

# THAI AIRWAYS INTERNATIONAL PCL

**Q2-2015 analysts briefing**

**24-Aug-2015**



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.

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# Our company

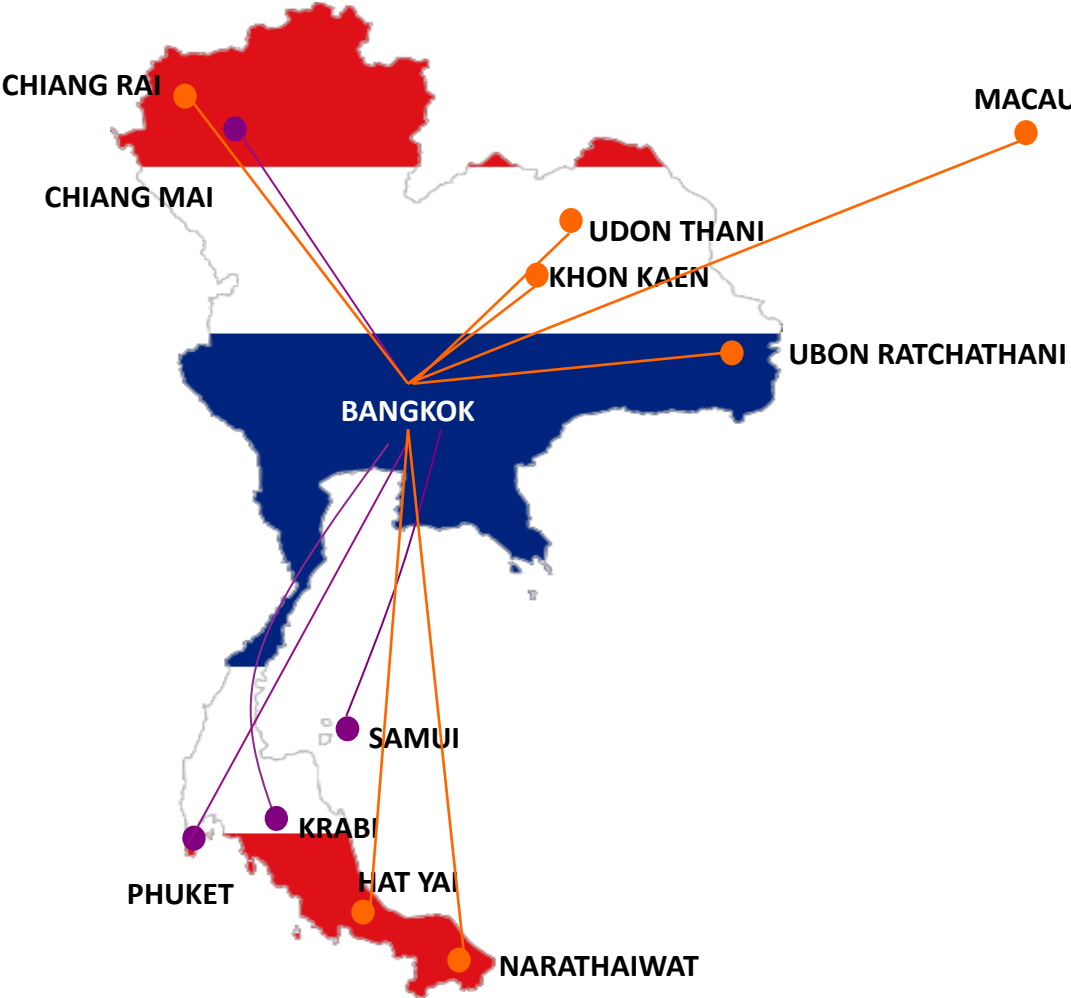
# Our comprehensive international network

Covering 61 destinations in 32 countries with over 500 flight and 380k seats per week



\* Schematic scale only \*\* Flights and destinations are subject to change without prior notice. As of October 2013

# Our domestic network operates in 11 major cities in conjunction with Thai Smile



- THAI
- THAI Smile

# Nok air route network

capitalizing other segments via our affiliates

Don Mueang airport based with point-to-point services



# 94 Aircraft

## Our current fleet

(As of June 2015)

Aircraft Type	No. of Seat	Seat Configuration
<b><u>37 Long-Range Aircraft</u></b>		
6 of A380-800	507	12F/60C/435Y
12 of B747-400	375	10F/40C/325Y
13 of B777-300ER	348	42C/306Y
6 of B777-200ER	292	30C/262Y
<b><u>37 Medium-Range Aircraft</u></b>		
6 of B777-300	364	34C/330Y
8 of B777-200	309	30C/279Y
18 of A330-300	299	36C/263Y
5 of B787-8	264	24C/240Y
<b><u>20 Short-Range Aircraft</u></b>		
2 of B737-400	149	12C/137Y
18 of A320-200	174	174Y





# Transformation plan





Major Transformation  
for Long-Term **Sustainability**





## Strategy 1 : Route and Network

Profitable Routes

## Strategy 2 : Fleet Rationalization

Reduce Aircraft Type

Aircraft Selling

## Strategy 3 : Commercial

Revenue Management Enhancement

Sales and Distribution Optimization

Agent Management

Customer Loyalty Program Enhancement

Customer Services Improvement

Business Class Service Upgrade

## Strategy 4 : Operations and Cost Control

Cost Management

Cash and Balance Sheet Management

Flight Operations Efficiency

Technical Efficiency

IT Platform

Cargo Revenue and Cost Optimization

Procurement Optimization

## Strategy 5 : Organization & HR

Performance Management

Organization Effectiveness & Efficiency

Human Capital Strategic Launch

## Strategy 6 : Portfolio

Portfolio Business Restructuring

TG-WE Commercial & Network Integration



# Financial performance

# Operations summary

improving passenger measures with drop in cargo

	Unit
Passenger Production	MASK
Passenger Traffic	MRPK
Cabin Factor	%
Passenger carried	Million
Passenger Yield (Inc. Surcharge)	THB/k m

