



Management Discussions and Analysis for the Year Ended

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 for the year ended 31 December 2013 are on a fully consolidated basis as compared to the financial statements for the year ended 31 December 2012, not on a fully consolidated basis for the entire year. 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 year-on-year 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 the year ended 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 year ended 31 December 2012, having the income taxes expenses increased by Baht 125.29 million in 2012, which led the basic earnings per share to decrease Baht 0.0221 in 2012. For more details, refer to Asia Aviation Plc.’s notes to financial statements no. 2.3 and no. 19 for the year ended 31 December 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 year ended 31 December 2012 as disclosed in Asia Aviation Plc.’s notes to financial statements no. 16 for the year ended 31 December 2013.



Statements of comprehensive income

Asia Aviation Public Company Limited Unit : Million Baht	Consolidated For the years ended 31 December		Change
	2013	2012*	
Revenues	23,485.04	16,102.95	+46%
Gross profit	3,556.69	2,084.72	+71%
Profit before finance cost and income tax expense (excluding gain on fair value)**	2,729.82	1,653.12	+65%
Net Profit for the year (excluding gain on fair value)**	1,907.67	1,200.20	+59%
Profit attributable to:			
Owners of the parent (excluding gain on fair value)**	1,042.76	836.27	+25%
Non-controlling interests	864.91	363.93	>100%
Other comprehensive income (expense) for the year			
Actuarial gain (loss) on defined retirement benefit plan	15.93	(4.25)	> 100%
Income tax relating to components of other comprehensive income (expense) for the year	(3.19)	0.85	> - 100%
Total comprehensive income (expense) for the year (excluding gain on fair value)**	1,920.42	1,196.79	+60%
Total Comprehensive income (expense) attributable to:			
Owners of the parent (excluding gain on fair value)**	1,049.77	834.40	+26%
Non-controlling interests	870.65	362.40	> 100%
Earning per share (Baht)	0.22	0.18	+17%

* Consolidation from May 2012 onwards

** The gain on fair value of previously held equity interests that occurred in 2Q2012 amounted to Baht 14,676.61 million

Asia Aviation Plc. had revenues on a partially consolidated FY2012 (from May 2012) of Baht 16,102.95 million compared to Baht 23,485.04 million in FY2013 based on the fully consolidation method. Net profit attributable to owners of the parent excluding the gain on fair value amounted to Baht 1,042.76 million in FY2013, increased by 25% from Baht 836.27 million. Total comprehensive income attributable to owners of the parent excluding the gain on fair value amounted to Baht 1,049.77 million in FY2013, increased by 26% from Baht 834.40 million. Earnings per share for the year ended 2013 amounted to 0.22 (Baht/Share) increased by 17%.



Statements of financial position

Asia Aviation Public Company Limited Unit: Baht million	Consolidated		Change
	31 December		
	2013	2012	
Total assets	44,935.28	34,609.37	+30%
Total liabilities	18,260.00	9,891.55	+85%
Equity attributable to owners of the parent	19,345.89	18,259.07	+6%
Non-controlling interests	7,329.39	6,458.75	+13%
Total shareholders' equity	26,675.28	24,717.82	+8%

As at 31 December 2013, total assets amounted to Baht 44,935.28 million, which mainly increased from aircraft, leasehold improvements, and equipment – net, given 8 aircraft deliveries in 2013 and from net book value of investments in private funds. Total liabilities as at 31 December 2013 amounted to Baht 18,260.00 million, which was mainly increased from finance lease liabilities on aircraft deliveries during the period and higher deferred revenues in relation to an increase of sales. Total shareholders' equity as at 31 December 2013 amounted to Baht 26,675.28 million, increasing from retained earnings derived from profits during the year. Thus, equity attributable to owners of the parent amounted to Baht 19,345.89 million and non-controlling interests amounted to Baht 7,329.39 million.

Statements of cash flows

Asia Aviation Public Company Limited Unit: Baht million	Consolidated	
	For the years ended 31 December	
	2013	2012*
Net cash generated from operating activities	3,692.44	2,643.00
Net cash used in investing activities	(5,237.75)	(1,830.37)
Net cash generated from (used in) financing activities	<u>(436.22)</u>	<u>2,296.02</u>
Net increase (decrease) in cash and cash equivalents	(1,981.53)	3,108.65
Cash and cash equivalents at the beginning of the year	3,852.84	694.43
Exchange gain on cash and cash equivalents	<u>87.33</u>	<u>49.76</u>
Cash and cash equivalents at the end of the year	<u>1,958.64</u>	<u>3,852.84</u>

* Consolidation from May 2012 onwards



For the year ended 31 December 2013 under the fully consolidated basis, Asia Aviation Plc. had net cash generated from operating activities of Baht 3,692.44 million, being the operating cash flows before changes in operating assets and liabilities of Baht 3,100.44 million. The net cash used in investing activities was Baht 5,237.75 million while the net cash used in financing activities was Baht 436.22 million. As a result, Asia Aviation Plc. had net decrease in cash and cash equivalents of Baht 1,981.53 million, ending the balance for FY2013 of Baht 1,958.64 million.



