

Management Discussions and Analysis

Financial performance summary of Asia Aviation Public Company Limited and subsidiary

Asia Aviation Public Company Limited ("the Company") 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 31 December 2012 are on the fully consolidated basis as compared to the financial statements ended 31 December 2011 on the proportionate basis. 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 different and 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 the year has been summarized below:

Statements of comprehensive income

For the year ended 31 December 2012 compared to the year ended 31 December 2011

Unit: Baht millions

| Asia Aviation Public Company Limited | For the year ended 31 December | | |
|--|--------------------------------|----------------------------|-----------------|
| | Consolidated* | Proportionate consolidated | Change |
| | 2012 | 2011 | % |
| Revenues | 16,103.0 | 8,123.2 | +98.2% |
| Operating costs | (13,991.6) | (6,915.3) | +102.3% |
| Gross profit | 2,111.3 | 1,207.9 | +74.8% |
| Net gain on exchange rates | 65.2 | 78.0 | -16.4% |
| Gain on fair value of previously held equity interests | 14,690.0 | - | +100.0% |
| Other income | 388.0 | 226.0 | +71.7% |
| Profit before expenses | 17,254.4 | 1,511.9 | +1041.3% |
| Selling expenses | (467.3) | (223.9) | +108.7% |
| Administrative expenses | (393.5) | (181.9) | +116.4% |
| Profit before finance costs and income tax | 16,393.6 | 1,106.1 | +1382.2% |
| Finance costs | (17.4) | (91.9) | -81.0% |
| Income tax | (320.3) | - | +100.0% |
| Net profit for the year | 16,055.8 | 1,014.1 | +1483.2% |
| Other comprehensive expense | | | |
| Actuarial loss on defined retirement benefit plan | (4.3) | - | +100.0% |
| Other comprehensive expense for the year | (4.3) | - | +100.0% |
| Total comprehensive income for the year | 16,051.6 | 1,014.1 | +1482.8% |
| Net profit attributable to: | | | |
| Owners of the parent | 15,648.6 | 1,014.1 | +1443.1% |
| Non-controlling interests | 407.3 | - | +100.0% |
| | 16,055.8 | 1,014.1 | +1483.2% |

Unit: Baht millions

| Asia Aviation Public Company Limited | For the year ended 31 December | | |
|--|--------------------------------|----------------------------|-----------------|
| | Consolidated* | Proportionate consolidated | Change |
| | 2012 | 2011 | % |
| Total comprehensive income attributable to: | | | |
| Owners of the parent | 15,646.2 | 1,014.1 | +1442.8% |
| Non-controlling interests | 405.3 | - | +100.0% |
| | 16,051.6 | 1,014.1 | +1482.8% |

*Full consolidation from May 2012 onwards

For 2012, Asia Aviation Plc. had revenues of Baht 16,103.0 million based on the fully consolidation method as compared to Baht 8,123.2 million under the 51% proportionate consolidation basis. As Asia Aviation Plc. realized the gain on the fair value of equity interests in 2Q12 of Baht 14,690.0 million under TFRS 3: Business Combination, its net profit for year 2012 amounted Baht 16,055.8 million as compared to Baht 1,014.1 million in the year 2011. Net profit attributable to owners of the parent and non-controlling interests were Baht 15,648.6 million and 407.3 million respectively. Total comprehensive income for the year 2012 was Baht 16,051.6 million as compared to Baht 1,014.1 million in 2011.

Statements of financial position

Unit: Baht millions

| Asia Aviation Public Company Limited | As at | | | |
|--|------------------------------|-------|--|-------|
| | Consolidated 31 Dec 2012* | | Proportionate consolidated 31 Dec 2011 | |
| | Amount | % | Amount | % |
| Cash and cash equivalents | 3,852.8 | 11.7% | 694.4 | 31.2% |
| Cash at financial institutions pledged as security | 17.4 | 0.1% | 7.4 | 0.3% |
| Short-term investments | 2,295.9 | 7.0% | 4.7 | 0.2% |
| Trade and other receivables | 378.8 | 1.1% | 97.8 | 4.5% |
| Amounts due from related parties | 210.8 | 0.6% | 140.7 | 6.3% |
| Inventories | 58.3 | 0.2% | 26.1 | 1.2% |
| Prepaid expenses | 201.0 | 0.6% | 115.0 | 5.2% |
| Value added tax receivable, net | 99.3 | 0.3% | 351.5 | 15.8% |

