



## Economic and Industry Situation

The global economy during the third quarter of 2014 (Q3/2014) are as following, the US economy tended to improve from recovery in the employment rate and the economic indicators. As a result, The Federal Reserve (FED) announced to end the quantitative easing stimulus program. Meanwhile, European economies are still being slowdown due to a contraction of consumption. For China's economy, investment decelerated in all sectors, including real estate, industry and infrastructure. Besides, the global fuel price tended to downward from an oversupply, which it was a positive sign to aviation business.

The Thai economy in overall, the government passes the resolution to approve the investment budget for stimulus the economy after the establishment of new government, leading to improve the domestic demand. However, the domestic economy was sluggish growth due to the deteriorated export value. On August 2014, the biggest export value decreased in 32 months since December 2011. Moreover, tourist statistic of the Department of Tourism revealed that during July – September 2014, the number of tourist decreased by 10% when compared to the same period last year.

For Thai aviation industry, the Airport of Thailand's low cost carrier traffic data showed that the number of total passenger amounted to 8.5 million in Q3/2014 increased by 24% when compared to the same period last year. Moreover, the number of passenger both domestic and international increased by 38% and 2%, respectively, when compared to the same period last year. It was resulted from the government's scheme to stimulus tourism and promotion on low season.

For the fourth quarter of 2014 (Q4/2014), it is a high season for tourism in Thailand because there are several holidays such as Chulalongkorn Day, Loy Krathong Day, H.M. the King's Birthday, Constitution Day, Christmas and New year. We expected that the tourists would be robust travel both domestic and international destinations. Moreover, the government has a measure to boost tourism sector by allowing corporates to claim up to 100% of the seminar and training, accommodation and transportation costs and individuals to deduct the cost of domestic package tours or accommodation costs from personal income tax at a maximum of Baht 15,000 per year, effective until 31 December 2015. The aforementioned factors have positive sentiment on the aviation industry and tourism sector.



## Financial performance summary of Asia Aviation Public Company Limited and subsidiary

Asia Aviation Public Company Limited (“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 and the nine-month period ended 30 September 2013 and 2014 has been summarized below:

### Statement of Comprehensive Income

Asia Aviation Public Company Limited Unit: Baht million	Consolidated		Change (%)	Consolidated		Change (%)
	For the three-month period ended 30 September			For the nine-month period ended 30 September		
	2014	2013		2014	2013	
Revenues	5,558.6	5,595.1	(-1)	17,479.4	16,983.8	+3
Gross profit (loss)	(62.4)	680.5	(>-100)	409.2	2,696.2	(-85)
Profit(loss) before finance costs and income tax	(278.3)	439.8	(>-100)	(272.5)	2,060.9	(>-100)
Net profit (loss)/ Total comprehensive income (expense) for the period	(382.4)	289.8	(>-100)	(456.9)	1,501.7	(>-100)
Net profit (loss)/ Total comprehensive income (expense) attributable to:						
Owners of the parent	(209.0)	158.3	(>-100)	(246.4)	820.3	(>-100)
Non-controlling interests	(173.4)	131.5	(>-100)	(210.5)	681.4	(>-100)
Earnings (loss) Per Share (Baht)	(0.04)	0.03	(>-100)	(0.05)	0.17	(>-100)

In the third quarter of 2014 (Q3/2014), Asia Aviation Plc. had revenues of Baht 5,558.6 million, decreased by Baht 36.5 million or 1%, compared to the same period last year. Meanwhile, Net loss/Total comprehensive expense attributable to owners of the parent amounted to Baht 209.0 million and basic loss per share was 0.04 Baht.

For the first nine-month of 2014 (9M/2014), Asia Aviation Plc. had revenues of Baht 17,479.4 million, increased by Baht 495.6 million or 3%, compared to the same period last year. Moreover, Loss before finance costs and income tax amounted to baht 272.5 million. As result in 9M/2014, Net loss/Total comprehensive expense attributable to owners of the parent amounted to Baht 246.4 million and basic loss per share was at 0.05 Baht.



