

## **Management's Discussion and Analysis for three months ended March 31, 2019 for Thai Airways International Public Company Limited and Its Subsidiaries**

### **1. Executive summary**

The overall global economy in the first quarter of 2019 grew at a slightly slower rate. The US, Eurozone and Japan economies grew at a slower rate compared to 2018 because they had passed the peak of economic growth during 2017-2018. For the Chinese economy was likely to slow down as a result of economic reforms that focused on controlling debt formation and the negative impact on the export sector from the trade war with the United States which damaging overall global trade situation. World crude oil prices in the first quarter of 2019 averaged at 63.5 US dollars per barrel which was closed to the previous quarter.

The economy of Thailand in the first quarter of 2019 was steadied. As a result of the global economic slowdown together with the effect of US trade barriers, Thai export sector in the first quarter was negative by 1.6%,. For the tourism sector, the growth was at a slower rate as the number of Chinese tourists declined. The number of foreign tourists traveling to Thailand in the first quarter of 2019 amounted to 10.8 million people, 1.9% increase from the previous year, which were Chinese tourists accounted for 28.9% decreased by 2.1% compared to the previous year, where increased by 30.2% from 2017. However, due to the factors promoting tourism in the tourism season both from the Tourism Authority of Thailand and government measures: the Visa on Arrival: VOA exemption period ended January 13, 2019 to be extended until October 31,2019 for stimulating and promoting tourism which was expected for more interest from foreign tourists to travel to Thailand.

In the first quarter of 2019, the world's aviation industry was still increasing at a reduced rate. The data from the International Air Transport Association (IATA) showed a continuing growth in passenger traffic and production which increased by 4.8% and 5.2%, respectively with average cabin factor of 80.6%. In any case, the overall freight transportation declined from the previous year and is the lowest drop in the past three years with 2.0% freight traffic, lower than the previous year, while freight production increased by 3.3% over last year resulting freight load factor was 46.5% closed to last year's 44.5%.

In the first quarter of 2019, Thai aviation industry had slowed slightly in line with the global and Thai economic situations which caused the slow travel demand of foreign and Thai tourists while airlines increased their productions by increasing frequencies of the existing flight routes or adding new routes after the red flag removal from ICAO, especially low-cost airlines in the very popular destinations such as Japan, South Korea, Taiwan and India, etc., causing more intense competition. However, there were still positive factors from the recovery of the number of Chinese tourists from Phuket boat incident in the past year due to government support measures to increase incentives for foreign tourists to enter Thailand, such as visa on arrival exemption measures as mentioned above. However, the ability to accommodate flights and passengers of airports, trade wars and other crises such as international conflicts, natural disasters, accidents were still risk factors in 2019.

In 2019, THAI has continued to implement its 2018-2022 transformation plan whose objectives to concentrate on ancillary revenues under the "Montra" project which is an urgent reconstruction program as well as other operational strategies which has already been implemented since the beginning of the year with the ultimate goal is to allow THAI to escape from the cycle of problem traps to ensure the stability through the future which still has a guideline for operating in accordance with the 5 strategic including 1) aggressive revenue and compatible cost structure, 2) efficiency development and seeking out for new opportunity, 3) building pleasure experience for customer, 4) working with innovation and digital applications , and 5) effective human resource management.

In this quarter, significant actions were:

- 2019-2026's fleet acquisition plan which planned for 38 new aircraft and aimed to replace 31 old aircraft and 7 new aircraft, which were approved by the Board of Directors on January 8, 2019 and passed the consideration from the Subcommittee and the Office of the National Economic and Social Development Board (NESDB) on March 27, 2019 and April 3, 2019 respectively. Now, the plan is on the process for the Cabinet's approval.

- Integration of THAI and ThaiSmile by using management principles "Brother-Sister" with the merger of plans in all sectors, especially in the sales and flight planning, which focuses on THAI as more sales expertise step into and with more supports, especially in the connecting routes to THAI routes which was expected to better performance change.

- Commercial management by increasing other revenues such as catering and online marketing by cooperating with online marketing partners and sales promotion via Digital Marketing etc.

- Program changes in mileage accrual in order for Royal Orchid Plus card members to be able to accumulate miles to redeem rewards easily and quickly including changing the big prize redemption schedule in 25 years in order to comply with the leading airline mileage programs. The new prize table will start from October 1, 2019 onwards.