Unit: Baht millions

As at

Asia Aviation Public Company Limited

| | Consolidated | | Proportionate consolidated | |
|---|-----------------|---------------|----------------------------|--------------|
| | 31 Dec 2012* | | 31 Dec 2011 | |
| | Amount | % | Amount | % |
| Other current assets | 13.4 | 0.0% | 13.4 | 0.6% |
| Total current assets | 7,127.8 | 21.6% | 1,451.0 | 65.3% |
| Cash at financial institutions pledged as security | 7.7 | 0.0% | 28.6 | 1.3% |
| General investment | 8.8 | 0.0% | 3.5 | 0.2% |
| Aircraft, leasehold improvements and equipment, net | 2,923.6 | 8.9% | 154.5 | 6.9% |
| Intangible assets, net | 14,867.8 | 45.0% | 7.3 | 0.3% |
| Goodwill | 7,415.1 | 22.5% | 286.2 | 12.9% |
| Other non-current assets | 673.3 | 2.0% | 292.4 | 13.2% |
| Total non-current assets | 25,896.2 | 78.4% | 772.5 | 34.7% |
| Total assets | 33,024.0 | 100.0% | 2,223.5 | 100% |
| Trade and other accounts payable | 177.0 | 0.5% | 87.9 | 4.0% |
| Amounts due to related parties | 427.7 | 1.3% | 184.2 | 8.3% |
| Deferred revenues | 3,582.2 | 10.8% | 1,385.3 | 62.3% |
| Accrued expenses | 552.3 | 1.7% | 247.4 | 11.1% |
| Current portion of long-term borrowing from a financial institution | - | - | 247.9 | 11.2% |
| Current portion of finance lease liabilities | 137.1 | 0.4% | 2.4 | 0.1% |
| Income tax payable | 66.8 | 0.2% | - | - |
| Other current liabilities | 19.3 | 0.1% | 7.1 | 0.3% |
| Total current liabilities | 4,962.5 | 15.0% | 2,162.2 | 97.3% |
| Long-term borrowing from a financial institution | - | - | 6.7 | 0.3% |
| Finance lease liabilities | 1,783.1 | 5.4% | 4.7 | 0.2% |
| Employee benefit obligations | 111.8 | 0.3% | 42.2 | 1.9% |
| Total non-current liabilities | 1,895.0 | 5.7% | 53.6 | 2.4% |
| Total liabilities | 6,857.4 | 20.8% | 2,215.8 | 99.7% |

Unit: Baht millions

| Asia Aviation Public Company Limited | As at | | | |
|--|-----------------|--------------|----------------------------|-------------|
| | Consolidated | | Proportionate consolidated | |
| | 31 Dec 2012* | | 31 Dec 2011 | |
| | Amount | % | Amount | % |
| Share capital | 485.0 | 1.5% | 410.0 | 18.4% |
| Premium on share capital | 2,599.8 | 7.9% | - | - |
| Other component of equity | - | - | (15.5) | (0.7%) |
| Other reserves | (33.7) | (0.1%) | - | - |
| Retained earnings (deficits) | 15,259.4 | 46.2% | (386.8) | (17.4%) |
| Equity attributable to owners of the parent | 18,310.5 | 55.4% | 7.7 | 0.3% |
| Non-controlling interests | 7,856.1 | 23.8% | - | - |
| Total shareholders' equity | 26,166.6 | 79.2% | 7.7 | 0.3% |

*Full consolidation from May 2012 onwards

Asia Aviation Plc. prepared the statements of financial position under the fully consolidation basis as at 31 December 2012 as compared to the proportionate consolidation as at 31 December 2011.

Total assets as at 31 December 2012 amounted Baht 33,024.0 million, comprising current assets of Baht 7,127.8 million, which was increased from cash and cash equivalents and short-term investments, deriving from the IPO proceeds and from profits of Thai AirAsia Co., Ltd. in 2012; and non-current assets of Baht 25,896.2 million, which was mainly increased from intangible assets, net and goodwill as a result of the asset valuation under the fully consolidation basis as well as from aircraft, leasehold improvements and equipment, net.

Total liabilities as at 31 December 2012 amounted Baht 6,857.4 million, mainly attributable to deferred revenues and finance lease liabilities.

Total shareholders' equity as at 31 December 2012 amounted Baht 26,166.6 million, mainly increased from the retained earnings which included gain on fair value of previously held equity interests and from premium on share capital. Additionally, non-controlling interests was recorded of Baht 7,856.1 million.

