

# THAI AIRWAYS INTERNATIONAL PCL

## 1Q/2012 Analyst Briefing



# DISCLAIMER

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The information contained herein is intended to represent the Company's operating and financial position at a given point in time and may also contain forward looking information which only reflects expectations based on the prevailing geo-political, economic and non-controllable factors. Such information has been obtained from sources believed to be most reliable and the means in analyzing and preparation of such information for disclosure are based on approved practices and principles in the investment industry. The views are based on assumptions subject to various risks and uncertainties and no assurance is made as to whether such future events will occur, that projections will be achieved, or that the assumptions here-in are correct. Consequently no assurance is made as to the accuracy or completeness of information presented in this document.

**This document should not be construed as an investment guide or as an offer or solicitation of an offer to buy or sell the Company's equity shares.**

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# 2012 Snapshot



# Snap Shot



Jan-Mar 2012	MTHB	USD mn. Equivalent	% Change (YoY)
Assets	281,397	9,080	-3.5%
Total Revenue	54,505	1,759	+ 5.1%
Net Profit (Include FX)	3,645	118	489.8%



2012	MAR.	% Change YoY	JAN.– MAR.	% Change YoY
Passenger carried (Million)	1.76	+7.3%	5.1	+4.1%
Million Revenue Passenger Kilometers (MRPK)	5,256	+7.5%	15,605	+4.9%
Freight carried (tons)	60,380	-5.2%	170,625	-1.2%
Million Revenue Freight Ton Kilometers (MRFTK)	233	-10.7%	652	-6.6%



2012	March
# of Aircraft	88*
Destinations Served	69
Countries Served	35

\*Excluding 6 B 737-400 leased to Nok Air

# Operation Summary

	Units	MARCH			JANUARY-MARCH		
		2012	2011	% Change	2012	2011	% Change
Passenger Production	MASK	6,703	6,710	-0.1%	19,953	19,571	+1.9%
Passenger Traffic	MRPK	5,256	4,890	+7.5%	15,605	14,881	+4.9%
Cabin Factor	%	78.4	72.9	+7.6%	78.2	76.0	+2.9%
Passenger carried	Million	1.7	1.6	+7.1%	5.1	4.9	+4.4%
Passenger Yield*	THB/km	2.67	2.70	-1.1%	2.75	2.77	-0.7%
Freight Production	MADTK	389	439	-11.4%	1,195	1,233	-3.1%
Freight Traffic	MRFTK	233	261	-10.7%	652	698	-6.6%
Freight Factor	%	59.9	59.5	0.7%	54.6	56.6	-3.6%
Freight carried	Tons	60,380	63,694	-5.2%	170,625	172,749	-1.2%
Freight Yield*	THB/km	9.95	9.85	+1.0%	10.02	9.71	+3.2%
Avg. Fuel Price**	USD/BBL	140.6	129.0	+9.0%	137.2	120.5	+13.8%

Note : \* Yield includes fuel surcharge

\*\* Price into plane

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# Financial Performance (Consolidated)



## **Kingfisher plans to pay January salaries from May 9 2012**

Worried over the possibility of its employees dragging the airline management to the Labour court over non-payment of salaries, Kingfisher Airline Chairman Vijya Mallya has "assured" the staff of paying their January salaries from Wednesday onwards, airline sources said today.

"Mallya said in his May 5 communication to the employees that the airline will start remitting January salaries from May 9 onwards," sources told PTI quoting from the e-mail message.

## **American Airline to Look for Merger**

May 12, 2012

AMR, parent of American Airlines, bowed to pressure on Friday from its unsecured creditors, including its largest unions, and said it would explore merger options while it is still in bankruptcy.

## **Jet Airways Q1 2012 Financial Results**

Loss before Tax of INR 1,568 Million (USD 35.1 Million) vs Profit of INR 35 Million (USD 0.8 Million) for Q1 FY11

## **Taiwan's Three Leading Airline Firms Suffer Losses in Q1**

May 14, 2012

Taipei, May 14, 2012 (CENS)--Impacted by soaring oil prices, Taiwan's three leading airline companies, namely, China Airlines, EVA Airways, and TransAsia Airways, all suffered losses in the first quarter of this year.

## **Korean Air reported a net loss of W81B in 1Q12**

Korean Air reported a net loss of W81B in 1Q12 vs W125B/W190B net profit in 4Q11/1Q11. The results were boosted by W405B F/X gains. Excluding these and other one-offs, recurring loss was much higher at W444B, 326% higher y/y and 7% higher q/q. Consolidated net loss (IFRS) was W67B in 1Q12 vs net profit of W146B in 4Q11 and W271B in 1Q11. Consolidated recurring loss was W192B (excl. F/X gains and asset disposal loss) vs W81B recurring profit in 1Q11.

## **Lufthansa reported net loss of 397 Million Euro in 1Q12**

Lufthansa reported net loss of 397 Million Euro and -0.87 Euro of Earning per Share in 1Q12.

## **Air France reported net loss of 368 Million Euro in 1Q12**

Air France reported net loss of 368 Million Euro and -1.25 Euro of Earning per Share in 1Q12.

## **Singapore Airlines Report Net Loss for 4Q**

SIA reported a net loss of \$38.2 million (\$30.5 million) in January-March versus a net profit of S\$171 million a year earlier.



# Financial Performance

## Performance Summary (Q1'2011 & Q1'2012)

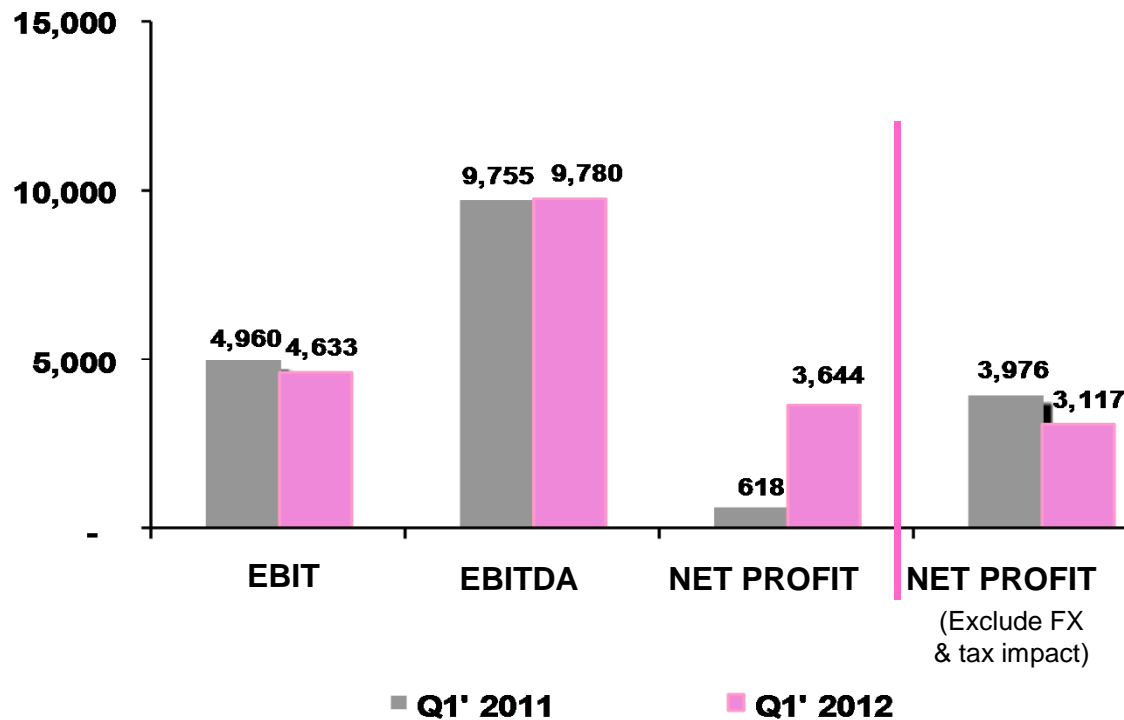
THAI and its subsidiary

(Units : MTHB)	Q1'2011	Q1'2012
Total Revenue	51,851	54,505
Total Expense	(51,097)	(50,637)
Foreign currency exchange (Loss)	(3,358)	527
Financial Cost	(1,309)	(1,481)
<b>Profit before income tax expense</b>	<b>754</b>	<b>3,868</b>
Net tax expense (income)	(121)	(200)
<b>Net profits (loss)</b>	<b>618</b>	<b>3,645</b>

# Financial Performance

## EBIT, EBITDA and Net Profit (Q1'2011 & Q1'2012)

Units : MTHB

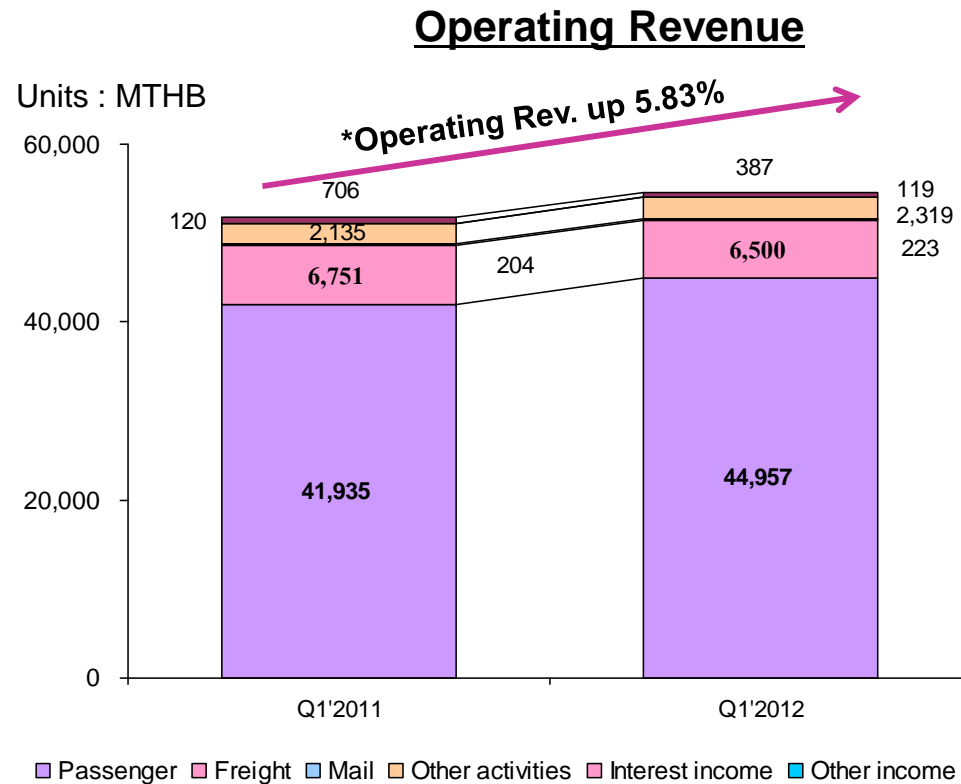


### Factors Impacting Q1'2012 Results

- Recovery in travel demand
- Relatively healthy contribution from BU's & related businesses
- Slightly higher ASK but greater RPK growth
- Fuel cost 16% higher than last year
- Greater production capacity
- US & European economic slowdown
- Low ticket price from last year promotions