- In January 2019, Nok Airlines PCL. offered 908.80 million ordinary shares with a par value of 1 Baht each at a price of 2.75 Baht per share and registered the capital increase on February 13, 2019. However, THAI did not exercise the right to purchase such shares because considering that the future business plan is not clear enough and not in accordance with the objectives of THAI causing the shareholding proportion of the company In Nok Airlines PCL., decreasing from 21.80% to 15.94 % and recognizing gain on change in ownership interest amount of THB 273 million.

In this quarter, THAI and its subsidiaries had total 103 active aircrafts, 1 aircraft lower than the same period last year. There were 90 serviceable aircraft lower than last year's 94 aircraft partly due to the impact of the Rolls-Royce Trent 1000 engine from the previous year and the grounding of the aircraft for maintenance according to the normal maintenance schedule. Aircraft utilization was 12.5 hours, which was higher than 11.9 hours of last year. Production traffic (ASK) decreased by 2.8% due to the flight reduction in Australia route: Bangkok –Sydney and Bangkok- Brisbane and flight termination: Bangkok – Tehran since March 1, 2018 while passenger traffic (RPK) decreased by 3.2%. Average cabin factor was 80.3% lower than last year's 80.6% with 6.29 million passengers carried representing a 0.6% greater than last year. On February 27, 2019, the Islamic Republic of Pakistan announced the closure of the airspace causing THAI to cancel flights that flew to Pakistan and flights to and from Europe during that time period. To deal with this trouble, THAI arranged special flights and changed the plane size to gradually bring passengers to the destination which could return to normal operation on March 5, 2019, except for round-trip routes Bangkok - Lahore and Bangkok-Islamabad which announced the cancellation of the flight until May 31, 2019, because the opening of the airspace with restrictions on the flight routes that flew into each flight point.

THAI and its subsidiaries' total revenue was THB 49,791 million, decreased by THB 3,675 million or 6.9% when comparing to the same period last year resulting from decrease of both passenger and freight revenue in line with the reduction of passenger and freight production and traffic as well as the decreased in average passenger yield due to intense competition and the appreciation of Thai Baht against major currencies that caused the lower revenue in Baht term. However, revenues from other services increased 6.2%. Total expenses were THB 50,619 million, an increase of THB 989 million (2.0%). The significant increase in expenses such as depreciation and amortization from change of the estimate residual value of aircraft and engines, lease of aircraft and spare parts increased from the delivery of 3 new operating leased aircraft during the year 2018, and the increase lease of spare engines.

One-time expense in this quarter included (a) THB 213 million impairment of assets and aircraft (b) THB 273 million gain on change in ownership interest in NOK Airlines PCL, (c) THB 1,366 million gain on foreign currency exchange which mainly from balance sheet revaluation. Consequently, THAI and its subsidiaries reported the net profit of THB 456 million, THB 2,281 million (83.3%) lower than last year's. Profit attributable to owners of the parent was THB 445 million. Profit per share was THB 0.20, 1.04 THB or 83.9% lower than last year's.

EBITDA was THB 4,504 million, which decreased by THB 4,467 million (49.8%) from the same period last year. EBITDA margin was 9.0% as compared to 16.8% last year.

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

### **Financial Performance**

According to the announcement of the Thai Financial Reporting Standard No. 15, subject to revenue from contracts with customers effective for the financial statements that have a reporting period beginning on or after January 1, 2019 onwards, resulting in revenue recognition in passenger patents and mileage rights which must be measured and recognized, changes in the probability that passengers who do not exercise rights and estimate fair value of Royal Orchid Plus mileage valuation of individual sale affecting the recognition of items in the past to the present which will have to recognize more revenue from the deferred income account. In this regard, THAI decided to recognize all the effects adjustment to the beginning retained earnings for the year 2019, affecting the shareholders' equity as of January 1, 2019 increased but unearned transportation revenue decreased by THB 2,159 million. (Detail on Notes to financial statement No. 5)