Statements of cash flows

| Unit: Baht millions Asia Aviation Public Company Limited | For the year ended | |
|---|--------------------|----------------------------|
| | 31 December | |
| | Consolidated* | Proportionate consolidated |
| | 2012 | 2011 |
| Net cash generated from operating activities | 2,643.0 | 262.4 |
| Net cash generated from (used in) investing activities | (1,830.4) | 23.8 |
| Net cash generated from financing activities | 2,296.0 | 126.5 |
| Net increase in cash and cash equivalents | 3,108.7 | 412.7 |

*Full consolidation from May 2012 onwards

For the year ended 31 December 2012 under the fully consolidated basis, Asia Aviation Plc. had net cash generated from operating activities of Baht 2,643.0 million, being the operating cash flows before changes in operating assets and liabilities (excluding the effect on additional proportion of investment in a joint venture and change in a joint venture to a subsidiary) of Baht 1,742.6 million. The net cash used in investing activities was Baht 1,830.4 million while the net cash generated from financing activities was Baht 2,296.0 million. As a result, Asia Aviation Plc. had net increase in cash and cash equivalents of Baht 3,108.7 million, ending the balance for the year-end of Baht 3,852.8 million.

Thai AirAsia's financial performance for the year has been summarized below:

Statements of comprehensive income

For the year ended 31 December 2012 compared to the year ended 31 December 2011

| Unit: Baht millions Thai AirAsia Company Limited | For the year ended 31 December | | |
|---|--------------------------------|----------------|---------------|
| | 2012 | 2011 | Change % |
| Revenues | 19,348.9 | 16,157.6 | +19.8% |
| Operating costs | (16,659.1) | (13,757.6) | +21.1% |
| Gross profit | 2,689.9 | 2,400.0 | +12.1% |
| Net gain on exchange rates | 68.4 | 155.3 | -55.9% |
| Other income | 450.0 | 451.1 | -0.2% |
| Profit before expenses | 3,208.3 | 3,006.3 | +6.7% |
| Selling expenses | (596.6) | (444.7) | +34.2% |
| Administrative expenses | (460.2) | (357.9) | +28.6% |
| Profit before finance costs and income tax | 2,151.6 | 2,203.7 | -2.4% |
| Finance costs | (20.4) | (183.7) | -88.9% |
| Income tax | (320.3) | - | +100.0% |
| Net profit for the year | 1,810.9 | 2,020.1 | -10.4% |
| Other comprehensive expense | | | |
| Actuarial loss on defined retirement benefit plan | (4.3) | - | +100.0% |
| Other comprehensive expense for the year | (4.3) | - | +100.0% |
| Total comprehensive income for the year | 1,806.6 | 2,020.1 | -10.6% |

Revenues increased 19.8% from Baht 16,157.6 million in 2011 to Baht 19,348.9 million in 2012, primarily attributable to an increase in passenger revenues and in ancillary revenues.

Passenger revenues increased 19.4% YoY as the number of passengers carried increased from 6.9 million in 2011 to 8.3 million in 2012. The increase in passengers carried was supported from the increase in capacity from 8.6 million to 10.1 million YoY from an incremental of five aircraft YoY as well as the increased load factor of 82% in 2012 as compared to 80% in the same period of prior year. Thai AirAsia had higher number of flights with increased ASK for the year 2012 from 9,199 million to 10,499 million YoY. The aircraft utilization has remained at 11.5 hours per day. In 2012, traffic (RPK) has increased from 7,389 million to 8,618 million YoY. Average fare rose from Baht 1,942 to Baht 1,977 due

to the overall market growth. During 2012, Thai AirAsia flew more frequencies on domestic routes and closed the non-profitable international routes, having shorter average stage length from 1,074 kilometers in 2011 to 1,040 kilometers in 2012.

Ancillary revenues increased by 11.9% in 2012 on YoY, from more passengers carried and from repricing of fees at the end of 2Q12 especially from baggage handling fees that has been reduced in 1Q12 to stimulate the demand. As passenger growth outpaced the ancillary revenues growth, ancillary revenue per passenger was down from Baht 383 in 2011 to Baht 354 in 2012.

Operating costs in 2012 increased 21.1% YoY from Baht 13,757.6 million to Baht 16,659.1 million. The incremental was mainly from higher fuel costs by 22.7% YoY, primarily due to higher consumption from larger fleet and effects from runway closure for maintenance and weather condition in 2Q12 and 3Q12 together with an increase in average market jet fuel price from US\$ 124.0 per barrel in 2011 to US\$ 126.7 per barrel in 2012. Aircraft rental, repair and maintenance and staff costs increased by 14.4%, 34.3% and 28.9% YoY respectively along with the increase in fleet size, higher flying hours and salary adjustments of operational staff such as pilots, engineers and technicians for market compatibility.