## Statement of Financial Position

Asia Aviation Public Company Limited Unit: Baht million	Consolidated		Change (%)
	As at 30 September	As at 31 December	
	2014	2013	
Total assets	48,288.5	44,935.3	+7
Total liabilities	22,070.1	18,260.0	+21
Equity attributable to owners of the parent	19,099.5	19,345.9	(-1)
Non-controlling interests	7,118.9	7,329.4	(-3)
Total shareholders' equity	26,218.4	26,675.3	(-2)

As of 30 September 2014, total assets amounted to Baht 48,288.5 million, increased by Baht 3,353.2 million or 7% compared with the year ended 31 December 2013, mainly from an increase in the aircraft, leasehold improvements, and equipment – net by Baht 4,992.8 million, given that 5 aircraft deliveries in 9M/2014. Meanwhile, short-term investments and investment in private funds decreased by Baht 1,401.3 million and Baht 991.8 million, respectively. Hence, the current ratio was 0.85 times.

As of 30 September 2014, total liabilities amounted to Baht 22,070.1 million, increased by Baht 3,810.1 million or 21% compared with the year ended 31 December 2013, mainly due to finance lease liabilities and deferred revenues increased by Baht 3,826.5 million and Baht 492.4 million, respectively, despite amounts due to related parties and income tax payable decreased by Baht 299.0 million and Baht 150.5 million, respectively.

As of 30 September 2014, total shareholders' equity amounted to Baht 26,218.4 million, decreased by Baht 456.9 million or 2% compared with the year ended 31 December 2013, due to net loss in this period led to retained earnings decreased by Baht 246.4 million. Thus, as at 30 September 2014 the equity attributable to owners of the parent amounted to Baht 19,099.5 million and non-controlling interests amounted to Baht 7,118.9 million.



Statement of Cash Flows

Asia Aviation Public Company Limited Unit: Baht million	Consolidated	
	For the nine-month period ended 30 September	
	2014	2013
Net cash generated from (used in) operating activities	(437.7)	2,867.4
Net cash generated from (used in) investing activities	1,530.7	(3,848.0)
Net cash used in financing activities	(700.1)	(300.5)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>392.9</b>	<b>(1,281.1)</b>
Cash and cash equivalents at the beginning of the year	(20.2)	47.2
Exchange gain (loss) on cash and cash equivalents	1,958.6	3,852.8
<b>Cash and cash equivalents at the end of the period</b>	<b><u>2,331.3</u></b>	<b><u>2,618.9</u></b>

For the nine-month period ended 30 September 2014, Asia Aviation Plc. had net cash used in operating activities amounted of Baht 437.7 million due to changes in operating assets and liabilities mainly from an increase in deferred revenues and amounts due from related parties as well as a decrease in accrued expenses. However, net cash generated from investing activities was Baht 1,530.7 million from the maturity of short-term investment and disposal of investment in private fund. Furthermore, net cash used in financing activities was Baht 700.1 million from repayment of finance lease and interest paid. As a result, Asia Aviation Plc. had net increase in cash and cash equivalents of Baht 392.9 million, while the cash and cash equivalent at the end of the period amounted to Baht 2,331.3 million.



Thai AirAsia's financial performance for the three-month period ended 30 September 2013 and 2014 has been summarized below:

#### Statement of Comprehensive Income

Thai AirAsia Company Limited Unit: Baht million	For the three-month period ended 30 September		Change (%)	For the nine-month period ended 30 September		Change (%)
	2014	2013		2014	2013	
Revenues	5,558.6	5,595.1	(-1)	17,479.4	16,983.8	+3
Gross profit (loss)	(60.1)	685.2	(>-100)	420.0	2,712.4	(-85)
Profit (loss) before finance cost and income tax expense	(277.9)	448.5	(>-100)	(265.2)	2,096.0	(>-100)
Net Profit(loss)/ Total Comprehensive income (expense) for the period	(382.1)	297.3	(>-100)	(455.1)	1,535.0	(>-100)
Earnings (loss) Per Share (Baht)	(8.77)	6.83	(>-100)	(10.45)	35.24	(>-100)

