

# 2013 ANNUAL REPORT



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A STAR ALLIANCE MEMBER 



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# Financial and Operating Highlights

## Financial Statistics

		The Consolidated			The Company		
		2013	2012	% Change	2013	2012	% Change
<b>Results</b>							
Revenue	NT\$ million	124,164	120,158	3.33%	110,747	107,148	3.36%
Total Costs	NT\$ million	120,694	117,749	2.50%	109,159	106,952	2.06%
Operating Income	NT\$ million	3,470	2,409	44.05%	1,588	196	709.89%
Profit	NT\$ million	1,280	1,196	7.03%	747	655	14.08%
EPS	NT\$	0.23	0.20	15.00%	0.23	0.20	15.00%
Profit Margin	%	1.03%	1.00%	0.03ppt	0.67%	0.61%	0.06ppt
<b>Financial Position</b>							
Total Assets	NT\$ million	152,723	155,524	-1.80%	139,395	142,294	-2.04%
Total Liabilities	NT\$ million	112,466	116,140	-3.16%	103,557	106,926	-3.15%
Total Equity	NT\$ million	40,257	39,385	2.22%	35,838	35,368	1.33%
Debt Ratio	%	73.64%	74.68%	-1.04ppt	74.29%	75.14%	-0.85ppt

## The Company Operating Statistics

		2013	2012	% Change
Passenger Revenue	NT\$ million	71,100	65,618	8.35%
Passengers Carried	Thousand	8,009	7,525	6.44%
Passenger Traffic	Million	27,681	25,988	6.52%
Passenger Capacity	Million	34,765	32,770	6.09%
Passenger Load Factor	%	79.62%	79.30%	0.32ppt
Passenger Yield	NT\$	2.57	2.52	1.73%
Cargo Revenue	NT\$ million	32,033	34,351	-6.75%
Cargo Carried	Tons	713,805	741,832	-3.78%
Cargo Traffic	Million	4,278	4,472	-4.32%
Cargo Capacity	Million	5,177	5,359	-3.39%
Cargo Load Factor	%	82.64%	83.44%	-0.81ppt
Cargo Yield	NT\$	7.49	7.68	-2.53%
Overall Traffic	Million	6,770	6,811	-0.60%
Overall Capacity	Million	8,306	8,308	-0.03%
Overall Load Factor	%	81.50%	81.97%	-0.47ppt
Overall Yield	NT\$	15.23	14.68	3.79%
Unit Cost	NT\$	13.14	12.87	2.10%
Number of Employees		7,077	6,429	10.08%
Traffic per Employee	Thousand	957	1,059	-9.63%
Capacity per Employee	Thousand	1,174	1,292	-9.13%
Revenue per Employee	NT\$ thousands	15,649	16,666	-6.10%

# To Shareholders

## 2013 Results

In 2013, we carried 8.01 million passengers and 710,000 tons of cargo, achieving a combined load factor of 82%. EVA Air's annual operating revenue climbed to NT\$110.75 billion, a 3% increase compared to 2012, resulting in profit for the year of NT\$0.75 billion. Consolidated annual operating revenue reached NT\$124.16 billion, also a 3% increase over 2012, producing NT\$1.28 billion in profit and per share earnings of NT\$0.23 for the year.

■ **Passenger revenue increased 8% or NT\$5.5 billion over 2012, reaching NT\$71.1 billion**

Benefiting from the Japanese yen's depreciation, Taiwan tourism to Japan increased sharply. And due to stable cross-Strait relations, China has remained open to FIT (foreign independent tours) to Taiwan for citizens of its tier-2 cities. In addition to EVA Air joining Star Alliance mid-year, these 2013 developments had a multiplier effect that led to 6.4% more passengers.

Going forward, we will actively optimize our networks in Europe, America and Asia by strengthening our transport business in Europe and North America and further developing our China market. We will also grow our high-value customer base through the complementary Star Alliance network, strengthen our niche in neighboring markets, more fully integrate regional and intercontinental resources and work in cooperation with the Taoyuan Aerotropolis program to increase transit business.

■ **Cargo revenue declined by 7% or NT\$2.3 billion over 2012, totaling NT\$32.0 billion**

Due to economic conditions created by slow global economic recovery, airfreight demand has been weak. We responded by adjusting our route structure and airfreight capacity, in addition to initiating other measures that, together, stabilized our load factor decline at a minimal 1% compared to 2012.

Anticipating future changes in the global airfreight market, we aim to maintain stable

profits by making moderate cargo fleet adjustments and strengthening our sales network worldwide.

■ **Expanded fleet to 62 aircraft, continued to replace older models**

At year-end 2013, we were operating a fleet of 62 aircraft made up of 47 passenger jets and 15 freighters. We removed one Boeing 747-400 Combi from service and took delivery of three brand-new Airbus 321-200s. We have listed the types of aircraft in our fleet in the following table:

Aircraft Type	Quantity
B747-400	3
B747-400 Combi	2
B747-400 (Freighter)	9
MD-11 (Freighter)	6
MD-90	7
B777-300ER	15
A330-200	11
A330-300	3
A321-200	6
<b>Total</b>	<b>62</b>

■ **Safety and quality service recognized for excellence**

We have remained committed to enhancing the quality of all of our services and recognized within the aviation industry for our top flight safety record. Over the years, we have been singled out for numerous honors and awards. In 2013, EVA was identified as one of world's 10 safest airlines by website [AirlineRatings.com](http://AirlineRatings.com) and ranked fifth among the world's top-10 safest carriers by Germany's AERO International Magazine, consistently earning accolades for our superb record and high standards. Highlighting the quality of our services, EVA won two categories in Business Traveller's annual wine competition, taking first place for both the best white and sparkling wines.

We completed cabin upgrades to our 15 B777-300ERs in 2013 and successfully introduced Royal Laurel Class in all of the markets we serve with this fleet. We have configured this luxurious new business class cabin in a reverse herringbone with seats that envelope each passenger in his or her own private space and, at the same time, offer the option of moving forward with the touch of a button to talk or dine with a travel companion. Fully lie-flat seats and thoughtful amenities such as adjustable lumbar supports, coat hooks, spaces for shoe stowage, movable armrests and convenient seat-side tables for beverages, snacks, electronic devices or reading materials make this cabin exceptionally comfortable and attractive.

Our excellent flight safety record, service reliability and advanced fleet have also captured the attention of domestic and international shippers with priceless cargo and we were entrusted with two world-class art exhibitions in 2013. We carried 37 irreplaceable paintings for “Joan Miró: Women, Birds, Stars” from Frankfurt to Taipei and another 59 masterpieces for “Renoir and Painters of the Twentieth Century” between Tokyo, Osaka, Paris, New York and Taipei. We also transported the “God Emperor Guansheng” statue from Yuncheng City, Shanxi Province, Mainland China to Taiwan for a widely acclaimed blessing tour that included multiple stops in cities throughout the island.

■ **Established EVA Flight Training Academy to enhance fundamental pilot qualifications and quality**

To elevate qualifications and flying skills, in addition to cultivating our own pilots, we established a flight training academy in California, U.S.A. Our Flight Training Academy not only improves fundamental flight-training quality but also more effectively meets our rigid aviation safety requirements.

We opened our new EVA Flight Training Academy in December 2013. Current equipment includes one twin-engine and two single-engine trainer aircraft. Soon, we will expand Academy facilities to also include a hangar, aircraft apron, dormitory and more. We will continue to add fundamental training equipment, one piece at a time, and expect to be offering as many as 10 single-engine and three twin-engine trainer aircraft by 2016. We will be equipped to train as many as

100 students a year at the Academy by 2017. In addition to developing it as a resource for cultivating our own pilots, we also expect to extend the Academy’s services to pilots from other airlines.

■ **Consolidated subsidiary enterprises**

We consolidated Evergreen Aviation Technologies Corp., Evergreen Sky Catering Corp., Evergreen Airline Services Corp. and Evergreen Air Cargo Service Corp. to streamline planning, optimize our participation in aviation-related industries and ensure that we continue to provide all of our customers excellent airline services. Our consolidated companies produced outstanding operating performances in 2013. We summarize reportable results for our consolidated companies in the following paragraphs.

**Evergreen Aviation Technologies Corp. (EGAT)**

EGAT provides aircraft maintenance and parts and component procurement. EVA holds 80% of its shareholder equity. In addition to servicing our own fleet throughout 2013, EGAT renewed a five-year fuselage-maintenance agreement with U.S.-based Atlas Air in 2013 and signed a five-year fuselage-maintenance agreement with Belgium-based TUI JetairFly. Broad experience and exceptional capabilities also lead other well-known airlines to use EGAT for their aircraft maintenance.

**Evergreen Sky Catering Corp. (EGSC)**

EGSC provides catering services for airline passengers. As it met growing demands from EVA and other carriers in 2013, EGSC also initiated a business promotion campaign and added Hawaiian Airlines and Emirates Airlines to its lengthy roster of food-service customers. By enhancing its existing business and expanding its customer base, EGSC’s air catering business and operating income have both hit record highs.

**Results vs. Projections**

EVA forecast NT\$110.30 billion in operating revenue for 2013 and, at NT\$110.75 billion, achieved 100.4%. We expected pre-tax net profit of NT\$0.82 billion and produced higher results at NT\$0.92 billion.

We forecast NT\$123.67 billion in 2013 operating revenue for our Consolidated Company and, at NT\$124.16 billion, also achieved 100.4%. We

also expected pre-tax net profit of NT\$1.69 billion and produced even better results at NT\$1.84 billion.

### **Analysis of Financial Results and Profitability**

EVA's 2013 operating revenue reached NT\$110.75 billion, increasing 3% above 2012 and operating expense amounted to NT\$109.16 billion, higher than 2012 by 2.1%.

#### **EVA Profitability analysis:**

Return on total assets: 1.39%

Return on equity: 2.10%

Ratio of operating profit to paid-in capital: 4.87%

Return on sales: 0.67%

Earnings per share: NT\$0.23

Our Consolidated Company's 2013 operating revenue rose to NT\$124.16 billion, improving over 2012 by 3% while operating expense reached NT\$120.69 billion, up 2.5% from 2012.

#### **The Consolidated Company Profitability analysis:**

Return on total assets: 1.69%

Return on equity: 3.21%

Ratio of operating profit to paid-in capital: 10.65%

Return on sales: 1.03%

Earnings per share: NT\$0.23

### **Research and development**

■ Our consistent mission is to give passengers seamless quality service and pleasant flying experiences. With this commitment to our passengers, we joined Star Alliance, the best and largest airline alliance in the world. We launched an all-out effort to meet the high standards required for Star Alliance membership and complete every step of the comprehensive integration process in 2012. EVA was rewarded with global recognition, Star Alliance certification and official membership on June 18, 2013.

■ EVA ran our own in-house passenger reservation, ticketing and check-in system for more than 20 years. We recognized that we needed to improve service quality to not only accommodate passenger expectations and market demands but also to successfully compete globally. With these objectives firmly in focus, we adopted the larger, mightier Amadeus Altea system. After months of careful planning and painstaking

implementation, we successfully launched the new system on March 17, 2013 and deployed it in all of our stations worldwide by the end of July 2013.

■ We chose Cargo PLUS as our analysis software to instantly deliver information, meet increasing data analysis demands and support our different airfreight markets in 2013. By integrating this software into our freight system, EVA Air Cargo business units can analyze daily operating strategies and make targeted decisions. This system also helps us reduce operational risks and eliminate unnecessary costs so that we can increase revenues and seize fast-changing market opportunities.

■ EVA uses a Data Warehouse and Business Intelligence (BI) system or EDW to support passenger and cargo business decisions. We introduced a new-generation analysis platform to expand our EDW system in 2012 and launched the first, cargo phase in March 2013. The next phase will integrate passenger analysis and further improve both the dashboard and mobility. Our EDW program is steadily enhancing EVA Data Warehouse and BI system value and services.

■ As smartphones continue to grow in popularity and mobile commerce booms, App application products for mobile devices have matured and are more widely used than ever. EVA's thriving Duty-Free and Pre-Order websites are exceptionally convenient shopping platforms. We developed the Pre-Order shopping App, in addition to another for Home Delivery, and integrated both into the EVA mobile e-commerce platform for a complete shopping experience and improved service. Benefits of our enhanced EVA mobile commerce platform include increased product-sale diversity and revenue.

■ We evaluated and implemented virtual storage technologies, giving us greater functionality and more advanced features throughout EVA storage systems. By improving availability, stability, performance and resource flexibility, we also lowered total storage costs for EVA's various databases and important business applications. At the same time, we met our objectives with a storage

system we can use to manage all critical data that also has more security and future scalability.

- Including EVA's data center network core and office system, we restructured and improved our headquarters network architecture in 2013, effectively meeting increasing demands of daily airline operations. Our expanded network capacity, wider bandwidth and faster response time give us better headquarters architecture availability and, as a bonus, reduce the number of devices we need for storage. We successfully eliminated network device sprawl and significantly improved performance. And we are ready to prepare for operation network demands.
- We renovated and implemented the new, global EVA office VPN (Virtual Private Network) network for our internal users worldwide in 2013. This system provides easier access, better performance, greater stability, more availability and wider office network bandwidth. Our VPN backbone enhancements have made it easier to manage our global office network and equipped us to meet future traffic demands.



## 2014 Preview

### Operating Guidelines

By focusing on aviation safety, convenience and considerate services, EVA Air has repeatedly advanced service quality. In 2013, we completed Royal Laurel Class upgrades in all 15 of the B777-300ERs that we operate and launched one B777-300ER Hello Kitty Jet on the Taoyuan – Los Angeles route, increasing the total number of the character-themed aircraft in our fleet to six. In 2014, we are adding more new B777-300ER and A321-200 aircraft. Our A321-200s are the first aircraft in Taiwan to be equipped with fuel-saving Sharklets. In addition to enhancing fuel efficiency, these innovative wing tips reduce CO<sub>2</sub> emissions, improve take-off performance and extend flight range.

By integrating fleet resources, we will gradually phase out our B747-400 Combis and MD90s, ensuring that our passengers continue to enjoy safe, comfortable flight experiences aboard advanced aircraft. By replacing the older equipment, we will also enhance our competitiveness on busy routes, give us more fleet flexibility and boost income.

Plans for our consolidated company's reportable segments follows below:

In 2014, EGAT will focus on expanding our maintenance capacity to elevate quality of the services we provide and strengthen our position in the global market as Asia's aviation technology maintenance center.

EGSC expects to grow total catering business by 7% in 2014. We have the manpower, equipment and processes in place and are prepared to provide the tastiest and safest gourmet foods available for inflight food service aboard the different airlines that are our customers.

### Estimated Air Traffic and Basis

#### **Passenger services:**

We are forecasting that we will carry 8.57 million passengers in 2014, a 7% increase compared to the 8.01 million we served in 2013.

#### **Estimation Basis:**

Since April 1, 2013, China has increased its quota for the number of group tourists traveling to Taiwan from 4,000 to 5,000 per day and lifted the

cap on FIT tourists from 1,000 to 2,000 per day. On June 28, China opened a third batch of cities for FIT travelers: Shenyang, Zhengzhou, Wuhan, Suzhou, Ningbo and Qingdao. And on August 28, it approved seven more cities: Shijiazhuang, Zhangchun, Hofei, Zhangsha, Nanning, Kunming and Quanzhou.

The number of Taiwanese tourists visiting Japan has increased sharply due to the Japanese yen's decline, driving up passenger numbers and increasing our income.

Joining Star Alliance enabled us to expand our customer sources and flight network and we have attracted more high-end business travelers with our luxurious B777-300ER Royal Laurel Class.

We will continue to cultivate our cross-strait customer bases, actively strive to access China's transit-passenger market and work with the government to promote Taoyuan International Airport as a major global transit center.

#### **Cargo services:**

We are forecasting that we will transport 716,000 tons of airfreight in 2014, a 0.5% increase compared to the 712,000 tons we carried in 2013.

#### **Estimation Basis:**

Air cargo demand has been impacted by factors such as high fuel prices and slow recovery of the global economy. We expect market volume to remain flat in 2014.

Through strategic fleet planning and route adjustments, we have the flexibility to adjust our shipping space supply and increase load rates.

We will continue to develop our global air transport market, adding new freight destinations that have market potential and strengthen our cargo sales network.

### Key Marketing Strategies

#### **Passenger services:**

- EVA Air officially joined Star Alliance on June 18, 2013. Within this aviation alliance structure, we are strategically developing joint operating partnerships in promising regions with major airlines.
- In 2014, we are introducing three new B777-300ER and six new A321-200 passenger aircraft to meet demand for more

flights to America and on regional cross-strait routes. We expect the fuel efficiency of these aircraft and the market appeal of their advanced passenger cabins to help boost our operating profit.

- Consistent with cross-strait direct-flight policies, we will maximize opportunities created by China's increased quotas for individual visits. We will actively pursue the Chinese tourist market and passengers transiting through Taiwan.
- We will update booking, seat management and control systems and further improve our revenue management program. We will also enhance operating efficiencies and reduce operating costs by actively developing additional e-services and m-services.
- We will adjust aircraft model deployment and flight frequencies to optimize services for the destinations we serve, fully utilize our fleet carrying capacity and strive to enhance route efficiencies to meet market demands.
- We will continue to strengthen and expand EVA's joint operating partnerships with United Airlines, Singapore Airlines, All Nippon Airways, Asiana Airlines, Air China, Hainan Airlines, Shandong Airlines, Bangkok Airways, Hong Kong Airlines, etc.

#### **Cargo services:**

- We will continue to develop promising new destinations in line with cross-strait policies, fully utilize belly space to carry cargo on regular passenger flights between China and Taiwan and increase marketable routes. And we will strengthen our global freight distribution network by actively seeking to cooperate with China's cargo airlines on regular cross-strait airfreight flights.
- The International Monetary Fund (IMF) revised its global economic growth forecast upward for 2014 and leading financial authorities predicted better performance in the world's top four markets: China, the United States, Europe and Japan. Improved economies are expected to invigorate exports in Asia's emerging markets and reignite output momentum for China's manufacturing industry. In addition, revived demand for consumer electronics in North America and

Europe will stimulate China's export momentum and encourage aviation transportation.

- Increased global demand for high-end mobile devices is expected to spur information / communication and electronic product markets. The air cargo industry will also benefit from growing demand for mid- and low-end handsets in developing countries. Through strategic cargo-fleet planning and deployment, we are prepared to meet ever-changing airfreight demands.
- We will expand services to more destinations through joint operating partnership networks, increase flight frequencies and actively seek new freight gateways with market potential.
- We will further reduce operating costs by continuing to develop and improve e-freight services.

#### **Future Development Strategies**

- EVA has established a vibrant global flight network that links major cities in Europe, America, Asia and Oceania. Now, we are working to optimize this far-reaching route system to expand the range of our comfortable, convenient air services and advance development of Taoyuan International Airport as East Asia's leading transportation hub.
- EVA will continue to grow our direct-link flight network in accordance with open cross-strait policies that permit regular services. We are building flexibility into our operations so that we can take appropriate action to capture more of the potential passenger and cargo markets and still retain our competitive position whenever air agreements are amended.
- EVA is adding new B777-300ERs and A321-200s equipped with brand-new seats and In-flight entertainment systems to our fleet. At the same time, we are strengthening our capacity for America, China and other major regions, providing premium services and the safest air transport for our customers.
- By joining Star Alliance, we are enhancing our corporate brand image and increasing awareness globally. Through cooperation

with other alliance members, we are quickly expanding our passenger network in Europe and even in Central America, South America and Africa, regions not yet added to our own service map.

- EVA is currently cooperating with 11 carriers, including United Airlines, Singapore Airlines, All Nippon Airways, Asiana Airlines, Air China, Hainan Airlines, Shandong Airlines, Bangkok Airways, Hong Kong Airlines, Lufthansa (cargo) and Air China (cargo). We will continue to expand and strengthen cooperation with other airlines. Within the framework of the alliance, we are able to extend our route network through those of other members and build a reciprocal operating environment. Our complementary networks enable us to multiply customer sources, upgrade services and attract more high-end business. Joint procurement also gives us the advantages of common service standards, reduced operating costs, diversified risks and added convenience due to more schedule choices.
- We are continuing to optimize our EVA Cargo fleet, adjusting routes and aircraft models to best fit different market conditions and maximize airfreight profits. We are also opening new gateways in China that have freight potential and strengthen our routing within that market. We are always on alert for new trade opportunities and planning for new freight routes while, at the same time, making adjustments to accommodate logistics demands in varying regions around the globe.
- On January 7, 2014, EVA obtained a general aviation operating permit, becoming the first airline in Taiwan to provide both regularly scheduled services and chartered business flights.
- We added courtesy customs clearance exclusively for non-chartered business passengers at EVA Sky Jet Center, giving more travelers fast premium services.
- We have developed our civil aviation affiliated enterprises strategically and now cover maintenance, airline catering, aviation ground-handling services and storage / transportation sectors. Our affiliated companies not only deliver premium services

and help ensure operating safety for EVA but also actively seek the business of other airlines, supporting more production capacity and elevating operating efficiencies.

## **Competition, Legal Issues and the Operating Environment**

### **Competition**

- The global economic recovery continues to lag, impacting corporate travel budgets, slowing business and leisure markets and squeezing passenger volume and fares.
- Low-cost carriers are entering the passenger market with rock-bottom fares and Taiwan's high-speed rail continues to force domestic airlines to transform themselves. These factors influence the competitive landscape and supply-demand balance in regional passenger and cargo markets.
- More nations are deregulating airlines. For example, the United States and Japan adopted open-sky policies while Taiwan and Canada signed an air service agreement. Both developments are likely to promote competition for intercontinental and regional passengers and airfreight.
- We expect China's growing air transport demand to continue to dominate Asia markets. In addition to cross-strait passenger and cargo volumes that repeatedly reach new highs, related businesses such as aviation-product manufacturing and aviation personnel and maintenance are also thriving. This trend creates significant opportunities for companies in Taiwan.
- China's relaxation of its economic policies, the dramatic increase in its people's spending power and continued economic growth in emerging Asian countries remain key financial drivers. Using Taiwan as an operations center and establishing manufacturing plants in China and emerging Asian countries is still the business model with the greatest cost benefits. Not only will EVA actively develop more strategies and tactics to dominate this market but we will also survey shippers and use our far-reaching global network to establish Taiwan as an international transit center.

## **Legal Environment**

- Political and economic stability directly impact ups and downs in passenger and cargo markets.
- The airline industry must remain vigilant and ready to respond quickly to changes. Open policies for direct cross-strait flights are still being developed and support is fragmented.
- The airline industry is burdened by increasing consumer awareness and regulatory changes. Prime examples are the European Union's penalty on airlines that oversell seats and our industry's inclusion in its Emission Trading Scheme (ETS).
- Mainland China's relaxation of its passenger transit policies affects Taiwan carriers' competitiveness in international transport networks.

## **Operating Environment**

- We expect the United States to end its quantitative easing next year, which will result in higher long-term interest rates, increased loan costs, a downswing in the real estate market and a further slowdown in the economic recovery.
- While the Japanese yen depreciates, consumption tax rates continue to rise, leading to a slowdown in consumer spending. This trend may be a risk and lead to further economic decline.
- Oil-shale fracking technology has led to increased oil and gas production while turbulence in the Middle East has eased. Supplies are relatively stable for now and that may reduce the risks of soaring oil prices and help us control operating costs.

Over the past year, EVA has phased out older aircraft and begun integrating advanced new models, updated our passenger transport operating system, joined Star Alliance, established the EVA Flight Training Academy and opened our second state-of-the-art training building in Taiwan. These

actions have enabled us to substantially enhance our operating structure and significantly improve performance. Even though the aviation industry faces difficult challenges in the year ahead, we are steadfast in our determination to make every effort to further improve safety and services and keep EVA Air in its position as one of the highest quality airlines in the world.

# The Company

Founded in March 1989, EVA Air, a one-hundred-percent privately owned Taiwanese airline, is the sister company of Evergreen Marine Corporation, which is the world famous shipping line in terms of container operation.

Since the inauguration of its maiden flight on July 01, 1991, EVA Air is currently serving 63 destinations over four continents, except Africa, with 59 aircraft (as of December 2011) and is still steadily expanding its operation network and fleet.

In 1997, after carefully nurturing an environment where faultless service quality and flight safety are the standard, EVA Air became the first airline in Taiwan to achieve official ISO 9002 Certification in three areas at the same time -- passenger, cargo and maintenance operations. Diligently upholding these objectives, EVA Air earned ISO-9001:2000 Certification for all categories of operation in 2001.

In addition, EVA has ensured quality, smooth ongoing operations and reduced costs by investing capital and expertise in airline-related companies, including Evergreen Sky Catering Corporation, Evergreen Airline Services Corporation, Evergreen Air Cargo Services Corporation, and other selected subsidiaries.

Operating strategies developed by the carrier are far-reaching. Company goals place equal importance on its passenger and cargo services, and it works in cooperation with affiliated carriers to maximize mutual efficiencies and effectively compete on a global scale. Its worldwide hub of operations at Taoyuan International Airport in Taiwan has proven to be both successful and strategic.

EVA Air listed its stock on Taiwan's TAISDAQ Market in October 1999, and moved to the main board, TSE, in September 2001.

## Major Milestones

### 1988~1990

On September 1, 1988 at the celebration for the 20<sup>th</sup> birthday of Evergreen Marine Corporation, Group Chairman Y. F. Chang announced that Evergreen would launch an international airline. EVA Air was officially formed in March 1989. After careful deliberation, the fledgling airline signed a contract with Boeing/McDonnell Douglas for 26 aircraft at a total purchase value of US\$3.6 billion, and immediately captured the attention of the global airline market.

### 1991

EVA Air accepted delivery of its first two B767-300ERs in April, and made its inaugural flight on July 1. Within that first week, the new airline opened five destinations in Asia -- Bangkok, Seoul, Jakarta, Kuala Lumpur and Singapore.

### 1992

The comprehensive EVA Training Center opened in July, and the carrier's first two all-passenger B747-400s were delivered in November. EVA used the first flights of the new aircraft to launch its Taipei-Los Angeles route and introduce its four classes of cabin service, including the debut of its trend-setting Evergreen Deluxe Class in-between Economy and Super Business.

### 1993

EVA Air set new standards and heightened expectations by expanding its network to more than half a dozen new destinations, and by launching service to London, Paris, Seattle, New York, San Francisco, Brisbane, Sydney and Dubai.

### 1994

EVA made the greatest number of new aircraft additions to its fleet this year, purchasing a total of eight, including three MD-11s, one B747-400 and four B767-200s. The airline also added Bali, Fukuoka and Auckland routes to its network.

## **1995**

The carrier purchased three MD-11 freighters and began to vigorously develop air cargo operations. It set goals emphasizing passenger and cargo services equally. And it used joint operations and land transportation to successfully extend EVA Cargo services worldwide.

## **1996**

Enhancing the high quality of its operations, EVA applied for ISO-9002 certification. Within the next year, its passenger service, cargo service and aviation maintenance operations were all three granted ISO-9002 international certifications simultaneously. EVA achieved ISO-9001:2000 certification in 2001.

## **1997**

Ensuring consistent service quality, EVA and Singapore Airlines formed Evergreen Sky Catering Corporation as a joint venture and in February, began providing in-flight catering services.

## **1998**

Promoting air safety, EVA signed a joint-venture contract with General Electric and established Evergreen Aviation Technologies Corporation on February 24. That same day, a powerful new engine test cell was placed in operation, and the new joint venture began an aggressive campaign to raise the standards of the aircraft maintenance business.

## **1999**

Earning brilliant results with both passenger and cargo service, EVA produced outstanding operating performances for five successive years. The Securities and Futures Commission (SFC) of Taiwan approved its admission to the exchange, and on October 27, EVA Air shares began to be traded on the over-the-counter market.

## **2000**

In anticipation of future needs and to expand its fleet, EVA signed a purchase contract in June with the Boeing Company for 15 B777-200X/300Xs that included a firm order for seven of the aircraft and an option for eight more. Deliveries began in 2005. The carrier relocated its hub to the brand-new Terminal 2 at Taoyuan International Airport at the end of July.

## **2001**

EVA committed to add more new, technologically advanced aircraft to its fleet in March by signing a purchase contract for eight Airbus A330-200s and making plans to start taking deliveries in 2003. EVA Air also secured approval to transfer its stock listing from OTC and on 17 September, moved its shares to the Taiwan Security Exchange (TSE).

## **2002**

EVA launched its online booking system on January 9. It gained approval to add 24 passenger flights on its thriving Hong Kong route and to begin new freighter service. It also introduced a new slogan "Just relax, your home in the air."

## **2003**

EVA debuted stylish new cabin-crew uniforms on April 1, took delivery of its first A330-200 on June 26 and introduced its new generation of a top cabin class, Premium Laurel, along with an upgraded economy class and an awesome, state-of-the-art Audio / Video on Demand system.

## **2004**

EVA Air exercised an option for eight B777s that was part of the firm purchase contract executed with Boeing in June 2000, expanding its fleet by a total of 15 brand-new B777s. Deliveries of the new aircraft started in 2005 and will continue through 2010.

## **2005**

EVA took delivery of its first two of 15 B777s and introduced the extra-roomy, exceptionally comfortable new aircraft to passengers on the Bangkok and London with an inviting new slogan, "Sharing the World, Flying Together."

## **2006**

EVA Air opened its new Southern China Cargo Center in Hong Kong, enabling it more efficiently and quickly to move air freight shipments in and out of the region.

## **2007**

EVA Air received 2007 The Richard Teller Crane Founder's Award from the international Flight Safety Foundation for "its corporate

leadership in aviation safety programs and its superb safety records.” In the five years since the coveted award was established, EVA is the first Asian airline and only the second airline among all recipients to receive it.

## **2008**

Readers selected EVA Air as the Best Airline for Premium Economy in Global Traveler magazine’s fifth annual GT Tested Survey. The international business-travel publication surveyed its readers between Jan. 1 and Aug. 31, 2008, inviting them to identify “the best” in 55 categories of business and luxury travel. Readers returned 31,457 completed questionnaires.

## **2009**

EVA Air launched the regular cross-strait flights (30 flights per week) from August 31 2009 from Taipei, Taoyuan, and Kaohsiung to Beijing, Shanghai, Guangzhou, Hangzhou, Tianjin, and Ningbo.

## **2010**

EVA added new service from Taipei’s Songshan Airport to Shanghai’s Hongqiao International Airport started from June 14, 2010. It complemented EVA’s current nine flights a week between Taoyuan International Airport and Pudong International Airport.

## **2011**

Belgium’s Brussels Airport has honored EVA Air Cargo with its 2010 Network Development Award Cargo Airline. This event marked the airport’s fourth consecutive awards program to recognize outstanding cargo and passengers carriers for punctuality and efficiency, environment and safety, and network and route development.

## **2012**

Star Alliance accepted the membership application of EVA Air on March 29, 2012. By 2013 the integration process would be scheduled to complete.

## **Calendar of 2013 & 2014 Events**

### **January 2013**

EVA Air has been ranked as one of world’s 10 safest airlines by Germany’s AERO International Magazine. In the nine years that EVA has been counted among the world’s 10 safest airlines, it has climbed in ranking. With its safety programs, consistently superb record and high standards, EVA has solid standing among leading international airlines and is listed as sixth among the top 10.

### **June 2013**

EVA Air joined the Star Alliance network, further strengthening the Alliance’s presence in Asia/Pacific.

### **December 2013**

EVA Air and Singapore Airlines team up on Taipei-Singapore flights, give passengers more choices.

### **January 2014**

Industry experts ranked EVA Air among the world’s 10 safest airlines. At the same month, EVA Air has been ranked among world’s 5 safest airlines, rating marks ten years at top of AERO International list.

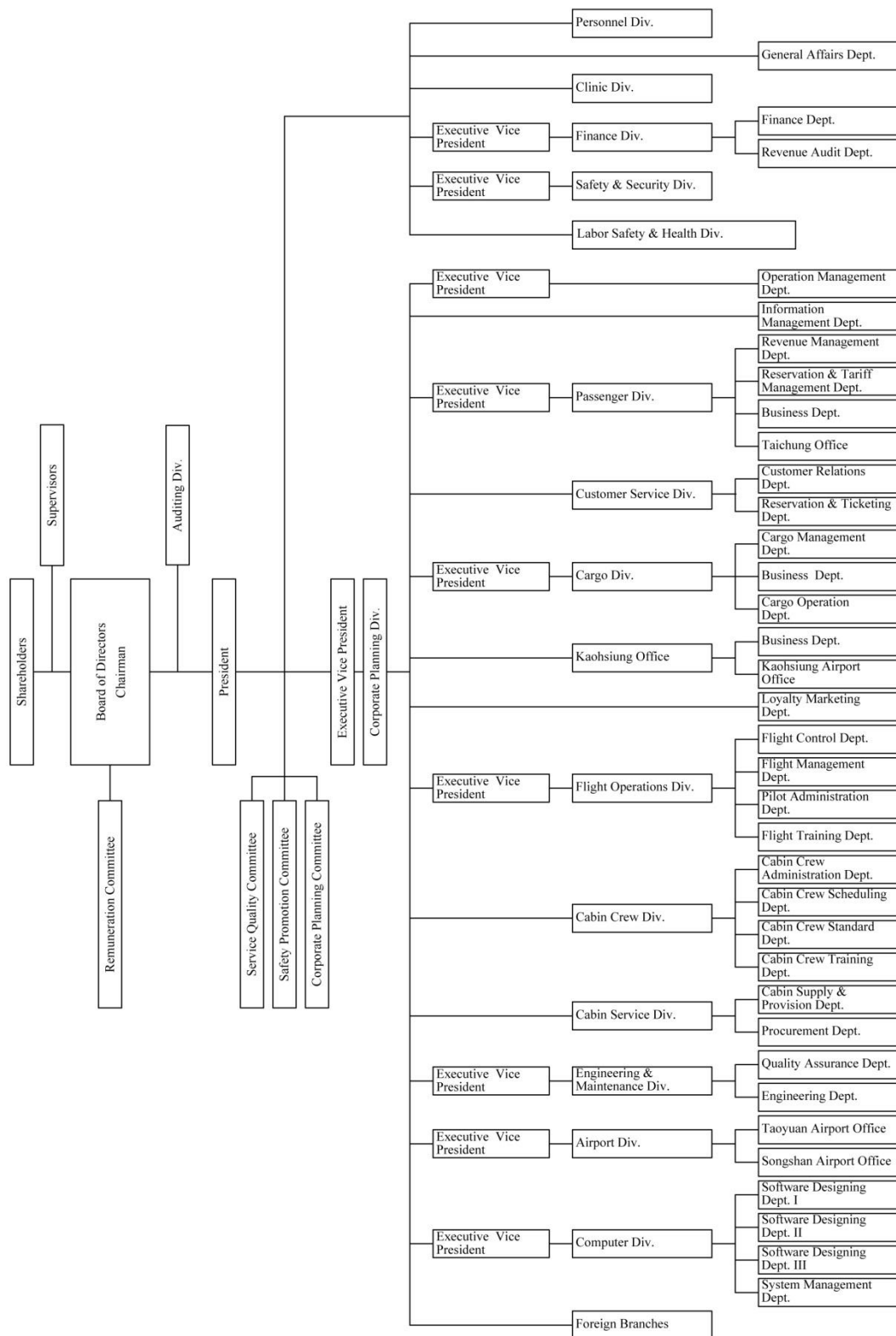
### **February 2014**

The international travel publication has just revealed its 2013 winners and singled out EVA Air in the Best Business Class White and Best Business Class Sparkling categories.

### **March 2014**

EVA Air Cargo won Air Cargo World’s Gold Award in its 10th annual Excellence Survey.

# Organization





# Directors and Supervisors

As of April 30, 2014

Title	Name	Date of Election (Inauguration)	Tenure	Date of Initial Election, Appointment	Shareholding When Elected		Present Shareholdings		Shares Held by Spouses & Dependents		Shares Held by Third Parties		Education & Experience	Concurrent Positions in Other Companies	Other Managers, Directors or Supervisors Related by Marriage or Within Second-degree Blood Relationship of Each Other			
					Number	(%)	Number	(%)	Number	(%)	Number	(%)			Title	Name	Relationship	
Chairman	Chang Yung-Fa Charity Foundation	2011.06.10	3 Years	2009.06.16	116,000	0.00	11,482,104	0.35	-	-	-	-	-	-	-	-		
	Representative: Chang Kuo-Wei	2013.01.01	1.44 Years	2001.04.19	0	0.00	0	0.00	0	0.00	0	0.00	President, EVA Airways Corp. Master of Arts in Economics, California State University, Long Beach	<b>Chairman:</b> Hsiang-Li Investment Corp., Evergreen Aviation Precision Corp., <b>Director:</b> Evergreen Sky Catering Corp., Uni Airways, Evergreen Aviation Technologies Corp., Evergreen Air Cargo Services Corp., Evergreen Airline Services Corp., GE Evergreen Engine Services Corp., Chang Yung-Fa Foundation, Chang Yung-Fa Charity Foundation.	Director	Chang Yung-Fa	Father	
Director	Chang Yung-Fa Charity Foundation	2011.06.10	3 Years	2009.06.16	116,000	0.00	11,482,104	0.35	-	-	-	-	-	-	-	-		
	Representative: Chang Yung-Fa	2011.06.10	3 Years	1989.03.31	0	0.00	98,360,200	3.02	0	0.00	0	0.00	Group Chairman, Evergreen Group. Taipei Commercial High School	Group Chairman, Evergreen Group <b>Chairman:</b> Chang Yung-Fa Foundation, Chang Yung-Fa Charity Foundation <b>Director:</b> Evergreen Marine Corp. (Taiwan) Ltd., Evergreen International Corp., Evergreen Steel Corp.	Chairman	Chang Kuo-Wei	Son	
																Super-visor	Lin Long-Hwa	Brother-in-law

Title	Name	Date of Election (Inauguration)	Tenure	Date of Initial Election, Appointment	Shareholding When Elected		Present Shareholdings		Shares Held by Spouses & Dependents		Shares Held by Third Parties		Education & Experience	Concurrent Positions in Other Companies	Other Managers, Directors or Supervisors Related by Marriage or Within Second-degree Blood or Relationship of Each Other		
					Number	(%)	Number	(%)	Number	(%)	Number	(%)			Title	Name	Relationship
Director	Representative: Ko Li-Ching	2012.03.19	2.3 Years	1992.05.02	0	0.00	90,593	0.00	0	0.00	0	0.00	Vice Group Chairman, Evergreen Group. Keelung Girls' Senior High School	Second Vice Group Chairman, Evergreen Group <b>Director:</b> Taiwan High Speed Rail Corp., Evergreen Steel Corp., Shun An Enterprise Corp., Chang Yung-Fa Foundation, Chang Yung-Fa Charity Foundation <b>Supervisor:</b> Evergreen Marine Corp. (Taiwan) Ltd., Evergreen International Storage & Transport Corp., Evergreen International Corp., Uni Airways Corp., Evergreen Security Corp., Ever Reward Logistics Corp., Evergreen Air Cargo Services Corp., Evergreen Airline Services Corp., Evergreen Aviation Technologies Corp., Evergreen Aviation Precision Corp., Hsin Yung Enterprise Corp.	-	-	-
Director	Evergreen Marine Corp. (Taiwan) Ltd.  Representative: Lin Sun-San	2011.06.10  2011.06.10	3 Years  3 Years	1989.03.31  2009.06.16	572,257,481  0	19.32  0.00	629,483,229  0	19.32  0.00	-  0	-  0.00	-  0	-  0.00	-  Vice Group Chairman, Evergreen Group. Bachelor degree in Administration, National Taipei University	-  First Vice Group Chairman, Evergreen Group <b>Chairman</b> , Shun An Enterprise Corp. <b>Director:</b> Evergreen Marine Corp. (Taiwan) Ltd., Evergreen International Storage & Transport Corp., Taipei Port Container Terminal Corp., Chang Yung-Fa Foundation, Chang Yung-Fa Charity Foundation	-  -	-  -	-  -

Title	Name	Date of Election (Inauguration)	Tenure	Date of Initial Election, Appointment	Shareholding When Elected		Present Shareholdings		Shares Held by Spouses & Dependents		Shares Held by Third Parties		Education & Experience	Concurrent Positions in Other Companies	Other Managers, Directors or Supervisors Related by Marriage or Within Second-degree Blood Relationship of Each Other			
					Number	(%)	Number	(%)	Number	(%)	Number	(%)			Title	Name	Relationship	
Director	Representative: Tai Jim-Chyuan	2011.06.10	3 Years	2011.06.10	0	0.00	11,825	0.00	0	0.00	0	0.00	Executive Vice President, Legal & Insurance, EVA Airways Corp. Master degree in Maritime Law, National Taiwan Ocean University	Group Executive officer, Legal, Evergreen Group <b>Director:</b> Evergreen Marine Corp. (Taiwan) Ltd., Taipei Port Container Terminal Corp., Super Max Engineering Enterprise Corp. Chang Yung-Fa Foundation, Chang Yung-Fa Charity Foundation	-	-	-	
Director	Falcon Investment Services Ltd.  Representative: Chang Ming-Che	2011.06.10  2012.12.25	3 Years  1.46 Years	2011.06.10	148,148,114	5.00	162,962,925	5.00	-	-	-	-	-	-	-	-	-	-
					0	0.00	19,742	0.00	0	0.00	0	0.00	President, Evergreen International Corp. EMBA, National Taipei University	<b>Chairman,</b> Evergreen International Corp. <b>Director:</b> Ever Accord Construction, Evergreen International Engineering Corp., Chang Yang Development.	-	-	-	

Title	Name	Date of Election (Inauguration)	Tenure	Date of Initial Election, Appointment	Shareholding When Elected		Present Shareholdings		Shares Held by Spouses & Dependents		Shares Held by Third Parties		Education & Experience	Concurrent Positions in Other Companies	Other Managers, Directors or Supervisors Related by Marriage or Within Second-degree Blood Relationship of Each Other		
					Number	(%)	Number	(%)	Number	(%)	Number	(%)			Title	Name	Relationship
Supervisor	Evergreen International Corp.	2011.06.10	3 Years	1993.04.30	426,926,600	14.41	469,648,357	14.41	-	-	-	-	-	-	-	-	
	Representative: Lin Long-Hwa	2012.03.19	2.3 Years	2009.08.27	0	0.00	1,689,827	0.05	148,616	0.00	0	0.00	Vice Group Chairman, Evergreen Group. Director: Evergreen Marine Corp. (Taiwan) Ltd., Evergreen Sky Catering Corp., Uni Airways Corp., Evergreen Aviation Technologies Corp. <b>Supervisor:</b> Shun An Enterprise Corp., Joint Stevedoring Contract Co., Ltd., Taipei Port Container Terminal Corp. Group Executive officer, Finance, Evergreen Group Finance Executive Officer, Evergreen Marine Corp. (Taiwan) Ltd. <b>Director:</b> Chang Yung-Fa Foundation, Chang Yung-Fa Charity Foundation <b>Supervisor:</b> Evergreen International Storage & Transport Corp., Central Reinsurance Corp., Evergreen Steel Corp., Taiwan Terminal Services Corp., Charng Yang Development Corp., Hsiang-Li Investment Corp.	Director	Chang Yung-Fa	Second-degree relatives	
Supervisor	Representative: Wu Kuang-Hui	2011.06.10	3 Years	2010.12.01	0	0.00	33,183	0.00	0	0.00	0	0.00	Executive Vice President, EVA Airways Corp. MBA, Sun Yat Sen University	Group Executive officer, Finance, Evergreen Group Finance Executive Officer, Evergreen Marine Corp. (Taiwan) Ltd. <b>Director:</b> Chang Yung-Fa Foundation, Chang Yung-Fa Charity Foundation <b>Supervisor:</b> Evergreen International Storage & Transport Corp., Central Reinsurance Corp., Evergreen Steel Corp., Taiwan Terminal Services Corp., Charng Yang Development Corp., Hsiang-Li Investment Corp.	-	-	-
	Representative: Chen Cheng-Pang	2011.06.10	3 Years	2001.04.19	0	0.00	5,036	0.00	4,999	0.00	0	0.00	Senior Vice President, Italia Marittima S.p.A. Soochow University Accounting & Economics Dept.	Finance Executive Officer, Evergreen International Storage & Transport Corp.	-	-	-

Note 1: As of April 30, 2014 the Company has issued 3,258,945,005 shares

## Major Shareholder of EVA Air's Institutional Shareholder

April 30, 2014

Name of Institutional Shareholder	Major Shareholders of Institutional Shareholder
Evergreen Marine Corp. (Taiwan) Ltd.	Evergreen International S.A. (Panama) (10.63%), Chang Kuo-Hua (7.55%), Evergreen International Corp. (7.12%), Chang Yung-Fa (6.00%), Ultra International Investments Ltd. (4.25%), Chang Kuo-Cheng (4.24%), Chang Kuo-Ming (3.17%), Public Service Pension Fund Management Board (2.30%), Cathay Life Insurance Co., Ltd. (2.30%), Cheng Shen-Chin (2.12%)
Chang Yung-Fa Charity Foundation	Non-profit organization
Falcon Investment Services Ltd.	Chang Kuo-Wei (100%)
Evergreen International Corp.	Chang Yung-Fa Foundation (28.86%), Chang Kuo-Cheng (16.67%), Chang Kuo-Hua (12.90%), Chang Kuo-Ming (12.19%), Lee Yu-Mei (7.14%), Chen Hui-Chu (5.81%), Yang Mei-Chen (5.10%), Chang Yung-Fa Charity Foundation (5.00%), Chang Yung-Fa (5.00%), Tseng Chiung-Hui (1.33%)

**If the Above-mentioned Shareholders of Major Shareholder of EVA Air's Institutional Shareholder are Corporations, the Principal Shareholders of these Corporations are as follows:**

April 30, 2014

<b>Legal Entity</b>	<b>Name of Institutional Shareholders</b>	<b>Major Shareholders of Institutional Shareholders</b>
Evergreen Marine Corp. (Taiwan) Ltd.	Evergreen International S.A. (Panama)	Chang Yung-Fa (20%), Chang Kuo-Hua (20%), Chang Kuo-Ming (20%), Chang Kuo-Cheng (20%), Pieca Corp. (20%)
	Evergreen International Corp.	Chang Yung-Fa Foundation (28.86%), Chang Kuo-Cheng (16.67%), Chang Kuo-Hua (12.90%), Chang Kuo-Ming (12.19%), Lee Yu-Mei (7.14%), Chen Hui-Chu (5.81%), Yang Mei-Chen (5.10%), Chang Yung-Fa Charity Foundation (5.00%), Chang Yung-Fa (5.00%), Tseng Chiung-Hui (1.33%)
	Ultra International Investment Ltd.	Chang Kuo-Wei (100%)
	Public Service Pension Fund Management Board	Non-profit organization
	Cathay Life Insurance Co., Ltd.	Cathay Financial Holding Co., Ltd. (100%)
Evergreen International Corp.	Chang Yung-Fa Foundation	Non-profit organization
	Chang Yung-Fa Charity Foundation	Non-profit organization

## Criteria for Expertise and Independence of Directors and Supervisors

April 30, 2014

Name	Meet One of the Following Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria										Concurrently Serving as an Independent Director / Number of Other Public Companies
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce, Law, Finance, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Chang Kuo-Wei			✓			✓			✓	✓		✓		0
Chang Yung-Fa			✓	✓					✓			✓		0
Lin Sun-San			✓	✓		✓	✓			✓	✓	✓		0
Ko Li-Ching			✓	✓		✓	✓				✓	✓		0
Chang Ming-Che			✓	✓		✓	✓		✓		✓	✓		0
Tai Jiin-Chyuan			✓	✓		✓	✓		✓	✓	✓	✓		0
Lin Long-Hwa			✓	✓		✓			✓	✓		✓		0
Wu Kuang-Hui			✓	✓		✓	✓			✓	✓	✓		0
Chen Cheng-Pang			✓	✓		✓		✓			✓	✓		0

- (1) Not an employee of the Company or any of its affiliated companies.
- (2) Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in case where the person is an independent director of the Company, its parent company or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
- (3) Not an individual shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company or that holds shares ranking in the top five in holdings.
- (6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial relationship with the Company.
- (7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or any affiliate of the Company, or a spouse thereof. The establishment of a remuneration committee for listed or over-the-counter market trading companies, as well as members of the remuneration committee exercising the powers of Article 7 in the performance of their duties, are not subject to the above restrictions.
- (8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
- (9) Not been a person of any conditions defined in Article 30 of the Company Code.
- (10) Not a government, institutional person or its representative as defined in Article 27 of the Company Code.

