

Management's Discussion and Analysis for the second quarter ended June 30, 2015 for Thai Airways International Public Company Limited and Its Subsidiaries

1. Executive summary

The global aviation industry has been growing steadily witnessed by growing passenger traffic in almost all regions, especially in the Middle East and the Asia-Pacific. January to June 2015 data from the International Air Transport Association (IATA) revealed 6.3% increase in volume of passenger traffic from the same period last year, with a production traffic increase from last year by 5.9 % - causing the cabin factor to rise to 79.0%. The year-on-year increase in travel mostly benefitted from lower oil prices, the global economy recovery, lower fares and more new routes. However, the intensifying competition and adapting to changing demands are also the significant challenges for airlines around the world.

Though with several factors contributing to the expansion of Thailand aviation industry, the audit results of the International Civil Aviation Organization (ICAO) under the monitoring of the Universal Safety Oversight Audit Program (USOAP) in March 2015 showed unsatisfactory response to Significant Safety Concern (SSC) – causing severe impact to Thailand airline industry. The need to expedite actions on ICAO findings are required to urgently prevent the problem to deteriorating further.

THAI has always maintained high safety standards and obtained certification from various international organizations with regards to aviation safety. Following ICAO findings on Thailand Department of Civil Aviation (DCA), various countries have added the monitoring on flight operations safety standards in every aspect of THAI (e.g. ramp inspections, station audit, base audit) whereby results have been satisfactory that THAI maintained the highest safety standards. Following ICAO findings, Japan only bans new charter flights from Thailand and not regular flights. Hence, the impact is almost non-existence for THAI.

Recently, European Aviation Safety Agency (EASA) made an announcement on its website without any issue on Thai airlines' flights to Europe. As such, THAI will continue to operate regularly-scheduled flights to Europe. Even so, THAI has prepared a Business Continuity Plan in all operational areas in case of a major operational disruption.

During the second quarter of 2015, THAI continues to implement its 6 transformation plans, which launched since the past quarter, consisted of (i) Network Strategy, (ii) Fleet Strategy, (iii) Commercial Strategy, (iv) Operations & Cost Strategy, (v) Organization Strategy and (vi) Portfolio Strategy with closely monitoring process. THAI had ceased "Day Flight" to Frankfurt from May 1, 2015, to reduce losses as per the network strategy and proceeded the fleet strategy by decommissioning one aircraft, simultaneously, receiving two new aircraft as of June 30, 2015 which made a total of 94 aircraft to THAI's fleet.

THAI also provided the Mutual Separation Plan -MSP for general employees and Golden Handshake scheme for flight attendants to manage manpower affected by the reduction of flights and routes in order to improve the personnel and cost structure and reduce overall costs in the long term and number of employees to balance some potential job levels. The participants totaled 1,401 staff joining these programs.

Due to the recovery of the tourism sector in Thailand, the economic growth in several countries and the expansion of Chinese tourists traveling abroad from easing measures of the Chinese authorities, the second quarter of 2015, THAI had 5.07 million flying passengers, an increase of 19.7% over last year. The passenger traffic increased 11.2% while passenger production increased only by 2.0 % which pushed cabin factor to 69.2% compared to 63.5% last year. Cargo business was affected by the export downturn and reduction in freight production from the decommissioned freighter aircrafts. Therefore, the cargo transport amount fell 22.6% from last year.

THAI and its subsidiaries' financial performance for the second quarter of 2015 showed an operating loss – a decrease of THB 2,805 million (45.9%) due to THB 1,557 million (3.6%) drop in revenue from last year, mainly from 26.3% drop in cargo revenue offset with 8.8% (THB 4,362 million) drop in expenses mainly in fuel and oil expense.

THAI and its subsidiaries had one-time expense of THB 7,827 million comprises of THB 3,722 million Mutual Separation plan and Golden Handshake programs, THB 426 million loss of impairment on assets and aircraft, together with THB 3,679 million loss of foreign currency exchange while the net finance cost was THB 1,409 million. Consequently, THAI and its subsidiaries reported the net loss of THB 12,754 million. Loss attributable to owners of the parent amounted to THB 12,759 million or THB 5,097 million higher than last year. Loss per share was THB 5.85 compared to last year of 3.51.

EBITDA was THB 1,418 million while last year's result reported THB -896. EBITDA margin was 3.4%, as compared to last year's reported -2.1%.