In Q3/2014, revenues of Thai AirAsia amounted to Baht 5,558.6 million, decreased by 1% from Baht 5,595.1 million in Q3/2013, due to a plunge in average fare at Baht 1,592 or decreased by 14% from Baht 1,842 in Q3/2013. In addition, load factor decreased by 1 percentage to 82% in Q3/2014. Nevertheless, the number of passengers carried increased from 2.56 million in Q3/2013 to 2.85 million in Q3/2014 or 12% growth. In Q3/2014, Available Seat Kilometer (ASK) amounted to 3,553 million or increased by 8% compared with the same period last year, while, Revenue Passenger Kilometers (RPK) amounted to 2,957 million or increased by 7% compared with the same period last year. Moreover, ancillary revenues per passenger increased from Baht 354 in Q3/2013 to Baht 364 in Q3/2014, mainly from connecting fees (Fly-Thru) and assigned seat fees.

In Q3/2014, gross loss of Thai AirAsia amounted to Baht 60.1 million or decreased by 109% compared with the same period last year, which had the gross profit amounting to Baht 685.2 million. It derived from an increase in fuel expenses, ramp and operation expenses, depreciation expenses, and aircraft rental in relation to the fleet expansion.

Loss before finance costs and income tax amounted to Baht 277.9 million, decreased by Baht 726.4 million compared with the same period last year due to an increase in advertising and marketing expenses.

Net loss/Total comprehensive expense for the period amounted to Baht 382.1 million, decreased by Baht 679.4 million compared with the same period last year due to an increase in finance costs from the interest payment of aircraft under finance leases.



For 9M/2014, revenues of Thai AirAsia's amounted to Baht 17,479.4 million, increased by 3% from Baht 16,983.8 million in 9M/2013, primarily due to an increase in ancillary revenues per person from Baht 353 in 9M/2013 to Baht 359 in 9M/2014. It mainly derived from an increase in connection fees (Fly-Thru) and assigned seat fees. The number of passenger increased from 7.54 million in 9M/2013 to 8.78 million in 9M/2014 or 16% growth. Moreover, the average fare in 9M/2014 amounted to Baht 1,641 decreased by 14% from Baht 1,905 in 9M/2013 in line with a decrease in the load factor by 4 percentage points to 80% in 9M/2014. ASK in 9M/2014 increased by 18% to 11,042 million, given that additional 5 aircraft in this period, while RPK in 9M/2014 increased by 12% to 8,870 million. Besides, the number of stages flown was at 60,936 flown in 9M/2014, increasing from 49,830 flown in 9M/2013 as flying new routes and additional frequencies of existing routes. The aircraft utilization was at 10.7 hours per day in 9M/2014.

Net loss/Total comprehensive expense amounted to Baht 455.1 million, decreased by 130% compared with 9M/2013. It was primarily from an increase in fuel expenses in relation to the Baht's depreciation, despite a slightly decrease in the global fuel price. Moreover, aircraft rental, ramp and airport operation, as well as, depreciation expenses, increased in relation to larger fleet size.

Thai AirAsia Company Limited	Q3/2014	Q3/2013	Change (%)	9M/2014	9M/2013	Change (%)
Passenger Carried (Million)	2.85	2.56	+12	8.78	7.54	+16
Capacity (Million seats)	3.47	3.06	+13	10.97	8.97	+22
Load Factor (%)	82	83	-1 ppt	80	84	-4 ppts
Available seat kilometers (Million seats -km)	3,553	3,282	+8	11,042	9,358	+18
Revenue passenger kilometers (Million -km)	2,957	2,769	+7	8,870	7,934	+12
Average fare (Baht)	1,592	1,842	(-14)	1,641	1,905	(-14)
Revenue per Available seat kilometers (Baht)	1.56	1.70	(-8)	1.58	1.81	(-13)
Cost per Available seat kilometers (Baht)	1.72	1.62	+6	1.67	1.65	+1
Cost per Available seat kilometers (non-fuel) (Baht)	1.00	0.91	+10	0.94	0.94	-