# Principal Officers

April 30, 2014

Title	Name	Date of Inauguration	Shareholding		Spouse & Dependent Shareholding		Shares Held by Other Nominal Holder		Education and Experience	Concurrent Positions with Other Companies	Manager Related by Marriage or Within Second-degree Kinship of Each Other		
			Number	(%)	Number	(%)	Number	(%)			Title	Name	Relationship
President	Cheng Chuan-Yi	2013.01.01	158	0	0	0	0	0	Bachelor degree in International Trade, Tunghai University	Director: Evergreen Sky Catering, Evergreen Aviation Technologies, Evergreen Air Cargo Services, Hsiang-Li Investment Corp.	-	-	-
Executive Vice President, (Financial Officer), Finance Div.	Tsai Ta-Wei	2011.01.01	588	0	651	0	0	0	Bachelor degree in Accounting, Chinese Cultural University	Director, Hsiang-Li Investment Corp. Supervisor: Evergreen Sky Catering, Evergreen Aviation Technologies, GE Evergreen Engine Services Corp.	-	-	-
Executive Vice President, Corporate Planning Div.	Chai Chien-Hua	2014.01.01	599	0	19	0	0	0	Bachelor degree in International Trade, Chung Yuan Christian University	-	-	-	-
Executive Vice President, Operation Management Dept.	Chen Yeou-Yuh	2011.01.01	103	0	0	0	0	0	Bachelor degree in Maritime Science, Tamkang University	-	-	-	-
Executive Vice President, Passenger Div.	Chang Jang-Tsang	2014.01.01	116,227	0.004	0	0	0	0	Senior Vice President, UNI Airways Corporation Bachelor degree in Business Management, Tatung University	-	-	-	-
Executive Vice President, Cargo Div.	Sun Chia-Ming	2011.04.01	28,123	0.001	0	0	0	0	Bachelor degree in International Trade, Chinese Cultural University	-	-	-	-
Executive Vice President, Safety & Security Div.	Ho Ching-Sheng	2005.01.01	201,584	0.006	0	0	0	0	Master degree in Aviation Safety, University of Central Missouri	-	-	-	-
Executive Vice President, Flight Operations Div.	Yuen Ping-Yu	2004.01.01	10,025	0	0	0	0	0	Bachelor degree in Electrical Engineering, Cheng Kung University	-	-	-	-
Executive Vice President, Engineering & Maintenance Div.	Huang Sheh-Ming	2013.04.01	25,187	0.001	14,462	0	0	0	Senior Vice President, Evergreen Aviation Technologies Corp. Bachelor degree in Naval Mechatronic Engineering, Cheng Kung University	-	-	-	-
Executive Vice President, Airport Div.	Yang Yung-Heng	2012.07.01	17,600	0.001	0	0	0	0	Bachelor degree in Business Administration, Chinese Cultural University	-	-	-	-



Title	Name	Date of Inauguration	Shareholding		Spouse & Dependent Shareholding		Shares Held by Other Nominal Holder		Education and Experience	Concurrent Positions with Other Companies	Manager Related by Marriage or Within Second-degree Kinship of Each Other		
			Number	(%)	Number	(%)	Number	(%)			Title	Name	Relationship
Executive Vice President, Computer Div.	Fang Gwo-Shiannng	2007.01.01	106,846	0.003	0	0	0	0	Deputy Junior Vice President, Evergreen IT Corp. Bachelor degree in Computer Science, Feng Chia University	-	-	-	
Senior Vice President, Auditing Div.	Li Ping-Yin	2008.01.01	65,703	0.002	700	0	0	0	Manager, Evergreen Heavy Industry Corp. Master degree in Business Administration, Yuan Ze University	-	-	-	
Senior Vice President, General Affairs Dept.	Soong Allen	2007.01.01	194	0	0	0	0	0	Department of Tourism, World College of Journalism	-	-	-	
Senior Vice President, Corporate Planning Div.	Liao Chi-Wei	2014.01.01	464	0	3,341	0	0	0	President(Junior Vice President),EZFLY.COM Corporation Master degree in Marine Biology, National Sun Yat-sen University	-	-	-	
Senior Vice President, Customer Service Div.	Lu Yu-Chuan	2006.01.01	1,063	0	0	0	0	0	Junior Vice President, Evergreen Aviation Technologies Corp. Bachelor degree in Business Administration, Fu Jen University	-	-	-	
Senior Vice President, Cargo Div. Business Dept.	Chuang Shih-Hsiung	2014.01.01	0	0	0	0	0	0	Bachelor degree in Animal Science and Biotechnology, Tunghai University	-	-	-	
Senior Vice President, Cabin Crew Div.	Yang Hsiu-Huey	2013.01.01	251	0	0	0	0	0	Department of Radio & Television, World College of Journalism	-	-	-	
Senior Vice President, Cabin Service Div.	Chang Lih-Lih	2004.01.01	0	0	0	0	0	0	Deputy Senior Vice President, Evergreen Sky Catering Corp. Bachelor degree in Statistics, Tamkang University	-	-	-	
Senior Vice President, Engineering & Maintenance Div.	Yeh Ching-Far	2012.01.01	2,110	0	0	0	0	0	Master degree in Business Administrations , National Cheng Chi University Master degree in Mechanical Engineering, Tatung College of Technology	-	-	-	
Senior Vice President, Airport Div. Taoyuan Airport Office	Liu Ying	2011.01.01	9,335	0	0	0	0	0	Master degree in Graduate Institute of Human Resource Management, National Central University	-	-	-	
Senior Vice President, Computer Div.	Hou Hsien-Yu	2011.01.01	1,100	0	0	0	0	0	Senior Engineer, Evergreen E-Services Corp. Master degree in Information Management, National Taiwan University	-	-	-	
Secretary (Deputy Senior Vice President)	Chou Yu-Chuan	2014.01.01	0	0	0	0	0	0	Secretary (Junior Vice President), Group Management Head Office Bachelor degree in German Language and Literature, Fu Jen University	-	-	-	

Title	Name	Date of Inauguration	Shareholding		Spouse & Dependent Shareholding		Shares Held by Other Nominal Holder		Education and Experience	Concurrent Positions with Other Companies	Manager Related by Marriage or Within Second-degree Kinship of Each Other		
			Number	(%)	Number	(%)	Number	(%)			Title	Name	Relationship
Deputy Senior Vice President, Personnel Div.	Wu Chun-Hung	2012.01.01	28	0	0	0	0	0	Bachelor degree in Business Administration, National ChengChi University	-	-	-	
Deputy Senior Vice President, (Accounting Officer) Finance Div. Finance Dept.	Chiang Chin-Lan	2012.01.01	8,834	0	0	0	0	0	Bachelor degree in Economics, National Taiwan University	-	-	-	
Deputy Senior Vice President, Finance Div. Revenue Audit Dept.	Ho Li-Cheng	2012.01.01	15,000	0	0	0	0	0	Bachelor degree in Banking and Finance, Tamkang University	-	-	-	
Deputy Senior Vice President, Corporate Planning Div.	Wang Yuan-Shyang	2014.01.01	111	0	0	0	0	0	Bachelor degree in Business Administration, National Taiwan University	-	-	-	
Deputy Senior Vice President, Corporate Planning Div.	Chiang Wei-Du	2012.01.01	2,200	0	7,676	0	0	0	Deputy Junior Vice President, Evergreen Aviation Technologies Corp. Bachelor degree in Foreign Languages and Literature, National Tsing Hua University	-	-	-	
Deputy Senior Vice President, Corporate Planning Div.	Huang Chieh-Chih	2011.07.01	1,406	0	0	0	0	0	Master degree in Business Administration, National Central University	-	-	-	
Deputy Senior Vice President, Operation Management Dept.	Hsiao Chin-Lung	2011.07.01	0	0	0	0	0	0	Department of International Trade, Tamsui Institute of Business Administration	-	-	-	
Deputy Senior Vice President, Passenger Div. Revenue Management Dept.	Chiu Chung-Yu	2014.01.01	181	0	0	0	0	0	Bachelor degree in Mechanical Engineering, Feng Chia University	-	-	-	
Deputy Senior Vice President, Passenger Div. Reservation & Tariff Management Dept.	Wu Shu-Ping	2013.01.01	2,475	0	4,464	0	0	0	Department of Tourism, Hsing Wu College of Commerce	-	-	-	
Deputy Senior Vice President, Passenger Div. Business Dept.	Lin Nan-Yang	2014.01.01	5,613	0	0	0	0	0	Bachelor degree in Mass Communications, Chinese Cultural University	-	-	-	
Deputy Senior Vice President, Customer Service Div. Reservation & Ticketing Dept.	Wu Su-Shin	2006.01.01	11,456	0	0	0	0	0	Bachelor degree in Sociology, Fu Jen University	-	-	-	

Title	Name	Date of Inauguration	Shareholding		Spouse & Dependent Shareholding		Shares Held by Other Nominal Holder		Education and Experience	Concurrent Positions with Other Companies	Manager Related by Marriage or Within Second-degree Kinship of Each Other		
			Number	(%)	Number	(%)	Number	(%)			Title	Name	Relationship
Deputy Senior Vice President, Cargo Div. Cargo Management Dept.	Chang Ming-Hung	2014.01.01	0	0	0	0	0	0	Bachelor degree in International Trade, Tunghai University	-	-	-	
Deputy Senior Vice President, Kaohsiung Office, Kaohsiung Airport Office	Chen Shen-Chi	2007.01.01	0	0	0	0	0	0	Station Manager (Senior Vice President), UNI Airways Corporation Department of Tourism, World College of Journalism	-	-	-	
Deputy Senior Vice President, Flight Operations Div. Flight Control Dept.	Lee Cheng-Chieh	2013.01.01	279	0	0	0	0	0	Bachelor degree in Mechanical Engineering, Tamkang University	-	-	-	
Deputy Senior Vice President, Flight Operations Div. Flight Management Dept.	Hsu Ping	2013.07.01	107	0	0	0	0	0	Bachelor degree in Psychology, National Taiwan University	-	-	-	
Deputy Senior Vice President, Flight Operations Div. Flight Training Dept.	Kuo Ming-Cheng	2013.01.01	26,276	0.001	0	0	0	0	Bachelor degree in Economics, Fu Jen University	-	-	-	
Deputy Senior Vice President, Cabin Service Div. Cabin Supply & Provision Dept.	Tao Shin-Chien	2008.01.01	7,322	0	0	0	0	0	Bachelor degree in Business Administration, National Chung Hsing University	-	-	-	
Deputy Senior Vice President, Airport Div. Taoyuan Airport Office	Yu Chia-Chieh	2012.07.01	4,400	0	0	0	0	0	Bachelor degree in International Business, Soochow University	-	-	-	
Deputy Senior Vice President, Airport Div. Songshan Airport Office	Chen Yao-Min	2011.01.01	1,339	0	0	0	0	0	Department of Tourism, World College of Journalism	-	-	-	
Deputy Senior Vice President, Computer Div. Software Designing Dept. I	Chen Chia-Chuan	2014.01.01	179	0	81	0	0	0	Bachelor degree in Business Administration, National Chung Hsing University	-	-	-	



## Compensation for Supervisors

December 31, 2013  
Unit: NT\$ thousands

Title	Name	Remuneration for Supervisors						Total of A, B and C as % of 2013 Net Profit		Other Compensation from Non-Subsidiary Affiliates
		Salary(A)		Compensation(B)		Allowance(C)		EVA	Consolidated Subsidiaries of EVA	
		EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA			
Supervisor	Evergreen International Corp. Lin Long-Hwa	-	-	-	1,200	-	-	0%	0.16%	1,020
Supervisor	Evergreen International Corp. Wu Kuang-Hui	-	-	-	-	-	-	-	-	-
Supervisor	Evergreen International Corp. Chen Cheng-Pang	-	-	-	-	-	-	-	-	-

## Compensation for President and Executive Vice Presidents

December 31, 2013  
Unit: NT\$ thousands

Title	Name	Salary(A)		Pension(B)		Bonus & Perquisite(C)		Employee Profit Sharing(D)				Total of A, B, C and D as % of 2013 Net Profit		Employee Stock Options		Compensation from Investments Other than Subsidiaries	
		EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	EVA	Consolidated Subsidiaries of EVA	Cash	Stock	Cash	Stock	EVA	Consolidated Subsidiaries of EVA		
President	Cheng Chuan-Yi																
	Tsai Ta-Wei																
	Chen Yeou-Yuh																
	Li Shyh-Liang																
	Sun Chia-Ming																
	Ho Ching-Sheng	21,283	21,283	3,137	3,137	5,234	5,234	-	-	-	-	-	-	3.97%	3.97%	-	-
Executive Vice President	Yuen Ping-Yu																
	Yang Yung-Heng																
	Tsao Buo-Yen																
	Fang Gwo-Shiang																
	Huang Sheh-Ming																

## Corporate Governance

### Corporate Governance Execution Results and Deviations from Corporate Governance

#### Best-Practice Principles for TWSE Listed Companies

Item	Implementation Status	Deviations from Corporate Governance Best-Practice Principles for TWSE Listed Companies & Why
<p><b>1. Shareholding Structure &amp; Shareholders' Rights:</b></p> <p>(1) Method of serving shareholders and responding to their suggestions or complaints</p> <p>(2) The Company's possession of a list of major shareholders and a list of ultimate owners of these major shareholders</p> <p>(3) Risk management and firewall between the Company and its affiliates</p>	<p>The Company has designated the Stock Department as its liaison to serve shareholders and respond to their suggestions and complaints.</p> <p>The relevant department keeps up-to-date information.</p> <p>The Company has established risk control measures within internal control operating procedures.</p>	<p>None.</p> <p>None.</p> <p>None.</p>
<p><b>2. Composition and Responsibilities of the Board of Directors:</b></p> <p>(1) Independent Directors</p> <p>(2) Regular evaluation of the independence of CPAs</p>	<p>The Board did not include independent directors.</p> <p>The CPA firm is an independent, professional and respected Taiwan accounting practice that is not a related party. The Company's Board of Directors has approved the appointment and remuneration of certified public accountants (CPAs), and conducted an evaluation in terms of the CPAs' professionalism and independence.</p>	<p>In 2014, 3 independent directors will be elected on shareholders' meeting. Though no member of the Board of Directors is technically independent, the Board acts in full accordance with Company Law, Articles of Incorporation and resolutions adopted by shareholders during regular meetings.</p> <p>None.</p>

Item	Implementation Status	Deviations from Corporate Governance Best-Practice Principles for TWSE Listed Companies & Why
<b>3. Communication with stakeholders and other interested parties</b>	The Company has designated relevant departments to communicate with stakeholders and other interested parties. Contact information for a spokesperson and customer service is available on the Company's website.	None.
<b>4. Information Disclosure:</b> (1) Corporate website used to disclose information about the Company's financial, business and corporate governance status  (2) English-language website used to disclose information such as names of individuals designated to collect and disclose information, name of spokesperson disclosing information and investor-conference information, etc.	1. The Company has set up a corporate website ( <a href="http://www.evaair.com">URL:http://www.evaair.com</a> ) and designated appropriate people to monitor and keep it up-to-date with current information. 2. Corporate governance status: The Company has disclosed Articles of Incorporation and important operating procedures in addition to resolutions adopted during Board of Director meetings.  The Company has established an English-language website and spokesperson system for gathering and disclosing information.	None.  None.
<b>5. Operations of the Company's Nominating Committee and other committees with various functions</b>	The Company had established a Remuneration Committee. Please refer to Page 39 of the Company's Chinese-language annual report for its operation status.	None.
<b>6. If the Company has established principles based on Corporate Governance Best-Practice Principles for TWSE Listed Companies, please explain implementation progress and any difference:</b>  Not Applicable. The Company hasn't yet established written governance principles based on the Corporate Governance Best-Practice Principles for TWSE Listed Companies.		
<b>7. Important information concerning implementation of corporate governance, e.g., employee welfare, employee care, investor relations, supplier relations, rights of stakeholders, advance familiarization for directors and supervisors, implementation of risk management policy and risk metrics, implementation of customer policy, Liability insurance for directors and supervisors etc.:</b>		



Item	Implementation Status	Deviations from Corporate Governance Best-Practice Principles for TWSE Listed Companies & Why
	<p>(1) In addition to providing labor and health insurance for employees, the Company also provides accident, medical and other insurance to expatriate staff.</p> <p>(2) The Company has set up an in-house clinic to provide physician consultation, medication and regular medical checkups for all staff to ensure good health, all free of charge to employees.</p> <p>(3) The Company has designated staff to gather and disclose information and respond to investor queries. The Company also provides operating and financial information on its website for investors' reference.</p> <p>(4) The Company is in the airline service business and has selected major suppliers to provide aviation fuel, materials and aircraft maintenance. The Company has thoroughly evaluated each supplier's qualifications, credit and ability to meet strict technical specifications. The Company uses contracts that protect the rights and obligations of both parties for all transactions and has formed excellent long-term relationships with suppliers.</p> <p>(5) The Company and stakeholders exercise rights and obligations in accordance with relevant regulations.</p> <p>(6) The global website of EVA Air is built on a corporate-level content management platform, with a multi-language online ticketing interface that constantly facilitates improvements in passenger amenities. EVA Air also introduced a next-generation core system for passenger transport, in order to enhance the flight-booking, ticketing and check-in services.</p> <p>(7) The Company has launched a mobile business application that, with the help of a mobile device, gives passengers and consignees real-time transport information. Mobile applications that enable customers to pre-order duty-free items or take advantage of the EVA Sky Shop are also integrated with the airline's existing e-commerce platforms for both a widened range of services and diversified product sales channels.</p> <p>(8) The Company designated our Audit Division to perform annual audit planning, inspection, assessment of the implementation of various control scenarios and provided recommendations for improvements to properly ensure compliance with risk management policies and sustain effective implementation.</p> <p>(9) The Company's Directors and Supervisors participated in training courses:</p> <ol style="list-style-type: none"> <li>1. Directors Mr. Lin Sun-San, Ms. Ko Li-Ching, Mr. Chang Ming-Che and Mr. Tai Jiin-Chyuan as well as supervisors Mr. Lin Long-Hwa and Mr. Chen Cheng-Pang participated in, three-hour Jan. 17, 2013 Foundation for the Development of Securities and Futures Market, ROC training courses on "The ability of corporations and individuals to make decisions on taxation of capital gains on securities and Second-Generation National Health Insurance".</li> <li>2. Supervisor Mr. Chen Cheng-Pang participated in a three-hour July 11, 2013 Foundation for the Development of Securities and Futures Market, the forum presented as Equity Transfers and Legal Compliance by Insiders of Listed Company, and in a three-hour October 31, 2013 Taiwan Corporate Governance Association, the forum presented as Exploring a New Era of Corporate Governance: Taking Family Businesses in a Broad Sense and Small-to-Mid sized Companies as Examples.</li> </ol> <p>(10) The Company purchased liability insurance for Directors and Supervisors: The Company was not previously purchasing liability insurance to cover all directors and supervisors but instead provided it based on situations.</p>	
<p><b>8. If corporate governance reports are self-examined or commissioned by relevant professional institutions, please elaborate results, major defects or suggestions and remedies:</b></p>	<p>Not applicable. The Company has neither made a self-examined corporate governance report nor been commissioned by relevant professional institutions.</p>	

## Corporate Social Responsibility

Environmental protection, community involvement, social contributions, social services, social welfare, consumer protection, human rights, health and safety and social responsibility actions are initiated through our CSR program:

Item	Implementation Status	Deviations from CSR Best-Practice Principles for TWSE Listed Companies & Why
<p><b>1. Corporate Governance Implementation:</b></p> <p>(1) Corporate social responsibility policy and performance evaluation</p> <p>(2) Dedicated organization for promotion and execution of corporate social responsibility programs</p> <p>(3) Regular training and promotion of corporate ethics among employees and the Board of Directors, and integration with the employee performance appraisal system</p>	<p>To underscore its commitment to Corporate Social Responsibilities (CSR), the Company will draft and submit a CSR policy to its 2014 annual Board of Directors for approval.</p> <p>In 2014, the Company plans to introduce a CSR management unit that proposes and executes CSR policies or programs, and reports the results to the Board of Directors at regular intervals.</p> <p>The Company advises every employee of our code of conduct and our business ethics and guides them through a presentation of all relevant provisions on the employee web portal as soon as they are hired. If any violation of the code of conduct occurs or is suspected, the Company takes swift action that is determined by the seriousness of the breach and linked to the employee performance appraisal system.</p>	<p>The Company has not established corporate social responsibility policies or systems but CSR has been incorporated into our management principles.</p> <p>None.</p>
<p><b>2.Environmental Sustainability and Responsibility:</b></p> <p>(1) The Company is committed to improving its use resources vs. renewable materials</p>	<p>The Company promotes paperless operations:</p> <p>1. <u>Paperless Electronic Flight Bag</u></p> <p>The Company makes flight manuals available to its pilots electronically. Currently, every pilot is equipped with an iPad to access to the flight operations handbooks, available now in the digital format and updatable with an embedded “Flight OPS Bag” App.</p> <p>EVA began adopting Electronic Flight Bags for different aircraft models in its fleet in 1998, replacing paper manuals with electronic information. The computer programs also enhance take-off and landing performance with consistently accurate calculations. Usage is now 100%.</p>	<p>None.</p>

Item	Implementation Status	Deviations from CSR Best-Practice Principles for TWSE Listed Companies & Why
	<p>2. <u>International Air Transport Association (IATA) International aviation e-tickets Airline</u>  The Company adopted the Electronic ticket (e-ticket) and developed an internal process in October 2000, creating an effective, efficient system for inter-lines sales and travel agents and providing paperless electronic ticketing. The Company also worked with IATA to implement an Electronic Miscellaneous Document (EMD) system, moving passenger business closer to our paperless environment goal.</p> <p>3. <u>IATA International e-freight Airlines</u>  The Company successfully fulfilled IATA's e-freight import and export standard measurement inspection needed to become a paperless e-freight service and officially became an IATA International e-freight Airline on November 3, 2009, and began to implement e-AWB on July 1, 2013.</p>	
(2) Environmental management system designed to industry characteristics	<p>Since EVA Air's inaugural flight in 1991, it has actively adopted practices enabling it to provide green services, from inviting passengers to participate by recycling newspapers for return flight passengers to implemented paperless measures that include electronic tickets and electronic flight bags.</p>	None.
(3) Dedicated environmental management unit or personnel	<p>The Company not only continues to add fuel-efficient, environmentally-friendly aircraft but has also established a cross-departmental Fuel and Emissions Reduction Committee (FERC) chaired by the President.</p>	None.
(4) Company strategy for climate change, energy conservation and greenhouse gas reduction	<p>FERC developed and promoted aircraft-weight reduction procedures to both boost aircraft fuel efficiency and reduce carbon emissions and continually works to identify additional fuel-saving measures.</p> <p>The Company's "Environment Commitment" website discloses its environmental sustainability statement and policy, besides the detailed results of carbon reduction efforts.</p>	None.

Item	Implementation Status	Deviations from CSR Best-Practice Principles for TWSE Listed Companies & Why
<p><b>3. Promotion of employee welfare:</b></p> <p>(1) The Company complies with relevant labor laws and regulations, respects internationally recognized labor human rights principles, safeguards the legal rights and interests of all employees and facilitates non-discrimination policies. We have also established appropriate management methods, practices and procedures.</p> <p>(2) The Company is dedicated to providing a safe, healthy work environment and regularly offers employees safety and health education programs</p> <p>(3) The Company established a regular employee communication program and an effective notification process for operational changes that could significantly impact employees</p> <p>(4) The Company stipulates and discloses its consumer protection policies and provides an effective, transparent consumer complaint process for its products and services</p> <p>(5) Collaboration with arts and cultural institutions worldwide</p>	<p>The Company established work rules in accordance with labor laws and regulations and uses related human-resource management regulations as the a guide for management.</p> <p>The Company provides occupational health and safety training, fire safety seminars and practical training to all personnel as soon as they are employed. The Company also supervises handling of occupational accidents, collects occupational injury statistics and uses sound protection measures for the safety of employees.</p> <p>Divisions throughout the Company regularly hold department meetings and conferences to communicate plans for future development, strategic objectives, significant messages, critical measures and significant changes to ensure that employees understand operating conditions and have opportunities to share ideas and express opinions.</p> <p>The Company safeguards consumer interests by establishing appropriate procedures and work practices and has created a services management division that is dedicated to handling customer comments and conduct service quality inspections.</p> <p>The Company has long been a trustworthy partner for major art museums and art organizations in Taiwan and abroad. Not only has EVA been repeatedly</p>	<p>None.</p> <p>None.</p> <p>None.</p> <p>None.</p> <p>None.</p>

Item	Implementation Status	Deviations from CSR Best-Practice Principles for TWSE Listed Companies & Why
<p>(6) The Company supports charitable organizations in community development related activities through business procedures, in-kind donations, enterprise volunteer services and other professional services offered at no cost.</p>	<p>chosen as the preferred carrier for priceless art works and rare endangered species but it has also been recognized with an Art and Business Award from the Ministry of Culture. Promoting art without borders, the Company has enabled Taiwan to share its unique culture and customs with every corner of the world with convenient, reliable airfreight services.</p> <p>The Company takes philanthropic actions to address social problems through the Chang Yung-Fa Foundation, and assists the Foundation to engage in charitable, musical and cultural initiatives, including reaching out to the disadvantaged in different social groups (e.g., sponsoring children's educational programs, the overall health care mechanism in Taiwan's far-flung areas and contributing to the Ya'an earthquake relief).</p>	<p>None.</p>
<p><b>4. Greater Disclosure of Information:</b></p> <p>(1) The Company discloses relevant information about corporate social responsibility.</p> <p>(2) The Company provides an annual corporate social responsibility report and discloses status of efforts promoting corporate social responsibility.</p>	<p>The Company has disclosed its corporate social responsibility actions in the annual report and on our website.</p> <p>The Company does not currently prepare a separate corporate social responsibility report.</p>	<p>None.</p> <p>Though the Company does not produce a report specifically for CSR, we created a dedicated page on our corporate website to disclose relevant CSR and Vision information.</p>
<p><b>5. If the Company has established principles based on Corporate Social Responsibility Best-Practice Principles for TWSE Listed Companies, please illustrate implementation progress and any difference:</b></p> <p>Not Applicable. The Company has not written governance principles based on the Corporate Social Responsibility Best-Practice Principles for TWSE Listed Companies.</p>		
<p><b>6. Please state any other important information that would facilitate better understanding of the Company's status in fulfilling corporate social responsibilities, e.g., systems, mechanism, policies the Company adopts and results of their execution related to corporate social responsibilities such as environmental conservation, community welfare improvement, contributions to common goods, social-service activities, charity and donations, consumer rights, safety, health and others:</b></p>		

Item	Implementation Status	Deviations from CSR Best-Practice Principles for TWSE Listed Companies & Why
		<p>The Company and its affiliates closely monitor and control any greenhouse gas, noise or waste produced in the transportation process to reduce their environmental impact. In our environmental management solutions, we strive to:</p> <ol style="list-style-type: none"> <li>(1) Prevent pollution by conserving energy and resources, recycling, reducing wastes, lowering noise and pursuing more conservation strategies.</li> <li>(2) Conduct operations in compliance with applicable local, national and international environmental laws, regulations and requirements related to our operations and services.</li> <li>(3) Participate in community activities, sharing social responsibilities.</li> <li>(4) Provide safe, efficient, environmentally friendly, quality passenger and cargo transportation services.</li> <li>(5) Ensure a safe, healthy working environment for our employees.</li> </ol> <p>The Company and its affiliates take its responsibilities as a member of the global village seriously. To help combat global warming and climate change, we have adopted numerous measures to reduce carbon emissions and comply with government environmental protection policies, regulations and related programs. The Company and its affiliates are committed to safeguarding our environment and promoting a greener, healthier earth.</p> <p>Please refer to relevant information included with Corporate Governance implementation.</p> <p>(URL:<a href="http://eco.evaair.com">http://eco.evaair.com</a>)</p>

## Ethical Corporate Management

### Ethical Corporate Management Execution Results:

Item	Implementation Status	Deviations from ECM Best-Practice Principles for TWSE Listed Companies & Why
<p><b>1. Established best practice policies and programs:</b></p> <p>(1) The Company explicitly demonstrates best practice policies in its rules, regulations and external documents and through the Board of Directors' and Management's commitment to their implementation</p> <p>(2) The Company stipulates measures designed to prevent instances of unethical behavior or practices, including operational procedures, behavior guidelines and educational training</p> <p>(3) In developing the prevention program for unethical behavior, the Company included countermeasures against bribery, accepting bribes and illegal political contributions with emphasis on activities that are at higher risk for unethical behavior within the normal scope of business</p>	<p>Although ECM Best-Practice Principles are not specifically stipulated, the Company clearly demonstrates integrity among the most fundamental and necessary principles of operation detailed in management guidelines and our publicly disclosed annual reports. All employees are required to apply these guidelines to all business activities involving or related to the Company.</p> <p>The Company gives each new employee a thorough background in our Code of Ethical Conduct and business ethics standards. The employee portal on the website also presents all relevant provisions, enabling employees to access the information and even conduct self-reviews.</p> <p>Management guidelines clearly state that no one associated with the Company should use his/her position to facilitate malpractice of any kind. All Company personal are also responsible for reporting any coworker who does not do their job, neglects to fulfill duties or does something that may harm the interests of the Company or the safety of its customers.</p>	<p>None.</p> <p>None.</p> <p>None.</p>
<p><b>2. Implementation of Best Practices:</b></p> <p>(1) The Company avoids doing business with those who have records of unethical conduct and states terms regarding unethical behavior</p>	<p>In management regulations, the Company clearly states that Integrity is a fundamental and necessary principle of operations. All employees are required to follow these guidelines in all business activities.</p> <p>When an employee is hired, he/she must declare and</p>	<p>None.</p>

Item	Implementation Status	Deviations from ECM Best-Practice Principles for TWSE Listed Companies & Why
<p>in commercial contracts.</p> <p>(2) Under supervision of the Board of Directors, the Company has established both dedicated and part-time administrative units to promote best practices</p> <p>(3) The Company stipulates a Conflict of Interest Prevention Policy and provides appropriate reporting channels</p> <p>(4) The Company has established an effective accounting system and internal controls for implementation of best practices, in addition to review by internal auditors</p>	<p>agree to abide by all management regulations as part of the Company's employment contract.</p> <p>The Company established an auditing department that reports directly to the Board of Directors. The department is responsible for investigating and determining whether or not there is a breach of best practices within the Company. All directors and managers are accountable to the Board of Directors and Shareholders for behavior within the scope of best practices.</p> <p>The Company's auditing department regularly performs internal audits and presents results and recommendations to the Board of Directors and President, assessing effectiveness of overall internal control systems and providing a basis for improvements.</p> <p>The Company has established internal control system guidelines, internal audit implementation regulations and various management measures. The Company's quality management system is certified to be in compliance with ISO9001 international standards.</p> <p>The Company implements annual audit programs and regularly schedules audits by internal and external auditors, continually reviewing and improving operating procedures and discouraging malpractice.</p>	<p>None.</p> <p>None.</p> <p>None.</p>
<p><b>3. The Company has established reporting channels and disciplinary measures for violating best practice regulations in addition to a complaint system</b></p>	<p>The Company created complaint channels to facilitate customer feedback on the quality of services, including comments, complaints and accolades.</p> <p>The Company has stipulated the guidelines for employee complaints, which is disclosed internally; employees may file a complaint in accordance with the guidelines.</p> <p>If an employee violates the Code of Ethical Conduct or related standards of business ethics, the Company will take disciplinary action that is in proportion to the severity of the matter. The matter and related action will also be linked to performance appraisal.</p>	<p>None.</p>



Item	Implementation Status	Deviations from ECM Best-Practice Principles for TWSE Listed Companies & Why
<p><b>4. Disclosing Information:</b></p> <p>(1) The Company built a corporate website to disclose information on ethical corporate management</p> <p>(2) The Company also discloses other information through various methods, e.g., an English-language website with designated personnel who collect and disclose information, a spokesperson, investor conferences and the Company's Chinese-language website, etc.</p>	<p>The Company created a corporate website (<a href="http://www.evaair.com">URL:http://www.evaair.com</a>) and assigned appropriate personnel the responsibilities of monitoring financial and business information, Articles of Incorporation, important operating procedures and resolutions adopted during Board of Directors' meetings.</p> <p>The Company established an English-language website and spokesperson system used to both gather and disclose information.</p>	<p>None.</p> <p>None.</p>
<p><b>5. If the Company has established principles based on Ethical Corporate Management Best-Practice Principles for TWSE Listed Companies, please demonstrate implementation progress and any difference:</b></p> <p>Not Applicable. The Company has not established written governance principles based on Ethical Corporate Management Best-Practice Principles for TWSE Listed Companies.</p>		
<p><b>6. Other important information that helps explain the status of the Company's best practices, such as the determination and policy used to promote corporate best practices among manufacturers it conducts business with, invitations to these suppliers to participate in educational training, guidelines for reviewing and revising the Company's Best Practices Principles, etc.:</b></p> <p>Evergreen Group Chairman Dr. Chang Yung-Fa's belief in the importance of moral character led to creation of <i>Morals Magazine</i>, published by the Chang Yung-Fa Foundation to promote moral education. Integrity is a fundamental and necessary principle of the Company's operations. All employees are required to comply with a strict Code of Ethical Conduct and business ethics standards in their business activities. The Company upholds principles of best practice in commercial activities, maintains vigilance to safeguard the rights and interests of all stakeholders and promotes sustainable operations. The Company continually monitors development of related standards of best practices domestically and abroad to further improve and enhance the effectiveness of our own guidelines.</p>		

## Major Shareholder and BOD Resolutions

### Major Shareholder Resolutions

Date of Meeting	Summary of Important Proposals	Execution
June 24, 2013	1. Distributing retained earnings: Shareholders proposed reserving all earnings to meet future needs and not allocating Dividends, Remuneration to directors and supervisors and Bonuses to employees.	The resolution has been executed accordingly.
	2. Amending Articles of Incorporation.	The Company's revised Articles of Incorporation have been approved and registered as per the document, Jing-Shou-Shang Zi No.10201132680 and 10301005360 issued by the Ministry of Economic Affairs. Additional tasks have been processed in accordance with revised Article of Incorporation.
	3. Amending Procedures for Acquiring and Disposing of Assets.	Related actions on behalf of the Company have been conducted in accordance with revised Procedures for Acquiring and Disposing of Assets.
	4. Amending Procedures for Fund Lending, Endorsement and Guarantee.	Related actions on behalf of the Company have been conducted in accordance with revised Procedures for Fund Lending, Endorsement and Guarantee.

## Major Board of Director Resolutions

Date of Meeting	Major Proposals
February 5, 2013	<ol style="list-style-type: none"> <li>1. To approve the investment and set-up of a 100% owned subsidiary EVA Flight Training Academy in the United States.</li> <li>2. To approve removal of the business strife limitation on the Company's managers.</li> </ol>
March 26, 2013	<ol style="list-style-type: none"> <li>1. To accept impact of the Company's initial adoption of IFRSs on retained earnings and appropriation of a special surplus reserve.</li> <li>2. To accept 2012 Financial Statements and Consolidated Financial Statements.</li> <li>3. To accept 2012 Profit Distribution Proposal.</li> <li>4. To accept 2012 Operation Report.</li> <li>5. To accept 2013 Operation Plan.</li> <li>6. To accept the 2012 Declaration of Internal Control.</li> <li>7. To amend the Internal Control System and Internal Audit Implementation Rules.</li> <li>8. To amend Articles of Incorporation.</li> <li>9. To amend Procedures for Acquiring and Disposing of Assets.</li> <li>10. To approve establishing branch offices in China's Hohhot and Hailar regions.</li> <li>11. To add an office at Asahikawa Airport for the Company's Japanese branch.</li> <li>12. To stipulate the date and venue for the annual 2013 General Shareholders' meeting.</li> </ol>
May 14, 2013	<ol style="list-style-type: none"> <li>1. To procure one Boeing 737 Business Jet.</li> <li>2. To approve non-acceptance of shareholders' proposals submitted after the submission deadline.</li> </ol>
August 13, 2013	<ol style="list-style-type: none"> <li>1. To cancel the transaction for sale of one 747-400 Combi aircraft.</li> <li>2. To donate cash to Chang Yung-Fa Foundation.</li> <li>3. To amend the Internal Control System and Internal Audit Implementation Rules.</li> </ol>
October 7, 2013	<ol style="list-style-type: none"> <li>1. To procure four B777-300ER aircraft that is scheduled to introduce by leasing.</li> </ol>
November 11, 2013	<ol style="list-style-type: none"> <li>1. To amend the Accounting System.</li> </ol>
December 27, 2013	<ol style="list-style-type: none"> <li>1. To approve the amendment of the compensation structure and performance incentive system for managers.</li> <li>2. To approve continuation of the compensation structure and performance incentive system for directors and supervisors.</li> <li>3. To approve the 2013 annual bonus for managers.</li> <li>4. To approve 2014 compensation for managers.</li> <li>5. To approve remuneration for members of the Company's 2014 Remuneration Committee.</li> <li>6. To approve the 2013 annual bonus for the Chairman.</li> <li>7. To approve 2014 remuneration to the Chairman.</li> <li>8. To appoint the Company's certified public accountants and determine their remuneration.</li> <li>9. To stipulate the Company's 2014 Internal Audit Plan.</li> </ol>

Date of Meeting	Major Proposals
March 25, 2014	<ol style="list-style-type: none"> <li>1. To accept 2013 Parent-company-only Financial Statements and Consolidated Financial Statements.</li> <li>2. To accept 2013 Profit Distribution Proposal.</li> <li>3. To accept 2013 Operation Report.</li> <li>4. To accept 2014 Operation Plan.</li> <li>5. To accept the 2013 Declaration of Internal Control.</li> <li>6. To amend the Internal Control System and Internal Audit Implementation Rules.</li> <li>7. To amend Procedures for Acquiring and Disposing of Assets.</li> <li>8. To amend Procedures for Transaction of Derivative Products.</li> <li>9. To amend Procedures for Fund Lending, Endorsement and Guarantee.</li> <li>10. To amend Regulations for Board of Directors Meeting Procedures.</li> <li>11. To amend Remuneration Committee and set up agendas for Committee.</li> <li>12. To re-elect the directors and supervisors of the Company.</li> <li>13. To discuss lifting the restriction of "Non-Competition" for the newly elected directors.</li> <li>14. To stipulate the date and venue for the annual 2014 General Shareholders' meeting.</li> </ol>
April 24, 2014	<ol style="list-style-type: none"> <li>1. To review the roster of candidates about directors (including independent directors) and supervisors submitted by the shareholders.</li> <li>2. To approve non-acceptance of shareholders' proposals submitted after the submission deadline.</li> </ol>

## Net Changes in Shareholdings and Shares Pledged by Directors, Supervisors, Managers and Major Shareholders

Title	Name	2013		As of April 30, 2014	
		Increase (Decrease) in Shareholding	Increase (Decrease) in Shares Pledged	Increase (Decrease) in Shareholding	Increase (Decrease) in Shares Pledged
Chairman	Chang Yung-Fa Charity Foundation	0	0	11,354,504	0
	Representative: Chang Kuo-Wei	0	0	0	0
Director	Chang Yung-Fa Charity Foundation	0	0	11,354,504	0
	Representative: Chang Yung-Fa	0	0	0	0
	Representative: Ko Li-Ching	0	0	0	0
Director	Evergreen Marine Corp. (Taiwan) Ltd.	0	0	0	0
	Representative: Lin Sun-San	0	0	0	0
	Representative: Tai Jiin-Chyuan	0	0	0	0
Director	Falcon Investment Services Ltd.	0	0	0	0
	Representative: Chang Ming-Che	0	0	0	0
Supervisor	Evergreen International Corp.	0	0	0	0
	Representative: Lin Long-Hwa	0	0	0	0
	Representative: Wu Kuang-Hui	0	0	0	0
	Representative: Chen Cheng-Pang	0	0	0	0
Major Shareholder	Evergreen Marine Corp. (Taiwan) Ltd.	0	0	0	0
Major Shareholder	Evergreen International Corp.	0	0	0	0
President	Cheng Chuan-Yi	0	0	0	0
Executive Vice President	Tsai Ta-Wei	0	0	558 (558)	0
Executive Vice President	Chai Chien-Hua	0	0	0	0
Executive Vice President	Chen Yeou-Yuh	0	0	0	0
Executive Vice President	Chang Jang-Tsang	0	0	0	0
Executive Vice President	Sun Chia-Ming	0	0	0	0
Executive Vice President	Ho Ching-Sheng	0	0	0	0
Executive Vice President	Yuen Ping-Yu	0	0	0	0
Executive Vice President	Huang Sheh-Ming	0	0	0	0
Executive Vice President	Yang Yung-Heng	0	0	0	0
Executive Vice President	Fang Gwo-Shiannng	0	0	0	0
Senior Vice President	Li Ping-Yin	0	0	0	0
Senior Vice President	Soong Allen	0	0	0	0

Title	Name	2013		As of April 30, 2014	
		Increase (Decrease) in Shareholding	Increase (Decrease) in Shares Pledged	Increase (Decrease) in Shareholding	Increase (Decrease) in Shares Pledged
Senior Vice President	Liao Chi-Wei	0	0	0	0
Senior Vice President	Lu Yu-Chuan	0	0	0	0
Senior Vice President	Chuang Shih-Hsiung	0	0	0	0
Senior Vice President	Yang Hsiu-Huey	10,000 (10,000)	0	0	0
Senior Vice President	Chang Lih-Lih	0	0	0	0
Senior Vice President	Yeh Ching-Far	0	0	0	0
Senior Vice President	Liu Ying	0	0	0	0
Senior Vice President	Hou Hsien-Yu	0	0	0	0
Deputy Senior Vice President	Chou Yu-Chuan	0	0	0	0
Deputy Senior Vice President	Wu Chun-Hung	0	0	0	0
Deputy Senior Vice President	Chiang Chin-Lan	0	0	0	0
Deputy Senior Vice President	Ho Li-Cheng	0	0	0	0
Deputy Senior Vice President	Wang Yuan-Shyang	0	0	0	0
Deputy Senior Vice President	Chiang Wei-Du	0	0	0	0
Deputy Senior Vice President	Huang Chieh-Chih	0	0	0	0
Deputy Senior Vice President	Hsiao Chin-Lung	0	0	0	0
Deputy Senior Vice President	Chiu Chung-Yu	0	0	0	0
Deputy Senior Vice President	Wu Shu-Ping	0	0	0	0
Deputy Senior Vice President	Lin Nan-Yang	0	0	0	0
Deputy Senior Vice President	Wu Su-Shin	0	0	0	0
Deputy Senior Vice President	Chang Ming-Hung	0	0	0	0
Deputy Senior Vice President	Chen Shen-Chi	0	0	0	0
Deputy Senior Vice President	Lee Cheng-Chieh	0	0	0	0
Deputy Senior Vice President	Hsu Ping	0	0	0	0
Deputy Senior Vice President	Kuo Ming-Cheng	0	0	0	0
Deputy Senior Vice President	Tao Shin-Chien	0	0	0	0
Deputy Senior Vice President	Yu Chia-Chieh	0	0	0	0
Deputy Senior Vice President	Chen Yao-Min	0	0	0	0
Deputy Senior Vice President	Chen Chia-Chuan	0	0	0	0

**Information on Stock Transfer: Nil**

**Information on Stock Pledged: Nil**

## Capital and Shares

### History of Capitalization

Month/Year	Price	Authorized Capital		Issued Capital		Sources of Capital ('000)	Non- Monetary Capital Expansion
		Shares ('000)	Amount ('000)	Shares ('000)	Amount ('000)		
03/2008	10	4,000,000	40,000,000	3,906,815	39,068,150	Corporate bond conversion 318,356	-
04/2008	10	4,000,000	40,000,000	3,942,677	39,426,773	Corporate bond conversion 358,623	-
07/2009	10	4,000,000	40,000,000	2,262,677	22,626,773	Capital Reduction 16,800,000	-
09/2009	10	4,000,000	40,000,000	2,962,677	29,626,773	Cash offering 7,000,000	-
09/2011	10	4,000,000	40,000,000	3,258,945	32,589,450	Capitalization of retained earnings 2,962,677	-

### Status of Shareholders

As of April 19, 2014

Item \ Entity	Government Agency	Financial Institution	Other Legal Entity	Domestic Individual	Foreign Institution or Individual	Total
Number of Shareholders	3	27	188	117,037	832	118,087
Shareholdings	26,941,200	225,040,499	1,231,114,306	1,240,075,221	535,773,779	3,258,945,005
Holding (%)	0.83	6.91	37.78	38.04	16.44	100.00

## Distribution of Common Shares

As of April 19, 2014

Range of Shareholdings	Number of Shareholders	Number of Shares	Holding (%)
1-999	37,276	12,304,083	0.38
1,000-5,000	48,370	111,878,025	3.44
5,001-10,000	14,901	108,320,605	3.32
10,001-15,000	6,313	75,260,318	2.31
15,001-20,000	2,972	53,481,920	1.64
20,001-30,000	3,079	75,248,419	2.31
30,001-50,000	2,380	92,579,153	2.84
50,001-100,000	1,528	109,332,681	3.35
100,001-200,000	668	93,146,015	2.86
200,001-400,000	292	83,163,569	2.55
400,001-600,000	91	44,796,688	1.37
600,001-800,000	37	25,895,202	0.79
800,001-1,000,000	35	32,018,028	0.98
1,000,001 and above	145	2,341,520,299	71.86
<b>Total</b>	118,087	3,258,945,005	100.00

## Major Shareholder Name List

As of April 19, 2014

Entity	Shareholding	Number of Shares	Holding (%)
Evergreen Marine Corp. (Taiwan) Ltd.		629,483,229	19.32
Evergreen International Corp.		469,648,357	14.41
Falcon Investment Services Ltd.		162,962,925	5.00
Fubon Life Insurance Co., Ltd.		100,005,400	3.07
Chang Yung-Fa		98,360,200	3.02
Chang Kuo-Cheng		74,957,249	2.30
Nan Shan Life Insurance Co., Ltd.		54,817,200	1.68
Chang Kuo-Hua		52,506,568	1.61
Chang Kuo-Ming		47,858,445	1.47
Evergreen International Storage & Transport Corp.		38,045,443	1.17



## Market Price, Net Worth, Earnings and Dividends per Share

Items		Year	2012	2013	2014
			(Distributed in 2013)	(Distributed in 2014)	(As of April 30 2014)
Market Price per Share	Highest		NT\$22.50	NT\$19.35	NT\$16.90
	Lowest		NT\$16.20	NT\$15.70	NT\$15.05
	Average		NT\$18.41	NT\$17.34	NT\$15.89
Net Worth per Share	Before Distribution		NT\$10.85	NT\$11.00	-
	After Distribution		-	-	-
Earnings per Share	Weighted Average Shares		3,258,945,005 shares	3,258,945,005 shares	3,258,945,005 shares
	Earnings per Share	Before Adjustment	NT\$0.20	NT\$0.23	-
		After Adjustment		-	-
Dividends per Share	Cash Dividends		-	-	-
	Stock Dividends	Dividends from Retained Earnings	-	-	-
		Dividends from Capital Surplus		-	-
Return on Investment	Price/Earnings Ratio (Note 1)		92.05	75.39	-
	Price/Dividend Ratio (Note 2)		-	-	-
	Cash Dividend Yield Rate (Note 3)		-	-	-

Note 1: Price/Earnings Ratio = Average Share Price at Market Close for Current Fiscal Year/Earnings per Share

Note 2: Price/Dividend Ratio = Average Share Price at Market Close for Current Fiscal Year/Cash Dividend per Share.