Q2		
2014	2015	% Change YoY
19,889	20,278	+2.0%
12,626	14,042	+11.2%
63.5	69.2	+5.8
4.23	5.07	+19.7%
2.69	2.38	-11.4%

1H		
2014	2015	% Change YoY
40,823	42,147	+3.2%
27,303	30,530	+11.8%
66.9	72.4	+5.5
9.04	10.69	+18.3%
2.72	2.50	-8.1%

Freight Production	MADTK
Freight Traffic	MRFTK
Freight Factor	%
Freight carried	Tons
Freight Yield (Inc. Surcharge)	THB/k m

915	830	-9.3%
625	483	-22.6%
68.3	58.3	-10.0
157,131	130,366	-17.0%
9.38	8.76	-6.6%

1,863	1,818	-2.4%
1,254	1,079	-13.9%
67.3	59.3	-8.0
315,286	282,134	-10.5%
9.32	8.23	-11.6%



# 1H-2015 financial results

impacted by one-off items

Net profit

**-8,218**  
**MB**

1-off items

**-7,921**  
**MB**

Operating profit

**-297**  
**MB**

-

=

**Impairment**

**-12,230**

**MSP**

**-3,722**

**FX**

**+5,975**

**Tax**

**+2,069**

# Comparing 1H-2015 with 1H-2014

operating profit significantly improve

2014

**-10,986**  
**MB**

2015

**-297**  
**MB**

 **10,689**  
**MB**

**Revenue**



**100**

**Expense**



**10,383**

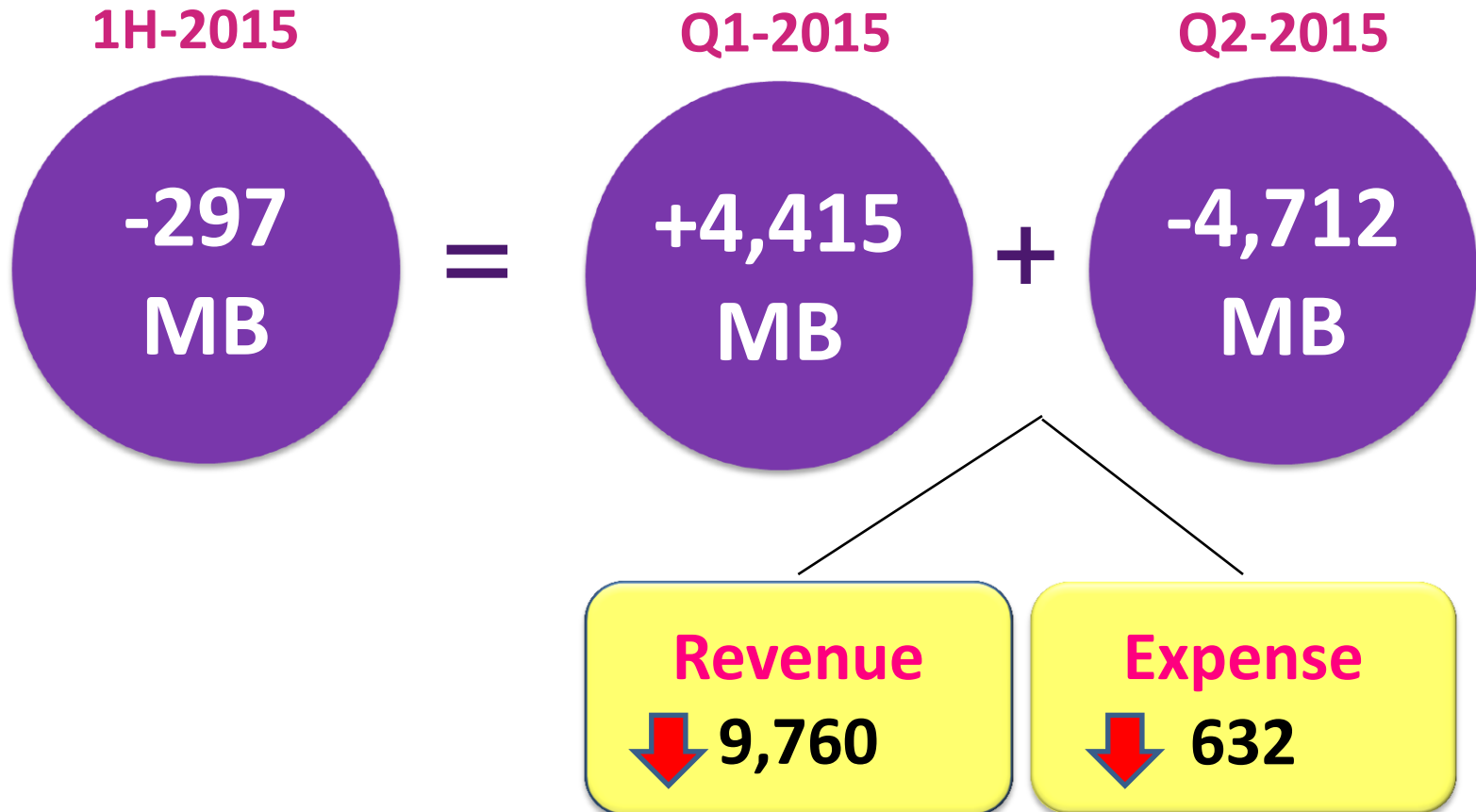
**Financial Cost**



**207**

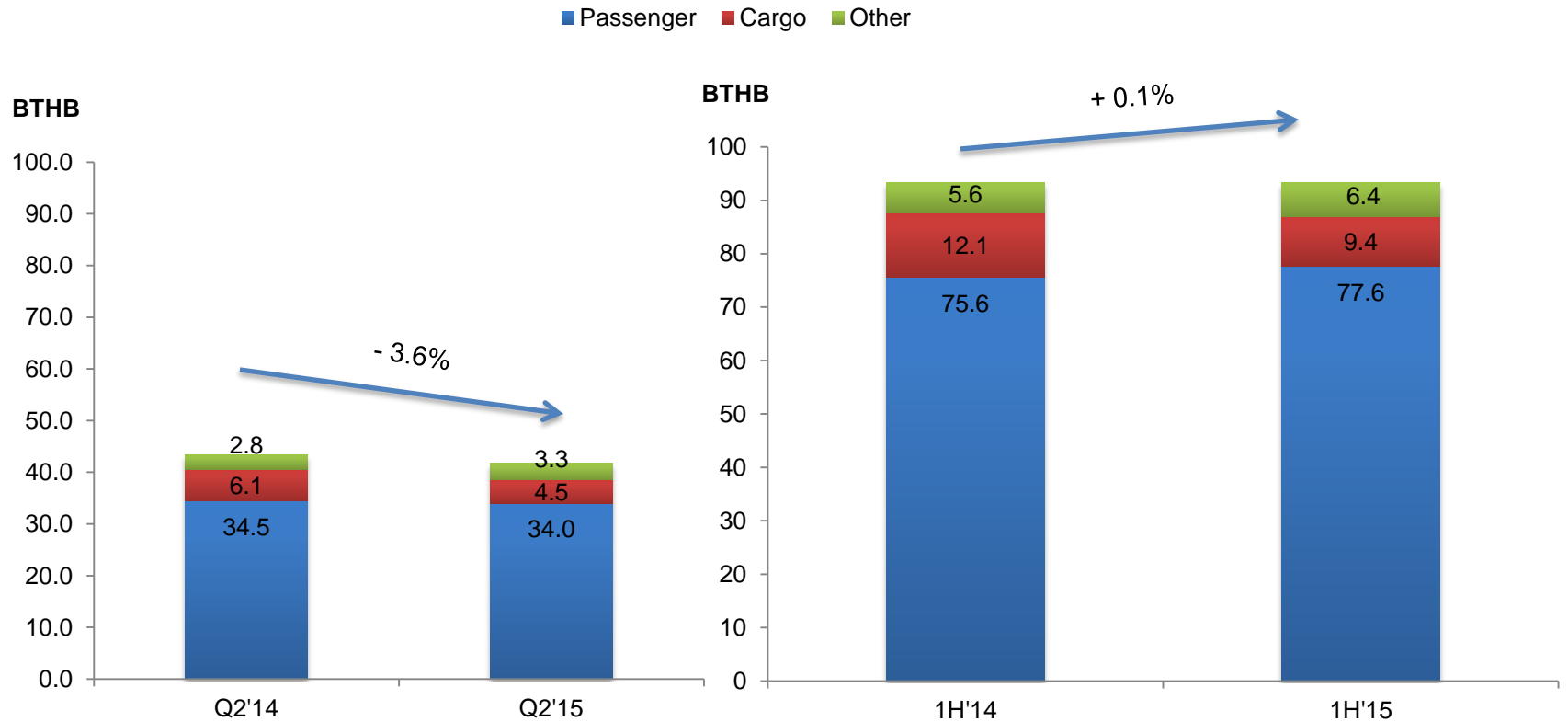
# Q1-2015 and Q2-2015 operating profit compare

major impact from low-season, drop in yield & cargo production (-22%)



