

Management's Discussion and Analysis for three months ended March 31, 2015 for Thai Airways International Public Company Limited and Its Subsidiaries

1. Executive summary

The world economy in the first quarter of 2015 has been driven by various positive factors including oil prices which have dropped significantly, the US economy continued to expand, improving signs of the European economy supported by the lower price of oil, a lower interest rate environment, the weaker Euro along with the Japanese continuing their monetary easing policy to stimulate their economy. However, China's economic expansion has slowed from less government stimulus policies which has affected economic growth of Asia (excluding Japan) ensuing the slowdown of the Chinese economy.

For the overall situation of global aviation industry, passenger traffic has grown almost every region, especially in the Asia Pacific and the Middle East regions. Data from the International Air Transport Association (IATA) during January - March 2015 indicated that passenger traffic was higher than the same period last year by 6.1 % while passenger production increased 5.4% over last year. The increase in travel benefitted from the decline oil of price resulting the rising of traffic demand.

The aviation industry of Thailand has seen strong recovery since the last quarter of 2014. According to the Department of Tourism during January - March 2015, the number of departure - arrival passengers at Suvarnabhumi Airport significantly increased by 16.9% compared to the same period of last year due to last's year political unrest and the expansion of Chinese tourists traveling abroad from easing measures of the Chinese authorities.

During the first quarter of 2015, THAI launched its transformation plan with the first stage designed to stop the bleeding by discontinuing these routes: Bangkok – Johannesburg since mid-January 2015, Bangkok- Moscow, and Phuket – Seoul in Summer TPI 2015 began March 29, 2015. Adjustment in aircraft type was made to suit market demand and implemented the fleet renewal program-Fleet Strategy by decommissioning 11 aircraft. THAI sold two retired aircraft while taking delivery of two new aircraft resulting the total 93 aircraft in the fleet as of March 31, 2015. The average age of fleet was down from 8.3 years to 7.6 years.

Due to the recovery of the tourism sector in Thailand , the economic growth in several countries, and the efficiency improvement of revenue generation, in the first quarter of 2015, THAI had 5.62 million passengers, an increase of 17.0% over last year. The passenger traffic increased 12.3 % while passenger production increased by 4.5 %. Cabin factor was 75.4% compared to last year's average of 70.1%.

THAI and its subsidiaries' financial performance for the first quarter of 2015 indicated a profit before foreign currency exchange and income tax(exclude impairment loss of assets and aircraft) of THB 4,415 million when compared to last year where reported net loss of THB 3,287 million. The main reason was from this year's operating revenue of THB 51,216 million, an increase of THB 1,683 million or 3.4% from passenger and excess baggage revenue while total expenses, amount of THB 45,825 million, a decrease of THB 6,020 million or 11.6% due to the decline oil price which caused the reduction in fuel and oil expense.

Combined with the gain on foreign currency exchange amount of THB 9,654 million, an increase of THB 8,664 million, and the impairment loss of aircraft amounted THB 11,804 million, an increase of THB 11,720 million, resulting profit for the period of THB 4,549 million while last year's result reported a net loss of 2,619 million. Profit attributable to owners of the parent amounted to THB 4,541 million. Profit per share was 2.08 THB compared to last year's loss per share of 1.21 THB.

EBITDA was THB 10,916 million, which increased by THB 7,674 million or 236.7% over last year. EBITDA margin was 21.1%, as compared to last year's reported 6.5%.

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

Financial Performance

The consolidated financial statements for the first quarter of 2015 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			
	2015	2014	Variance	
			MTHB	%
Total Operating Revenues	51,216	49,533	+1,683	+3.4
Other revenues	433	448	-15	-3.3
Total Revenues	51,649	49,981	+1,668	+3.3
<u>Less</u> Total Expenses	45,825	51,845	-6,020	-11.6
Finance cost	1,409	1,423	-14	-1.0
Profit (Loss) before foreign currency exchange, income tax, and impairment	4,415	(3,287)	+7,702	+234.3
<u>Less</u> Impairment loss of asset and aircraft	11,804	84	+11,720	-
<u>Add</u> Gain on foreign currency exchange	9,654	990	+8,664	+875.2
Profit (Loss) before tax	2,265	(2,381)	+4,646	+195.1
Net Profit(Loss)	4,549	(2,619)	+7,168	+273.7
Profit(Loss) attributable to owners of the parent	4,541	(2,634)	+7,175	+272.4
Net Profit (Loss) per share (THB)	2.08	(1.21)	+3.29	+271.9
EBITDA (MTHB)	10,916	3,242	+7,674	+236.7
EBITDA Margin (%)	21.1	6.5		+14.6
Net Profit(Loss) Margin (%)	8.8	(5.2)		+14.0