Thai AirAsia's financial performance for the year ended 2013 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 year ended 31 December 2012, having the income taxes expenses increased by Baht 199.51 million, which led to the decrease in basic earnings per share of Baht 4.74 for FY2012. For more details, refer to Thai AirAsia's notes to financial statements no. 2.3 and no. 16 for the year ended 31 December 2013.

Statements of comprehensive income

Thai AirAsia Company Limited Unit: Baht million	For the years ended 31 December		Change
	2013	2012*	
Revenues	23,485.04	19,348.93	+21%
Gross profit	3,577.33	2,689.87	+33%
Profit before finance cost and income tax expense	2,772.89	2,151.55	+29%
Net Profit for the year	1,947.67	1,611.36	+21%
Other comprehensive income (expense) for the year			
Actuarial gain (loss) on defined retirement benefit plan	15.93	(4.25)	> 100%
Income tax relating to components of other comprehensive income (expense) for the year	(3.19)	0.85	> - 100%
Total comprehensive income (expense) for the year	1,960.41	1,607.96	+22%
Earning Per Share (Baht)	44.72	38.27	+17%

Revenues in FY2013 amounted to Baht 23,485.04 million, increased by 21% from Baht 19,348.93 million in FY2012, primarily attributable to higher passenger revenues due to more passengers carried from 8.3 million in FY2012 to 10.5 million in FY2013 or a 27% growth, notwithstanding a slightly soften in average fare to Baht 1,885 when compared to the same period of last year. The load factor grew 1% to 83% for this year. ASK in FY2013 increased 23% to 12,951 million, based on an incremental of 8 aircraft compared to the same period of last year. Aircraft utilization was at 11.7 hours per day. Ancillary revenues per passenger increased from Baht 354 in FY2012 to Baht 358 in FY2013.

Gross profit grew at 33% from Baht 2,689.87 million in FY2012 to Baht 3,577.33 million in FY2013, having a hefty gross profit margin of 15%. 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 increased 29% from Baht 2,151.55 million in FY2012 to Baht 2,777.89 million in FY2013, having higher EBIT margin of 12% despite increases in advertising and marketing expenses as well as brand license expenses.

Net profit for the year had a growth of 21% from Baht 1,611.36 million in FY2012 to Baht 1,947.67 million in FY2013, with the income tax of Baht 654.25 million. Net profit margin was at 8% despite the higher year-on-year finance costs from the interests of aircraft under finance leases.

Total comprehensive income for the year had a growth of 22% from Baht 1,607.96 million in FY2012 to Baht 1,960.41 million in FY2013 resulted from actuarial gain on defined retirement benefit plan amounted to Baht 15.93 million and income tax relating to components of other comprehensive expense amounted to Baht 3.19 million

Statements of financial position

Thai AirAsia Company Limited Unit: Baht million	As at 31 December		Change
	2013	2012	
Total assets	21,107.87	10,780.68	+96%
Total liabilities	15,251.52	6,884.74	>100%
Total shareholders' equity	5,856.35	3,895.94	+50%

As at 31 December 2013, Thai AirAsia Co., Ltd. had an increase in total assets to Baht 21,107.87 million, primarily attributable to the increases in aircraft, leasehold improvements, and equipment – net, given 8 new deliveries in this year and in net book value of investments in private funds. Total liabilities as at 31 December 2013 had increased from finance lease liabilities on new aircraft deliveries during the year and higher deferred revenues. Having the FY2013 net profit of Baht 1,960.41 million contributed Thai AirAsia to have the increases in retained earnings and total shareholders' equity, respectively.



Statements of cash flows

Thai AirAsia Company Limited Unit: Baht million	For the years ended 31 December	
	2013	2012
Net cash generated from operating activities	3,695.41	3,336.18
Net cash used in investing activities	(5,237.75)	(3,032.64)
Net cash generated from (used in) financing activities	<u>(436.22)</u>	<u>2,123.44</u>
Net increase (decrease) in cash and cash equivalents	(1,978.56)	2,426.99
Cash and cash equivalents at the beginning of the year	3,847.79	1,359.70
Exchange gain on cash and cash equivalents	<u>87.32</u>	<u>61.10</u>
Cash and cash equivalents at the end of the year	<u>1,956.55</u>	<u>3,847.79</u>

For the year ended 31 December 2013, Thai AirAsia Co., Ltd. had net cash generated from operating activities of Baht 3,695.41 million, being the operating cash flows before changes in operating assets and liabilities of Baht 3,077.77 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 5,237.75 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 436.22 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 1,978.56 million, ending the balance as at 31 December 2013 of Baht 1,956.55 million.