Note 3: Cash Dividend Yield Rate = Cash Dividend per Share/Average Market Closing Share Price for Current Fiscal Year.

## **Dividend Policy and Implementation Status**

### **Dividend Policy**

In accordance with Article 26 of EVA's Articles of Incorporation, any earning from the annual settlement should first be used to offset accumulated deficits for previous years, after deducting all applicable taxes and, second, 10% of the balance should be set aside in a legal reserve; and set aside or reverse the special reserve in compliance with regulations, then be added to undistributed earnings from the prior period for distribution after the board of directors proposes a distribution program with employee bonuses of no less than 1% and director/supervisor compensation that does not exceed 5% of the distributed amount and submits the program at a shareholders' meeting for resolution.

Stockholders' dividends shall be distributed in cash dividends and stock dividends, with the cash dividend at least 10% of the total amount of distribution.

### **Dividend Distribution in Current Year**

The board adopted a proposal for 2013 dividend distribution at its meeting on March 25, 2014 that no dividend will be distributed to shareholders.

### **Employee Bonuses and Compensation Paid to Directors and Supervisors**

Range or Percentage of Employee Bonuses and Compensation Paid to Directors and Supervisors Specified in Article 26 of EVA's Articles of Incorporation: Earnings, if any, from the annual settlement should first offset accumulated deficits for previous years after all applicable taxes are deducted and, second, 10% of the balance should be set aside in a

legal reserve; and set aside or reverse the special reserve in compliance with regulations, then be added to undistributed earnings from the prior period for distribution after the board of directors proposes a distribution program with employee bonuses of no less than 1% and director/supervisor compensation that does not exceed 5% of the distributed amount and submits the program at a shareholders' meeting for resolution.

### **Proposed Employee Bonus Plan Approved by Board of Directors**

Employee Cash Bonus: Nil

Employee Stock Bonus: Nil

Compensation Paid to Directors and Supervisors: Nil

Number of shares proposed for distribution to employees and the percentage of the shares above capitalized earnings: 0 share, 0%

Estimated EPS after deduction of employee bonuses and compensation to directors and supervisors: Not applicable.

### **Status of Stock Repurchased by EVA: N/A**

## The Fleet

- Since 2013 EVA took delivery of three brand-new A321-200 passenger aircraft and phased out one 747-400 Combi aircraft.

As of December 31 2013


Aircraft Type	Owned	Capital Lease	Operating Lease	Total	On Order (Delivery date)
B747-400	3	-	-	3	-
B747-400 Combi	2	-	-	2	-
B777-300ER	9	2	4	15	7 May.2014~Jun.2016
A330-200	3	-	8	11	-
A330-300	-	-	3	3	-
MD-90	-	-	7	7	-
B747-400 Freighter	5	4	-	9	-
MD-11 Freighter	4	-	2	6	-
A321-200	-	-	6	6	18 Mar.2014~Oct.2016
<b>Total</b>	<b>26</b>	<b>6</b>	<b>30</b>	<b>62</b>	<b>25</b>

## The Network

- EVA Air launched Taipei - Niigata passenger service in January 2013.
- EVA Air launched Taipei - Okayama passenger service in April 2013.
- EVA Air launched Kaohsiung - Jinan passenger service in May 2013.
- EVA Air launched Taipei - Asahikawa passenger service in May 2013.
- EVA Air launched Taipei - Hohhot passenger service in June 2013.
- EVA Air launched Kaohsiung - Seoul passenger service in June 2013.
- EVA Air launched Kaohsiung – Tokyo (Narita) passenger service in December 2013.

As of April 30, 2014

<b>North America</b>	Anchorage	Atlanta	Dallas	Guam	New York (JFK)	Los Angeles
	Chicago	San Francisco	Seattle	Vancouver	Toronto	
<b>Asia</b>	Bangkok	Jakarta	Sapporo	Delhi	Bali	Fukuoka
	Gimpo	Hanoi	Hong Kong	Hakodate	Tokyo (Haneda)	Seoul
	Kaohsiung	Osaka	Komatsu	Kuala Lumpur	Macau	Manila
	Tokyo (Narita)	Penang	Phnom Penh	Asahikawa	Sendai	Ho Chi Minh City
	Singapore	Surabaya	Taipei (Taoyuan)	Taipei (Songshan)	Niigata	Okayama
	Taichung					
<b>Mainland China</b>	Guangzhou	Chongqing	Zhengzhou	Chengdu	Hangzhou	Hohhot
	Harbin	Guilin	Ningbo	Beijing	Shanghai (Pudong)	Shanghai (Hongqiao)
	Jinan	Tianjin	Huangshan			
<b>Europe</b>	Amsterdam	Paris	Frankfurt	London	Vienna	
<b>Oceania</b>	Brisbane					

 Air cargo destination only

Total 63 destinations

## The Market

### The Consolidated Revenue by Business Segment

NT\$(Million)

Year	Passenger		Cargo		Other		Total	
2013	71,100	57%	32,033	26%	21,032	17%	124,164	100%
2012	65,618	55%	34,351	28%	20,189	17%	120,158	100%

### Passenger Operations

Region	No. of Passenger			RPK (Million)			Revenue (NT\$ Million)		
	2013	2012	%	2013	2012	%	2013	2012	%
America	1,233,831	1,193,283	3.40%	12,998	12,519	3.83%	26,857	24,324	10.41%
Europe	652,724	614,615	6.20%	4,746	4,488	5.75%	9,170	8,404	9.11%
Asia	6,082,539	5,679,802	7.09%	9,664	8,728	10.72%	34,519	32,363	6.66%
Oceania	40,390	37,315	8.24%	273	253	7.91%	554	527	5.12%
Total	8,009,484	7,525,015	6.44%	27,681	25,988	6.51%	71,100	65,618	8.35%

### Cargo Operations

Region	Cargo carried (Tons)			FTK (Million)			Revenue (NT\$ Million)		
	2013	2012	%	2013	2012	%	2013	2012	%
America	255,727	266,070	-3.89%	3,051	3,195	-4.51%	20,371	21,533	-5.40%
Europe	54,695	56,052	-2.42%	551	566	-2.65%	3,831	3,972	-3.55%
Asia	401,727	418,309	-3.96%	665	702	-5.27%	7,768	8,787	-11.60%
Oceania	1,656	1,401	18.20%	11	9	22.22%	63	59	6.78%
Total	713,805	741,832	-3.78%	4,278	4,472	-4.34%	32,033	34,351	-6.75%

### Market Shares

Item		2013	2012
Number of Flights	EVA Airways	38,770	34,988
	Taiwan	212,375	195,363
	Market Share (%)	18.25	17.91
Number of Passengers	EVA Airways	7,847,954	7,321,265
	Taiwan	38,898,209	35,151,356
	Market Share (%)	20.18	20.83
Tons of Cargo	EVA Airways	436,099	456,061
	Taiwan	1,632,433	1,632,397
	Market Share (%)	26.71	27.94

Data Source: Monthly Digest of Statistics, CAA

## **2014 Outlook**

Due to the stable development of cross-strait political relations, trade and economic activities will continue to warm up, and the gradual relaxation of policy limitations on visitors from Mainland China and regularly scheduled cross-strait flights will lead to more business and leisure travel. Prospects for EVA's major routes worldwide are described in the paragraphs that follow.

### **American routes**

The Company operates 45 direct passenger flights to the United States and Canada weekly: 17 to Los Angeles, five to New York, 12 to San Francisco, five to Seattle, three to Vancouver and three to Toronto. Since June 2014, the number of flights has increased to 55 per week: 21 to Los Angeles, seven to New York, 14 to San Francisco, four to Vancouver and four to Toronto. In addition, we provide people convenient connecting flight services by code sharing with other leading airlines such as United Airlines.

EVA's freighter service to North America is our major source of cargo revenue. We provide cargo service to seven destinations include Los Angeles, San Francisco, Seattle, Chicago, Dallas, New York and Atlanta. Three direct flights from Atlanta to Osaka a week could shorten the transportation process and enhance the load factor. Besides, we would plan to increase flights and enhance the flexibility of adjusting freighter routes to improve operational efficiency for seasonal demands.

### **European routes**

EVA has 18 scheduled nonstop passenger flights a week to Europe, including three to Amsterdam, four to Vienna, four to Paris and seven to London. We give passengers on these routes comfortable and convenient service.

The Company is also collaborating with Lufthansa to offer regular, dedicated cargo services and extend our network within Europe. These joint operations upgrade overall performance in the region.

### **Australian route**

EVA's Australian route primarily serves the tourism market. In view of market demand and

operating costs, the Company will continue our two weekly Taipei - Brisbane flights.

### **Asian routes**

Following inauguration of regular cross-strait services on August 31, 2009, EVA and UNI Air are now operating 116 scheduled weekly flights between Taiwan and Mainland China. We serve 26 destinations: Beijing, Shanghai Pudong, Shanghai Hongqiao, Guangzhou, Shenzhen, Fuzhou, Xiamen, Hangzhou, Nanjing, Ningbo, Tianjin, Dalian, Qingdao, Chongqing, Chengdu, Zhengzhou, Jinan, Shenyang, Xian, Kunming, Yanchen, Guilin, Changsha, Harbin, Huangshan and Hohhot.

With the ongoing liberalization of cross-strait waypoint, the Company has launched Pudong, Guangzhou, Chongqing, Tianjin and Zhengzhou five scheduled freighter destinations, and cooperated with China Cargo Airlines by code sharing in the Pudong route. For the destinations with cargo demand but no freighter flight such as Shenzhen and others, we operate with B747-400 Combi to increase market competitiveness. Mainland China has gradually changed from external demand to internal demand, from "world factory" to "world market", from the type of importing material and exporting product to emphasizing channels. The Company will grasp this opportunity to increase the load factor of inter-regional flights in Asia.

Taiwan's geographic location makes it an ideal pivot point for traffic between North America and Asia. The Company is leveraging this geographic superiority and, at the same time, supporting the government's goal of establishing Taiwan as the leading Asia Pacific Operations Center with our extensive route network connecting North America and Asia.

The Asia-Pacific region still has potential for cargo business in the coming years. China continues to stand out as a dominate business and trade driver in the region. The Company will continue to optimize opportunities such as those created by the Economic Cooperation Framework Agreement (ECFA). Catalyzing acceleration of China's domestic demand, the Company will strategically seek greater shares of the markets in China and Asia.

## Human Resources - EVA Air and Consolidated Subsidiaries

Items \ Year		2012	2013	2014 (as of Apr. 30 2014)
No. of Employees	Pilots	887	967	1,028
	Cabin Crew	1,926	2,144	2,538
	Other	8,846	9,565	9,913
	<b>Total</b>	<b>11,659</b>	<b>12,676</b>	<b>13,479</b>
Average Age		36.4	35.8	35.2
Average Seniority		9.8	9.4	9.3
Education Profile Distribution (%)	Doctorate	0.1	0.1	0.1
	Master's	4.6	5.0	5.1
	Bachelor's	81.7	81.9	82.5
	High School	9.9	9.7	9.2
	Other	3.7	3.3	3.2

# Financial and Operating Results

## Financial Results

### 1. Condensed Balance Sheets from 2012 to 2014Q1 (Consolidated)

Unit: NT\$ thousands

Item		2012	2013	2014.3.31
Current Assets		45,489,820	46,119,654	45,566,482
Property, plant and equipment		94,745,769	88,226,342	86,482,606
Intangible Assets		2,271,741	2,431,864	2,477,475
Other Assets		13,016,987	15,945,074	16,627,086
Total Assets		155,524,317	152,722,934	151,153,649
Current Liabilities	Before Distribution	38,861,449	38,740,228	39,589,020
	After Distribution	39,172,707	-	-
Non-current Liabilities		77,278,067	73,725,345	72,027,152
Total Liabilities	Before Distribution	116,139,516	112,465,573	111,616,172
	After Distribution	116,450,774	-	-
Equity attributable to Owners of parent		35,367,922	35,838,033	34,980,465
Common stock		32,589,450	32,589,450	32,589,450
Capital surplus		1,723,602	1,723,602	1,723,602
Retained earnings	Before Distribution	1,895,476	2,275,240	1,365,409
	After Distribution	1,536,422	-	-
Other equity		(840,606)	(750,259)	(697,996)
Treasury stock		0	0	0
Non-controlling interests		4,016,879	4,419,328	4,557,012
Total Equity	Before Distribution	39,384,801	40,257,361	39,537,477
	After Distribution	39,073,543	-	-

Note1: Above data are based on the consolidated financial statements as of December 31, 2013 and 2012, and the consolidated financial statements as of March 31, 2014 which haven't been reviewed by independent auditors as of the printing date.

Note2: If the Company has compiled the parent-company-only financial statements, the last five years Condensed Balance Sheet and the Condensed Statement of Comprehensive Income for the parent-company-only shall be disclosed.

Note3: If the adoption of IFRS for the financial information is less than five years, the ROC GAAP financial information shall be disclosed.



## 2. Condensed Statement of Comprehensive Income from 2012 to 2014Q1 (Consolidated)

Unit: NT\$ thousands (Except EPS:NT\$)

Item	2012	2013	2014.3.31
Operating Revenue	120,158,467	124,164,451	30,392,098
Gross Profit	10,902,960	12,967,732	2,095,252
Operating Income (Loss)	2,409,150	3,470,319	(171,649)
Non-operating income and expenses	(713,983)	(1,629,981)	(457,289)
Profit before tax	1,695,167	1,840,338	(628,938)
Profit (Loss)	1,195,687	1,279,725	(781,121)
Other comprehensive income, net of tax	(1,541,101)	(279,340)	64,443
Comprehensive Income	(345,414)	1,000,385	(716,678)
Profit or Loss attributable to:			
Owners of Parent	655,200	747,450	(909,831)
Non-controlling interests	540,487	532,275	128,710
Comprehensive income attributable to:			
Owners of Parent	(826,131)	470,111	(857,568)
Non-controlling interests	480,717	530,274	140,890
Basic earnings per share	0.20	0.23	(0.28)

Note1: Above data are based on the consolidated financial statements as of December 31, 2013 and 2012, and the consolidated financial statements as of March 31, 2014 which haven't been reviewed by independent auditors as of the printing date.

Note2: If the Company has compiled the parent-company-only financial statements, the last five years Condensed Balance Sheet and the Condensed Statement of Comprehensive Income for the parent-company-only shall be disclosed.

Note3: If the adoption of IFRS for the financial information is less than five years, the ROC GAAP financial information shall be disclosed.

### 3. Condensed Balance Sheets from 2012 to 2013 (The Company)

Unit: NT\$ thousands

Item		2012	2013
Current Assets		31,865,344	31,254,902
Property, plant and equipment		89,014,699	82,473,206
Intangible Assets		303,333	412,777
Other Assets		21,110,574	25,253,893
Total Assets		142,293,950	139,394,778
Current Liabilities	Before Distribution	36,603,179	36,240,883
	After Distribution	36,603,179	-
Non-current Liabilities		70,322,849	67,315,862
Total Liabilities	Before Distribution	106,926,028	103,556,745
	After Distribution	106,926,028	-
Common stock		32,589,450	32,589,450
Capital surplus		1,723,602	1,723,602
Retained earnings	Before Distribution	1,895,476	2,275,240
	After Distribution	1,895,476	-
Other equity		(840,606)	(750,259)
Treasury stock		0	0
Total Equity	Before Distribution	35,367,922	35,838,033
	After Distribution	35,367,922	-

Note1: Above data are based on the parent-company-only financial statements as of December 31, 2013 and 2012.

Note2: If the adoption of IFRS for the financial information is less than five years, the ROC GAAP financial information shall be disclosed.

#### 4. Condensed Statement of Comprehensive Income from 2012 to 2013 (The Company)

Unit: NT\$ thousands (Except EPS:NT\$)

Item	2012	2013
Operating Revenue	107,147,807	110,747,462
Gross Profit	8,075,673	10,284,596
Operating Income	196,107	1,588,253
Non-operating income and expenses	557,916	(686,542)
Profit before tax	754,023	901,711
Profit	655,200	747,450
Other comprehensive income, net of tax	(1,481,331)	(277,339)
Comprehensive Income	(826,131)	470,111
Basic earnings per share	0.20	0.23

Note1: Above data are based on the parent-company-only financial statements as of December 31, 2013 and 2012.

Note2: If the adoption of IFRS for the financial information is less than five years, the ROC GAAP financial information shall be disclosed.

## 5. Condensed Balance Sheets from 2009 to 2012 (Consolidated) - ROC GAAP

Unit: NT\$ thousands

Item		2009	2010	2011	2012
Current Assets		33,904,924	44,595,513	45,720,568	49,938,664
Funds and investments		4,056,428	4,225,198	5,224,441	5,295,605
Property, plant and equipment		110,918,235	103,631,981	94,857,339	87,779,979
Intangible Assets		262,810	188,486	351,146	281,504
Other Assets		10,592,237	6,050,323	5,242,218	5,970,823
Total Assets		159,734,634	158,691,501	151,395,712	149,266,575
Current Liabilities	Before Distribution	41,382,835	40,971,867	36,234,830	38,076,906
	After Distribution	41,896,940	44,583,603	36,647,779	38,388,164
Long-term liabilities		81,164,772	71,730,936	70,566,107	67,892,564
Other liabilities		1,937,676	1,883,398	2,948,851	2,582,594
Total Liabilities	Before Distribution	124,485,283	114,586,201	109,749,788	108,552,064
	After Distribution	124,999,388	118,197,937	110,162,737	108,863,322
Common stock		29,626,772	29,626,772	32,589,450	32,589,450
Capital surplus		5,564,505	2,649,436	2,626,446	2,626,446
Retained earnings	Before Distribution	(2,915,074)	12,016,736	6,301,045	6,805,056
	After Distribution	(3,448,884)	5,421,631	5,844,465	6,446,002
Unrealized gains or losses on financial instruments		(515,511)	408,136	202,590	265,365
Cumulative translation adjustments		423,833	(3,554,690)	(2,579,360)	(4,376,170)
Net loss not recognized as pension cost		(157,412)	(511,128)	(1,266,896)	(1,356,686)
Minority interest		3,222,238	3,470,038	3,772,649	4,161,050
Total Equity	Before Distribution	35,249,351	44,105,300	41,645,924	40,714,511
	After Distribution	34,735,246	40,493,564	41,232,975	40,403,253

Data Source : The audited financial statements for each financial year are certified by independent auditors.

## 6. Condensed Statement of Income from 2009 to 2012 (Consolidated) - ROC GAAP

Unit: NT\$ thousands (Except EPS: NT\$)

Item	2009	2010	2011	2012	
Operating Revenue	81,496,329	114,054,453	113,619,373	120,121,016	
Gross Profit	4,701,325	21,557,728	10,255,304	11,584,765	
Operating Income(Loss)	(1,699,620)	14,174,331	2,440,954	2,995,372	
Non-operating income and gains	974,748	761,014	707,204	792,723	
Non-operating expenses and losses	2,384,857	2,222,235	2,028,976	2,317,222	
Income(loss) before income tax	(3,109,729)	12,713,110	1,119,182	1,470,873	
Net income(loss)	(2,585,006)	12,423,848	750,933	1,041,083	
Income attributable to:					
Parent Company	(2,844,254)	12,016,736	209,028	504,011	
Minority interest	259,248	407,112	541,905	537,072	
Basic earnings per share	Before retraced adjustment	(1.14)	4.06	0.06	0.15
	After retraced adjustment	(1.14)	3.69	0.06	0.15

Data Source : The audited financial statements for each financial year are certified by independent auditors.

## 7. Condensed Balance Sheets from 2009 to 2012 (The Company) - ROC GAAP

Unit: NT\$ thousands

Item		2009	2010	2011	2012
Current Assets		25,588,374	34,373,857	32,841,444	35,967,240
Funds and investments		11,211,034	11,850,022	13,449,975	14,359,368
Property, plant and equipment		106,539,215	95,802,438	87,529,888	80,598,176
Intangible Assets		238,093	149,633	301,345	225,167
Other Assets		6,360,020	5,853,569	5,123,260	5,900,614
Total Assets		149,936,736	148,029,519	139,245,912	137,050,565
Current Liabilities	Before Distribution	37,732,901	36,392,207	33,383,685	35,942,709
	After Distribution	37,732,901	39,354,884	33,383,685	35,942,709
Long-term liabilities		78,143,293	69,054,677	64,952,297	61,609,082
Other liabilities		2,033,429	1,947,373	3,036,655	2,945,313
Total Liabilities	Before Distribution	117,909,623	107,394,257	101,372,637	100,497,104
	After Distribution	117,909,623	110,356,934	101,372,637	100,497,104
Common stock		29,626,772	29,626,772	32,589,450	32,589,450
Capital surplus		5,564,505	2,649,436	2,626,446	2,626,446
Retained earnings	Before Distribution	(2,915,074)	12,016,736	6,301,045	6,805,056
	After Distribution	(2,915,074)	6,091,381	6,301,045	6,805,056
Unrealized gains or losses on financial instruments		(515,511)	408,136	202,590	265,365
Cumulative translation adjustments		423,833	(3,554,690)	(2,579,360)	(4,376,170)
Net loss not recognized as pension cost		(157,412)	(511,128)	(1,266,896)	(1,356,686)
Total Equity	Before Distribution	32,027,113	40,635,262	37,873,275	36,553,461
	After Distribution	32,027,113	37,672,585	37,873,275	36,553,461

Data Source : The audited financial statements for each financial year are certified by independent auditors.

## 8. Condensed Statement of Income from 2009 to 2012 (The Company) - ROC GAAP

Unit: NT\$ thousands (Except EPS: NT\$)

Item		2009	2010	2011	2012
Operating Revenue		73,279,511	104,410,011	102,192,051	107,110,356
Gross Profit		3,088,115	19,620,811	7,780,266	8,783,242
Operating Income(Loss)		(2,820,224)	12,648,748	447,553	810,972
Non-operating income and gains		1,124,674	1,476,477	1,675,937	1,543,329
Non-operating expenses and losses		2,029,783	2,079,958	1,886,123	1,821,944
Income(loss) before income tax		(3,725,333)	12,045,267	237,367	532,357
Net income(loss)		(2,844,254)	12,016,736	209,028	504,011
Basic earnings per share	Before retraced adjustment	(1.14)	4.06	0.06	0.15
	After retraced adjustment	(1.14)	3.69	0.06	0.15

Data Source : The audited financial statements for each financial year are certified by independent auditors.

### Auditors' Opinions from 2009 to 2013

Year	CPA	Auditors' Opinion
2009	Chen Ya-Ling 、 Chang Chia-Hsin	An Unqualified Opinion with explanatory paragraph
2010	Chen Ya-Ling 、 Chang Chia-Hsin	
2011	Chen Ya-Ling 、 Chang Chia-Hsin	
2012	Chang Chia-Hsin 、 Shih Wei-Ming	
2013	Chang Chia-Hsin 、 Shih Wei-Ming	An Unqualified Opinion

## 9. Financial Analysis from 2012 to 2014Q1 (Consolidated)

Item		2012	2013	2014.3.31
Financial Structure (%)	Debts Ratio	74.68	73.64	73.84
	Long-term Fund to Property, Plant and Equipment	113.23	118.38	117.56
Solvency (%)	Current Ratio	117.06	119.05	115.10
	Quick Ratio	91.54	94.11	92.02
	Times Interest Earned (Times)	205.30	225.03	(85.46)
Operating Performance	Average Collection Turnover (Times)(Note1)	-	-	-
	Average Collection Days for Receivables (Note1)	-	-	-
	Average Inventory Turnover (Times)(Note1)	-	-	-
	Average Payment Turnover (Times)(Note1)	-	-	-
	Average Days for Sale of Goods (Note1)	-	-	-
	Property, Plant and Equipment Turnover (Times)	1.23	1.36	0.35
	Total Assets Turnover (Times)	0.77	0.81	0.20
Profitability	Return on Total Assets (%)	1.72	1.69	(0.32)
	Return on Total Equity (%)	3.02	3.21	(1.96)
	Pre-tax Income to Paid-in Capital Ratio (%)	5.20	5.65	(1.93)
	Net Margin (%)	1.00	1.03	(2.57)
	Earnings Per Share (NT\$)	0.20	0.23	(0.28)
Cash Flow (%)	Ratio of Cash Flows	38.29	44.53	1.99
	Cash Flow Adequacy Ratio	214.14	202.97	191.81
	Ratio of Re-Investment for Cash	8.70	10.16	0.46
Leverage	Operating Leverage	13.31	10.31	(47.54)
	Financial Leverage	3.86	1.86	0.32
Analysis of deviation of 2013 vs. 2012 over 20%:				
Operating Leverage and Financial Leverage decreased primarily due to increase in operating income.				

Note1: Not applicable due to Industry characteristics.

Note2: Above data are based on the consolidated financial statements as of December 31, 2013 and 2012, and the consolidated financial statements as of March 31, 2014 which haven't been reviewed by independent auditors as of the printing date.

Note3: If the Company has compiled the parent-company-only financial statements, the last five years Condensed Balance Sheet and the Condensed Statement of Comprehensive Income for the parent-company-only shall be disclosed.

Note4: If the adoption of IFRS for the financial information is less than five years, the ROC GAAP financial information shall be disclosed.



## 10. Financial Analysis from 2012 to 2013 (The Company)

Item		2012	2013
Financial Structure (%)	Debts Ratio	75.14	74.29
	Long-term Fund to Property, Plant and Equipment	108.94	114.02
Solvency (%)	Current Ratio	87.06	86.24
	Quick Ratio	77.73	78.77
	Times Interest Earned (Times)	153.56	170.15
Operating Performance	Average Collection Turnover (Times)(Note1)	-	-
	Average Collection Days for Receivables (Note1)	-	-
	Average Inventory Turnover (Times)(Note1)	-	-
	Average Payment Turnover (Times)(Note1)	-	-
	Average Days for Sale of Goods (Note1)	-	-
	Property, Plant and Equipment Turnover (Times)	1.16	1.29
	Total Assets Turnover (Times)	0.75	0.79
Profitability	Return on Total Assets (%)	1.42	1.39
	Return on Total Equity (%)	1.83	2.10
	Pre-tax Income to Paid-in Capital Ratio (%)	2.31	2.77
	Net Margin (%)	0.61	0.67
	Earnings Per Share (NT\$)	0.20	0.23
Cash Flow (%)	Ratio of Cash Flows	40.38	38.65
	Cash Flow Adequacy Ratio	242.12	203.30
	Ratio of Re-Investment for Cash	9.69	9.27
Leverage	Operating Leverage	127.85	17.96
	Financial Leverage	(0.13)	12.90

Analysis of deviation of 2013 vs. 2012 over 20%:

1. Operating Leverage decreased as a result of increase in operating income.
2. Financial Leverage increased primarily due to increase in operating income.

Note1: Not applicable due to Industry characteristics.

Note2: Above data are based on the parent-company-only financial statements as of December 31, 2013 and 2012.

Note3: If the adoption of IFRS for the financial information is less than five years, the ROC GAAP financial information shall be disclosed.

## 11. Financial Analysis from 2009 to 2012 (Consolidated) - ROC GAAP

Item		2009	2010	2011	2012	
Financial Structure (%)	Debts Ratio	77.93	72.21	72.49	72.72	
	Long-term Fund to Property, Plant and Equipment	104.95	111.78	118.30	123.73	
Solvency (%)	Current Ratio	81.93	108.84	126.18	131.15	
	Quick Ratio	50.05	72.83	82.19	93.39	
	Times Interest Earned (Times)	(47.73)	708.55	161.02	183.32	
Operating Performance	Average Collection Turnover (Times)(Note1)	-	-	-	-	
	Average Collection Days for Receivables (Note1)	-	-	-	-	
	Average Inventory Turnover (Times)(Note1)	-	-	-	-	
	Average Payment Turnover (Times)(Note1)	-	-	-	-	
	Average Days for Sale of Goods (Note1)	-	-	-	-	
	Property, Plant and Equipment Turnover (Times)	0.75	1.06	1.14	1.32	
	Total Assets Turnover (Times)	0.52	0.72	0.73	0.80	
Profitability	Return on Total Assets (%)	(0.67)	8.76	1.43	1.65	
	Return on Equity (%)	(8.08)	31.31	1.75	2.53	
	Income (loss) before income tax to Paid-in Capital Ratio (%)	(10.50)	42.91	3.43	4.51	
	Net Margin (%)	(3.17)	10.89	0.66	0.87	
	Earnings Per Share (NT\$)	Before retraced adjustment	(1.14)	4.06	0.06	0.15
		After retraced adjustment	(1.14)	3.69	0.06	0.15
Cash Flow (%)	Ratio of Cash Flows	0.00	47.32	38.60	31.74	
	Cash Flow Adequacy Ratio	16.62	34.91	57.96	90.48	
	Ratio of Re-Investment for Cash	0.00	11.31	6.34	7.42	
Leverage	Operating Leverage	(13.83)	2.85	11.97	10.47	
	Financial Leverage	0.45	1.15	3.59	2.39	

Data Source : The audited financial statements for each financial year are certified by independent auditors.

Note1: Not applicable due to Industry characteristics.

## 12. Financial Analysis from 2009 to 2012 (The Company) - ROC GAAP

Item		2009	2010	2011	2012	
Financial Structure (%)	Debts Ratio	78.64	72.55	72.80	73.33	
	Long-term Fund to Property, Plant and Equipment	103.41	114.50	117.47	121.79	
Solvency (%)	Current Ratio	67.81	94.45	98.38	100.07	
	Quick Ratio	42.70	66.23	69.32	79.19	
	Times Interest Earned (Times)	(82.69)	697.00	112.36	132.18	
Operating Performance	Average Collection Turnover (Times)(Note1)	-	-	-	-	
	Average Collection Days for Receivables (Note1)	-	-	-	-	
	Average Inventory Turnover (Times)(Note1)	-	-	-	-	
	Average Payment Turnover (Times)(Note1)	-	-	-	-	
	Average Days for Sale of Goods (Note1)	-	-	-	-	
	Property, Plant and Equipment Turnover (Times)	0.70	1.03	1.11	1.27	
	Total Assets Turnover (Times)	0.49	0.70	0.71	0.78	
Profitability	Return on Total Assets(%)	(0.93)	9.05	1.11	1.33	
	Return on Equity (%)	(9.85)	33.08	0.53	1.35	
	Income (loss) before income tax to Paid-in Capital Ratio (%)	(12.57)	40.66	0.73	1.63	
	Net Margin (%)	(3.88)	11.51	0.20	0.47	
	Earnings Per Share (NT\$)	Before retraced adjustment	(1.14)	4.06	0.06	0.15
		After retraced adjustment	(1.14)	3.69	0.06	0.15
Cash Flow (%)	Ratio of Cash Flows	0.00	52.96	40.48	34.41	
	Cash Flow Adequacy Ratio	8.99	35.00	59.64	98.52	
	Ratio of Re-Investment for Cash	0.00	12.19	6.73	8.57	
Leverage	Operating Leverage	(6.60)	2.75	51.24	30.46	
	Financial Leverage	0.59	1.16	(0.37)	(1.02)	

Data Source : The audited financial statements for each financial year are certified by independent auditors.

Note1: Not applicable due to Industry characteristics.

# Analysis of Financial Status and Financial Performance

## 1. Financial Status (Consolidated)

Unit: NT\$ thousands

Item \ Year	2013	2012	Variance	
			Amount	%
Current Assets	46,119,654	45,489,820	629,834	1.38
Property, plant and equipment	88,226,342	94,745,769	(6,519,427)	(6.88)
Intangible assets	2,431,864	2,271,741	160,123	7.05
Other Assets	15,945,074	13,016,987	2,928,087	22.49
Total Assets	152,722,934	155,524,317	(2,801,383)	(1.80)
Current Liabilities	38,740,228	38,861,449	(121,221)	(0.31)
Non-current Liabilities	73,725,345	77,278,067	(3,552,722)	(4.60)
Total Liabilities	112,465,573	116,139,516	(3,673,943)	(3.16)
Equity attributable to Owners of parent	35,838,033	35,367,922	470,111	1.33
Common stock	32,589,450	32,589,450	-	-
Capital surplus	1,723,602	1,723,602	-	-
Retained earnings	2,275,240	1,895,476	379,764	20.04
Other equity	(750,259)	(840,606)	90,347	(10.75)
Treasury stock	-	-	-	-
Non-controlling interests	4,419,328	4,016,879	402,449	10.02
Total Equity	40,257,361	39,384,801	872,560	2.22

Analysis of deviation :

- (1) Other assets increased NT\$2.93 billion over 2012 due to the increase of advances for purchases of equipment.
- (2) Retained earnings increased NT\$0.38 billion over 2012 due to the increase of profit and the decrease of actuarial losses on defined benefit plans.

## 2. Financial Performance (Consolidated)

Unit: NT\$ thousands

Item \ Year	2013	2012	Increase (Decrease) Amount	Change (%)
Operating Revenue	124,164,451	120,158,467	4,005,984	3.33
Operating Cost	111,196,719	109,255,507	1,941,212	1.78
Gross Profit	12,967,732	10,902,960	2,064,772	18.94
Operating Expense	9,497,413	8,493,810	1,003,603	11.82
Operating Income	3,470,319	2,409,150	1,061,169	44.05
Non-operating income and expenses	(1,629,981)	(713,983)	(915,998)	128.29
Profit before tax	1,840,338	1,695,167	145,171	8.56
Income tax expenses	(560,613)	(499,480)	(61,133)	12.24
Profit	1,279,725	1,195,687	84,038	7.03

### Analysis of deviation:

1. The increase of aviation transportation and service revenue cause to the annual operating revenue increased NT\$4.01 billion over 2012.
2. The annual operating cost increased NT\$1.94 billion over 2012. Added flights led to increasing aircraft relevant cost.
3. The annual operating expense increased NT\$1 billion over 2012. Fleet expansion and added flights led to increasing administrative and personnel expense.
4. The annual non-operating income and expenses decreased NT\$0.92 billion over 2012 due to the exchange rate fluctuation led the increase of exchange losses.

## 3. Cash Flow Analysis (Consolidated)

### Changes in cash flow analysis

Item \ Year	2013	2012	Change (%)
Ratio of Cash Flow (%)	44.53	38.29	16.30
Cash Flow Adequacy Ratio (%)	202.97	214.14	(5.22)
Ratio of Re-investment for Cash (%)	10.16	8.70	16.78

### Analysis of deviation

The increase of net cash provided by operating activities and decrease in accounts payable led to the raise of the ratio of cash flow. The increase in capital expenditures led to the decrease of the cash flow adequacy ratio. The increase of profit led to the increase of net cash provided by operating activities, the ratio of re-investment for cash increased accordingly.

## Remedy Measures for Inadequate Liquidity

The Company expects to make financing through mid and long-term unsecured loans and issuing corporate bonds.

## Liquidity Analysis for 2014 (Consolidated)

NT\$ thousands

Initial Cash Balance (1)	Net Cash Flow from Operations During This Year (2)	Cash Outflows During This Year (3)	Cash Balance (Negative) (1)+(2)-(3)	Remedy Measures for Negative Cash Balance	
				Investment Plans	Financing Plans
24,898,172	12,444,829	32,630,800	4,712,201	-	15,749,860

■ Operating activities: The Company estimate cash flow from operations in the next one year would accumulate to NT\$12,445 million.

■ Investment activities: The estimated equipment purchase reaches NT\$20,660 million.

■ Financing activities: The estimated both mid and long-term mortgage loans reach NT\$11,971 million.

Remedy Measures for Inadequate Cash Liquidity: Mid and long-term loans to get NT\$15,750 million.

## Significant capital expenditures

In May 2012 and October 2013, the Company entered into aircraft purchase contracts with Boeing Company and four subsidiaries of GECAS for 7 Boeing 777 aircraft. The total amount of the contracts price is US\$2,261 million. The Company has partially paid the amount of NT\$4,659 million and was recognized in advances for purchases of equipment included in other non-current assets.

## Recent Reinvestment Policy, Major Reason of Profit & Loss, Remedy Actions and Forward Investment Plan

The recent reinvestments entered mainly concentrate on integration of aviation relative business to ensure service quality. Stemming from outstanding operating performance of subsidiaries including Evergreen Aviation Technologies Corp., Evergreen Sky Catering Corp., Evergreen Airline Services Corp., and Evergreen Air Cargo Services Corp., the Company reported investment income of NT\$807 million.

The Company entered investment in 「EVA Flight Training Academy」 USD 10 million in 2013.

In the most recent fiscal year, the Consolidated Company recent reinvestments entered mainly concentrate on aviation-related industries, involving the ground handling services, air freight terminals and aircraft component manufacturing. For the year 2013, the Consolidated Company reported investment income of NT\$85 million.

## Principal Subsidiaries

As of December 31, 2013

Company	Principal Activities	Location	Date Founded	Capital	Share%
Evergreen Airline Services Corp.	Ground handling	Taiwan	Oct. 1990	NT\$379.83 million	56.33%
Evergreen Aviation Technologies Corp.	Aircraft repair and maintenance	Taiwan	Nov. 1997	NT\$5.26 billion	80.00%
Evergreen Air Cargo Services Corp.	Cargo terminal operation	Taiwan	Mar. 2000	NT\$1.2 billion	60.00%
Evergreen Sky Catering Corp.	Airline catering	Taiwan	Oct. 1993	NT\$1 billion	49.80%
Hsiang-Li Investment Corp.	Investment business	Taiwan	Jan. 2001	NT\$26.8 million	100%
Evergreen Airways Service (Macau) Ltd.	Investment business	Macau	Dec. 1994	US\$12,488	99.00%
Green Siam Air Services Co., Ltd.	Travel business	Thailand	May 1990	THB20 million	49.00%
RTW Air Services(S) Pte Ltd.	Travel business	Singapore	Oct. 1989	SG\$1.5 million	49.00%
PT Perdana Andalan Air Service	Travel business	Indonesia	May 1991	IDR1.6 billion	51.00%
Sky Castle Investment Ltd.	Investment business	Samoa	Feb. 2005	US\$5.5 million	100%
Concord Pacific Ltd.	Investment business	Samoa	Apr. 2005	US\$74.1 million	100%
Sino Gain Ltd.	Aircraft Leasing	Samoa	Aug. 2009	US\$25,000	100%
EVA Flight Training Academy	Flight Training Academy	The United States	Feb. 2013	US\$10 million	100%

## Operating Results - The Company

Item	2013	2012	2011	2010	2009
Overall Capacity (Million)	8,306	8,308	8,720	8,838	7,188
Overall Traffic (Million)	6,770	6,811	7,045	7,294	5,672
Overall Load Factor (%)	81.5	82.0	80.8	82.5	78.9
Overall Yield (NT\$)	15.23	14.68	13.64	13.39	12.02
Passenger Capacity (Million)	34,765	32,770	30,809	29,632	29,311
Passenger Traffic (Million)	27,681	25,988	24,033	23,627	22,689
Passengers Carried ('000)	8,009	7,525	6,663	6,436	6,022
Passenger Load Factor (%)	79.6	79.3	78.0	79.7	77.4
Passenger Yield (NT\$)	2.57	2.52	2.48	2.39	1.94
Cargo Capacity (Million)	5,177	5,359	5,947	6,171	4,550
Cargo Traffic (Million)	4,278	4,472	4,883	5,168	3,630
Cargo Carried (Tons)	713,805	741,832	793,060	850,617	609,734
Cargo Load Factor (%)	82.6	83.4	82.1	83.7	79.8
Cargo Yield (NT\$)	7.49	7.68	7.49	7.99	6.67
Unit Cost (NT\$)	13.14	12.87	11.67	10.38	10.59
Number of Aircraft	62	60	59	56	55
Number of Employees	7,077	6,429	5,807	5,121	4,486
Capacity per Employee (Thousand)	1,174	1,292	1,501	1,726	1,602
Traffic per Employee(Thousand)	957	1,059	1,213	1,424	1,264
Revenue per Employee (Thousand)	15,649	16,666	17,598	20,389	16,335



**EVA AIRWAYS CORP.**  
**Consolidated Financial Statements**  
**December 31, 2013 and 2012**  
**(With Independent Auditors' Report Thereon)**

Address: No. 376 Hsin-nan Road, Sec. 1, Luchu, Taoyuan Hsien, Taiwan  
Telephone No.: 886(03)3515151

## **Independent Auditors' Report**

The Board of Directors  
EVA Airways Corp.:

We have audited the accompanying consolidated balance sheets of EVA Airways Corp. (the "Company") and subsidiaries as of December 31, 2013 and 2012, and January 1, 2012, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the years ended December 31, 2013 and 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in the Republic of China. Those regulations and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Company and subsidiaries as of December 31, 2013 and 2012, and January 1, 2012, and their financial performance and cash flows for the years ended December 31, 2013 and 2012, in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRS Interpretations and SIC Interpretations approved by the Republic of China Financial Supervisory Commission.

We have audited the Company's parent-company-only financial statements as of December 31, 2013 and 2012, and January 1, 2012, and for the years ended December 31, 2013 and 2012, on which we have expressed an unqualified opinion.

Taipei, Taiwan (the Republic of China)  
March 25, 2014

**Note to Readers**

The accompanying consolidated financial statements are intended only to present the financial position, financial performance, and cash flows in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations approved by the Financial Supervisory Commission, R.O.C. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

EVA AIRWAYS CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2013 and 2012, and January 1, 2012  
(Expressed in Thousands of New Taiwan Dollars)

	2013.12.31	2012.12.31	2012.1.1	2012.12.31	2012.1.1
<b>Assets</b>					
<b>Current assets:</b>					
Cash and cash equivalents (note 6(a))	\$ 24,898,172	22,083,330	17,470,319	1,482,777	2,169,436
Financial assets at fair value through profit or loss—current (note 6(b))	1,192	260,289	885	4,166,321	2,514,171
Available-for-sale financial assets—current (note 6(b))	2,059,740	2,180,986	2,551,236	129,036	114,674
Derivative financial assets for hedge purposes—current (note 6(c))	26,090	13,353	69,953	10,800,328	9,382,282
Notes receivable, net (note 6(d))	345,472	416,388	624,360	243,859	227,178
Accounts receivable, net (note 6(d))	8,598,641	10,159,764	8,500,527	9,264,602	7,976,086
Accounts receivable—related parties (notes 6(d), 6(f) and 7)	358,272	316,596	274,943	10,524,796	10,433,022
Inventories (notes 6(e), 7 and 8)	8,593,070	9,109,482	9,380,407	4,908,506	3,953,434
Other current assets (notes 6(d), 6(f) and 7)	1,239,005	949,632	1,374,878	4,156,494	3,953,434
<b>Total current assets</b>	<u>46,119,654</u>	<u>45,489,820</u>	<u>40,247,508</u>	<u>38,861,449</u>	<u>36,543,863</u>
<b>Non-current assets:</b>					
Available-for-sale financial assets—non-current (notes 6(b) and 8)	3,134,113	3,365,225	4,668,076	16,700,000	10,200,000
Investments accounted for using equity method (note 6(f))	793,704	766,408	417,116	43,857,411	51,362,976
Property, plant and equipment (notes 6(g) and 8)	88,226,342	94,745,769	101,192,307	116,622	52,886
Intangible assets (notes 6(h) and 8)	2,431,864	2,271,741	2,207,471	5,385,848	9,003,131
Deferred tax assets (note 6(m))	5,274,476	5,489,249	5,207,901	3,373,119	3,115,889
Other non-current assets (notes 6(i), 8 and 9)	6,742,781	3,396,105	1,931,875	6,050,685	5,697,097
<b>Total non-current assets</b>	<u>106,603,280</u>	<u>110,034,497</u>	<u>115,624,746</u>	<u>77,278,067</u>	<u>79,431,979</u>
<b>Total assets</b>	<u>\$ 152,722,934</u>	<u>155,524,317</u>	<u>155,872,254</u>	<u>116,139,516</u>	<u>115,975,842</u>
<b>Liabilities and Equity</b>					
<b>Current liabilities:</b>					
Short-term borrowings (notes 6(j) and 8)				21,200,000	10,200,000
Notes and accounts payable				37,599,071	51,362,976
Accounts payable—related parties (note 7)				116,622	52,886
Other payables (note 7)				5,385,848	9,003,131
Income tax payable				3,373,119	3,115,889
Unearned revenue (note 6(p))				6,050,685	5,697,097
Current portion of long-term liabilities (notes 6(f) and 8)				73,725,345	79,431,979
Other current liabilities (note 6(i))				112,465,573	115,975,842
<b>Total current liabilities</b>				<u>167,000,000</u>	<u>167,000,000</u>
<b>Non-current liabilities:</b>					
Bonds payable (note 6(j))				16,700,000	10,200,000
Long-term borrowings (notes 6(j) and 8)				43,857,411	51,362,976
Deferred tax liabilities (note 6(m))				285,336	52,886
Lease liability—non-current (note 6(i))				7,335,153	9,003,131
Accrued pension liabilities (note 6(l))				3,328,931	3,115,889
Other non-current liabilities (notes 6(f), 6(g) and 6(p))				5,771,236	5,697,097
<b>Total non-current liabilities</b>				<u>77,278,067</u>	<u>79,431,979</u>
<b>Total liabilities</b>				<u>112,465,573</u>	<u>115,975,842</u>
<b>Equity (notes 6(c), 6(m) and 6(n)):</b>					
Common stock	32,589,450	32,589,450	32,589,450	32,589,450	32,589,450
Capital surplus	1,723,602	1,723,602	1,723,602	1,723,602	1,723,602
Retained earnings	2,275,240	1,895,476	1,895,476	1,895,476	1,671,748
Other equity	(750,259)	(840,606)	(840,606)	(840,606)	209,253
Non-controlling interests	4,419,328	4,419,328	4,419,328	4,419,328	3,702,359
<b>Total equity</b>	<u>40,257,361</u>	<u>39,384,801</u>	<u>39,384,801</u>	<u>39,384,801</u>	<u>39,896,412</u>
<b>Total liabilities and equity</b>	<u>\$ 152,722,934</u>	<u>155,524,317</u>	<u>155,872,254</u>	<u>155,524,317</u>	<u>155,872,254</u>

See accompanying notes to consolidated financial statements.