Note : Total Expense excl. impairment loss of asset and aircraft

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)

Operating performance: Thai airways and Thai Smile airways

		Jan – Mar		Variance
		2015	2014	
Production	(MATK)	3,180	3,097	+ 2.7%
Traffic	(MRTK)	2,264	1,980	+ 14.4%
Load Factor	(%)	71.2	63.9	+ 7.3
Total yield	(THB/RTK)	21.08	23.48	- 10.2%
Passenger carried	(Million)	5.62	4.81	+ 17.0%
Passenger Production	(MASK)	21,869	20,934	+ 4.5%
Passenger Traffic	(MRPK)	16,489	14,677	+ 12.3%
Cabin Factor	(%)	75.4	70.1	+ 5.3
Passenger yield	(THB/RPK)	2.60	2.75	- 5.6%
Freight Production	(MADTK)	988	948	+ 4.3%
Freight Traffic	(MRFTK)	596	629	- 5.4%
Freight Load Factor	(%)	60.3	66.4	- 6.1
Freight loaded	(Ton)	151,768	158,155	- 4.0%
Freight yield	(THB/RFTK)	7.81	9.25	- 15.6%
Flight hours	(Hours)	98,563	93,498	+ 5.4%

Remark : In 2015, THAI has changed standard weight of passenger including free baggage allowance from 90 kilograms per passenger to 100 Kilograms in purpose of comparison with aviation industry. THAI also adjusted such figure in 2014 enabling to comparing with this year's figures.

Revenues of Thai Airways International PCL. and its subsidiaries

Total revenues (included gain on foreign currency exchange) for the first quarter of 2015 earned was THB 61,303 million, an increase of THB 10,332 million or 20.3% higher than last year. Details are as follows:

Revenues Performance: THAI and its subsidiaries

Unit : Million Baht	Jan - Mar					
	2015	% of Total Revenue	2014	% of Total Revenue	Variance	
					MTHB	%
Revenues from transportation activities						
Passenger and excess baggage revenue	43,523	71.0	41,035	80.5	+2,488	+6.1
Freight and mail revenue	4,905	8.0	6,023	11.8	-1,118	-18.6
Total Revenue from transportation activities	48,428	79.0	47,058	92.3	+1,370	+2.9
Revenue from other activities	2,788	4.6	2,475	4.9	+313	+12.6
Total operating revenue	51,216	83.6	49,533	97.2	+1,683	+3.4
Interest income	82	0.1	71	0.1	+11	+15.5
Other incomes	351	0.6	377	0.7	-26	-6.9
Total other incomes	433	0.7	448	0.8	-15	-3.4
Gain on foreign currency exchange	9,654	15.7	990	2.0	+8,664	+875.2
Total Revenues	61,303	100.0	50,971	100.0	+10,332	+20.3

Revenues from transportation activities, representing 79.0% of total revenues, totaled THB 48,428 million, an increase of THB 1,370 million or 2.9% over last year.

- Passenger and excess baggage revenue

Passenger and excess baggage revenue totaled THB 43,523 million, an increase of THB 2,488 million or 6.1% as passenger traffic (Revenue Passenger-Kilometers:RPK) increased by 12.3%, approximately THB 4,985 million due to the increase of regional traffic. However, the intercontinental slightly decreased due to the discontinued route which was Bangkok – Johannesburg which is one of the reform plan to abandon the long-loss route, to diminish the frequency of loss route, to change aircraft, and to increase revenue in the profitable route. Passenger production increased 4.5% since THAI increased flight frequency in order to matching traffic demand resulting average cabin factor increased from 70.1% last year to 75.4% this year.