The consolidated financial statements for the first quarter of 2019 consists of THAI and 5 subsidiaries including 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			
	2019	2018	Variance	
			MTHB	%
<b>Total operating revenues</b>	<b>49,791</b>	<b>53,466</b>	<b>-3,675</b>	<b>-6.9</b>
- Passenger and excess baggage revenue	41,024	44,115	-3,091	-7.0
- Freight and mail revenue	4,648	5,336	-688	-12.9
- Revenue from other activities	3,673	3,457	+216	+6.2
- Other income	446	558	-112	-20.1
<b>Total operating expenses</b>	<b>50,619</b>	<b>49,630</b>	<b>+989</b>	<b>+2.0</b>
- Fuel and oil	14,045	14,034	+11	+0.1
- Non-fuel operating expenses	35,510	34,442	+1,068	+3.1
- Net finance cost	1,064	1,154	-90	-7.8
<b>Operating Profit (Loss)</b>	<b>(828)</b>	<b>3,836</b>	<b>-4,664</b>	<b>-121.6</b>
<u>Add</u> Gain on change in ownership interest	273	-	+273	-
<u>Less</u> Impairment loss of assets and aircraft	213	2,473	-2,260	-91.4
<u>Add</u> Gain on foreign currency exchange	1,366	583	+783	+134.3
Profit before tax	598	1,946	-1,348	-69.3
Net Profit	456	2,737	-2,281	-83.3
<b>Profit attribute to owners of the parent</b>	<b>445</b>	<b>2,717</b>	<b>-2,272</b>	<b>-83.6</b>
Net Profit per share (THB)	0.20	1.24	-1.04	-83.9
<b><u>Significant operating data</u></b>				
EBITDA (MTHB)	4,504	8,971	-4,467	-49.8
Number of passengers (Million)	6.29	6.25	+0.04	+0.6
Available Seat-Kilometers (Million)	22,871	23,535	-664	-2.8
Revenue Passenger-Kilometers (Million)	18,362	18,969	-607	-3.2
Cabin factor (%)	80.3	80.6		-0.3
Passenger yield (THB/RPK)	2.20	2.30	-0.10	-4.3
Available Dead Load Ton-Kilometers (Million)	996	1,005	-9	-0.9
Revenue Freight Ton-Kilometers (Million)	531	612	-81	-13.2
Freight load factor (%)	53.3	60.9		-7.6
Freight carried (Ton)	146,870	167,908	-21,038	-12.5
Freight Yield (THB/RFTK)	8.17	8.14	+0.03	+0.4
Number of aircraft(As of March 31) (Aircraft)	103	104	-1	-1.0
Flight hours (Hours)	106,744	106,153	+591	+0.6
Aircraft utilization (Hours/Aircraft/Day)	12.5	11.9	+0.6	+5.0
Average foreign currency exchange rate				
1 USD : THB	31.6112	31.5411	+0.0701	+0.2
1 EUR : THB	35.9008	38.7808	-2.8800	-7.4
100 JPY : THB	28.7103	29.1289	-0.4186	-1.4
Average jet fuel price (USD/BBL)	81.07	85.38	-4.31	-5.0

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

## Revenues

Total revenues for the first quarter of 2019 was THB 49,791 million, decreased by THB 3,675 million (6.9%). Details are as follows:

- **Passenger and excess baggage revenue**

Passenger and excess baggage revenue were THB 41,024 million, decreased by THB 3,091 million (7.0%) from last year as follow:

- Average passenger yield (including fuel and insurance surcharge) decreased by 0.10 THB/RPK (4.3%) or approximately THB 1,836 million. There were impacts from the appreciation of Thai Baht against Japanese Yen and EURO Dollar but slightly depreciation against US Dollar resulting in slightly lower passenger yield. When exclude foreign exchange impact resulting the average passenger yield decreased by 0.07 THB/RPK(3.0%) or THB 1,304 million, the average passenger yield reduced merely 1.3% or THB 550 million. The significant influences were from the aggressive competition both in Regional routes which principally from increasing numbers of low-cost airlines' flights and their new destinations and in Intercontinental routes which mainly from Middle East Airlines.

- Passenger traffic (Revenue Passenger-Kilometers:RPK) decreased by 3.2%, or approximately THB 1,396 million. Production traffic (Available Seat-Kilometers:ASK) decreased by 2.8%. Average cabin factor was 80.3%, lower than 80.6% in last year and industrial average.

- Adoption of Thai Financial Reporting Standard No. 15 (TFRS15) regarding revenue from contracts made with customers and resulting revenue recognition from the probability that passengers who do not exercise rights and calculation of estimate fair value of Royal Orchid Plus mileage amounted of THB 262 million and increased in the amount of passenger revenues and selling and advertising expenses approximately THB 166 million without affecting the profit.

- **Freight and mail revenue**

Freight and mail revenue were THB 4,648 million, decreased by THB 688 million (12.9%) due to the decrease of freight traffic (Revenue Freight Ton-Kilometers: RFTK) which decreased by 13.2 % or around THB 659 million resulting from the world economic recession, trade war between USA and China, and high competition. Average freight yield (including fuel and insurance surcharge) was 8.17 THB/RFTK, an increase of 0.03 THB/RFTK (0.4%) or approximately THB 16 million over last year. Average freight load factor was 53.3% lower than last year's 60.9% but better than industry average of 46.5%.

