

## **Management's Discussion and Analysis for three months ended March 31, 2016 for Thai Airways International Public Company Limited and Its Subsidiaries**

### **1. Executive summary**

Overview of the global economy in the first quarter of 2016 is likely to expand at a low level. It has been affected by the economic slowdown in China and the volatility of capital flows flowing into emerging markets resulting the negative impact on the growth of developing countries significantly while the economic growth of Europe and Japan are still at low levels. However, the US economic is recovered relatively strong is expected to drive global economy through the next stage. Crude oil prices still remained low, with the average price in the first quarter of 2016 was 30.4 USD per barrel.

The economy of Thailand in the first quarter of 2016 gradually recovered, partly as a result of the government's economic measures has taken continuously. With the support of the tourism sector, the number of tourists grew at nearly every region, especially from East Asia. As Thailand's main tourist market, Chinese tourists has grown steadily over the years and most of them travel during the festival throughout the year, especially in the first quarter, with the Chinese New Year. In addition, European and Russian tourist market continued to expand continuously. However, the export sector of Thailand was still at risks from the uncertainty of the global economy. As a result, the confidence of economic declined and affected private consumption to slow down.

In the first quarter of 2016, the world's aviation industry is still facing the challenges of uncertainty, both economic and political. With incidents of terrorism in Europe, they affected travel demand of tourists, especially in major markets including the European market. Not only more rivalry from the expansion of low cost and the Middle East airlines and fluctuations in exchange rates but the steady drop of crude oil prices which fell by 41.7% compared to last year and the deteriorating competition affecting the price of the ticket dropped were beneficial to the increase of travel demand. According to data from the International Air Transport Association-IATA show a continued growth in both of passengers traffic and production which increased by 7.0% and 7.0%, respectively, resulting 78.7% of averaged cabin factor. However, the slowdown of the Chinese economy made the high impact in the economics of partner countries to slow down, particularly the export sector resulting the dropping freight load factor.

The aviation industry in Thailand is likely to expand which corresponds to the number of passengers traveling in-out Thailand at Suvarnabhumi Airport during the first quarter of 2016 proved by 11.03 million, an increase of 6.6% from the previous year. However, there is still a risk factor from intensifying competition, oversupply situation, jet fuel price, and fluctuations in foreign currency exchange.

In 2016, THAI entered into the second phase of transformation plan "Strength building" by embarking on 4 main strategies: 1) generating uplifting revenue through which focuses on all possible channels; revenue from passenger, freight, Business units, and technical services 2) managing reducing cost by cost management program, cash and balance sheet management;, and aircraft selling 3) improving capabilities such as Network Management and Optimization, Fleet plan concentrates on simplifying THAI's fleet and enhancing revenue management; 4) building the service excellence in continuing from last year initiatives such as business class service upgrade.

In this quarter, THAI had total 95 active aircrafts, 9 less aircraft than the same period last year. With adjustment in flight frequencies and aircraft types to suit market demand caused more efficient aircraft utilization to increase from 10.7 hours last year to 11.5 hours this year. Production traffic (ASK) reduced only by 1.8% while passenger traffic (RPK) increased by 0.9%. Average cabin factor was 77.5% comparing to 75.4% last year with 5.92 million passengers carried representing a 5.3% increase from last year.

THAI and its subsidiaries' total revenue, the amount of THB 50,183 million, decreased by THB 1,384 million(2.7%) when comparing to the same period last year due to the reduction of passenger and excess baggage revenue on the back of decreasing fuel surcharge as well as higher competition. However, the number of passenger carried was 5.3% higher than last year, total expenses, the amount of THB 43,003 million, decreased by THB 4,149 million (8.8%) since the fuel expenses decreased by THB 3,637 million (25.1%) resulting from the falling jet fuel prices by 37.6%. Non-fuel expense decreased by THB 524 million (1.7%) from last year mainly from production decrease in-conjunction with ongoing cost management.

THAI and its subsidiaries' financial performance showed an operating profit of THB 7,180 million, or a THB 2,765 million (62.6%) increased from last year. Special items include THB 1,153 million maintenance provision expense for lease aircraft, THB 174 million impairment loss of assets and aircraft, and THB 681 million loss on foreign currency exchange. Net profit for the period was THB 6,011 million. Profit attributable to owners of the parent amounted to THB 5,999 million with profit per share of THB 2.75, increased by THB 0.67(32.2%) from last year.

EBITDA was THB 12,049 million, which increased THB 1,133 million or 10.4% over last year. EBITDA margin was 24.0%, as compared to last year's reported 21.2%.