However, average passenger yield (including fuel and insurance surcharge) amounted to 2.60 THB/RPK, 0.15 THB/RPK or 5.6% lower than last year resulting from the strengthen Thai Baht when compared to major revenue's currencies which are EURO and Japanese Yen which caused the lower passenger yield around 0.12 THB/RPK or THB 1,960 million. If excluded this effect from foreign currency exchange, average passenger yield decreased 0.03 THB/RPK or 1.1%, approximately around THB 495 million.

- Freight and mail revenue

Freight and mail revenue amounted to THB 4,905 million, which was a decrease of THB 1,118 million or 18.6% due to the decrease of freight traffic (Revenue Freight Ton-Kilometers: RFTK) which decreased by 5.4 % or around THB 300 million while average freight yield (including fuel and insurance surcharge) was 7.81 THB/RFTK, a decrease of 1.44 THB/RFTK or 15.6% over last year mainly due to the reduction of fuel surcharge reflected by the diminishing fuel prices and the cancellation of insurance surcharge since April 2014. Moreover, the decelerated import and export demand from partners' economic slowdown such as China and ASEAN countries and Generalized System of Preferences-GSP cut for all products sent to E.U. also impacted the reduction of freight traffic. Freight production(Available Dead-load Ton-Kilometers:ADTK) including Belly and

freighter services increased 4.3% in line of the increasing numbers of passenger flight resulting average freight load factor was 60.3% compare to last year's 66.4%.

- 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, amounted to THB 2,788 million, which increased by THB 313 million or 12.6% over last year mainly due to an increase of income from all business units which increased since the number of customer airlines' flight and number of passenger increased and maintenance services had more revenue than last year.

- Other income

Other income totaled THB 433 million, a decrease of THB 15 million or 3.4% from last year due to

- interest income totaled THB 82 million, an increase of THB 11 million or 15.5% due to higher average cash and cash equivalents than last year.

- other income amounted to THB 351 million was a decrease of THB 26 million or 6.9% primarily due to the lower revenue from spare parts borrowing services for other airlines.

- Gain on foreign currency exchange

Gain on foreign currency exchange totaled THB 9,654 million which consisted of unrealized foreign currency gain of THB 9,844 million which was the result of translating outstanding foreign currency loans into Baht terms at the end of the period and realized foreign currency loss totalling THB 190 million.

Expenses for Thai Airways International PCL. and its subsidiaries

Total expenses of the first quarter of 2015 amounted to THB 59,038 million, which was THB 5,686 million or 10.7% higher than the same period last year. A summary of operating expenses is as follows:

Unit : Million Baht	Jan - Mar					
	2015	% of Total Expense	2014	% of Total Expense	Variance	
					MTHB	%
Expense						
Fuel and oil	14,480	24.5	20,742	38.9	-6,262	-30.2
Employee benefit expenses	7,502	12.7	7,676	14.4	-174	-2.3
Flight service expenses	5,333	9.0	5,622	10.5	-289	-5.1
Crew expenses	1,382	2.3	1,470	2.8	-88	-6.0
Aircraft maintenance and overhaul costs	3,352	5.7	3,361	6.3	-9	-0.3
Depreciation and amortization expenses	5,092	8.6	5,106	9.6	-14	-0.3
Lease of aircraft and spare parts	2,040	3.5	1,418	2.7	+622	+43.9
Inventories and supplies	2,234	3.8	2,170	4.1	+64	+2.9
Selling and advertising expenses	2,302	3.9	1,998	3.7	+304	+15.2
Insurance expense	147	0.2	118	0.2	+29	+24.6
Other expenses	2,097	3.6	2,322	4.3	-225	-9.7
Share of profits of associates	(136)	(0.2)	(158)	(0.3)	+22	+13.9
Total Expense (Excl. Impairment and Finance cost)	45,825	77.6	51,845	97.2	-6,020	-11.6
Impairment loss of assets and aircraft	11,804	20.0	84	0.1	+11,720	-
Finance cost	1,409	2.4	1,423	2.7	-14	-1.0
Total Expenses	59,038	100.0	53,352	100.0	+5,686	+10.7

Total expenses (excluded impairment and finance cost) amounted to THB 45,825 million which was THB 6,020 million or 11.6% lower than last year. Significant changes of expenses for this year include:

- Fuel and oil expense amounted to THB 14,480 million, 24.5% of total expenses, was THB 6,262 or 30.2% lower with a decrease in average jet fuel price by 40.3% compared to the same period last year; however, the fuel hedging caused the company's expense with THB 2,842 million.

