



# **Thai Airways International Plc.**

## **Shareholders Meeting**

**November 26, 2010**

<http://www.thaiair.com/about-thai/investor-relations/en/investor.html>

## Management Team



Dr. Piyasvasti Amranand

President

- Joined THAI on Oct 19, 2009
- 2 April 2008 – May 2009 Chairman of the Advisory Panel to the CEO, Kasikornbank
- 9 October 2006 – 6 February 2008 Minister of Energy
- April 2003 Chairman, Kasikorn Asset Management Co.,Ltd.
- June 2002 Deputy Permanent Secretary, Office of the Prime Minister
- May 2001 Secretary General of the National Energy Policy Council, NEPO
- October 2000 Director General, Public Relations Department
- June 2000 Inspector General, Office of the Prime Minister
- 1994 - May 2000 Secretary General of the National Energy Policy Council; National Energy Policy Office (NEPO), Office of the Prime Minister, Royal Thai Government



Mr. Kaweepan Raungpaka

-Executive Vice President  
Finance and Accounting Department  
Joined THAI on Jul 15, 1977



Mr. Chokchai Panyayong

- Executive Vice President  
Strategy and Business Development Department  
Joined THAI on Oct 27, 1983



Flt.Lt. Montree Jumrieng

- Managing Director (Executive Vice President Level)  
Technical Department  
Joined THAI on Oct 2, 1988



Mr. Pandit Chanapai

- Executive Vice President  
Human Resources and General  
Management Department  
Joined THAI on Nov, 1983



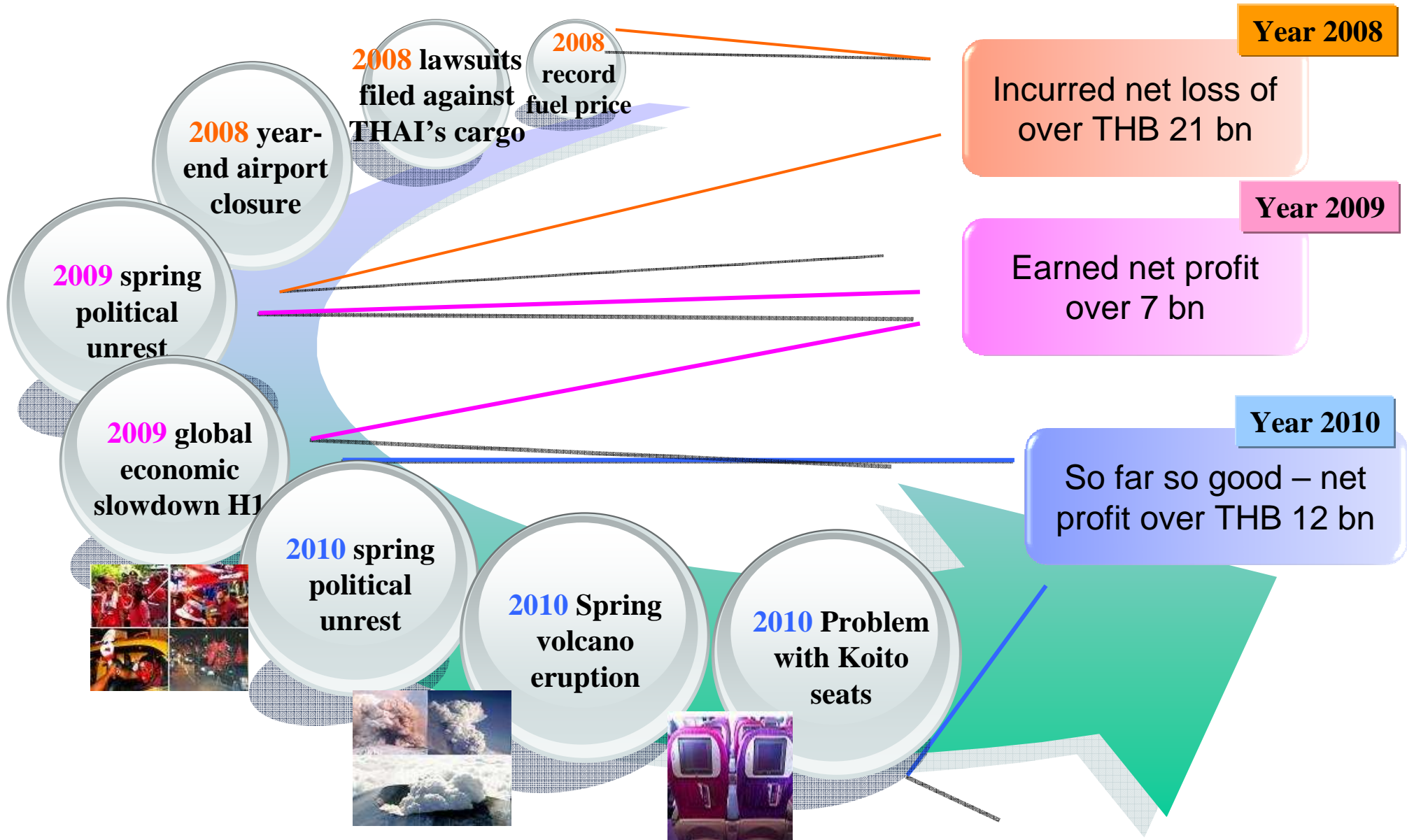
SQN.LDR.Asdavut Watanangura

- Executive Vice President  
Operations Department,  
Joined THAI on Feb 4, 1995



Mr. Teerapol Chotichanapibal

- Vice President , Managing Director  
Catering Department  
- Acting Executive Vice President  
Commercial Department  
Joined THAI on Nov 1, 1983



## Performance Summary (3 months)

THAI and its subsidiary

Jul-Sep

(Units : MTHB)

2010

2009

Total Revenue

45,414

39,147

Total Expense

41,249

38,823

**Profit(Gain) before FX, finance costs , income tax**

**4,165**

**324**

Foreign currency exchange (Loss)