## **2. Summary of Operating Results for Thai Airways International PCL. and its subsidiaries**

### **Financial Performance**

The consolidated financial statements for the first quarter of 2016 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	Jan - Mar			
	2016	2015	Variance	
			MTHB	%
<b>Total operating revenues</b>	<b>50,183</b>	<b>51,567</b>	<b>-1,384</b>	<b>-2.7</b>
- Passenger and excess baggage revenue	42,045	43,523	-1,478	-3.4
- Freight and mail revenue	4,412	4,905	-493	-10.1
- Revenue from other activities	3,283	2,788	+495	+17.8
- Other income	443	351	+92	+26.2
<b>Total operating expenses</b>	<b>43,003</b>	<b>47,152</b>	<b>-4,149</b>	<b>-8.8</b>
- Fuel and oil	10,843	14,480	-3,637	-25.1
- Non-fuel operating expenses	30,821	31,345	-524	-1.7
- Net finance cost	1,339	1,327	+12	+0.9
<b>Operating Profit</b>	<b>7,180</b>	<b>4,415</b>	<b>+2,765</b>	<b>+62.6</b>
<u>Less</u> Maintenance provision for operating lease aircraft	1,153	-	+1,153	-
<u>Less</u> Impairment loss of assets and aircraft	174	11,804	-11,630	-98.5
<u>Add</u> Gain (Loss) on foreign currency exchange	(681)	9,654	-10,335	-107.1
Profit before tax	5,172	2,265	+2,907	+128.3
Net Profit	6,011	4,549	+1,462	+32.1
<b>Profit attribute to owners of the parent</b>	<b>5,999</b>	<b>4,541</b>	<b>+1,458</b>	<b>+32.1</b>
Net Profit per share (THB)	2.75	2.08	+0.67	+32.2
<b><u>Significant operating data</u></b>				
EBITDA (MTHB)	12,049	10,916	+1,133	+10.4
Number of passengers (Million)	5.92	5.62	+0.30	+5.3
Available Seat-Kilometers (Million)	21,476	21,869	-393	-1.8
Revenue Passenger-Kilometers (Million)	16,637	16,489	+148	+0.9
Cabin factor (%)	77.5	75.4		+2.1
Passenger yield (THB/RPK)	2.50	2.60	-0.10	-3.8
Available Dead Load Ton-Kilometers (Million)	890	988	-98	-9.9
Revenue Freight Ton-Kilometers (Million)	508	596	-88	-14.8
Freight load factor (%)	57.1	60.3		-3.2
Freight carried (Ton)	140,626	151,768	-11,142	-7.3
Freight yield (THB/RFTK)	8.18	7.81	+0.37	+4.8
Number of active aircraft (Aircraft)	95	104	-9	-8.6
Flight hours (Hours)	97,855	98,563	-708	-0.7
Aircraft utilization (Hours/Aircraft/Day)	11.5	10.7	+0.8	+7.5
Average foreign currency exchange rate				
1 USD : THB	35.6470	32.6462	+3.0008	+9.2
1 EUR : THB	39.3163	36.7544	+2.5619	+7.0
100 JPY : THB	30.9407	27.4246	+3.5161	+12.8
Average jet fuel price (USD/BBL)	48.11	77.06	-28.95	-37.6

Note : 1) EBITDA = Total Revenue (Exclude gain/loss on foreign currency) - Total Expenses(exclude finance cost, tax, depreciation and amortization, and impairment loss of assets and aircraft)

## **Revenues of Thai Airways International PCL. and its subsidiaries**

Total revenues for the first quarter of 2016 decreased THB 1,384 million(2.7%). Details are as follows:

### **- Passenger and excess baggage revenue**

Passenger and excess baggage revenue decrease THB 1,478 million (3.4%) over last year as:

- Average passenger yield (including fuel and insurance surcharge) decreased by 0.10 THB/RPK(3.8%) or approximately THB 1,665 million. However, there was a positive factor which was the weakening Thai Baht when compared to major revenue's currencies which are EURO, USD, and Japanese Yen which caused the higher passenger yield. If excluded this effect from foreign currency exchange which average passenger yield increased by 0.05 THB/RPK approximately around THB 830 million, average passenger yield decreased by 5.8% or THB 2,495 million due to the fierce completion and reduction of fuel surcharge in line with the falling fuel prices,

- Passenger traffic (Revenue Passenger-Kilometers:RPK) increased by 0.9%, approximately THB 385 million due to the increase of domestic routes by ThaiSmile, intercontinental routes: Europe and Australia, and some regional routes: Western and Indochina. However, some regional routes: Northern, Southern, and Middle East, decreased. Production traffic (Available Seat-Kilometers:ASK) reduced by 1.8% due to the discontinued routes which were Bangkok – Johannesburg, Bangkok-Moscow, Bangkok-Madrid, and Bangkok – Los Angeles since last year. Average cabin factor increased from 75.4% last year to 77.5% this year.