### Statement of Financial Position

Thai AirAsia Company Limited	As at 30 September	As at 31 December	Change
Unit: Baht million	2014	2013	(%)
Total assets	24,474.3	21,107.9	+16
Total liabilities	19,073.1	15,251.5	+25
Total shareholders' equity	5,401.2	5,856.4	(-8)

As at 30 September 2014, total assets amounted to Baht 24,474.3 million, increased by Baht 3,366.4 or 16% compared with the year ended 31 December 2013, mainly due to the aircraft, leasehold improvements and equipment-net increased by Baht 5,008.3 million, given that 5 aircraft deliveries in 9M/2014. Meanwhile, short-term investments and investment in private fund decreased Baht 1,401.3 million and Baht 991.8 million, respectively.

As at 30 September 2014, total liabilities amounted to Baht 19,073.1 million, increased by Baht 3,821.6 million or 25% compared with the year ended 31 December 2013, mainly from finance lease liabilities increased by Baht 3,826.5 million, as taking additional 5 aircraft in 9M/2014. Moreover, deferred revenues increased by Baht 492.4 million. In the meanwhile, amounts due to related parties and income tax payable decreased by Baht 292.8 million and Baht 150.5 million, respectively.

As at 30 September 2014, total shareholders' equity amounted to Baht 5,401.2 million, decreased by Baht 455.1 million or 8% compared with the year ended 31 December 2013, resulted from net loss during the period led to a decrease in retained earnings amounted to Baht 455.1 million.

### Statement of Cash Flows

Thai AirAsia Company Limited	For the nine-month period ended 30	
	September	
Unit: Baht million	2014	2013
Net cash generated from (used in) operating activities	(439.1)	2,869.2
Net cash generated from (used in) investing activities	1,530.7	(3,848.0)
Net cash used in financing activities	(700.1)	(300.5)
Net increase (decrease) in cash and cash equivalents	391.5	(1,279.3)
Cash and cash equivalents at the beginning of the year	(20.2)	47.1
Exchange gain (loss) on cash and cash equivalents	1,956.5	3,847.8
Cash and cash equivalents at the end of the period	<u>2,327.8</u>	<u>2,615.6</u>



For the nine-month period ended 30 September 2014, Thai AirAsia had net cash used in operating activities of Baht 439.1 million due to changes in operating assets and liabilities primarily from an increase in the deferred revenue and the amounts due from related parties as well as a decrease in accrued expenses. Whereas, net cash generated from investing activities was Baht 1,530.7 million as a result of the maturity of short-term investment and disposal of investment in private fund. Additionally, the net cash used in financing activities was Baht 700.1 million, mainly from repayment of finance lease and interest paid. As a result, Thai AirAsia had net increase in cash and cash equivalents of Baht 391.5 million, ending the balance for the period of Baht 2,327.8 million.

### Glossary

**Load Factor** = Represents the number of passengers carried as a proportion to capacity, which is the number of seats available for passengers (180 seats for Airbus A320)

**Available seat kilometers (ASK)** = which is the total number of seats available on scheduled flights multiplied by the number of kilometers these seats were flown

**Revenue Passenger Kilometers (RPK)** = Revenue passenger kilometers, which is the number of paying passengers carried on scheduled flights multiplied by the number of kilometers those seats were flown

**Average Fare** = Calculated as Thai AirAsia's total passenger revenues and fuel surcharge divided by total number of passengers carried

**Revenue per ASK (RASK)** = Calculated as Thai AirAsia's revenues divided by ASK

**Cost per ASK (CASK)** = Calculated as the sum of Thai AirAsia's operating costs, selling expenses and administrative expenses (but excluding finance costs) divided by ASK

**Cost per ASK (CASK ex-fuel)** = Calculated as the sum of Thai AirAsia's operating costs, selling expenses and administrative expenses (but excluding finance costs) less fuel costs divided by ASK

**Average stage length (kilometer)** = Represents the average number of kilometers flown per flight

**Aircraft Utilization** = Represents the average block hours per day per aircraft during the relevant period. Block hours is calculated by measuring the duration between the time of departure of an aircraft and the time of arrival at its destination.