2,773

2,735

Share of losses (profit) of investments by the equity method

57

-27

**Profit(Loss) before finance costs and income tax expense**

**1,449**

**-2,438**

Financial Cost

1,315

1,424

**Profit(Loss) before income tax**

**134**

**-3,862**

Income Tax

14

-153

**Net Profit (Loss)**

**149**

**-4,015**

**Net Profit(loss) per share**

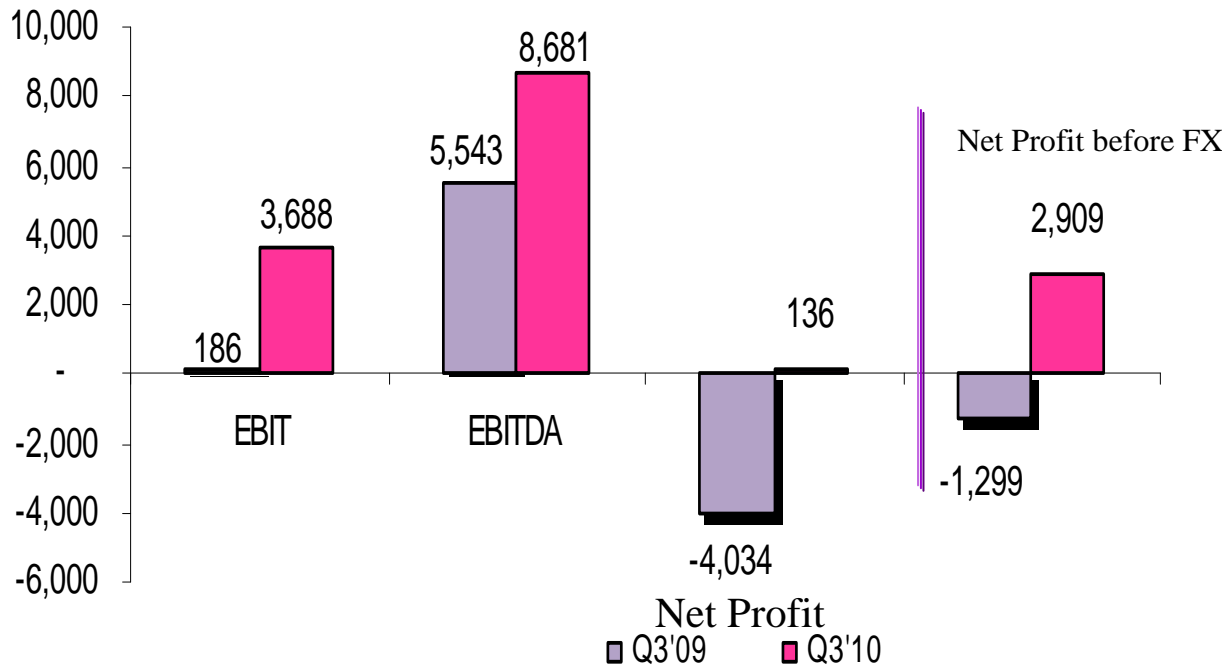
**0.08**

-

**2.37**

## EBIT, EBITDA and Net Profit (Q3/2009 & Q3/2010)

Units : MTHB



### Factors Improving Q3'10 Results

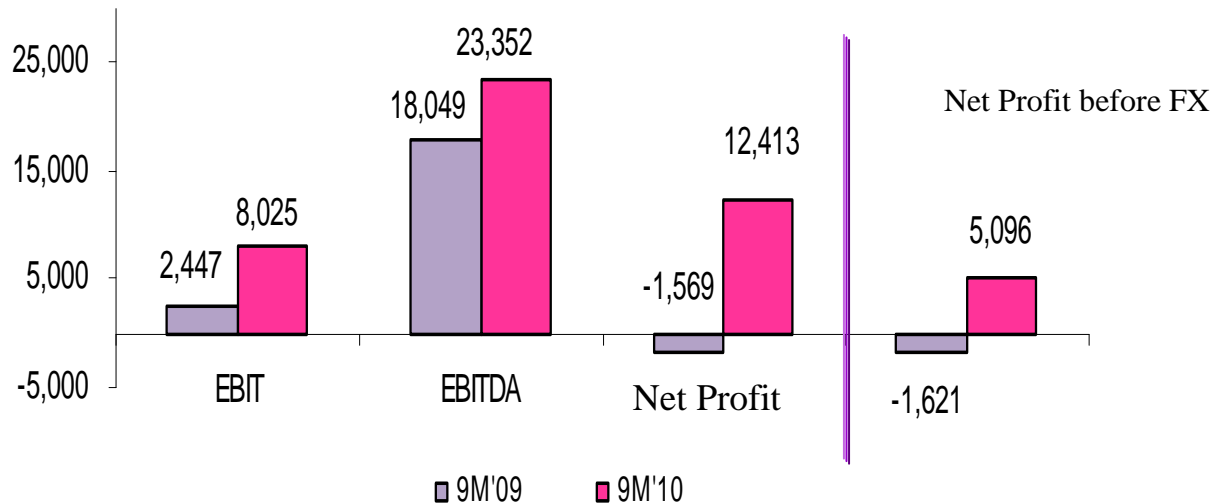
- **Travel demand recovering to Thailand**
- **Quick operational adjustments to disruptive events**
- **Stronger contribution from freight business – 2 freighters**
- **Higher average PAX yield**
- **Effective fuel hedging policy**

## Performance Summary (9 months)

THAI and its subsidiary	Jan-Sep	
	2010	2009
(Units : MTHB)		
Total Revenue	134,854	115,045
Total Expense	124,920	111,896
<b>Profit(Loss) before FX, finance costs , income tax</b>	<b>9,934</b>	<b>3,149</b>
Foreign currency exchange (Gain)	-7,317	-52
Share of losses (profit) of investments by the equity method	225	-2
<b>Profit(Loss) before finance costs and income tax expense</b>	<b>17,476</b>	<b>3,204</b>
Financial Cost	3,922	4,295
<b>Profit(Loss) before income tax</b>	<b>13,554</b>	<b>-1,091</b>
Income Tax	1,101	422
<b>Net Profit (Loss)</b>	<b>12,453</b>	<b>-1,514</b>
<b>Net Profit(loss) per share</b>	<b>7.25</b>	<b>- 0.92</b>

## EBIT, EBITDA and Net Profit (9M'09 & 9M'10)

Units : MTHB



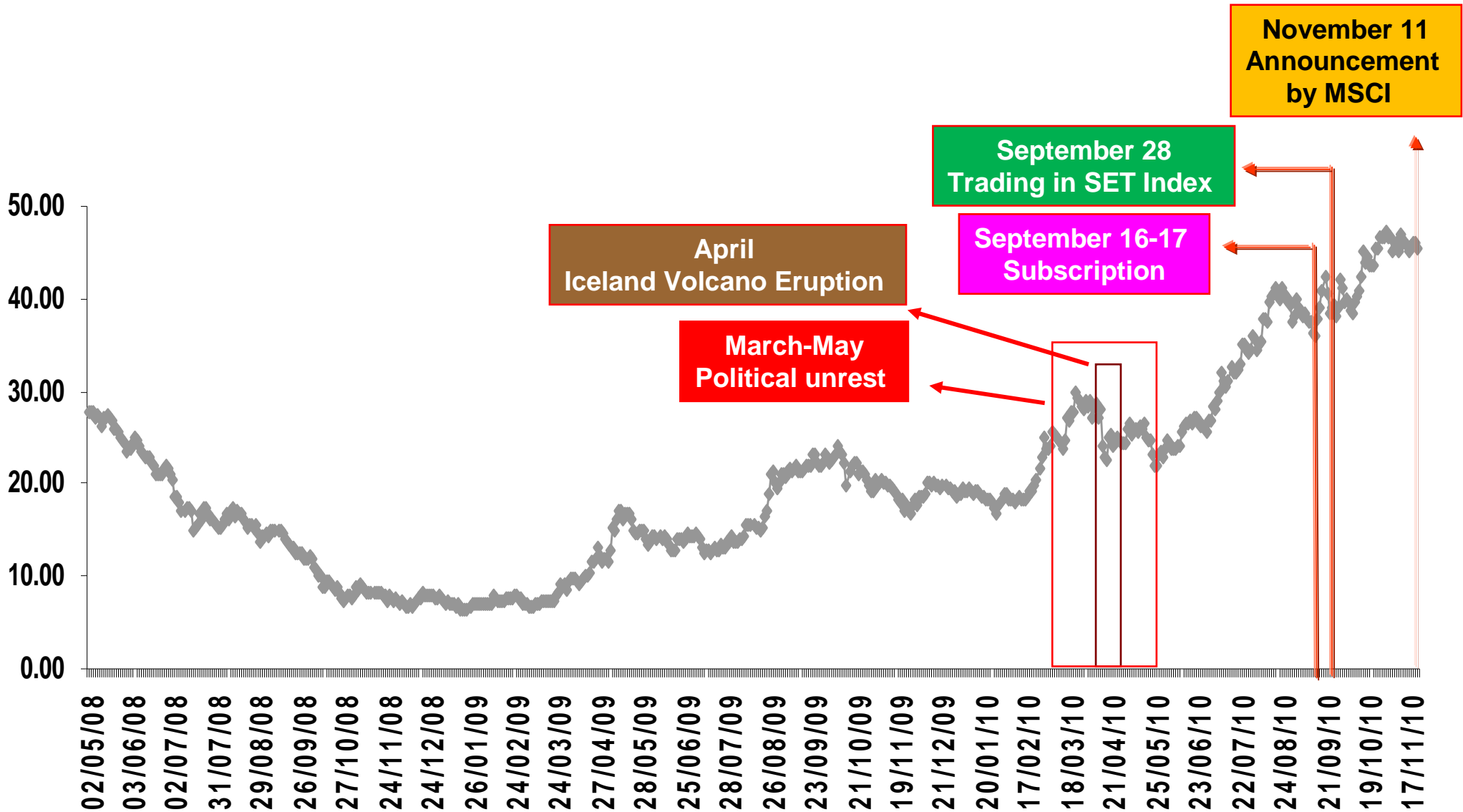
### Factors Impacting 9M'10 Results

- Record cabin factor during Q1'10
- Stronger average YoY yield
- Strengthening cost control measures
- Flexible flight scheduling
- Strong FX gain