2. Summary of Operating Results for Thai Airways International PCL. and its subsidiaries Financial Performance

The consolidated financial statements for the second quarter of 2015 consists of THAI's financial statement and 5 subsidiary companies which are 1) THAI-Amadeus Southeast Asia Co.,Ltd., 2)Wingspan Services Co., Ltd., 3) THAI Flight Training Co., Ltd, 4) Tour Eurng Luang Co., Ltd., and 5) THAI Smile Airways Co., Ltd.

Financial Performance: THAI and its subsidiaries

Unit : Million Baht	APR - JUN			
	2015	2014	Variance	
			MTHB	%
Total operating revenues	41,807	43,364	-1,557	-3.6
- Passenger and excess baggage revenue	34,044	34,547	-503	-1.5
- Freight and mail revenue	4,469	6,060	-1,591	-26.3
- Revenue from other activities	2,850	2,160	+690	+31.9
- Other income	444	597	-153	-25.6
Total operating expenses	45,111	49,473	-4,362	-8.8
- Fuel and oil	14,934	18,717	-3,783	-20.2
- Non-fuel operating expenses	30,177	30,756	-579	-1.9
Operating profit (Loss)	(3,304)	(6,109)	+2,805	+45.9
<u>Less</u> Net finance cost	1,409	1,590	-181	-11.4
<u>Less</u> Termination benefits- Mutual separation plan	3,722	-	+3,722	-
<u>Less</u> Impairment loss of assets and aircraft	426	1,214	-788	-64.9
<u>Add</u> Gain (Loss) on foreign currency exchange	(3,679)	1,008	-4,687	-465.0
Profit (Loss) before tax	(12,540)	(7,905)	-4,635	-58.6
Net Profit(Loss)	(12,754)	(7,654)	-5,100	-66.6
Profit (Loss) attribute to owners of the parent	(12,759)	(7,662)	-5,097	-66.5
Net Profit (Loss) per share (THB)	(5.85)	(3.51)	-2.34	-66.7
<u>Significant operating data</u>				
EBITDA (MTHB)	1,418	(896)	+2,314	+258.3
Number of passengers (Million)	5.07	4.23	+0.84	+19.7
Available Seat-Kilometers (Million)	20,278	19,889	+389	+2.0
Revenue Passenger-Kilometers (Million)	14,042	12,626	+1,415	+11.2
Cabin factor (%)	69.2	63.5		+5.8
Passenger yield (THB/RPK)	2.38	2.69	-0.31	-11.4
Available Dead Load Ton-Kilometers (Million)	830	915	-85	-9.3
Revenue Freight Ton-Kilometers (Million)	483	625	-141	-22.6
Freight load factor (%)	58.3	68.3		-10.0
Freight carried (Ton)	130,366	157,131	-26,765	-17.0
Freight yield (THB/RFTK)	8.76	9.38	-0.62	-6.6
Flight hours (Hours)	91,031	88,661	+2,370	+2.7
Aircraft utilization (Hours/Aircraft/Day)	11.0	10.0	+1.0	+10.0
Average foreign currency exchange rate				
1 USD : THB	33.2874	32.4539	+0.8335	+2.6
1 EUR : THB	36.8733	44.4757	-7.6025	-17.1
100 JPY : THB	27.4230	31.7764	-4.3534	-13.7
Average jet fuel price (USD/BBL)	78.79	126.89	-48.10	-37.9

Note : EBITDA = Total Revenue (Exclude gain/loss on foreign currency) - Total Expenses (exclude finance cost, tax, depreciation and amortization, and one-time expenses)

: In 2015, THAI changed standard weight (statistical calculation for average weight of passenger and free baggage allowance) from 90 kilograms per passenger to 100 kilograms per passenger for comparison purpose both to the industry and restate standard weight in 2014 to be the same basis of this year.

Revenues of Thai Airways International PCL. and its subsidiaries

For the second quarter of 2015, total revenues decreased by THB 1,557 million (3.6%) from the same period last year with details as follows:

- Passenger and excess baggage revenue

Passenger and excess baggage revenue decreased by THB 503 million (1.5%) as:

- Average passenger yield (including fuel and insurance surcharge) reduced 0.31 THB/RPK (11.4%) from fierce competition during low season both in terms of pricing and fuel surcharge in conjunction with strengthening THB when comparing to major revenue currencies namely EUR and JPY. If exclude FX effect, average passenger yield decreased 7.4%.

