

## Management Discussions and Analysis

### 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%. Under TFRS 3: Business Combination, AAV had conducted full consolidation of its subsidiary, effective 4 May 2012. Consequently, AAV’s financial statements ended 30 September 2013 are on the fully consolidated basis as compared to the financial statements ended 30 September 2012 not on a fully consolidated basis for the entire first nine-month period. For the purpose of this management discussion and analysis, the Company will explain the effects resulting from the consolidation at AAV’s level but will not show the comparison analysis on a YoY basis as the basis of preparing the financial statements is not comparable. Nonetheless, it will further discuss the results of operations in details at Thai AirAsia level for analysis based on the same comparable basis.

Asia Aviation Plc.'s financial performance for 3Q13 has been summarized below:

Since 1 January 2013, the Company has applied Thai Accounting Standard 12, which dealt with accounting for current and deferred income taxes. As a result, AAV had retrospective adjustments in consolidated statement of comprehensive income for the quarter and the nine-month ended 30 September 2012, having the income taxes expenses increased by Baht 6.6 million in 3Q12 and increased by Baht 79.6 million in 9M12, which led the basic earnings per share to decrease Baht 0.0002 in 3Q12 and to decrease Baht 0.0160 in 9M12. For more details, refer to Asia Aviation Plc.'s notes to interim financial information no. 4.1 and no. 12 for the nine-month period ended 30 September 2013.

Since 1Q13, AAV had completed measuring the fair value of identifiable assets acquired and liabilities assumed of TAA according to TFRS 3 "Business combinations" that the acquirer (AAV) shall retrospectively adjust the provisional amounts recognized at the acquisition date (4 May 2012) within a year after such date to reflect additional information about facts and circumstances that existed as of the acquisition date. Thus, there are the effects on the adjustments to the AAV's consolidated statement of financial position as at 31 December 2012 and to the consolidated statement of comprehensive income for the period ended 30 September 2012 as disclosed in Asia Aviation Plc.'s notes to interim financial information no. 5 for the nine-month period ended 30 September 2013.

#### Statement of comprehensive income

Asia Aviation Public Company Limited Unit: Baht million	For the quarter ended 30 September		
	Consolidated 2013	Consolidated 2012	Change %
Revenues	5,595.1	4,426.4	+26%
Gross profit	680.5	426.4	+60%
Profit before finance costs and income tax	439.8	243.1	+81%
Net profit / total comprehensive income for the period	289.8	178.4	+62%
Profit attributable to:			
Owners of the parent	158.4	99.8	+59%
Non-controlling interests	131.5	78.6	+67%

Asia Aviation Plc. had the fully consolidated 3Q12 revenues of Baht 4,426.4 million compared to Baht 5,595.1 million in 3Q13. Net profit / total comprehensive income for 3Q12 amounted Baht 178.4 million against Baht 289.8 million in 3Q13. Profit attributable to owners of the parent amounted Baht 158.4 million increasing 59% from prior year, while non-controlling interests amounted Baht 131.5 million in 3Q13.

Asia Aviation Public Company Limited Unit: Baht million	For the nine-month ended 30 September		
	Consolidated 2013	Consolidated 2012*	Change %
Revenues	16,983.8	10,481.3	+62%
Gross profit	2,696.2	994.5	+171%
Profit before finance costs and income tax (excluding gain on fair value)	2,060.9	697.4	+196%
Net profit / total comprehensive income for the period (excluding gain on fair value)	1,501.7	512.7	+193%
Profit attributable to:			
Owners of the parent (excluding gain on fair value)	820.3	463.4	+77%
Non-controlling interests	681.4	49.4	+1280%

\* Consolidation from May 2012 onwards

The gain on fair value of previously held equity interests that occurred in 2Q12 contributed AAV to have the reported profits in the consolidated statement of comprehensive income for the nine-month ended 30 September 2013 as follows:

Asia Aviation Public Company Limited Unit: Baht million	For the nine-month ended 30 September		
	Consolidated 2013	Consolidated 2012*	Change %
<u>Special item:</u>			
Gain on fair value of previously held equity interests	-	14,676.6	-100%
Profit before finance costs and income tax	2,060.9	15,374.0	-87%

Asia Aviation Public Company Limited Unit: Baht million	For the nine-month ended 30 September		
	Consolidated 2013	Consolidated 2012*	Change %
Net profit / total comprehensive income for the period	1,501.7	15,189.3	-90%
Profit attributable to:			
Owners of the parent	820.3	15,140.0	-95%
Non-controlling interests	681.4	49.4	+1280%

\* Consolidation from May 2012 onwards

Asia Aviation Plc. had revenues on a partially consolidated 9M12 (from May 2012) of Baht 10,481.3 million compared to Baht 16,983.8 million in 9M13 based on the fully consolidation method. Net profit / total comprehensive income for the nine-month amounted Baht 15,189.3 million in 9M12 against Baht 1,501.7 million in 9M13. Profit attributable to owners of the parent in 9M13 amounted Baht 820.3 million increasing 77% from same period of prior year excluding the gain on fair value, while non-controlling interests amounted Baht 681.4 million.