## Ratios – 2008 through 2010

Ratios	units	Year 2008	Year 2009	9M 2010
Earnings Per Share	(THB)	-12.58	4.32	7.25
EBIT	(MTHB)	-6,662	9,361	8,025.0
EBITDA	(MTHB)	13,619	30,385	23,352.0
EBITDAR	(MTHB)	17,270	31,917	26,100.0
Total Debt to Equity	(Times)	4.7	4.1	2.5
Net Debt to Equity	(Times)	2.8	2.9	1.8
Debt Service Coverage	(Times)	0.7	1.6	1.4
Interest Coverage	(Times)	2.5	5.3	6.0
Operating Profit Margin	(%)	-3.3	5.7	6.1
Net Profit Margin	(%)	-10.7	4.5	9.4
EBITDA Margin	(%)	6.8	18.8	17.7
Return on Total Assets	(%)	-7.9	2.8	4.5
Return on Total Equity	(%)	-37.5	14.8	18.6
P/E Ratio	(Times)	-0.62	4.3	5.8





## Q3 2010

## Passengers

	YoY (Q3'10 vs Q3'09)			QoQ (Q3'10 vs Q2'10)		
	Q3'10	Q3'09	YoY%	Q3'10	Q2'10	QoQ%
<b>MASK</b>	18,847	18,160	3.78	18,847	17,972	4.87
<b>MRPK</b>	14,091	13,424	4.97	14,091	11,605	21.42
<b>Cabin factor</b>	74.77	73.92	1.15	74.77	64.57	15.80
<b>PAX Yield</b>	2.03	1.94	4.64	2.03	2.09	- 2.87

## 9M 2010

	YoY (9M'10 vs 9M'09)		
	9M'10	9M'09	YoY%
<b>MASK</b>	55,864	52,836	5.73
<b>MRPK</b>	41,120	38,124	7.86
<b>Cabin factor</b>	73.61	72.16	2.01
<b>PAX Yield</b>	2.10	2.01	4.48

## Q3 2010

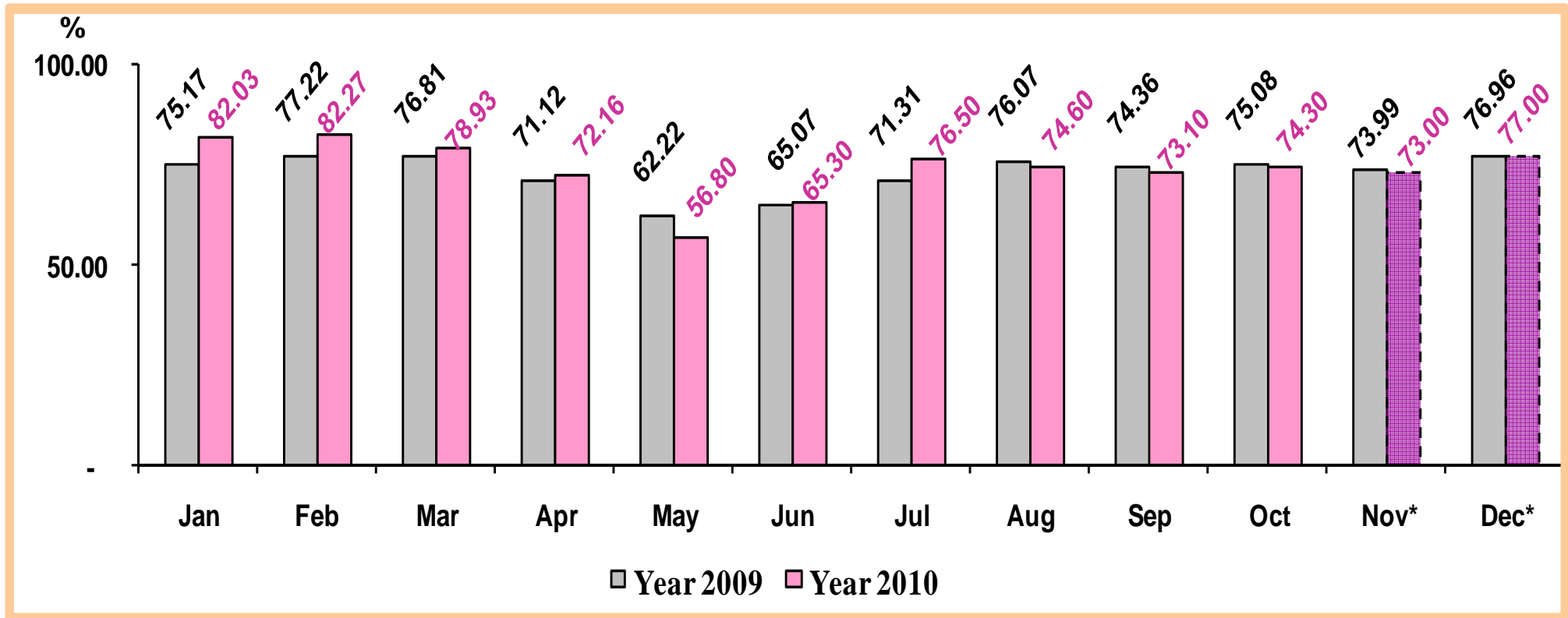
## Freight

	YoY (Q3'10 vs Q3'09)			QoQ (Q3'10 vs Q2'10)		
	Q3'10	Q3'09	YoY%	Q3'10	Q2'10	QoQ%
ADTK	1,199	997	20.26	1,199	1,125	6.58
RFTK	735	537	36.87	735	729	0.82
Freight Factor	61.30	53.86	13.81	61.30	64.80	- 5.40
Freight Yield	7.19	6.89	4.35	7.19	7.37	- 2.44

## 9M 2010

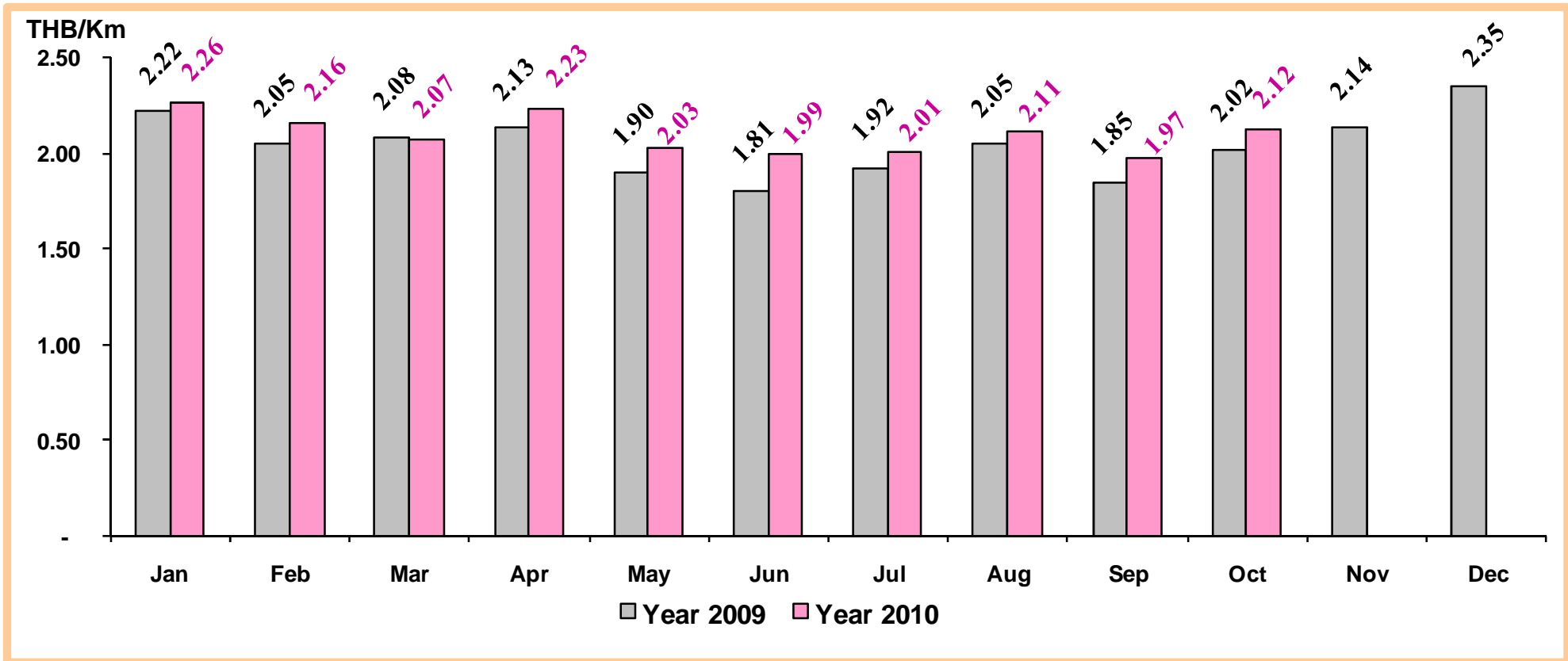
	YoY (9M'10 vs 9M'09)		
	9M'10	9M'09	YoY%
ADTK	3,420	2,906	17.69
RFTK	2,117	1,428	48.25
Freight Factor	61.90	49.14	25.97
Freight Yield	7.21	7.02	2.71