- Passenger traffic (Revenue Passenger-Kilometers - RPK) increased by 11.2%, or approximately THB 3,800 million due to the increase of regional traffic in all routes but mostly in severe competitive routes, especially the Northern and Western routes. However, RPK for intercontinental routes decreased due to the discontinued of loss making Bangkok - Johannesburg routes and reduced frequency in some other European routes in order to matching traffic demand. Passenger production increased 2.0% since THAI increased flight frequency from last year's where THAI was impacted from the political unrest resulting average cabin factor increased from 63.5% last year to 69.2% this year.

- Freight and mail revenue

- Freight and mail revenue decreased THB 1,591 million (26.3%) due to the 22.6% or THB 1,330 million decrease of freight traffic (Revenue Freight Ton-Kilometers – RFTK) while average freight yield (including fuel and insurance surcharge) was 8.76 THB/RFTK, a decrease of 0.62 THB/RFTK (6.6%) over last year mainly due to the reduction of fuel surcharge. Moreover, the decelerated import and export demand from other economies such as China and Japan in conjunction with Generalized System of Preferences (GSP) cut for all products to EU also impacted the reduction of freight traffic. Freight production (Available Dead-load Ton-Kilometers – ADTK) was 9.3% lower than last year due to decommissioning of 2 Boeing B747F (freighter aircraft) in March 2015 resulting decrease in average freight load factor at 58.3% compare with 68.3% last year.

- Revenue from other activities

- Ground services, Catering, Cargo handling services, and other activities revenue increased by THB 690 million (31.9%) from last year mainly due to increase number of other customer airlines (both flights and passengers) as well as increase maintenance services revenue.

- Other income

- Other income decreased by THB 153 million (25.6%) from last year mainly due to the special discount of landing and take-off fees from Airport of Thailand PCL. of 2014.

Expenses for Thai Airways International PCL. and its subsidiaries

Total expenses for second quarter of 2015 was THB 4,362 million (8.8%) lower than the same period last year. A summary of operating expenses is as follows:

- Fuel and oil expense was THB 3,783 million (20.2%) lower than last year due to a decrease in average jet fuel price by 37.9%. However, depreciating THB against USD caused expense in THB to increase with the fuel hedging fee caused the company's expense with THB 2,486 million.

- Non-Fuel expense was THB 579 million (1.9%) lower than last year. Details as follows:

Unit : Million Baht	Apr - Jun					
	2015	% of Total Expense	2014	% of Total Expense	Variance	
					MTHB	%
Expense						
Employee benefit expenses	7,591	25.2	7,768	25.3	-177	-2.3
Flight service expenses	4,766	15.8	5,180	16.8	-414	-8.0
Crew expenses	1,290	4.3	1,457	4.7	-167	-11.5
Aircraft maintenance and overhaul costs	3,424	11.3	3,051	9.9	+373	+12.2
Depreciation and amortization expenses	4,632	15.3	5,151	16.7	-519	-10.1
Lease of aircraft and spare parts	2,132	7.1	1,502	4.9	+630	+41.9
Inventories and supplies	1,786	5.9	1,927	6.3	-141	-7.3
Selling and advertising expenses	2,274	7.5	1,932	6.3	+342	+17.7
Insurance expense	158	0.5	120	0.4	+38	+31.7
Other expenses	2,159	7.2	2,620	8.5	-461	-17.6
Share of losses (profits) of associat	(35)	(0.1)	48	0.2	-83	-172.9
Non-fuel operating expense	30,177	100.0	30,756	100.0	-579	-1.9

- Employee benefits expenses consisting of personnel expense, employee benefits, management benefits and board of directors' benefits decreased by THB 177 million (2.3%) due to the lower number of employees – both retired staff and employees with health issue participating in Mutual Separation Plan (MSP).

- Flight related expenses consisted of flight service expenses, crew expenses, and inventories and supplies decreased by THB 722 million (8.4%) due to strengthened THB especially to EUR, JPY and AUD, causing decrease in expenses compared to that of last year.

- Aircraft maintenance and overhaul costs increased by THB 373 million (12.2%) due to engine maintenance of new Boeing 787 aircraft.

- Lease of aircraft and spare parts increased by THB 630 million (41.9%) due to increase of 10 operating lease aircraft since 2014 comprises of 5 Boeing B787-8 and 5 Airbus A320-200 aircraft while 3 operating lease aircraft had been returned since 2014.