**EVA AIRWAYS CORP. AND SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

**For the years ended December 31, 2013 and 2012**

**(Expressed in Thousands of New Taiwan Dollars, except Earnings per Common Share)**

	<b>2013</b>	<b>2012</b>
<b>Operating revenue (notes 6(p) and 7)</b>	\$ 124,164,451	120,158,467
<b>Operating cost (notes 6(c), 6(e), 6(g), 6(h), 6(k), 6(l) and 7):</b>	<u>111,196,719</u>	<u>109,255,507</u>
<b>Gross profit from operations</b>	12,967,732	10,902,960
<b>Operating expenses (notes 6(d), 6(g), 6(h), 6(k), 6(l) and 7):</b>	<u>9,497,413</u>	<u>8,493,810</u>
<b>Net operating income</b>	<u>3,470,319</u>	<u>2,409,150</u>
<b>Non-operating income and expenses:</b>		
Other income (note 6(q))	392,009	342,055
Other gains and losses (note 6(q))	(504,219)	646,530
Finance costs (note 6(q))	(1,602,331)	(1,784,338)
Share of profit of associates accounted for using equity method (note 6(f))	<u>84,560</u>	<u>81,770</u>
<b>Total non-operating income and expenses</b>	<u>(1,629,981)</u>	<u>(713,983)</u>
<b>Profit before tax</b>	1,840,338	1,695,167
<b>Income tax expenses (note 6(m))</b>	<u>560,613</u>	<u>499,480</u>
<b>Profit</b>	<u>1,279,725</u>	<u>1,195,687</u>
<b>Other comprehensive income (notes 6(c), 6(m) and 6(n)):</b>		
Exchange differences on translation of foreign financial statements	33,420	(80,195)
Unrealized gains (losses) on available-for-sale financial assets	40,838	(925,803)
Cash flow hedges	12,737	(56,600)
Actuarial losses on defined benefit plans	(440,282)	(584,771)
Share of other comprehensive income of associates	1,485	(699)
Income tax relating to components of other comprehensive income	<u>72,462</u>	<u>106,967</u>
<b>Other comprehensive income, net of tax</b>	<u>(279,340)</u>	<u>(1,541,101)</u>
<b>Comprehensive income</b>	<u>\$ 1,000,385</u>	<u>(345,414)</u>
<b>Profit attributable to:</b>		
Owners of parent	\$ 747,450	655,200
Non-controlling interests	<u>532,275</u>	<u>540,487</u>
	<u>\$ 1,279,725</u>	<u>1,195,687</u>
<b>Comprehensive income attributable to:</b>		
Owners of parent	\$ 470,111	(826,131)
Non-controlling interests	<u>530,274</u>	<u>480,717</u>
	<u>\$ 1,000,385</u>	<u>(345,414)</u>
<b>Basic earnings per share (in New Taiwan Dollars) (note 6(o))</b>	<u>\$ 0.23</u>	<u>0.20</u>
<b>Diluted earnings per share (in New Taiwan Dollars) (note 6(o))</b>	<u>\$ 0.23</u>	<u>0.20</u>

See accompanying notes to consolidated financial statements.

**EVA AIRWAYS CORP. AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Equity**

**For the years ended December 31, 2013 and 2012**  
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings				Other equity				Total equity				
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings (accumulated deficit)	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets		Cash flow hedges	Total	Total equity attributable to owners of parent	Non-controlling interests
<b>Balance on January 1, 2012</b>	\$ 32,589,450	1,723,602	1,201,674	3,657,682	(3,187,608)	1,671,748	104,750	46,442	58,061	209,253	36,194,053	3,702,359	39,896,412
Appropriation of 2011 earnings:													
Legal reserve	-	-	20,902	-	(20,902)	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(14,015)	14,015	-	-	-	-	-	-	-	-
Profit for 2012	-	-	-	-	655,200	655,200	-	-	-	-	655,200	540,487	1,195,687
Other comprehensive income in 2012	-	-	-	-	(431,472)	(431,472)	(74,679)	(928,202)	(46,978)	(1,049,859)	(1,481,331)	(59,770)	(1,541,101)
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(166,197)	(166,197)
<b>Balance on December 31, 2012</b>	\$ 32,589,450	1,723,602	1,222,576	3,643,667	(2,970,767)	1,895,476	30,071	(881,760)	11,083	(840,606)	35,367,922	4,016,879	39,384,801
Appropriation of 2012 earnings:													
Legal reserve	-	-	50,401	-	(50,401)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	1,823,824	(1,823,824)	-	-	-	-	-	-	-	-
Profit for 2013	-	-	-	-	747,450	747,450	-	-	-	-	747,450	532,275	1,279,725
Other comprehensive income in 2013	-	-	-	-	(367,686)	(367,686)	39,242	40,533	10,572	90,347	(277,339)	(2,001)	(279,340)
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(127,825)	(127,825)
<b>Balance on December 31, 2013</b>	\$ 32,589,450	1,723,602	1,272,977	5,467,491	(4,465,228)	2,275,240	69,313	(841,227)	21,655	(750,259)	35,838,033	4,419,328	40,257,361

See accompanying notes to consolidated financial statements.

**EVA AIRWAYS CORP. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the years ended December 31, 2013 and 2012**  
(Expressed in Thousands of New Taiwan Dollars)

	<b>2013</b>	<b>2012</b>
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ <u>1,840,338</u>	<u>1,695,167</u>
<b>Adjustments:</b>		
Adjustments to reconcile profit:		
Depreciation expense	10,723,866	10,927,647
Amortization expense	233,841	182,133
Impairment loss	289,866	289,350
Interest expense	1,602,331	1,784,338
Interest income	(251,299)	(203,262)
Share of profit of associates accounted for using equity method	(84,560)	(81,770)
Losses on disposal of property, plant and equipment	161,107	34,940
Gain on disposal of investments	(15,345)	(10,291)
Others	<u>(170,253)</u>	<u>(251,524)</u>
Total adjustments to reconcile profit	<u>12,489,554</u>	<u>12,671,561</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets at fair value through profit or loss—current	259,097	(259,404)
Notes receivable, net	70,916	207,972
Accounts receivable, net	1,561,123	(1,659,237)
Accounts receivable—related parties, net	(41,676)	(41,653)
Inventories	517,830	(184,360)
Other current assets	<u>(275,665)</u>	<u>423,314</u>
Total changes in operating assets	<u>2,091,625</u>	<u>(1,513,368)</u>
Changes in operating liabilities:		
Notes and accounts payable	(1,536,299)	1,652,150
Accounts payable—related parties	347,383	(359,000)
Other payables	1,207,885	196,457
Unearned revenue	500,985	787,531
Other current liabilities	728,056	178,273
Accrued pension liabilities	(402,820)	(268,945)
Other non-current liabilities	<u>436,951</u>	<u>304,776</u>
Total changes in operating liabilities	<u>1,282,141</u>	<u>2,491,242</u>
Total changes in operating assets and liabilities	<u>3,373,766</u>	<u>977,874</u>
Total adjustments	<u>15,863,320</u>	<u>13,649,435</u>
Cash inflow generated from operations	17,703,658	15,344,602
Income taxes paid	<u>(451,713)</u>	<u>(463,214)</u>
<b>Net cash flows from operating activities</b>	<u>17,251,945</u>	<u>14,881,388</u>
<b>Cash flows from (used in) investing activities:</b>		
Decrease in available-for-sale financial assets — current	136,224	390,225
Acquisition of available-for-sale financial assets — non-current	(92,663)	(100,077)
Proceeds from disposal of available-for-sale financial assets — non-current	103,318	120,833
Proceeds from capital reduction of available-for-sale financial assets — non-current	1,799	-
Acquisition of investment accounted for using equity method	-	(320,000)
Acquisition of property, plant and equipment	(5,113,301)	(4,694,993)
Proceeds from disposal of property, plant and equipment	227,848	1,008,829
Acquisition of intangible assets	(393,964)	(246,403)
Increase in other non-current assets	(3,357,096)	(1,465,723)
Interest received	237,323	205,984
Dividends received	<u>75,551</u>	<u>50,269</u>
<b>Net cash flows used in investing activities</b>	<u>(8,174,961)</u>	<u>(5,051,056)</u>
<b>Cash flows from (used in) financing activities:</b>		
Decrease in short-term borrowings	(154,003)	(906,659)
Proceeds from issuance of bonds payable	4,500,000	6,500,000
Proceeds from long-term borrowings	4,575,722	4,258,000
Redemption of long-term borrowings	(12,059,353)	(11,486,840)
Redemption of lease liability	(1,457,495)	(1,645,058)
Interest paid	(1,529,839)	(1,694,808)
Decrease in non-controlling interests	<u>(129,826)</u>	<u>(225,967)</u>
<b>Net cash flows used in financing activities</b>	<u>(6,254,794)</u>	<u>(5,201,332)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>(7,348)</u>	<u>(15,989)</u>
<b>Net increase in cash and cash equivalents</b>	2,814,842	4,613,011
<b>Cash and cash equivalents at the beginning of year</b>	<u>22,083,330</u>	<u>17,470,319</u>
<b>Cash and cash equivalents at the end of year</b>	<u>\$ <u>24,898,172</u></u>	<u><u>22,083,330</u></u>

See accompanying notes to consolidated financial statements.

**EVA AIRWAYS CORP. and Subsidiaries**  
**Notes to Consolidated Financial Statements**

**December 31, 2013 and 2012**

**(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)**

**1. Organization and business scope**

EVA Airways Corp. (the Company) was incorporated on April 7, 1989, as a corporation limited by shares under special permission of the Republic of China (R.O.C.) Ministry of Transportation and Communications. The address of the Company's registered office is No. 376 Hsin-nan Road, Sec. 1, Luchu, Taoyuan county, Taiwan.

The business activities of the Company and its subsidiaries (together referred to as the Group and individually as Group entities) are

- 1.1 civil aviation transportation;
- 1.2 aircraft, engine, and parts of aircraft maintenance
- 1.3 ground service at airports
- 1.4 catering service
- 1.5 air cargo entrepot

**2. Approval date and procedures of the financial statements**

The consolidated financial statements were authorized for issuance by the Company's Board of Directors as of March 25, 2014.

**3. New standards and interpretations not yet adopted**

- (a) New standards and interpretations approved by the R.O.C. Financial Supervisory Commission ("FSC") but not yet in effect.

International Accounting Standards Board ("IASB") issued International Financial Reporting Standard 9 *Financial instruments* ("IFRS 9"), which takes effect as of January 1, 2013 (In December 2011, IASB postponed the effective date of IFRS 9 to January 1, 2015; however, in November 2013, IASB cancelled the announcement mentioned above to allow the preparation of financial statements to have sufficient time to be converted in to the new standard). This standard had been approved by the FSC; however, the effective date has not been announced. In accordance with the rules by the FSC, early adoption is not permitted, and companies shall follow the guidance in the 2009 version of International Accounting Standards 39 *Financial instruments* ("IAS 39"). Upon the adoption of this new standard, it is expected there will be significant impacts on the classification and measurement of financial instruments in the consolidated financial statements.



## EVA AIRWAYS CORP.

## Notes to Consolidated Financial Statements

(b) New standards and interpretations not yet approved by the FSC

A summary of the new standards and amendments issued by the IASB not yet approved by the FSC that may have an impact on the consolidated financial statements :

<u>Issue date</u>	<u>New standards and amendments</u>	<u>Description and possible impacts</u>	<u>Effective date per IASB</u>
May 12, 2011	IFRS 10 <i>Consolidated Financial Statements</i>	<ul style="list-style-type: none"> <li>On May 12, 2011, the IASB issued a series of standards and amendments related to consolidation, joint arrangements, and investments.</li> <li>The new standards provide a single model in determining whether an entity has control over an investee (including special purpose entities). However, the original guidance and method apply to the consolidation process. In addition, joint arrangements are separated into joint operations (formerly known as jointly controlled assets and jointly controlled operations), and joint venture (formerly known as jointly controlled entities), and removal of the proportionate consolidation method.</li> <li>On June 28, 2012, issuance of amendments clarified the guidance over the transition period. Upon the adoption of the new standards and amendments, some of the determinations of the investees could be changed, which might increase the disclosure of the equity of subsidiaries and associates.</li> </ul>	January 1, 2013
June 28, 2012	IFRS 11 <i>Joint Arrangements</i>		
	IFRS 12 <i>Disclosure of Interests in Other Entities</i>		
	Amended IAS 27 <i>Separate Financial Statements</i>		
	Amended IAS 28 <i>Investments in Associates and Joint Ventures</i>		

(Continued)

## EVA AIRWAYS CORP.

## Notes to Consolidated Financial Statements

<u>Issue date</u>	<u>New standards and amendments</u>	<u>Description and possible impacts</u>	<u>Effective date per IASB</u>
May 12, 2011	IFRS 13 <i>Fair Value Measurement</i>	Replaces fair value measurement guidance in other standards, and consolidates as one single guidance. Adoption of the new standard may have an impact on the measurement of certain assets and liabilities. In addition, this amendment might increase the disclosure of fair value.	January 1, 2013
June 16, 2011	Amended IAS 1 <i>Presentation of Financial Statements</i>	Items presented in other comprehensive income shall be based on whether they are potentially reclassifiable to profit or loss subsequently. Adoption of the amendment will change the presentation of other comprehensive income in the statement of comprehensive income.	July 1, 2012
June 16, 2011	Amended IAS 19 <i>Employee Benefits</i>	Eliminates the corridor method and eliminates the option to recognise changes in the net defined benefit liability (asset) in profit or loss; in addition, requires the immediate recognition of past service cost. Adoption of the amendment will change the presentation and the measurement of accrued pension liabilities and actuarial gains (losses) on defined benefit plans.	January 1, 2013
November 19, 2013	Amended IFRS 9 <i>Financial Instruments</i>	Adopts more principle-based regulation, including amending regulations governing the achievement, continuation and discontinuation of the adoption of hedge accounting so that hedge accounting is closer to risk management, and therefore, more exposures can meet the criteria of hedged items.	Not yet adopted (early adoption is permitted)

(Continued)

## EVA AIRWAYS CORP.

## Notes to Consolidated Financial Statements

<u>Issue date</u>	<u>New standards and amendments</u>	<u>Description and possible impacts</u>	<u>Effective date per IASB</u>
May 28, 2010	Amended IFRS 9 <i>Financial Instruments</i>	Adoption of the amendment may increase the transactions adopting hedge accounting and will change the measurement and presentation of related hedging instruments and hedged items. Amendments of the new regulations related to classification and measurement of financial liabilities at fair value through profit or loss and include the regulations of IFRS 39 Financial Instrument.	Not yet adopted (early adoption is permitted)
December 16, 2011	Amended IFRS 7 <i>Financial Instruments: Disclosures</i>	Amends regulations of offsetting financial assets and financial liabilities, which provide more guidance about judgments, and related disclosures.	January 1, 2014 Presentation
	Amended IAS 32 <i>Financial Instruments: Presentation</i>		January 1, 2013 Disclosure
December 16, 2011	Amended IFRS 7 <i>Financial Instruments: Disclosures</i>	Amends regulations of the mandatory effective date of adoption, which is postponed to January 1, 2015 from January 1, 2013, and transition disclosure.	Not yet adopted (early adoption is permitted)
	Amended IFRS 9 <i>Financial Instruments</i>	However, in November 2013 IASB cancelled the announcement mentioned above to allow the preparation of financial statements to have sufficient time to be converted in to the new standard. Adoption of the new standard may have an impact on the measurement of certain assets and liabilities. In addition, amendment might increase the disclosure of fair value.	

(Continued)

**EVA AIRWAYS CORP.****Notes to Consolidated Financial Statements****4. Summary of significant accounting policies**

The consolidated financial statements are the English translation of the Chinese version prepared and used in the R.O.C.. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language financial statements, the Chinese version shall prevail.

The significant accounting policies have been applied consistently to all periods presented in these financial statements, except when otherwise indicated. These financial statements include the balance sheet as of January 1, 2012, prepared for the purpose of the first-year adoption of the Regulations Governing in the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards (IAS), IFRIC Interpretations, and Standard Interpretations Committee (SIC) Interpretations approved by the FSC (hereinafter referred to as the IFRSs, approved by the FSC).

The significant accounting policies presented in the consolidated financial statements are summarized as follows:

**(a) Statement of compliance**

These consolidated financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” (hereinafter referred to as the Regulations) and the IFRSs approved by the FSC.

These are the Group’s first IFRS consolidated annual financial statements for the period covered by the first IFRSs (approved by the FSC) annual financial statements, and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied. An explanation of how the transition to IFRSs has affected the reported financial position, financial performance, and cash flows of the Group is provided in note 15.

**(b) Basis of preparation****1. Basis of measurement**

The consolidated financial statements have been prepared on a historical cost basis except for the following material items in the balance sheet:

- (1) Financial instruments at fair value through profit or loss (included Derivative Financial Instruments);
- (2) Available-for-sale financial assets are measured at fair value;
- (3) Hedging derivative financial instruments are measured at fair value; and

(Continued)

**EVA AIRWAYS CORP.****Notes to Consolidated Financial Statements**

- (4) The defined benefit liability is recognized as unrecognized actuarial gain and the present value of the defined benefit obligations less plan assets, plus unrecognized prior service cost and unrecognized actuarial loss.

2. Functional and presentation currency

The functional currency of the Group entities is determined based on the primary economic environment in which the entities operates. The consolidated financial statements are presented in New Taiwan Dollar (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Basis of consolidation

1. Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries.

The financial statements of subsidiaries are included in consolidated financial statements from the date that control commences until the date that control ceases. Profits or losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

2. List of subsidiaries in the consolidated financial statements

Name of Investor	Name of Investee	Principal activity	Shareholding			Note
			2013.12.31	2012.12.31	2012.1.1	
The Company	Evergreen Aviation Technologies Corp.	Aircraft, engine, and parts of aircraft maintenance	80.00%	80.00%	80.00%	-
The Company	Evergreen Airline Services Corp.	Ground service at airport	56.33%	56.33%	56.33%	-
The Company	Evergreen Sky Catering Corp.	Catering service	49.80%	49.80%	49.80%	Note 1
The Company	Evergreen Air Cargo Services Corp.	Air cargo entrepot	60.00%	60.00%	60.00%	-
The Company	Green Siam Air Services Co., Ltd.	Traveling agency	49.00%	49.00%	49.00%	Note 1
The Company	RTW Air Services (S) Pte. Ltd.	Traveling agency	49.00%	49.00%	49.00%	Note 1

(Continued)

## EVA AIRWAYS CORP.

## Notes to Consolidated Financial Statements

Name of Investor	Name of Investee	Principal activity	Shareholding			Note
			2013.12.31	2012.12.31	2012.1.1	
The Company	PT Perdana Andalan Air Service	Traveling agency	51.00%	51.00%	51.00%	-
The Company	Hsiang Li Investment Corp.	Investing business	100.00%	100.00%	100.00%	-
The Company	Sky Castle Investment Ltd.	Investing business	100.00%	100.00%	100.00%	-
The Company	Concord Pacific Ltd.	Investing business	100.00%	100.00%	100.00%	-
The Company	Evergreen Airways Service (Macau) Ltd.	Investing business	99.00%	99.00%	99.00%	-
The Company	Sino Gain Ltd.	Leasing business	100.00%	100.00%	100.00%	-
The Company	EVA Flight Training Academy	Flight training	100.00%	-	-	Note 2

Note 1: The Company did not own more than half of the voting rights of the subsidiaries directly or indirectly. However, the Company has the right to appoint more than half of directors of board of directors of the subsidiaries and has control over the board of directors, these subsidiaries are deemed to be a subsidiary of the Company.

Note 2: EVA Flight Training Academy was incorporated in USA on February 11, 2013. The Company invested its capital on April 22, 2013.

3. List of subsidiaries which are not included in the consolidated financial statements: None.

(d) Foreign currency

1. Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rates of the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate of that date. The foreign currency gains or losses on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and the payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate of the date the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of transactions.

(Continued)

**EVA AIRWAYS CORP.****Notes to Consolidated Financial Statements**

Foreign currency differences arising from retranslation are recognized in profit or loss, except for the following differences which are recognized in other comprehensive income that arise from the retranslation:

- available-for-sale equity investment;
- financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent the hedge is effective.

**2. Foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Group's functional currency at the exchange rates of the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Group's functional currency at average rate. Foreign currency differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of investment in an associate or joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely predicted in the foreseeable future, the foreign currency gains and losses arising from such items are considered as a part of investment in the foreign operation and are recognized in other comprehensive income.

**(e) Classification of current and non-current assets and liabilities**

The Group classifies an asset as current when:

- (i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (ii) It holds the asset primarily for the purpose of trading;
- (iii) It expects to realize the asset within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies all other assets as non-current.

(Continued)

**EVA AIRWAYS CORP.****Notes to Consolidated Financial Statements**

The Group classifies a liability as current when:

- (i) It expects to settle the liability in its normal operating cycle;
- (ii) It holds the liability primarily for the purpose of trading;
- (iii) The liability is due to be settled within twelve months after the reporting period; or
- (iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issuance of equity instruments that do not affect its classification.

The Group classifies all other liabilities as non-current.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash, demand deposits, and call deposits that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Time deposits with maturities of one year or less from the acquisition date that are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes, and that are subject to an insignificant risk of changes in their fair value are recognized as cash and cash equivalents.

(g) Financial instruments

Financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instruments.

1. Financial assets

The Group classifies assets as follows: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. A regular purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

a. Financial assets at fair value through profit or loss

These financial assets were acquired for the purpose of trading or designated as financial assets at fair value through profit or loss.

(Continued)



**EVA AIRWAYS CORP.****Notes to Consolidated Financial Statements**

A financial asset is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term. This type of financial asset is measured at fair value at the time of initial recognition, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss and are included in other income, other gains and losses under non-operating income and expenses.

**b. Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables and other receivables. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables other than insignificant interest on short-term receivables are measured at amortized cost using the effective interest method, less any impairment losses. Interest income is recognized in profit or loss, and is included in other income under non-operating income and expenses.

**c. Available-for sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value and changes therein are recognized in other comprehensive income and are presented in the fair value reserve in equity, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale monetary items are recognized in profit or loss, dividends on available-for-sale securities are recognized as other income under non-operating income and expenses when the Group is authorized to receive, normally on the ex-dividend date.

**d. Impairment of financial assets**

A financial asset is impaired if, and only if, there is any objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security.

(Continued)

**EVA AIRWAYS CORP.****Notes to Consolidated Financial Statements**

All individually significant financial assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Objective evidence that the collection of financial assets are impaired includes the Group's experience of collections, the increasing payment terms of the collection over the average term, and economic conditions that correlate with defaults.

The evidence of impairment for financial assets measured at amortized cost is considered at both an individual and collective level. All individually significant financial assets are assessed for specific impairment.

The financial assets, which were assessed individually for any impairment and the impairment was recognized or being recognized, were not collectively assessed for impairment by grouping together. If, in a subsequent period, the amount of the impairment loss of a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

For an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment. Impairment losses on available-for-sale financial assets are recognized by reclassifying the accumulated losses in the fair value reserve in equity to profit or loss.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

An impairment loss in respect of a financial asset is reduced from the carrying amount except for trade receivables, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of a receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses and recoveries of financial assets are recognized in profit or loss, which are included in other gains and losses under non-operating income and expenses.

(Continued)

**EVA AIRWAYS CORP.****Notes to Consolidated Financial Statements**

## e. Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity – unrealized gains or losses on available-for-sale financial assets is recognized in profit or loss, and is included in other gains and losses under non-operating income and expenses.

The Group separates the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss, and is included in other gains and losses under non-operating income and expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts.

## 2. Financial liabilities

## a. Financial liabilities at fair value through profit or loss

These financial liabilities were acquired for the purpose of trading or designated as financial liabilities at fair value through profit or loss. This type of financial liability is measured at fair value at the time of initial recognition, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account, are recognized in profit or loss, and are included in other gains and losses under non-operating income and expenses.

## b. Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which comprise short-term and long-term borrowings, and trade payables and other payables, shall be measured at fair value plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not

(Continued)

**EVA AIRWAYS CORP.****Notes to Consolidated Financial Statements**

capitalized as capital cost is recognized in profit or loss, and is included in finance costs under non-operating income and expenses.

c. Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled or has expired.

The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in other gains and losses under non-operating income and expenses.

d. Offsetting of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when the Group has the legally enforceable rights to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

3. Derivative financial instrument and hedge accounting

Derivatives are used to hedge the risks associated with changes in foreign currency rates, interest rates and fuel prices. They are recognized initially (trade date), and are subsequently re-measured at fair value. The transaction costs are recognized in profit or loss. Method of recognizing fair value gains and losses on derivative financial instruments depends on the nature of the hedging relationship. All derivatives are presented as assets when their fair value is positive and as liabilities when their fair value is negative.

The documentation at inception of each hedging relationship sets out purpose and strategy of risk management. To qualify for hedge accounting at the inception of the hedge throughout its life, each hedge must be kept in records if it is highly effective in offsetting the changes (which arise from risks to be managed) in fair value or cash flow of the hedged items on an ongoing basis.

Hedging transactions fall into two categories:

a. Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss, together with changes in the fair value of the asset or liability or group, thereof, that are attributable to the hedged risk, and are both presented under hedged items in the statement of comprehensive income as well.

(Continued)

**EVA AIRWAYS CORP.****Notes to Consolidated Financial Statements**

If the hedging instrument no longer meets the criteria for hedge accounting, expires, is sold, terminated, exercised or its designation is revoked, then hedge accounting is discontinued prospectively. Under effective interest method, adjustments made for fair value of hedged items (which arises from risk to be managed) are amortized as profit or loss once the hedge accounting is discontinued. The amortization is based on the effective interest rate that is recalculated at the inception of amortization so that the adjustment in fair value will be fully amortized at maturity date.

**b. Cash flow hedges**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated in other equity the effective portion of gains and losses from changes in fair value of cash flow hedges. Any gain or loss relating to an ineffective portion is recognized immediately under non-operating income and expenses in the statement of comprehensive income.

When a hedged item is recognized in profit or loss, the amount accumulated in equity and retained in other comprehensive income is reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss, and it is presented in the same accounting caption with the hedged item recognized in the consolidated statement of comprehensive income. However, when a forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and are included in the initial measurement of the cost of the asset or liability.

**(h) Inventories**

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

**(i) Investment in associates**

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

(Continued)

**EVA AIRWAYS CORP.****Notes to Consolidated Financial Statements**

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

Unrealized profits resulting from transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses on transactions with an associate are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(j) Property, plant and equipment

1. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of the significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the disposal of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as other gains and losses.

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**EVA AIRWAYS CORP.****Notes to Consolidated Financial Statements**

## 2. Major inspection and overhaul cost:

Major inspection and overhaul expenditures of self-owned and finance leased aircrafts are capitalized as costs of aircrafts and leased assets by components, and are depreciated using the straight-line method over the estimated useful life of the overhaul. Costs of designated inspections to be performed at the end of the lease term of operating leased aircrafts are estimated and depreciated using the straight-line method over the lease term.

## 3. Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

## 4. Depreciation

The depreciable amount of an asset is determined after deducting its residual value, and it shall be allocated on a systematic basis over the asset's useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

The estimated useful lives are as follows:

- (1) Buildings and structures: 5 to 55 years
- (2) Machinery and equipment: 2 to 18 years
- (3) Aircraft: 5 to 18 years
- (4) Leased assets are depreciated over the shorter of the lease term or the estimated useful live.

Depreciation methods, useful lives, and residual values are reviewed at each fiscal year-end date. If expectations differ from the previous estimates, the change is accounted for as a change in an accounting estimate.

## (k) Leases

Leases in which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value or the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period

(Continued)

**EVA AIRWAYS CORP.****Notes to Consolidated Financial Statements**

during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases and are not recognized in the Group's balance sheets.

Payments made under an operating lease, excluding insurance and maintenance expenses, are recognized expenses over the term of the lease.

Recognition of income arising from sale and leaseback transaction depends upon the type of lease involved. If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortized over the lease term. If a sale and leaseback transaction results in an operating lease, and the sales price is at or below fair value, any profit or loss shall be recognized immediately except that, if the loss is compensated for by future lease payments at below market price, it is deferred and amortized in proportion to the lease payments over the period for which the asset is expected to be used. If the sales price is above fair value, the excess over fair value is deferred and amortized over the period for which the asset is expected to be used.

(l) Impairment of non-financial assets

The Group measures whether impairment occurred in non-financial assets (except for inventories and deferred tax assets), at the end of each reporting period, and estimates their recoverable amount. If it is not possible to determine the recoverable amount (fair value less costs to sell and value in use) for an individual asset, then the Group will have to determine the recoverable amount for the asset's cash-generating unit.

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

The Group should assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset. An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. That increase is a reversal of previously recognized impairment loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount net of depreciation or amortization that would have been determined if no impairment loss had been recognized.

(Continued)



**EVA AIRWAYS CORP.****Notes to Consolidated Financial Statements**

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use is required to be tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the Group's cash-generating units or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. If the carrying amount of the cash-generating unit exceeds the recoverable amount of the unit, the Group recognizes the impairment loss, and the impairment loss shall be allocated to reduce the carrying amount of each asset in the unit. Reversal of an impairment loss for goodwill is prohibited.

**(m) Intangible assets**

The Group entered into contracts with the government to provide public service in infrastructure. The Group is obliged to construct the public sector asset and provide operation service for 30 years since the public sector asset was contracted. At the end of the operating period, the public sector asset should be returned to the government for no incremental consideration. Based on the IFRIC 12 Service Concession Arrangements, the Group allocates the consideration received by reference to the relative fair values of the construction and operation services delivered. Subsequently, the Group recognizes and measures revenue in accordance with IAS 11 Construction Contracts and IAS 18 Revenue. The fair value of the services is determined as intangible assets or financial assets, by the nature of the consideration given by the grantor to the operator and by reference to the contract terms.

Intangible assets that are acquired by the Group are measured at cost less accumulated amortization and any accumulated impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

The amortization amount is the cost of an asset less its residual value. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with indefinite useful lives, from the date that they are available for use. The estimated useful lives were as follows:

1. Operating concession: 30 years
2. Computer software: 3 to 5 years

(Continued)

**EVA AIRWAYS CORP.****Notes to Consolidated Financial Statements**

## (n) Revenue recognition

## 1. Aviation transportation revenue

Ticket sales for passengers and cargo are recorded as unearned revenue. They are included in current liabilities, and recognized as revenue when service is provided.

## 2. Customer loyalty program

The Group has a customer loyalty program, whereby, customers are awarded rights of accumulating mileages during their flights, and the fair value of the consideration received or receivable in respect of initial sale is allocated between the rights of accumulated mileages and the other components of the sale. The amount allocated to rights of accumulated mileages is estimated by the fair value of the redeemable part of the customer loyalty program and by reference to past experience of probability of redemption. Thus, the corresponding fair value is estimated and deferred, and service revenues will not be recognized until the rights have been redeemed and obligations are fulfilled. Also, unearned revenues will be converted into revenues when it is expected that the rights are probable not to be redeemed.

## 3. Services

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The Group determines the stage of completion of a transaction in terms of services performed as a percentage of total services to be performed.

## (o) Employee benefits

## 1. Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

## 2. Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of the defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on market yields of government

(Continued)

**EVA AIRWAYS CORP.****Notes to Consolidated Financial Statements**

bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of any unrecognized past service costs and also the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

All actuarial gains and losses as of January 1, 2012, the date of transition to the IFRSs approved by the FSC, were recognized in retained earnings. The Group recognized all actuarial gains and losses arising subsequently from the defined benefit plans in other comprehensive income, which was then transferred to retained earnings immediately.

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost that had not previously been recognized.

### 3. Short-term employee benefits

Short-term employee benefit obligations are accrued when the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee. A liability is recognized when the obligation can be estimated reliably.

### (p) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

(Continued)

**EVA AIRWAYS CORP.****Notes to Consolidated Financial Statements**

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the exceptions below:

1. Assets and liabilities that are initially recognized but are not related to a business combination and have no effect on net income or taxable gains (losses) during the transaction.
2. Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
3. Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

1. The Group has the legal right to settle tax assets and liabilities on a net basis; and
2. the taxing of deferred tax assets and liabilities fulfills one of the scenarios below:
  - (1) levied by the same taxing authority; or
  - (2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

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**EVA AIRWAYS CORP.****Notes to Consolidated Financial Statements****(q) Earnings per share (EPS)**

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit or loss attributable to the ordinary equity holders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit or loss attributable to ordinary equity holders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

**(r) Operating segment**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment is a component of an entity for which discrete financial information is available.

**5. Major sources of accounting assumptions, judgments and estimation uncertainty**

The preparation of the consolidated financial statements based on the Regulations requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Management continues to monitor the accounting assumptions, estimates and judgments. Management recognizes any changes in the accounting estimates during the period and the impact of the changes in the accounting estimates in the next year.

Information about critical judgments in applying accounting policies that have the most significant effect on amounts recognized in the financial statements is included in the following notes:

Note 6(g), classification of lease

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next year is included in the following note:

- (a) Note 6(e), valuation of inventories
- (b) Note 6(m), realization of deferred tax assets

(Continued)

## EVA AIRWAYS CORP.

## Notes to Consolidated Financial Statements

## 6. Significant account disclosures

## (a) Cash and cash equivalents

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Cash on hand	\$ 92,314	102,954	99,630
Cash in bank	23,742,147	20,960,038	16,536,036
Short-term notes	<u>1,063,711</u>	<u>1,020,338</u>	<u>834,653</u>
	<u>\$ 24,898,172</u>	<u>22,083,330</u>	<u>17,470,319</u>

Refer to note 6(r) for the interest rate risk and fair value sensitivity analysis of the financial assets and liabilities of the Group.

## (b) Financial instruments

## 1. Financial assets at fair value through profit or loss-current:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Money market funds	\$ <u>1,192</u>	<u>260,289</u>	<u>885</u>

## 2. Available-for-sale financial assets—current :

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Money market funds	\$ <u>2,059,740</u>	<u>2,180,986</u>	<u>2,551,236</u>

## 3. Available-for-sale financial assets—non-current :

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Non-publicly traded stocks	\$ 2,255,793	2,575,661	3,958,318
Publicly traded stocks	789,046	689,494	588,668
U.S. Treasury notes	<u>89,274</u>	<u>100,070</u>	<u>121,090</u>
	<u>\$ 3,134,113</u>	<u>3,365,225</u>	<u>4,668,076</u>

In 2013 and 2012, the Group recognized the impairment losses of \$289,866 and \$289,350, respectively, in other gains or losses, due to the permanent decrease in value of the investment in securities of foreign company.

(Continued)

## EVA AIRWAYS CORP.

## Notes to Consolidated Financial Statements

The exposure to credit risk, currency risk and interest rate risk arising from financial instrument is disclosed in note 6(r).

As of December 31, 2013 and 2012, and January 1, 2012, the pledge for Group's financial assets is disclosed in note 8.

## 4. Sensitivity analysis-price risk of equity securities:

If the price of the equity securities changes, and it is on the same basis for both years and assumes that all other variables remain the same, the impact on other comprehensive income will be as follows:

Price of the equity securities at the reporting date	2013		2012	
	Other Comprehensive Income, net of tax	Profit (losses)	Other Comprehensive Income, net of tax	Profit (losses)
increase 5%	\$ <u>259,227</u>	<u>50</u>	<u>276,856</u>	<u>10,802</u>
decrease 5%	\$ <u>(259,227)</u>	<u>(50)</u>	<u>(276,856)</u>	<u>(10,802)</u>

Information about material foreign currency investment on equity security at the reporting date was as follows:

	2013.12.31			2012.12.31			2012.1.1		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
USD	\$ 1,990	29.805	\$ 59,313	1,994	29.04	57,905	1,518	30.28	45,941
CNY	-	-	-	90,635	4.66	422,361	328,000	4.81	1,524,200
			\$ <u>59,313</u>			<u>480,266</u>			<u>1,570,141</u>

## (c) Hedging derivative financial instruments

The Group needs fuel for operating. However, cash flow risk will occur if the future cash flows for fuel fluctuate due to the floating market prices. The Group evaluates the risk as significant, and thus, hedges the risk by signing swap agreements.

As of December 31, 2013 and 2012, and January 1, 2012, the cash flow hedged items and derivative financial hedging instruments were as follows:

Hedged item	Hedging Instrument	Fair value of assigned hedging instrument			Period when cash flows are expected to occur	Period when profit or loss is affected	Account
		2013.12.31	2012.12.31	2012.1.1			
Floating price of fuel	Fuel swap agreement	\$ 26,090	13,353	69,953	2013~2014	2013~2014	Derivative financial assets for hedge purposes-current

(Continued)

## EVA AIRWAYS CORP.

## Notes to Consolidated Financial Statements

The Group's gains and losses arising from cash flow hedges in 2013 and 2012 were as follows:

Account	<u>2013</u>	<u>2012</u>
Recognized in other comprehensive income during the period	\$ <u>10,572</u>	<u>(46,978)</u>
Reclassification from equity to profit or loss for the period		
Operating cost (income)	\$ <u>(86,273)</u>	<u>(290,566)</u>

## (d) Notes and accounts receivable, and other receivables

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Notes receivable	\$ 345,472	416,388	624,360
Accounts receivable (related parties included)	9,135,807	10,643,773	8,892,436
Other receivables (related parties included)			
(included in other current assets)	195,023	154,680	400,394
Less: allowance for doubtful accounts	<u>(178,894)</u>	<u>(167,413)</u>	<u>(116,966)</u>
	<u>\$ 9,497,408</u>	<u>11,047,428</u>	<u>9,800,224</u>

The Group's aging analysis of notes and accounts receivable, and other receivables that were past due but not impaired, were as follows:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Past due within 30 days	\$ 726,085	794,064	422,293
Past due 31~60 days	105,523	807,925	482,762
Past due over 60 days but less than one year	141,047	360,120	392,281
Past due more than one year	<u>274,426</u>	<u>229,889</u>	<u>55,962</u>
	<u>\$ 1,247,081</u>	<u>2,191,998</u>	<u>1,353,298</u>

The movements in the allowance for doubtful accounts with respect to notes and accounts receivable, and other receivables were as follows:

	<u>2013</u>	<u>2012</u>
Beginning balance	\$ 167,413	116,966
Impairment loss recognized	118,651	61,194
Amounts written off	<u>(107,170)</u>	<u>(10,747)</u>
Ending balance	<u>\$ 178,894</u>	<u>167,413</u>

(Continued)



**EVA AIRWAYS CORP.****Notes to Consolidated Financial Statements**

As of December 31, 2013 and 2012, and January 1, 2012, the allowances for doubtful accounts were mainly due to the Group's expectation of default of numerous customers under economic circumstances. Based on historic payment behavior and analysis of the customers' credit rating, the Group believes that the unimpaired amounts that past due over 30 days are still collectible.

Impairment loss recognized for individually assessed is the difference between the carrying amount and the present value of estimated future cash flows. The Group considered whether there were any changes in the economic circumstance and historic collection to determine the recognition of impairment.

As of December 31, 2013 and 2012, and January 1, 2012, the notes and accounts receivable, and other receivables were neither discounted nor pledged as collateral for borrowings.

## (e) Inventories

The components were as follows:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Work in progress	\$ 868,846	1,104,020	1,022,033
Aircraft spare parts	6,719,818	7,160,087	7,672,383
Consumables for use and merchandise for in flight sales	889,253	722,265	611,971
Fuel for aircraft and others	<u>115,153</u>	<u>123,110</u>	<u>74,020</u>
	<u>\$ 8,593,070</u>	<u>9,109,482</u>	<u>9,380,407</u>

For the years ended December 31, 2013 and 2012, except for cost of goods sold and inventories recognized as expense, the gains or losses which were recognized as operating cost were as follows:

	<u>2013</u>	<u>2012</u>
Losses on inventory obsolescence	\$ <u>961,297</u>	<u>1,348,430</u>

As of December 31, 2013 and 2012, and January 1, 2012, the pledge for these inventories is disclosed in note 8.

(Continued)

## EVA AIRWAYS CORP.

## Notes to Consolidated Financial Statements

(f) Investments accounted for using equity method

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Associates	\$ 699,030	674,164	320,933
Add: recorded as the deduction of related parties			
accounts receivable and other receivables	2,034	30,544	29,435
recorded as other non-current liabilities	<u>92,640</u>	<u>61,700</u>	<u>66,748</u>
	<u>\$ 793,704</u>	<u>766,408</u>	<u>417,116</u>

1. In 2013 and 2012, the Group's share of profit or loss of associates in 2013 and 2012 was as follows:

	<u>2013</u>	<u>2012</u>
Associates	\$ <u>84,560</u>	<u>81,770</u>

2. Summarized financial information for investments of associates was as follows (before being adjusted to the Group's proportionate share):

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Total assets	\$ <u>4,942,936</u>	<u>4,109,710</u>	<u>3,121,640</u>
Total liabilities	\$ <u>1,125,670</u>	<u>534,598</u>	<u>487,353</u>

	<u>2013</u>	<u>2012</u>
Revenue	\$ <u>2,368,488</u>	<u>2,165,175</u>
Profit	\$ <u>476,392</u>	<u>435,176</u>

3. As of December 31, 2013 and 2012, and January 1, 2012, the investments accounted for using equity method were not pledged.

(Continued)

## EVA AIRWAYS CORP.

## Notes to Consolidated Financial Statements

## (g) Property, plant and equipment

The movements in cost and accumulated depreciation of property, plant and equipment for the years ended December 31, 2013 and 2012 were as follows:

	Land	Building and structures	Machinery and equipment	Leased assets	Aircraft	Unfinished construction	Total
<b>Cost:</b>							
Beginning balance as of January 1, 2013	\$ 2,574,955	11,451,144	21,292,528	20,702,034	97,971,111	288,027	154,279,799
Additions	-	304,709	1,825,922	1,232,892	1,229,046	475,578	5,068,147
Disposals	(4,410)	(14,940)	(879,997)	(40,084)	(479,874)	-	(1,419,305)
Reclassification (Note)	-	612,915	(236,633)	(3,709,755)	(5,085,092)	(601,790)	(9,020,355)
Effect of exchange rate changes	-	-	(2,350)	-	-	-	(2,350)
Balance as of December 31, 2013	<u>\$ 2,570,545</u>	<u>12,353,828</u>	<u>21,999,470</u>	<u>18,185,087</u>	<u>93,635,191</u>	<u>161,815</u>	<u>148,905,936</u>
Beginning balance as of January 1, 2012	\$ 2,550,924	11,284,929	21,265,272	21,071,351	109,521,746	4,868	165,699,090
Additions	24,031	165,579	1,309,208	1,115,440	2,170,937	283,159	5,068,354
Disposals	-	(325)	(1,401,951)	(29,066)	(8,219,957)	-	(9,651,299)
Reclassification	-	961	120,868	(1,455,691)	(5,501,615)	-	(6,835,477)
Effect of exchange rate changes	-	-	(869)	-	-	-	(869)
Balance as of December 31, 2012	<u>\$ 2,574,955</u>	<u>11,451,144</u>	<u>21,292,528</u>	<u>20,702,034</u>	<u>97,971,111</u>	<u>288,027</u>	<u>154,279,799</u>
<b>Accumulated depreciation:</b>							
Beginning balance as of January 1, 2013	\$ -	5,283,016	11,490,660	7,015,247	35,745,107	-	59,534,030
Depreciation expense	-	352,179	1,588,617	2,068,578	6,714,492	-	10,723,866
Disposals	-	(13,440)	(652,199)	(10,791)	(353,920)	-	(1,030,350)
Reclassification (Note)	-	-	(245,497)	(3,239,623)	(5,060,883)	-	(8,546,003)
Effect of exchange rate changes	-	-	(1,950)	-	1	-	(1,949)
Balance as of December 31, 2013	<u>\$ -</u>	<u>5,621,755</u>	<u>12,179,631</u>	<u>5,833,411</u>	<u>37,044,797</u>	<u>-</u>	<u>60,679,594</u>
Beginning balance as of January 1, 2012	\$ -	4,936,516	11,567,189	6,600,821	41,402,257	-	64,506,783
Depreciation expense	-	346,514	1,582,879	1,870,117	7,128,137	-	10,927,647
Disposals	-	(325)	(1,323,533)	-	(7,283,672)	-	(8,607,530)
Reclassification	-	311	(335,099)	(1,455,691)	(5,501,615)	-	(7,292,094)
Effect of exchange rate changes	-	-	(776)	-	-	-	(776)
Balance as of December 31, 2012	<u>\$ -</u>	<u>5,283,016</u>	<u>11,490,660</u>	<u>7,015,247</u>	<u>35,745,107</u>	<u>-</u>	<u>59,534,030</u>
<b>Carrying amounts:</b>							
Balance as of December 31, 2013	<u>\$ 2,570,545</u>	<u>6,732,073</u>	<u>9,819,839</u>	<u>12,351,676</u>	<u>56,590,394</u>	<u>161,815</u>	<u>88,226,342</u>
Balance as of December 31, 2012	<u>\$ 2,574,955</u>	<u>6,168,128</u>	<u>9,801,868</u>	<u>13,686,787</u>	<u>62,226,004</u>	<u>288,027</u>	<u>94,745,769</u>
Beginning balance as of January 1, 2012	<u>\$ 2,550,924</u>	<u>6,348,413</u>	<u>9,698,083</u>	<u>14,470,530</u>	<u>68,119,489</u>	<u>4,868</u>	<u>101,192,307</u>

Note: Reclassification primarily consists of the reclassification to other non-current assets and inventories.