### **- Freight and mail revenue**

Freight and mail revenue decreased by THB 493 million(10.1%). Average freight load factor was 57.1% compare to last year's 60.3% due to the decrease of freight production(Available Dead-load Ton-Kilometers:ADTK) by 9.9% resulting from decommission of 2 Boeing B747F freighter aircraft in March 2015. (Revenue Freight Ton-Kilometers: RFTK) decreased by 14.8 % or around THB 687 million while average freight yield (including fuel and insurance surcharge) was 8.18 THB/RFTK, an increase of 0.37 THB/RFTK(4.8%) over last year.

### **- Revenue from other activities**

Revenues from other activities consists of revenues from business units which are Ground services, Catering, Cargo handling services, and other activities revenue increased by THB 495 million(17.8%) over last year mainly due to an increase of income from Ground services and Catering. The increase of these revenues was from the higher number of customer airlines' flight and number of passenger. Maintenance services had more revenue than last year as well. However, revenue of Cargo handling services was lower than last year due to lower freight traffic.

### **- Other income**

Other income increased by THB 92 million(26.2%) from last year due to revenue from other services of Technical department.

## Expenses for Thai Airways International PCL. and its subsidiaries

Total expenses of the first quarter of 2016 decreased by THB 4,149 million (8.8%). A summary of operating expenses is as follows:

- Fuel and oil expense decreased by THB 3,637 million (25.1%) due to decrease in average jet fuel price by 37.6% compared to the same period last year; however, the weakening US dollars cause the higher expense in Baht term. Moreover, the fuel hedging caused the lower company's expense by THB 302 million.

- Non-fuel operating expense was THB 524 million (1.7%) lower than last year. Details as follows:

Unit : Million Baht	Jan - Mar					
	2016	% of Total Expense	2015	% of Total Expense	Variance	
					MTHB	%
<b>Expense</b>						
Employee benefit expenses	7,387	24.0	7,502	23.9	-115	-1.5
Flight service expenses	5,243	17.0	5,333	17.0	-90	-1.7
Crew expenses	1,345	4.4	1,382	4.4	-37	-2.7
Aircraft maintenance and overhaul costs	3,330	10.8	3,352	10.7	-22	-0.7
Depreciation and amortization expenses	4,628	15.0	5,092	16.3	-464	-9.1
Lease of aircraft and spare parts	2,477	8.0	2,040	6.5	+437	+21.4
Inventories and supplies	1,997	6.5	2,234	7.1	-237	-10.6
Selling and advertising expenses	2,262	7.3	2,302	7.3	-40	-1.7
Insurance expense	146	0.5	147	0.5	-1	-0.7
Other expenses	2,084	6.8	2,097	6.7	-13	-0.6
Share of losses (profits) of associates	(78)	(0.3)	(136)	(0.4)	+58	+42.6
<b>Non-fuel Operating Expense</b>	<b>30,821</b>	<b>100.0</b>	<b>31,345</b>	<b>100.0</b>	<b>-524</b>	<b>-1.7</b>

- Employee benefits expenses consisting of personnel expense, employee benefits, management benefits and board of directors' benefits decreased THB by 115 million (1.5%) due to the lower number of employees consisted of retired staff and employees who joined the Mutual Separation Plan(MSP) and Golden Handshake for crews based on Transformation plan.

- Flight related expenses consisted of flight service expenses, crew expenses, and inventories and supplies decreased by THB 364 million (4.1%) due to the lower production this year.

- Depreciation and amortization decreased by THB 464 million (9.1%) resulting from decommissioning aircraft which still had useful life and aircraft that have already fully depreciated. Despite there were new aircraft under finance leases added to the fleet.

- Lease of aircraft and spare parts increased by THB 437 million (21.4%) due to increase of 2 operating lease aircraft in 2015: Boeing B787-8 while the weakening Thai Baht against the US dollar caused the higher expense translating into Baht term.