# Total Revenue

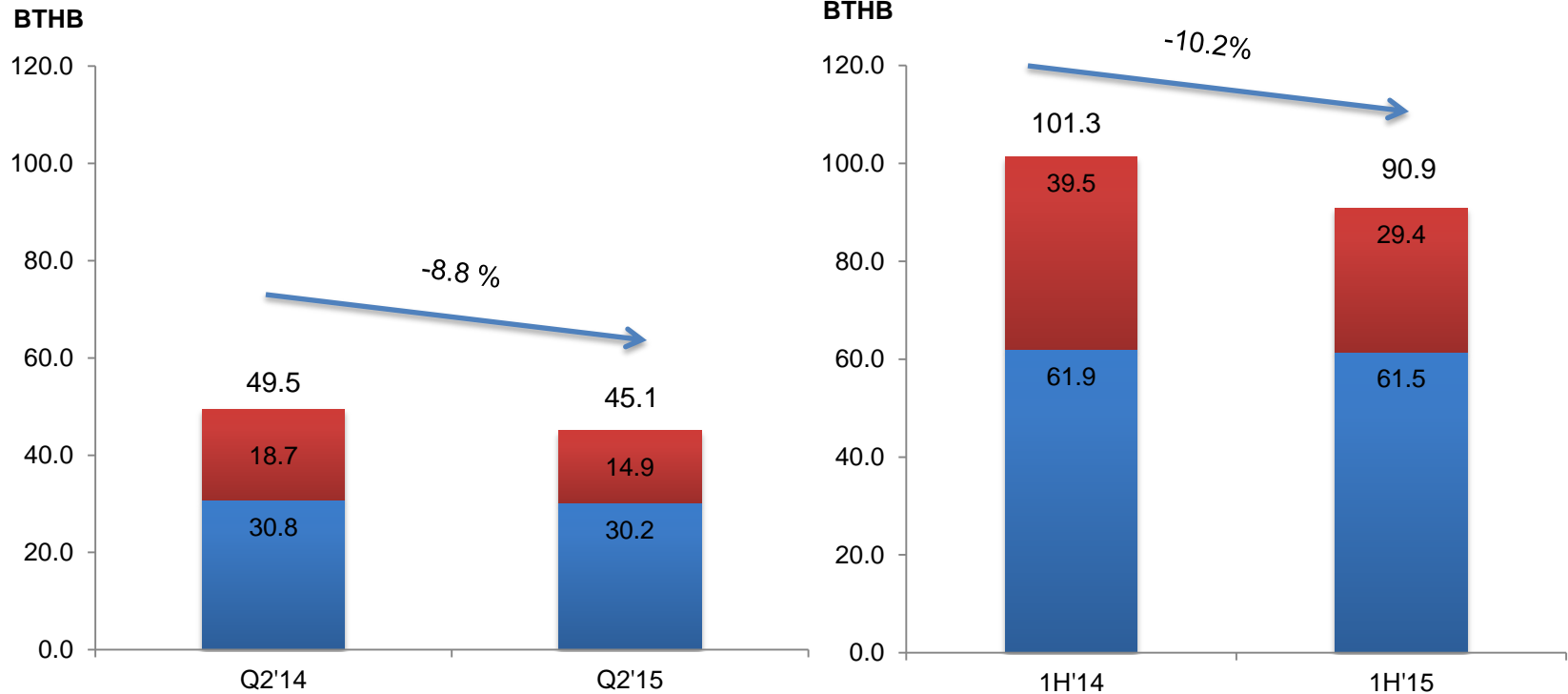
sluggish low season in Q2 but with 6-mth flat y-o-y