(Continued)

**EVA AIRWAYS CORP.****Notes to Consolidated Financial Statements**

## 1. Leased aircraft and computer equipment

The Group leased aircraft and computer equipment under a number of finance lease arrangements. Such leases are treated as finance leases in accordance with the terms and conditions of the contracts. Leased equipments are used as pledge for lease obligations and are disclosed in note 8.

The estimated recovery costs incurred by leasing aircraft are recognized as leased assets and the related restoration obligations are recognized as other non-current liabilities and are amortized using interest method.

As of December 31, 2013 and 2012, and January 1, 2012, the restoration obligations were \$3,882,172, \$3,437,143 and \$2,751,138, respectively.

## 2. Sale and leaseback transactions

The Group leased aircraft under sale and leaseback arrangements, which were judged as finance leases. The unrealized gain on sale and leaseback, resulting from the difference between sale price and book value of the equipment, is recorded as a reduction of depreciation expenses over the lease term. As of December 31, 2013 and 2012, and January 1, 2012, the unrealized gains from the sale and leaseback were \$531,483, \$643,305 and \$755,128, respectively and were recognized as other non-current liabilities.

## 3. Pledge

As of December 31, 2013 and 2012 and January 1, 2012, the Group's property, plant and equipment were used as pledge for long-term borrowings and lines of credit, and they are disclosed in note 8.

## 4. For the years ended December 31, 2013 and 2012, the Group capitalized the interest expenses on purchase of assets amounting to \$60,956 and \$11,281, respectively. The range of the monthly interest rate used for capitalization calculation were 0.13% and 0.13%~0.14%, respectively.

(Continued)

## EVA AIRWAYS CORP.

## Notes to Consolidated Financial Statements

## (h) Intangible assets

The movements in cost and accumulated amortization of intangible assets for the years ended December 31, 2013 and 2012 were as follows:

	<u>Operating concession</u>	<u>Computer software</u>	<u>Total</u>
<b>Costs:</b>			
Beginning balance as of January 1, 2013	\$ 2,065,902	460,396	2,526,298
Additions	<u>162,677</u>	<u>231,287</u>	<u>393,964</u>
Balance as of December 31, 2013	<u>\$ 2,228,579</u>	<u>691,683</u>	<u>2,920,262</u>
Beginning balance as of January 1, 2012	\$ 2,065,902	213,992	2,279,894
Additions	<u>-</u>	<u>246,403</u>	<u>246,403</u>
Balance as of December 31, 2012	<u>\$ 2,065,902</u>	<u>460,395</u>	<u>2,526,297</u>
<b>Accumulated amortization:</b>			
Beginning balance as of January 1, 2013	\$ 122,981	131,576	254,557
Amortization expense	<u>122,982</u>	<u>110,859</u>	<u>233,841</u>
Balance as of December 31, 2013	<u>\$ 245,963</u>	<u>242,435</u>	<u>488,398</u>
Beginning balance as of January 1, 2012	\$ -	72,423	72,423
Amortization expense	<u>122,981</u>	<u>59,152</u>	<u>182,133</u>
Balance as of December 31, 2012	<u>\$ 122,981</u>	<u>131,575</u>	<u>254,556</u>
<b>Carrying amounts:</b>			
Balance as of December 31, 2013	<u>\$ 1,982,616</u>	<u>449,248</u>	<u>2,431,864</u>
Balance as of December 31, 2012	<u>\$ 1,942,921</u>	<u>328,820</u>	<u>2,271,741</u>
Beginning Balance as of January 1, 2012	<u>\$ 2,065,902</u>	<u>141,569</u>	<u>2,207,471</u>

## 1. Amortization

The amortization of intangible assets is included under operating costs and operating expenses in the consolidated statement of comprehensive income.

## 2. Pledge

As of December 31, 2013 and 2012, and January 1, 2012, the Group's intangible assets were used as pledge for long-term borrowings and loan commitments and are disclosed in note 8.

(Continued)

## EVA AIRWAYS CORP.

## Notes to Consolidated Financial Statements

## (i) Other non-current assets

The details of the Group's other non-current assets were as follows:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Advances for purchases of equipment	\$ 5,448,537	2,237,299	70,995
Refundable deposits	1,142,103	1,054,846	1,751,335
Pledged time deposits	95,107	81,467	97,413
Others	<u>57,034</u>	<u>22,493</u>	<u>12,132</u>
Total	<u>\$ 6,742,781</u>	<u>3,396,105</u>	<u>1,931,875</u>

## (j) Short-term borrowings, long-term borrowings and lease liabilities

The details, conditions and terms of the Group's short-term borrowings, long-term borrowings and lease liabilities were as follows:

	<u>2013.12.31</u>			
	<u>Currency</u>	<u>Interest rate</u>	<u>Year due</u>	<u>Amount</u>
Unsecured short-term loans	NTD	1.10%~1.48%	2014	\$ 1,252,774
Secured short-term loans	NTD	1.20%	2014	<u>76,000</u>
				<u>\$ 1,328,774</u>
Secured bonds payable	NTD	1.15%~1.44%	2016~2018	<u>\$ 21,200,000</u>
Unsecured loans	NTD	1.29%~2.28%	2014~2018	\$ 10,720,103
Secured loans	NTD, USD	0.24%~4.59%	2014~2022	<u>36,213,522</u>
Subtotal				46,933,625
Less: Current portion				<u>9,334,554</u>
Total				<u>\$ 37,599,071</u>
Lease liabilities	NTD, USD	1.18%~6.93%	2014~2019	\$ 6,957,087
Less: Current portion (included in other current liabilities)				<u>1,571,239</u>
Total				<u>\$ 5,385,848</u>

(Continued)

## EVA AIRWAYS CORP.

## Notes to Consolidated Financial Statements

<b>2012.12.31</b>				
	<b>Currency</b>	<b>Interest rate</b>	<b>Year due</b>	<b>Amount</b>
Unsecured short-term loans	NTD	1.02%~1.48%	2013	\$ 1,350,777
Secured short-term loans	NTD	1.15%	2013	<u>132,000</u>
				<b>\$ <u>1,482,777</u></b>
Secured bonds payable	NTD	1.21%~1.44%	2016~2017	<b>\$ <u>16,700,000</u></b>
Unsecured loans	NTD	1.32%~2.70%	2013~2017	\$ 10,726,638
Secured loans	NTD, USD	0.34%~4.59%	2013~2022	<u>43,655,569</u>
Subtotal				54,382,207
Less: Current portion				<u>10,524,796</u>
Total				<b>\$ <u>43,857,411</u></b>
Lease liabilities	NTD, USD	1.18%~6.93%	2014~2019	\$ 8,882,533
Less: Current portion (included in other current liabilities)				<u>1,547,380</u>
Total				<b>\$ <u>7,335,153</u></b>

<b>2012.1.1</b>				
	<b>Currency</b>	<b>Interest rate</b>	<b>Year due</b>	<b>Amount</b>
Unsecured short-term loans	NTD	1.08%~1.49%	2012	\$ 1,869,436
Secured short-term loans	NTD	1.10%~1.52%	2012	<u>300,000</u>
				<b>\$ <u>2,169,436</u></b>
Secured bonds payable	NTD	1.21%~1.44%	2016	<b>\$ <u>10,200,000</u></b>
Unsecured loans	NTD	1.20%~2.70%	2012~2016	\$ 8,840,017
Secured loans	NTD, USD	0.25%~4.59%	2012~2022	<u>52,955,981</u>
Subtotal				61,795,998
Less: Current portion				<u>10,433,022</u>
Total				<b>\$ <u>51,362,976</u></b>
Lease liabilities	NTD, USD	1.18%~6.93%	2014~2019	\$ 10,525,724
Less: Current portion (included in other current liabilities)				<u>1,522,593</u>
Total				<b>\$ <u>9,003,131</u></b>

(Continued)

## EVA AIRWAYS CORP.

## Notes to Consolidated Financial Statements

As of December 31, 2013, the details of the future repayment periods and amounts of the Group's long-term borrowings and lease liabilities were as follows:

<u>Year due</u>	<u>Amount</u>
2014	\$ 10,905,793
2015~2018	54,854,014
2019 and thereafter	<u>9,330,905</u>
	<u>\$ 75,090,712</u>

Information on the Group's exposure to interest rate risk, currency risk and liquidity risk is disclosed in note 6(r).

## 1. Pledge for borrowings

The pledge for borrowings and lease liabilities is disclosed in note 8.

## 2. Unused lines of credit

As of December 31, 2013 and 2012, and January 1, 2012 the unused credit lines for short-term and long-term borrowings amounted to \$11,006,187, \$8,750,434 and \$9,357,149, respectively.

## 3. Lease liabilities

The Group's lease liabilities were as follows:

	<u>2013.12.31</u>		<u>2012.12.31</u>		<u>2012.1.1</u>				
	<u>Future minimum rental payment</u>	<u>Interest</u>	<u>Present value of minimum rental payment</u>	<u>Future minimum rental payment</u>	<u>Interest</u>	<u>Present value of minimum rental payment</u>	<u>Future minimum rental payment</u>	<u>Interest</u>	<u>Present value of minimum rental payment</u>
Within 1 year	\$ 1,856,034	284,795	1,571,239	1,939,421	392,041	1,547,380	1,998,821	476,228	1,522,593
1 to 5 years	5,200,415	497,418	4,702,997	6,527,659	788,176	5,739,483	7,526,461	1,107,664	6,418,797
More than 5 years	<u>699,203</u>	<u>16,352</u>	<u>682,851</u>	<u>1,663,050</u>	<u>67,380</u>	<u>1,595,670</u>	<u>2,740,930</u>	<u>156,596</u>	<u>2,584,334</u>
	<u>\$ 7,755,652</u>	<u>798,565</u>	<u>6,957,087</u>	<u>10,130,130</u>	<u>1,247,597</u>	<u>8,882,533</u>	<u>12,266,212</u>	<u>1,740,488</u>	<u>10,525,724</u>

The recognized interest expenses incurred by lease liabilities for the years ended December 31, 2013 and 2012 are disclosed in note 6(q).

(Continued)



## EVA AIRWAYS CORP.

## Notes to Consolidated Financial Statements

## (k) Operating leases

The Group leased aircraft, land, buildings, and parking lots under operating lease agreements with rental payable in the future as follows:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Within 1 year	\$ 7,125,669	6,674,072	6,647,018
1 to 5 years	17,858,263	19,080,007	21,385,516
More than 5 years	<u>8,767,482</u>	<u>9,322,723</u>	<u>10,919,617</u>
	<u>\$ 33,751,414</u>	<u>35,076,802</u>	<u>38,952,151</u>

For the years ended December 31, 2013 and 2012, rental expenses included in operating costs and operating expenses were \$7,126,472 and \$6,670,219, respectively. The Group did not assume the residual value of the abovementioned lease items, and determined that the risk and return of those lease items are still assumed by the lessor. Hence, the Group treated the abovementioned lease as operating leases.

## (l) Employee benefits

## 1. Defined benefit plans

The movements in the present value of the defined benefit obligations and the fair value of plan assets were as follows:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Total present value of defined benefit obligations	\$ 8,525,724	8,038,731	7,368,254
Fair value of plan assets	<u>(5,152,605)</u>	<u>(4,709,800)</u>	<u>(4,252,365)</u>
Recognized liabilities for defined benefit obligations	<u>\$ 3,373,119</u>	<u>3,328,931</u>	<u>3,115,889</u>

The Group makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Act) entitle a retired employee to receive retirement payment calculated by the unit based on years of service and average salary for the six months prior to retirement.

(Continued)

## EVA AIRWAYS CORP.

## Notes to Consolidated Financial Statements

## (1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Labor Pension Fund Supervisory Committee of the Council of Labor Affairs. Minimum earnings on such funds shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with interest rates offered by local banks.

The Group's labor pension reserve account balance in Bank of Taiwan amounted to \$5,114,568 as of December 31, 2013. The utilization of the labor pension fund assets, including the asset allocation and yield of the fund. Please refer to the website of the Labor Pension Fund Supervisory Committee.

## (2) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations were as follows:

	<u>2013</u>	<u>2012</u>
Defined benefit obligations at January 1	\$ 8,038,731	7,368,254
Benefits paid by the plan	(290,570)	(227,903)
Current service costs and interest	364,149	361,351
Actuarial losses (gains)	<u>413,414</u>	<u>537,029</u>
Defined benefit obligations at December 31	<u>\$ 8,525,724</u>	<u>8,038,731</u>

## (3) Movements of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets were as follows:

	<u>2013</u>	<u>2012</u>
Fair value of plan assets at January 1	\$ 4,709,800	4,252,365
Contributions from plan participants	634,666	590,590
Benefits paid by the plan	(252,571)	(175,766)
Expected return on plan assets	87,578	90,353
Actuarial gains (losses)	<u>(26,868)</u>	<u>(47,742)</u>
Fair value of plan assets at December 31	<u>\$ 5,152,605</u>	<u>4,709,800</u>

(Continued)

## EVA AIRWAYS CORP.

## Notes to Consolidated Financial Statements

## (4) Expenses recognized in profit or loss

The expenses recognized in profit or loss were as follows:

	<u>2013</u>	<u>2012</u>
Current services costs	\$ 228,397	220,005
Interest on obligations	135,752	141,346
Expected return on plan assets	<u>(87,578)</u>	<u>(90,353)</u>
	<u>\$ 276,571</u>	<u>270,998</u>
Operating costs	\$ 223,941	215,331
Operating expenses	<u>52,630</u>	<u>55,667</u>
	<u>\$ 276,571</u>	<u>270,998</u>
Actual return on plan assets	<u>\$ 60,710</u>	<u>42,611</u>

## (5) Actuarial gains and losses recognized in other comprehensive income

The Group's actuarial gains and losses recognized in other comprehensive income were as follows:

	<u>2013</u>	<u>2012</u>
Cumulative amount at January 1	\$ (584,771)	-
Recognized during the period	<u>(440,282)</u>	<u>(584,771)</u>
Cumulative amount at December 31	<u>\$ (1,025,053)</u>	<u>(584,771)</u>

## (6) Actuarial assumptions

The following are the Group's principal actuarial assumptions (using the weighted-average method) at the reporting date:

	<u>2013</u>	<u>2012</u>
Discount rate	1.75%~2.00%	1.38%~1.75%
Expected return on plan assets	2.00%	1.75%~1.88%
Future salary increases	1.41%~3.00%	1.30%~3.00%

The overall expected long-term rate of return on assets was based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return ratio was exclusively based on historical returns, without adjustments.

(Continued)

## EVA AIRWAYS CORP.

## Notes to Consolidated Financial Statements

## (7) Experience adjustments on historical information

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Present value of defined benefit obligations	\$ 8,525,724	8,038,731	7,368,254
Fair value of plan assets	<u>(5,152,605)</u>	<u>(4,709,800)</u>	<u>(4,252,365)</u>
Net liabilities of defined benefit obligations	<u>\$ 3,373,119</u>	<u>3,328,931</u>	<u>3,115,889</u>
Experience adjustments arising on the present value of defined benefit plans	<u>\$ 413,414</u>	<u>537,029</u>	<u>-</u>
Experience adjustments arising on the fair value of plan assets	<u>\$ 26,868</u>	<u>47,742</u>	<u>-</u>

The expected allocation payments made by the Group to the defined benefit plans during the annual period after December 31, 2013 are \$634,193.

- (8) When calculating the present value of defined benefit obligations, the Group used judgments and estimations to determine the actuarial assumptions, including the employee turnover rates and future salary changes as of the end of the reporting period. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

As of December 31, 2013, the Group's accrued pension liabilities were \$3,373,119. If the discount rate had increased or decreased by 0.25%, the Group's accrued pension liabilities would have decreased by \$254,438 or increased by \$265,326, respectively; if the future salary increase rate had increased or decreased by 0.25%, the Group's accrued pension liabilities would have increased by \$255,882 or decreased by \$248,366.

## 2. Defined contribution plans

The Group set aside 6% of each employee's monthly wages to contribute to the labor pension personal accounts at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. The Group set aside a fixed amount to contribute to the Bureau of Labor Insurance without the payment of additional legal or constructive obligations.

The Group set aside \$366,598 and \$318,952 as pension costs under the defined contribution plans in 2013 and 2012, respectively. Payment was made to the Bureau of Labor Insurance.

(Continued)

## EVA AIRWAYS CORP.

## Notes to Consolidated Financial Statements

## (m) Income tax

## 1. Income tax expenses

For the years ended December 31, 2013 and 2012, the components of estimated income tax expenses were as follows:

	<u>2013</u>	<u>2012</u>
Current tax expenses	\$ 442,092	441,411
Deferred tax expenses	<u>118,521</u>	<u>58,069</u>
	<b><u>\$ 560,613</u></b>	<b><u>499,480</u></b>

The amounts of income tax benefit recognized in other comprehensive income were as follows:

	<u>2013</u>	<u>2012</u>
Unrealized gains on available-for-sale financial assets	\$ (220)	(2,066)
Cash flow hedges	(2,165)	9,622
Actuarial losses on defined benefit plan	<u>74,847</u>	<u>99,411</u>
	<b><u>\$ 72,462</u></b>	<b><u>106,967</u></b>

## 2. Reconciliation of income tax expenses and profit before tax was as follows:

	<u>2013</u>	<u>2012</u>
Profit before tax	<b><u>\$ 1,840,338</u></b>	<b><u>1,695,167</u></b>
Income tax using the Group domestic tax rate	\$ 312,857	288,178
10% taxation on undistributed earnings	83,950	70,574
Tax-exempt income	(22,637)	(39,851)
Under accrued income tax payable in prior periods	11,391	252,603
Others	<u>175,052</u>	<u>(72,024)</u>
	<b><u>\$ 560,613</u></b>	<b><u>499,480</u></b>

(Continued)

## EVA AIRWAYS CORP.

## Notes to Consolidated Financial Statements

## 1. Deferred tax assets and liabilities

## (1) Unrecognized deferred tax assets and liabilities

As of December 31, 2013 and 2012, it was not probable that future taxable profit of the Group would be available for loss carryforwards and investment tax credits against as which the Group could utilize the benefits therefrom. Hence, such temporary differences were not recognized under deferred tax assets. Details were as follows:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Unrecognized deferred tax assets:			
Tax losses	\$ 106,116	122,031	207,157
Investment tax credits	-	874,372	1,566,436
	<u>\$ 106,116</u>	<u>996,403</u>	<u>1,773,593</u>

According to the Income Tax Act, the operating loss as examined and assessed by the local tax authorities can be carried forward for use as a deduction from taxable income over a period of ten years. As of December 31, 2013, the Group's loss carryforwards unrecognized as deferred tax assets and the expiry year were as follows:

<u>Filing year</u>	<u>Un-deducted operating loss</u>	<u>Expiry year</u>
2006	\$ 57,428	2016
2008	565,924	2018
2009	18	2019
2010	839	2020
2012	<u>2</u>	2022
	<u>\$ 624,211</u>	

The Group has no unrecognized deferred tax liabilities as of December 31, 2013 and 2012.

(Continued)

## EVA AIRWAYS CORP.

## Notes to Consolidated Financial Statements

## (2) Recognized deferred tax assets and liabilities

The movements in the balances of deferred tax assets and liabilities were as follows:

Deferred tax assets:

	<u>Loss carryforwards</u>	<u>Loss on valuation of inventories</u>	<u>Purchase of fixed assets in installments</u>	<u>Defined benefit plan actuarial losses</u>	<u>Restoration obligations</u>	<u>Mileage revenue</u>	<u>Others</u>	<u>Total</u>
Beginning balance at January 1, 2013	\$ 2,728,603	627,100	383,963	519,498	287,643	367,918	574,524	5,489,249
Recognized in profit or loss	(241,808)	69,340	(58,820)	(66,857)	65,836	23,505	(78,431)	(287,235)
Recognized in other comprehensive income	-	-	-	74,847	-	-	(2,385)	72,462
Balance at December 31, 2013	<u>\$ 2,486,795</u>	<u>696,440</u>	<u>325,143</u>	<u>527,488</u>	<u>353,479</u>	<u>391,423</u>	<u>493,708</u>	<u>5,274,476</u>
Beginning balance at January 1, 2012	\$ 2,650,095	768,631	443,020	467,728	236,712	367,040	274,675	5,207,901
Recognized in profit or loss	78,508	(141,531)	(59,057)	(47,641)	50,931	878	292,293	174,381
Recognized in other comprehensive income	-	-	-	99,411	-	-	7,556	106,967
Balance at December 31, 2012	<u>\$ 2,728,603</u>	<u>627,100</u>	<u>383,963</u>	<u>519,498</u>	<u>287,643</u>	<u>367,918</u>	<u>574,524</u>	<u>5,489,249</u>

Deferred tax liabilities:

	<u>Unrealized foreign exchange gains</u>	<u>Others</u>	<u>Total</u>
Beginning balance at January 1, 2013	\$ 190,652	94,684	285,336
Recognized in profit or loss	(125,461)	(43,253)	(168,714)
Balance at December 31, 2013	<u>\$ 65,191</u>	<u>51,431</u>	<u>116,622</u>
Beginning balance at January 1, 2012	\$ -	52,886	52,886
Recognized in profit or loss	190,652	41,798	232,450
Balance at December 31, 2012	<u>\$ 190,652</u>	<u>94,684</u>	<u>285,336</u>

## 2. Examination and approval

The Company's income tax returns for the years through 2011 were examined and approved by the local tax authorities.

(Continued)

## EVA AIRWAYS CORP.

## Notes to Consolidated Financial Statements

## 3. Information related to unappropriated earnings and creditable ratio:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Unappropriated earnings before 1997	\$ -	-	-
Unappropriated earnings after 1998	<u>(4,465,228)</u>	<u>(2,970,767)</u>	<u>(3,187,608)</u>
	<u>\$ (4,465,228)</u>	<u>(2,970,767)</u>	<u>(3,187,608)</u>
Balance of ICA	<u>\$ 158,662</u>	<u>365,367</u>	<u>214,388</u>
	<u>2013</u>	<u>2012</u>	
Tax creditable ratio for earnings distribution to R.O.C. residents	<u>- % (estimated)</u>	<u>- % (actual)</u>	

According to the announcement by the Ministry of Finance on October 17, 2013, under Decree No. 10204562810, the Company's income tax information and imputation tax credit information should be disclosed in compliance with the Decree.

## (n) Capital and other equity

As of December 31, 2013 and 2012 and January 1, 2012, the Company's authorized share capital consisted of 4,000,000 thousand shares of common stock, with par value of \$10 (dollars) per share, of which the issued and outstanding share capital were \$32,589,450.

## 1. Capital surplus

The details of capital surplus were as follows:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Cash subscription in excess of par value of shares	\$ 29,672	29,672	29,672
Stock options granted to employees	282,100	282,100	282,100
Additional paid-in capital from bond conversion	<u>1,411,830</u>	<u>1,411,830</u>	<u>1,411,830</u>
	<u>\$ 1,723,602</u>	<u>1,723,602</u>	<u>1,723,602</u>

In accordance with R.O.C. Company Act amended in January 2012, realized capital surplus can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The aforementioned capital surplus included share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital surplus to be reclassified under share capital shall not exceed 10% of the actual share capital amount.

(Continued)



**EVA AIRWAYS CORP.****Notes to Consolidated Financial Statements**

## 2. Retained earnings

According to the Company's articles of incorporation, current-period earnings should first be used to settle all outstanding tax payables and accumulated deficit, and then 10% of statutory earnings reserves should be retained, and special reserve should be recognized or reversed according to statutory requirements. Thereafter, the remaining current-period earnings and the unappropriated prior-period earnings can be distributed by reference to a resolution approved by the stockholders. The Company must appropriate employee bonuses of at least 1% of earnings of each year, and less than 5% of earnings of each year for remuneration of directors and supervisors.

The Company adopts the dividend policy that cash dividends and stock dividends are distributed with cash dividends accounting for at least 10% of total dividends distributed.

## (1) Legal reserve

In accordance with R.O.C. Company Act amended in January 2012, the Company must retain 10% of its annual income as a legal reserve until such retention equals the amount of paid-in capital. If a company has no accumulated deficit, it may, pursuant to a resolution approved by the stockholders, distribute its legal reserve by issuing new shares or cash for the portion in excess of 25% of the paid-in capital.

## (2) Special reserve

In accordance with Decree No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the current-period total net reduction of other equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other equity shall qualify for additional distributions.

## (3) Earnings distribution

On June 24, 2013 and June 21, 2012, the Company's stockholders did not appropriate dividends, employee bonuses, and directors' and supervisors' remuneration in consideration of operational needs and sustainable development.

For the years ended December 31, 2013 and 2012, the Company did not recognize any bonuses to employees and remuneration to directors and supervisors. Differences between the amount approved in the shareholders' meeting and recognized in the financial statements, if any, are recognized as profit or loss.

(Continued)

## EVA AIRWAYS CORP.

## Notes to Consolidated Financial Statements

## 3. Other equity

	<u>Exchange differences on translation of foreign financial statements</u>	<u>Unrealized gains (losses) on available-for- sale financial assets</u>	<u>Cash flow hedges</u>	<u>Total</u>
<b>Beginning balance at January 1, 2013</b>	\$ 30,071	(881,760)	11,083	(840,606)
Exchange differences on translation of foreign financial statements	39,242	-	-	39,242
Unrealized gains (losses) on available-for-sale financial assets (net of taxes)-the Company	-	40,533	-	40,533
Cash flow hedges, effective portion	-	-	10,572	10,572
<b>Balance at December 31, 2013</b>	<b>\$ <u>69,313</u></b>	<b><u>(841,227)</u></b>	<b><u>21,655</u></b>	<b><u>(750,259)</u></b>
<b>Beginning balance at January 1, 2012</b>	\$ 104,750	46,442	58,061	209,253
Exchange differences on translation of foreign financial statements	(74,679)	-	-	(74,679)
Unrealized gains (losses) on available-for-sale financial assets (net of taxes)-the Company	-	(928,202)	-	(928,202)
Cash flow hedges, effective portion	-	-	(46,978)	(46,978)
<b>Balance at December 31, 2012</b>	<b>\$ <u>30,071</u></b>	<b><u>(881,760)</u></b>	<b><u>11,083</u></b>	<b><u>(840,606)</u></b>

## (o) Earnings per share ("EPS")

The calculation of earnings per share is based on the profit attributable to the ordinary equity holders of the Company. Earnings per share were calculated as follows:

	<u>Profit</u>	<u>2013 Weighted-average number of shares outstanding during the year (thousand shares)</u>	<u>EPS (in dollars)</u>
Basic earnings per share:			
Profit attributable to ordinary equity holders	\$ <u>747,450</u>	<u>3,258,945</u>	<u>0.23</u>
Diluted earnings per share:			
Profit attributable to ordinary equity holders	\$ <u>747,450</u>	<u>3,258,945</u>	<u>0.23</u>

(Continued)

## EVA AIRWAYS CORP.

## Notes to Consolidated Financial Statements

	<u>Profit</u>	<u>2012 Weighted-average number of shares outstanding during the year (thousand shares)</u>	<u>EPS (in dollars)</u>
Basic earnings per share:			
Profit attributable to ordinary equity holders	\$ <u>655,200</u>	<u>3,258,945</u>	<u>0.20</u>
Diluted earnings per share:			
Profit attributable to ordinary equity holders	\$ <u>655,200</u>	<u>3,258,945</u>	<u>0.20</u>

## (p) Revenue

For the years ended December 31, 2013 and 2012, the components of revenue were as follows:

	<u>2013</u>	<u>2012</u>
Aviation transportation revenue	\$ 103,132,888	99,969,007
Services revenue	11,267,059	11,170,606
Others	<u>9,764,504</u>	<u>9,018,854</u>
	<u>\$ 124,164,451</u>	<u>120,158,467</u>

The Group has a customer loyalty program to improve its ticket sales. Upon purchasing customers are awarded credits entitling them to exchange for an upgrade or free tickets.

As of December 31, 2013 and 2012 and January 1, 2012, the abovementioned deferred revenue amounting to \$1,595,096, \$2,118,330 and \$2,155,782, respectively, were recorded as unearned revenue and other non-current liabilities.

(Continued)

## EVA AIRWAYS CORP.

## Notes to Consolidated Financial Statements

## (q) Non-operating income and expenses

## 1. Other income

	<u>2013</u>	<u>2012</u>
Interest income	\$ 251,299	203,262
Dividend income	113,479	112,441
Others	<u>27,231</u>	<u>26,352</u>
	<b>\$ <u>392,009</u></b>	<b><u>342,055</u></b>

## 2. Other gains and losses

	<u>2013</u>	<u>2012</u>
Foreign exchange gains (losses)	\$ (260,584)	770,984
Impairment losses	(289,866)	(289,350)
Losses on disposal of property, plant and equipment	(161,107)	(34,940)
Others	<u>207,338</u>	<u>199,836</u>
	<b>\$ <u>(504,219)</u></b>	<b><u>646,530</u></b>

## 3. Finance costs

	<u>2013</u>	<u>2012</u>
Interest expense		
Bank borrowings	\$ 1,080,917	1,163,785
Lease liabilities	345,713	415,674
Others	236,657	216,160
Less: capitalized interest	<u>(60,956)</u>	<u>(11,281)</u>
	<b>\$ <u>1,602,331</u></b>	<b><u>1,784,338</u></b>

(Continued)

## EVA AIRWAYS CORP.

## Notes to Consolidated Financial Statements

## (r) Financial instruments

## 1. Type of financial instruments

## (1) Financial assets

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Financial assets at fair value through profit or loss	\$ <u>1,192</u>	<u>260,289</u>	<u>885</u>
Derivative financial assets for hedge purposes	\$ <u>26,090</u>	<u>13,353</u>	<u>69,953</u>
Available-for-sale financial assets — current	<u>2,059,740</u>	<u>2,180,986</u>	<u>2,551,236</u>
Available-for-sale financial assets — non-current	<u>3,134,113</u>	<u>3,365,225</u>	<u>4,668,076</u>
Loans and receivables:			
Cash and cash equivalents	24,898,172	22,083,330	17,470,319
Notes and accounts receivable, and other receivables (including related parties)	<u>9,497,408</u>	<u>11,047,428</u>	<u>9,800,224</u>
	<u>34,395,580</u>	<u>33,130,758</u>	<u>27,270,543</u>
Other non-current assets	<u>1,237,210</u>	<u>1,136,313</u>	<u>1,848,748</u>
	<u>\$ 40,853,925</u>	<u>40,086,924</u>	<u>36,409,441</u>

## (2) Financial liabilities

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Financial liabilities at amortized cost:			
Short-term borrowings	\$ 1,328,774	1,482,777	2,169,436
Accounts payable (including related parties)	2,859,605	4,295,357	2,628,845
Bonds payable	21,200,000	16,700,000	10,200,000
Long-term borrowings (including current portion of long-term liabilities)	46,933,625	54,382,207	61,795,998
Lease liabilities	6,957,087	8,882,533	10,525,724
Other payables	<u>10,800,328</u>	<u>9,382,282</u>	<u>9,155,862</u>
	<u>\$ 90,079,419</u>	<u>95,125,156</u>	<u>96,475,865</u>

(Continued)

## EVA AIRWAYS CORP.

## Notes to Consolidated Financial Statements

## 2. Credit risk

## (1) Credit risk exposure

The maximum exposure to credit risk is mainly from the carrying amount of financial assets. As of December 31, 2013 and 2012, and January 1, 2012, such exposure amounted to \$40,853,925, \$40,086,924 and \$36,409,441, respectively.

## (2) Circumstances of concentration of credit risk

Accounts receivable were due from many customers. Therefore, there was no concentration of credit risk. In order to reduce the credit risk of accounts receivable, the Group continually evaluates each customer's financial situation and requires customers to be a member of IATA clearing house. Otherwise, the customer will have to provide bank guaranties or collaterals.

## 3. Liquidity risk

The following were the contractual maturities of financial liabilities, including estimated interest payments:

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
<b>As of December 31, 2013</b>					
<b>Non-derivative financial liabilities</b>					
Short-term and long-term borrowings	\$ 48,262,399	50,810,318	11,410,735	30,412,960	8,986,623
Secured bonds payable	21,200,000	22,125,325	270,424	21,854,901	-
Lease liabilities	6,957,087	7,755,652	1,856,034	5,200,415	699,203
Accounts payable (including related parties)	2,859,605	2,859,605	2,859,605	-	-
Other payables	<u>10,800,328</u>	<u>10,800,328</u>	<u>10,800,328</u>	<u>-</u>	<u>-</u>
	<b>\$ <u>90,079,419</u></b>	<b><u>94,351,228</u></b>	<b><u>27,197,126</u></b>	<b><u>57,468,276</u></b>	<b><u>9,685,826</u></b>
<b>As of December 31, 2012</b>					
<b>Non-derivative financial liabilities</b>					
Short-term and long-term borrowings	\$ 55,864,984	58,685,054	13,780,046	32,026,811	12,878,197
Secured bonds payable	16,700,000	17,585,625	219,050	17,366,575	-
Lease liabilities	8,882,533	10,130,130	1,939,421	6,527,659	1,663,050
Accounts payable(including related parties)	4,295,357	4,295,357	4,295,357	-	-
Other payables	<u>9,382,282</u>	<u>9,382,282</u>	<u>9,382,282</u>	<u>-</u>	<u>-</u>
	<b>\$ <u>95,125,156</u></b>	<b><u>100,078,448</u></b>	<b><u>29,616,156</u></b>	<b><u>55,921,045</u></b>	<b><u>14,541,247</u></b>
<b>As of January 1, 2012</b>					
<b>Non-derivative financial liabilities</b>					
Short-term and long-term borrowings	\$ 63,965,434	67,766,222	13,556,135	35,841,033	18,369,054
Secured bonds payable	10,200,000	10,828,875	139,750	10,689,125	-
Lease liabilities	10,525,724	12,266,212	1,998,821	7,526,461	2,740,930
Accounts payable (including related parties)	2,628,845	2,628,845	2,628,845	-	-
Other payables	<u>9,155,862</u>	<u>9,155,862</u>	<u>9,155,862</u>	<u>-</u>	<u>-</u>
	<b>\$ <u>96,475,865</u></b>	<b><u>102,646,016</u></b>	<b><u>27,479,413</u></b>	<b><u>54,056,619</u></b>	<b><u>21,109,984</u></b>

(Continued)

## EVA AIRWAYS CORP.

## Notes to Consolidated Financial Statements

The Group is not expecting that the cash flows including the maturity analysis could occur significantly earlier or at significantly different amounts.

## 4. Currency risk

## (1) Exposure to currency risk

The Group's significant exposure to foreign currency risk was as follows:

	2013.12.31			2012.12.31			2012.1.1		
	Foreign currency (in thousands)	Exchange rate	NTD	Foreign currency (in thousands)	Exchange rate	NTD	Foreign currency (in thousands)	Exchange rate	NTD
Financial assets									
Monetary items									
USD	\$ 210,637	29.805	6,278,036	218,333	29.04	6,340,394	128,151	30.28	3,879,764
EUR	5,665	41.09	232,775	5,913	38.49	227,586	4,603	39.18	180,356
JPY	672,612	0.2839	190,955	423,515	0.3364	142,471	421,111	0.3906	164,486
HKD	216,691	3.84	832,744	240,418	3.75	900,848	199,684	3.90	778,168
CNY	1,322,590	4.92	<u>6,505,820</u>	566,978	4.66	<u>2,642,119</u>	753,013	4.81	<u>3,619,734</u>
			<b>\$ <u>14,040,330</u></b>			<b><u>10,253,418</u></b>			<b><u>8,622,508</u></b>
Financial liabilities									
Monetary items									
USD	\$ 636,627	29.805	18,974,654	800,913	29.04	23,258,504	889,541	30.28	26,930,848
EUR	9,526	41.09	391,423	7,878	38.49	303,208	6,550	39.18	256,642
JPY	1,475,251	0.2839	418,824	1,242,389	0.3364	417,940	1,054,213	0.3906	411,776
HKD	2,997	3.84	11,517	14,992	3.75	56,176	20,456	3.90	79,716
CNY	293,241	4.92	<u>1,442,452</u>	238,621	4.66	<u>1,111,972</u>	162,644	4.81	<u>781,829</u>
			<b>\$ <u>21,238,870</u></b>			<b><u>25,147,800</u></b>			<b><u>28,460,811</u></b>

## (2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes receivable, accounts receivable (including related parties), available-for-sale financial assets—non-current, refundable deposits (included in other non-current assets), long-term borrowings, accounts payable (including related parties), other payables, lease liabilities and restoration obligations (included in other non-current liabilities) that are denominated in foreign currency. A 1% depreciation (appreciation) of the NTD against the USD, EUR, JPY, HKD and CNY as of December 31, 2013 and 2012, would have decreased (increased) the profit by \$71,986 and \$148,944 in 2013 and 2012, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2013 and 2012.

(Continued)

## EVA AIRWAYS CORP.

## Notes to Consolidated Financial Statements

## (3) Interest rate risk

The liquidity risk and interest rate exposure of the Group's financial liabilities are illustrated in note (s).

The following sensitivity analysis is based on the exposure to interest rate risk of the non-derivative financial instruments on the reporting date. For variable-rate instruments, the sensitivity analysis assumes the variable-rate liabilities are outstanding for the whole year on the reporting date. The Group's internal department reported the increases/decreases in the interest rates and the exposure to changes in interest rates on 100 basis points to the Group's key management so as to allow key management to assess the reasonableness of the changes in the interest rates.

If the interest rate increases (decreases) by 1% all other variable factors that remain constant, the profit of the Group will decrease (increase) \$487,874 and \$566,774 for the years ended December 31, 2013 and 2012, respectively due to the Group's floating-interest borrowings.

## (4) Fair value

## (i) Fair value and carrying amount

Aside from those listed as follows, the Group's management believes the carrying amounts of its financial assets and financial liabilities at amortized cost are approximately equal to their fair value.

	<u>2013.12.31</u>		<u>2012.12.31</u>		<u>2012.1.1</u>	
	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
Financial liabilities:						
Secured bonds payable	\$ 21,200,000	20,964,867	16,700,000	16,532,696	10,200,000	10,099,526
Long-term borrowings	4,111,046	4,200,047	3,846,880	3,916,634	4,368,472	4,634,449
Lease liabilities	<u>1,830,499</u>	<u>1,886,325</u>	<u>2,905,535</u>	<u>3,070,120</u>	<u>3,708,809</u>	<u>4,003,664</u>
	<u>\$ 27,141,545</u>	<u>27,051,239</u>	<u>23,452,415</u>	<u>23,519,450</u>	<u>18,277,281</u>	<u>18,737,639</u>

## (ii) Valuation techniques and assumptions used in fair value determination

The Group uses the following methods in determining the fair value of its financial assets and liabilities:

- A. The fair value of investments in securities of listed companies, with standard terms and conditions which are traded in active markets, is based on quoted market price.

(Continued)



**EVA AIRWAYS CORP.****Notes to Consolidated Financial Statements**

B. The fair value of derivative instruments is based on quoted prices.

C. For all other financial assets and financial liabilities, the fair value is determined using a discounted cash flow analysis based on expected future cash flows.

(iii) Interest rates used for determining fair value

The interest rates used for discounting estimated cash flows were as follows:

	<u>2013</u>	<u>2012</u>
Secured bonds payable	1.52%	1.58%
Long-term borrowings	1.52%~1.64%	1.58%~1.65%
Lease liabilities	1.52%	1.58%

(iv) Fair value hierarchy

The table below analyzes the financial instruments measured at fair value classified by measurement method. The definitions of fair value hierarchy levels are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(Continued)

## EVA AIRWAYS CORP.

## Notes to Consolidated Financial Statements

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
As of December 31, 2013				
Financial assets at fair value through profit or loss	\$ 1,192	-	-	1,192
Available-for-sale financial assets	3,625,594	-	1,568,259	5,193,853
Derivative financial assets	-	<u>26,090</u>	-	<u>26,090</u>
	<u>\$ 3,626,786</u>	<u>26,090</u>	<u>1,568,259</u>	<u>5,221,135</u>
As of December 31, 2012				
Financial assets at fair value through profit or loss	\$ 260,289	-	-	260,289
Available-for-sale financial assets	3,602,475	-	1,943,736	5,546,211
Derivative financial assets	-	<u>13,353</u>	-	<u>13,353</u>
	<u>\$ 3,862,764</u>	<u>13,353</u>	<u>1,943,736</u>	<u>5,819,853</u>
As of January 1, 2012				
Financial assets at fair value through profit or loss	\$ 885	-	-	885
Available-for-sale financial assets	3,890,391	-	3,328,921	7,219,312
Derivative financial assets	-	<u>69,953</u>	-	<u>69,953</u>
	<u>\$ 3,891,276</u>	<u>69,953</u>	<u>3,328,921</u>	<u>7,290,150</u>

- (v) Movements in fair value measurements of financial assets in Level 3 and sensitivity analysis.

The following table shows reconciliation from the beginning balance to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	<u>Unquoted equity instruments</u>
Beginning balance at January 1, 2013	\$ 1,943,736
Recognized in other comprehensive income	<u>(375,477)</u>
Balance at December 31, 2013	<u>\$ 1,568,259</u>
Beginning balance at January 1, 2012	\$ 3,328,921
Recognized in other comprehensive income	<u>(1,385,185)</u>
Balance at December 31, 2012	<u>\$ 1,943,736</u>

The fair value hierarchy levels of financial assets were not transferred in 2013 and 2012.

(Continued)

**EVA AIRWAYS CORP.****Notes to Consolidated Financial Statements**

The fair value measurements of the Group's financial instruments are reasonable; however, changes in the use of valuation models or valuation variables may affect the estimations. For fair value measurements in Level 3, fluctuation in the valuation variable by 5% would have the following effect:

	<b>Effects of changes in fair value on other comprehensive income</b>	
	<b><u>Favorable</u></b>	<b><u>Unfavorable</u></b>
As of December 31, 2013		
Available-for-sale financial assets	\$ <u>77,947</u>	<u>(77,947)</u>
As of December 31, 2012		
Available-for-sale financial assets	\$ <u>96,732</u>	<u>(96,732)</u>

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the inter-relationships with another input.

## (s) Management of financial risk

1. The Group is exposed to the nature and extent of the risks arising from financial instruments as below:
  - a. Credit risk
  - b. Liquidity risk
  - c. Market risk

Detailed information about exposure risk arising from the aforementioned risk and the Group's objective, policies and process for managing risks have been stated below. Further quantitative disclosures have been disclosed as notes to the financial statements.

## 2. Risk management framework

The Group's Board of Directors has responsibility for the oversight of the risk management framework. The Group's inter-departmental management and committee, which consists of managers from all departments, is responsible for monitoring the Group's risk management policies and reports regularly to the Board of Directors on its activities.

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**EVA AIRWAYS CORP.****Notes to Consolidated Financial Statements**

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The inter-department management and committee are reviewed regularly to reflect change in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's supervisors oversee how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risk faced by the Group. The Group's supervisors are assisted in this oversight role by the internal auditor. The internal auditor reviews the risk controls and procedures, and reports the results on a regular or irregular basis to the supervisors.

**3. Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to financial instruments fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investments in securities.

**(1) Notes and accounts receivable**

The Group's exposure to credit risk is influenced mainly by the individual characteristic of each customer. In accordance with the Group's credit policy, each customer is analyzed individually for creditworthiness, and is required to be a member of IATA clearing house. Otherwise, the customer will have to provide bank guarantees or collaterals before its credit terms and credit limit are offered. Credit limit is offered to each customer as the limit of transactions and is reviewed regularly.

The transaction amount of the majority of the Group's customers is not significant, leading to an insignificant influence of loss from credit risk arising from single customer on the Group. The Group set up the allowance for doubtful accounts to reflect the estimated loss of notes and accounts receivable. The major component of the allowance accounts includes the specific loss component related to individually significant exposure.

**(2) Investments**

The credit risk exposure in the bank deposits, fixed income investments and other financial instruments are measured and monitored by the Group's finance department. Since the Group's transactions are with external parties with good credit standing, highly rated financial institutions, publicly traded stock companies and unlisted companies with good reputation, there are no non-compliance issues and therefore no significant credit risk.

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**EVA AIRWAYS CORP.****Notes to Consolidated Financial Statements**

## (3) Guarantees

As of December 31, 2013, the Group did not provide guarantee.

## 4. Liquidity risk

Liquidity risk is a risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's finance department monitors the needs for cash flows, and plans optional return from investments of idle capital. The Group aims to maintain the level of its cash and cash equivalents at an amount to cope with expected cash outflows on operation, including meeting its financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

## 5. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices that will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

## (1) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities primarily the TWD and USD. The currencies used in these transactions are principally denominated in TWD, CNY, EUR, USD and JPY.

The Group hedges its cash and cash equivalents, trade receivables from sales, trade payables to purchase and leases payments for aircraft denominated in a foreign currency. When necessary the Group uses foreign currency financing and forward exchange contracts to hedge its currency risk. The financial department proactively collects information of currency to monitor the trend of currency rate and keeps connection with the foreign currency department of banks to collect the market information for securing the currency risk.

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## EVA AIRWAYS CORP.

## Notes to Consolidated Financial Statements

## (2) Interest rate risk

The Group enters into and designates interest rate swaps as hedges of the variability in interest rate risk from long-term borrowings.

## (3) Other market price risk

The Group monitors the risk arising from its available-for-sale security instruments, which are held for monitoring cash flow requirements and unused capital. The management of the Group monitors the combination of equity securities and open-market funds in its investment portfolio based on cash flow requirements. Material investments within the portfolio are managed on an individual basis, and all buy-and-sell decisions are approved by the Board of Directors.

## (t) Capital management

The Board of Directors' policy is to maintain a strong capital base to maintain the confidence of investors, creditors, and the market and to sustain future development of the business. The Board of Directors monitors the level of dividends to ordinary equity holders as well as future operation of the business.

As of December 31, 2013, there were no changes in the Group's approach to capital management.

**7. Transactions with related parties**

## (a) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

## (b) Significant transactions with related parties

## 1. Operating revenue

Significant sales to related parties of the Group were as follows:

	<u>2013</u>	<u>2012</u>
Associates	\$ 3,917	114
Others	<u>2,132,432</u>	<u>1,651,543</u>
	<u>\$ 2,136,349</u>	<u>1,651,657</u>

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## EVA AIRWAYS CORP.

## Notes to Consolidated Financial Statements

Related parties leased aircraft from the Group to operate cross-strait flights between Mainland China and Taiwan. The rental is charged by actual flight hours and recorded under operating revenue.