- Share of profits of associates decreased by THB 58 million (42.6%). The major reason was from the loss of Nok Airline PCL. Details as follow:

- Nok Airlines PCL.'s loss of THB 165 million while last year reported profit of THB 22 million,
- Bangkok Aviation Fuel Services PCL's profit of THB 182 million, an increase of THB 113 million,
- Suvarnabhumi Airport Hotel Ltd.'s profit of THB 11 million, an increase of THB 5 million,
- Phuket Air Catering Ltd.'s profit of THB 27 million, a decrease of THB 6 million,
- Donmuang International Airport Hotel Ltd.'s profit of THB 13 million, an increase of THB 7 million, and
- Royal Orchid Hotel (Thailand) PCL's profit of THB 11 million, an increase of THB 10 million.

- **Net finance cost** increased THB 12 million (0.9%) since THAI issued new debentures, amount of THB 15,000 million in 2015 while interest rate from short-term and long-term loans were lower than last year. Also, THAI made the repayment more than the borrowing loans this year. Moreover, the weakening Thai Baht compared to EURO Dollar and Japanese Yen which made the higher expense when translated to Baht term.

**Maintenance provision for operating lease aircraft** totaled THB 1,153 million based on the recognition of maintenance provision based on actual conditions of aircraft and maintenance contractual obligations.

**Impairment loss of assets and aircraft** totaled THB 174 million, a decreased of THB 11,630 million(98.5%) as the following details:

- Impairment loss of aircraft amounted to THB 83 million due to the additional provision for decommissioned aircraft while last year's impairment loss of 8 aircraft including 6 Airbus A340-600 and 2 Boeing B747-400 (Freighter) whose amount of THB 11,804 million.
- Impairment loss of assets totaled THB 91 million due to higher reserved for damaged rotatable spare parts and could not be repaired from last year.

#### **Loss on foreign currency exchange**

Loss on foreign currency exchange was THB 681 million consisted of THB 401 million unrealized loss resulting from revaluation of foreign currency loans, especially EURO Dollar and Japanese Yen, as of March 31, 2016 with realized loss of THB 280 million.

### 3. Financial Position and Liquidity

#### Capital Expenditures – The Company

Unit : Million Baht	Jan - Mar	
	2016	2015
Aircraft and aircraft spare parts	902	4,519
Non-Aircraft	54	246
<b>Total</b>	<b>956</b>	<b>4,765</b>

Capital expenditures for the first quarter of 2016 totaled THB 956 million, a decrease of THB 3,809 million from last year since there was no new aircraft added to the fleet during this quarter while last year's such expenditure of 2 aircraft, the amount of THB 3,900 million. Capital expenditures in this quarter were

- Investment in aircraft and aircraft spare parts totaled THB 902 million which was mostly the prepayment for acquisition of 2 Airbus A350-900XWB aircraft, the amount of THB 832 million, and rotatable aircraft spare parts, the amount of THB 68 million.

- Investments in other fixed assets amounted to THB 54 million.

#### Financing

In the first quarter of 2016, THAI acquired short-term foreign borrowing via the Ministry of Finance and draw down of its committed revolving credit line from domestic financial institution to repay the loan at maturity and used as working capital, amount of THB 11,400 million.

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

Unit : Million Baht	Jan – Mar	
	2016	2015
Net cash from operating activities	7,110	3,716
Net cash used in investing activities	(843)	(1)
Net cash used in financing activities	(4,133)	(10,353)
Effect from changing in exchange rate on cash and cash equivalents increase (decrease)	7	391
<b>Increase(decreases) in cash and cash equivalents</b>	<b>2,141</b>	<b>(6,247)</b>

In the first quarter of 2016, net cash from operating activities totaled THB 7,110 million, an increase of THB 3,394 million from last year mainly due to the increase of operating profit from last year and net cash used in financing activities, the amount of THB 4,133 million, which decreased due to the decreasing of short-term and long-term repayment. Net cash used in investing activities increased when compared to the same period last year. Consequently, cash and cash equivalents for the period ended March 31, 2016 were THB 22,922 million which increased from the same quarter last year and the end of last year, THB 5,822 million and THB 2,141 million, respectively.

## Fleet

In the first quarter of 2016, THAI had no movement in the fleet. Thus, the total active aircraft remained 95 aircraft compared to as of December 31, 2015 (including 5 Airbus A320-200 aircraft subleased and 11 Airbus A320-200 aircraft transferred the leasehold right to ThaiSmile). When compared to March 31, 2015, there were 2 more aircraft.

## Assets of Thai Airways International PCL. and its subsidiaries

As of March 31, 2016, total assets increase by THB 1,290 million (0.4%) from as at December 31, 2015.