Gross profit increased 12.1% YoY in 2012 from Baht 2,400.0 million to Baht 2,689.9 million, having gross profit margin of 13.9% in 2012.

Other income for the year slightly decreased from Baht 451.1 million to Baht 450.0 million, principally because of the decrease in interest income, especially from interest income due from related parties as the outstanding balance declined, offset with the increase in other income from airport fees collected from passengers and from interest income on short-term investments.

Selling expenses increased from Baht 444.7 million in 2011 to Baht 596.6 million in 2012, mainly attributable to higher advertising and sales promotion in regards to relocation to Don Mueang Airport and on new routes promotion during the year.

Administrative expenses increased from Baht 357.9 million in 2011 to Baht 460.2 million in 2012, principally on the account of higher back office's personnel costs and of IT costs.

Profit before finance costs and income tax declined from Baht 2,203.7 million in 2011 to Baht 2,151.6 million in 2012, having the EBIT margin of 11.1% in 2012.

Finance costs considerably decreased from Baht 183.7 million in 2011 to Baht 20.4 million in 2012 given that no interest expense paid to related parties despite interest expense paid to financial institution under finance leases on aircraft from 4Q12 onwards.

Income tax in 2012 amounted Baht 320.3 million compared to zero income tax accrual in 2011 due to cumulative tax losses at that time. Thai AirAsia Co., Ltd. started paying income tax from 2Q12 onwards.

Net profit for 2012 was down 10.4% YoY from Baht 2,020.1 million in 2011 to Baht 1,810.9 million in 2012; and net profit margin came down from 12.5% to 9.4% in 2012.

In 2012, Thai AirAsia Co., Ltd. had actuarial loss on defined retirement benefit plan amounted Baht 4.3 million.

Total comprehensive income for the year 2012 decreased 10.6% YoY from Baht 2,020.1 million in 2011 to Baht 1,806.6 million in 2012.

Statements of financial position

Unit: Baht millions

| Thai AirAsia Company Limited | As at | | | |
|---|------------------|---------------|------------------|---------------|
| | 31 December 2012 | | 31 December 2011 | |
| | Amount | % | Amount | % |
| Cash and cash equivalents | 3,847.8 | 35.7% | 1,359.7 | 35.9% |
| Cash at financial institutions pledged as security | 17.4 | 0.2% | 14.5 | 0.4% |
| Short-term investments | 2,295.9 | 21.3% | 9.1 | 0.2% |
| Trade and other receivables | 378.8 | 3.5% | 191.8 | 5.1% |
| Amounts due from related parties | 210.8 | 2.0% | 276.0 | 7.3% |
| Inventories | 58.3 | 0.5% | 51.2 | 1.4% |
| Prepaid expenses | 233.9 | 2.2% | 225.5 | 6.0% |
| Value added tax receivable, net | 99.3 | 0.9% | 689.2 | 18.2% |
| Other current assets | 13.4 | 0.1% | 19.3 | 0.5% |
| Total current assets | 7,155.6 | 66.4% | 2,836.4 | 74.8% |
| Cash at financial institutions pledged as security | 7.7 | 0.1% | 56.0 | 1.5% |
| General investment | 8.8 | 0.1% | 6.9 | 0.2% |
| Aircraft, leasehold improvements and equipment, net | 2,923.6 | 27.1% | 302.9 | 8.0% |
| Intangible assets, net | 11.8 | 0.1% | 14.3 | 0.4% |
| Other non-current assets | 673.3 | 6.2% | 573.4 | 15.1% |
| Total non-current assets | 3,625.1 | 33.6% | 953.5 | 25.2% |
| Total assets | 10,780.7 | 100.0% | 3,789.8 | 100.0% |