## Cabin Factor



\* Expected

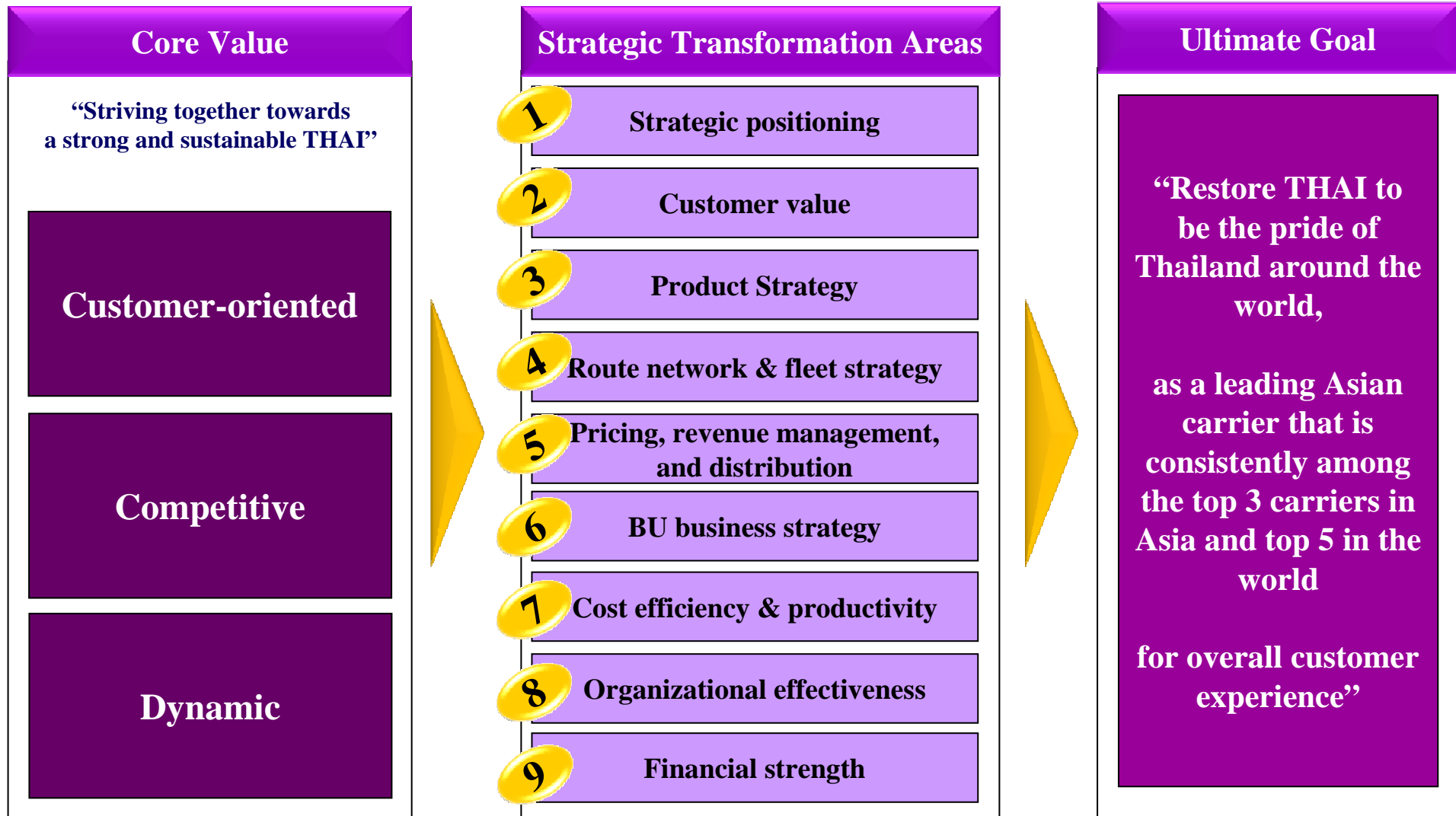
## Passenger Yield





# **Actions to Improve Performance**

## Overall Strategic Roadmap



Clear cut KPI's established for senior management to ensure achievement of tasks needed to turn THAI around



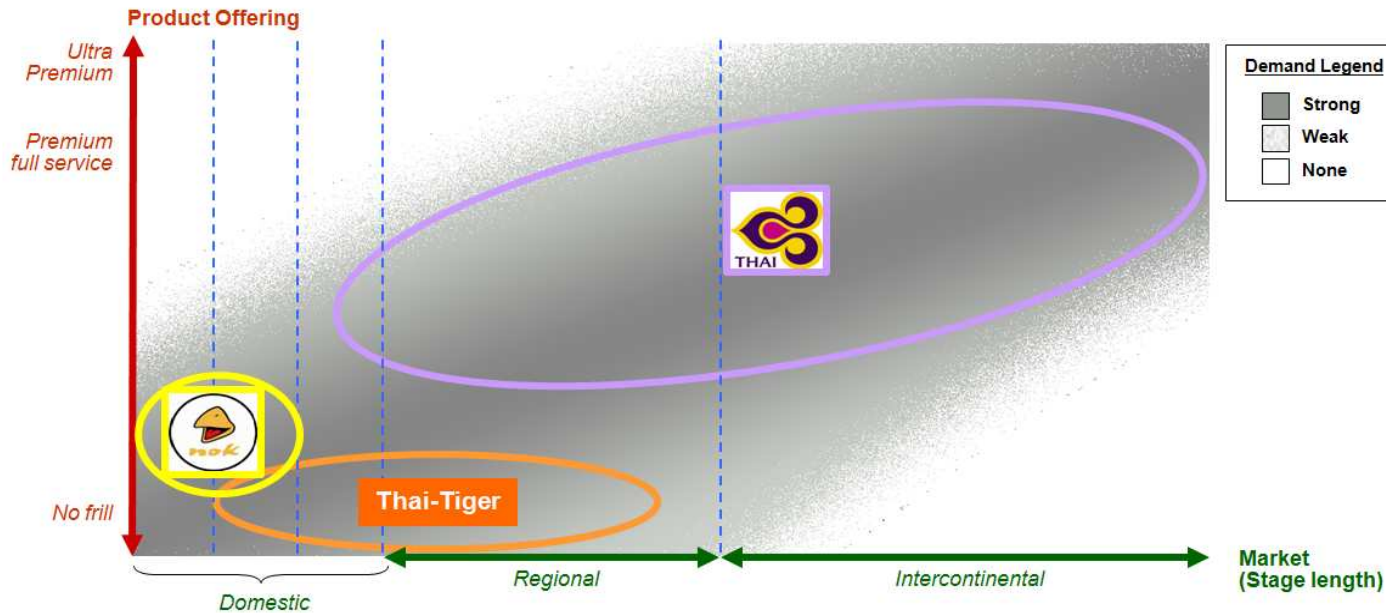
### KPI Implementation Schedule

- VP's and Business Units' directors: 3Q 2010
- All directors: 1Q 2011
- General managers: 4Q 2010
- Station Managers: 2Q 2011