# Financial Performance

## Operating / Total Revenue (Q1'2011 & Q1'2012)



**Total Revenue**

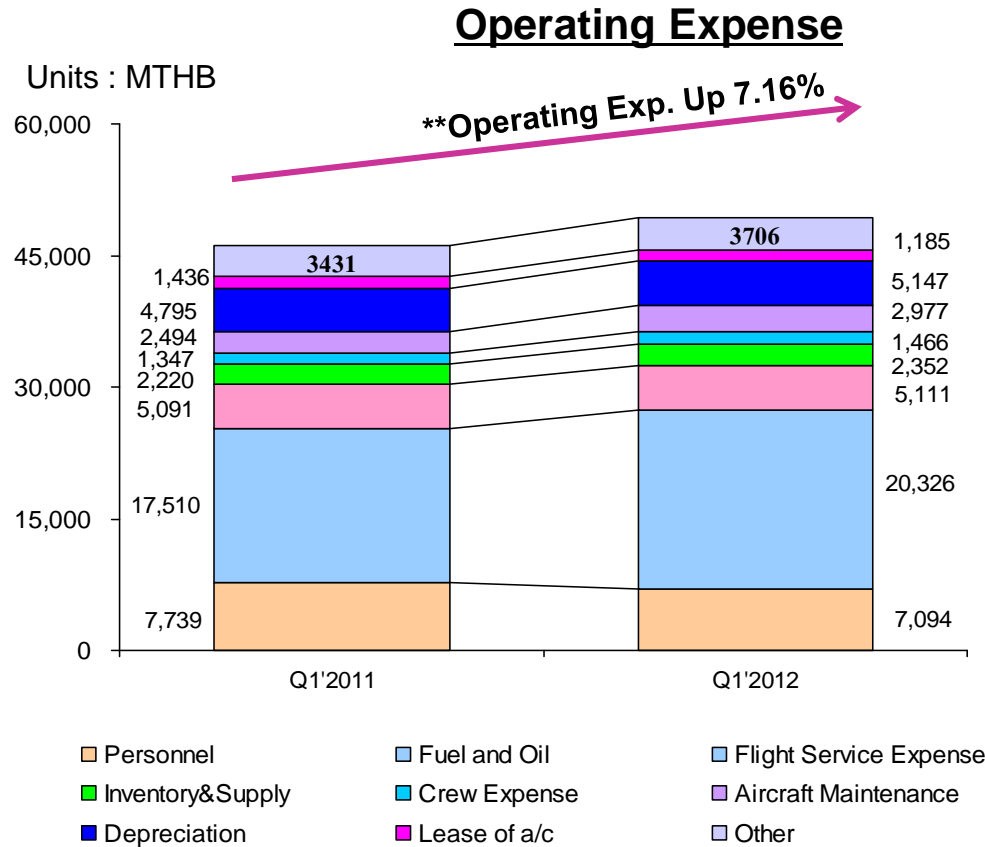
Revenue	% Change	% to Tot. Rev.
Passenger	7.21	82.48
Freight	-	11.93
Mail	8.91	0.41
Other activities	8.63	4.25
Interest income	0.22	0.22
Other income	0.71	0.71
<b>Total Income</b>	<b>5.12</b>	<b>100.00</b>

\*Excludes Interest & Other income  
 - Operating revenue Q1'2011 = 51,025 MTHB  
 - Operating revenue Q1'2012 = 53,999 MTHB

**Total revenue Q1'2011 = 51,851 MTHB**  
**Total revenue Q1'2012 = 54,505 MTHB**

# Financial Performance

## Operating / Total Expense (Q1'2011 & Q1'2012)



**Total Expense**

Expense	% Change YoY	% of Tot. Exp.
Personnel expense	- 8.33	14.01
Fuel and oil	16.08	40.14
Flight service expense	0.40	10.09
Inventories and supplies	5.93	4.65
Crew expense	8.80	2.89
Maintenance/overhaul	19.35	5.88
Depreciation/amortisation	7.33	10.16
Aircraft lease/spare parts	- 17.46	2.34
Other expense	- 41.18	9.84
<b>Total Expense</b>	<b>- 0.90</b>	<b>100.00</b>

**\*\* Excludes FX, Impairment losses and Share of profit of investments by the equity method**  
 - Operating expense Q1'2011 = 46,065 MTHB  
 - Operating expense Q1'2012 = 49,365 MTHB

**Total expense Q1'2011 = 51,097 MTHB**  
**Total expense Q1'2012 = 50,637 MTHB**

# Financial Performance

## Ratios – Q1'2011 & Q1/2012

Ratios	units	Q1'2011	Q1'2012
Earnings Per Share	(THB)	0.28	1.67
Book Value per Share	(THB)	28.94	30.64
Price / Book Value	(Times)	1.3	0.84
P/E Ratio	(Times)	133.2	16.0
Return on Total Assets	(%)	0.2	1.3
Return on Total Equity	(%)	0.8	5.6
EBIT	(MTHB)	4,960	4,633
EBITDA	(MTHB)	9,755	9,780
EBITDAR	(MTHB)	11,191	10,966
IBD to Equity	(Times)	1.9	2.1
Net IBD to Equity*	(Times)	1.88	1.86
Debt Service Coverage**	(Times)	1.5	1.8
Interest Coverage	(Times)	7.5	6.6
EBITDA Margin	(%)	19.1	18.1
Operating Profit Margin	(%)	9.7	8.6
Net Profit Margin	(%)	1.2	6.7
Cash to Total Revenue	(%)	-	16.7

\* (Interest Bearing Debt – Cash and Cash Equivalent) / Equity

\*\* EBITDAR – TAX / Interest + Rent + Long Term Debt Repayment - Refinance

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# Financial Performance THAI and Nok Air



# Financial Performance

THAI		Jan-Mar		%
		2011	2012	Change
Revenue	(MTHB)	50,405	52,628	4.41
Expense	(MTHB)	49,733	48,769	(1.94)
Passenger Production	(MASK)	19,571	19,953	1.95
Passenger Traffic	(MRPK)	15,881	15,605	(1.74)
Cabin Factor	(%)	76	78	2.89
Freight Production	(MADTK)	1,233	1,196	(3.00)
Freight Traffic	(MRFTK)	698	651	(6.73)
Freight Load Factor	(%)	56.6	54.4	(3.89)
No. of Passenger	(Million persons)	4.92	5.16	4.88
Flight Hours	(Hours)	86,722	89,175	2.83
Average of Aircraft Utilization	(Hours/Aircraft/Day)	11.7	12.4	5.98

Nok Air		Jan-Mar		%
		2011	2012	Change
Revenue	(MTHB)	1,446	1,877	29.79
Expense	(MTHB)	1,364	1,868	36.89
Passenger Production	(MASK)	513	679	32.47
Passenger Traffic	(MRPK)	429	561	30.77
Cabin Factor	(%)	83.7	82.6	(1.29)
No. of Passenger	(Million persons)	0.74	0.99	33.60
Flight Hours	(Hours)	6,739	8,931	32.53
Average of Aircraft Utilization	(Hour/Aircraft/Day)	6.9	6.9	-

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# Updated Strategies





# Current Fleet

## Current Fleet: 88 Aircraft

**42% of O**      **15% of OL**      **43% of FL**  
 O=Owned      OL=Operating lease      FL=Financial lease

(Note: Approximately)



Aircraft Type	Version	# of Aircraft	# of Seat					Financial Method
			First	Business	Premium Economy	Economy	Total	
A300-600	36R1	4	N.A.	46	N.A.	201	247	9 O
	3452	5	N.A.	28	N.A.	232	260	
A340-500	3452	4	N.A.	60	42	113	215	1 O, 3 FL
A340-600	3461	6	8	60	N.A.	199	267	6 FL
A330-300	3302	12	N.A.	42	N.A.	263	305	10 O, 10 FL ,3 OL
	3303	11	N.A.	36	N.A.	263	299	
B737-400	7341	5	N.A.	12	N.A.	137	149	2 FL, 3 OL
B747-400	7442	6	14	50	N.A.	325	389	11 O, 5 FL
	7443	10	10	40	N.A.	325	375	
B777-200	7723	8	N.A.	30	N.A.	279	309	6 O, 2 OL
B777-200ER	77E1	6	N.A.	30	N.A.	262	292	6 FL
B777-300	7732	5	N.A.	34	N.A.	330	364	6 FL
	7732 TKE	1	N.A.	34	N.A.	325	359	
B777-300ER	7739	5	8	30	N.A.	274	312	5 OL
<b>Total</b>		<b>88</b>	<b>40</b>	<b>532</b>	<b>42</b>	<b>3,528</b>	<b>4,142</b>	<b>37 O, 38 FL, 13 OL</b>

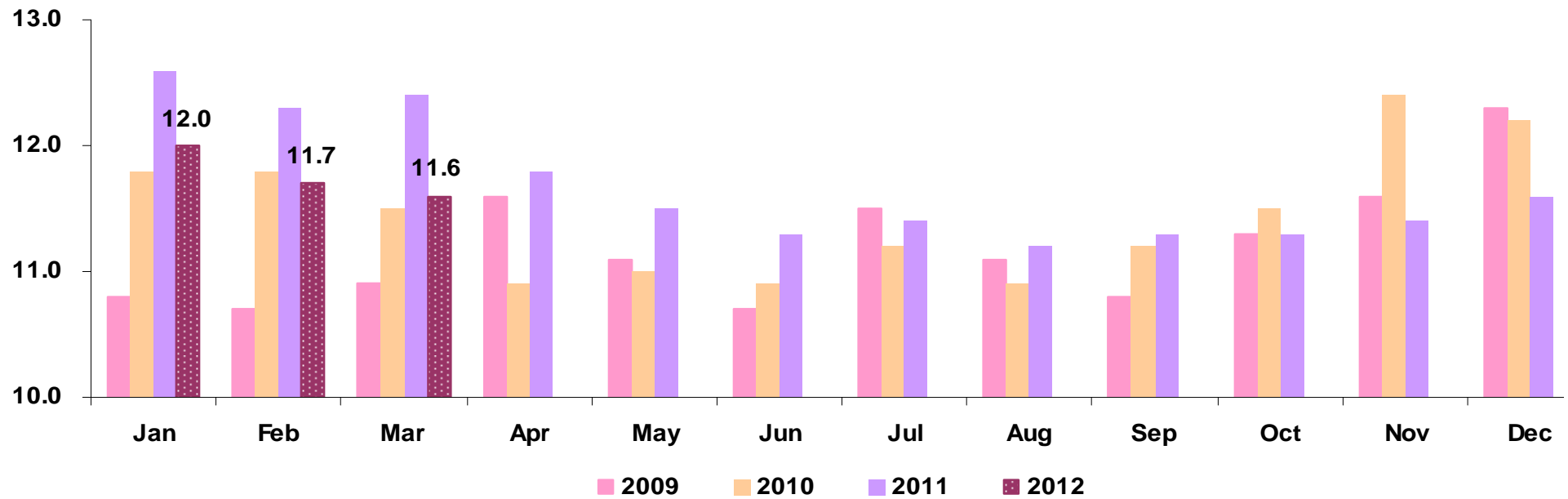
Exc. 2 of ATR-72 } leased to Nok  
 4 of 737-400 }

(Note: N.A.. = Not available)