Adoption of Thai Financial Reporting Standard No. 15 (TFRS15) regarding revenue from contracts made with customers, resulting in an increase in the amount of freight revenues and selling and advertising expenses approximately THB 50 million without affecting the profit.

- **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, were THB 3,673 million, increased by THB 216 million (6.2%) over last year. The main reasons were from revenue from Ground services and Cargo handling services increased from the previous year due to the number of flights of airline customers higher than last year and more revenue from Maintenance services. Catering revenue also increased from higher prices even though the amount of orders by the airline customers is reduced.

## Expenses

Total expenses of the first quarter of 2019 were THB 50,619 million, increased by THB 989 million (2.0%) over last year. A summary of operating expenses are as follows:

- Fuel and oil expense was THB 14,045 million representing 27.7% of total expenses, increased by THB 11 million (0.1%). However, the average fuel prices were lower than last year's by 5.0%. Moreover, the fuel hedging loss was THB 313 million while last year's THAI had the fuel hedging gain by THB 470 million.
- Non-fuel operating expense was THB 35,510 million or THB 1,068 million (3.1%) higher than last year. Details as follows:

Unit : Million Baht	Jan - Mar					
	2019	% of Total Expense	2018	% of Total Expense	Variance	
					MTHB	%
<b>Expense</b>						
Employee benefit expenses	7,221	20.3	7,418	21.5	-197	-2.7
Flight service expenses	5,385	15.2	5,598	16.3	-213	-3.8
Crew expenses	1,625	4.6	1,413	4.1	+212	+15.0
Aircraft maintenance and overhaul costs	5,223	14.7	5,568	16.2	-345	-6.2
Depreciation and amortization expenses	4,228	11.9	3,941	11.4	+287	+7.3
Lease of aircraft and spare parts	4,065	11.4	3,434	10.0	+631	+18.4
Inventories and supplies	2,382	6.7	2,309	6.7	+73	+3.2
Selling and advertising expenses	2,807	7.9	2,415	7.0	+392	+16.2
Insurance expense	156	0.5	145	0.4	+11	+7.6
Other expenses	2,460	6.9	2,333	6.8	+127	+5.4
Share of profits of associates	(42)	(0.1)	(132)	(0.4)	+90	+68.2
<b>Non-fuel Expense</b>	<b>35,510</b>	<b>100.0</b>	<b>34,442</b>	<b>100.0</b>	<b>+1,068</b>	<b>+3.1</b>

The summary of expenses that significantly changed consisted of

- Lease of aircraft and spare parts and depreciation and amortization totaled THB 8,293 million, increased by THB 918 million(12.4%). Details as follow:

- Lease of aircraft and spare parts increased by THB 631 million (18.4%) due to additional 3 Airbus A350-900 aircraft delivered in 1Q18. Also, lease of spare engines increased since there were 5 additional engines including 2 TRENT 800 engines and 3 TRENT XWB engines.

- Depreciation and amortization increased by THB 287 million (7.3%) mainly from changing in the estimate residual value of aircraft and spare engines resulting increase of depreciation.

- Selling and advertising expenses totaled THB 2,807 million, increased by THB 392 million (16.2%) resulting from adoption of Thai Financial Reporting Standard No. 15 (TFRS15) regarding revenue from contracts made with customers, resulting in an increase in selling and advertising expenses approximately THB 216 million without affecting the profit since the revenues and expenses were increased with the same amount. When excluded such items, selling and advertising expenses increased THB 176 million(7.3%) higher than last year mainly from last year's negotiation to change the method of charge collection in the Altea System Usage section from the original amount collected in excess of the amount specified in the billing to the lump sum payment making it possible to reduce the cost of reservation. Moreover, advertising expenses increased this year.

- Crew expenses totaled THB 1,625 million, increased by THB 212 million (15.0%) due to the change of Per diem calculation effective since January 1, 2019 aimed to solve the problem of resigning pilots by improving the pilot compensation system to equal the industry and to allow the pilots to arrange the flight schedule and to manage the pilots effectively which resulted in an increase in pilots' Per diem of THB 214 million, but reduced the pilot's overtime by THB 103 million.

- Aircraft maintenance and overhaul costs totaled THB 5,223 million, decreased by THB 345 million (6.2%) mainly from last year's the higher overhaul cost of GE90 engines used in Boeing B777-300ER due to earlier-than-schedule overhaul period resulting from actual usage condition together with the repair of the TRENT800 engines were higher than this year. However, this year there would be a higher repair rate and usage including the depreciation of Thai Baht against the US dollar causing the aircraft repair and maintenance costs to rise.