#### Statement of financial position

Asia Aviation Public Company Limited Unit: Baht million	As at 30 September 2013	As at 31 December 2012
	Consolidated	
Total assets	40,843.1	34,609.4
Total liabilities	14,586.6	9,891.6
Equity attributable to owners of the parent	19,116.4	18,259.1
Non-controlling interests	7,140.1	6,458.7
Total shareholders' equity	26,256.5	24,717.8

As at 30 September 2013, total assets amounted Baht 40,843.1 million, which mainly increased from aircraft, leasehold improvements, and equipment – net, given 4 aircraft deliveries in 9M13 (Jan., Apr., Jul. and Sep.) and from net book value of investments in private funds. Total liabilities as at the end of the nine-month amounted Baht 14,586.6 million, which was mainly increased from finance lease liabilities on aircraft deliveries during the period and higher deferred revenues. Total shareholders'

equity amounted Baht 26,256.5 million, increasing from retained earnings derived from profits during the period. Thus, equity attributable to owners of the parent amounted Baht 19,116.4 million and non-controlling interests amounted Baht 7,140.1 million as at the end of 9M13.

#### Statement of cash flows

Asia Aviation Public Company Limited Unit: Baht million	For the nine-month ended 30 September	
	Consolidated 2013	Consolidated 2012*
Net cash generated from operating activities	2,809.2	970.7
Net cash used in investing activities	(3,789.8)	(2,620.3)
Net cash generated from (used in) financing activities	(300.5)	2,353.3
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,281.1)</b>	<b>703.7</b>

\* Consolidation from May 2012 onwards

For the nine-month ended 30 September 2013 under the fully consolidated basis, Asia Aviation Plc. had net cash generated from operating activities of Baht 2,809.2 million, being the operating cash flows before changes in operating assets and liabilities of Baht 2,229.0 million. The net cash used in investing activities was Baht 3,789.8 million while the net cash used in financing activities was Baht 300.5 million. As a result, Asia Aviation Plc. had net decrease in cash and cash equivalents of Baht 1,281.1 million, ending the balance for 9M13 of Baht 2,618.9 million.

Thai AirAsia's financial performance for 3Q13 has been summarized below:

Since 1 January 2013, Thai AirAsia had applied Thai Accounting Standard 12, which dealt with accounting for current and deferred income taxes. As a result, TAA had retrospective adjustments in statement of comprehensive income for the quarter and the nine-month ended 30 September 2012, having the income taxes expenses increased by Baht 12.2 million and Baht 163.9 million respectively, which led to the decrease in basic earnings per share of Baht 0.28 for 3Q12 and of Baht 3.94 for 9M12. For more details, refer to Thai Asia's notes to interim financial information no. 4.1 and no. 10 for the nine-month period ended 30 September 2013.

#### Statement of comprehensive income

Thai AirAsia Company Limited Unit: Baht million	For the quarter ended 30 September		
	2013	2012	Change %
Revenues	5,595.1	4,426.4	+26%
Gross profit	685.2	433.5	+58%
Profit before finance costs and income tax	448.5	260.2	+72%
Net profit / total comprehensive income for the period	297.3	186.9	+59%

In 3Q13, revenues increased 26% from Baht 4,426.4 million in 3Q12 to Baht 5,595.1 million, primarily attributable to increase of passenger revenues, based on more passengers carried from 2.0 million in 3Q12 to 2.6 million in 3Q13 or a 30% growth despite lower average fare to Baht 1,842 comparing year-on-year. The load factor in this quarter grew 1% to 83% in this quarter. ASK in 3Q13 increased from 2,564 million in 3Q12 to 3,282 million, given the increase of 6 aircraft comparing year-on-year. Aircraft utilization improved to 11.9 hours per day. Ancillary revenues per passenger increased from Baht 341 in 3Q12 to Baht 346 in 3Q13.

Gross profit grew 58% from Baht 433.5 million in 3Q12 to Baht 685.2 million in 3Q13, having higher gross profit margin of 12%. The improvement was mainly due to the decelerating growth of aircraft rental from Thai AirAsia entering more into finance leases instead of operating leases, which currently has 5 aircraft under finance leases out of a fleet of 31 as at the end of this quarter as well as due to decelerating growth of ramp and airport operations, despite growing of other costs such as repair and maintenance costs and staff costs from larger fleet size.