- Selling and advertising expenses increased by THB 342 million (17.7%) due to increase in sales volume resulting from the increase in commission and reservation expenses. Moreover, the implementation of new cargo revenue accounting system in August 2014 made changes in revenue recognition of freight and mail revenues which enabled to isolate commission expense while the old system recognized it as a net revenue. Thus, the commission expense for this period, roughly THB 97 million was booked as part of the freight and mail revenues account, the same amount was booked in the selling and advertising expenses account. The simultaneous booking in the revenue and expense accounts bears no overall effect to THAI's profit and loss statement.

- Other expenses decreased by THB 461 million (17.6%) following cost management program based on transformation plan and the decrease of bad debts and doubtful accounts.

Share of profits of associates was THB 35 million – reversing the last year loss position of THB 48 million. The major reason was from the progress of associates' results from last year with details as follow:

- Bangkok Aviation Fuel Services PCL's amount of THB 39 million profit, an increase of THB 27 million
- Royal Orchid Hotel (Thailand) PCL's amount of THB 10 million profit while last year's amount of THB 11 million loss,
- Nok Airlines PCL.'s amount of THB 20 million loss, loss decreased THB 43 million,
- Phuket Air Catering Ltd.'s amount of THB 1 million profit, a decrease of THB 7 million,
- Suvarnabhumi Airport Hotel Ltd.'s amount of THB 1 million loss, while last year's amount of THB 1million profit, and
- Donmuang International Airport Hotel Ltd.'s amount of THB 6 million profit, an increase of THB 1 million

Termination benefits-Mutual Separation Plan expenses totaled of THB 3,722 million, which consisted of the compensation of Mutual Separation plan and Golden Handshake following the transformation plan.

Impairment loss of assets and aircraft decreased by THB 788 million (64.9%) with the following details:

- Impairment loss of aircraft decreased by THB 807 million, due to the provision for impairment loss of Airbus A330-300 with amount of THB 313 million, while there were an additional impairment loss of 2 Airbus A300-600 recognized last year, amount of THB 1,120 million.
- Impairment loss of assets increased THB 19 million due to higher reserve for damaged spare parts

Net finance cost decreased by THB 181 million (11.4%) with help from lower-than-last-year interest rate, the strengthened THB against EUR and JPY also helped lower expense in THB term.

Loss on foreign currency exchange

Loss on foreign currency exchange was THB 3,679 million consisted of THB 4,372 million unrealized loss resulting from revaluation of foreign currency loans offset with realized gain of THB 693 million.

Operating results of Thai Airways International PCL. and its subsidiaries of the first six months of 2015 (January – June 2015) are as follows:

Financial Performance: THAI and its subsidiaries

Unit : Million Baht	JAN - JUN			
	2015	2014	Variance	
			MTHB	%
Total operating revenues	93,373	93,274	+99	+0.1
- Passenger and excess baggage revenue	77,566	75,582	+1,984	+2.6
- Freight and mail revenue	9,374	12,083	-2,709	-22.4
- Revenue from other activities	5,638	4,635	+1,003	+21.6
- Other income	795	974	-179	-18.4
Total operating expenses	90,935	101,318	-10,383	-10.2
- Fuel and oil	29,414	39,459	-10,045	-25.5
- Non-fuel operating expenses	61,521	61,859	-338	-0.5
Operating profit (Loss)	2,438	(8,044)	+10,482	+130.3
<u>Less</u> Net finance cost	2,735	2,942	-207	-7.0
<u>Less</u> Termination benefits-Mutual separation plan	3,722	-	+3,722	-
<u>Less</u> Impairment loss of assets and aircraft	12,230	1,299	+10,931	+841.5
<u>Add</u> Gain (Loss) on foreign currency exchange	5,975	1,999	+3,976	+198.9
Profit (Loss) before tax	(10,274)	(10,286)	+12	+0.1
Net Profit(Loss)	(8,205)	(10,274)	+2,069	+20.1
Profit (Loss) attribute to owners of the parent	(8,218)	(10,296)	+2,078	+20.2
Net Profit (Loss) per share (THB)	(3.76)	(4.72)	+0.96	+20.3
Significant operating data				
EBITDA (MTHB)	12,335	2,346	+9,989	+425.8
Number of passengers (Million)	10.69	9.04	+1.65	+18.3
Available Seat-Kilometers (Million)	42,147	40,823	+1,323	+3.2
Revenue Passenger-Kilometers (Million)	30,530	27,303	+3,227	+11.8
Cabin factor (%)	72.4	66.9		+5.5
Passenger yield (THB/RPK)	2.50	2.72	-0.22	-8.1
Available Dead Load Ton-Kilometers (Million)	1,818	1,863	-45	-2.4
Revenue Freight Ton-Kilometers (Million)	1,079	1,254	-175	-13.9
Freight load factor (%)	59.3	67.3		-8.0
Freight carried (Ton)	282,134	315,286	-33,152	-10.5
Freight yield (THB/RFTK)	8.23	9.32	-1.08	-11.6
Flight hours (Hours)	189,594	182,159	+7,435	+4.1
Aircraft utilization (Hours/Aircraft/Day)	10.9	10.3	+0.6	+5.8
Average foreign currency exchange rate				
1 USD : THB	32.9559	32.5629	+0.3930	+1.2
1 EUR : THB	36.8118	44.6138	-7.8020	-17.5
100 JPY : THB	27.4238	31.7747	-4.3509	-13.7
Average jet fuel price (USD/BBL)	77.88	128.36	-50.48	-39.3