- Employee benefits expenses consisting of personnel expense, employee benefits, management benefits and board of directors' benefits were THB 7,221 million, decreased by THB 197 million (2.7%) due to 1) the decrease of pilot's Flight Pay by THB 103 million from change of Per diem calculation and 2) none of special incentive this year while last year's special incentive of THB 100 million.

- Flight related expenses consisted of flight service expenses and inventories and supplies totaled THB 7,767 million, decreased by THB 140 million (1.8%) due to the appreciation of Thai Baht against the major currencies benefited the lower expenses around THB 193 million. When excluded such F/X effect, flight related expenses would increase by THB 53 million due to the increase of navigation fee expense partial from India-Pakistan border skirmishes led to airspace closure and the increasing cost of consumable aircraft spare parts from maintenance schedule.

- Share of profits of associates decreased by THB 90 million (68.2%) mainly from the lower performance except Bangkok Aviation Fuel Services PCL. Details as follow:

- Nok Airlines PCL.'s loss of THB 72 million, a loss increased by THB 72 million,
- Bangkok Aviation Fuel Services PCL's profit of THB 83 million, an increase of THB 5 million,
- Suvarnabhumi Airport Hotel Ltd.'s profit of THB 14 million which was equal to the previous year,
- Donmuang International Airport Hotel Ltd.'s profit of THB 6 million which was equal to the previous year,
- Phuket Air Catering Ltd.'s profit of THB 11 million, a decrease of THB 10 million, and
- Royal Orchid Hotel (Thailand) PCL's profit decreased by THB 13 million from the sale of the whole amount of shares by transferring ownership to the buyer on April 23, 2018.

- **Net finance cost** was THB 1,064 million, decreased by THB 90 million (7.8%) resulting from the decrease in average loan balance year-on-year, and appreciation of Thai Baht against the EURO and Japanese Yen currencies but slightly depreciation against the US dollar causing lowered interest expense in Baht term.

**Impairment loss of assets and aircraft** were THB 213 million, a decrease of THB 2,260 million (91.4%) with the following details:

- Impairment loss of aircraft were THB 193 million, THB 2,256 million lower than last year, comprised of more 7 aircraft, including 3 Airbus A330-300, 1 airbus A340-600, 2 Boeing B747-400 Freighter and 1 Boeing B737-400 aircraft, totaling THB 187 million, and 1 spare engine ,totaling THB 6 million, while the previous year had a provision for 15 aircraft.

- Impairment loss of assets was THB 20 million, THB 4 million less than last year due to lower reserved for damaged rotatable spare parts and could not be repaired from last year.

**Gain on foreign currency exchange** was THB 1,366 million consisted of THB 1,146 million unrealized gain resulting from revaluation of foreign currency loans, assets and liabilities, especially the appreciation of Thai baht against Euro dollars, Japanese Yen, and US dollar as of March 31, 2019 when compared to December 31, 2018, and realized gain of THB 220 million.

### 3. Financial Position and Liquidity

#### Capital Expenditures – The Group

Unit : Million Baht	Jan - Mar	
	2019	2018
Aircraft and aircraft spare parts	294	4,217
Non-Aircraft	301	202
<b>Total</b>	<b>595</b>	<b>4,419</b>

Capital expenditures for the first quarter of 2019 was THB 595 million, THB 3,824 million lower than last year. Capital expenditures in this quarter were

- Investment in aircraft and aircraft spare parts was THB 294 million, THB 3,923 million lower than last year which mostly were rotatable spare parts while last year's there were the delivery of aircraft under finance lease: 1 Airbus A350-900 aircraft and 2 spare engines.

- Investments in other fixed assets amounted to THB 301 million which mostly were the investment in ground services' equipment and technical service's tools.

#### Financing

In the first quarter of 2019, THAI financed by withdrawing short-term loans in the form of promissory notes with local financial institutions totaling THB 9,000 million in order to repay short-term loans and maturing debentures that have matured and used as working capital for operation

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

Unit : Million Baht	Jan - Mar	
	2019	2018
Net cash from operating activities	3,252	3,738
Net cash used in investing activities	(428)	(1,122)
Net cash used in financing activities	(2,848)	(883)
Effect from changing in exchange rate on cash and cash equivalents increase	18	9
<b>Increase(Decrease) in cash and cash equivalents</b>	<b>(6)</b>	<b>1,742</b>

In the first quarter of 2019, THAI had net cash from operating activities, the amount of THB 3,252 million, THB 486 million lower than last year and net cash used in investing activities was THB 428 million, THB 694 million lower than last year since there was no delivery of aircraft while last year there was a delivery of 1 Airbus A350-900. Net cash used in financing activities was



THB 2,848 million, THB 1,965 million, higher than last year due to repayment to maturity debentures. As a result, cash and cash equivalents as at March 31, 2019 amounted to THB 13,686 million, a decrease of THB 6 million from December 31, 2018.