# Aircraft Utilization

## Aircraft Utilization

Hours / Day / Aircraft



# Aircraft Delivery Plan

NEW A/C DELIVERY	2012	2013	2014	2015	2016	2017	TOTAL
A380-800	3 (FL) (SEP/NOV/DEC)	3 (FL) (JAN/SEP/OCT)	-	-	-	-	6
B777-300ER	2 (OL) (AUG/OCT)	6 (OL) (MAR/APR/JUN/ JUL/AUG/OCT)	3 (FL)	3 (FL)	-	-	14
A330-300	3 (FL) (FEB/SEP/OCT)	2 (FL) (JAN/APR)	-	-	-	-	5
A350-900	-	-	-	-	2 (FL) I 2 (OL) R	2 (FL) I 6 (OL) R	12
B787-9	-	-	-	-	-	2 (OL)	2
B787-8	-	-	4 (OL)	2 (OL)	-	-	6
A320 (Thai Smile)	4 (OL) (JUN/AUG(2)/SEP)	2 (OL) (JAN/MAR)	2 (FL)	3 (FL)	-	-	11
<b>TOTAL</b>	<b>12</b>	<b>13</b>	<b>9</b>	<b>8</b>	<b>4</b>	<b>10</b>	<b>56</b>

Note : OL = Operating lease / FL = Financial lease  
I = Intercontinental / R = Regional

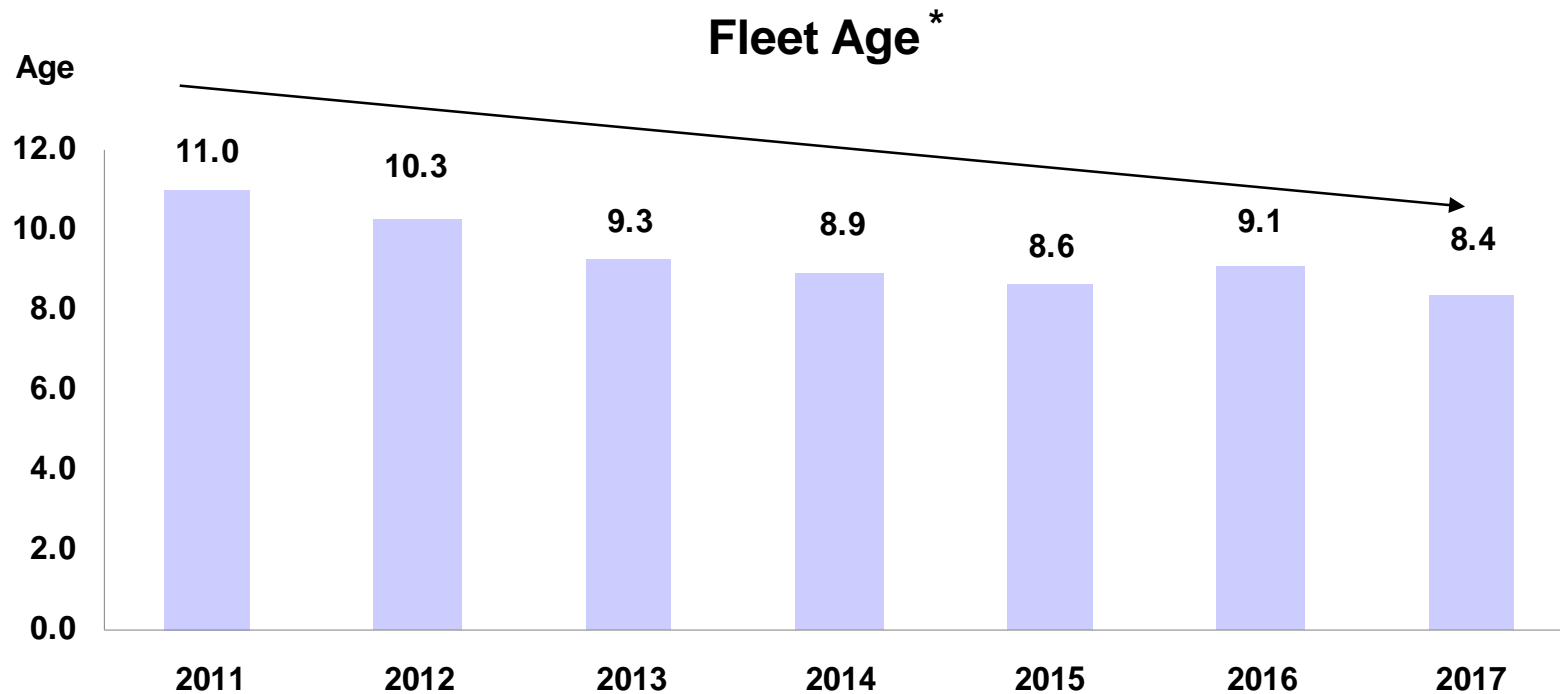
# Phase Out Plan

PHASE-OUT PLAN	2012	2013	2014	2015	2016	2017	TOTAL
B747-400	2	2	-	-	2	2	8
B777-300ER (Jet Airways)	-	5	-	-	-	-	5
A340-500	4	-	-	-	-	-	4
B777-200	-	-	-	-	-	4	4
A330-300	-	-	2	4	-	2	8
A300-600	2	4	5	-	-	-	11
B737-400	3*	1*+2	2	1	-	-	9
ATR-72	-	2*	-	-	-	-	2
<b>TOTAL</b>	<b>11</b>	<b>16</b>	<b>9</b>	<b>5</b>	<b>2</b>	<b>8</b>	<b>51</b>

Note : \*Return from Nok Air

# Fleet Strategy Through 2017

	2011	2012	2013	2014	2015	2016	2017	TOTAL
<b># of Aircraft</b>	89	93	97	102	105	107	109	
<b>Total Seats in operation</b>	26,691	28,313	29,272	29,784	30,525	31,119	31,859	
<b>Seat Growth</b>	5.8%	6.1%	3.4%	5.0%	2.5%	1.9%	2.4%	3.9%



\*Note: Count at end of each year  
Exclude aircraft leased to NOK AIR

# B747-400 to be Converted to Freighter

1<sup>st</sup> Freighter has launched on April 12, 2012 between 3 continents

100 tons / flight

## 9 Cities

### Asia

: Bangkok

: Taipei

: Tokyo

: Hyderabad

: Shennai

: Delhi

### Europe

: Frankfurt









: Amsterdam

### Australia

: Sydney

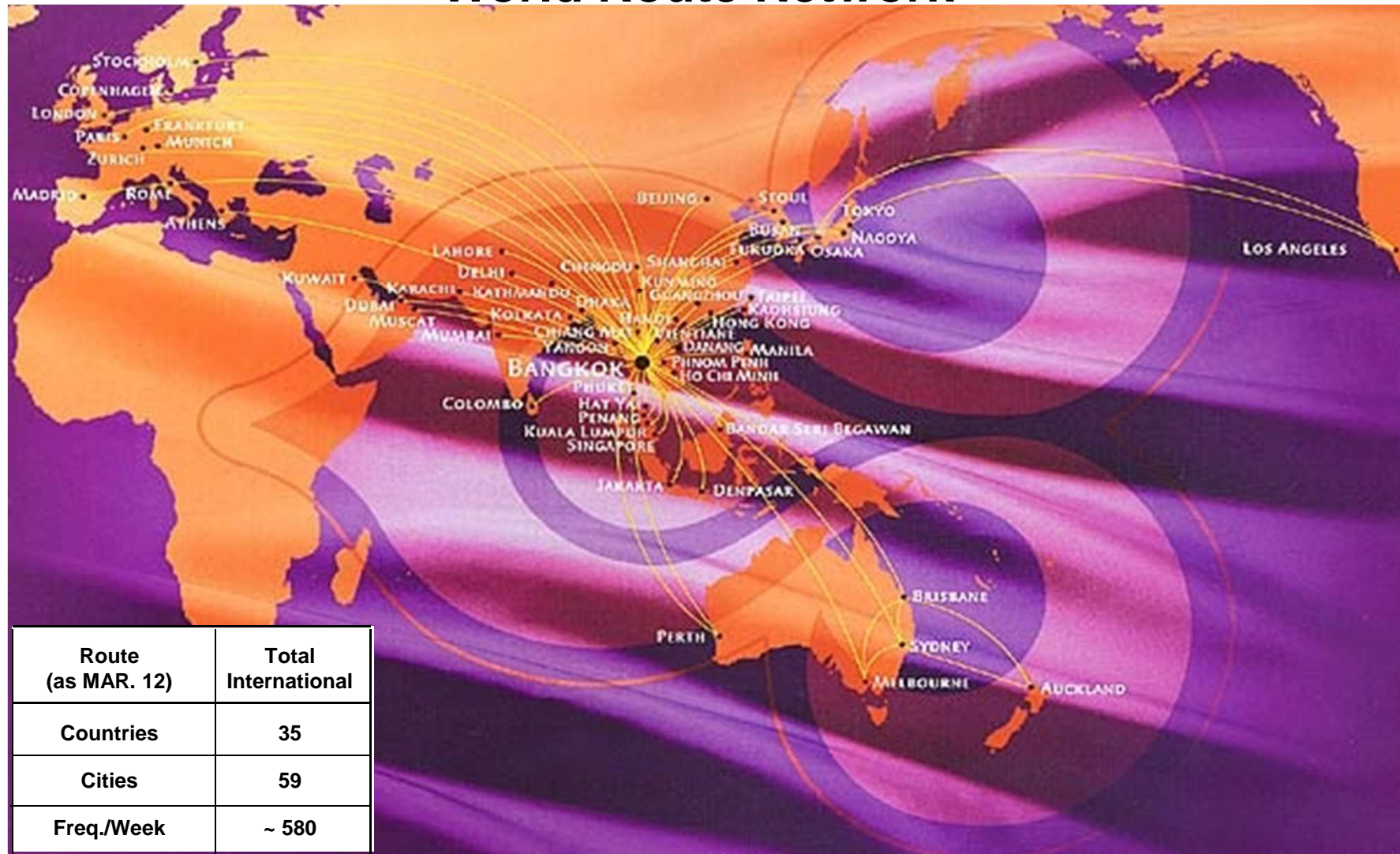


# Upgrades and Retrofit Schedule

	# of Aircraft	First	Business	Economy	Tentative Completion
B747-400 No. 7-12	6				<ul style="list-style-type: none"> <li>All have been completed</li> </ul>
B747-400 No. 13-18	6				<ul style="list-style-type: none"> <li>DEC. 2011 - OCT. 2012</li> </ul>
B777-200 No. 1-8	8				<ul style="list-style-type: none"> <li>FEB. – DEC. 2012</li> <li>One has been completed</li> </ul>