The prices for sales to related parties are not materially different from those of the third-parties sales. The payment terms are within 1~3 months, which do not materially differ from those of third-party transactions. There was no collateral on the accounts receivable from related parties. Provisions for bad debt expenses were accrued properly after assessment.

## 2. Operating cost

Significant purchases from related parties of the Group were as follows:

	<u>2013</u>	<u>2012</u>
Associates	\$ 83,621	65,856
Others	<u>1,387,859</u>	<u>1,283,446</u>
	<u>\$ 1,471,480</u>	<u>1,349,302</u>

The prices for purchases from related parties are not materially different from those of the third-party vendors. The payment terms are within 1~3 months, which do not materially differ from those of third-party transactions.

## 3. Operating expense

Operating expenses from transactions with related parties were as follows:

	<u>2013</u>	<u>2012</u>
Associates	\$ 60,207	47,278
Others	<u>340,512</u>	<u>309,327</u>
	<u>\$ 400,719</u>	<u>356,605</u>

The prices for related parties transactions are not materially different from those of the third-party vendors. The payment terms are within 1~3 months, which do not materially differ from those of third-party transactions.

4. The Group purchased spare parts for maintenance from related parties, amounting to \$1,378,598 for the year ended December 31, 2013. There was no such transaction for the year ended December 31, 2012.

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## EVA AIRWAYS CORP.

## Notes to Consolidated Financial Statements

## 5. Construction commitment

In February 2012, the Group entered into a contract amounting to \$720,000 with related parties for the purpose of construction of its training center. As of December 31, 2013 and 2012, the unpaid contract price amounted to \$198,598 and \$460,080, respectively. In February 2013, the Group entered into a contract amounting to \$191,625 with related parties for the purpose of expansion construction of the northeast station of Taiwan Taoyuan International Airport. As of December 31, 2013, the unpaid contract price amounted to \$24,145.

## 6. Receivables from related parties

Receivables from related parties of the Group were as follows:

Account	Class of related parties	2013.12.31	2012.12.31	2012.1.1
Accounts receivable	Associates	\$ 300	-	24
Accounts receivable	Others	357,972	316,596	274,919
Other receivables	Associates	526	21	-
Other receivables	Others (note)	112,799	80,235	283,833
		<u>\$ 471,597</u>	<u>396,852</u>	<u>558,776</u>

As of December 31, 2013 and 2012, and January 1, 2012, \$2,034, \$30,544 and \$29,435 were deducted respectively for the credit balance of investment accounted for using equity method. In addition, overdue accounts receivable were recorded as other receivables under other current assets.

Note: As of December 31, 2013 and 2012, and January 1, 2012, the overdue accounts receivable were reclassified to other receivables. The aging for the abovementioned overdue accounts receivable were shown below:

Name	2013.12.31			
	Aging for overdue accounts receivable			
	Amount	Overdue 1-6 months	Overdue 7-12 months	Overdue one year
Shanghai Airlines Cargo International Co., Ltd.	\$ 2,034	-	-	2,034

(Continued)



## EVA AIRWAYS CORP.

## Notes to Consolidated Financial Statements

Name	2012.12.31			
	Aging for overdue accounts receivable			
	Amount	Overdue	Overdue	Overdue
		1-6 months	7-12 months	one year
Shanghai Airlines Cargo International Co., Ltd.	\$ 19,625	-	1,882	17,743

Name	2012.1.1			
	Aging for overdue accounts receivable			
	Amount	Overdue	Overdue	Overdue
		1-6 months	7-12 months	one year
Shanghai Airlines Cargo International Co., Ltd.	\$ 25,558	11,623	2,606	11,329
Uni Airways Corporation	231,426	77,744	153,682	-

## 7. Payables to related parties

Payables to related parties of the Group were as follows:

Account	Class of related parties	2013.12.31	2012.12.31	2012.1.1
Accounts payable	Associates	\$ 4,995	8,010	2,756
Accounts payable	Others	224,588	121,026	111,918
Other payables	Associates	7,204	6,620	6,862
Other payables	Others	322,855	78,770	101,543
		<u>\$ 559,642</u>	<u>214,426</u>	<u>223,079</u>

## (c) Key management personnel compensation

Key management personnel compensation comprised the following:

	2013	2012
Short-term employee benefits	\$ 99,045	97,098
Post-employment benefits	9,729	5,384
	<u>\$ 108,774</u>	<u>102,482</u>

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## EVA AIRWAYS CORP.

## Notes to Consolidated Financial Statements

## 8. Pledged assets

The book values of the pledged assets were as follows:

<b>Pledged assets</b>	<b>Object</b>	<b><u>2013.12.31</u></b>	<b><u>2012.12.31</u></b>	<b><u>2012.1.1</u></b>
Property, plant, and equipment	Short-term and long-term borrowings	\$ 53,739,219	60,797,450	69,583,124
Operating assets used for service concession arrangement – included in intangible assets	Long-term borrowings	1,618,416	1,727,957	1,837,497
Available-for-sale financial assets – non-current	Contract performance guaranties	89,274	100,070	121,090
Time deposit – included in other non-current assets	Letters of credit, customs duty, and contract performance guaranties	95,107	81,467	97,413
Inventories	Long-term borrowings	-	-	500,033
		<b><u>\$ 55,542,016</u></b>	<b><u>62,706,944</u></b>	<b><u>72,139,157</u></b>

## 9. Commitments and contingencies

(a) Significant commitments: None.

(b) Significant contingencies:

- In May 2012 and October 2013, the Group entered into aircraft purchase contracts with Boeing Company and four subsidiaries of GECAS for 7 Boeing 777 aircraft. The total amount of the contracts price is US\$2,261,094. The Group has partially paid the price as follows:

	<b><u>2013.12.31</u></b>	<b><u>2012.12.31</u></b>	<b><u>2012.1.1</u></b>
Advances for purchases of equipment-included in other non-current assets	<b><u>\$ 4,658,998</u></b>	<b><u>1,656,044</u></b>	<b><u>-</u></b>

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**EVA AIRWAYS CORP.****Notes to Consolidated Financial Statements**

2. Unused letters of credit for the Group were as follows:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Unused letters of credit	\$ <u>2,157,366</u>	<u>1,958,676</u>	<u>1,744,696</u>

3. Consolidated subsidiary Evergreen Airline Services Corp. (hereinafter referred to as EGAS) entered into a contract—Contract of Building and Operating Phase II Air Cargo Terminal—with Civil Aeronautics Administration, Ministry of Transportation and Communications (hereinafter referred to as CAA) in 1999 to obtain the right to build and operate phase II of air cargo terminal at Taoyuan International Airport (hereinafter referred to as terminal) during the concession period and to run the business of warehousing of air cargo. Some details of this contract are as follows:

(1) Concession period

- (i) Building period is less than 3 years starting from the date (i.e. April 1, 2000) when CAA delivered the terminal land to EGAS.
- (ii) Operating period is 30 years starting from the initial date of operation (i.e. February 26, 2002) approved by CAA.

(2) Right to build and operate

- (i) EGAS should complete the work of building terminal and acquire necessary licenses to start operation after obtaining approval from CAA. EGAS has acquired the right to operate since the date of approval of operation and is not allowed to transfer the running of all the business to third-party. However, the running of part of the business can be transferred to third-party if CAA approves.
- (ii) EGAS acquired an air cargo entrepot license issued by CAA on February 26, 2002 to obtain the right to operate terminal and start operations officially.

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**EVA AIRWAYS CORP.****Notes to Consolidated Financial Statements****(3) Royalty**

EGAS should pay CAA royalties with the amount of a certain percentage (originally set at 6% before being adjusted to 6.10% on July 1, 2005 and adjusted subsequently to 6% in October 2008 until September 2014) of operating revenue, plus business tax, for each two-month period during the operating period. At the end of each accounting year, the adjustments will be made based on the differences between the amount of royalties EGAS has to pay, which is calculated as the total revenue (inclusive of operating revenue and non-operating income but exclusive of rental income from subletting operating facilities to Fedex) disclosed in the financial statements audited by the certified public accountants and multiplied by the aforementioned percentage, and adjusted by the amount of royalties EGAS has already paid during the same period. EGAS has to make up for the difference if the amount of royalties EGAS has to pay is more than those already paid; the difference will be deducted from the amount EGAS has to pay in the following period if the situation is the opposite.

**(4) Transfer of assets at the end of concession period**

At the end of concession period, the lease agreement of the land is terminated and the land has to be returned to the government. EGAS is allowed to transfer with remuneration to the government the operating assets, in their status quo at the end of concession period, whose addition has been approved by CAA during the 5-year period before the expiration of concession period. The operating assets (in their status quo at the end of concession period, and acquired prior to the 5-year period before the expiration of concession period) have to be transferred without remuneration to the government, unless otherwise agreed. The transferred object consists of all the operating assets as well as other assets necessary to operations which were acquired by building and operating in accordance with the concession contract during the concession period.

**10. Significant disaster losses: none**

**11. Significant subsequent events: none**

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## EVA AIRWAYS CORP.

## Notes to Consolidated Financial Statements

## 12. Others

(a) A summary of employee expenses, depreciation and amortization expenses, by function, is as follows:

	<u>Operating cost</u>	<u>2013 Operating expenses</u>	<u>Total</u>	<u>Operating cost</u>	<u>2012 Operating expenses</u>	<u>Total</u>
Personnel expenses						
Salaries	\$ 7,868,561	3,722,995	11,591,556	7,138,286	3,409,134	10,547,420
Labor and health insurance	546,710	223,747	770,457	491,016	196,674	687,690
Pension	474,518	168,651	643,169	437,919	152,031	589,950
Others	1,951,586	427,659	2,379,245	1,754,203	458,655	2,212,858
Depreciation (Note)	10,275,141	313,309	10,588,450	10,533,576	258,655	10,792,231
Amortization	130,660	103,181	233,841	125,263	56,870	182,133

Note: For the years ended December 31, 2013 and 2012, the depreciation expenses recognized were \$10,723,866 and \$10,927,647, respectively, less deferred gains of \$135,416 and \$135,416, respectively.

## 13. Operating segments

(a) General information

The Group has three reportable segments: aviation transportation segment, maintenance segment, and catering service segment. Aviation transportation segment is involved in aviation transportation of passengers and cargo. Maintenance segment is involved in maintenance of aircraft, engine, and aircraft parts. Catering service segment is involved in provision of catering service.

Other operating segments are mainly involved in ground handling services, travel agency, distribution of cargo, and investment. For the years ended December 31, 2013 and 2012, the above segments do not meet the quantitative thresholds to be reportable.

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## EVA AIRWAYS CORP.

## Notes to Consolidated Financial Statements

- (b) Profit or loss data of the reportable segments (including specific revenues and expenses), assets and liabilities of the reportable segments, the basis of measurement and the related eliminations

The Group allocates its resources and evaluates performance based on the internal management report, including profit before taxation but excluding any extraordinary activity and foreign exchange gains or losses, which is reviewed by chief operating decision maker. The reportable amount is the same as that in the report used by the chief operating decision maker.

The accounting policies of operating segments are the same as those described in note 4 “significant accounting policies”. The Group treats intersegment sales and transfers as third-party transactions, which are measured at market price.

The Group’s operating segment information and reconciliation are as follows:

	2013					
	Aviation transportation segment	Maintenance segment	Catering services segment	Other segments	Reconciliation and elimination	Total
<b>Revenue:</b>						
Revenue from external customers	\$ 110,539,919	12,043,278	478,260	1,180,480	(77,486)	124,164,451
Intersegment revenue	207,543	5,248,357	1,786,304	2,124,755	(9,366,959)	-
Interest income	220,976	10,762	7,744	14,507	(2,690)	251,299
Net revenues	<u>\$ 110,968,438</u>	<u>17,302,397</u>	<u>2,272,308</u>	<u>3,319,742</u>	<u>(9,447,135)</u>	<u>124,415,750</u>
Interest expense	\$ (1,465,130)	(133,590)	(6)	(6,295)	2,690	(1,602,331)
Depreciation and amortization	(10,042,734)	(499,314)	(52,976)	(239,064)	11,797	(10,822,291)
Share of profit (loss) of associates accounted for using equity method	818,889	(5,085)	-	77,518	(806,762)	84,560
Other significant non-cash items:						
Impairment loss	-	-	-	(289,866)	-	(289,866)
<b>Reportable segment profit or loss</b>	<u>\$ 901,711</u>	<u>1,004,141</u>	<u>551,309</u>	<u>203,468</u>	<u>(820,291)</u>	<u>1,840,338</u>
<b>Assets:</b>						
Investment accounted for using equity method	\$ 10,686,982	234,964	-	320,519	(10,448,761)	793,704
Capital expenditures of non-current assets	4,680,806	266,868	139,540	420,051	-	5,507,265
<b>Reportable segment assets</b>	<u>\$ 139,394,778</u>	<u>19,290,630</u>	<u>2,805,164</u>	<u>5,577,355</u>	<u>(14,344,993)</u>	<u>152,722,934</u>
<b>Reportable segment liabilities</b>	<u>\$ 103,556,745</u>	<u>11,151,229</u>	<u>419,349</u>	<u>1,054,289</u>	<u>(3,716,039)</u>	<u>112,465,573</u>

(Continued)

## EVA AIRWAYS CORP.

## Notes to Consolidated Financial Statements

	2012					
	Aviation transportation segment	Maintenance segment	Catering services segment	Other segments	Reconciliation and elimination	Total
<b>Revenue:</b>						
Revenue from external customers	\$ 106,847,361	11,829,023	431,025	1,119,231	(68,173)	120,158,467
Intersegment revenue	300,446	6,177,812	1,495,358	2,012,205	(9,985,821)	-
Interest income	181,810	4,041	6,868	24,902	(14,359)	203,262
Net revenues	<u>\$ 107,329,617</u>	<u>18,010,876</u>	<u>1,933,251</u>	<u>3,156,338</u>	<u>(10,068,353)</u>	<u>120,361,729</u>
Interest expense	\$ (1,651,554)	(126,316)	(14)	(20,813)	14,359	(1,784,338)
Depreciation and amortization	(10,175,924)	(535,241)	(37,394)	(219,185)	(6,620)	(10,974,364)
Share of profit (loss) of associates accounted for using equity method	990,688	(47)	-	68,173	(977,044)	81,770
Other significant non-cash items:						
Impairment loss	-	-	-	(289,350)	-	(289,350)
<b>Reportable segment profit or loss</b>	<u>\$ 754,023</u>	<u>1,256,581</u>	<u>438,888</u>	<u>241,150</u>	<u>(995,475)</u>	<u>1,695,167</u>
<b>Assets:</b>						
Investment accounted for using equity method	\$ 9,796,991	239,953	-	372,919	(9,643,455)	766,408
Capital expenditures of non-current assets	4,280,315	304,042	122,863	234,176	-	4,941,396
<b>Reportable segment assets</b>	<u>\$ 142,293,950</u>	<u>19,033,524</u>	<u>2,420,106</u>	<u>6,772,979</u>	<u>(14,996,242)</u>	<u>155,524,317</u>
<b>Reportable segment liabilities</b>	<u>\$ 106,926,028</u>	<u>11,715,674</u>	<u>361,100</u>	<u>1,567,578</u>	<u>(4,430,864)</u>	<u>116,139,516</u>

## (c) Entity-wide information

## 1. Information about the products and services

Since the reportable segments of the Group are presented by the products, services and revenue from external customers that are disclosed in 13(b), therefore, information about the products and services will not be disclosed in this paragraph.

## 2. Geographical information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets that are based on the geographical location of the assets.

(Continued)

## EVA AIRWAYS CORP.

## Notes to Consolidated Financial Statements

Revenue from external customers:

<u>Geography</u>	<u>2013</u>	<u>2012</u>
Taiwan	\$ 55,453,400	51,352,423
Asia	37,561,459	38,568,646
Europe	5,994,859	5,969,144
North America	24,779,667	23,932,612
Others	<u>375,066</u>	<u>335,642</u>
	<b><u>\$ 124,164,451</u></b>	<b><u>120,158,467</u></b>

Non-current assets:

<u>Geography</u>	<u>2013</u>	<u>2012</u>
Taiwan	\$ 95,860,782	99,030,828
Asia	209,375	205,821
Others	<u>36,586</u>	<u>18,160</u>
	<b><u>\$ 96,106,743</u></b>	<b><u>99,254,809</u></b>

Non-current assets include property, plant and equipment, intangible assets, and other non-current assets, excluding financial instruments and deferred tax assets.

### 3. Information about revenue from major customers

The Group is involved in international aviation transportation with its major customers being the masses.

### 14. First-time adoption of IFRSs approved by the FSC

The Group's consolidated financial statements as of December 31, 2012, were previously prepared in accordance with accounting principles generally accepted in the R.O.C. (R.O.C. GAAP). As described in note 4(a), the consolidated financial statements are the Group's first annual consolidated financial statements prepared in accordance with the Regulations and the IFRSs approved by the FSC, and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied.

The accounting policies described in note 4 have been adopted when preparing the comparative consolidated financial statements for the year ended December 31, 2012, the balance sheet as of December 31, 2012, and the initial IFRS balance sheet as of January 1, 2012 (the Group's conversion date).

(Continued)



## EVA AIRWAYS CORP.

## Notes to Consolidated Financial Statements

In preparing the financial statements for the year 2012, the Group has adjusted amounts reported previously in the financial statements prepared in accordance with R.O.C. GAAP. An explanation of how the transition to IFRSs approved by the FSC has affected the Group's financial position, financial performance, and cash flows is set out in the following tables and the notes that accompany the tables. The adjustments of the consolidated balance sheets at December 31, 2012, and January 1, 2012 (the Group's conversion date) and statement of comprehensive income for 2012 were as follows:

## (a) Reconciliation of consolidated balance sheets items

	2012.12.31			2012.1.1		
	ROC GAAP	Effect of transition to IFRSs	IFRSs	ROC GAAP	Effect of transition to IFRSs	IFRSs
<b>Assets</b>						
Cash and cash equivalents	\$ 22,083,330	-	22,083,330	17,470,319	-	17,470,319
Available-for-sale financial assets—current	2,180,986	-	2,180,986	2,551,236	-	2,551,236
Notes and accounts receivable, net (including related parties)	10,892,748	-	10,892,748	9,399,830	-	9,399,830
Inventories (1)	12,919,774	(3,810,292)	9,109,482	13,346,258	(3,965,851)	9,380,407
Other current assets (1), (2)	1,861,826	(638,552)	1,223,274	2,952,925	(1,507,209)	1,445,716
Total current assets	49,938,664	(4,448,844)	45,489,820	45,720,568	(5,473,060)	40,247,508
Available-for-sale financial assets—non-current (3)	789,564	2,575,661	3,365,225	709,758	3,958,318	4,668,076
Investments accounted for using equity method (4)	793,699	(27,291)	766,408	455,573	(38,457)	417,116
Financial assets carried at cost—non-current (3)	3,712,342	(3,712,342)	-	4,059,110	(4,059,110)	-
Property, plant and equipment (1), (5), (9)	87,779,979	6,965,790	94,745,769	94,857,339	6,334,968	101,192,307
Intangible assets (5), (7)	281,504	1,990,237	2,271,741	351,146	1,856,325	2,207,471
Deferred tax assets (2)	4,474,692	1,014,557	5,489,249	3,231,263	1,976,638	5,207,901
Other non-current assets (1), (7), (9)	1,496,131	1,899,974	3,396,105	2,010,955	(79,080)	1,931,875
Total non-current assets	99,327,911	10,706,586	110,034,497	105,675,144	9,949,602	115,624,746
Total assets	\$ <u>149,266,575</u>	<u>6,257,742</u>	<u>155,524,317</u>	<u>151,395,712</u>	<u>4,476,542</u>	<u>155,872,254</u>
<b>Liabilities</b>						
Short-term borrowings	\$ 1,482,777	-	1,482,777	2,169,436	-	2,169,436
Accounts payable (including related parties)	4,295,357	-	4,295,357	2,628,845	-	2,628,845
Other current liabilities (6), (7)	32,298,772	784,543	33,083,315	31,436,549	309,033	31,745,582
Total current liabilities	38,076,906	784,543	38,861,449	36,234,830	309,033	36,543,863
Long-term borrowings (including bonds payable)	60,557,411	-	60,557,411	61,562,976	-	61,562,976
Deferred tax liabilities (2)	-	285,336	285,336	-	52,886	52,886
Lease liability—non-current	7,335,153	-	7,335,153	9,003,131	-	9,003,131
Accrued employee retirement liabilities (7)	1,304,488	2,024,443	3,328,931	1,469,210	1,646,679	3,115,889
Other non-current liabilities (1), (6),(7), (8)	1,278,106	4,493,130	5,771,236	1,479,641	4,217,456	5,697,097
Total non-current liabilities	70,475,158	6,802,909	77,278,067	73,514,958	5,917,021	79,431,979
Total liabilities	108,552,064	7,587,452	116,139,516	109,749,788	6,226,054	115,975,842
Common stock	32,589,450	-	32,589,450	32,589,450	-	32,589,450
Capital surplus (4)	2,626,446	(902,844)	1,723,602	2,626,446	(902,844)	1,723,602
Retained earnings (1), (2), (4), (5), (6), (7), (8)	6,805,056	(4,909,580)	1,895,476	6,301,045	(4,629,297)	1,671,748
Other equity (1), (3), (7)	(5,467,491)	4,626,885	(840,606)	(3,643,666)	3,852,919	209,253
Total equity attributable to owners of parent	36,553,461	(1,185,539)	35,367,922	37,873,275	(1,679,222)	36,194,053
Non-controlling interests	4,161,050	(144,171)	4,016,879	3,772,649	(70,290)	3,702,359
Total equity	40,714,511	(1,329,710)	39,384,801	41,645,924	(1,749,512)	39,896,412
Total liabilities and equity	\$ <u>149,266,575</u>	<u>6,257,742</u>	<u>155,524,317</u>	<u>151,395,712</u>	<u>4,476,542</u>	<u>155,872,254</u>

(Continued)

## EVA AIRWAYS CORP.

## Notes to Consolidated Financial Statements

## (b) Reconciliation of consolidated statement of comprehensive income items

	2012		
	ROC GAAP	Effect of Transition to IFRSs	IFRSs
Operating revenue (6)	\$ 120,121,016	37,451	120,158,467
Operating cost (1), (5), (7), (8)	<u>(108,536,251)</u>	<u>(719,256)</u>	<u>(109,255,507)</u>
Gross profit from operations	<u>11,584,765</u>	<u>(681,805)</u>	<u>10,902,960</u>
Operating expenses (5), (7)	<u>(8,589,393)</u>	<u>95,583</u>	<u>(8,493,810)</u>
Net operating income	<u>2,995,372</u>	<u>(586,222)</u>	<u>2,409,150</u>
Non-operating income and expenses:			
Other income	342,055	-	342,055
Other gains and losses (1)	(206,062)	852,592	646,530
Finance costs (1)	(1,740,334)	(44,004)	(1,784,338)
Share of profit of associates accounted for using equity method (4)	<u>79,842</u>	<u>1,928</u>	<u>81,770</u>
Profit before tax	1,470,873	224,294	1,695,167
Income tax expenses (2)	<u>(429,790)</u>	<u>(69,690)</u>	<u>(499,480)</u>
Profit	<u>1,041,083</u>	<u>154,604</u>	<u>1,195,687</u>
Other comprehensive income:			
Exchange differences on translation of foreign financial statements	(2,155,050)	2,074,855	(80,195)
Unrealized gains (losses) on available-for-sale financial assets	110,085	(1,035,888)	(925,803)
Cash flow hedges	(56,600)	-	(56,600)
Net loss not recognized as pension cost	(85,471)	85,471	-
Actuarial losses on defined benefit plans (11)	-	(584,771)	(584,771)
Share of other comprehensive income of associates (11)	-	(699)	(699)
Income tax relating to components of other comprehensive	<u>380,738</u>	<u>(273,771)</u>	<u>106,967</u>
Other comprehensive income, net of tax	<u>(1,806,298)</u>	<u>265,197</u>	<u>(1,541,101)</u>
Comprehensive income	<u>\$ (765,215)</u>	<u>419,801</u>	<u>(345,414)</u>
Profit attributable to :			
Owners of parent	\$ 504,011	151,189	655,200
Non-controlling interests	<u>537,072</u>	<u>3,415</u>	<u>540,487</u>
	<u>\$ 1,041,083</u>	<u>154,604</u>	<u>1,195,687</u>
Comprehensive income attributable to:			
Owners of parent	\$ (1,319,814)	493,683	(826,131)
Non-controlling interests	<u>554,599</u>	<u>(73,882)</u>	<u>480,717</u>
	<u>\$ (765,215)</u>	<u>419,801</u>	<u>(345,414)</u>
Earnings per common share			
Basic earnings per share (dollars)	<u>\$ 0.15</u>	<u>0.05</u>	<u>0.20</u>
Diluted earnings per share (dollars)	<u>\$ 0.15</u>	<u>0.05</u>	<u>0.20</u>

(Continued)

**EVA AIRWAYS CORP.****Notes to Consolidated Financial Statements**

## (c) Reconciliation of consolidated statement of cash flows:

There are no significant differences between R.O.C. GAAP and IFRSs approved by the FSC in the consolidated statement of cash flows.

## (d) Explanation of reconciliation of significant differences:

1. The Group performs inspections or overhaul for the property, plant and equipment project periodically. Major inspection or overhaul cost is recognized in the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are met. In addition, the remaining carrying amount of the cost of previous inspection or overhaul should be derecognized. If the inspection or overhaul cost has not been separately identified when the asset was acquired or constructed, the estimated cost of a similar inspection or overhaul may be used as an indication of the existing inspection component. A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows if the impact of time value of money is significant. Also, the IFRSs approved by the FSC do not include regulations of Decree No. 01666, which regards the fleet obtained via its own USD dollar funds and USD dollar loans and operated for international transportation of passengers and cargo as foreign operating units. Based on the aforementioned regulations, the Group made adjustments in inventories, other current assets, property, plant and equipment, other non-current assets, other non-current liabilities, retained earnings, and other equity as of December 31 and January 1, 2012. Also, the Group made adjustments in operating cost, interest expense, and foreign exchange gains (losses) for the year ended December 31, 2012.
2. The Group recognizes the taxable loss, income tax credit, and temporary differences as deferred tax assets or liabilities, which are classified as non-current, to the extent that it is probable that there will be taxable income available in the future. The reclassification has no effect on the statement of comprehensive income for the year ended December 31, 2012, as well as the equity as of December 31 and January 1, 2012. As of December 31 and January 1, 2012, the Group remeasured temporary differences and adjusted the presentation of accounts, including other current assets, deferred tax assets, deferred tax liabilities, and retained earnings, in accordance with the IFRSs approved by the FSC. In addition, the Group made adjustments in the income tax expense for the year ended December 31, 2012.
3. The Group measures its financial assets by reference to the quoted price in the active market, which is deemed to be best evidence of the fair value of financial assets. If the market of financial assets is not active, the fair value is determined by using valuation techniques. The Group made adjustments in available-for-sale financial assets—non-current, financial assets carried at cost—non-current, and other equity as of December 31 and January 1, 2012.

(Continued)

**EVA AIRWAYS CORP.****Notes to Consolidated Financial Statements**

4. The variation in the proportion of share equity arising from the additional share issuance by affiliates in which the original shareholders do not acquire new shares proportionately was recognized as profit or loss. In addition, the IFRSs approved by the FSC do not include the regulations, which are included in Decree No. 045, requiring that capital surplus be recognized for the donated fixed assets. Due to the aforementioned regulations, the Group made adjustments in investment accounted for using equity method, capital surplus, and retained earnings as of December 31 and January 1, 2012. Also, the Group made adjustments in the share of profit of associates accounted for using equity method for the year ended December 31, 2012.
5. The Group recognizes the cost of terminal construction, which is directly relevant to operating activities of terminal and which has to be transferred without remuneration to the government at the end of concession period, as intangible asset – operating concession. Due to the aforementioned regulations, the Group made adjustments in property, plant and equipment, intangible asset, and retained earnings as of December 31 and January 1, 2012. Also, the Group made adjustments in operating cost and operating expense for the year ended December 31, 2012.
6. The Group's customer loyalty program, whereby customers are awarded credits known as points at the timing of sale in exchange for free or discounted goods or services in the future, includes several identifiable components. The Group sells two items to its customers: goods or services and the points. The Group should estimate and defer the corresponding fair value of the points based on experience of the probability of redemption, and the revenue would not be recognized until the customers exercise their conversion in the future. The Group made adjustments in other current liabilities, other non-current liabilities, and retained earnings as of December 31 and January 1, 2012. Also, the Group made adjustments in operating revenue for the year ended December 31, 2012.
7. Based on the expected additional expenditures incurred by accumulated but unexercised rights of leave, the Group measures the expected cost of accumulating compensated absences. Besides, when the actuarial gains and losses of pension occur, the actuarial gains and losses for the period shall immediately be recognized as other comprehensive income. The Group made adjustments in intangible assets, other current liabilities, accrued pension liabilities, other non-current liabilities, retained earnings, and other equity as of December 31 and January 1, 2012. Also, the Group made adjustments in operating cost and operating expenses for the year ended December 31, 2012.
8. The gains (losses) from sale of Group's sale and leaseback transactions, whose sale price is fair value, should be immediately recognized. The Group made adjustments in other non-current liabilities and retained earnings as of December 31 and January 1, 2012. Also, the Group made adjustments in operating cost for the year ended December 31, 2012.

(Continued)

**EVA AIRWAYS CORP.****Notes to Consolidated Financial Statements**

9. The Group's advances for purchases of equipment should be classified as long-term prepayments according to its nature. The Group reclassified property, plant and equipment as other non-current assets in accordance with the regulations. The reclassification has no impact on the statement of comprehensive income for the year ended December 31, 2012, as well as the equity as of December 31 and January 1, 2012.
10. The Group made adjustments in non-controlling interests for all the aforementioned issues.
11. In accordance with previous GAAP, the Group recognized actuarial gains (losses) as profit or loss based on the residual period of service. At the conversion date, the Group recognized all the previously unrecognized accumulated actuarial gains (losses) as retained earnings in accordance with IFRS 1 *First-time adoption of International Financial Reporting Standards*. In addition, the Group designated the investment in securities of non-publicly listed companies as available-for-sale financial assets at the conversion date.

**EVA AIRWAYS CORP.**  
**Parent-Company-Only Financial Statements**  
**December 31, 2013 and 2012**  
**(With Independent Auditors' Report Thereon)**

Address: No. 376 Hsin-nan Road, Sec. 1, Luchu, Taoyuan Hsien, Taiwan  
Telephone No.: 886(03)3515151

## **Independent Auditors' Report**

The Board of Directors  
EVA Airways Corp.:

We have audited the balance sheets of EVA Airways Corp. (the "Company") as of December 31, 2013 and 2012, and January 1, 2012 and the related statements of comprehensive income, changes in equity, and cash flows for the years ended December 31, 2013 and 2012. These parent-company-only financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in the Republic of China. Those regulations and standards require that we plan and perform the audit to obtain reasonable assurance about whether the parent-company-only financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the parent-company-only financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall parent-company-only financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the parent-company-only financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Company as of December 31, 2013 and 2012, and January 1, 2012, and its financial performance and cash flows for the years ended December 31, 2013 and 2012, in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

Taipei, Taiwan (the Republic of China)  
March 25, 2014

### **Note to Readers**

The accompanying parent-company-only financial statements are intended only to present the financial position, financial performance and cash flows in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers". The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

EVA AIRWAYS CORP.

Balance Sheets

December 31, 2013 and 2012, and January 1, 2012  
(Expressed in Thousands of New Taiwan Dollars)

Assets	2013.12.31	2012.12.31	2012.1.1	Liabilities and Equity	2013.12.31	2012.12.31	2012.1.1
<b>Current assets:</b>				<b>Current liabilities:</b>			
Cash and cash equivalents (note 6(a))	\$ 20,012,604	19,157,798	13,666,643	Accounts payable (note 6(i))	\$ 1,848,515	3,323,829	1,801,200
Available-for-sale financial assets – current (note 6(b))	1,799,429	2,106,688	2,410,548	Accounts payable – related parties (note 7)	3,395,553	3,619,672	2,822,992
Derivative financial assets for hedge purposes – current (note 6(c))	26,090	13,353	69,953	Other payables (note 7)	9,682,100	8,142,076	8,167,005
Notes receivable, net (note 6(d))	344,738	415,371	317,587	Unearned revenue (note 6(p))	9,132,562	8,518,660	7,792,395
Accounts receivable, net (note 6(d))	6,082,411	6,445,966	5,922,310	Current portion of long-term liabilities (notes 6(j) and 8)	7,315,832	8,866,161	9,183,142
Accounts receivable – related parties (notes 6(d) and 7)	131,756	167,896	178,556	Other current liabilities (notes 6(j) and 8)	4,866,321	4,132,781	3,812,180
Inventories (notes 6(e), 7 and 8)	2,031,279	2,797,337	3,833,798	<b>Total current liabilities</b>	<u>36,240,883</u>	<u>36,603,179</u>	<u>33,578,914</u>
Other current assets (notes 6(d) and 7)	826,595	760,935	1,165,679	<b>Non-current liabilities:</b>			
<b>Total current assets</b>	<u>31,254,902</u>	<u>31,865,344</u>	<u>27,565,074</u>	Bonds payable (note 6(j))	21,200,000	16,700,000	10,200,000
<b>Non-current assets:</b>				Long-term borrowings (notes 6(j) and 8)	31,613,407	37,573,929	45,749,166
Available-for-sale financial assets – non-current (notes 6(b) and 8)	3,092,037	2,903,306	3,107,328	Deferred tax liabilities (note 6(m))	65,191	226,864	-
Investments accounted for using equity method (note 6(f))	10,686,982	9,796,991	9,980,846	Lease liability – non-current (notes 6(j) and 8)	5,385,848	7,335,153	9,003,131
Property, plant and equipment (notes 6(e), 7 and 8)	82,473,206	89,014,699	95,552,142	Accrued pension liabilities (note 6(l))	2,786,425	2,535,858	2,450,328
Intangible assets (note 6(h))	412,777	303,333	125,448	Other non-current liabilities (notes 6(f), 6(g) and 6(p))	6,264,991	5,951,045	5,884,174
Deferred tax assets (note 6(m))	4,924,962	5,136,076	4,920,917	<b>Total non-current liabilities</b>	<u>67,315,862</u>	<u>70,322,849</u>	<u>73,286,799</u>
Other non-current assets (notes 6(i), 8 and 9)	6,549,912	3,274,201	1,808,011	<b>Total liabilities</b>	<u>103,556,745</u>	<u>106,926,028</u>	<u>106,865,713</u>
<b>Total non – current assets</b>	<u>108,139,876</u>	<u>110,428,606</u>	<u>115,494,692</u>	<b>Equity (notes 6(c), 6(m) and 6(n)):</b>			
<b>Total assets</b>	<u>\$ 139,394,778</u>	<u>142,293,950</u>	<u>143,059,766</u>	Common stock	32,589,450	32,589,450	32,589,450
				Capital surplus	1,723,602	1,723,602	1,723,602
				Retained earnings	2,275,240	1,895,476	1,671,748
				Other equity	(750,259)	(840,606)	209,253
				<b>Total equity</b>	<u>35,838,033</u>	<u>35,367,922</u>	<u>36,194,053</u>
				<b>Total liabilities and equity</b>	<u>\$ 139,394,778</u>	<u>142,293,950</u>	<u>143,059,766</u>

See accompanying notes to financial statements.



**EVA AIRWAYS CORP.**

**Statements of Comprehensive Income**

**For the years ended December 31, 2013 and 2012**

(Expressed in Thousands of New Taiwan Dollars, except Earnings per Common Share)

	<b>2013</b>	<b>2012</b>
<b>Operating revenue (notes 6(p) and 7)</b>	\$ 110,747,462	107,147,807
<b>Operating cost (notes 6(c), 6(e), 6(g), 6(h), 6(k), 6(l) and 7):</b>	<u>100,462,866</u>	<u>99,072,134</u>
<b>Gross profit from operations</b>	10,284,596	8,075,673
<b>Operating expenses (notes 6(d), 6(g), 6(k), 6(l) and 7):</b>	<u>8,696,343</u>	<u>7,879,566</u>
<b>Net operating income</b>	<u>1,588,253</u>	<u>196,107</u>
<b>Non-operating income and expenses:</b>		
Other income (note 6(q))	334,408	294,203
Other gains and losses (note 6(q))	(374,709)	924,579
Finance costs (note 6(q))	(1,465,130)	(1,651,554)
Share of profit of subsidiaries and associates accounted for using equity method (note 6(f))	<u>818,889</u>	<u>990,688</u>
<b>Total non-operating income and expenses</b>	<u>(686,542)</u>	<u>557,916</u>
<b>Profit before tax</b>	901,711	754,023
<b>Income tax expenses (note 6(m))</b>	<u>(154,261)</u>	<u>(98,823)</u>
<b>Profit</b>	<u>747,450</u>	<u>655,200</u>
<b>Other comprehensive income (notes 6(c), 6(l), 6(m) and 6(n)):</b>		
Exchange differences on translation of foreign financial statements	39,242	(74,679)
Unrealized gains (losses) on available-for-sale financial assets	200,421	(174,450)
Cash flow hedges	12,737	(56,600)
Actuarial losses on defined benefit plans	(458,502)	(301,261)
Share of other comprehensive income of subsidiaries and associates	(146,797)	(933,111)
Income tax relating to components of other comprehensive income	<u>75,560</u>	<u>58,770</u>
<b>Other comprehensive income, net of tax</b>	<u>(277,339)</u>	<u>(1,481,331)</u>
<b>Comprehensive income</b>	<u>\$ 470,111</u>	<u>(826,131)</u>
<b>Basic earnings per share (in New Taiwan Dollars) (note 6(o))</b>	<u>\$ 0.23</u>	<u>0.20</u>
<b>Diluted earnings per share (in New Taiwan Dollars) (note 6(o))</b>	<u>\$ 0.23</u>	<u>0.20</u>

See accompanying notes to financial statements.

EVA AIRWAYS CORP.

Statements of Changes in Equity

For the years ended December 31, 2013 and 2012  
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings				Other equity			Total	Total equity		
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings (accumulated deficit)	Total	Exchange differences on translation of foreign financial statements			Unrealized gains (losses) on available-for-sale financial assets	Cash flow hedges
<b>Balance on January 1, 2012</b>	\$ 32,589,450	1,723,602	1,201,674	3,657,682	(3,187,608)	1,671,748	104,750	46,442	58,061	209,253	36,194,053
Appropriation of 2011 earnings:											
Legal reserve	-	-	20,902	-	(20,902)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(14,015)	14,015	-	-	-	-	-	-
Profit for 2012	-	-	-	-	655,200	655,200	-	-	-	-	655,200
Other comprehensive income in 2012	-	-	-	-	(431,472)	(431,472)	(74,679)	(928,202)	(46,978)	(1,049,859)	(1,481,331)
<b>Balance on December 31, 2012</b>	32,589,450	1,723,602	1,222,576	3,643,667	(2,970,767)	1,895,476	30,071	(881,760)	11,083	(840,606)	35,367,922
Appropriation of 2012 earnings:											
Legal reserve	-	-	50,401	-	(50,401)	-	-	-	-	-	-
Special reserve	-	-	-	1,823,824	(1,823,824)	-	-	-	-	-	-
Profit for 2013	-	-	-	-	747,450	747,450	-	-	-	-	747,450
Other comprehensive income in 2013	-	-	-	-	(367,686)	(367,686)	39,242	40,533	10,572	90,347	(277,339)
<b>Balance on December 31, 2013</b>	\$ <u>32,589,450</u>	<u>1,723,602</u>	<u>1,272,977</u>	<u>5,467,491</u>	<u>(4,465,228)</u>	<u>2,275,240</u>	<u>69,313</u>	<u>(841,227)</u>	<u>21,655</u>	<u>(750,259)</u>	<u>35,838,033</u>

See accompanying notes to financial statements.

EVA AIRWAYS CORP.

Statements of Cash Flows

For the years ended December 31, 2013 and 2012  
(Expressed in Thousands of New Taiwan Dollars)

	2013	2012
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 901,711	754,023
<b>Adjustments:</b>		
Adjustments to reconcile profit:		
Depreciation expense	10,083,867	10,261,659
Amortization expense	94,283	49,681
Interest expense	1,465,130	1,651,554
Interest income	(220,976)	(181,810)
Share of profit of subsidiaries and associates accounted for using equity method	(818,889)	(990,688)
Losses on disposal of property, plant and equipment (included in other gains and losses)	160,148	31,863
Gain on disposal of investments	(14,556)	(8,237)
Other	(183,782)	(251,524)
Total adjustments to reconcile profit	<u>10,565,225</u>	<u>10,562,498</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable, net	70,633	(97,784)
Accounts receivable, net	363,555	(523,656)
Accounts receivable—related parties	36,140	10,660
Inventories	771,157	701,673
Other current assets	(51,686)	405,986
Total changes in operating assets	<u>1,189,799</u>	<u>496,879</u>
Changes in operating liabilities:		
Accounts payable	(1,475,314)	1,522,629
Accounts payable—related parties	22,717	423,318
Other payables	1,327,576	(52,188)
Unearned revenue	613,902	726,265
Other current liabilities	709,584	295,814
Accrued pension liabilities	(207,935)	(215,729)
Other non-current liabilities	389,716	297,508
Total changes in operating liabilities	<u>1,380,246</u>	<u>2,997,617</u>
Total changes in operating assets and liabilities	<u>2,570,045</u>	<u>3,494,496</u>
Total adjustments	<u>13,135,270</u>	<u>14,056,994</u>
Cash inflow generated from operations	14,036,981	14,811,017
Income taxes paid	(29,712)	(31,870)
<b>Net cash flows from operating activities</b>	<u>14,007,269</u>	<u>14,779,147</u>
<b>Cash flows from (used in) investing activities:</b>		
Decrease in available-for-sale financial assets—current	321,051	320,913
Acquisition of available-for-sale financial assets—non-current	(92,663)	(100,077)
Proceeds from disposal of available-for-sale financial assets—non-current	103,318	120,833
Proceeds from capital reduction of available-for-sale financial assets—non-current	1,799	-
Acquisition of investments accounted for using equity method	(298,800)	(80,000)
Acquisition of property, plant and equipment	(4,477,079)	(4,052,749)
Proceeds from disposal of property, plant and equipment	201,552	1,004,820
Acquisition of intangible assets	(203,727)	(227,566)
Increase in other non-current assets	(3,222,777)	(1,466,190)
Interest received	207,454	184,090
Dividends received	201,875	246,751
<b>Net cash flows used in investing activities</b>	<u>(7,257,997)</u>	<u>(4,049,175)</u>
<b>Cash flows from (used in) financing activities:</b>		
Proceeds from issuance of bonds payable	4,500,000	6,500,000
Proceeds from long-term borrowings	1,100,000	1,800,000
Redemption of long-term borrowings	(8,645,900)	(10,327,267)
Redemption of lease liability	(1,457,495)	(1,645,058)
Interest paid	(1,391,071)	(1,566,492)
<b>Net cash flows used in financing activities</b>	<u>(5,894,466)</u>	<u>(5,238,817)</u>
<b>Net increase in cash and cash equivalents</b>	854,806	5,491,155
<b>Cash and cash equivalents at the beginning of year</b>	<u>19,157,798</u>	<u>13,666,643</u>
<b>Cash and cash equivalents at the end of year</b>	<u>\$ 20,012,604</u>	<u>19,157,798</u>

See accompanying notes to financial statements.

# EVA AIRWAYS CORP.

## Notes to Parent-Company-Only Financial Statements

December 31, 2013 and 2012

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

### 1. Organization and business scope

EVA Airways Corp. (the Company) was incorporated on April 7, 1989, as a corporation limited by shares under special permission of the Republic of China (R.O.C.) Ministry of Transportation and Communications. The address of the Company's registered office is No. 376 Hsin-nan Road, Sec. 1, Luchu, Taoyuan County, Taiwan.

The Company's business activities are

1.1 civil aviation transportation;

1.2 to carry out any business which is not forbidden or restricted by the applicable laws and regulations, excluding those requiring licensing.

### 2. Approval date and procedures of the financial statements

The parent-company-only financial statements were authorized for issuance by the Company's Board of Directors as of March 25, 2014.

### 3. New standards and interpretations not yet adopted

(a) New standards and interpretations approved by the R.O.C. Financial Supervisory Commission ("FSC") but not yet in effect.

International Accounting Standards Board ("IASB") issued International Financial Reporting Standard 9 *Financial instruments* ("IFRS 9"), which takes effect as of January 1, 2013 (In December 2011, IASB postponed the effective date of IFRS 9 to January 1, 2015; however, in November 2013, IASB cancelled the announcement mentioned above to allow the preparation of financial statements to have sufficient time to be converted into the new standard). This standard had been approved by the FSC; however, the effective date has not been announced. In accordance with the rules by the FSC, early adoption is not permitted, and companies shall follow the guidance in the 2009 version of International Accounting Standards 39 *Financial instruments* ("IAS 39"). Upon the adoption of this new standard, it is expected there will be significant impacts on the classification and measurement of financial instruments in the parent-company-only financial statements.