- Employee benefits expenses consisting of personnel expense, employee benefits, management benefits and board of directors' benefits amounted to THB 7,502 million, which was a decrease of THB 174 million or 2.3% due to the lower number of employees consisted of retired staff and employees with health issue who joined the Mutual Separation Plan(MSP).

- Flight related expenses consisted of flight service expenses, aircraft maintenance and overhaul costs crew expenses, and inventories and supplies totaled THB 12,301 million, a decrease of THB 322 million or 2.6% due to the strengthen Thai Baht, especially in EURO and Japanese Yen, which caused the decrease in expenses compared to last year.

- Lease of aircraft and spare parts totaled THB 2,040 million, an increase of THB 622 million or 43.9% due to increase of 9 operating lease aircraft since 2014 until the end of this quarter which were 4 Boeing B787-8 and 5 Airbus A320-200 aircraft while 1 operating lease aircraft was returned since 2014 until the end of this quarter.

- Selling and advertising expenses totaled THB 2,302 million, an increase of THB 304 million or 15.2% due to the increase of sales volume resulting from the increase in commission and reservation expenses.

Moreover, the implementation of new cargo revenue accounting system in August 2014 made changes in revenue recognition of freight and mail revenues which enabled to isolate commission expense while the old system recognized it as a net revenue. Thus, the commission expense for this period, roughly THB 100 million, was booked as part of the freight and mail revenues account, the same amount was booked in the selling and advertising expenses account. The simultaneous booking in the revenue and expense accounts bears no overall effect to THAI's profit and loss statement.

- Other expenses totaled THB 2,097 million, a decrease of THB 225 million or 9.7% since bad debts and doubtful accounts decrease THB 246 million.

Impairment loss of assets and aircraft increased THB 11,720 million as the following details:

- Impairment loss of aircraft increased THB 11,760 million, due to the provision for impairment loss of 8 aircraft, 6 Airbus A340-600 and 2 Boeing B747-400 (Freighter) whose amount of THB 11,804 million, while there were an additional impairment loss of an Airbus A300-600 recognized last year, amount of THB 43 million.

- Impairment loss of assets decreased THB 40 million due to lower reserved for damaged rotatable spare parts and could not be repaired.

Finance cost amounted to THB 1,409 million, a decrease of THB 14 million or 1.0% since interest rate was lower than last year, the strengthened Thai Baht compared to EURO and Japanese Yen which made the lower expense when translated to Baht term.

Share of profits of associates amounted to THB 136 million, a decrease of THB 22 million or 13.9%. The major reason was from the reduction of associates' results from last year. THAI still recognized profit sharing of associates' results. Details as follow:

- Bangkok Aviation Fuel Services PCL's amount of THB 69 million, a decrease of THB 11 million,
- Phuket Air Catering Ltd.'s amount of THB 33 million, a decrease of THB 10 million,
- Suvarnabhumi Airport Hotel Ltd.'s amount of THB 5 million, a decrease of THB 17 million,
- Donmuang International Airport Hotel Ltd.'s amount of THB 6 million, a decrease of THB 1 million,
- Nok Airlines PCL.'s amount of THB 22 million, an increase of THB 6 million, and
- Royal Orchid Hotel (Thailand) PCL's amount of THB 1 million while last year's amount of THB 10 million loss.

Income tax revenue

Income tax revenue of Thai Airways International PCL. and its subsidiaries amounted to THB 2,284 million. The main reasons were mainly from the impact of recording deferred income tax from the recognition of an impairment loss of assets in this quarter.

3. Financial Position and Liquidity

Capital Expenditures – The Company

Unit : Million Baht	Jan - Mar	
	2015	2014
Aircraft and aircraft spare parts	4,519	5,222
Non-Aircraft	246	218
Total	4,765	5,440

Capital expenditures for the first quarter of 2015 totaled THB 4,765 million as the following details

- Investment in aircraft and aircraft spare parts totaled THB 4,519 million included payment for aircraft delivered, which totaled 2 new aircraft consisted of 1 Boeing B777-300ER and 1 Airbus A320-200 aircraft, and related expenses of existing aircraft, total amounted to THB 4,105 million. Prepayment for acquisition of aircraft and engines in which delivery will be taken in 2015-2018 totaled THB 331 million and THB 83 million for rotatable aircraft spare part and spare engine.