### Fleets

In the first quarter of 2019, the total active aircraft was 103 aircrafts (including 20 Airbus A320-200 under ThaiSmile's operations) which was as same amount of aircraft as at the end of 2018, but lower than as of March 31, 2018, 1 aircraft Total decommission aircraft and held for sale were 21 aircraft as of March 31, 2019.

### Total Assets

As of March 31, 2019, total assets totaled THB 267,277 million, decreased by THB 1,444 million (0.5%) from as at December 31, 2018.

	Consolidated					
	Mar 31, 2019		Dec 31, 2018		Variance	
	MTHB	% of Total Assets	MTHB	% of Total Assets	MTHB	%
Current assets						
Cash and cash equivalents	13,686	5.1	13,692	5.1	-6	-
Non-current assets held for sale	1,371	0.5	490	0.2	+881	+179.8
Other current assets	37,005	13.9	35,366	13.1	+1,639	+4.6
<b>Current Assets</b>	<b>52,062</b>	<b>19.5</b>	<b>49,548</b>	<b>18.4</b>	<b>+2,514</b>	<b>+5.1</b>
Property, plant and equipment						
Aircraft	44,322	16.6	45,946	17.1	-1,624	-3.5
Aircraft under finance leases	103,856	38.8	105,600	39.3	-1,744	-1.7
Aircraft spare parts	11,629	4.4	11,708	4.4	-79	-0.7
Work in process	378	0.1	341	0.1	+37	+10.9
Land, building and improvements	13,258	5.0	13,311	5.0	-53	-0.4
Other plant and equipment	2,755	1.0	2,692	1.0	+63	+2.3
<b>Property, plant and equipment-net</b>	<b>176,198</b>	<b>65.9</b>	<b>179,598</b>	<b>66.9</b>	<b>-3,400</b>	<b>-1.9</b>
Other non-current assets	39,017	14.6	39,575	14.7	-558	-1.4
<b>Total Assets</b>	<b>267,277</b>	<b>100.0</b>	<b>268,721</b>	<b>100.0</b>	<b>-1,444</b>	<b>-0.5</b>

Current assets were THB 52,062 million or accounted for 19.5% of total assets, an increase of THB 2,514 million (5.1%) from as of December 31, 2018. The significant items consisted of

- Non-current assets held for sale increased by THB 881 million (179.8%) due to transferring 4 Airbus A330-300 aircraft from non-performing assets, amount of THB 926 million, since they were in selling processes.

As of March 31, 2019, non-current assets held for sale comprised of 7 aircraft which were 5 Airbus A330-300 and 2 Boeing B747-400 aircraft amount of THB 1,371 million.

- Other current assets increased by THB 1,639 million (4.6%) mainly from trade receivables increased by THB 1,631 million (15.7%) due to the greater amount of sell volume in March 2019 compared to December 2018's. It should be noted that this year THAI has been able to manage the collection period of 23 days this year which was closed to last year's collection period and lower than THAI's normal collecting period.

Property, plant and equipment-net totaled THB 176,198 million or represented 65.9% of total assets, a decrease of THB 3,400 million(1.9%) from December 31, 2018 due to normal calculation of depreciation.

Other non-current assets totaled THB 39,017 million or represented 14.6% of total assets, which decreased by THB 558 million (1.4%) from as of December 31, 2018 resulting from

- Non-performing assets decreased by THB 1,074 million (22.0%) mainly from the transfer 4 Airbus A330-300 aircraft to non-current assets held for sale and more provision impairment loss of aircraft,

- Deferred tax assets decreased by THB 267 million (2.5%), which was mainly from the decreasing deferred tax on allowance for impairment of aircraft.

- Deferred buyer furnished equipment for aircraft under operating lease decreased THB 133 million (2.9%) due to the amortization of equipment and products in the cabin of the aircraft operating lease and refurbished equipment for 4 Boeing B787-8 operating lease aircraft.

- Maintenance reserve increased THB 642 million (4.7%), which is collected by lessor to accrue for the scheduled major maintenance events as specified by maintenance schedule in lease agreement.