Note : EBITDA = Total Revenue (Exclude gain/loss on foreign currency) - Total Expenses(exclude finance cost, tax, depreciation and amortization, and one-time expenses)

: In 2015, THAI changed standard weight (statistical calculation for average weight of passenger and free baggage allowance) from 90 kilograms per passenger to 100 kilograms per passenger for comparison purpose both to the industry and the previous period by recalculating standard weight in 2014 to be the same basis of this year.

THAI and its subsidiaries' financial performance for the first half of 2015 showing an airlines business operating profit of THB 2,438 million compare to THB 8,044 million loss last year.

- Total revenue increased by THB 99 million (0.1%) mainly due to the increase of passenger and excess baggage revenue, an increase of THB 1,984 million (2.6%). The improved revenue was from the political stability which made the increased number of departure - arrival passengers at Suvarnabhumi Airport by 20.8% compared to last year's domestic turmoil. THAI's passenger traffic (Revenue Passenger-Kilometers:RPK) increased by 11.8%. However, the overall economic situation was still in the recession stage comparing to the same period of last year and the competition in airline industry was high which made lower average passenger yield (including fuel and insurance surcharge) by 0.22 THB/RPK (8.1%). Also, the strengthen Thai Baht reduced THAI's revenue when translated in Baht term around 4.4%. Freight and mail revenue decreased THB 2,709 million (22.4%). The decrease in freight and mail revenue was mainly from the decrease of average freight yield while freight traffic was lower than last year, as well. Revenues from other activities increased THB 1,003 million (21.6%).

- Total expenses decreased THB 10,383 million (10.2%) due to the lower fuel prices and the strengthen THB against most major currencies (EUR, JPY, AUD) with an exception to USD, causing expenses to slightly drop in THB term.

- Termination benefits - Mutual Separation plan amounted to THB 3,722 million comprises of employees compensation from Mutual Separation Plan and Golden Handshake following the transformation plan.

- Impairment loss of assets and aircraft increased THB 10,931 million due to the impairment of 9 grounded aircrafts

- Gain on foreign currency exchange was THB 3,976 million (198.9%) higher than last year.

Net loss was THB 2,069 million lower than last year. Loss attributable to owners the parent amounted to THB 8,218 million. Loss per share was 3.76 THB, compared to last year where THAI reported a loss per share of 4.72 THB.

EBITDA increased by THB 9,989 million (425.8%) from last year. EBITDA margin was 13.2% which increased from last year's where reported 2.5%

3. Financial Position and Liquidity

Capital Expenditures – The Company

Unit : Million Baht	Jan - Jun	
	2015	2014
Aircraft and aircraft spare parts	8,791	6,999
Non-Aircraft	367	482
Total	9,158	7,481

Capital expenditures for the second quarter of 2015 totaled THB 4,393 million as the following details

- Investment in aircraft and aircraft spare parts totaled THB 4,272 million included payment for aircraft delivered, which totaled 1 new Boeing B777-300ER aircraft and related expenses of existing aircraft, total amounted to THB 3,365 million. Prepayment for acquisition of aircraft and engines in which delivery will be taken in 2015-2018 totaled THB 805 million and THB 102 million for rotatable aircraft spare part and spare engine.