## Clarifying THAI's positioning, setting clear direction for actions to improve performance

Market Demand and Brand Positioning of THAI Affiliated Companies



- **THAI** to concentrate on providing full premium service for higher-end market
- Use **Thai-Tiger** to capture the LCC market – currently about 15-20% of total travel market in Asia (Asia population is approximately 4.15 bn)

### Thai Tiger Airways (TTA)

**MTHB 200 registered capital**

### Shareholders

- 49.90% THAI Airways International
- 1.10% TTA Employee - Thai nationality
- 39.00% Tiger Airways Holding Limited
- 10.00% Ryan Asia Limited

### Board Representation

- 4 of THAI Airways International
- 2 of Tiger Airways Holding Ltd
- 1 of Ryan Asia Limited



## To Be Top 3 in Asia and Top 5 in the World

### The World's Top 10 Airlines – Skytrax

	2010	2009	Change
★★★★★  ASIANA AIRLINES <sup>7</sup>	1	3	↑
★★★★★  SINGAPORE AIRLINES	2	2	→
★★★★★  QATAR	3	4	↑
★★★★★  CATHAY PACIFIC	4	1	↓
★★★★  ANA	5	8	↑
★★★★  ETIHAD	6	7	↑
★★★★  SRIWIJAYA	7	6	↓
★★★★  Emirates	8	5	↓
★★★★  THAI	9	10	↑
★★★★  Malaysia	10	9	↓

Source: Skytrax

### Other Awards in 2010

#### Skytrax

Best Airline Lounge – First Class  
Best Airport Services



#### Norwegian Grand Travel Award

Best Intercontinental Airline

#### Business Traveller's Award

Best Ground Service  
Best Lounges



#### TTG Award

Best Business Class  
Best Southeast Asian carrier









### Improved products and services continuing to earn THAI distinctions from global forums

2010

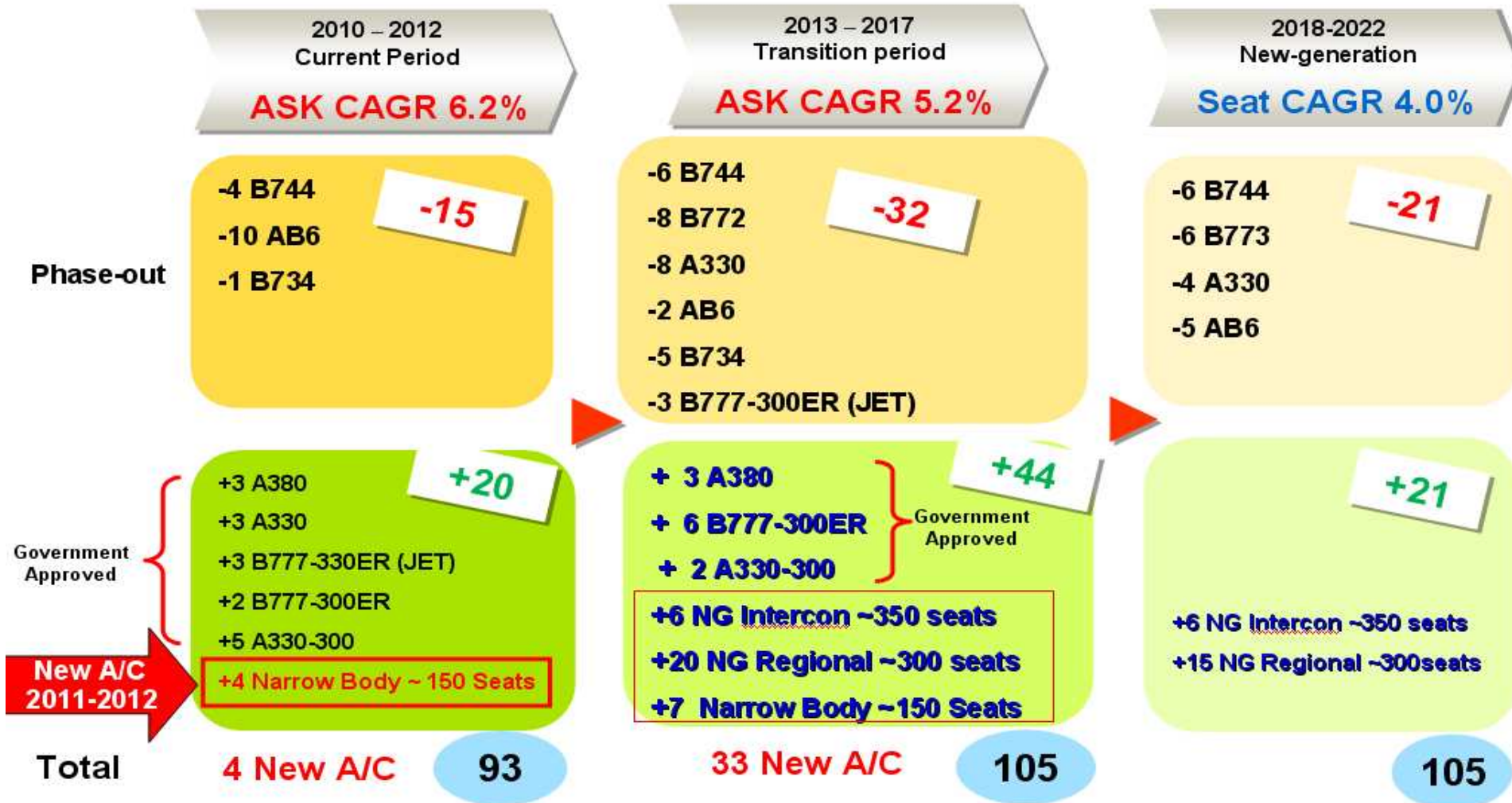


- **Best Intercontinental Airline Award** for the 6<sup>th</sup> consecutive year - the Norwegian travel industry
- **Best Airport Services and Best Airline Lounge (First Class)** - 2010 Skytrax
- **Best Asian Carrier** from Go Asia Awards - International Tourism Borse Berlin (ITB)
- **Top 5 best airline** award - Smart Travel Asia 2010
- **Best Asia Pacific Regional Airline and Best Business Class Airline** - TTG Travel Award
- **Best State Enterprise Award 2010 for Cabin Attendant Pre-Flight Study and Briefing System**

## Improving seats & in-flight entertainment to enhance travel experience

	# of AC	First Class	Business Class	Economy Class	Retrofit Program								
<b>B747-400</b> No. 7 - 12	6				<ul style="list-style-type: none"> <li>Economy class seats</li> <li>IFE</li> </ul> <table border="1"> <thead> <tr> <th></th> <th>2010</th> <th>2011</th> <th>2012</th> </tr> </thead> <tbody> <tr> <td></td> <td>-</td> <td>5</td> <td>1</td> </tr> </tbody> </table>		2010	2011	2012		-	5	1
	2010	2011	2012										
	-	5	1										
<b>B747-400</b> No. 13 - 18	6				<ul style="list-style-type: none"> <li>All seats</li> <li>IFE</li> </ul> <table border="1"> <thead> <tr> <th></th> <th>2010</th> <th>2011</th> <th>2012</th> </tr> </thead> <tbody> <tr> <td></td> <td>-</td> <td>2</td> <td>4</td> </tr> </tbody> </table>		2010	2011	2012		-	2	4
	2010	2011	2012										
	-	2	4										
<b>B777-200</b> No. 1 - 8	8				<ul style="list-style-type: none"> <li>IFE on economy class</li> </ul> <table border="1"> <thead> <tr> <th></th> <th>2010</th> <th>2011</th> <th>2012</th> </tr> </thead> <tbody> <tr> <td></td> <td>-</td> <td>4</td> <td>4</td> </tr> </tbody> </table>		2010	2011	2012		-	4	4
	2010	2011	2012										
	-	4	4										

