.9 million or 3% which mainly from finance lease liabilities on aircraft deliveries during the period amounted to Baht 873.2 million, whereas deferred revenues and accrued expense decreased by Baht 294.6 million and Baht 241.5 million, respectively.

As at 31 March 2014, total shareholders' equity amounted to Baht 26,922.2 million, increasing from retained earnings derived from profits during the period amounted to Baht 246.9 million. Thus, as at 31 March 2014 the equity attributable to owners of the parent amounted to Baht 19,484.9 million and non-controlling interests amounted to Baht 7,437.4 million.

Statements of cash flows

Asia Aviation Public Company Limited Unit: Baht million	Consolidated	
	For the three-month period ended 31 March	
	2014	2013
Net cash generated from (used in) operating activities	(506.0)	1,327.0
Net cash generated from (used in) investing activities	401.6	(1,752.3)
Net cash used in financing activities	(194.7)	(78.1)
Net increase (decrease) in cash and cash equivalents	(299.1)	(503.4)
Cash and cash equivalents at the beginning of the year	(4.6)	(16.8)
Exchange gain (loss) on cash and cash equivalents	1,958.6	3,852.8
Cash and cash equivalents at the end of the period	1,654.9	3,332.6



For the three-month period ended 31 March 2014, Asia Aviation Plc. had net cash used in operating activities of Baht 506.0 million. Net cash used in changes in operating assets and liabilities, primarily from a decrease in deferred revenue and accrued expenses. However, net cash generated from investing activities was Baht 401.6 million mainly from the maturity of short-term investment amounted to Baht 677.6 million, offsetting with payments for aircraft, leasehold improvements, and equipment. Moreover, the net cash used in financing activities was Baht 194.7 million mainly from repayment of finance lease and interest paid. As a result, Asia Aviation Plc. had net decrease in cash and cash equivalents of Baht 299.1 million, ending the balance for the period of Baht 1,654.9 million.

Thai AirAsia's financial performance for the three-month period ended 31 March 2013 and 2014 has been summarized below:

Statements of comprehensive income

Thai AirAsia Company Limited	For the three-month period ended 31 March		Change
	2014	2013	
Unit: Baht million			
Revenues	6,459.9	6,029.0	+7%
Gross profit	598.5	1,294.0	(-54%)
Profit before finance cost and income tax expense	365.5	961.6	(-62%)
Net Profit /comprehensive income (expense) for the period	244.7	739.0	(-67%)
Earnings Per Share (Baht)	5.62	16.97	(-67%)

In Q1/2014, revenues of Thai AirAsia amounted to Baht 6,459.9 million, increased by 7% from Baht 6,029.0 million in Q1/2013, primarily attributable to higher passenger revenues due to more passengers carried from 2.6 million in Q1/2013 to 3.1million in Q1/2014 or a 22% growth, notwithstanding a slightly soften in average fare to Baht 1,712 or decreasing by 14% when compared to the same period of last year. The load factor dropped 7 percentage points to 80% in Q1/2014. ASK in Q1/2014 increased by 27% to 3,822 million, while RPK in Q1/2014 increased by 17% to 3,058 million. Thai AirAsia took 2 aircraft in Q1/2014, whereas it took an incremental of 9 aircraft compared to the same period of last year led to Thai AirAsia has a total fleet of 37 aircraft. Moreover, the aircraft utilization was at 11.5 hours per day. Additionally, ancillary revenues per passenger increased from Baht 357 in Q1/2013 to Baht 369 in Q1/2014 mainly from the connecting fees - Fly Thru.

In Q1/2014, gross profit of Thai AirAsia amounted to Baht 598.5 million or decreased by 54% from Baht 1,294.0 million in Q1/2013, having a gross profit margin of 9%, mainly due to the accelerating growth of fuel cost upon the consumption of jet fuel in relation to the number of incremental aircraft together with the depreciation of Thai baht, even though the average fuel oil price slightly decreased. Additionally, aircraft rental increased in relation to additional aircraft and weakening of Thai Baht against USD, as well as the escalation of other costs such as repair and maintenance costs and depreciation expense from larger fleet size.

Profit before finance costs and income tax decreased 62% from Baht 961.6 million in Q1/2013 to Baht 365.5 million in Q1/2014, having lower EBIT margin of 8%, from the aforementioned, despite a decreases in advertising and marketing expenses as well as administration expenses by 9%.

Net profit/ total comprehensive income for the period had a plummeted of 67% from Baht 739.0 million in Q1/2013 to Baht 244.7 million in Q1/2014, with net profit margin was at 4 % mainly due to finance costs from the interests of aircraft under finance leases, despite the income tax dropped from Baht 195.2 million in Q1/2556 to Baht 66.9 million in Q1/2014.

Statements of financial position

Thai AirAsia Company Limited Unit: Baht million	As at 31 March 2014	As at 31 December 2013	Change
Total assets	21,861.0	21,107.9	+4%
Total liabilities	15,760.0	15,251.5	+3%
Total shareholders' equity	6,101.0	5,856.3	+4%

As at 31 March 2014, total assets amounted to Baht 21,861.0 million, mainly from aircraft, leasehold improvements, and equipment – net, amounted to Baht 1,253.8 million, given 2 aircraft deliveries in Q1/2014, despite a decrease in short-term investment by Baht 677.6 million.

As at 31 March 2014, total liabilities amounted to Baht 15,760.0 million, mainly from finance lease liabilities on aircraft deliveries during the period amounted to Baht 873.2 million, whereas deferred revenues and accrued expense decreased by Baht 294.6 million and Baht 241.7 million, respectively.

As at 31 March 2014, total shareholders' equity amounted to Baht 6,101.0 million, increasing from retained earnings derived from profits during the period amounted to 244.7 MB.

Statements of cash flows

Thai AirAsia Company Limited	For the three-month period ended 31	
	March	
Unit: Baht million	2014	2013
Net cash generated from (used in) operating activities	(504.0)	1,329.3
Net cash generated from (used in) investing activities	401.6	(1,752.3)
Net cash used in financing activities	<u>(194.7)</u>	<u>(78.1)</u>
Net increase (decrease) in cash and cash equivalents	(297.2)	(501.0)
Cash and cash equivalents at the beginning of the year	1,956.6	3,847.8
Exchange gain (loss) on cash and cash equivalents	<u>(4.6)</u>	<u>(16.8)</u>
Cash and cash equivalents at the end of the period	<u>1,654.8</u>	<u>3,330.0</u>

For the three-month period ended 31 March 2014, Thai AirAsia had net cash used in operating activities of Baht 504.0 million. Net cash used in changes of operating assets and liabilities, primarily from a decrease in deferred revenue and accrued expenses. However, net cash generated from investing activities was Baht 401.6 million mainly from the maturity of short-term investment amounted to Baht 677.6 million, offsetting with payments for aircraft, leasehold improvements, and equipment. The net cash used in financing activities was Baht 194.7 million, mainly from repayment of finance lease and interest paid. As a result, Thai AirAsia had net decrease in cash and cash equivalents of Baht 297.2 million, ending the balance for the period of Baht 1,654.8 million.