- Investments in other fixed assets amounted to THB 121 million. Most of them were invested in the Ground Support Equipment activities.

Combined with the investment in the first quarter of 2015 amounted to THB 4,765 million, the accumulated investment of 2015 totaled THB 9,158 million.

Financing

In the first six months of 2015, THAI financed in the total amount of THB 30,982 million as the following details

- 1) acquired long-term financing through financial lease using the aircraft as collateral to pay, totaled THB 11,597 million. During the previous quarter, THAI financed for 1 Boeing B777-300ER aircraft for aircraft payment in the amount of EURO 137 million, or approximately THB 5,140 million and 1 Airbus A320-200 aircraft in the amount of EURO 28 million or approximately THB 1,067 million. During this quarter, there was additional Boeing B777-300ER in the amount of USD 160 million, or approximately THB 5,390 million

- 2) issued THB 7,000 million new debentures in April 2015, divided into four series of bonds would pay interest every six month throughout the life. The objective is to repay the debentures at maturity, and / or use as an investment and / or working capital.

- 3) draw down of its committed revolving credit line from domestic financial institution and Bill of Exchange (B/E) to repay the loan at maturity and used as working capital, amount of THB 12,386 million.

Summary of cash from and used in each activity are as follows:

Unit : Million Baht	Jan – Jun	
	2015	2014
Net cash from (used in) operating activities	9,391	(2,283)
Net cash used in investing activities	(234)	(4,032)
Net cash from (used in) financing activities	(10,402)	5,178
Effect from changing in exchange rate on cash and cash equivalents increase (decrease)	424	(167)
Decreases in cash and cash equivalents	(821)	(1,304)

In the first six months of 2015, THAI's net cash used in financing activities, the amount of THB 10,402 million due to both short-term and long-term repayment which were higher than last year. Nevertheless, THAI's net cash from operating activities totaled THB 9,391 million, an increase of THB 11,674 million from last year and lower net cash used in investing activities this year. Consequently, cash and cash equivalents for the period ended June 30, 2015 decreased from the end of last year, THB 821 million

Fleet

According to the fleet development strategy which has been implementing since last year along with the fleet strategy aimed to streamline the number of aircraft and types of aircraft for improving efficiency and operation cost reduction, it is one of THAI's transformation plan.

In the second quarter of 2015, THAI's consolidated took delivery of total 1 Boeing B777-300ER aircraft under finance lease and 1 operating lease aircraft: Boeing B787-8. THAI also decommissioned 1 Airbus A330-300 aircraft. When combined with 93 active aircraft as of March 31, 2015, these put THAI's net active aircraft fleet at 94 aircraft (including 3 Airbus A320-200 aircraft subleased and 10 Airbus A320-200 aircraft transferred the leasehold right to ThaiSmile.).

In this quarter, THAI returned 2 operating lease aircraft: Boeing B737-400 which were decommissioned in the previous years.

Assets of Thai Airways International PCL. and its subsidiaries

As of Jun 30, 2015, total assets decreased THB 10,838 million (3.5%) from as at December 31, 2014.

	Consolidated					
	Jun 30, 2015		Dec 31, 2014		Variance	
	MTHB	% of Total Assets	MTHB	% of Total Assets	MTHB	%
Current assets						
Cash and cash equivalents	22,525	7.6	23,346	7.6	-821	-3.5
Non-current assets classified as held for sale	13,940	4.7	4,826	1.6	+9,114	+188.9
Other current assets	36,250	12.2	36,113	11.7	+137	+0.4
Current Assets	72,715	24.5	64,285	20.9	+8,430	+13.1
Property, plant and equipment						
Prepaid aircraft and spare engine	7,435	2.5	12,368	4.0	-4,933	-39.9
Aircraft	43,151	14.6	51,322	16.7	-8,171	-15.9
Aircraft under finance leases	127,005	42.8	134,611	43.8	-7,606	-5.7
Aircraft spare parts	13,091	4.4	13,191	4.3	-100	-0.8
Work in process	460	0.2	1,274	0.4	-814	-63.9
Land, building and improvements	6,251	2.1	6,449	2.1	-198	-3.1
Other plant and equipment	4,943	1.7	4,806	1.6	+137	+2.9
Property, plant and equipment-net	202,336	68.3	224,021	72.9	-21,685	-9.7
Other non-current assets	21,378	7.2	18,961	6.2	+2,417	+12.7
Total Assets	296,429	100.0	307,267	100.0	-10,838	-3.5