Modernizing fleet for product consistency, enhance fuel efficiency & customer satisfaction



Remark : Number of aircraft required for intercont. and regional may be subject to change according to detail route network plan

### 3. Product Strategy

Re-fleeting to enhance fuel efficiency, increase reliability & enhance overall customer satisfaction

#### AIRCRAFT FLEET PLAN

Target avg. fleet age in 2017 = 8.5 yrs from current 11.6 yrs

	< ----- PLAN ----->						TOTAL
	2552	2553	2554	2555	2556	2557	5 YEARS
	2009	2010	2011	2012	2013	2014	(2010-14)
<b>TOTAL INCOMING AIRCRAFT</b>	<b>3</b>	<b>5</b>	<b>2</b>	<b>8</b>	<b>11</b>		<b>29</b>
<u>Government Approved</u>	3	5		3	3		14
- A330-300 HGW (High Gross Weight)	3	*5					8
- A380-800				3	3		6
<u>Additional Aircraft (New)</u>			2	5	8		15
- A330-300			2	3	2		7
- B777-300ER				2	6		8
<b>TOTAL OUTGOING AIRCRAFT</b>		<b>5</b>	<b>2</b>	<b>8</b>	<b>7</b>	<b>2</b>	<b>24</b>
- B747-400 (B744)				4	2		6
- B777-300ER (Jet Airways)					3		3
- B737-400		1				2	3
- A300-600 (AB6)		2	2	4	2		10
- ATR-72		2					2

\* Pending Delivery

Route network review, network expansion & greater cooperation to maximize reach & benefits

- Review route performance and address low margin/unprofitable routes
- Optimize network scheduling and route connectivity
- Expand strategic partnerships and involvement within & beyond Star Alliance
- Resume & expand to markets with strong demand potential
- Strategically align route network and synergize with affiliated companies



## Route network changes to improve performance & enhance THAI's network

<b>Suspended routes</b>	<b>Manila-Osaka</b> <b>Hong Kong-Taipei</b> <b>Kuwait</b>
<b>Transfer some domestic routes to NOK</b>	<b>Chiang Mai-Mae Hong Son</b> <b>Bangkok-Phisanulok</b>
<b>Increase frequency</b>	<b>Paris</b> from 7 to 10 flts/week <b>Oslo</b> from 5 to 7 flts/week <b>Moscow</b> from 3 to 4 flts/week <b>Nagoya</b> from 7 to 10 flts/week <b>Fukuoka</b> from 5 to 7 flts/week
<b>New destinations</b>	<b>Haneda 7 flts/wk</b> <b>Bangkok –Gaya-Varanasi 3 flts/wk - seasonal</b>
<b>Resume Operations</b>	<b>Johannesburg 4 flts/week</b>



## Enhanced tools & techniques to provide greater flexibility & enhance revenue generation

### Enhance revenue management

- Optimize use of Revenue Management System
- Improve demand forecast for seat allocation to optimize/flight revenue
- Manage revenue based on Origin & Destination (O&D)

### New pricing approach

- Employ standard published fares
- Multi-pricing capability on Global Distribution Systems (GDS) & Central Reservation Systems (CRS) for all markets
- Moving towards zero commission base

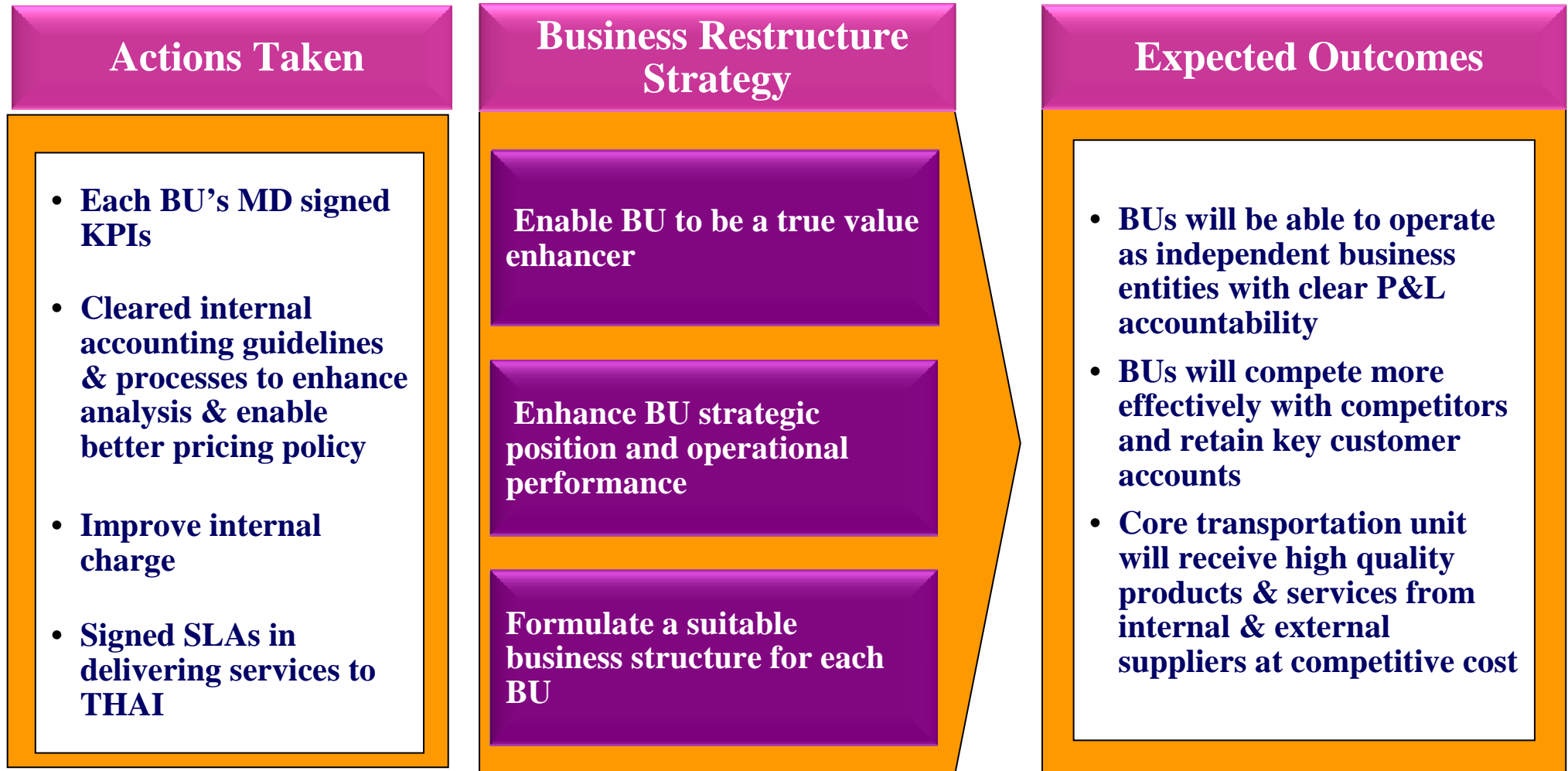
### Distribution channels

- Increase distribution on TG's own booking site & popular travel portals
- Improve cooperation with alliance partners to cross sell