	Consolidated					
	Mar 31, 2016		Dec 31, 2015		Variance	
	MTHB	% of Total Assets	MTHB	% of Total Assets	MTHB	%
Current assets						
Cash and cash equivalents	22,922	7.6	20,781	6.9	+2,141	+10.3
Non-current assets classified as held for sale	15,016	4.9	15,099	5.0	-83	-0.5
Other current assets	34,301	11.3	34,596	11.4	-295	-0.9
<b>Current Assets</b>	<b>72,239</b>	<b>23.8</b>	<b>70,476</b>	<b>23.3</b>	<b>+1,763</b>	<b>+2.5</b>
Property, plant and equipment						
Prepaid aircraft and spare engine	6,323	2.1	5,491	1.8	+832	+15.2
Aircraft	43,563	14.3	44,979	14.9	-1,416	-3.1
Aircraft under finance leases	124,210	40.9	126,251	41.8	-2,041	-1.6
Aircraft spare parts	12,026	4.0	12,465	4.1	-439	-3.5
Work in process	38	-	61	-	-23	-37.7
Land, building and improvements	14,632	4.8	14,733	4.9	-101	-0.7
Other plant and equipment	3,998	1.3	4,305	1.4	-307	-7.1
<b>Property, plant and equipment-net</b>	<b>204,790</b>	<b>67.4</b>	<b>208,285</b>	<b>68.9</b>	<b>-3,495</b>	<b>-1.7</b>
Other non-current assets	26,732	8.8	23,710	7.8	+3,022	+12.7
<b>Total Assets</b>	<b>303,761</b>	<b>100.0</b>	<b>302,471</b>	<b>100.0</b>	<b>+1,290</b>	<b>+0.4</b>

Current assets were THB 72,239 million or accounted for 23.8% of total assets, an increase of THB 1,763 million (2.5%) from as of December 31, 2015. The significant items consisted of

- An increase in cash and cash equivalents of THB 2,141 million(10.3%), mainly from cash flow from operations was higher than last year.

- A decrease in other current assets of THB 295 million(0.9%) mainly from the decrease of inventories and supplies, the amount of THB 650 million due to the reduction in fuel inventory which was mainly from the dropping fuel prices. Trade receivables increased THB 427 million due to the higher sale volume in March 2016 than December 2015. It should be noted that this year THAI has been able to better manage faster collection period by speeding up from 25 days in the first quarter 2015 to 24 days this year which was lower than THAI's normal collecting period.



THAI's trade receivables as of March 31, 2016 and December 31, 2015 classified by aging period as the following details

Unit : Million Baht	MAR 31, 2016	DEC 31, 2015
Aging Periods:		
Not over 6 months	11,917	11,430
Over 6 months to 1 year	164	161
Over 1 year to 2 years	202	319
Over 2 years	1,005	941
Total	13,288	12,851
<u>Less</u> Allowance for doubtful account	(1,165)	(1,155)
<b>Trade receivables - net</b>	<b>12,123</b>	<b>11,696</b>

Property, plant and equipment-net totaled THB 204,790 million or represented 67.4% of total assets, a decrease of THB 3,495 million(1.7%) from December 31, 2015 due to normal depreciation estimated while prepaid aircraft and spare engines increased by THB 832 million(15.2%) resulting from aircraft prepayment of 2 Airbus A350-900XWB.

Other non-current assets totaled THB 26,732 million or represented 8.8% of total assets, which increased by THB 3,022 million(12.7%) from as of December 31, 2015 resulting from

- Deferred tax assets increased by THB 968 million from the tax for increasing maintenance provision of operating lease aircraft.

- An increase, approximately THB 2,200 million, in maintenance reserve corresponds to an increase in maintenance provision to plan for aircraft maintenance according to its utilization and maintenance condition. Once after THAI will perform the maintenance according to criteria under lease agreement, THAI can reimburse from lessors the maintenance reserves deposit.

Return on assets of the first quarter 2016 was 2.2% higher than last year's 1.2%.