# THAI's Route Network

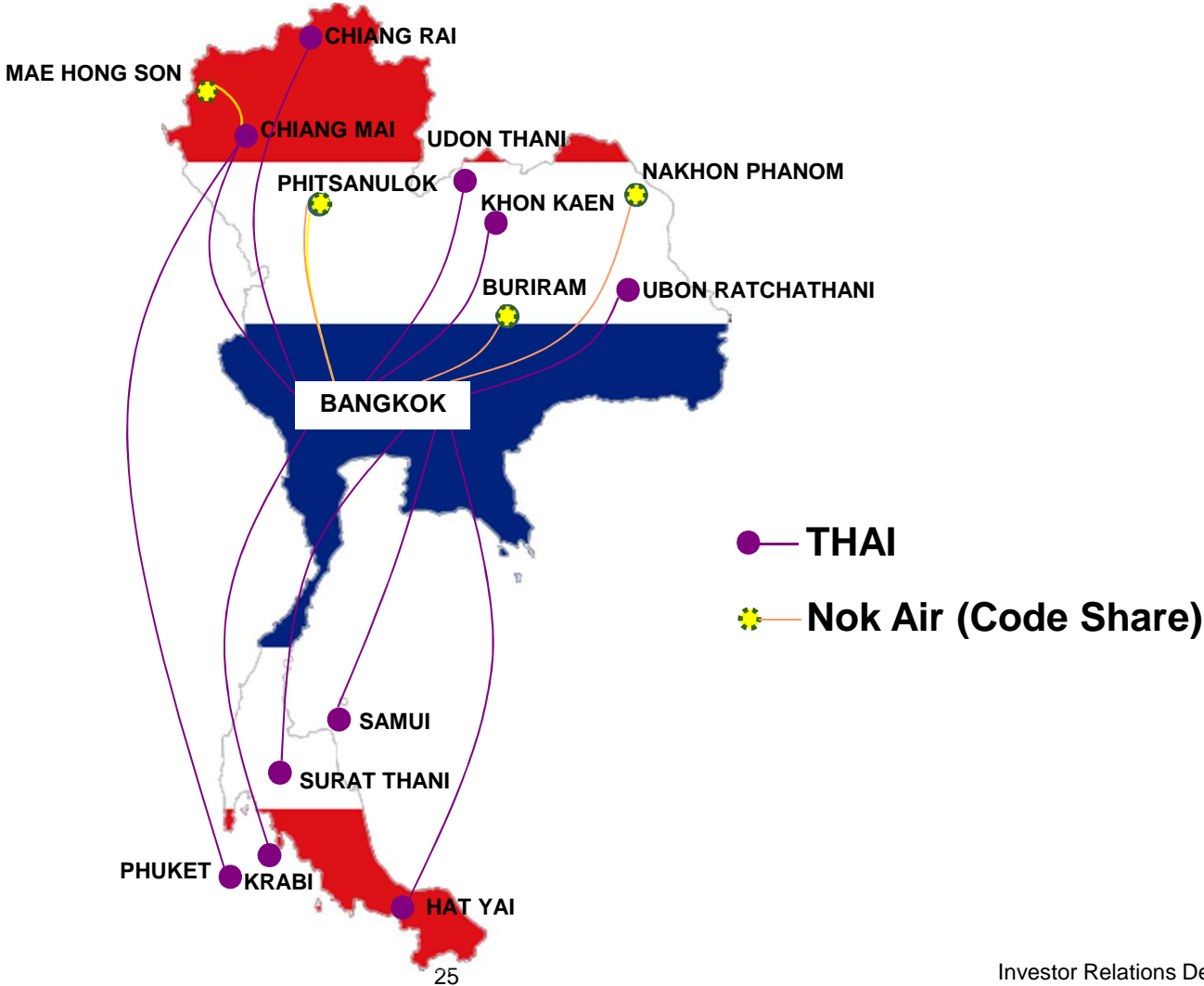
## World Route Network





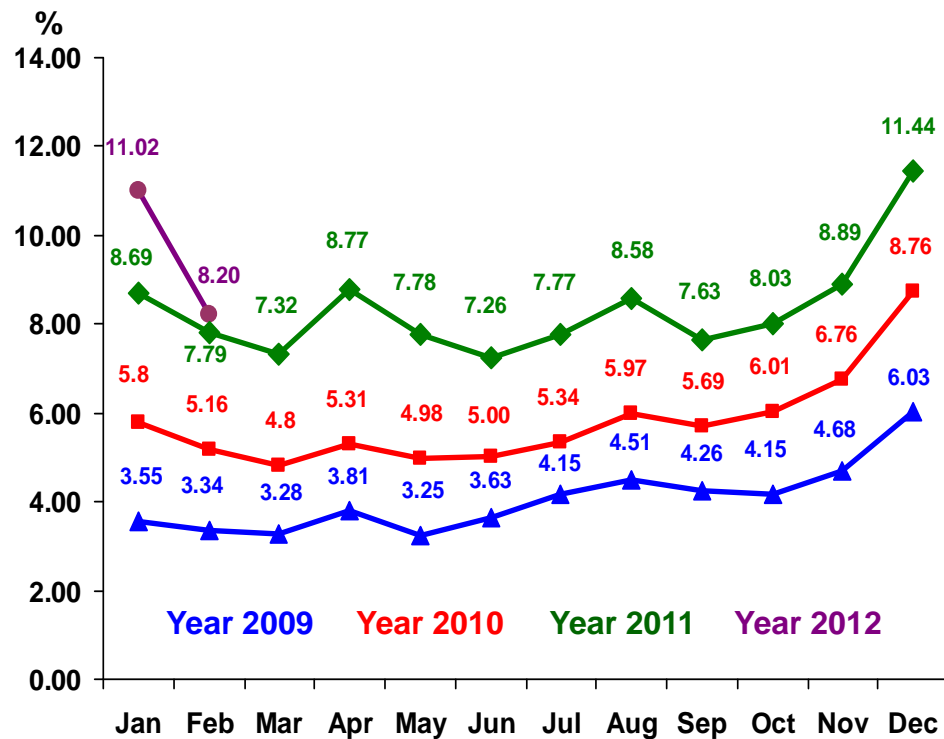
## Domestic Route Network

Route (as MAR. 12)	Domestic
Cities	10
Freq./Week	~ 280

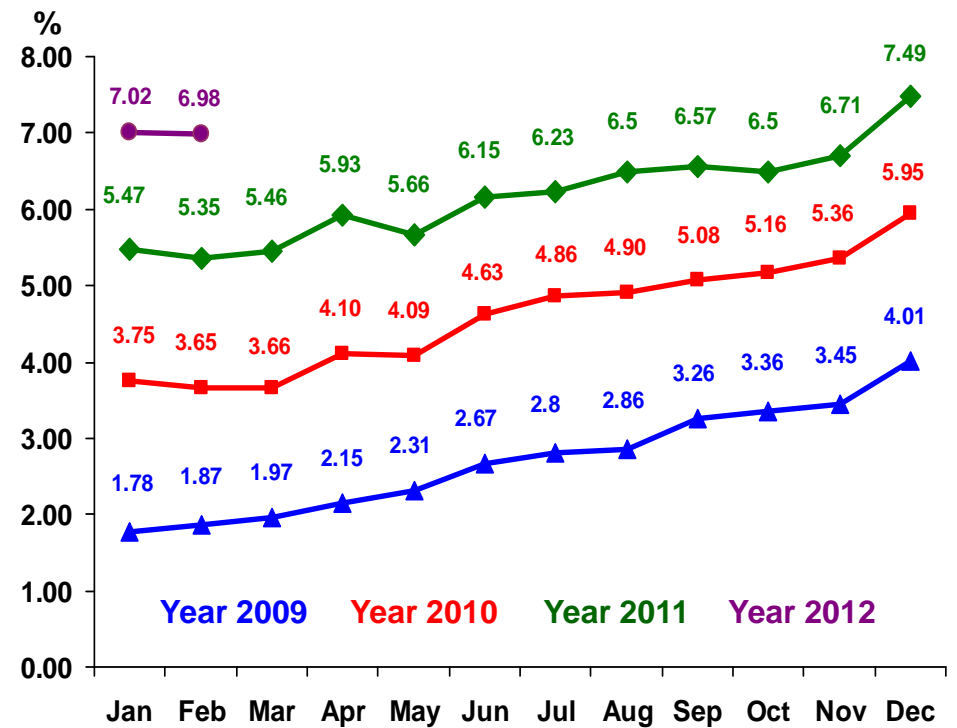


# Statistic on e-Service

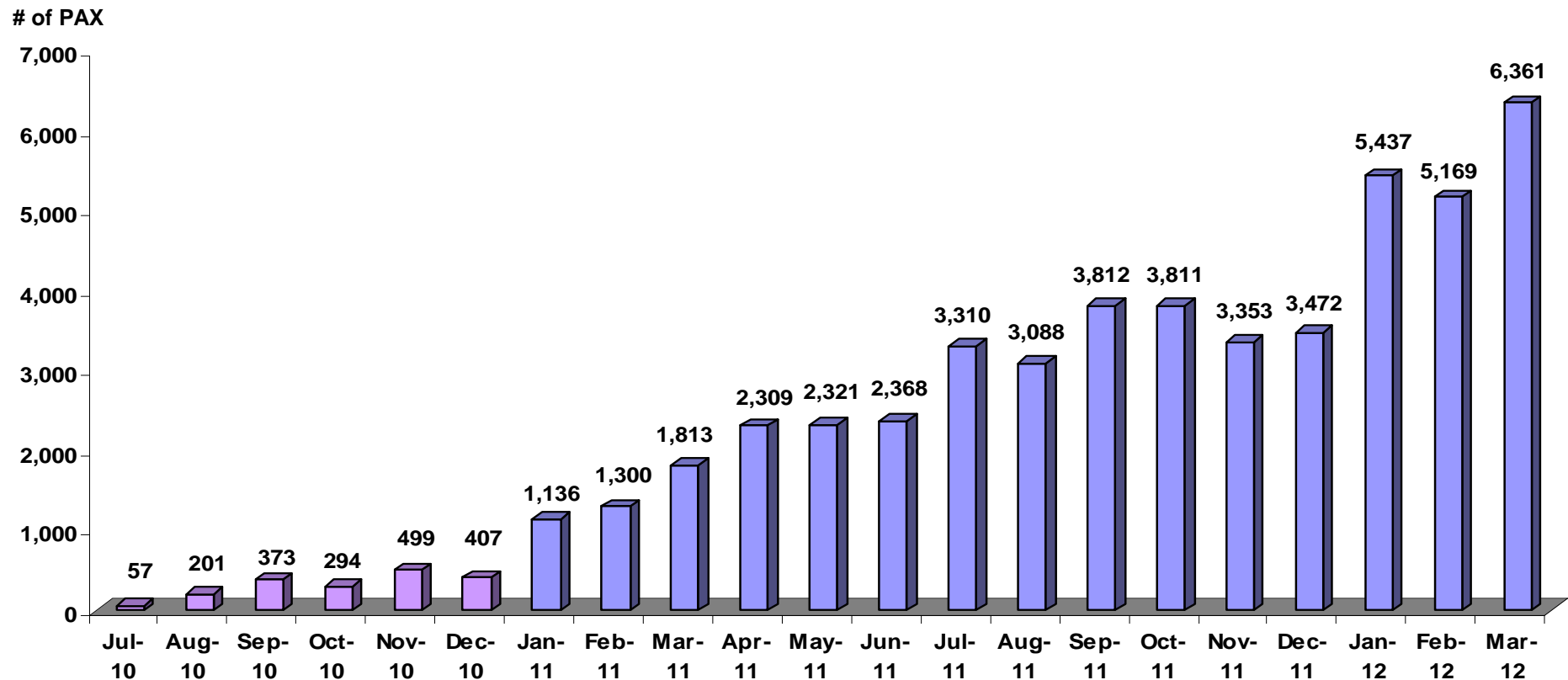
## Ticket Sales Via Internet



## Check-in via Internet

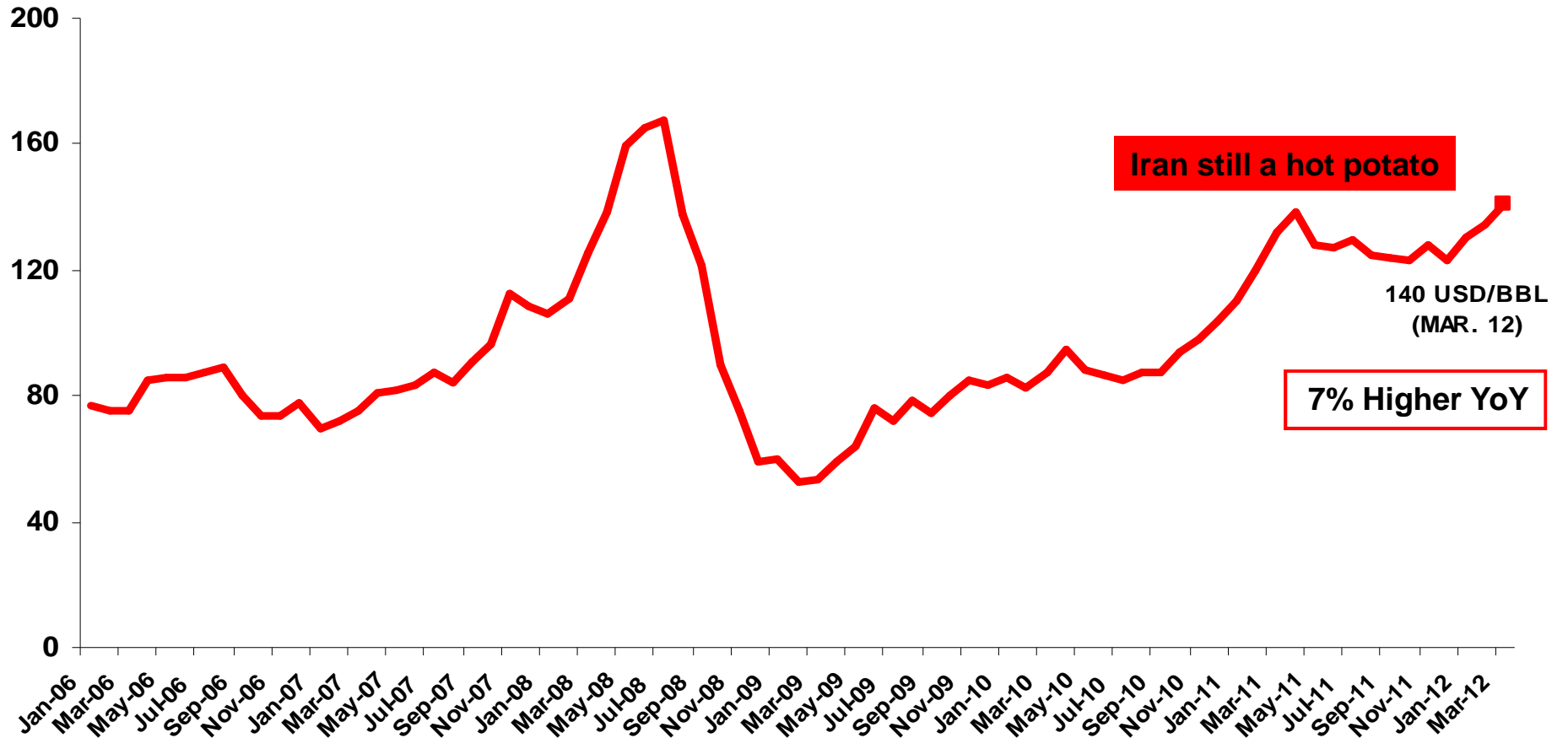


## Check-in via Mobile (<http://m.thaiairways.com>)

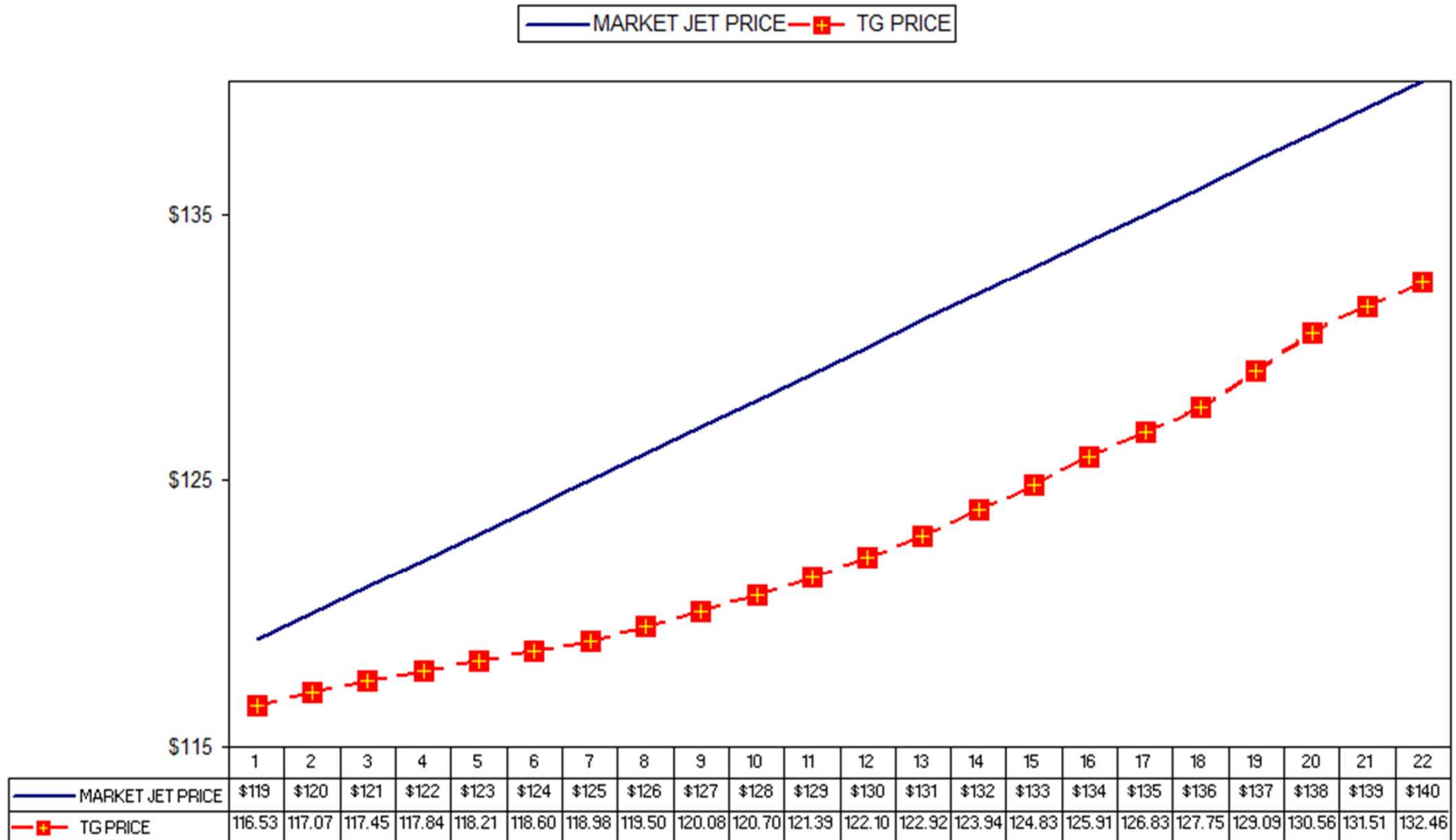


# Rising Fuel Cost

## Price of Jet Fuel (USD/BBL) (Singapore Spot Price)



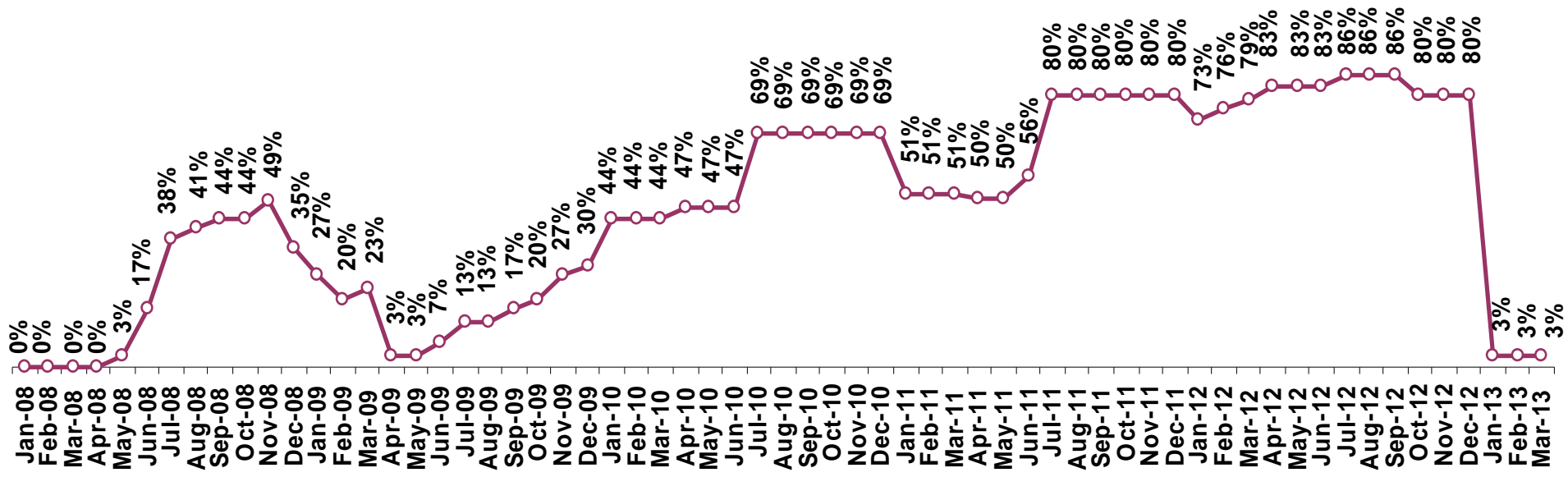
# Proactive Fuel Hedging Benefit



# Fuel Management

Hedging combined with fuel surcharge greatly mitigates fuel price fluctuation risk

Monthly fuel hedging 2008-2011 - % of consumption by month



# Estimated Cost Reduction

The company is rigorously controlling and reducing expenses to achieve full efficiency and sustainability

Cost Reduction Approach	Estimated Cost Reduction (MTHB)
1. Implemented personnel cost reduction (EMM resolution)	2,026.35
2. Estimated personnel cost reduction under negotiation	189.96
3. Estimated cost reduction from strategic initiatives	2,076.20
4. Estimated cost reduction from DO's additional measures	400.00
<b>Total estimated cost reduction</b>	<b>4,692.51</b>

Note: Excluded estimated cost reduction from some projects that are specified as percentage

# Strategic Opportunities and Key Challenges

The AEC is likely to drive increased demand for air transport as a result of trade liberalization and greater mobility of skilled labor

## Changes in regulatory framework as a result of ASEAN Economic Community (AEC)

- Liberalization of trade in products & services, investment, labour mobility, and greater harmonization of rules and regulations
- Tariff reduction to 0% for AEC member countries
- Increased foreign ownership limits to 70% for ASEAN investors
  - four priority sectors earmarked for such liberalization in 2010 include ICT, tourism, healthcare, and air transport, with logistics in 2013 and the rest to follow in 2015
- Greater mobility of the professional workforce to support the liberalization of trade in services