### Enhance premium sales

- Increase number of corporate accounts to sustain quality revenues
- Develop corporate value proposition to best serve customer needs
- Target SMEs for new corporate segment
- Maximize corporate revenues through star alliance corporate plus program

Ensuring Bus to become more business oriented under new KPI structure to enhance value contribution through clearer positioning, management procedures & internal processes



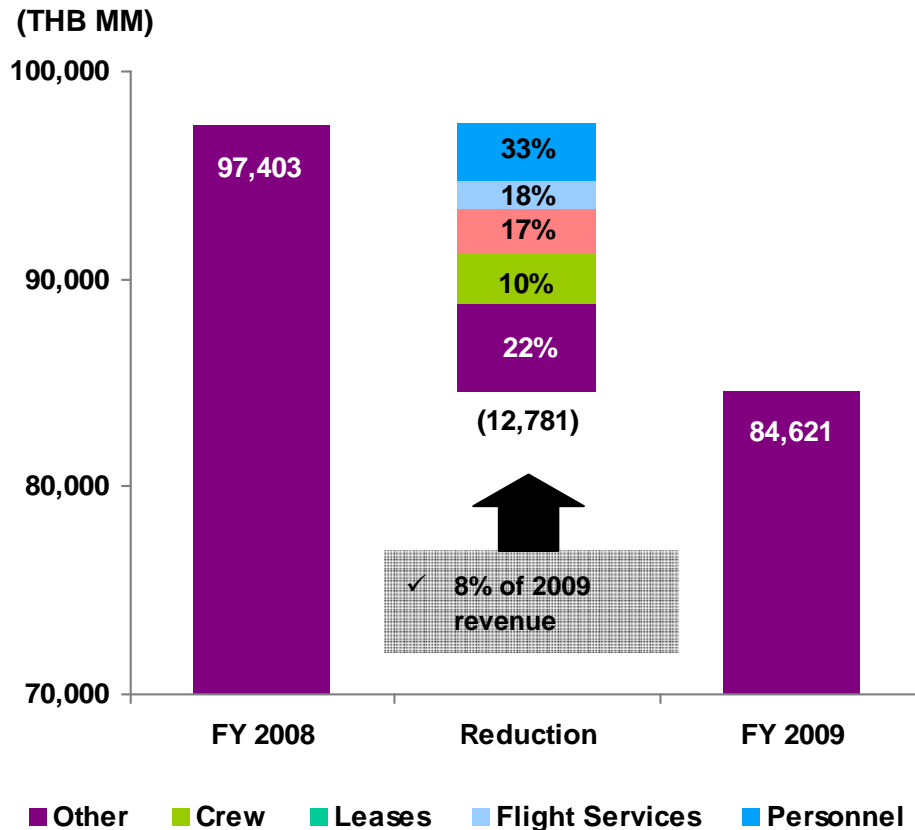
A more suitable organization structure will enable BUs greater operating & decision making flexibility to provide value contribution to THAI



# 7. Cost Efficiency & Productivity

Stringent cost measures put in place to improve efficiency and productivity & target THB 20 bn in further reductions through 2012

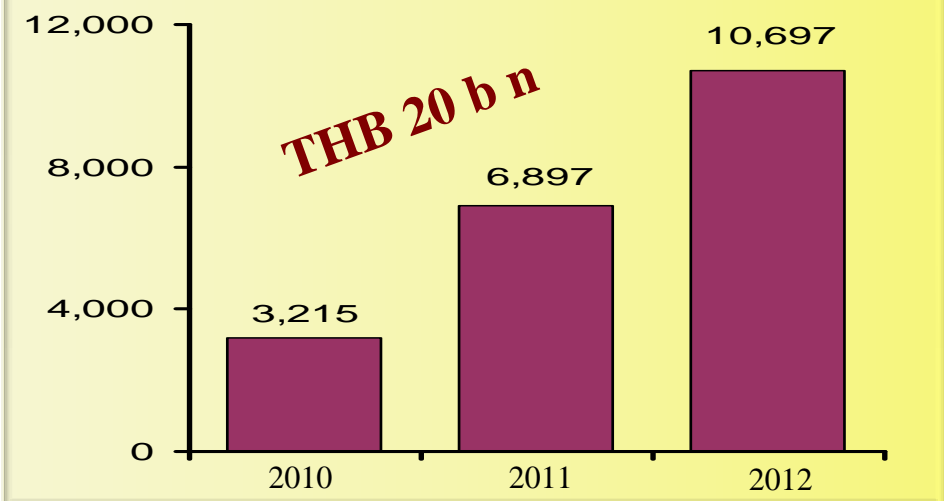
Reduction of Controllable Costs <sup>(1)</sup>



Cost Reduction Initiatives Ongoing

- ↓ Increase Internet Sales and Lower Reservation Fees
- ↓ Personnel and Crew Cost Control Measures
- ↓ Improved Fuel Management
- ↓ Renegotiation of Key Supplier Contracts

Target Cumulative Cuts Through 2012



(1) Non-fuel expenses excluding depreciation and amortization, interest expenses, FX gains/losses and other one-time items

## 7. Cost Efficiency & Productivity

### Active management of fuel burn, fuel surcharge and fuel hedging to mitigate fuel price impact

#### Managing fuel burn

- Minimize unnecessary weight
- Carrying only necessary quantities of commodities
- Winglet modifications to wings to enhance fuel efficiency
- Greater coordination with control tower
- Cleaning aircraft body
- Ensure highest standard of engine maintenance
- Retiring older aircraft replacing with new

#### Managing fuel surcharge

- Readily tracking and anticipating potential rallies in fuel cost
- Implement fuel surcharge on a more timely basis
- Increase in small increments

#### Managing fuel hedging

- Ensure hedging done on a more regular basis
- Implemented new fuel hedging guideline requiring minimum regular hedging to offset fuel price fluctuation
- New authorization levels for risk control

# 7. Cost Efficiency & Productivity

Minimum 20% fuel hedging requirement to mitigate risk of rapid fuel cost rise

## Hedging Volume

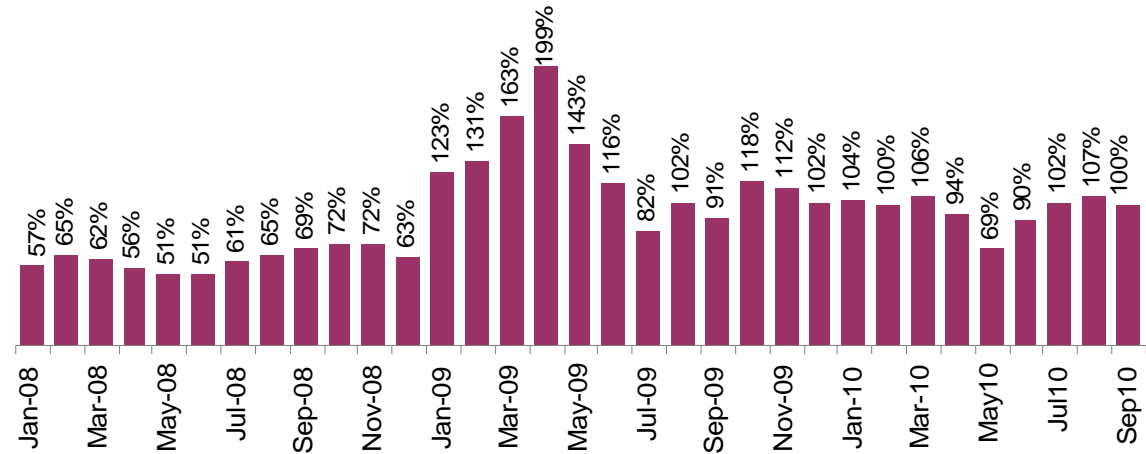
>80%	Board Authority		
>60<=80%	Fuel Price Risk Management Committee (President, EVP Finance & Accounting, VP, Director and Department)		
>30<=60%	VP, Director and Department Level Decision		
>20<30%			
<=20%	Board Authority		
		1m 2m 3m 4m 5m 6m 7m 8m 9m 10m 11m 12m 13m 14m 15m 16m 17m 18m >18 months	Contract Period