# Total Expense

decline y-o-y mainly on fuel, hoping to see better expense control

■ Non-fuel ■ Fuel and oil

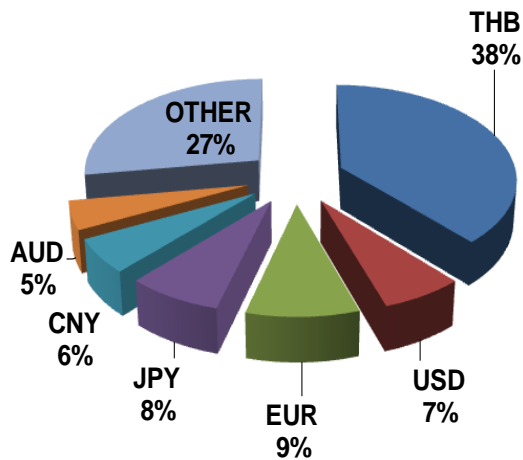


# Currency break down

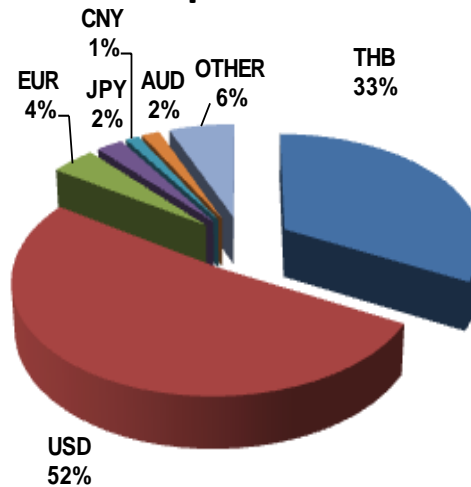
shift in revenue in some currencies

## Foreign Currency Exposure (Jan - June 2015)

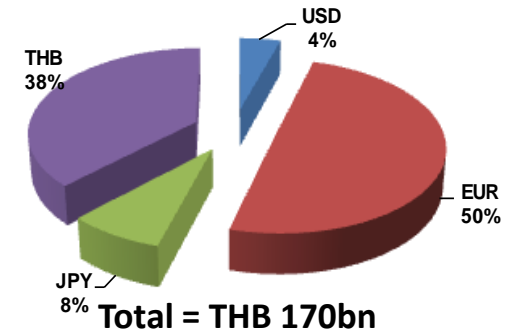