- Investment in associated companies amounted to THB 2,619 million, an increase of THB 319 million(13.9%), mainly due to the recognition of gains on the change in ownership interest in Nok Airlines amount THB 273 million.

Return on assets of the first quarter 2019 was 0.6% when compared to last year's 1.1%.

### Total Liabilities

Total liabilities as of March 31, 2019 were THB 243,700 million, decreased by THB 4,565 million (1.8%) from as of December 31, 2018. These comprise of:

	Consolidated					
	Mar 31, 2019		Dec 31, 2018		Variance	
	MTHB	% of Total Liabilities	MTHB	% of Total Liabilities	MTHB	%
Current liabilities (excluding current portion of long-term liabilities)	71,572	29.4	66,046	26.6	+5,526	+8.4
<b>Long-term liabilities</b>						
Debentures	59,050	24.2	64,850	26.1	-5,800	-8.9
Liabilities under financial leases	55,177	22.7	58,982	23.8	-3,805	-6.5
Long term borrowings	23,214	9.5	24,444	9.8	-1,230	-5.0
<b>Total long-term liabilities</b>	<b>137,441</b>	<b>56.4</b>	<b>148,276</b>	<b>59.7</b>	<b>-10,835</b>	<b>-7.3</b>
Other non-current liabilities	34,687	14.2	33,943	13.7	+744	+2.2
<b>Total Liabilities</b>	<b>243,700</b>	<b>100.0</b>	<b>248,265</b>	<b>100.0</b>	<b>-4,565</b>	<b>-1.8</b>

Current liabilities (excluding current portion of long term liabilities' amount of THB 16,775 million) represented 29.4% of total liabilities, an increase of THB 5,526 million (8.4%) from December 31, 2018 mainly from the increase of short-term loans, amount of THB 7,000 million due to drawing down of its short-term loan such as promissory notes from domestic financial institution amount of THB 9,000 million to repay short-term loan and the maturing debentures.

Long-term liabilities as of March 31, 2019 (including current portion of long term liabilities totaled THB 16,775 million) represented 56.4% of total liabilities, which was a decrease of THB 10,835 million (7.3%) from December 31, 2018 primarily due to the repayment of the long-term financing, debenture, and liability under financial leases, in the total amount of THB 8,918 million.

However, the strengthen value of the Baht against Euro, Japanese Yen, and US dollars as of March 31, 2019 when compared to December 31, 2018 affected the decrease of long-term liabilities translated to Baht terms, the amount of THB 1,917 million.

Other non-current liabilities as of March 31, 2019 represented 14.2% of total liabilities which increased by THB 744 million (2.2%). The main reason was the increase in long-term provision of THB 592 million from the provision for major maintenance cost of aircraft, engines, and other major components over leasing period of operating lease aircraft.

At the end of the first quarter 2019, interest bearing debt to equity was 6.3 times, decreased from the end of 2018's 7.4 times. Debt to equity ratio was 10.3 times, lower than 12.1 times at the end of last year.

### **Shareholders' Equity**

As of March 31, 2019, shareholders' equity totaled THB 23,577 million, an increase of THB 3,121 million (15.3%) from December 31, 2018. The main reason is the recognition of the impact from the adoption of Thai Financial Reporting Standard No. 15 on revenue from contracts made with customers which caused the retained earnings as of January 1, 2019 to increase by THB 2,159 million as mentioned above together with the positive operation of THAI and its subsidiaries in this quarter. However, net profit of this quarter which decreased from last year caused decrease of the return on equity from last year's 8.2% to 2.1% this year.

On April 26, 2019, Annual General Meeting of Shareholders of THAI approved to compensate the accumulated loss of THB 28,533 million by transferring THB 28,237 million from THB 2,691 million in the legal reserve and THB 25,546 million of share premium resulting the remaining retained loss of THB was 296 million.

As of January 1, 2019, THAI carried accumulated loss forward in the amount of THB 28,533 million after adjusting the impact from the adoption of Thai Financial Reporting Standard No. 15, amount of THB 2,159 million, causing the remaining accumulated loss was THB 26,374 million. THAI transferred THB 2,691 million of the legal reserve and THB 23,683 million of share premium to compensate accumulated loss bringing accumulated loss as at January 1, 2019 decreased to zero and had a remaining THB 1,863 million in share premium, resulting in the retained earnings in the financial statements of THAI as of March 31, 2019 were THB 97 million and THB 6,925 million of the accumulated loss in the consolidated financial statements.