# 7. Cost Efficiency & Productivity

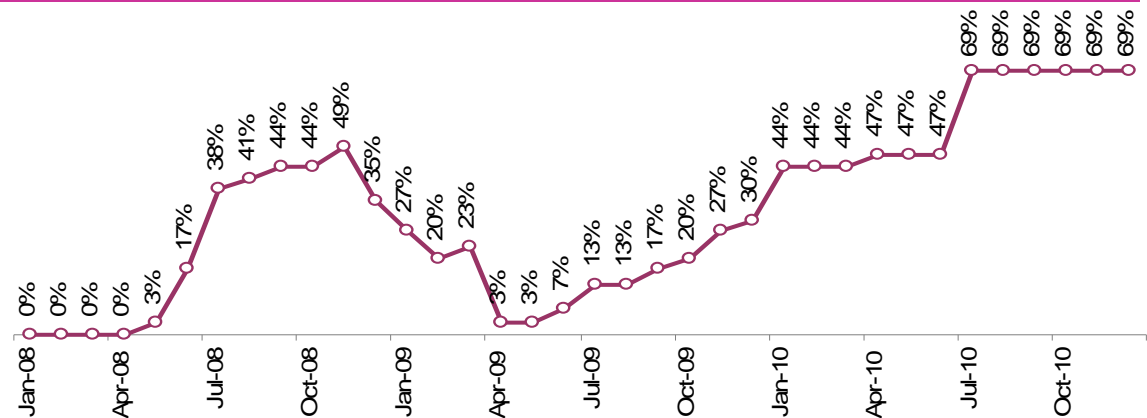
Hedging combined with fuel surcharge greatly mitigates fuel price fluctuation risk

Criteria	Hedging Policy
Percent Coverage	Increase maximum coverage to 80% with a minimum of 20% coverage without BoD approval
Contract Length	Increase hedging contract duration to up to 18 months
Underlying Asset	Jet kerosene
Instrument Mix	Basic Options, Collars and Swaps – studying premium based instruments
Credit Risk	Limit counterparty risk to credit rating “A” by S&P

Percentage of Fuel Surcharge Coverage



Monthly fuel hedging 2008-2010 - % of consumption by month





# 7. Cost Efficiency & Productivity

## Establishment of Wingspan to help THAI cope with long-term HR demands



**TG**

**49% Common Stock**

- Control & Management

**Others**

**51% Preferred Shares**

- No voting rights
- Given 6% return per annum

- Established as part of THAI's strategy to address its long-term HR issues
- Will be a private entity with independent management
- Supply THAI with HR requirement in specific areas

**Retirement Sept. 30, 2010**

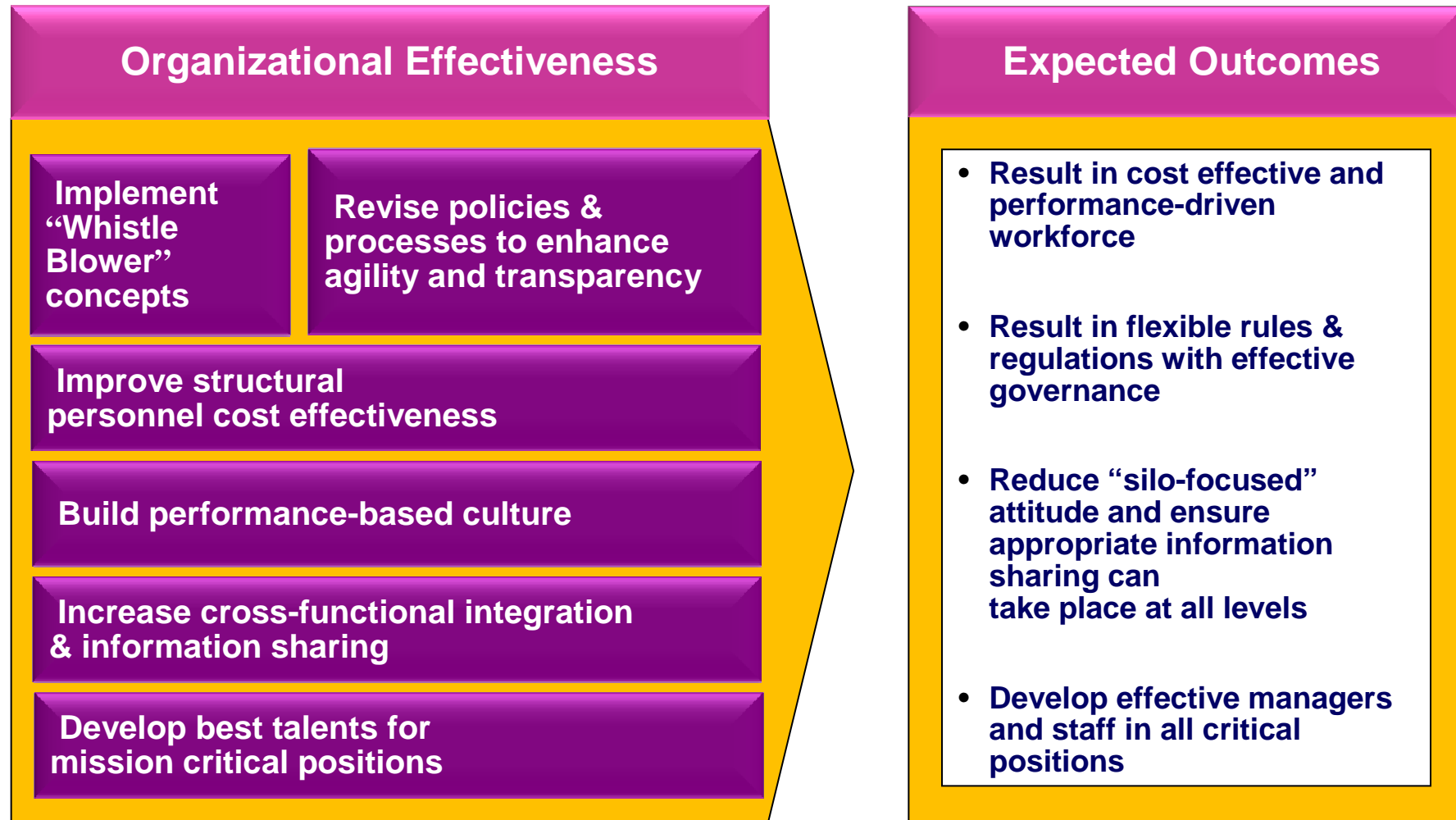
**213 persons**

**Mutual Separation Program (MSP)**

**633 persons**

# 8. Organizational Effectiveness

Transparency & equality combined with simplified guidelines & procedures along with skill development will strengthen THAI in the long-term



**Negotiated & rebuilt confidence of investment & credit communities enabling success in raising new capital**

### **Crisis Phase**

**Sought emergency credit lines**

**Drafted emergency plan**

**Negotiated to extend payment terms**

**Raised additional THB 15 bn new capital**

### **Stabilized Phase**

**Seek competitive longer term borrowings**

**Further restructure of existing term loans as needed**

**Study options for future funding needs**

**Obtain revolving credit to maintain higher cash position**

The culmination of Company-wide cooperative effort is THAI's re-introduction into the MSCI in the short-term while ongoing changes is to ensure THAI's bright future

## Completed Tasks

## Moving Forward

- Increased operating efficiency
- Stabilized operations
- Greater customer satisfaction
- Enhanced profitability
- Greater financial stability

Inducted to the MSCI Index



- Positioning THAI to compete globally
- Ensuring necessary structure, processes, preparation to meet challenges
- Leveraging off every busy operation to maximize revenue
- Ensuring cost effectiveness with robust risk management for all aspects of operations



Strategies modified to better reflect current needs to ensure THAI continues operations through 100 years





**THE END**