#### **Liabilities of Thai Airways International PCL. and its subsidiaries**

Total liabilities as of March 31, 2016 decreased by THB 4,250 million (1.6%) from as of December 31, 2015. These comprise of:

	Consolidated					
	Mar 31, 2016		Dec 31, 2015		Variance	
	MTHB	% of Total Liabilities	MTHB	% of Total Liabilities	MTHB	%
Current liabilities (excluding current portion of long-term liabilities)	68,967	26.0	73,592	27.3	-4,625	-6.3
<b>Long-term liabilities</b>						
Debentures	56,300	21.2	56,600	21.0	-300	-0.5
Liabilities under financial leases	75,834	28.6	77,551	28.8	-1,717	-2.2
Long term borrowings	42,138	15.9	43,627	16.2	-1,489	-3.4
<b>Total long-term liabilities</b>	<b>174,272</b>	<b>65.7</b>	<b>177,778</b>	<b>66.0</b>	<b>-3,506</b>	<b>-2.0</b>
Other non-current liabilities	22,056	8.3	18,175	6.7	+3,881	+21.4
<b>Total Liabilities</b>	<b>265,295</b>	<b>100.0</b>	<b>269,545</b>	<b>100.0</b>	<b>-4,250</b>	<b>-1.6</b>

Current liabilities (excluding current portion of long term liabilities' amount of THB 22,129 million) totaled THB 68,967 million or represented 26.0% of total liabilities, a decrease of THB 4,625 million (6.3%) from last year mainly due to the decrease of THB 4,010 million in accrued

expenses whose major amount was accrued fuel hedging and accrued compensation for staff joined the MSP program while short-term loan increased by THB 1,396 million.

Long-term liabilities as of March 31, 2016 (including current portion of long term liabilities' totaled THB 22,129 million) totaled THB 174,272 million or represented 65.7% of total liabilities, which was a decrease of THB 3,506 million (2.0%) from December 31, 2015 primarily due to the weakening value of the Baht as of March 31, 2016 when compared to the end of 2015 affected from the increase of long-term liabilities translated to Baht terms. When excluded foreign currency adjustment, the amount of THB 1,084 million, long-term liabilities decreased by THB 4,590 million mainly due to long-term loans repayment, long-term financing of aircraft repayment, and the debentures at maturity.

- Other non-current liabilities as of March 31, 2016 totaled THB 22,056 million or represented 8.3% of total liabilities which increased by THB 3,881 million(21.4%) mainly due to the maintenance provision for operating lease aircraft based on actual conditions of aircraft and maintenance contractual obligations. Such expense can be refunded from lessor when maintenance activities meet the reimbursement condition.

At the end of the first quarter 2016, interest bearing debt to equity was 5.0 times, decreased from the end of 2015's 5.8 times.

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

As of March 31, 2016, shareholders' equity totaled THB 38,466 million, an increase of THB 5,540 million (16.8%) from December 31, 2015 due to profit from operations. Consequently, return on equity for the first quarter 2016 increased from 10.4% at the same period last year to 16.8%.

#### **4. Factors affecting future operations**

During the second quarter, the growth in demand for air passenger travel remains quite robust, support by low oil prices and the widespread availability of affordable airfares. Some concerns over global economic outlook but the region's airlines are continuing to invest in new aircraft, and products and services to meet the projected growth in consumer demand.

For the aviation industry of Thailand in the second quarter is low season period; however, during Songkran festival and the first week of May where The government announced a holiday on May 6, 2016 , is expected to stimulate some travels, especially on routes to Japan where there is extra travel demand during the long weekend in the second quarter to reach.

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

- Network strategy is working on network restructure and schedule optimization, and network management system. Those are expected to be finished in the second and third quarter, respectively.
- Fleet strategy by receiving 2 Airbus A350-900XWB this year.
- Commercial strategy by concentrating on selling processes enhancement. i.e. network sales enhancement, Fare management system, internet sales, and agent management.
- Selling 14 decommissioned aircraft within December 2016
- Continue to improve services efficiency in Business and Economy class
- 2016 MSP program being effective on June 1, 2016 and July 1, 2016.

## 5. Financial Ratios

		Jan – Mar	
		2016	2015
<b>Liquidity Ratio</b>			
Current Ratio	(times)	0.85	0.79
<b>Profitability Ratio</b>			
Profit (loss) before Gain on foreign currency exchange			
Tax and One-time Margin	%	14.29	8.55
Net Profit (loss) Margin	%	11.96	8.81
Return on Equity	%	16.84	10.44
<b>Efficiency Ratio</b>			
Return on Total Assets	%	2.17	1.23
<b>Financial Policy Ratio</b>			
Interest Bearing Debt to Equity	(times)	4.95	3.87
Total Debt to Equity	(times)	6.90	5.37
Interest Coverage Ratio	(times)	8.64	7.75

### 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

**Total debt to equity ratio** = Total liabilities/Shareholders' Equity

**Interest Coverage ratio** = EBITDA/interest