Profit before finance costs and income tax importantly increased 72% from Baht 260.2 million in 3Q12 to Baht 448.5 million in 3Q13, having improved EBIT margin of 8% despite increases in brand license expenses.

Net profit / total comprehensive income for the period grew increasingly of 59% from Baht 186.9 million in 3Q12 to Baht 297.3 million in 3Q13 with better net profit margin to 5% after including the income tax of Baht 101.2 million in 3Q13 and higher year-on-year finance costs from the interests of aircraft under finance leases.

Thai AirAsia Company Limited Unit: Baht million	For the nine-month ended 30 September		
	2013	2012	Change %
Revenues	16,983.8	13,727.3	+24%
Gross profit	2,712.4	1,592.9	+70%
Profit before finance costs and income tax	2,096.0	1,182.1	+77%
Net profit / total comprehensive income for the period	1,535.0	902.6	+70%

Revenues in 9M13 increased 24% from Baht 13,727.3 million in 9M12 to Baht 16,983.8 million, primarily attributable to higher passenger revenues due to more passengers carried from 6.0 million in 9M12 to 7.5 million in 9M13 or a 25% growth, together with a slightly soften in average fare to Baht 1,905 when compared to the same period of last year. The load factor in the nine-month grew 2% to 84% for this year. ASK in 9M13 increased 22% to 9,358 million, based on an incremental of 6 aircraft comparing year-on-year. Aircraft utilization was at 11.7 hours per day. Ancillary revenues per passenger increased from Baht 336 in 9M12 to Baht 346 in 9M13.

Gross profit grew considerably at 70% from Baht 1,592.9 million in 9M12 to Baht 2,712.4 million in 9M13, having a hefty gross profit margin of 16%. The improvement was mainly due to the decelerating growth of fuel cost from lower jet fuel price as well as the decelerating growth of aircraft rental from Thai AirAsia entering into finance leases instead of operating leases, despite the escalation of other costs such as repair and maintenance costs and staff costs from larger fleet size.

Profit before finance costs and income tax significantly increased 77% from Baht 1,182.1 million in 9M12 to Baht 2,096.0 million in 9M13, having higher EBIT margin of 12% despite increases in advertising and marketing expenses as well as brand license expenses.

Net profit / total comprehensive income for the period had a strong growth of 70% from Baht 902.6 million in 9M12 to Baht 1,535.0 million in 9M13 with better net profit margin of 9% after including

the income tax of Baht 447.5 million in 9M13 and higher year-on-year finance costs from the interests of aircraft under finance leases.

#### Statement of financial position

Thai AirAsia Company Limited	As at	As at
Unit: Baht million	30 September 2013	31 December 2012
Total assets	17,007.8	10,780.7
Total liabilities	11,576.9	6,884.7
Total shareholders' equity	5,430.9	3,895.9

As at 30 September 2013, Thai AirAsia Co., Ltd. had an increase in total assets to Baht 17,007.8 million, primarily attributable to the increases in aircraft, leasehold improvements, and equipment – net, given 4 new deliveries in the nine-month of this year (Jan., Apr., Jul. and Sep.) and in net book value of investments in private funds. Total liabilities as at 9M13 had increased from finance lease liabilities on new aircraft deliveries during the period and from deferred revenues. Having the 9M13 net profit of Baht 1,535.0 million contributed Thai AirAsia to have the increases in retained earnings and total shareholders' equity, respectively.

#### Statement of cash flows

Thai AirAsia Company Limited	For the nine-month ended 30 September	
Unit: Baht million	2013	2012
Net cash generated from operating activities	2,811.0	1,662.9
Net cash used in investing activities	(3,789.8)	(3,822.6)
Net cash generated from (used in) financing activities	(300.5)	2,154.4
<b>Net decrease in cash and cash equivalents</b>	<b>(1,279.3)</b>	<b>(5.3)</b>

For the nine-month ended 30 September 2013, Thai AirAsia Co., Ltd. had net cash generated from operating activities of Baht 2,811.0 million, being the operating cash flows before changes in operating assets and liabilities of Baht 2,238.3 million. The net cash increase from changes in operating assets and liabilities were mainly from the increase in deferred revenues. The net cash used in investing activities of Baht 3,789.8 million was primarily on the investments in private fund and short-term

investments and partially on payments for aircraft, leasehold improvements and equipment. The net cash used in financing activities of Baht 300.5 million was mainly from the repayments of finance lease and interest paid. As a result, Thai AirAsia Co., Ltd. had net decrease in cash and cash equivalents of Baht 1,279.3 million, ending the balance as at 30 September 2013 of Baht 2,615.6 million.