- Investments in other fixed assets amounted to THB 246 million. Most of them were invested in the Ground Support Equipment activities.

Financing

In the first quarter of 2015, THAI financed based on financing plans both long-term and short-term funding, amount of THB 10,907 million as the following details

1) acquired long-term financing through financial lease using the aircraft as collateral to pay for 1 Boeing B777-300ER aircraft for aircraft payment in the amount of EURO 137 million, or approximately THB 5,140 million and 1 Airbus A320-200 aircraft in the amount of EURO 28 million or approximately THB 1,067 million.

2) draw down of its committed revolving credit line from domestic financial institution and Bill of Exchange (B/E) to repay the loan at maturity and used as working capital, amount of THB 4,700 million.

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

Unit : Million Baht	Jan – Mar	
	2015	2014
Net cash from (used in) operating activities	3,716	(2,075)
Net cash used in investing activities	(1)	(1,950)
Net cash from (used in) financing activities	(10,353)	2,225
Effect from changing in exchange rate on cash and cash equivalents increase (decrease)	391	(166)
Increase(decreases) in cash and cash equivalents	(6,247)	(1,966)

In the first quarter of 2015, net cash from operating activities totaled THB 3,716 million, an increase of THB 5,791 million from last year mainly due to this year's profit while last year report loss from operation and lower net cash used in investing activities this year. However, THAI's net cash used in financing activities, the amount of THB 10,353 million, was higher than last year due to the increasing of short-term repayment. Consequently, cash and cash equivalents for the period ended March 31, 2015 decreased from the end of last year, THB 6,247 million

Fleet

According to the fleet development strategy which has been implementing since last year along with the fleet strategy aimed to streamline the number of aircraft and types of aircraft for improving efficiency and operation cost reduction, it is one of strategic plan to reform THAI.

In the first quarter of 2015, THAI's consolidated took delivery of total 2 aircraft under finance lease: 1 Boeing B777-300ER and 1 Airbus A320-200 aircraft. THAI also decommissioned 11 aircraft consisted of 6 Airbus A340-600, 3 Airbus A330-300 aircraft, and 2 Boeing B747-400 which converted to freighter aircraft. When combined active aircraft as of December 31, 2014, totaled 102 aircraft, the above aircraft movement puts THAI's net active aircraft fleet at 93 aircraft(including 3 Airbus A320-200 aircraft subleased and 10 Airbus A320-200 aircraft transferred the leasehold right to ThaiSmile.)

In this quarter, THAI sold 2 aircraft which were 1 Boeing B747-400 and 1 Airbus A300-600 aircraft. THAI also returned 1 operating lease aircraft: Boeing B737-400 which was decommissioned in the previous years.

Fleet details are as follow

AIRCRAFT TYPE	Number of Aircraft	Own	Finance Lease	Operating Lease	Active aircraft	
					As of March 31, 2015	Variance from As of December 31, 2014
BOEING B747-400	12	10	2	-	12	
BOEING B777-300	6	6	-	-	6	
BOEING B777-200ER	6	-	6	-	6	
BOEING B777-200	8	6	-	2	8	
BOEING B737-400	8	6	-	2	2	
BOEING B777-300ER	12	-	4	8	12	+1
BOEING B787-8	4	-	-	4	4	
AIRBUS A340-600	6	-	6	-		-6
AIRBUS A340-500	4	4	-	-		
AIRBUS A330-300	26	9	15	2	19	-3
AIRBUS A320-200	18	-	3 ⁵⁾	15 ⁴⁾	18	+1
AIRBUS A380-800	6	2	4	-	6	
AIRBUS A300-600	7	7	-	-		
ATR 72	2	2	-	-		
FREIGHTER						
BOEING B747-400	2	2	-	-		-2
TOTAL	127	54¹⁾	40²⁾	33³⁾	93	-9

- Remarks :
- 1 Included 26 decommissioned aircraft owned by THAI and held for sales
 - 2) Included 6 decommissioned aircraft under finance lease by THAI and held for sales
 - 3) Includes 2 Boeing B737-400 aircraft held for returning to lessor
 - 4) Included 10 aircraft transferred the leasehold rights to Thai Smile Airways Co.,Ltd.
 - 5) Included 3 Airbus A320-200 aircraft under finance lease subleased to Thai Smile Airways Co.,Ltd.