## Implications for THAI

### Opportunities

- + Growth potential for airline operators
- + Higher air passenger demand and traffic as a result of greater labor mobility
- + Increase in air freight demand due to trade liberalization and tariff reductions

### Threats

- Greater competitive intensity due to increase in foreign ownership limits and ASEAN open skies policy
- Potentially skilled labor shortage and increase in personnel costs

Source: ASEAN; Company data and analysis



# THAI Smile – A New Chapter

THAI Smile's first flight will commence on July 7, 2012

Ticket Sale: April 27, 2012

Fly **SMART** with



**Light Premium**

THAI INTRODUCES **THAI SMILE**  
A NEW SERVICE WITH THE SAME SPIRIT









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## Book Your Flight

Round trip  One way

From :

Select Flight Origin

Departure Date

7 Jul 2012

Adults 1

To :

Select Flight Destination

Return Date

7 Jul 2012

Children (2-11) 0

**BOOK NOW**



First flight to **Macau**  
7 July 2012



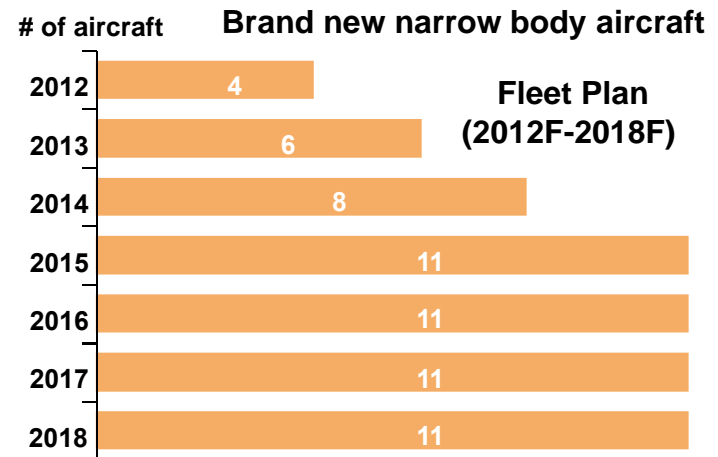
### BRAND

Positioning	Differentiation	Character	Value
Affordable Light Premium	Good Price High Value	Trendy Friendly Worthy	Reliable Enjoyable Valuable
	 <b>Value FOR MONEY</b>		

# THAI Smile Fleet Plan & Routes Network



THAI Smile base at BKK, operates in domestic and regional secondary routes and synchronize with TG network.



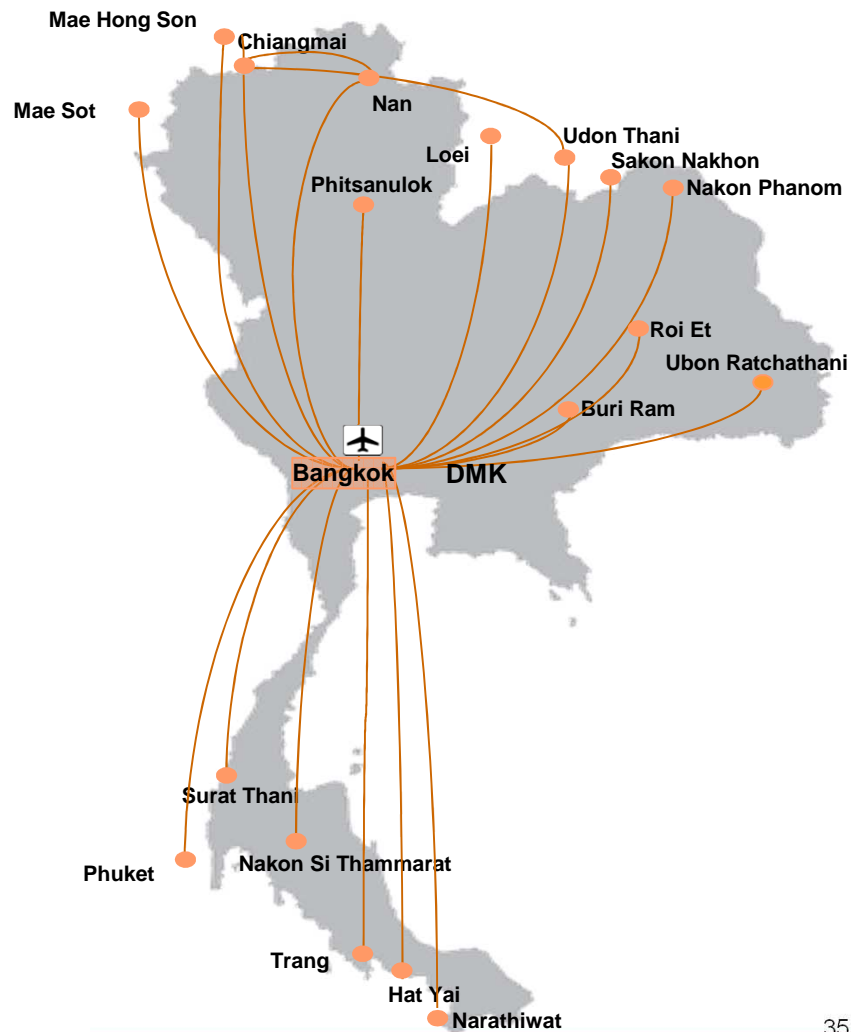
TPI Summer 2012\*

EFFECTIVE	FREQUENCY	Destination
JUL 2012	14 Flights/ week	Bangkok- Macau V.V.
AUG 2012	28 Flights / week	Bangkok - Krabi V.V.
AUG 2012	7 Flights / week	Bangkok- Phuket V.V.
AUG 2012	7 Flights / week	Bangkok -Chiang Mai V.V.
AUG 2012	7 Flights / week	Chiang Mai - Phuket V.V
SEP 2012	14 Flights / week	Bangkok - Suratthani V.V.
SEP 2012	14 Flights / week	Bangkok - Chiang Mai V.V.

\* Effective : March 25-October 27 ,2012

# Nok Air Routes Network

**Nok Air base at DMK,  
operates only domestic point-to-point**



**TG's Proportion of Shareholding  
increased from 39% to 49%**



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# Updated Strategies

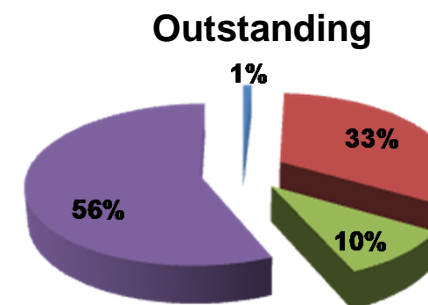
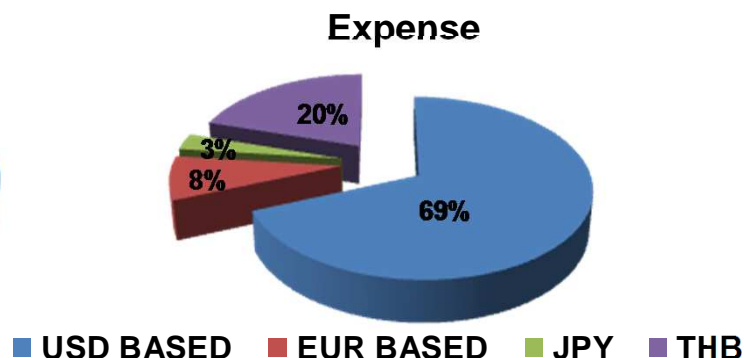
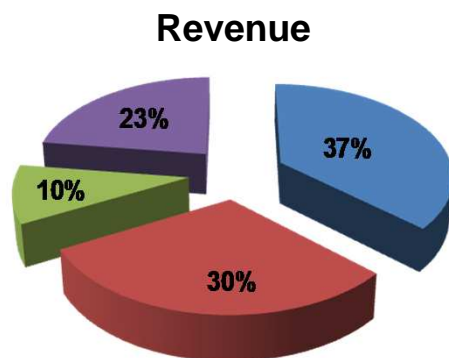


# Financial Performance

## Foreign Currency Exposure (As of Mar 2012)

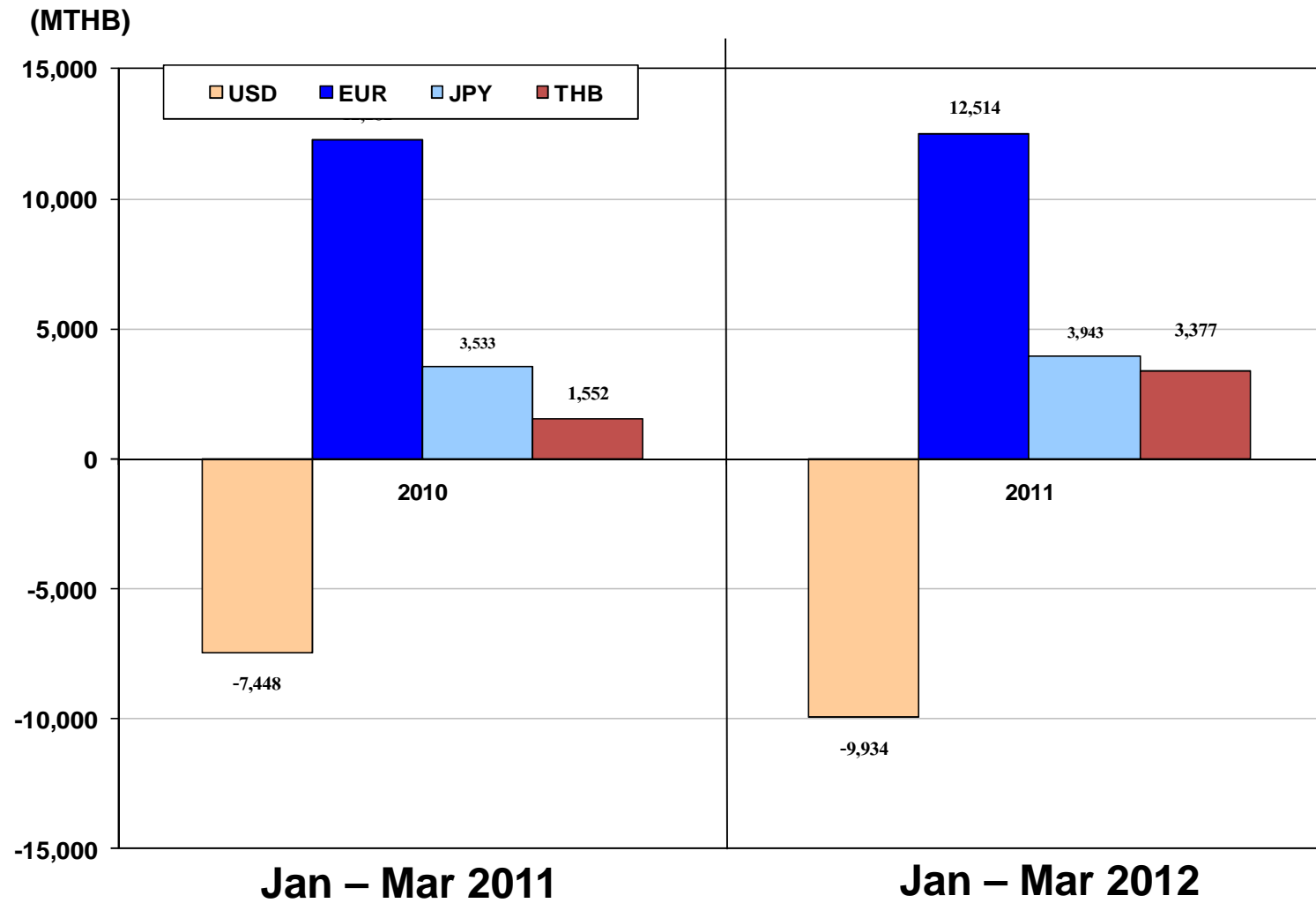
Unit : MTHB

	Revenue		Expense		Surplus or Deficit	Outstanding Borrowings			
	Amount	%	Amount	%		Before Swap		After Swap	
					Amount	%	Amount	%	
<b>USD BASED</b>	19,201	37	29,135	66	- 9,934	1,240	1	1,240	1
USD	4,951		27,328						
Others <sup>(1)</sup>	14,250		1,807						
<b>EUR BASED</b>	15,883	30	3,369	8	12,514	47,460	33	47,460	33
EUR	4,658		1,715						
Others <sup>(2)</sup>	11,225		1,654						
<b>JPY</b>	5,202	10	1,259	3	3,943	9,499	7	14,310	10
<b>THB</b>	11,918	23	8,541	23	3,377	86,993	60	81,852	56
<b>TOTAL</b>	<b>52,204</b>	<b>100.00</b>	<b>42,304</b>	<b>100.00</b>	<b>9,900</b>	<b>145,192</b>	<b>100</b>	<b>144,862</b>	<b>100</b>