Current assets were THB 72,715 million or accounted for 24.5% of total assets, an increase of THB 8,430 million (13.1%) from as of December 31, 2014. The significant items consisted of

- A decrease in cash and cash equivalents of THB 821 million (3.5%), mainly from short-term loans repayment which due, the amount of THB 4,914 million, and long-term loans repayment and interest expenses of THB 9,456 million. Cash used in investment totaled THB 234 million while cash flow from operations totaled THB 9,391 million. Net cash inflow received from debentures was THB 4,000 million.

- Non-current assets classified as held for sale increased THB 9,114 million (188.9%) due to the transferring 13 decommissioned aircraft as aircraft held for sale which were 5 Airbus A330-300, 6 Airbus A340-600, and 2 Boeing B747-400(Freighter). In this quarter, there was 1 additional decommissioned aircraft. THAI sold 2 aircraft in the previous quarter which were 1 Airbus A300-600 and 1 Boeing B747-400 aircraft.

Property, plant and equipment-net totaled THB 202,336 million or represented 68.3 % of total assets, which saw a decrease of THB 21,685 million (9.7%) from December 31, 2014 resulting from

- The prepaid aircraft and spare engines decreased THB 4,933 million (39.9%) due to the transfer from aircraft prepayment: 2 Boeing B777-300ER and 1 Airbus A320-200 aircraft to aircraft under finance lease and engine prepayment to rotatable spare part; however, there were additional aircraft prepayment of Airbus A350-900XWB and Airbus A320-200 aircraft.

- Aircraft decreased THB 8,171 million (15.9%) due to the normal calculation of aircraft depreciation and transferring decommissioned aircraft to non-current assets classified as held for sales, totaling 7 aircraft: 5 Airbus A330-300 and 2 Boeing B747-400F aircraft.

- Aircraft under finance lease decreased THB 7,606 million (5.7%) mainly due to transferring 6 decommissioned Airbus A340-600 aircraft to non-current assets classified as held for sales aircraft and the result of depreciation estimated. However, there were new aircraft delivered in the first half of 2015 which consisted of 2 Boeing B777-300ER and 1 Airbus A320-200 aircraft.

- Property, plant and other equipment, consisted of work in progress, land, buildings and improvements, and other plants and equipment decrease of THB 875million (7.0%) mainly due to the normal depreciation estimated.

Other non-current assets totaled THB 21,378 million or represented 7.2% of total assets, which increased THB 2,417 million (12.7%) from as of December 31, 2014 resulting from increase of deferred tax assets THB 2,404 million (34.3%) due to the recording of deferred tax assets from the increase of allowance for impairment of aircraft,

Return on assets of the first six months of 2015 was -2.4% similar to last year.

Liabilities of Thai Airways International PCL. and its subsidiaries

Total liabilities as of June 30, 2015 decreased THB 1,427 million (0.5%) from as of December 31, 2014. These comprise of:

	Consolidated					
	Jun 30, 2015		Dec 31, 2014		Variance	
	MTHB	% of Total Liabilities	MTHB	% of Total Liabilities	MTHB	%
Current liabilities (including current portion of long-term liabilities)	76,804	29.0	80,432	30.2	-3,628	-4.5
Long-term liabilities						
Debentures	48,600	18.4	44,600	16.8	+4,000	+9.0
Liabilities under financial leases	74,699	28.2	72,027	27.1	+2,672	+3.7
Long term borrowings	46,946	17.8	51,925	19.5	-4,979	-9.6
Total long-term liabilities	170,245	64.4	168,552	63.4	+1,693	+1.0
Other non-current liabilities	17,495	6.6	16,987	6.4	+508	+3.0
Total Liabilities	264,544	100.0	265,971	100.0	-1,427	-0.5

Current liabilities (excluding current portion of long term liabilities' amount of THB 24,148 million) totaled THB 76,804 million or accounted for 29.0% of total liabilities, a decrease of THB 3,628 million (4.5%) from last year. The short-term loan decreased THB 4,904 million. The main reason was from the repayment of the loan at maturity; however, there was an additional short-term loan.