### Revenue



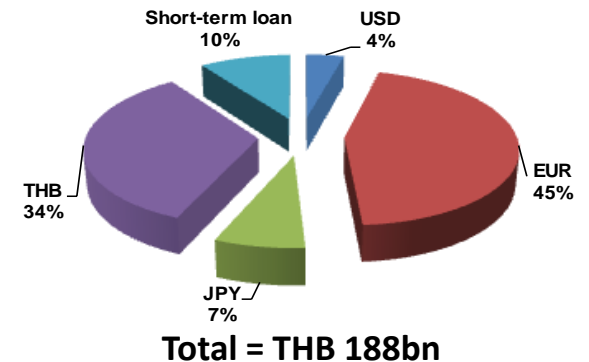
### Expense



## Long term loan outstanding (After Swap)



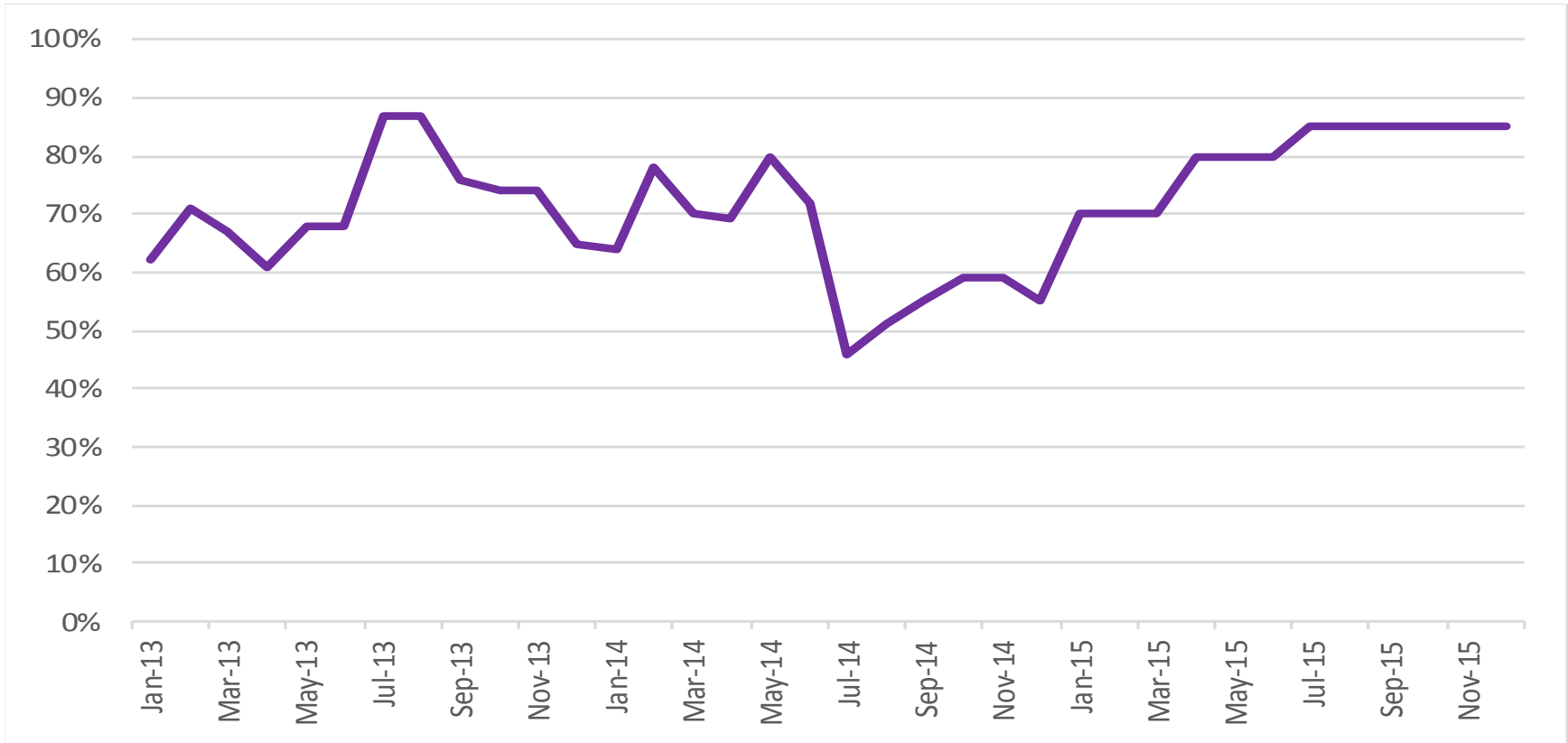
## Outstanding St + Lt loan (After Swap)



# Fuel management

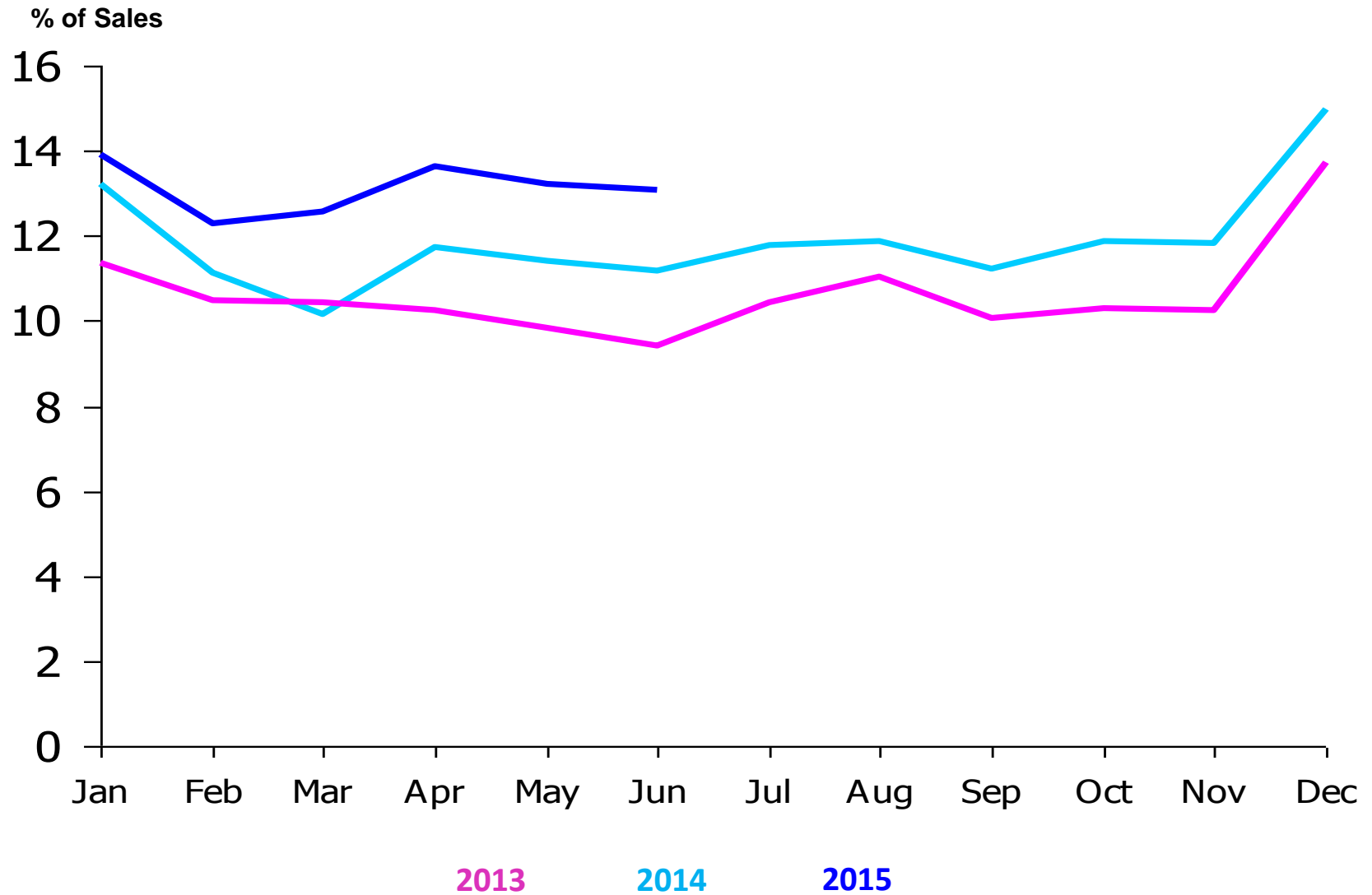
high level of hedge from last year commitment