(Continued)

## EVA AIRWAYS CORP.

## Notes to Parent-Company-Only Financial Statements

(b) New standards and interpretations not yet approved by the FSC

A summary of the new standards and amendments issued by the IASB not yet approved by the FSC that may have an impact on the parent-company-only financial statements :

<u>Issue date</u>	<u>New standards and amendments</u>	<u>Description and possible impacts</u>	<u>Effective date per IASB</u>
May 12, 2011	IFRS 10 <i>Consolidated Financial Statements</i>	<ul style="list-style-type: none"> <li>On May 12, 2011, the IASB issued a series of standards and amendments related to consolidation, joint arrangements, and investments.</li> <li>The new standards provide a single model in determining whether an entity has control over an investee (including special purpose entities). However, the original guidance and method apply to the consolidation process. In addition, joint arrangements are separated into joint operations (formerly known as joint controlled assets and joint controlled operations), and joint venture (formerly known as jointly controlled entities), and removal of the proportionate consolidation method.</li> <li>On June 28, 2012, issuance of amendments clarified the guidance over the transition period. Upon the adoption of the new standards and amendments, some of the determinations of the investees could be changed, which might increase the disclosure of the equity of subsidiaries and associates.</li> </ul>	January 1, 2013
June 28, 2012	IFRS 11 <i>Joint Arrangements</i>		
	IFRS 12 <i>Disclosure of Interests in Other Entities</i>		
	Amended IAS 27 <i>Separate Financial Statements</i>		
	Amended IAS 28 <i>Investments in Associates and Joint Ventures</i>		

(Continued)

## EVA AIRWAYS CORP.

## Notes to Parent-Company-Only Financial Statements

<u>Issue date</u>	<u>New standards and amendments</u>	<u>Description and possible impacts</u>	<u>Effective date per IASB</u>
May 12, 2011	IFRS 13 <i>Fair Value Measurement</i>	Replaces fair value measurement guidance in other standards, and consolidates as one single guidance. Adoption of the new standard may have an impact on the measurement on certain assets and liabilities. In addition, this amendment might increase the disclosure of fair value.	January 1, 2013
June 16, 2011	Amended IAS 1 <i>Presentation of Financial Statements</i>	Items presented in other comprehensive income shall be based on whether they are potentially reclassifiable to profit or loss subsequently. Adoption of the amendment will change the presentation of other comprehensive income in the statement of comprehensive income.	July 1, 2012
June 16, 2011	Amended IAS 19 <i>Employee Benefits</i>	Eliminates of the corridor method and eliminates the option to recognize changes in the net defined benefit liability (asset) in profit or loss; in addition, requires the immediate recognition of past service cost. Adoption of the amendment will change the presentation and the measurement of accrued pension liabilities and actuarial gains (losses) on defined benefit plans.	January 1, 2013
November 19, 2013	Amended IFRS 9 <i>Financial Instruments</i>	Adopts more principle-based regulation, including amending regulations governing the achievement, continuation and discontinuation of the adoption of hedge accounting so that hedge accounting is closer to risk management, and therefore, more exposures can meet the criteria of hedged items.	Not yet adopted (early adoption is permitted)

(Continued)

## EVA AIRWAYS CORP.

## Notes to Parent-Company-Only Financial Statements

<u>Issue date</u>	<u>New standards and amendments</u>	<u>Description and possible impacts</u>	<u>Effective date per IASB</u>
May 28, 2010	Amended IFRS 9 <i>Financial Instruments</i>	Adoption of the amendment may increase the transactions adopting hedge accounting and will change the measurement and presentation of related hedging instruments and hedged items. Amendments of the new regulations related to classification and measurement of financial liabilities at fair value through profit or loss and includes the regulations of IFRS 39 Financial Instrument.	Not yet adopted (early adoption is permitted)
December 16, 2011	Amended IFRS 7 <i>Financial Instruments: Disclosures</i>	Amends regulations of offsetting financial assets and financial liabilities, which provide more guidance about judgments, and related disclosures.	January 1, 2014 Presentation
	Amended IAS 32 <i>Financial Instruments: Presentation</i>		January 1, 2013 Disclosure
December 16, 2011	Amended IFRS 7 <i>Financial Instruments: Disclosures</i>	Amends regulations of the mandatory effective date of adoption, which is postponed to January 1, 2015 from January 1, 2013, and transition disclosure. However, in November 2013 IASB cancelled the announcement mentioned above to allow the preparation of financial statements to have sufficient time to be converted into new standard.	Not yet adopted (early adoption is permitted)
	Amended IFRS 9 <i>Financial Instruments</i>	Adoption of the new standard may have an impact on the measurement on certain assets and liabilities. In addition, amendment might increase the disclosure of fair value.	

(Continued)

**EVA AIRWAYS CORP.****Notes to Parent-Company-Only Financial Statements****4. Summary of significant accounting policies**

The parent-company-only financial statements are the English translation of the Chinese version prepared and used in the R.O.C. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language financial statements, the Chinese version shall prevail.

The significant accounting policies have been applied consistently to all periods presented in these financial statements, except when otherwise indicated. These financial statements include the balance sheet as of January 1, 2012, prepared for the purpose of the first-year adoption of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards (IAS), IFRIC Interpretations, and Standard Interpretations Committee (SIC) Interpretations approved by the FSC (hereinafter referred to as the IFRSs, approved by the FSC).

The significant accounting policies presented in the parent-company-only financial statements are summarized as follows:

(a) Statement of compliance

These parent-company-only financial statements are the Company's first annual parent-company-only financial statements prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (hereinafter referred to as the Regulations).

(b) Basis of preparation

1. Basis of measurement

The parent-company-only financial statements have been prepared on a historical cost basis except for the following material items in the balance sheet:

- (1) Available-for-sale financial assets are measured at fair value;
- (2) Hedging derivative financial instruments are measured at fair value; and
- (3) The defined benefit liability is recognized as unrecognized actuarial gain and the present value of the defined benefit obligation less plan assets, plus unrecognized prior service cost and unrecognized actuarial loss.

(Continued)



**EVA AIRWAYS CORP.****Notes to Parent-Company-Only Financial Statements**

## 2. Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The parent-company-only financial statements are presented in New Taiwan Dollar (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

## (c) Foreign currency

## 1. Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company at the exchange rates of the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate of that date. The foreign currency gains or losses on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and the payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate of the date the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of transactions.

Foreign currency differences arising from retranslation are recognized in profit or loss, except for the following differences which are recognized in other comprehensive income that arise from the retranslation :

- available-for-sale equity investment;
- financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent the hedge is effective.

## 2. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Company's functional currency at the exchange rates of the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Company's functional currency at average rate. Foreign currency differences are recognized in other comprehensive income.

(Continued)

**EVA AIRWAYS CORP.****Notes to Parent-Company-Only Financial Statements**

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely predicted in the foreseeable future, the foreign currency gains and losses arising from such items are considered as a part of investment in the foreign operation and are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

The Company classifies an asset as current when:

- (i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (ii) It holds the asset primarily for the purpose of trading;
- (iii) It expects to realize the asset within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Company classifies all other assets as non-current.

The Company classifies a liability as current when:

- (i) It expects to settle the liability in its normal operating cycle;
- (ii) It holds the liability primarily for the purpose of trading;
- (iii) The liability is due to be settled within twelve months after the reporting period; or
- (iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issuance of equity instruments that do not affect its classification.

The Company classifies all other liabilities as non-current.

(Continued)

**EVA AIRWAYS CORP.****Notes to Parent-Company-Only Financial Statements**

## (e) Cash and cash equivalents

Cash and cash equivalents comprise cash, demand deposits, and call deposits that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

Time deposits with maturities of one year or less from the acquisition date that are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes, and that are subject to an insignificant risk of changes in their fair value are recognized as cash and cash equivalents.

## (f) Financial instruments

Financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instruments.

## 1. Financial assets

The Company classifies assets as follows: loans and receivables and available-for-sale financial assets. A regular purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

## a. Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables and other receivables. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables other than insignificant interest on short-term receivables are measured at amortized cost using the effective interest method, less any impairment losses. Interest income is recognized in profit or loss, and is included in other income under non-operating income and expenses.

(Continued)

**EVA AIRWAYS CORP.****Notes to Parent-Company-Only Financial Statements**

## b. Available-for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value and changes therein, are recognized in other comprehensive income and are presented in the fair value reserve in equity other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale monetary items, are recognized in profit or loss, dividends on available-for-sale securities are recognized as other income under non-operating income and expenses when the Company is authorized to receive, normally on the ex-dividend date.

## c. Impairment of financial assets

A financial asset is impaired if, and only if, there is any objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security.

All individually significant financial assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Objective evidence that the collection of financial assets impaired includes the Company's experience of collections, the increasing payment terms of the collection over the average term, and economic conditions that correlate with defaults.

The evidence of impairment for financial assets measured at amortized cost is considered at both an individual and collective level. All individually significant financial assets are assessed for specific impairment.

(Continued)

**EVA AIRWAYS CORP.****Notes to Parent-Company-Only Financial Statements**

The financial assets, which were assessed individually for any impairment and the impairment was recognized or being recognized, were not collectively assessed for impairment by grouping together. If, in a subsequent period, the amount of the impairment loss of a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

For an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment. Impairment losses on available-for-sale financial assets are recognized by reclassifying the accumulated losses in the fair value reserve in equity to profit or loss.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

An impairment loss in respect of a financial asset is reduced from the carrying amount except for trade receivables, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of a receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses and recoveries of financial assets are recognized in profit or loss, which are included in other gains and losses under non-operating income and expenses.

d. Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

(Continued)

**EVA AIRWAYS CORP.****Notes to Parent-Company-Only Financial Statements**

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity – unrealized gains or losses on available-for-sale financial assets is recognized in profit or loss, and is included in other gains and losses under non-operating income and expenses.

The Company separates the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss, and is included in other gains and losses under non-operating income and expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts.

**2. Financial liabilities****a. Other financial liabilities**

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which comprise short-term and long-term borrowings, and trade payables and other payables, shall be measured at fair value plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in finance costs under non-operating income and expenses.

**b. Derecognition of financial liabilities**

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled or has expired.

The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in other gains and losses under non-operating income and expenses.

(Continued)

**EVA AIRWAYS CORP.****Notes to Parent-Company-Only Financial Statements**

## c. Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company has the legally enforceable rights to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

## 3. Derivative financial instrument and hedge accounting

Derivatives are used to hedge the risks associated with changes in foreign currency rates, interest rates and fuel prices. They are recognized initially (trade date), and are subsequently re-measured at fair value. The transaction costs are recognized in profit or loss. Method of recognizing fair value gains and losses on derivative financial instruments depends on the nature of the hedging relationship. All derivatives are presented as assets when their fair value is positive and as liabilities when their fair value is negative.

The documentation at inception of each hedging relationship sets out purpose and strategy of risk management. To qualify for hedge accounting at the inception of the hedge throughout its life, each hedge must be kept in records if it is highly effective in offsetting the changes (which arise from risks to be managed) in fair value or cash flow of the hedged items on an ongoing basis.

Hedging transactions fall into two categories:

## a. Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss, together with changes in the fair value of the asset or liability or group, thereof, that are attributable to the hedged risk, and are both presented under hedged items in the statement of comprehensive income as well.

If the hedging instrument no longer meets the criteria for hedge accounting, expires, is sold, terminated, exercised or its designation is revoked, then hedge accounting is discontinued prospectively. Under effective interest method, adjustments made for fair value of hedged items (which arises from risk to be managed) are amortized as profit or loss once the hedge accounting is discontinued. The amortization is based on the effective interest rate that is recalculated at the inception of amortization so that the adjustment in fair value will be fully amortized at maturity date.

(Continued)

**EVA AIRWAYS CORP.****Notes to Parent-Company-Only Financial Statements****b. Cash flow hedges**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated in other equity the effective portion of gains and losses from changes in fair value of cash flow hedges. Any gain or loss relating to an ineffective portion is recognized immediately under non-operating income and expenses in the statement of comprehensive income.

When a hedged item is recognized in profit or loss, the amount accumulated in equity and retained in other comprehensive income is reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss, and it is presented in the same accounting caption with the hedged item recognized in the statement of comprehensive income. However, when a forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and are included in the initial measurement of the cost of the asset or liability.

**(g) Inventories**

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

**(h) Investment in associates**

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

(Continued)



**EVA AIRWAYS CORP.****Notes to Parent-Company-Only Financial Statements**

The financial statements include the Company's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases.

Unrealized profits resulting from transactions between the Company and an associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses on transactions with an associate are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Company's share of losses exceeds its interest in an associate, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

(i) Investment in subsidiaries

When preparing the parent-company-only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognized its share in the changes in the equity of subsidiaries.

Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity.

(j) Property, plant and equipment

1. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of the significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

(Continued)

**EVA AIRWAYS CORP.****Notes to Parent-Company-Only Financial Statements**

The gain or loss arising from the disposal of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as other gains and losses.

2. Major inspection and overhaul cost:

Major inspection and overhaul expenditures of self-owned and finance leased aircrafts are capitalized as costs of aircrafts and leased assets by components, and are depreciated using the straight-line method over the estimated useful life of the overhaul. Costs of designated inspections to be performed at the end of the lease term of operating leased aircrafts are estimated and depreciated using the straight-line method over the lease term.

3. Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

4. Depreciation

The depreciable amount of an asset is determined after deducting its residual value, and it shall be allocated on a systematic basis over the asset's useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

The estimated useful lives are as follows:

- (1) Buildings and structures: 5 to 55 years
- (2) Machinery and equipment: 3 to 18 years
- (3) Aircraft: 5 to 18 years
- (4) Leased assets are depreciated over the shorter of the lease term or the estimated useful live.

Depreciation methods, useful lives, and residual values are reviewed at each fiscal year-end date. If expectations differ from the previous estimates, the change is accounted for as a change in an accounting estimate.

(Continued)

**EVA AIRWAYS CORP.****Notes to Parent-Company-Only Financial Statements****(k) Leases**

Leases in which the Company assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value or the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases and are not recognized in the Company's balance sheets.

Payments made under an operating lease, excluding insurance and maintenance expenses, are recognized expenses over the term of the lease.

Recognition of income arising from sale and leaseback transaction depends upon the type of lease involved. If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortized over the lease term. If a sale and leaseback transaction results in an operating lease, and the sales price is at or below fair value, any profit or loss shall be recognized immediately except that, if the loss is compensated for by future lease payments at below market price, it is deferred and amortized in proportion to the lease payments over the period for which the asset is expected to be used. If the sales price is above fair value, the excess over fair value is deferred and amortized over the period for which the asset is expected to be used.

**(l) Impairment of non-financial assets**

The Company measures whether impairment occurred in non-financial assets (except for inventories and deferred tax assets), at the end of each reporting period, and estimates their recoverable amount. If it is not possible to determine the recoverable amount (fair value less costs to sell and value in use) for an individual asset, then the Company will have to determine the recoverable amount for the asset's cash-generating unit.

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

(Continued)

**EVA AIRWAYS CORP.****Notes to Parent-Company-Only Financial Statements**

The Company should assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset. An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. That increase is a reversal of previously recognized impairment loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount net of depreciation or amortization that would have been determined if no impairment loss had been recognized.

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use is required to be tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the Company's cash-generating units or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. If the carrying amount of the cash-generating unit exceeds the recoverable amount of the unit, the Company recognizes the impairment loss, and the impairment loss shall be allocated to reduce the carrying amount of each asset in the unit. Reversal of an impairment loss for goodwill is prohibited.

(m) Intangible assets

Intangible assets that are acquired by the Company are measured at cost less accumulated amortization and any accumulated impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

The amortization amount is the cost of an asset less its residual value. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of 3~5 years of intangible assets, other than goodwill and intangible assets with indefinite useful lives, from the date that they are available for use.

(Continued)

**EVA AIRWAYS CORP.****Notes to Parent-Company-Only Financial Statements**

## (n) Revenue recognition

## 1. Aviation transportation revenue

Ticket sales for passengers and cargo are recorded as unearned revenue. They are included in current liabilities, and recognized as revenue when service is provided.

## 2. Customer loyalty program

The Company has a customer loyalty program, whereby, customers are awarded rights of accumulating mileages during their flights, and the fair value of the consideration received or receivable in respect of initial sale is allocated between the rights of accumulated mileages and the other components of the sale. The amount allocated to rights of accumulated mileages is estimated by the fair value of the redeemable part of the customer loyalty program and by reference to past experience of probability of redemption. Thus, the corresponding fair value is estimated and deferred, and service revenues will not be recognized until the rights have been redeemed and obligations are fulfilled. Also, unearned revenues will be converted into revenues when it is expected that the rights are probable not to be redeemed.

## (o) Employee benefits

## 1. Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

## 2. Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of the defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on market yields of government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

(Continued)

**EVA AIRWAYS CORP.****Notes to Parent-Company-Only Financial Statements**

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of any unrecognized past service costs and also the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

All actuarial gains and losses as of January 1, 2012, the date of transition to the IFRSs approved by the FSC, were recognized in retained earnings. The Company recognized all actuarial gains and losses arising subsequently from the defined benefit plans in other comprehensive income, which was then transferred to retained earnings immediately.

The Company recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost that had not previously been recognized.

**3. Short-term employee benefits**

Short-term employee benefit obligations are accrued when the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee. A liability is recognized when the obligation can be estimated reliably.

**(p) Income taxes**

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

(Continued)

**EVA AIRWAYS CORP.****Notes to Parent-Company-Only Financial Statements**

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the exceptions below:

1. Assets and liabilities that are initially recognized but are not related to a business combination and have no effect on net income or taxable gains (losses) during the transaction.
2. Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
3. Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

1. The Company has the legal right to settle tax assets and liabilities on a net basis; and
2. the taxing of deferred tax assets and liabilities fulfills one of the scenarios below:
  - (1) levied by the same taxing authority; or
  - (2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(Continued)

**EVA AIRWAYS CORP.****Notes to Parent-Company-Only Financial Statements**

## (q) Earnings per share (EPS)

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit or loss attributable to the ordinary equity holders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit or loss attributable to ordinary equity holders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

## (r) Operating segment

The Company discloses the operating segment information in the consolidated financial statements. Therefore, the Company does not disclose the operating segment information in the parent-company-only financial statements.

**5. Major sources of accounting assumptions, judgments and estimation uncertainty**

The preparation of the parent-company-only financial statements based on the Regulations requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Management continues to monitor the accounting assumptions, estimates and judgments. Management recognizes any changes in the accounting estimates during the period and the impact of the changes in the accounting estimates in the next year.

Information about critical judgments in applying accounting policies that have the most significant effect on amounts recognized in the financial statements is included in the following note:

Note 6(g), classification of lease

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next year is included in the following notes:

- (a) Note 6(e), valuation of inventories
- (b) Note 6(m), realization of deferred tax assets

(Continued)



## EVA AIRWAYS CORP.

## Notes to Parent-Company-Only Financial Statements

## 6. Significant account disclosures

## (a) Cash and cash equivalents

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Cash on hand	\$ 89,748	97,370	96,243
Cash in bank	<u>19,922,856</u>	<u>19,060,428</u>	<u>13,570,400</u>
	<u>\$ 20,012,604</u>	<u>19,157,798</u>	<u>13,666,643</u>

Refer to note 6(r) for the interest rate risk and fair value sensitivity analysis of the financial assets and liabilities of the Company.

## (b) Financial instruments

## 1. Available-for-sale financial assets—current :

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Money market funds	<u>\$ 1,799,429</u>	<u>2,106,688</u>	<u>2,410,548</u>

## 2. Available-for-sale financial assets—non-current :

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Non-publicly traded stocks	\$ 2,251,302	2,148,926	2,429,556
Publicly traded stocks	751,461	654,310	556,682
U.S. Treasury notes	<u>89,274</u>	<u>100,070</u>	<u>121,090</u>
	<u>\$ 3,092,037</u>	<u>2,903,306</u>	<u>3,107,328</u>

The exposure to credit risk, currency risk and interest rate risk arising from financial instruments is disclosed in note 6(r).

As of December 31, 2013 and 2012, and January 1, 2012, the pledge for Company's financial assets is disclosed in note 8.

(Continued)

## EVA AIRWAYS CORP.

## Notes to Parent-Company-Only Financial Statements

## 3. Sensitivity analysis-price risk of equity securities:

If the price of the equity securities changes, and it is on the same basis for both years and assumes that all other variables remain the same, the impact on other comprehensive income will be as follows:

Price of the equity securities at the reporting date	2013		2012	
	Other Comprehensive Income, net of tax	Profit (losses)	Other Comprehensive Income, net of tax	Profit (losses)
increase 5%	\$ <u>244,107</u>	<u>-</u>	<u>250,045</u>	<u>-</u>
decrease 5%	\$ <u>(244,107)</u>	<u>-</u>	<u>(250,045)</u>	<u>-</u>

Information about material foreign currency investment on equity security at the reporting date was as follows:

	2013.12.31			2012.12.31			2012.1.1		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
USD	\$ 1,839	29.805	54,822	1,843	29.04	53,530	1,367	30.28	41,379

## (c) Hedging derivative financial instruments

The Company needs fuel for operating. However, cash flow risk will occur if the future cash flows for fuel fluctuate due to the floating market prices. The Company evaluates the risk as significant, and thus, hedges the risk by signing swap agreements.

As of December 31, 2013 and 2012, and January 1, 2012, the cash flow hedged items and derivative financial hedging instruments were as follows:

Hedged item	Hedging instrument	Fair value of assigned hedging instrument			Period when cash flows are expected to occur	Period when profit or loss is affected	Account
		2013.12.31	2012.12.31	2012.1.1			
Floating price of fuel	Fuel swap agreement	\$ 26,090	13,353	69,953	2013~2014	2013~2014	Derivative financial assets for hedge purposes-current

(Continued)

## EVA AIRWAYS CORP.

## Notes to Parent-Company-Only Financial Statements

The Company's gains and losses arising from cash flow hedges in 2013 and 2012 were as follows:

Account	<u>2013</u>	<u>2012</u>
Recognized in other comprehensive income during the period	\$ <u>10,572</u>	<u>(46,978)</u>
Reclassification from equity to profit or loss for the period		
Operating cost (income)	\$ <u>(86,273)</u>	<u>(290,566)</u>

(d) Notes and accounts receivable, and other receivables

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Notes receivable	\$ 344,738	415,371	317,587
Accounts receivable (related parties included)	6,247,970	6,656,245	6,112,417
Other receivables (related parties included)			
(included in other current assets)	175,402	157,306	575,134
Less: allowance for doubtful accounts	<u>(33,803)</u>	<u>(42,383)</u>	<u>(11,551)</u>
	<u>\$ 6,734,307</u>	<u>7,186,539</u>	<u>6,993,587</u>

The Company's aging analysis of notes and accounts receivable, and other receivables that were past due but not impaired, were as follows:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Past due within 30 days	\$ 39,870	42,586	41,267
Past due 31~60 days	7,273	7,771	7,531
Past due over 60 days but less than one year	4,116	4,395	4,259
Past due more than one year	<u>5,896</u>	<u>6,296</u>	<u>6,101</u>
	<u>\$ 57,155</u>	<u>61,048</u>	<u>59,158</u>

The movement in the allowance for doubtful accounts with respect to notes and accounts receivable, and other receivables were as follows:

	<u>2013</u>	<u>2012</u>
Beginning balance	\$ 42,383	11,551
Impairment loss recognized	5,344	38,687
Amounts written off	<u>(13,924)</u>	<u>(7,855)</u>
Ending balance	<u>\$ 33,803</u>	<u>42,383</u>

(Continued)

## EVA AIRWAYS CORP.

## Notes to Parent-Company-Only Financial Statements

As of December 31, 2013 and 2012, and January 1, 2012, the allowance for doubtful accounts was mainly due to the Company's expectation of default of numerous customers under economic circumstances. Based on historic payment behavior and analysis of the customers' credit rating, the Company believes that the unimpaired amounts that past due over 30 days are still collectible.

Impairment loss recognized for individually assessed is the difference between the carrying amount and the present value of estimated future cash flows. The Company considered whether there were any changes in the economic circumstances and historic collection to determine the recognition of impairment.

At of December 31, 2013 and 2012, and January 1, 2012, the notes and accounts receivable, and other receivables were neither discounted nor pledged as collateral for borrowings.

## (e) Inventories

The components were as follows:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Aircraft spare parts	\$ 1,057,320	1,973,726	3,169,455
Consumables for use and merchandise for inflight sales	887,981	722,265	611,971
Fuel for aircraft and others	<u>85,978</u>	<u>101,346</u>	<u>52,372</u>
	<u>\$ 2,031,279</u>	<u>2,797,337</u>	<u>3,833,798</u>

For the years ended December 31, 2013 and 2012, except for cost of goods sold and inventories recognized as expense, the gains or losses which were recognized as operating cost were as follows:

	<u>2013</u>	<u>2012</u>
Losses on inventory obsolescence	\$ <u>767,490</u>	<u>1,233,410</u>

As of December 31, 2013 and 2012, and January 1, 2012, the pledge for these inventories is disclosed in note 8.

(Continued)

## EVA AIRWAYS CORP.

## Notes to Parent-Company-Only Financial Statements

## (f) Investments accounted for using equity method

The components were as follows:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Subsidiaries	\$ 10,448,761	9,643,455	9,920,254
Associates	<u>156,490</u>	<u>153,536</u>	<u>60,592</u>
	10,605,251	9,796,991	9,980,846
Add: recorded as other non-current liabilities	<u>81,731</u>	<u>-</u>	<u>-</u>
	<u>\$ <b>10,686,982</b></u>	<u><b>9,796,991</b></u>	<u><b>9,980,846</b></u>

## 1. Subsidiaries

Please see the consolidated financial statements for the year ended December 31, 2013.

## 2. In 2013 and 2012, the Company's share of profit or loss of subsidiaries and associates was as follows:

	<u>2013</u>	<u>2012</u>
Subsidiaries	\$ 806,762	977,045
Associates	<u>12,127</u>	<u>13,643</u>
	<u>\$ <b>818,889</b></u>	<u><b>990,688</b></u>

## 3. Summarized financial information of associates for investments was as follows (before being adjusted to the Company's proportionate share):

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Total assets	\$ <u><b>1,741,236</b></u>	<u><b>1,245,004</b></u>	<u><b>397,649</b></u>
Total liabilities	\$ <u><b>707,882</b></u>	<u><b>209,856</b></u>	<u><b>203,756</b></u>

	<u>2013</u>	<u>2012</u>
Revenue	\$ <u><b>718,457</b></u>	<u><b>730,916</b></u>
Profit	\$ <u><b>27,340</b></u>	<u><b>43,493</b></u>

(Continued)

## EVA AIRWAYS CORP.

## Notes to Parent-Company-Only Financial Statements

4. As of December 31, 2013 and 2012, and January 1, 2012, the investments accounted for using equity method were not pledged.

## (g) Property, plant and equipment

The movements in cost and accumulated depreciation of property, plant and equipment for the years ended December 31, 2013 and 2012 were as follows :

	<u>Land</u>	<u>Building and structures</u>	<u>Machinery and equipment</u>	<u>Leased assets</u>	<u>Aircraft</u>	<u>Unfinished construction</u>	<u>Total</u>
<b>Cost:</b>							
Beginning balance as of January 1, 2013	\$ 1,869,572	4,693,649	15,336,355	20,651,308	97,971,111	275,180	140,797,175
Additions	-	254,321	1,324,388	1,228,494	1,211,417	413,304	4,431,924
Disposals	(4,410)	(10,178)	(704,384)	(40,084)	(479,874)	-	(1,238,930)
Reclassification (Note)	-	539,922	(108,663)	(3,707,266)	(5,049,548)	(539,922)	(8,865,477)
Balance as of December 31, 2013	<u>\$ 1,865,162</u>	<u>5,477,714</u>	<u>15,847,696</u>	<u>18,132,452</u>	<u>93,653,106</u>	<u>148,562</u>	<u>135,124,692</u>
Beginning balance as of January 1, 2012	\$ 1,869,572	4,611,207	15,807,838	21,025,766	109,521,746	4,868	152,840,997
Additions	-	82,442	792,121	1,110,299	2,170,937	270,312	4,426,111
Disposals	-	-	(1,263,604)	(29,066)	(8,219,957)	-	(9,512,627)
Reclassification	-	-	-	(1,455,691)	(5,501,615)	-	(6,957,306)
Balance as of December 31, 2012	<u>\$ 1,869,572</u>	<u>4,693,649</u>	<u>15,336,355</u>	<u>20,651,308</u>	<u>97,971,111</u>	<u>275,180</u>	<u>140,797,175</u>
<b>Accumulated depreciation:</b>							
Beginning balance as of January 1, 2013	\$ -	2,176,573	6,898,746	6,975,383	35,731,774	-	51,782,476
Depreciation expense	-	111,798	1,193,040	2,064,799	6,714,230	-	10,083,867
Disposals	-	(8,847)	(503,672)	(10,791)	(353,920)	-	(877,230)
Reclassification (Note)	-	-	(61,739)	(3,237,448)	(5,038,440)	-	(8,337,627)
Balance as of December 31, 2013	<u>-</u>	<u>2,279,524</u>	<u>7,526,375</u>	<u>5,791,943</u>	<u>37,053,644</u>	<u>-</u>	<u>52,651,486</u>
Beginning balance as of January 1, 2012	\$ -	2,075,641	7,259,755	6,564,544	41,388,915	-	57,288,855
Depreciation expense	-	100,932	1,166,051	1,866,530	7,128,146	-	10,261,659
Disposals	-	-	(1,192,272)	-	(7,283,672)	-	(8,475,944)
Reclassification	-	-	(334,788)	(1,455,691)	(5,501,615)	-	(7,292,094)
Balance as of December 31, 2012	<u>-</u>	<u>2,176,573</u>	<u>6,898,746</u>	<u>6,975,383</u>	<u>35,731,774</u>	<u>-</u>	<u>51,782,476</u>
<b>Carrying amounts:</b>							
Balance as of December 31, 2013	<u>\$ 1,865,162</u>	<u>3,198,190</u>	<u>8,321,321</u>	<u>12,340,509</u>	<u>56,599,462</u>	<u>148,562</u>	<u>82,473,206</u>
Balance as of December 31, 2012	<u>\$ 1,869,572</u>	<u>2,517,076</u>	<u>8,437,609</u>	<u>13,675,925</u>	<u>62,239,337</u>	<u>275,180</u>	<u>89,014,699</u>
Beginning balance as of January 1, 2012	<u>\$ 1,869,572</u>	<u>2,535,566</u>	<u>8,548,083</u>	<u>14,461,222</u>	<u>68,132,831</u>	<u>4,868</u>	<u>95,552,142</u>

Note: Reclassification primarily consists of the reclassification to other non-current assets and inventories.

(Continued)

**EVA AIRWAYS CORP.****Notes to Parent-Company-Only Financial Statements**

## 1. Leased aircraft and computer equipment

The Company leased aircraft and computer equipment under a number of finance lease arrangements. Such leases are treated as finance leases in accordance with the terms and conditions of the contracts. Leased equipments are used as pledge for lease obligations and are disclosed in note 8.

The estimated recovery costs incurred by leasing aircraft are recognized as leased assets and the related restoration obligations are recognized as other non-current liabilities and are amortized using interest method.

As of December 31, 2013 and 2012, and January 1, 2012, the restoration obligations were \$3,882,172, \$3,437,143 and \$2,751,138, respectively.

## 2. Sale and leaseback transactions

The Company leased aircraft under sale and leaseback arrangements, which were judged as finance leases. The unrealized gain on sale and leaseback, resulting from the difference between sale price and book value of the equipment, is recorded as a reduction of depreciation expenses over the lease term. As of December 31, 2013 and 2012, and January 1, 2012, the unrealized gains from the sale and leaseback were \$531,483, \$643,305 and \$755,128, respectively and were recognized as other non-current liabilities.

## 3. Pledge

As of December 31, 2013 and 2012, and January 1, 2012, the Company's property, plant and equipment were used as pledge for long-term borrowings and lines of credit, and they are disclosed in note 8.

## 4. For the years ended December 31, 2013 and 2012, the Company capitalized the interest expenses on purchase of assets amounting to \$60,956 and \$11,281, respectively. The range of the monthly interest rates used for capitalization calculation were 0.13% and 0.13%~0.14%, respectively.

(Continued)

## EVA AIRWAYS CORP.

## Notes to Parent-Company-Only Financial Statements

## (h) Intangible assets

The movements in cost and accumulated amortization of intangible assets for the years ended December 31, 2013 and 2012 were as follows:

	<u>Computer software</u>
<b>Costs:</b>	
Beginning balance as of January 1, 2013	\$ 418,822
Additions	<u>203,727</u>
Balance as of December 31, 2013	<u>\$ 622,549</u>
Beginning balance as of January 1, 2012	\$ 191,255
Additions	<u>227,566</u>
Balance as of December 31, 2012	<u>\$ 418,821</u>
<b>Accumulated amortization:</b>	
Beginning balance as of January 1, 2013	\$ 115,489
Amortization expense	<u>94,283</u>
Balance as of December 31, 2013	<u>\$ 209,772</u>
Beginning balance as of January 1, 2012	\$ 65,807
Amortization expense	<u>49,681</u>
Balance as of December 31, 2012	<u>\$ 115,488</u>
<b>Carrying amounts:</b>	
Balance as of December 31, 2013	<u>\$ 412,777</u>
Balance as of December 31, 2012	<u>\$ 303,333</u>
Beginning balance as of January 1, 2012	<u>\$ 125,448</u>

## 1. Amortization

The amortization of intangible assets is included under operating expenses in the statement of comprehensive income.

## 2. Pledge

As of December 31, 2013 and 2012, and January 1, 2012, the Company's intangible assets were not pledged.

(Continued)



## EVA AIRWAYS CORP.

## Notes to Parent-Company-Only Financial Statements

## (i) Other non-current assets

The details of the Company's other non-current assets were as follows:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Advances for purchase of equipment	\$ 5,345,713	2,170,982	12,825
Refundable deposits	1,132,219	1,032,387	1,722,823
Pledged time deposits	71,980	70,832	72,363
Total	<u>\$ 6,549,912</u>	<u>3,274,201</u>	<u>1,808,011</u>

## (j) Long-term borrowings and lease liabilities

The details, conditions and terms of the Company's long-term borrowings and lease liabilities were as follows:

<u>2013.12.31</u>				
	<u>Currency</u>	<u>Interest rate</u>	<u>Year due</u>	<u>Amount</u>
Secured bonds payable	NTD	1.15%~1.44%	2016~2018	\$ <u>21,200,000</u>
Unsecured loans	NTD	1.46%~1.99%	2014~2018	\$ 4,631,667
Secured loans	NTD, USD	0.24%~4.59%	2014~2022	34,297,572
Subtotal				38,929,239
Less: Current portion				7,315,832
Total				<u>\$ 31,613,407</u>
Lease liabilities	NTD, USD	1.18%~6.93%	2014~2019	\$ 6,957,087
Less: Current portion (included in other current liabilities)				1,571,239
Total				<u>\$ 5,385,848</u>

<u>2012.12.31</u>				
	<u>Currency</u>	<u>Interest rate</u>	<u>Year due</u>	<u>Amount</u>
Secured bonds payable	NTD	1.21%~1.44%	2016~2017	\$ <u>16,700,000</u>
Unsecured loans	NTD	1.44%~1.60%	2013~2017	\$ 5,083,333
Secured loans	NTD, USD	0.34%~4.59%	2013~2022	41,356,757
Subtotal				46,440,090
Less: Current portion				8,866,161
Total				<u>\$ 37,573,929</u>
Lease liabilities	NTD, USD	1.18%~6.93%	2014~2019	\$ 8,882,533
Less: Current portion (included in other current liabilities)				1,547,380
Total				<u>\$ 7,335,153</u>

(Continued)

## EVA AIRWAYS CORP.

## Notes to Parent-Company-Only Financial Statements

<b>2012.1.1</b>				
	<u>Currency</u>	<u>Interest rate</u>	<u>Year due</u>	<u>Amount</u>
Secured bonds payable	NTD	1.21%~1.44%	2016	\$ <u><b>10,200,000</b></u>
Unsecured loans	NTD	1.20%~1.56%	2012~2016	\$ 4,183,000
Secured loans	NTD, USD	0.25%~4.59%	2012~2022	<u>50,749,308</u>
Subtotal				54,932,308
Less: Current portion				<u>9,183,142</u>
Total				<u><b>\$ 45,749,166</b></u>
Lease liabilities	NTD, USD	1.18%~6.93%	2014~2019	\$ 10,525,724
Less: Current portion (included in other current liabilities)				<u>1,522,593</u>
Total				<u><b>\$ 9,003,131</b></u>

As of December 31, 2013, the details of the future repayment periods and amounts of the Company's long-term borrowings and lease liabilities were as follows:

<u>Year due</u>	<u>Amount</u>
2014	\$ 8,887,071
2015~2018	48,868,350
2019 and thereafter	<u>9,330,905</u>
	<u><b>\$ 67,086,326</b></u>

Information on the Company's exposure to interest rate risk, currency risk and liquidity risk is disclosed in note 6(r).

1. Pledge for borrowings

The pledge for long-term borrowings and lease liabilities is disclosed in note 8.

2. Unused lines of credit

As of December 31, 2013 and 2012, and January 1, 2012 the unused credit lines for long-term borrowing amounted to \$7,939,607, \$7,291,052 and \$8,476,472, respectively.

(Continued)

## EVA AIRWAYS CORP.

## Notes to Parent-Company-Only Financial Statements

## 3. Lease liabilities

The Company's lease liabilities were as follows:

	2013.12.31		2012.12.31		2012.1.1				
	Future minimum rental payment	Interest	Present value of minimum rental payment	Future minimum rental payment	Interest	Present value of minimum rental payment	Future minimum rental payment	Interest	
Within 1 year	\$ 1,856,034	284,795	1,571,239	1,939,421	392,041	1,547,380	1,998,821	476,228	1,522,593
1 to 5 years	5,200,415	497,418	4,702,997	6,527,659	788,176	5,739,483	7,526,461	1,107,664	6,418,797
More than 5 years	<u>699,203</u>	<u>16,352</u>	<u>682,851</u>	<u>1,663,050</u>	<u>67,380</u>	<u>1,595,670</u>	<u>2,740,930</u>	<u>156,596</u>	<u>2,584,334</u>
	<b>\$ 7,755,652</b>	<b>798,565</b>	<b>6,957,087</b>	<b>10,130,130</b>	<b>1,247,597</b>	<b>8,882,533</b>	<b>12,266,212</b>	<b>1,740,488</b>	<b>10,525,724</b>

The recognized interest expenses incurred by lease liabilities for the years ended December 31, 2013 and 2012 are disclosed in note 6(q).

## (k) Operating leases

The Company leased aircraft, land, buildings, and parking lots under operating lease agreements with rental payable in the future as follows:

	2013.12.31	2012.12.31	2012.1.1
Within 1 year	\$ 6,898,603	6,441,503	6,427,927
1 to 5 years	17,232,586	18,481,668	20,770,393
More than 5 years	<u>8,499,159</u>	<u>8,871,262</u>	<u>10,381,713</u>
	<b>\$ 32,630,348</b>	<b>33,794,433</b>	<b>37,580,033</b>

For the years ended December 31, 2013 and 2012, rental expenses included in operating costs and operating expenses were \$6,875,599 and \$6,432,461, respectively. The Company did not assume the residual value of the abovementioned lease items, and determined that the risk and return of those lease items are still assumed by the lessor. Hence, the Company treated the abovementioned lease as operating leases.

(Continued)

## EVA AIRWAYS CORP.

## Notes to Parent-Company-Only Financial Statements

## (l) Employee benefits

## 1. Defined benefit plans

The movements in the present value of the defined benefit obligations and the fair value of plan assets were as follows:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Total present value of defined benefit obligations	\$ 6,063,401	5,567,566	5,211,077
Fair value of plan assets	<u>(3,276,976)</u>	<u>(3,031,708)</u>	<u>(2,760,749)</u>
Recognized liabilities for defined benefit obligations	<u>\$ 2,786,425</u>	<u>2,535,858</u>	<u>2,450,328</u>

The Company makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Act) entitle a retired employee to receive retirement payment calculated by the units based on years of service and average salary for the six months prior to retirement.

## (1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Labor Pension Fund Supervisory Committee of the Council of Labor Affairs. Minimum earnings on such funds shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's labor pension reserve account balance in Bank of Taiwan amounted to \$3,276,976 as of December 31, 2013. The utilization of the labor pension fund assets, including the asset allocation and yield of the fund. Please refer to the website of the Labor Pension Fund Supervisory Committee.

(Continued)

## EVA AIRWAYS CORP.

## Notes to Parent-Company-Only Financial Statements

## (2) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations were as follows:

	<u>2013</u>	<u>2012</u>
Defined benefit obligations at January 1	\$ 5,567,566	5,211,077
Benefits paid by the plan	(200,102)	(166,280)
Current service costs and interest	252,674	251,705
Actuarial losses (gains)	<u>443,263</u>	<u>271,064</u>
Defined benefit obligations at December 31	<u>\$ 6,063,401</u>	<u>5,567,566</u>

## (3) Movements of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets were as follows:

	<u>2013</u>	<u>2012</u>
Fair value of plan assets at January 1	\$ 3,031,708	2,760,749
Contributions from plan participants	381,275	358,058
Benefits paid by the plan	(175,211)	(114,940)
Expected return on plan assets	54,443	58,038
Actuarial gains (losses)	<u>(15,239)</u>	<u>(30,197)</u>
Fair value of plan assets at December 31	<u>\$ 3,276,976</u>	<u>3,031,708</u>

## (4) Expenses recognized in profit or loss

The expenses recognized in profit or loss were as follows:

	<u>2013</u>	<u>2012</u>
Current services costs	\$ 156,330	148,658
Interest on obligations	96,344	103,047
Expected return on plan assets	<u>(54,443)</u>	<u>(58,038)</u>
	<u>\$ 198,231</u>	<u>193,667</u>
Operating costs	\$ 154,394	148,816
Operating expenses	<u>43,837</u>	<u>44,851</u>
	<u>\$ 198,231</u>	<u>193,667</u>
Actual return on plan assets	<u>\$ 39,204</u>	<u>27,841</u>

(Continued)

## EVA AIRWAYS CORP.

## Notes to Parent-Company-Only Financial Statements

## (5) Actuarial gains and losses recognized in other comprehensive income

The Company's actuarial gains and losses recognized in other comprehensive income were as follows:

	<u>2013</u>	<u>2012</u>
Cumulative amount at January 1	\$ (301,261)	-
Recognized during the period	<u>(458,502)</u>	<u>(301,261)</u>
Cumulative amount at December 31	<u>\$ (759,763)</u>	<u>(301,261)</u>

## (6) Actuarial assumptions

The following are the Company's principal actuarial assumptions (using the weighted-average method) at the reporting date:

	<u>2013</u>	<u>2012</u>
Discount rate	2.00%	1.75%
Expected return on plan assets	2.00%	1.75%
Future salary increases	1.41%~2.64%	1.30%~2.44%

The overall expected long-term rate of return on assets was based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return ratio was exclusively based on historical returns, without adjustments.

## (7) Experience adjustments on historical information

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Present value of defined benefit obligations	\$ 6,063,401	5,567,566	5,211,077
Fair value of plan assets	<u>(3,276,976)</u>	<u>(3,031,708)</u>	<u>(2,760,749)</u>
Net liabilities of defined benefit obligations	<u>\$ 2,786,425</u>	<u>2,535,858</u>	<u>2,450,328</u>
Experience adjustments arising on the present value of defined benefit plans	<u>\$ 443,263</u>	<u>271,064</u>	<u>-</u>
Experience adjustments arising on the fair value of plan assets	<u>\$ 15,239</u>	<u>30,197</u>	<u>-</u>

(Continued)

## EVA AIRWAYS CORP.

## Notes to Parent-Company-Only Financial Statements

The expected allocation payments made by the Company to the defined benefit plans during the annual period after December 31, 2013 are \$394,793.

- (8) When calculating the present value of defined benefit obligations, the Company used judgments and estimations to determine the actuarial assumptions, including the employee turnover rates and future salary changes, as of the end of the reporting period. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

As of December 31, 2013, the Company's accrued pension liabilities were \$2,786,425. If the discount rate had increased or decreased by 0.25%, the Company's accrued pension liabilities would have decreased by \$172,143 or increased by \$179,163, respectively; if the future salary increase rate had increased or decreased by 0.25%, the Company's accrued pension liabilities would have increased by \$171,981 or decreased by \$166,106.

## 2. Defined contribution plans

The Company set aside 6% of each employee's monthly wages to contribute to the labor pension personal accounts at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. The Company set aside a fixed amount to contribute to the Bureau of Labor Insurance without the payment of additional legal or constructive obligations.

The Company set aside \$203,107 and \$180,057 as pension costs under the defined contribution plans in 2013 and 2012, respectively. Payment was made to the Bureau of Labor Insurance.

## (m) Income tax

### 1. Income tax expenses

For the years ended December 31, 2013 and 2012, the components of estimated income tax expenses were as follows:

	<u>2013</u>	<u>2012</u>
Current tax expenses	\$ 29,260	28,348
Deferred tax expenses	<u>125,001</u>	<u>70,475</u>
	<u>\$ 154,261</u>	<u>98,823</u>

(Continued)

## EVA AIRWAYS CORP.

## Notes to Parent-Company-Only Financial Statements

The amounts of income tax benefit recognized in other comprehensive income were as follows:

	<u>2013</u>	<u>2012</u>
Unrealized gains on available-for-sale financial assets	\$ (220)	(2,066)
Cash flow hedges	(2,165)	9,622
Actuarial losses on defined benefit plan	<u>77,945</u>	<u>51,214</u>
	<u>\$ 75,560</u>	<u>58,770</u>

Reconciliation of income tax expenses and profit before tax was as follows:

	<u>2013</u>	<u>2012</u>
Profit before tax	\$ <u>901,711</u>	<u>754,023</u>
Income tax using the Company domestic tax rate	\$ 153,291	128,184
Under accrued income tax payable in prior periods	13,159	252,142
Others	<u>(12,189)</u>	<u>(281,503)</u>
	<u>\$ 154,261</u>	<u>98,823</u>

## 2. Deferred tax assets and liabilities

### (1) Unrecognized deferred tax assets and liabilities

As of December 31, 2013 and 2012, it was not probable that future taxable profit of the Company would be available for loss carryforwards and investment tax credits against as which the Company could utilize the benefits therefrom. Hence, such temporary differences were not recognized under deferred tax assets. Details were as follows:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Unrecognized deferred tax assets:			
Tax losses	\$ 96,207	112,062	197,394
Investment tax credits	<u>-</u>	<u>874,372</u>	<u>1,566,436</u>
	<u>\$ 96,207</u>	<u>986,434</u>	<u>1,763,830</u>

(Continued)



## EVA AIRWAYS CORP.

## Notes to Parent-Company-Only Financial Statements

According to the Income Tax Act, the operating loss as examined and assessed by the local tax authorities can be carried forward for use as a deduction from taxable income over a period of ten years. As of December 31, 2013, the Company's loss carryforwards unrecognized as deferred tax assets and the expiry year were as follows:

<u>Filing year</u>	<u>Un-deducted operating loss</u>	<u>Expiry year</u>
2008	\$ <u>565,924</u>	2018

The Company has no unrecognized deferred tax liabilities as of December 31, 2013 and 2012.