■ USD BASED ■ EUR BASED ■ JPY ■ THB

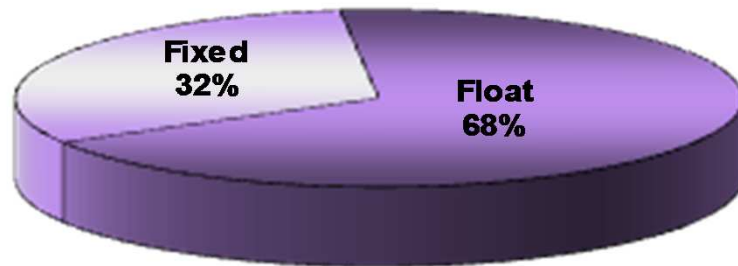
## TG continued to be net long Euro & Yen



# Financial Performance

## Proportion of Fixed and Float (As of MAR. 2012)

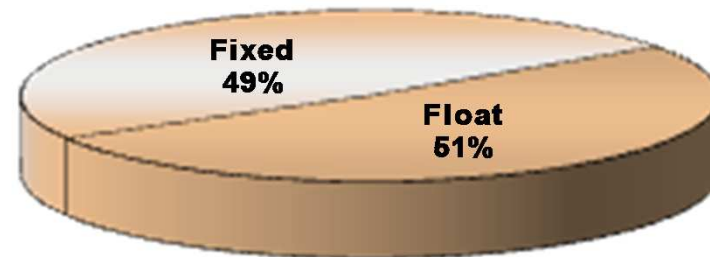
### Before Swap



Percentage of TOTAL  
(TOTAL = 145,191 MTHB)

**Cost of funding = 3.68%**

### After Swap



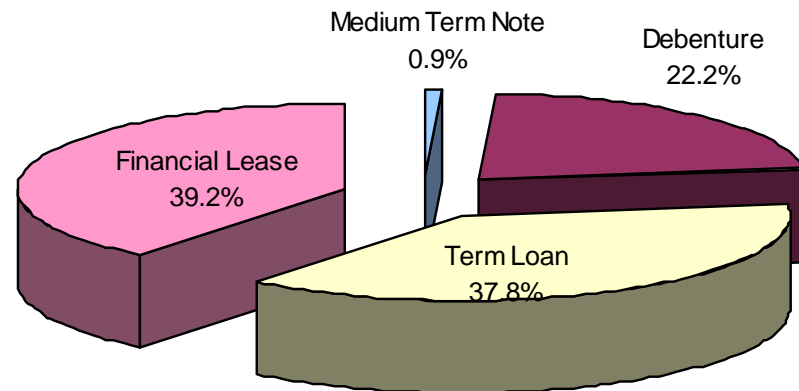
Percentage of TOTAL  
(TOTAL = 144,861 MTHB)

**Cost of funding = 3.83%**

# Financial Performance

## Proportion of Total Borrowing (As of MAR. 2012)

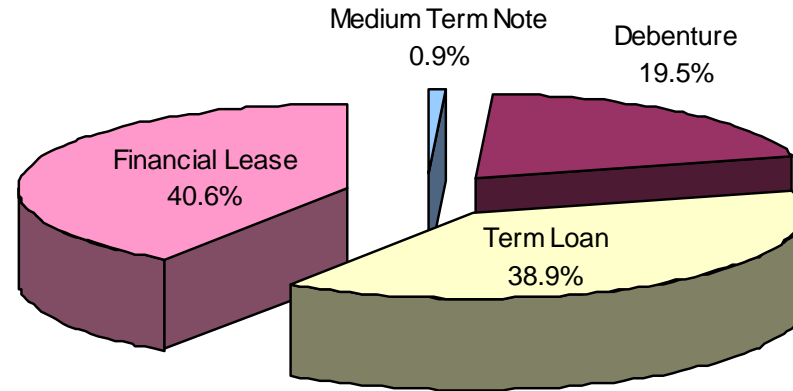
### Before Swap



### Percentage of Total

(Total of on Balance Sheet = 145,191 MTHB)

### After Swap



### Percentage of Total

(Total of on Balance Sheet = 144,861 MTHB)

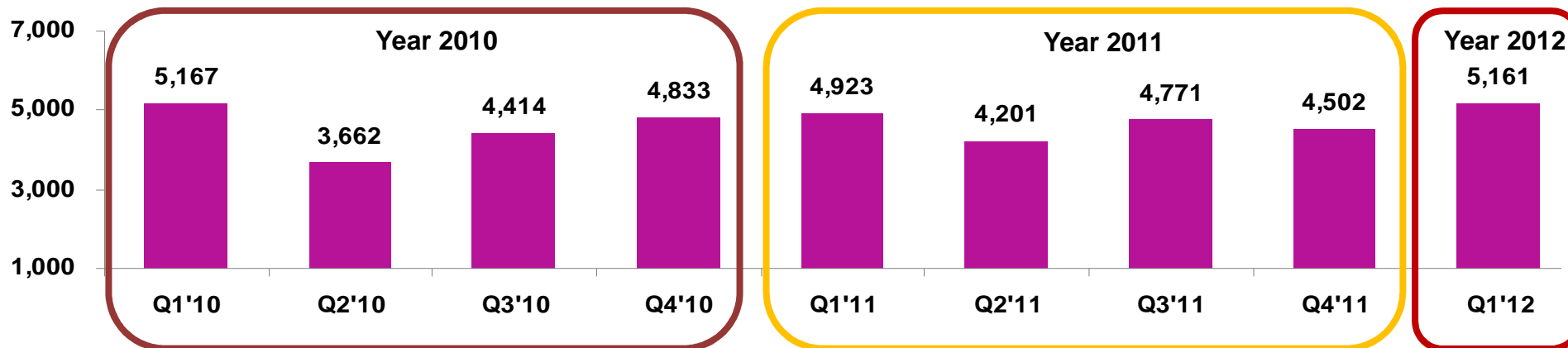


# Operating Statistics

## Passengers Carried

Q1/12 = 5.2 million (Increased 4.8% YoY)

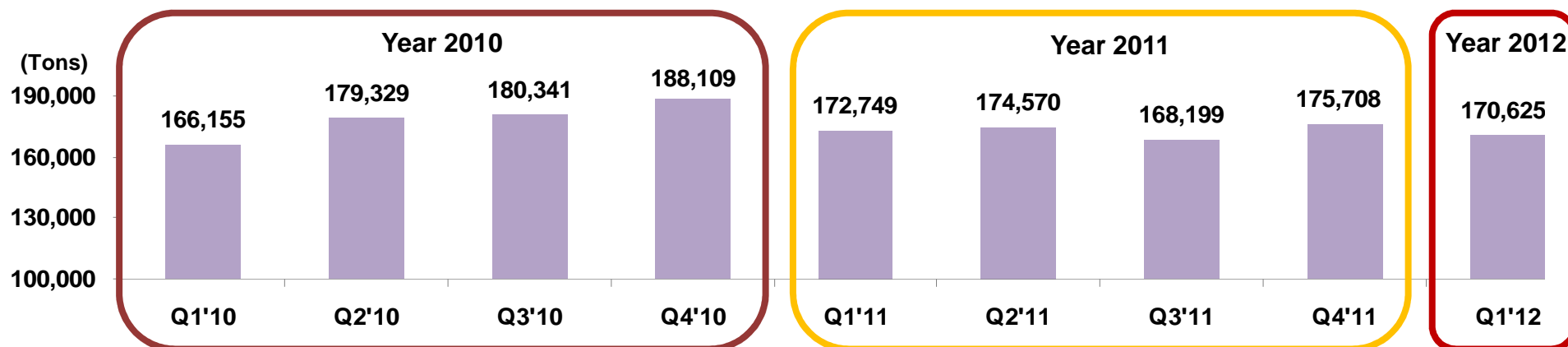
('000)



## Freight Carried

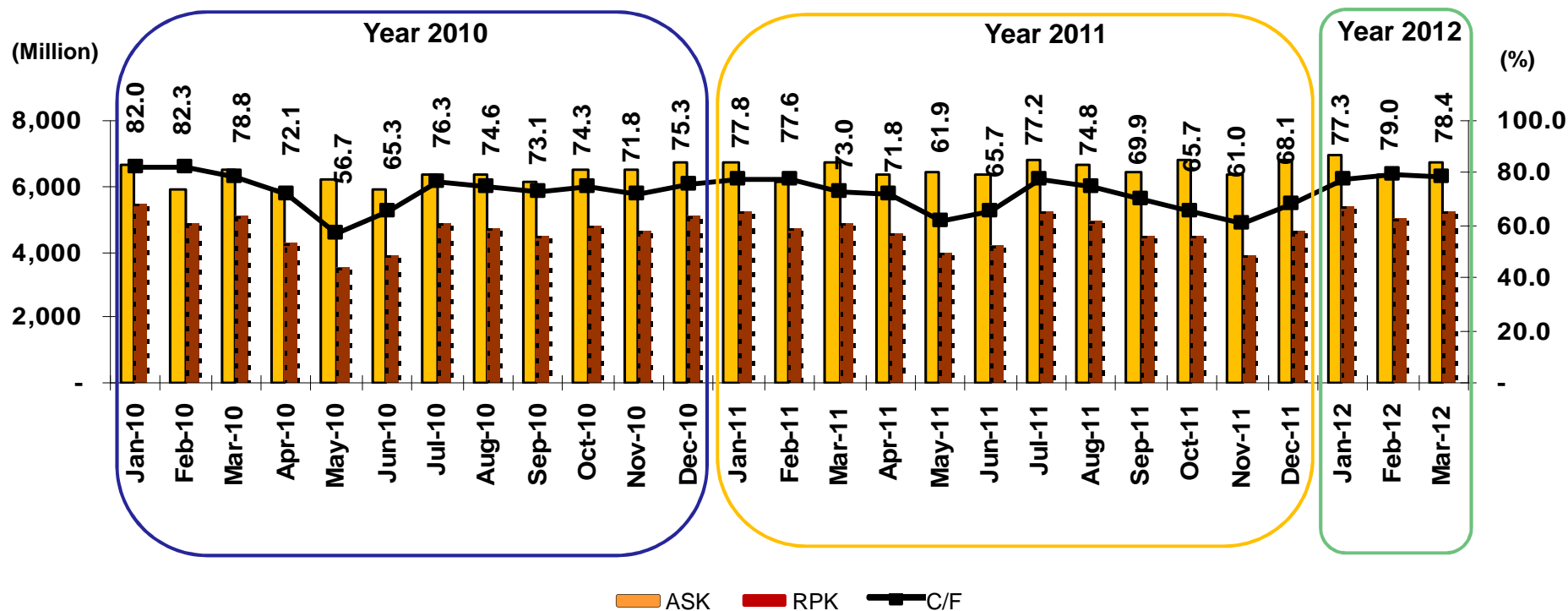
Q1/12 = 170,625 tons (Decreased 1.2% YoY)