Monthly fuel hedging as % of consumption by month



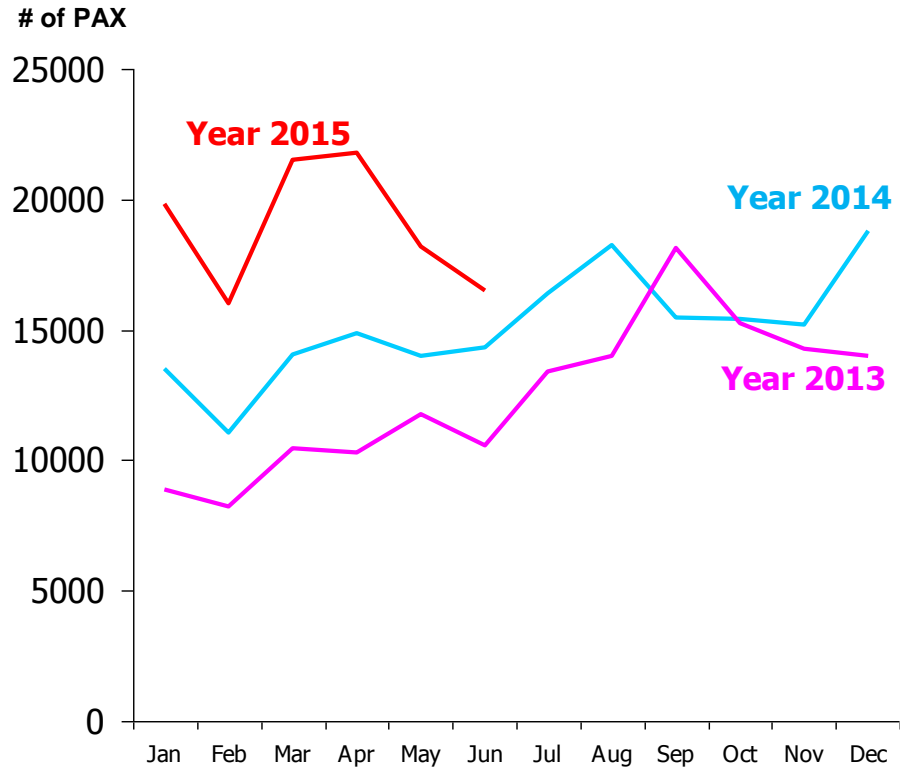
# Internet Sales

improving 2 years running but still behind industry

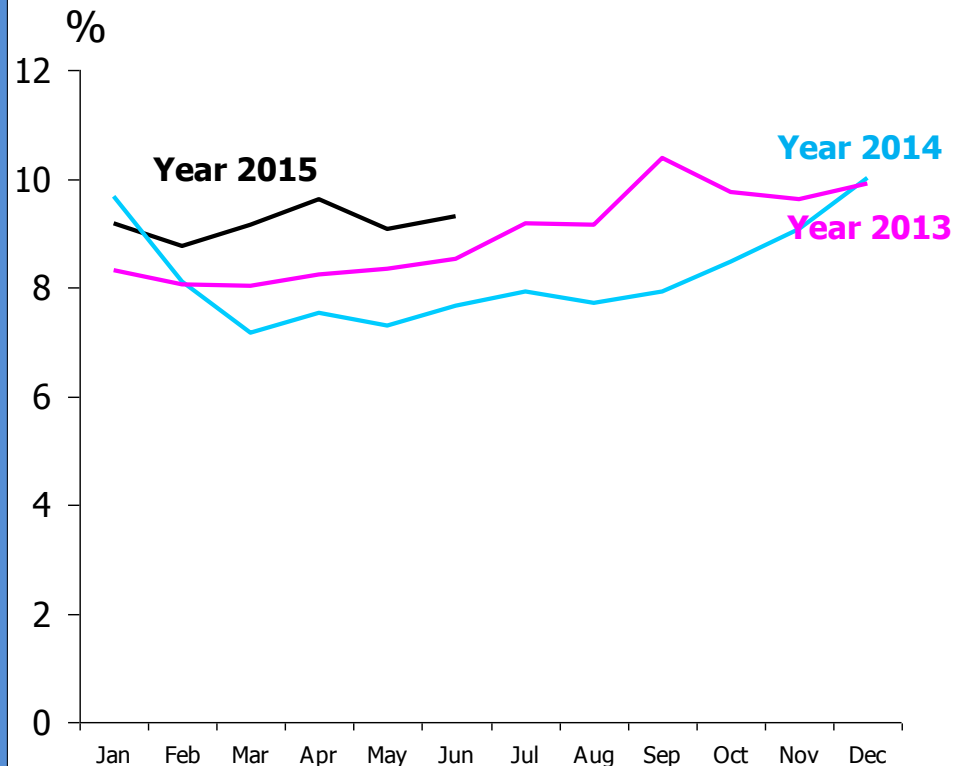




## Mobile check-in (<http://m.thaiairways.com>)




## Internet check-in



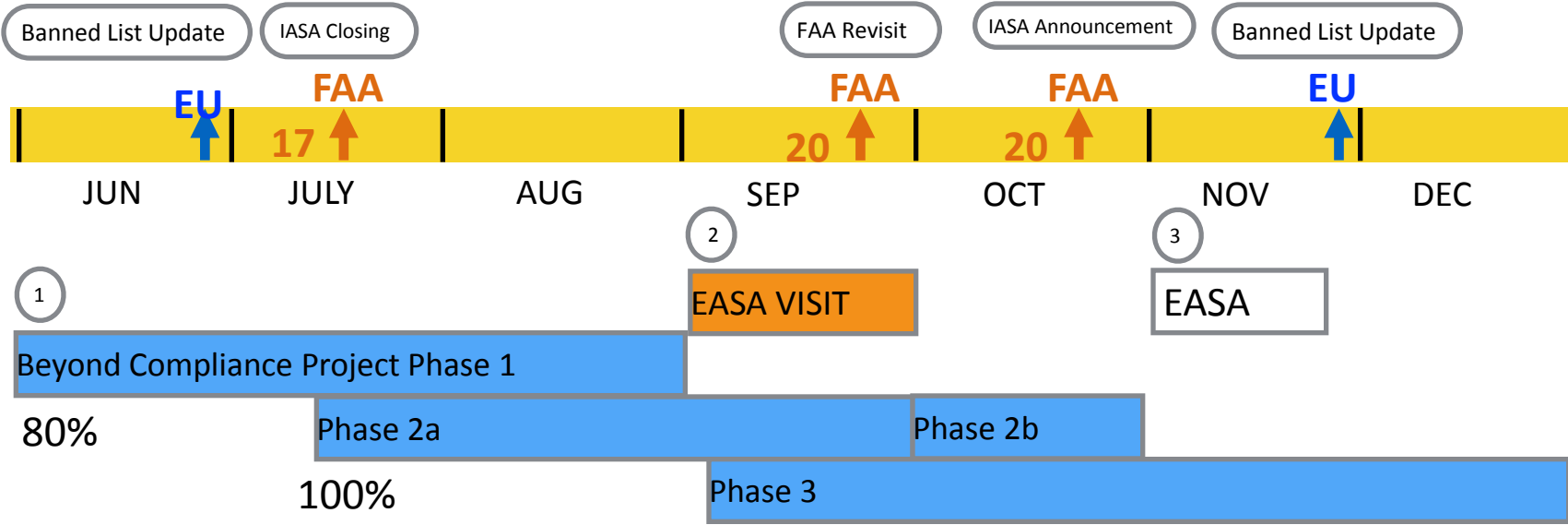


# ICAO update

# SSC - Impact

DCA	DCA-SSC Acknowledge	Ramp Inspection Prioritize	DCA - Clarification	Airline -Restriction
<b>Japan</b> JCAB	Formal Letter 25 MAR 15	25 MAR 15	27 MAR 15	MOU 3 APR - 2 JUN 15
<b>Singapore</b> CAAS	Formal Letter 28 MAR 15	1 APR 15		No Restriction
<b>Hong Kong</b> CAD	via KK 31 MAR 15	1 APR 15		No Restriction
<b>Korea</b> MOLIT	On Meeting 3 APR 15	1 APR 15	3 APR 15	New Operator Chartered Ban 3 APR 15
<b>China</b> CAAC	On Meeting 8 APR 15		8 APR 15	No Restriction
<b>Australia</b> CASA	via DO 8 APR 15	8 APR 15	12 JUN 15	To be reviewed when FAAOC renew 31 DEC 15
<b>NZ</b> CAA	Safety Audit 10 APR 15			No Restriction
<b>U.S.A.</b> FAA	via DCA 19 APR 15		<b>IASA</b> 16 JUL 15	IASA Announcement 20 OCT 15
<b>U.A.E.</b> GCAA	via Media 3 MAY 15	1 APR 15		No Restriction
<b>EU</b> EASA	via DCA 22 MAY 15	1 APR 15	<b>DG MOVE</b> 3 JUN 15	EC Air Safety Committee 28 NOV 15
 <b>Indonesia</b> DGCA	via MFA 29 MAY 15	29 MAY 15		Base Visit 27 JUL 15