## (2) Recognized deferred tax assets and liabilities

The movements in the balances of deferred tax assets and liabilities were as follows:

## Deferred tax assets:

	<u>Loss carryforwards</u>	<u>Loss on valuation of inventories</u>	<u>Purchase of fixed assets in installments</u>	<u>Defined benefit plan actuarial losses</u>	<u>Restoration obligations</u>	<u>Mileage revenue</u>	<u>Others</u>	<u>Total</u>
Beginning balance at January 1, 2013	\$ 2,728,603	467,635	383,963	431,096	287,643	367,918	469,218	5,136,076
Recognized in profit or loss	(241,808)	36,432	(58,820)	(35,349)	65,836	23,505	(76,470)	(286,674)
Recognized in other comprehensive income	-	-	-	77,945	-	-	(2,385)	75,560
Balance at December 31, 2013	<u>\$ 2,486,795</u>	<u>504,067</u>	<u>325,143</u>	<u>473,692</u>	<u>353,479</u>	<u>391,423</u>	<u>390,363</u>	<u>4,924,962</u>
Beginning balance at January 1, 2012	\$ 2,650,095	628,671	443,020	416,556	236,712	367,040	178,823	4,920,917
Recognized in profit or loss	78,508	(161,036)	(59,057)	(36,674)	50,931	878	282,839	156,389
Recognized in other comprehensive income	-	-	-	51,214	-	-	7,556	58,770
Balance at December 31, 2012	<u>\$ 2,728,603</u>	<u>467,635</u>	<u>383,963</u>	<u>431,096</u>	<u>287,643</u>	<u>367,918</u>	<u>469,218</u>	<u>5,136,076</u>

## Deferred tax liabilities:

	<u>Unrealized foreign exchange gains</u>	<u>Others</u>	<u>Total</u>
Beginning balance at January 1, 2013	\$ 190,652	36,212	226,864
Recognized in profit or loss	(125,461)	(36,212)	(161,673)
Balance at December 31, 2013	<u>\$ 65,191</u>	<u>-</u>	<u>65,191</u>
Beginning balance at January 1, 2012	\$ -	-	-
Recognized in profit or loss	190,652	36,212	226,864
Balance at December 31, 2012	<u>\$ 190,652</u>	<u>36,212</u>	<u>226,864</u>

(Continued)

## EVA AIRWAYS CORP.

## Notes to Parent-Company-Only Financial Statements

## 3. Examination and approval

The Company's income tax returns for the years through 2011 were examined and approved by the local tax authorities.

## 4. Information related to unappropriated earnings and creditable ratio:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Unappropriated earnings before 1997	\$ -	-	-
Unappropriated earnings after 1998	<u>(4,465,228)</u>	<u>(2,970,767)</u>	<u>(3,187,608)</u>
	<u>\$ (4,465,228)</u>	<u>(2,970,767)</u>	<u>(3,187,608)</u>
Balance of ICA	<u>\$ 158,662</u>	<u>365,367</u>	<u>214,388</u>
	<u>2013</u>	<u>2012</u>	
Tax creditable ratio for earnings distribution to R.O.C. residents	<u>- % (estimated)</u>	<u>- % (actual)</u>	

According to the announcement by the Ministry of Finance on October 17, 2013, under Decree No. 10204562810, the Company's income tax information and imputation tax credit information should be disclosed in compliance with the Decree.

## (n) Capital and other equity

As of December 31, 2013 and 2012 and January 1, 2012, the Company's authorized share capital consisted of 4,000,000 thousand shares of common stock, with par value of \$10 (dollars) per share, of which the issued and outstanding share capital were \$32,589,450.

(Continued)

## EVA AIRWAYS CORP.

## Notes to Parent-Company-Only Financial Statements

## 1. Capital surplus

The details of capital surplus were as follows:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Cash subscription in excess of par value of shares	\$ 29,672	29,672	29,672
Stock options granted to employees	282,100	282,100	282,100
Additional paid-in capital from bond conversion	<u>1,411,830</u>	<u>1,411,830</u>	<u>1,411,830</u>
	<u>\$ <b>1,723,602</b></u>	<u><b>1,723,602</b></u>	<u><b>1,723,602</b></u>

In accordance with R.O.C. Company Act amended in January 2012, realized capital surplus can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The aforementioned capital surplus included share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital surplus to be reclassified under share capital shall not exceed 10% of the actual share capital amount.

## 2. Retained earnings

According to the Company's articles of incorporation, current-period earnings should first be used to settle all outstanding tax payables and accumulated deficit, and then 10% of statutory earnings reserves should be retained, and special reserve should be recognized or reversed according to statutory requirements. Thereafter, the remaining current-period earnings and the unappropriated prior-period earnings can be distributed by reference to a resolution approved by the stockholders. The Company must appropriate employee bonuses of at least 1% of earnings of each year, and less than 5% of earnings of each year for remuneration of directors and supervisors.

The Company adopts the dividend policy that cash dividends and stock dividends are distributed with cash dividends accounting for at least 10% of total dividends distributed.

## (1) Legal reserve

In accordance with R.O.C. Company Act amended in January 2012, the Company must retain 10% of its annual profit as a legal reserve until such retention equals the amount of paid-in capital. If a company has no accumulated deficit, it may, pursuant to a resolution approved by the stockholders, distribute its legal reserve by issuing new shares or cash for the portion in excess of 25% of the paid-in capital.

(Continued)

## EVA AIRWAYS CORP.

## Notes to Parent-Company-Only Financial Statements

## (2) Special reserve

In accordance with Decree No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the current-period total net reduction of other equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other equity shall qualify for additional distributions.

## (3) Earnings distribution

On June 24, 2013 and June 21, 2012, the Company's stockholders did not appropriate dividends, employee bonuses, and directors' and supervisors' remuneration in consideration of operational needs and sustainable development.

For the years ended December 31, 2013 and 2012, the Company did not recognize any bonuses to employees and remuneration to directors and supervisors. Differences between the amount approved in the shareholders' meeting and recognized in the financial statements, if any, are recognized as profit or loss.

## 3. Other equity

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for- sale financial assets	Cash flow hedges	Total
<b>Beginning balance at January 1, 2013</b>	\$ 30,071	(881,760)	11,083	(840,606)
Exchange differences on translation of foreign financial statements (net of taxes)-the Company	39,242	-	-	39,242
Unrealized gains (losses) on available-for-sale financial assets (net of taxes)-the Company	-	40,533	-	40,533
Cash flow hedges, effective portion	-	-	10,572	10,572
<b>Balance at December 31, 2013</b>	<b>\$ 69,313</b>	<b>(841,227)</b>	<b>21,655</b>	<b>(750,259)</b>
<b>Beginning balance at January 1, 2012</b>	\$ 104,750	46,442	58,061	209,253
Exchange differences on translation of foreign financial statements (net of taxes)-the Company	(74,679)	-	-	(74,679)
Unrealized gains (losses) on available-for-sale financial assets (net of taxes)-the Company	-	(928,202)	-	(928,202)
Cash flow hedges, effective portion	-	-	(46,978)	(46,978)
<b>Balance at December 31, 2012</b>	<b>\$ 30,071</b>	<b>(881,760)</b>	<b>11,083</b>	<b>(840,606)</b>

(Continued)

## EVA AIRWAYS CORP.

## Notes to Parent-Company-Only Financial Statements

## (o) Earnings per share ("EPS")

The calculation of earnings per share is based on the profit attributable to the ordinary equity holders of the Company. Earnings per share were calculated as follows:

	<b>Profit</b>	<b>2013 Weighted-average number of shares outstanding during the year (thousand shares)</b>	<b>EPS (in dollars)</b>
Basic earnings per share:			
Profit attributable to ordinary equity holders	\$ <u>747,450</u>	<u>3,258,945</u>	<u>0.23</u>
Diluted earnings per share:			
Profit attributable to ordinary equity holders	\$ <u>747,450</u>	<u>3,258,945</u>	<u>0.23</u>
		<b>2012</b>	
		<b>Weighted-average number of shares outstanding during the year (thousand shares)</b>	<b>EPS (in dollars)</b>
Basic earnings per share:			
Profit attributable to ordinary equity holders	\$ <u>655,200</u>	<u>3,258,945</u>	<u>0.20</u>
Diluted earnings per share:			
Profit attributable to ordinary equity holders	\$ <u>655,200</u>	<u>3,258,945</u>	<u>0.20</u>

(Continued)

## EVA AIRWAYS CORP.

## Notes to Parent-Company-Only Financial Statements

## (p) Revenue

For the years ended December 31, 2013 and 2012, the components of revenue were as follows:

	<u>2013</u>	<u>2012</u>
Aviation transportation revenue	\$ 103,132,888	99,969,007
Others	<u>7,614,574</u>	<u>7,178,800</u>
	<u>\$ 110,747,462</u>	<u>107,147,807</u>

The Company has a customer loyalty program to improve its ticket sales. Upon purchasing, customers are awarded credits entitling them to exchange for an upgrade or free tickets.

As of December 31, 2013 and 2012 and January 1, 2012, the abovementioned deferred revenue amounting to \$1,595,096, \$2,118,330 and \$2,155,782, respectively, were recorded as unearned revenue and other non-current liabilities.

## (q) Non-operating income and expenses

## 1. Other income

	<u>2013</u>	<u>2012</u>
Interest income	\$ 220,976	181,810
Dividend income	<u>113,432</u>	<u>112,393</u>
	<u>\$ 334,408</u>	<u>294,203</u>

## 2. Other gains and losses

	<u>2013</u>	<u>2012</u>
Foreign exchange gains (losses)	\$ (341,667)	827,097
Losses on disposal of property, plant and equipment	(160,148)	(31,863)
Others	<u>127,106</u>	<u>129,345</u>
	<u>\$ (374,709)</u>	<u>924,579</u>

(Continued)

## EVA AIRWAYS CORP.

## Notes to Parent-Company-Only Financial Statements

## 3. Finance costs

	<u>2013</u>	<u>2012</u>
Interest expense		
Bank borrowings	\$ 943,850	1,031,013
Lease liabilities	345,713	415,674
Others	236,523	216,148
Less: capitalized interest	<u>(60,956)</u>	<u>(11,281)</u>
	<u>\$ 1,465,130</u>	<u>1,651,554</u>

## (r) Financial instruments

## 1. Type of financial instruments

## (1) Financial assets

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Derivative financial assets for hedge purposes	\$ 26,090	13,353	69,953
Available-for-sale financial assets—current	<u>1,799,429</u>	<u>2,106,688</u>	<u>2,410,548</u>
Available-for-sale financial assets—non-current	<u>3,092,037</u>	<u>2,903,306</u>	<u>3,107,328</u>
Loans and receivables:			
Cash and cash equivalents	20,012,604	19,157,798	13,666,643
Notes and accounts receivable, and other receivables (including related parties)	<u>6,734,307</u>	<u>7,186,539</u>	<u>6,993,587</u>
	<u>26,746,911</u>	<u>26,344,337</u>	<u>20,660,230</u>
Other non-current assets	<u>1,204,199</u>	<u>1,103,219</u>	<u>1,795,186</u>
	<u>\$ 32,868,666</u>	<u>32,470,903</u>	<u>28,043,245</u>

## (2) Financial liabilities

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Financial liabilities at amortized cost:			
Accounts payable (including related parties)	\$ 5,244,068	6,943,501	4,624,192
Bonds payable	21,200,000	16,700,000	10,200,000
Long-term borrowings (including current portion of long-term liabilities)	38,929,239	46,440,090	54,932,308
Other payables	9,682,100	8,142,076	8,167,005
Lease liabilities	<u>6,957,087</u>	<u>8,882,533</u>	<u>10,525,724</u>
	<u>\$ 82,012,494</u>	<u>87,108,200</u>	<u>88,449,229</u>

(Continued)

## EVA AIRWAYS CORP.

## Notes to Parent-Company-Only Financial Statements

## 2. Credit risk

## (1) Credit risk exposure

The maximum exposure to credit risk is mainly from the carrying amount of financial assets. As of December 31, 2013 and 2012, and January 1, 2012, such exposure amounted to \$32,868,666, \$32,470,903 and \$28,043,245, respectively.

## (2) Circumstances of concentration of credit risk

Accounts receivable were due from many customers. Therefore, there was no concentration of credit risk. In order to reduce the credit risk of accounts receivable, the Company continually evaluates each customer's financial situation and requires customers to be a member of IATA clearing house. Otherwise, the customer will have to provide bank guaranties or collaterals.

## 3. Liquidity risk

The following were the contractual maturities of financial liabilities, including estimated interest payments:

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
<b>As of December 31, 2013</b>					
<b>Non-derivative financial liabilities</b>					
Long-term borrowings	\$ 38,929,239	41,222,569	7,950,315	24,343,966	8,928,288
Secured bonds payable	21,200,000	22,125,325	270,424	21,854,901	-
Lease liabilities	6,957,087	7,755,652	1,856,034	5,200,415	699,203
Accounts payable (including related parties)	5,244,068	5,244,068	5,244,068	-	-
Other payables	9,682,100	9,682,100	9,682,100	-	-
	<u>\$ 82,012,494</u>	<u>86,029,714</u>	<u>25,002,941</u>	<u>51,399,282</u>	<u>9,627,491</u>
<b>As of December 31, 2012</b>					
<b>Non-derivative financial liabilities</b>					
Long-term borrowings	\$ 46,440,090	48,895,044	9,560,830	26,571,113	12,763,101
Secured bonds payable	16,700,000	17,585,625	219,050	17,366,575	-
Lease liabilities	8,882,533	10,130,130	1,939,421	6,527,659	1,663,050
Accounts payable (including related parties)	6,943,501	6,943,501	6,943,501	-	-
Other payables	8,142,076	8,142,076	8,142,076	-	-
	<u>\$ 87,108,200</u>	<u>91,696,376</u>	<u>26,804,878</u>	<u>50,465,347</u>	<u>14,426,151</u>
<b>As of January 1, 2012</b>					
<b>Non-derivative financial liabilities</b>					
Long-term borrowings	\$ 54,932,308	58,478,194	10,047,013	30,217,399	18,213,782
Secured bonds payable	10,200,000	10,828,875	139,750	10,689,125	-
Lease liabilities	10,525,724	12,266,212	1,998,821	7,526,461	2,740,930
Accounts payable (including related parties)	4,624,192	4,624,192	4,624,192	-	-
Other payables	8,167,005	8,167,005	8,167,005	-	-
	<u>\$ 88,449,229</u>	<u>94,364,478</u>	<u>24,976,781</u>	<u>48,432,985</u>	<u>20,954,712</u>

(Continued)



## EVA AIRWAYS CORP.

## Notes to Parent-Company-Only Financial Statements

The Company is not expecting that the cash flows including the maturity analysis could occur significantly earlier or at significantly different amounts.

## 4. Currency risk

## (1) Exposure to currency risk

The Company's significant exposure to foreign currency risk was as follows:

	2013.12.31			2012.12.31			2012.1.1		
	Foreign currency (in thousands)	Exchange rate	NTD	Foreign currency (in thousands)	Exchange rate	NTD	Foreign currency (in thousands)	Exchange rate	NTD
Financial assets									
Monetary items									
USD	\$ 100,101	29.805	2,983,505	85,598	29.04	2,485,799	74,282	30.28	2,248,912
EUR	5,665	41.09	232,775	5,913	38.49	227,586	4,603	39.18	180,356
JPY	672,612	0.2839	190,955	423,514	0.3364	142,470	421,111	0.3906	164,486
HKD	216,691	3.84	832,744	240,418	3.75	900,848	199,684	3.90	778,168
CNY	1,322,590	4.92	<u>6,505,820</u>	566,978	4.66	<u>2,642,119</u>	753,013	4.81	<u>3,619,734</u>
			<b>\$ <u>10,745,799</u></b>			<b><u>6,398,822</u></b>			<b><u>6,991,656</u></b>
Financial liabilities									
Monetary items									
USD	\$ 624,730	29.805	18,620,078	777,022	29.04	22,564,707	880,156	30.28	26,646,715
EUR	9,526	41.09	391,423	7,851	38.49	302,186	6,440	39.18	252,315
JPY	1,475,251	0.2839	418,824	1,242,389	0.3364	417,940	1,054,213	0.3906	411,776
HKD	2,997	3.84	11,517	14,989	3.75	56,165	20,456	3.90	79,716
CNY	293,241	4.92	<u>1,442,452</u>	238,621	4.66	<u>1,111,972</u>	162,644	4.81	<u>781,829</u>
			<b>\$ <u>20,884,294</u></b>			<b><u>24,452,970</u></b>			<b><u>28,172,351</u></b>

## (2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes receivable, accounts receivable (including related parties), available-for-sale financial assets—non-current, refundable deposits (included in other non-current assets), long-term borrowings, accounts payable (including related parties), other payables, lease liabilities and restoration obligations (included in other non-current liabilities) that are denominated in foreign currency. A 1% depreciation (appreciation) of the NTD against the USD, EUR, HKD, CNY and JPY as of December 31, 2013 and 2012, would have decreased (increased) the profit by \$101,385 and \$180,542 in 2013 and 2012, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2013 and 2012.

(Continued)

## EVA AIRWAYS CORP.

## Notes to Parent-Company-Only Financial Statements

## (3) Interest rate risk

The liquidity risk and interest rate exposure of the Company's financial liabilities are illustrated in note (s).

The following sensitivity analysis is based on the exposure to interest rate risk of the non-derivative financial instruments on the reporting date. For variable-rate instruments, the sensitivity analysis assumes the variable-rate liabilities are outstanding for the whole year on the reporting date. The Company's internal department reported the increases/decreases in the interest rates and the exposure to changes in interest rates on 100 basis points to the Company's key management so as to allow key management to assess the reasonableness of the changes in the interest rates.

If the interest rate increases (decreases) by 1% all other variable factors that remain constant, the profit of the Company will decrease (increase) \$413,149 and \$500,940 for the years ended December 31, 2013 and 2012, respectively due to the Company's floating-interest borrowings.

## (4) Fair value

## (i) Fair value and carrying amount

Aside from those listed as follows, the Company's management believes the carrying amounts of its financial assets and financial liabilities at amortized cost are approximately equal to their fair value.

	2013.12.31		2012.12.31		2012.1.1	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities:						
Secured bonds payable	\$ 21,200,000	20,964,867	16,700,000	16,532,696	10,200,000	10,099,526
Long-term borrowings	2,740,934	2,816,716	2,323,057	2,456,384	2,855,981	3,199,182
Lease liabilities	<u>1,830,499</u>	<u>1,886,325</u>	<u>2,905,535</u>	<u>3,070,120</u>	<u>3,708,809</u>	<u>4,003,664</u>
	<b>\$ <u>25,771,433</u></b>	<b><u>25,667,908</u></b>	<b><u>21,928,592</u></b>	<b><u>22,059,200</u></b>	<b><u>16,764,790</u></b>	<b><u>17,302,372</u></b>

(Continued)

## EVA AIRWAYS CORP.

## Notes to Parent-Company-Only Financial Statements

## (ii) Valuation techniques and assumptions used in fair value determination

The Company uses the following methods in determining the fair value of its financial assets and liabilities:

- A. The fair value of investments in securities of listed companies, with standard terms and conditions which are traded in active markets, is based on quoted market price.
- B. The fair value of derivative instruments is based on quoted prices.
- C. For all other financial assets and financial liabilities, the fair value is determined using a discounted cash flow analysis based on expected future cash flows.

## (iii) Interest rates used for determining fair value

The interest rates used for discounting estimated cash flows were as follows:

	<u>2013</u>	<u>2012</u>
Secured bonds payable	1.52%	1.58%
Long-term borrowings	1.52%	1.58%
Lease liabilities	1.52%	1.58%

## (iv) Fair value hierarchy

The table below analyzes the financial instruments measured at fair value classified by measurement method. The definitions of fair value hierarchy levels are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(Continued)

## EVA AIRWAYS CORP.

## Notes to Parent-Company-Only Financial Statements

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
As of December 31, 2013				
Available-for-sale financial assets	\$ 3,327,698	-	1,563,768	4,891,466
Derivative financial assets	<u>-</u>	<u>26,090</u>	<u>-</u>	<u>26,090</u>
	<b>\$ <u>3,327,698</u></b>	<b><u>26,090</u></b>	<b><u>1,563,768</u></b>	<b><u>4,917,556</u></b>
As of December 31, 2012				
Available-for-sale financial assets	\$ 3,492,993	-	1,517,001	5,009,994
Derivative financial assets	<u>-</u>	<u>13,353</u>	<u>-</u>	<u>13,353</u>
	<b>\$ <u>3,492,993</u></b>	<b><u>13,353</u></b>	<b><u>1,517,001</u></b>	<b><u>5,023,347</u></b>
As of January 1, 2012				
Available-for-sale financial assets	\$ 3,717,717	-	1,800,159	5,517,876
Derivative financial assets	<u>-</u>	<u>69,953</u>	<u>-</u>	<u>69,953</u>
	<b>\$ <u>3,717,717</u></b>	<b><u>69,953</u></b>	<b><u>1,800,159</u></b>	<b><u>5,587,829</u></b>

- (v) Movements in fair value measurements of financial assets in Level 3 and sensitivity analysis.

The following table shows a reconciliation from the beginning balance to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	<u>Unquoted equity instruments</u>
Beginning balance at January 1, 2013	\$ 1,517,001
Recognized in other comprehensive income	<u>46,767</u>
Balance at December 31, 2013	<b>\$ <u>1,563,768</u></b>
Beginning balance at January 1, 2012	\$ 1,800,159
Recognized in other comprehensive income	<u>(283,158)</u>
Balance at December 31, 2012	<b>\$ <u>1,517,001</u></b>

The fair value hierarchy levels of financial assets were not transferred in 2013 and 2012.

(Continued)

## EVA AIRWAYS CORP.

## Notes to Parent-Company-Only Financial Statements

The fair value measurements of the Company's financial instruments are reasonable; however, changes in the use of valuation models or valuation variables may affect the estimations. For fair value measurements in Level 3, fluctuation in the valuation variable by 5% would have the following effect:

	<b>Effects of changes in fair value on other comprehensive income</b>	
	<b><u>Favorable</u></b>	<b><u>Unfavorable</u></b>
As of December 31, 2013		
Available-for-sale financial assets	\$ <u>77,722</u>	<u>(77,722)</u>
As of December 31, 2012		
Available-for-sale financial assets	\$ <u>75,395</u>	<u>(75,395)</u>

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the inter-relationships with another input.

## (s) Management of financial risk

1. The Company is exposed to the nature and extent of the risks arising from financial instruments as below:
  - a. Credit risk
  - b. Liquidity risk
  - c. Market risk

Detailed information about exposure risk arising from the aforementioned risk and the Company's objective, policies and process for managing risks have been stated below. Further quantitative disclosures have been disclosed as notes to the financial statements.

## 2. Risk management framework

The Company's Board of Directors has responsibility for the oversight of the risk management framework. The Company's inter-departmental management and committee, which consists of managers from all departments, is responsible for monitoring the Company's risk management policies and reports regularly to the Board of Directors on its activities.

(Continued)

**EVA AIRWAYS CORP.****Notes to Parent-Company-Only Financial Statements**

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The inter-department management and committee are reviewed regularly to reflect change in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's supervisors oversee how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risk faced by the Company. The Company's supervisors are assisted in this oversight role by the internal auditor. The internal auditor reviews the risk controls and procedures, and reports the results on a regular or irregular basis to the supervisors.

**3. Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to financial instruments fails to meet its contractual obligations and arises principally from the Company's receivables from customers and investments in securities.

**(1) Notes and accounts receivable**

The Company's exposure to credit risk is influenced mainly by the individual characteristic of each customer. In accordance with the Company's credit policy, each customer is analyzed individually for creditworthiness, and is required to be a member of IATA clearing house. Otherwise, the customer will have to provide bank guarantees or collaterals before its credit terms and credit limit are offered. Credit limit is offered to each customer as the limit of transactions and is reviewed regularly.

The transaction amount of the majority of the Company's customers is not significant, leading to an insignificant influence of loss from credit risk arising from single customer on the Company. The Company set up the allowance for doubtful accounts to reflect the estimated loss of notes and accounts receivable. The major component of the allowance account includes the specific loss component related to individually significant exposure.

**(2) Investments**

The credit risk exposure in the bank deposits, fixed income investments and other financial instruments are measured and monitored by the Company's finance department. Since the Company's transactions are with external parties with good credit standing, highly rated financial institutions, publicly traded stock companies and unlisted companies with good reputation, there are no non-compliance issues and therefore no significant credit risk.

(Continued)

**EVA AIRWAYS CORP.****Notes to Parent-Company-Only Financial Statements**

## (3) Guarantees

As of December 31, 2013, the Company did not provide guarantee.

## 4. Liquidity risk

Liquidity risk is a risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's finance department monitors the needs for cash flows, and plans optional return from investments of idle capital. The Company aims to maintain the level of its cash and cash equivalents at an amount to cope with expected cash outflows on operation, including meeting its financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

## 5. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices that will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

## (1) Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company, primarily the TWD and USD. The currencies used in these transactions are principally denominated in TWD, CNY, EUR, USD, and JPY.

(Continued)

**EVA AIRWAYS CORP.****Notes to Parent-Company-Only Financial Statements**

The Company hedges its cash and cash equivalents, trade receivables from sales, trade payables to purchase and leases payments for aircraft denominated in a foreign currency. When necessary, the Company uses foreign currency financing and forward exchange contracts to hedge its currency risk. The financial department proactively collects information of currency to monitor the trend of currency rate and keeps connection with the foreign currency department of banks to collect the market information for securing the currency risk.

(2) Interest rate risk

The Company enters into and designates interest rate swaps as hedges of the variability in interest rate risk from long-term borrowings.

(3) Other market price risk

The Company monitors the risk arising from its available-for-sale security instruments, which are held for monitoring cash flow requirements and unused capital. The management of the Company monitors the combination of equity securities and open-market funds in its investment portfolio based on cash flow requirements. Material investments within the portfolio are managed on an individual basis, and all buy-and-sell decisions are approved by the Board of Directors.

(t) Capital management

The Board of Directors' policy is to maintain a strong capital base to maintain the confidence of investors, creditors, and the market and to sustain future development of the business. The Board of Directors monitors the level of dividends to ordinary equity holders as well as future operation of the business.

As of December 31, 2013, there were no changes in the Company's approach to capital management.

(Continued)



## EVA AIRWAYS CORP.

## Notes to Parent-Company-Only Financial Statements

## 7. Transactions with related parties

## (a) Relationships between parent and subsidiaries

A detailed list of the Company's subsidiaries is as follows:

Name	Country of incorporation	Ownership interest (shareholding%)		
		<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Evergreen Airline Services Corp.	Taiwan	56.33%	56.33%	56.33%
Evergreen Sky Catering Corp.	Taiwan	49.80%	49.80%	49.80%
Evergreen Aviation Technologies Corp.	Taiwan	80.00%	80.00%	80.00%
Evergreen Air Cargo Services Corp.	Taiwan	60.00%	60.00%	60.00%
Hsiang-Li Investment Corp.	Taiwan	100.00%	100.00%	100.00%
RTW Air Services (S) Pte. Ltd.	Singapore	49.00%	49.00%	49.00%
Green Siam Air Services Co., Ltd.	Thailand	49.00%	49.00%	49.00%
Evergreen Airways Service (Macau) Ltd.	Macau	99.00%	99.00%	99.00%
PT Perdana Andalan Air Service	Indonesia	51.00%	51.00%	51.00%
Sky Castle Investment Ltd.	Samoa	100.00%	100.00%	100.00%
Concord Pacific Ltd.	Samoa	100.00%	100.00%	100.00%
Sino Gain Ltd.	Samoa	100.00%	100.00%	100.00%
EVA Flight Training Academy	USA	100.00%	-	-

## (b) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Company.

## (c) Significant transactions with related parties

## 1. Operating revenue

Significant sales to related parties of the Company were as follows:

	<u>2013</u>	<u>2012</u>
Subsidiaries	\$ 207,542	300,447
Associates	13	-
Others	<u>1,131,729</u>	<u>893,916</u>
	<u>\$ 1,339,284</u>	<u>1,194,363</u>

(Continued)

## EVA AIRWAYS CORP.

## Notes to Parent-Company-Only Financial Statements

Related parties leased aircraft from the Company to operate cross-strait flights between Mainland China and Taiwan. The rental is charged by actual flight hours and recorded under operating revenue.

The prices for sales to related parties are not materially different from those of the third-parties sales. The payment terms are within 1~3 months, which do not materially differ from those of the third-party transactions. There was no collateral on the accounts receivable from related parties. Provisions for bad debt expenses were accrued properly after assessment.

## 2. Purchase

Significant purchases from related parties of the Company were as follows:

	<u>2013</u>	<u>2012</u>
Subsidiaries	\$ 8,736,244	8,988,725
Associates	4,356	3,235
Others	<u>1,180,030</u>	<u>1,074,721</u>
	<b>\$ <u>9,920,630</u></b>	<b><u>10,066,681</u></b>

Operating expenses from transactions with related parties were as follows:

	<u>2013</u>	<u>2012</u>
Subsidiaries	\$ 196,259	197,794
Associates	45,855	46,338
Others	<u>331,309</u>	<u>258,595</u>
	<b>\$ <u>573,423</u></b>	<b><u>502,727</u></b>

The prices for purchases from related parties are not materially different from those of the third-party vendors. The payment terms are within 1~3 months, which do not materially differ from those of third-party transactions.

- The Company sold spare parts amounting to \$10,714 and \$940,533 to subsidiaries for the years ended December 31, 2013 and 2012, respectively.
- One subsidiary provides maintenance services for aircraft and engines for the Company. For the years ended December 31, 2013 and 2012, the amounts were \$3,069,303 and \$3,116,041, respectively, recorded under aircraft and machinery and equipment.

(Continued)

## EVA AIRWAYS CORP.

## Notes to Parent-Company-Only Financial Statements

## 5. Property transaction

The Company sold two aircraft for US\$97,067 to one subsidiary on November 27, 2009, and immediately bought them back by installments. There were no gains or losses on disposal recorded for this sale and buyback transaction.

## 6. Construction commitment

In February 2012, the Company entered into a contract amounting to \$720,000 with related parties for the purpose of construction of its training center. As of December 31, 2013 and 2012, the unpaid contract price amounted to \$198,598 and \$460,080, respectively.

## 7. Endorsement and guarantees

The details of guarantees to the Company's subsidiary were as follows:

2013.12.31		2012.12.31		2012.1.1	
Foreign currency (in thousands)	NTD	Foreign currency (in thousands)	NTD	Foreign currency (in thousands)	NTD
-	-	USD 8,265	\$ <u>250,470</u>	USD 32,500	\$ <u>984,100</u>

## 8. Receivables from related parties

Receivables from related parties of the Company were as follows:

Account	Class of related parties	2013.12.31	2012.12.31	2012.1.1
Accounts receivable	Subsidiaries	\$ 12,802	17,647	30,850
Accounts receivable	Others	118,954	150,249	147,706
Other receivables	Subsidiaries	5,516	17,544	468,506
Other receivables	Associates	15	2	-
Other receivables	Others (note)	<u>108,633</u>	<u>89,895</u>	<u>63,532</u>
		\$ <u>245,920</u>	<u>275,337</u>	<u>710,594</u>

(Continued)

## EVA AIRWAYS CORP.

## Notes to Parent-Company-Only Financial Statements

Note: As of December 31, 2012 and January 1, 2012, the overdue accounts receivable were reclassified to other receivables. The aging for the abovementioned overdue accounts receivable were shown below:

Name	2012.12.31			
	Aging for overdue accounts receivable			
	<u>Amount</u>	<u>Overdue 1-6 months</u>	<u>Overdue 7-12 months</u>	<u>Overdue one year</u>
Shanghai Airlines Cargo International Co., Ltd.	\$ 15,722	-	-	15,722

Name	2012.1.1			
	Aging for overdue accounts receivable			
	<u>Amount</u>	<u>Overdue 1-6 months</u>	<u>Overdue 7-12 months</u>	<u>Overdue one year</u>
Shanghai Airlines Cargo International Co., Ltd.	\$ 18,920	5,979	1,612	11,329

## 9. Payables to related parties

Payables to related parties of the Company were as follows:

Account	Class of related parties	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Accounts payable	Subsidiaries	\$ 3,195,068	3,514,170	2,711,292
Accounts payable	Associates	352	325	44
Accounts payable	Others	200,133	105,177	111,656
Other payables	Subsidiaries	137,570	52,128	99,997
Other payables	Associates	3,975	3,975	4,048
Other payables	Others	<u>288,578</u>	<u>50,625</u>	<u>69,497</u>
		<b>\$ <u>3,825,676</u></b>	<b><u>3,726,400</u></b>	<b><u>2,996,534</u></b>

## (d) Key management personnel compensation

Key management personnel compensation comprised the following:

	<u>2013</u>	<u>2012</u>
Short-term employee benefits	\$ 31,318	31,858
Post-employment benefits	<u>6,879</u>	<u>2,628</u>
	<b>\$ <u>38,197</u></b>	<b><u>34,486</u></b>

(Continued)

## EVA AIRWAYS CORP.

## Notes to Parent-Company-Only Financial Statements

## 8. Pledged assets

The book values of the pledged assets were as of follows:

<b>Pledged assets</b>	<b>Object</b>	<b><u>2013.12.31</u></b>	<b><u>2012.12.31</u></b>	<b><u>2012.1.1</u></b>
Property, plant and equipment	Long-term borrowings	\$ 49,720,827	56,576,010	65,195,313
Available-for-sale financial assets – non-current	Contract performance guaranties	89,274	100,070	121,090
Time deposit – included in other non-current assets	Letters of credit, customs duty, and contract performance guaranties	71,980	70,832	72,363
Inventories	Long-term borrowings	-	-	500,033
		<b>\$ <u>49,882,081</u></b>	<b><u>56,746,912</u></b>	<b><u>65,888,799</u></b>

## 9. Commitments and contingencies

(a) Significant contingencies: None.

(b) Significant commitments:

- In May 2012 and October 2013, the Company entered into aircraft purchase contracts with Boeing Company and four subsidiaries of GECAS for 7 Boeing 777 aircraft. The total amount of the contracts price is US\$2,261,094. The Company has partially paid the price as follows:

	<b><u>2013.12.31</u></b>	<b><u>2012.12.31</u></b>	<b><u>2012.1.1</u></b>
Advances for purchases of equipment-included in other non-current assets	\$ <u>4,658,998</u>	<u>1,656,044</u>	<u>-</u>

- Unused letters of credit for the Company were as follows:

	<b><u>2013.12.31</u></b>	<b><u>2012.12.31</u></b>	<b><u>2012.1.1</u></b>
Unused letters of credit	\$ <u>2,122,531</u>	<u>1,924,209</u>	<u>1,704,293</u>

(Continued)

## EVA AIRWAYS CORP.

## Notes to Parent-Company-Only Financial Statements

**10. Significant disaster losses: none****11. Significant subsequent events: none****12. Others**

A summary of employee expenses, depreciation and amortization expenses, by function, is as follows:

	<u>Operating cost</u>	<b>2013</b> <u>Operating expenses</u>	<u>Total</u>	<u>Operating cost</u>	<b>2012</b> <u>Operating expenses</u>	<u>Total</u>
Personnel expenses						
Salaries	\$ 4,322,107	3,322,224	7,644,331	3,913,762	3,048,906	6,962,668
Labor and health insurance	229,014	194,122	423,136	210,586	171,721	382,307
Pension	263,225	138,113	401,338	246,155	127,569	373,724
Others	1,642,573	393,870	2,036,443	1,450,093	430,875	1,880,968
Depreciation (Note)	9,679,624	268,827	9,948,451	9,905,184	221,059	10,126,243
Amortization	-	94,283	94,283	-	49,681	49,681

Note: For the years ended December 31, 2013 and 2012, the depreciation expenses recognized were \$10,083,867 and \$10,261,659, respectively, less deferred gains of \$135,416 and \$135,416, respectively.

**13. Operating segments**

Please see the consolidated financial statements for the year ended December 31, 2013.

**14. First-time adoption of IFRSs approved by the FSC**

The Company's financial statements as of December 31, 2012, were previously prepared in accordance with accounting principles generally accepted in the R.O.C. (R.O.C. GAAP.) As described in note 4(a), the parent-company-only financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(Continued)

## EVA AIRWAYS CORP.

## Notes to Parent-Company-Only Financial Statements

The accounting policies described in note 4 have been adopted when preparing the comparative parent-company-only financial statements for the year ended December 31, 2012, the balance sheet as of December 31, 2012, and the initial IFRS balance sheet as of January 1, 2012 (the Company's conversion date).

In preparing the financial statements for the years 2012, the Company has adjusted amounts reported previously in the financial statements prepared in accordance with R.O.C. GAAP. An explanation of how the transition to IFRSs approved by the FSC has affected the Company's financial position, financial performance, and cash flows is set out in the following tables and the notes that accompany the tables. The adjustments of the parent-company-only balance sheets at December 31, 2012, and January 1, 2012 (the Company's conversion date) and statement of comprehensive income for 2012 were as follows:

## (a) Reconciliation of balance sheets items

	2012.12.31			2012.1.1		
	ROC GAAP	Effect of transition to IFRSs	IFRSs	ROC GAAP	Effect of transition to IFRSs	IFRSs
<b>Assets</b>						
Cash and cash equivalents	\$ 19,157,798	-	19,157,798	13,666,643	-	13,666,643
Available-for-sale financial assets—current	2,106,688	-	2,106,688	2,410,548	-	2,410,548
Notes and accounts receivable, net (including related parties)	7,029,233	-	7,029,233	6,418,453	-	6,418,453
Inventories (1)	6,504,322	(3,706,985)	2,797,337	7,804,560	(3,970,762)	3,833,798
Other current assets (1), (2)	1,169,199	(394,911)	774,288	2,541,240	(1,305,608)	1,235,632
Total current assets	35,967,240	(4,101,896)	31,865,344	32,841,444	(5,276,370)	27,565,074
Available-for-sale financial assets—non-current (3), (9)	754,380	2,148,926	2,903,306	677,772	2,429,556	3,107,328
Investments accounted for using equity method (4)	11,074,640	(1,277,649)	9,796,991	10,241,855	(261,009)	9,980,846
Financial assets carried at cost—non-current (3), (9)	2,530,348	(2,530,348)	-	2,530,348	(2,530,348)	-
Property, plant and equipment (1), (8)	80,598,176	8,416,523	89,014,699	87,529,888	8,022,254	95,552,142
Intangible assets (6)	225,167	78,166	303,333	301,345	(175,897)	125,448
Deferred tax assets (2)	4,494,062	642,014	5,136,076	3,202,626	1,718,291	4,920,917
Other non-current assets (1), (8)	1,406,552	1,867,649	3,274,201	1,920,634	(112,623)	1,808,011
Total non-current assets	101,083,325	9,345,281	110,428,606	106,404,468	9,090,224	115,494,692
Total assets	\$ <b>137,050,565</b>	<b>5,243,385</b>	<b>142,293,950</b>	<b>139,245,912</b>	<b>3,813,854</b>	<b>143,059,766</b>
<b>Liabilities</b>						
Short-term borrowings	\$ -	-	-	-	-	-
Accounts payable (including related parties)	6,943,501	-	6,943,501	4,624,192	-	4,624,192
Other current liabilities (5), (6)	28,999,208	660,470	29,659,678	28,759,493	195,229	28,954,722
Total current liabilities	35,942,709	660,470	36,603,179	33,383,685	195,229	33,578,914
Long-term borrowings (including bonds payable)	54,273,929	-	54,273,929	55,949,166	-	55,949,166
Lease liability—non-current	7,335,153	-	7,335,153	9,003,131	-	9,003,131
Deferred tax liabilities (2)	-	226,864	226,864	-	-	-
Accrued employee retirement liabilities (6)	1,464,274	1,071,584	2,535,858	1,357,097	1,093,231	2,450,328
Other non-current liabilities (1), (5), (6), (7)	1,481,039	4,470,006	5,951,045	1,679,558	4,204,616	5,884,174
Total non-current liabilities	64,554,395	5,768,454	70,322,849	67,988,952	5,297,847	73,286,799
Total liabilities	100,497,104	6,428,924	106,926,028	101,372,637	5,493,076	106,865,713
Common stock	32,589,450	-	32,589,450	32,589,450	-	32,589,450
Capital surplus (4)	2,626,446	(902,844)	1,723,602	2,626,446	(902,844)	1,723,602
Retained earnings (1), (2), (4), (5), (6), (7)	6,805,056	(4,909,580)	1,895,476	6,301,045	(4,629,297)	1,671,748
Other equity (1), (3), (6)	(5,467,491)	4,626,885	(840,606)	(3,643,666)	3,852,919	209,253

(Continued)

## EVA AIRWAYS CORP.

## Notes to Parent-Company-Only Financial Statements

	2012.12.31			2012.1.1		
	ROC GAAP	Effect of transition to IFRSs	IFRSs	ROC GAAP	Effect of transition to IFRSs	IFRSs
Total equity	36,553,461	(1,185,539)	35,367,922	37,873,275	(1,679,222)	36,194,053
Total liabilities and equity	<u>\$ 137,050,565</u>	<u>5,243,385</u>	<u>142,293,950</u>	<u>139,245,912</u>	<u>3,813,854</u>	<u>143,059,766</u>

## (b) Reconciliation of statement of comprehensive income items

	2012		
	ROC GAAP	Effect of Transition to IFRSs	IFRSs
Operating revenue (5)	\$ 107,110,356	37,451	107,147,807
Operating cost (1), (6), (7)	(98,327,114)	(745,020)	(99,072,134)
Gross profit from operations	8,783,242	(707,569)	8,075,673
Operating expenses (6)	(7,972,270)	92,704	(7,879,566)
Net Operating income	810,972	(614,865)	196,107
Non-operating income and expenses: :			
Other income	294,203	-	294,203
Other gains and losses (1)	71,988	852,591	924,579
Finance costs (1)	(1,607,551)	(44,003)	(1,651,554)
Share of profit of subsidiaries and associates accounted for using equity method (4)	962,745	27,943	990,688
Profit before tax	532,357	221,666	754,023
Income tax expenses (2)	(28,346)	(70,477)	(98,823)
Profit	504,011	151,189	655,200
Other comprehensive income:			
Exchange differences on translation of foreign financial statements	(2,149,536)	2,074,857	(74,679)
Unrealized gains (losses) on available-for-sale financial assets	109,753	(284,203)	(174,450)
Cash flow hedges	(56,600)	-	(56,600)
Net loss not recognized as pension cost	(108,180)	108,180	-
Actuarial losses on defined benefit plans (4)	-	(301,261)	(301,261)
Share of other comprehensive income of subsidiaries and associates	-	(933,111)	(933,111)
Income tax relating to components of other comprehensive	380,738	(321,968)	58,770
Other comprehensive income, net of tax	(1,823,825)	342,494	(1,481,331)
Comprehensive income	<u>\$ (1,319,814)</u>	<u>493,683</u>	<u>(826,131)</u>
Earnings per common share			
Basic earnings per share (dollars)	<u>\$ 0.15</u>	<u>0.05</u>	<u>0.20</u>

## (c) Reconciliation of statement of cash flows:

There are no significant differences between R.O.C. GAAP and IFRSs approved by the FSC in the statement of cash flows.

(Continued)



**EVA AIRWAYS CORP.****Notes to Parent-Company-Only Financial Statements**

## (d) Explanation of reconciliation of significant differences:

1. The Company performs inspections or overhaul for the property, plant and equipment project periodically. Major inspection or overhaul cost is recognized in the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are met. In addition, the remaining carrying amount of the cost of previous inspection or overhaul should be derecognized. If the inspection or overhaul cost has not been separately identified when the asset was acquired or constructed, the estimated cost of a similar inspection or overhaul may be used as an indication of the existing inspection component. A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows if the impact of time value of money is significant. Also, the IFRSs approved by the FSC do not include regulations, which are included in Decree No. 01666, which regards the fleet obtained via its own USD dollar funds and USD dollar loans and operated for international transportation of passengers and cargo as foreign operating units. Based on the aforementioned regulations, the Company made adjustments in inventories, other current assets, property, plant and equipment, other non-current assets, other non-current liabilities, retained earnings, and other equity as of December 31 and January 1, 2012. Also, the Company made adjustments in operating cost, interest expense, and foreign exchange gains (losses) for the year ended December 31, 2012.
2. The Company recognizes the taxable loss, income tax credit, and temporary differences as deferred tax assets or liabilities, which are classified as non-current, to the extent that it is probable that there will be taxable income available in the future. The reclassification has no effect on the statement of comprehensive income for the year ended December 31, 2012, as well as the equity as of December 31 and January 1, 2012. As of December 31 and January 1, 2012, the Company remeasured temporary differences and adjusted the presentation of accounts, including other current assets, deferred tax assets, deferred tax liabilities, and retained earnings, in accordance with the IFRSs approved by the FSC. In addition, the Company made adjustments in the income tax expense for the year ended December 31, 2012.
3. The Company measures its financial assets by reference to the quoted price in active markets, which is deemed to be the best evidence of the fair value of financial assets. If the market of financial assets is not active, the fair value is determined by using valuation techniques. The Company made adjustments in available-for-sale financial assets—non-current, financial assets carried at cost—non-current, and other equity as of December 31 and January 1, 2012.

(Continued)

**EVA AIRWAYS CORP.****Notes to Parent-Company-Only Financial Statements**

4. The variation in the proportion of share equity arising from the additional share issuance by affiliates in which the original shareholders do not acquire new shares proportionately was recognized as profit or loss. In addition, the IFRSs approved by the FSC do not include the regulations, which are included in Decree No. 045, requiring that capital surplus be recognized for the donated fixed assets. Due to the aforementioned regulations, the Company made adjustments in investment accounted for using equity method, capital surplus, and retained earnings as of December 31 and January 1, 2012. Also, the Company made adjustments in the share of profit of subsidiaries and associates accounted for using equity method for the year ended December 31, 2012.
5. The Company's customer loyalty program, whereby customers are awarded credits known as points at the timing of sale in exchange for free or discounted goods or services in the future, includes several identifiable components. The Company sells two items to its customers: goods or services and the points. The Company should estimate and defer the corresponding fair value of the points based on experience of the probability of redemption, and the revenue would not be recognized until the customers exercise their conversion in the future. The Company made adjustments in other current liabilities, other non-current liabilities, and retained earnings as of December 31 and January 1, 2012. Also, the Company made adjustments in operating revenue for the year ended December 31, 2012.
6. Based on the expected additional expenditures incurred by accumulated but unexercised rights of leave, the Company measures the expected cost of accumulating compensated absences. Besides, when the actuarial gains and losses of pension occur, the actuarial gains and losses for the period shall immediately be recognized as other comprehensive income. The Company made adjustments in intangible assets, other current liabilities, accrued pension liabilities, other non-current liabilities, retained earnings, and other equity as of December 31 and January 1, 2012. Also, the Company made adjustments in operating cost and operating expenses for the year ended December 31, 2012.
7. The gains (losses) from sale of Company's sale and leaseback transactions, whose sale price is fair value, should be immediately recognized. The Company made adjustments in other non-current liabilities and retained earnings as of December 31 and January 1, 2012. Also, the Company made adjustments in operating cost for the year ended December 31, 2012.
8. The Company's advances for purchases of equipment should be classified as long-term prepayments according to its nature. The Company reclassified property, plant and equipment as other non-current assets in accordance with the regulations. The reclassification has no impact on the statement of comprehensive income for the year ended December 31, 2012, as well as the equity as of December 31 and January 1, 2012.

(Continued)

**EVA AIRWAYS CORP.****Notes to Parent-Company-Only Financial Statements**

9. In accordance with previous GAAP, the Company recognized actuarial gains (losses) as profit or loss based on the residual period of service. At the conversion date, the Company recognized all the previously unrecognized accumulated actuarial gains (losses) as retained earnings in accordance with IFRS 1 *First-time adoption of International Financial Reporting Standards*. In addition, the Company designated the investment in securities of non-publicly listed companies as available-for-sale financial assets at the conversion date.



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