It should be noted that the transfer of such transactions were only the transfer of the account in the shareholders' equity without any affect in the total amount of the shareholders. THAI also recorded such transfer transactions in the first quarter of 2019. Details as in the notes to financial statements No. 7.31.3

### **Liquidity**

As of 31 March 2019, THAI and its subsidiaries had cash and cash equivalents amounted to THB 13,686 million or represented 5.1% of total assets, closed to December 31, 2018. In the first quarter of 2019, THAI financed short-term loans from other finance and related parties and was in the process of debentures issuance, which scheduled for sale in May 2019. According to the previous normal operation mentioned earlier and the careful consideration of estimate statement of cash flow found that the overall liquidity was still in good condition and having a sufficient amount of cash on hand for normal business operation. In addition, there was committed credit line from various banks as of March 31, 2019, totaled THB 4,000 million.

#### 4. Factors affecting future operations

The global aviation industry during the remaining 9 months of the year 2019 is still growing. However, it is expected that the growth rate will be lower than the previous year in both passenger and freight transportation from the slowing global economy. Average passenger yield tends to decrease. In addition, the impact of a trade war will result in a slowdown in Thai exports this year. For crude oil prices, it is expected to increase slightly while depreciation of Thai Baht resulting in the average price to be at the same level as the year 2018. In addition, there are challenges around both external and domestic factors which harm Thai economy, including the more intensified trade war between the United States and China, geopolitical risks and political uncertainty in key regions such as Brexit, the situation in Italy and sanctions against Iran by the USA as well as the uncertainty of the process and results of the country's general elections that would have significant implications for both consumers and investors as well as determining the country's economic policy in the future.

The trend of the Thai aviation industry in 2019 is likely to expand from the year 2018 but trend to more fierce competition from last year due to the success release of the red flag resulting Thai airlines are able to expand their routes further and increase the number of flights in many sectors. For the progress of solving the problem that the Federal Aviation Administration (FAA) elevated the level of aviation safety in Thailand from Category 2 to Category 1, FAA has reviewed the assessment of Thai readiness before applying for an official examination during February 11-15, 2019 by the Civil Aviation Authority of Thailand to carry out a revision of the 26 points to complete before submitting the official to lead the country back to Category 1 in the near future.

In 2019 THAI will continue to implement the business transformation plan by concentrating on generating more income from ancillary revenue with the “Montra Project” which is the quick win mentioned earlier. The important action plans as follows:

- Selling 16 decommissioned aircraft held for sale, approved by the Board of Director, is in the selling processes
- Promoting ancillary revenues increase non-related air transportation revenue by focusing on Catering and online products by collaborating more with online market partners and digitalization.
- Selling shares in both Associated and Subsidiaries that do not support the main business.
- Managing unusable properties such as land and office premises by 9 properties that were not used, consisting of 2 real estate in the country and 7 in foreign countries. At the Board of Directors meeting on April 22, 2019 approved the sale of real estate in Penang which currently under the process of selling.

## 5. Financial Ratios

		Jan – Mar	
		2019	2018
<b>Liquidity Ratio</b>			
Current Ratio	(times)	0.82	0.90
Current Ratio (Included Committed Credit Line)	(times)	0.89	1.09
<b>Profitability Ratio</b>			
Operating Profit (Loss) Margin	%	(1.66)	7.17
Net Profit (Loss) Margin	%	0.91	5.12
Return on Equity	%	2.07	8.20
<b>Efficiency Ratio</b>			
Return on Total Assets	%	0.64	1.11
<b>Financial Policy Ratio</b>			
Interest Bearing Debt to Equity	(times)	6.25	4.65
Total Debt to Equity	(times)	10.34	7.23
Interest Coverage Ratio	(times)	4.08	7.51
Net Debt to EBITDA	(times)	51.07	26.13
Debt Service Coverage Ratio	(times)	1.16	1.48

### GLOSSARY

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

**Current Ratio(Included Committed Credit Line)** = (Current Assets (Excluding Non-Current Assets classified as held for sale) + committed credit line) / Current Liabilities (Excluding Unearned Transportation Revenues)

**Operating Profit (loss) Margin** = Operating Profit (loss) / Total Revenue (excluded gain on foreign currency exchange, and gain on change in ownership interest)

**Net Profit(Loss) Margin** = Net Profit(Loss) / Total Revenue (excluded gain on foreign currency exchange, and gain on change in ownership interest)

**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

**Net Debt to EBITDA** = (Total liabilities – Cash and cash equivalents) / EBITDA

**Debt Service Coverage Ratio** = EBITDAR/ (Long-term Loan repayment + Interest payment + Lease of aircraft and spare part)