Long-term liabilities as of June 30, 2015 (including current portion of long term liabilities' totaled THB 24,148 million) totaled THB 170,245 million represented 64.4 % of total liabilities, which was an increase of THB 1,693 million (1.0%) from December 31, 2014 primarily due to the strengthening value of the Baht as of June 30, 2015 when compared to the end of 2014 benefited from the reduction of long-term liabilities translated to Baht terms. When excluded foreign currency adjustment, the amount of THB 3,513 million, long-term liabilities increased THB 5,206 million mainly due to

- acquiring the additional long-term financing increased THB 11,597 million to pay for aircraft purchases, 2 Boeing B777-300ER and 1 Airbus A320-200 aircraft,
- issuing new debentures in April 2015, the amount of THB 7,000 million,
- long-term repayment, amount of THB 13,382 million, consisted of long-term repayment and the debentures at maturity.

Other non-current liabilities totaled THB 17,495 million or represented for 6.6% of total liabilities, an increase of THB 508 million (3.0%) due to the increase of employee benefits.

At the end of the second quarter 2015, interest bearing debt to equity was 5.9 times when compared to the end of 2014's 4.7 times.

Shareholders' Equity of Thai Airways International PCL. and its subsidiaries

As of June 30, 2015, shareholders' equity totaled THB 31,885 million, a decrease of THB 9,410 million (22.8%) from December 31, 2014 due to loss from operations. Consequently, return on equity for the first six months of 2015 decreased from -19.9% at the same period last year to -22.4%.

4. Factors affecting future operations

The forecast situation of the aviation industry in the third quarter is to grow steadily corresponding to the global economic relief from Greece's new bailout package to be renegotiated shortly while other positive factors such as expected lower oil prices than the second quarter of 2015 and U.S economic recovery are still stimulus the increase of traffic demand.

For the aviation industry, it seems to be in the positive trend but in Asia-Pacific region there will be a big challenge from the recession of air cargo business. Although the decreasing fuel prices is the helpful factor, the strengthen US dollar makes lower profit. For the situation of Thai's aviation industry, it is the most urgent to solve the Significant Safety Concerns-SSC issue based on Universal Safety Oversight Audit Program-USOAP from the International Civil Aviation Organization (ICAO) before this problem will be more aggressive.

For the implementation of the reform plan, THAI proceeded the further steps as follows:

- Network strategy
 - adjusting Summer TPI by planning to stop operating in the next quarter: the Day Flight to London since July 1, 2015 and cancel Madrid route since September 6, 2015 onwards.
 - adjusting Winter TPI by planning to resume the Day Flight to London and Frankfurt which will operate double daily flights, cancel routes: Bangkok- Seoul- Los Angeles and Bangkok - Rome, and reduce flight frequency in Bangkok - Kolkata to 1 daily flight since October 25, 2015 onwards.
 - Conduct additional fund to increase liquidity for operation, amount of THB 8,000 million within this year.

5. Financial Ratios

		Jan – Jun	
		2015	2014
Liquidity Ratio			
Current Ratio	(times)	0.73	0.67
Profitability Ratio			
Profit (loss) before Gain on foreign currency exchange	%		
Tax and One-time expenses Margin		-0.32	-11.76
Net Profit (loss) Margin	%	-8.77	-11.00
Return on Equity	%	-22.42	-19.85
Efficiency Ratio			
Return on Total Assets	%	-2.44	-2.38
Financial Policy Ratio			
Interest Bearing Debt to Equity	(times)	5.92	3.99
Interest Coverage Ratio	(times)	4.24	0.76

GLOSSARY

Current Ratio = Current Assets (Excluding Non-Current Assets classified as held for sale / Current Liabilities (Excluding Unearned Transportation Revenues)

Profit (loss) Margin (before Gain on foreign currency exchange Tax and one-time expense)
= Profit (loss) before Gain on foreign currency exchange Tax and one-time expense / Total Revenue (excluded gain on foreign currency exchange)

Net Profit(Loss) Margin = Net Profit(Loss) / Total Revenue (excluded gain on foreign currency exchange)

Return on Equity = Net Profit(Loss) / Average Shareholders' Equity

Return on Total Assets = Profit(Loss) before interest and tax / Average total assets

Interest Bearing Debt to Equity = (Short-term Loan + Long-term Loan including current portion of Long-term Loan within 1 year) / Shareholders' Equity

Interest Coverage ratio = EBITDA/interest