# THAI Safety Beyond Compliance Plan

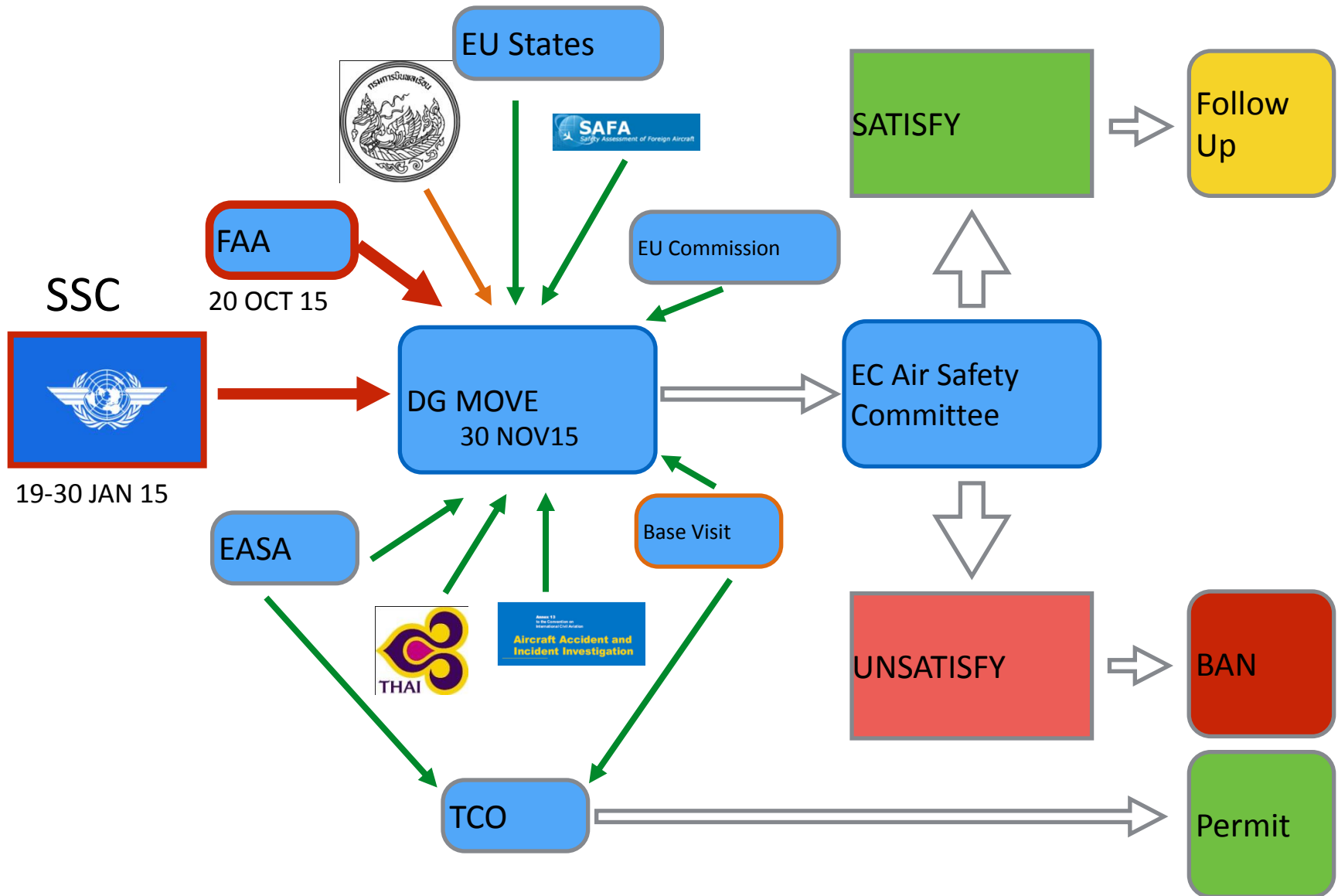


- Phase 1: Organization + SMS + QMS Manual
- Phase 2: Flight Ops Manual + Database
- Phase 3: Ground and Maintenance Manual + Software

Date and Time are estimated



# EC: Air Safety List Protocol



- **The International Aviation Safety Assessment (IASA)** is a programme established by the FAA with the purpose to ensure that all aircraft operators registered outside United States that operate to or from the U.S. are properly licensed and are subject to safety oversight provided by a competent Civil Aviation Authority (CAA) in accordance with ICAO standards.

The FAA has established two ratings for the status of countries at the time of the assessment: does comply with ICAO standards, and does not comply with ICAO standards.

They are defined as follows:

- **Category 1, Does Comply with ICAO Standards:** A country's civil aviation authority has been assessed by FAA inspectors and has been found to license and oversee air carriers in accordance with ICAO aviation safety standards.

- **Category 2, Does Not Comply with ICAO Standards:** The Federal Aviation Administration assessed this country's civil aviation authority (CAA) and determined that it does not provide safety oversight of its air carrier operators in accordance with the minimum safety oversight standards established by the International Civil Aviation Organization (ICAO)

- As specified in Federal Register, Volume 60, No. 210, October 31, 1995, foreign air carriers from countries with an IASA Category have the following technical permissions regarding economic authority:
- Carriers from Category 1 countries are permitted to operate into the U.S. and/or codeshare with U.S. air carriers in accordance with Department of Transportation (DOT) authorizations.
- Carriers from Category 2 countries that operate into the U.S. and/or codeshare with U.S. air carriers have such services limited to levels that existed at the time of the assessment.
- Carriers from Category 2 countries that seek to initiate commercial service into the U.S. and/or seek to codeshare with any U.S. air carrier are prohibited from initiating such services.



This rating is applied if one or more of the following deficiencies are identified:

1. the country lacks laws or regulations necessary to support the certification and oversight of air carriers in accordance with minimum international standards;
2. the CAA lacks the technical expertise, resources, and organization to license or oversee air carrier operations;
3. the CAA does not have adequately trained and qualified technical personnel;
4. the CAA does not provide adequate inspector guidance to ensure enforcement of, and compliance with, minimum international standards;
5. the CAA has insufficient documentation and records of certification and inadequate continuing oversight and surveillance of air carrier operations.



# Q&A

# Thank you