(Tons)



# Operating Statistics

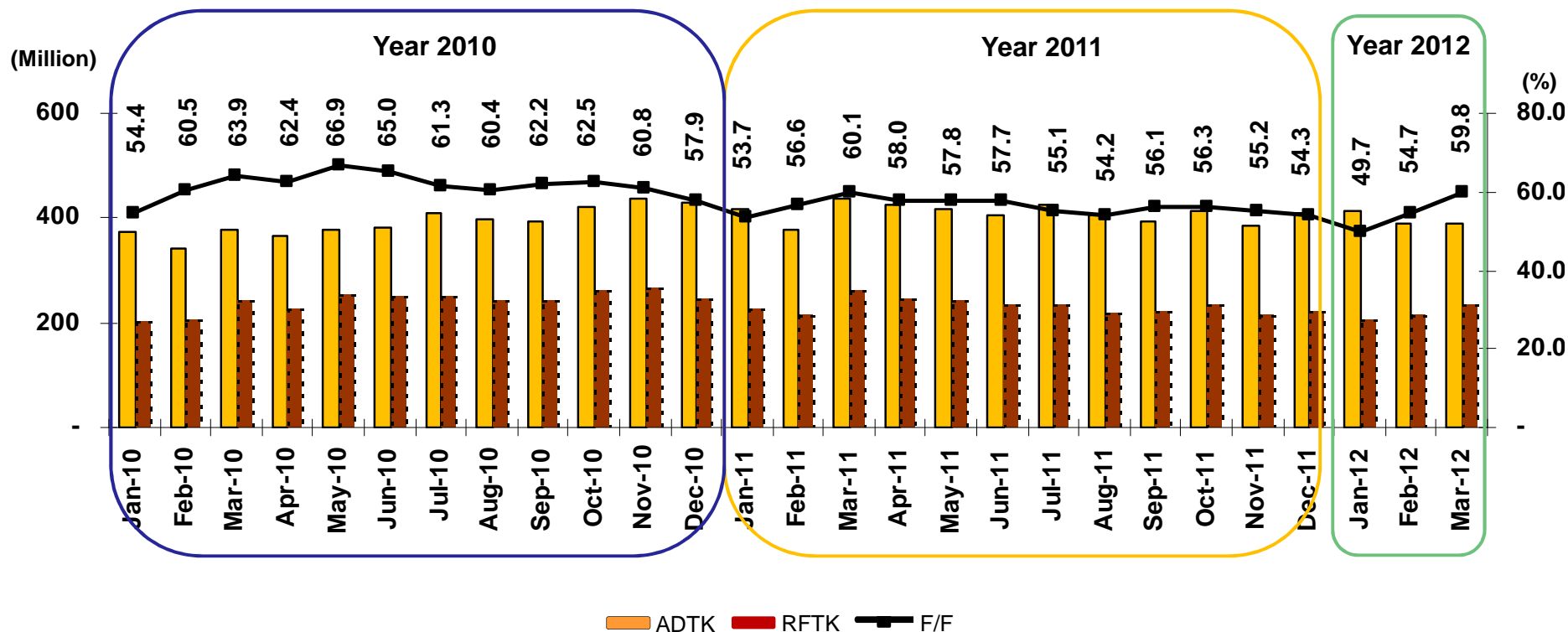
## Passenger



	YoY (Month)			YoY (Quarter)			QoQ (Quarter)		
	Mar'12	Mar'11	YoY%	Q1'12	Q1'11	YoY%	Q1'12	Q4'11	QoQ%
MASK	6,703	6,710	- 0.1	19,953	19,571	2.0	19,953	19,953	-
MRPK	5,256	4,890	7.5	15,605	14,881	4.9	15,605	12,968	20.3
Cabin factor%	78.4	72.9	7.6	78.2	76.0	2.9	78.2	65.0	20.3

# Operating Statistics

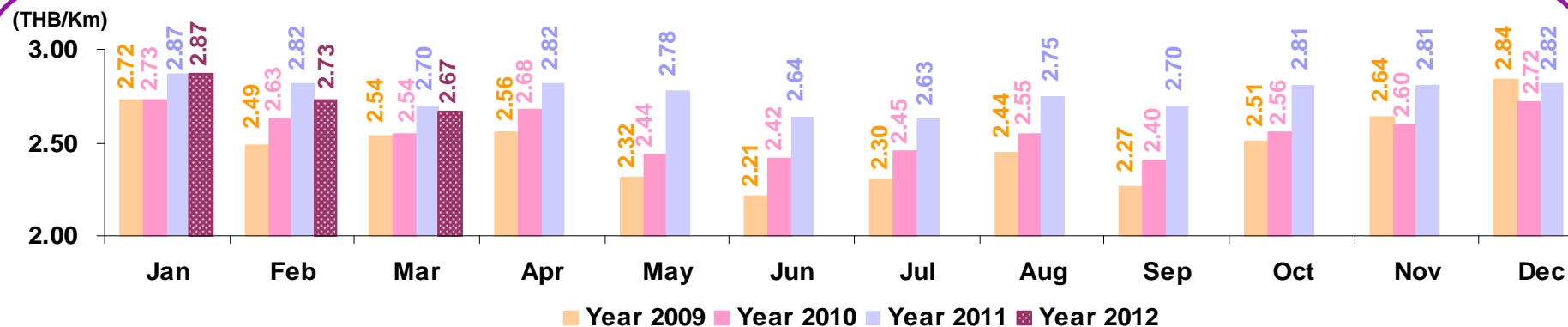
## Freight



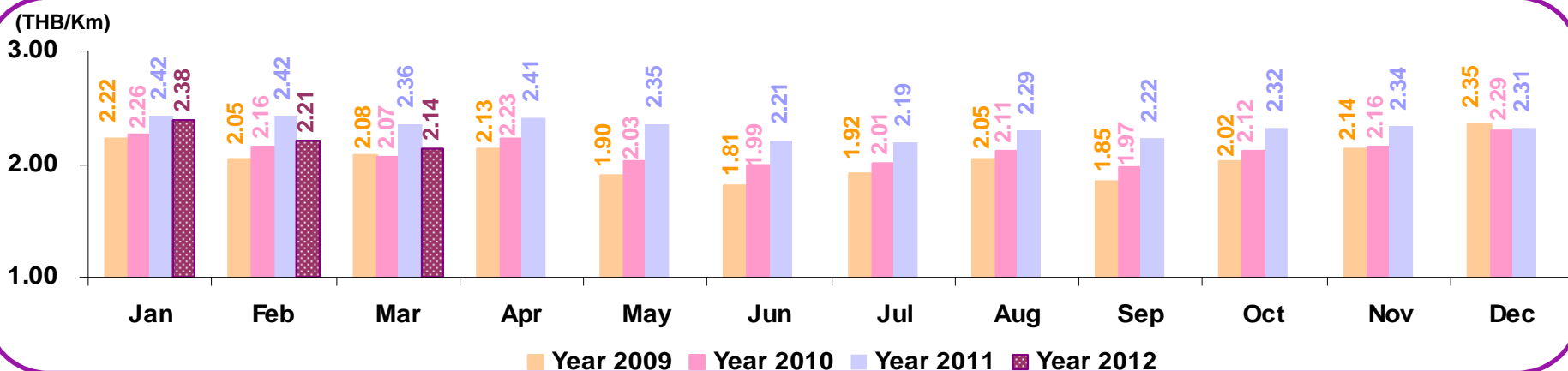
	YoY (Month)			YoY (Quarter)			QoQ (Quarter)		
	Mar'12	Mar'11	YoY%	Q1'12	Q1'11	YoY%	Q1'12	Q4'11	QoQ%
MADTK	389	439	- 11.4	1,196	1,233	- 3.0	1,196	1,210	- 1.2
MRFTK	233	261	- 10.7	651	698	- 6.7	651	669	- 2.7
Freight factor%	59.9	59.5	0.7	54.4	56.6	- 3.8	54.4	55.3	- 1.6

# Operating Statistics

## Passenger Yield (Including Fuel Surcharge)

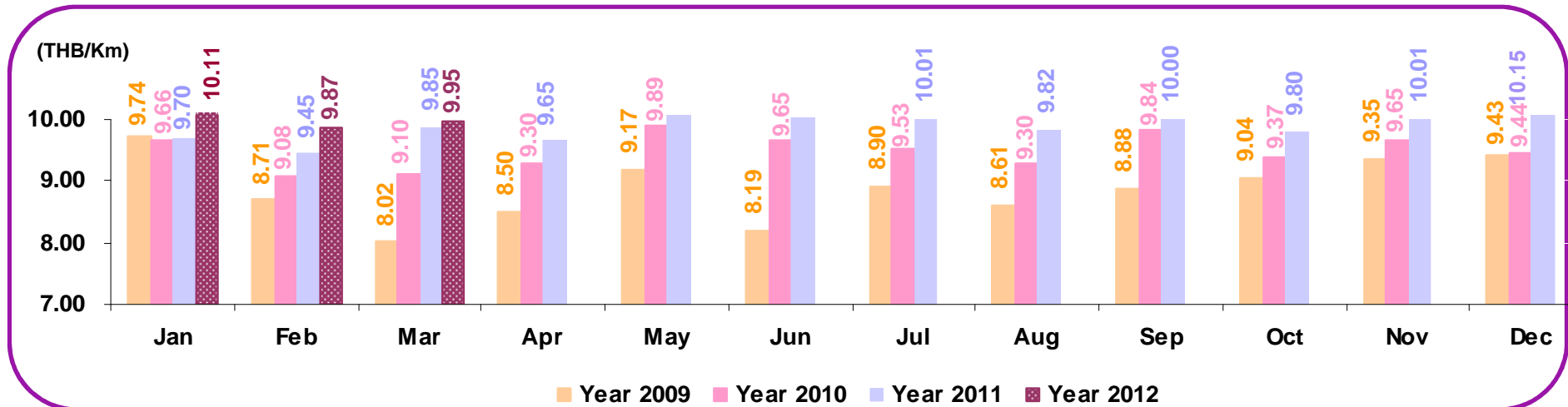


## Passenger Yield (Excluding Fuel Surcharge)



# Operating Statistics

## Freight Yield (Including Fuel Surcharge)



## Freight Yield (Excluding Fuel Surcharge)