Unit: Baht millions

| Thai AirAsia Company Limited | As at | | | |
|---|----------------|--------------|----------------|----------------|
| | 30 Sep 2012 | | 31 Dec 2011 | |
| | Amount | % | Amount | % |
| Trade and other accounts payable | 177.0 | 1.6% | 172.3 | 4.5% |
| Amounts due to related parties | 427.7 | 4.0% | 361.1 | 9.5% |
| Deferred revenues | 3,582.2 | 33.2% | 2,716.4 | 71.7% |
| Accrued expenses | 552.0 | 5.1% | 476.1 | 12.6% |
| Current portion of long-term borrowing from a financial institution | - | - | 486.0 | 12.8% |
| Current portion of finance lease liabilities | 137.1 | 1.3% | 4.8 | 0.1% |
| Income tax payable | 66.8 | 0.6% | - | - |
| Other current liabilities | 19.2 | 0.2% | 14.0 | 0.4% |
| Total current liabilities | 4,962.0 | 46.0% | 4,230.7 | 111.6% |
| Long-term borrowing from a financial institution | - | - | 13.2 | 0.3% |
| Finance lease liabilities | 1,783.1 | 16.5% | 9.3 | 0.2% |
| Employee benefit obligations | 111.8 | 1.0% | 82.8 | 2.2% |
| Total non-current liabilities | 1,895.0 | 17.6% | 105.2 | 2.8% |
| Total liabilities | 6,856.9 | 63.6% | 4,335.8 | 114.4% |
| Share capital | 435.6 | 4.0% | 400.0 | 10.6% |
| Premium on share capital | 2,628.8 | 24.4% | 1.2 | 0.0% |
| Retained earnings (deficits) | 859.4 | 8.0% | (947.2) | (25.0%) |
| Total shareholders' equity | 3,923.8 | 36.4% | (546.0) | (14.4%) |

As at 31 December 2012, Thai AirAsia Co., Ltd. had a significant increase in total assets from Baht 3,789.8 million in 2011 to Baht 10,780.7 million with an increase in current assets from Baht 2,836.4 million in 2011 to Baht 7,155.6 million, accounting for 66.4% of total assets. The increase was due to the increase from cash and cash equivalents and short-term investments that rose from Baht 1,359.7 million to Baht 3,847.8 million and from Baht 9.1 million to Baht 2,295.9 million respectively, deriving from 2012 profits and from capital injection that Thai AirAsia Co., Ltd. has received from Asia Aviation Plc. in 2Q12, in spite of the decrease in value added tax receivable, net from Baht 689.2 million to Baht 99.3 million as Thai AirAsia Co., Ltd. received the tax claimed from the Revenue Department during 2012. Non-current

assets also increased from Baht 953.5 million in 2011 to Baht 3,625.1 million, accounting for 33.6% of total assets. The increase was mainly from aircraft, leasehold improvements and equipment, net that rose from Baht 302.9 million to Baht 2,923.6 million due to the two aircraft under finance leases in 2012.

As at 31 December 2012, Thai AirAsia Co., Ltd. had an increase in total liabilities from Baht 4,335.8 million in 2011 to Baht 6,856.9 million, mainly attributable to increase in finance lease liabilities from Baht 14.0 million in 2011 to Baht 1,920.3 million in 2012 in consistent with additional two aircraft under finance leases in assets, and attributable to increase in deferred revenues.

As at 31 December 2012, Thai AirAsia Co., Ltd. had an increase in shareholders' equity from (546.0) million in 2011 to Baht 3,923.8, mainly from Thai AirAsia Co., Ltd.'s capital raise from Baht 400.0 million in 2011 to Baht 435.6 million in 2012, given that Asia Aviation Plc. has subscribed for those new issued shares. This also resulted in the premium on share capital rising to Baht 2,628.8 million. Thai AirAsia Co., Ltd.'s retained earnings added to Baht 859.4 million as at the end of 2012.

Statements of cash flows

| Unit: Baht millions | For the year ended | |
|--|--------------------|--------------|
| | 31 December | |
| Thai AirAsia Company Limited | 2012 | 2011 |
| Net cash generated from operating activities | 3,336.2 | 521.4 |
| Net cash generated from (used in) investing activities | (3,032.6) | 30.6 |
| Net cash generated from financing activities | 2,123.4 | 258.1 |
| Net increase in cash and cash equivalents | 2,427.0 | 810.0 |

For the year ended 31 December 2012, Thai AirAsia Co., Ltd. had net cash generated from operating activities of Baht 3,336.2 million, being the operating cash flows before changes in operating assets and liabilities of Baht 2,137.3 million. The net cash increase in operating assets and liabilities were mainly from the receipt of value added tax receivable of Baht 589.9 million from Thai Revenue Department and the increase in deferred revenues of Baht 865.8 million despite the half-year income tax paid together with the increase in trade and other receivables of Baht 168.6 million. The net cash used in investing activities of Baht 3,032.6 million was primarily on the short-term investments of Baht 2,287.0 million and on aircraft, leasehold improvements and equipments of Baht 790.7 million. The net cash generated from financing activities of Baht 2,123.4 million was mainly from the proceeds from issuance of ordinary shares of Baht 2,663.1 million net of the repayments of long-term borrowing from financial

institution of Baht 499.2 million. As a result, Thai AirAsia Co., Ltd. had net increase in cash and cash equivalents of Baht 2,427.0 million, ending the balance as at 31 December 2012 of Baht 3,847.8 million.