Assets of Thai Airways International PCL. and its subsidiaries

As of March 31, 2015, total assets were THB 292,165 million, a decrease of THB 15,102 million or 4.9% from as at December 31, 2014.

	Consolidated					
	Mar 31, 2015		Dec 31, 2014		Variance	
	MTHB	% of Total Assets	MTHB	% of Total Assets	MTHB	%
Current assets						
Cash and cash equivalents	17,100	5.9	23,347	7.6	-6,247	-26.8
Non-current assets classified as held for sale	13,298	4.5	4,826	1.6	+8,472	+175.5
Other current assets	37,058	12.7	36,112	11.7	+946	+2.6
Current Assets	67,456	23.1	64,285	20.9	+3,171	+4.9
Property, plant and equipment						
Prepaid aircraft and spare engine	8,901	3.0	12,368	4.0	-3,467	-28.0
Aircraft	45,559	15.6	51,322	16.7	-5,763	-11.2
Aircraft under finance leases	123,076	42.1	134,611	43.8	-11,535	-8.6
Aircraft spare parts	13,671	4.7	13,191	4.3	+480	+3.6
Work in process	477	0.1	1,274	0.4	-797	-62.6
Land, building and improvements	6,353	2.2	6,449	2.1	-96	-1.5
Other plant and equipment	5,153	1.8	4,806	1.6	+347	+7.2
Property, plant and equipment-net	203,190	69.5	224,021	72.9	-20,831	-9.3
Other non-current assets	21,519	7.4	18,961	6.2	+2,558	+13.5
Total Assets	292,165	100.0	307,267	100.0	-15,102	-4.9

Current assets were THB 67,456 million or accounted for 23.1% of total assets, an increase of THB 3,171 million or 4.9% from as of December 31, 2014. The significant items consisted of

- A decrease in cash and cash equivalents of THB 6,247 million or 26.8%, mainly from short-term loans repayment which due, the amount of THB 6,300 million, and long-term loans repayment and interest expenses of THB 4,054 million, while cash flow from operations as THB 3,716 million.

- Non-current assets classified as held for sale increased THB 8,472 million or 175.5% due to the transferring 12 decommissioned aircraft as aircraft held for sale which were 4 Airbus A330-300, 6 Airbus A340-600, and 2 Boeing B747-400(Freighter), the net book value amounted to THB 8,700 million. Also, THAI sold 2 aircraft which were 1 Airbus A300-600 and 1 Boeing B747-400 aircraft.

- An increase in other current assets of THB 946 million or 2.6% mainly from the increase of trade receivables, the amount of THB 856 million due to the higher sale volume as of March 31, 2015 than December 31, 2014. It should be noted that this year THAI has been able to better manage faster collection period by speeding up from 28 days in the first quarter 2014 to 25 days this year which was lower than THAI's normal collecting period.

THAI's trade receivables as of March 31, 2015 and December 31, 2014 classified by aging period as the following details

Unit : Million Baht	MAR 31, 2015	DEC 31,2014
Aging Periods:		
Not over 6 months	13,360	12,426
Over 6 months to 1 year	186	334
Over 1 year to 2 years	271	253
Over 2 years	895	849
Total	14,712	13,862
<u>Less</u> Allowance for doubtful account	(1,163)	(1,169)
Trade receivables - net	13,549	12,693

Property, plant and equipment-net totaled THB 203,190 million or represented 69.5 % of total assets, which saw a decrease of THB 20,831 million or 9.3% from December 31, 2014 resulting from

- the decrease in the prepaid aircraft and spare engines totaled THB 8,901 million, a decrease of THB 3,467 million or 28.0% due to the transfer from aircraft prepayment: 1 Boeing B777-300ER and 1 Airbus A320-200 aircraft to aircraft under finance lease and engine prepayment to rotatable spare part; however, there were aircraft prepayment of Airbus A350-900XWB.

- Aircraft totaled THB 45,559 million, a decreased THB 5,763 million or 11.2% due to the normal calculation of aircraft depreciation and transferring decommissioned aircraft to non-current assets classified as held for sales, totaling 6 aircraft: 4 Airbus A330-300 and 2 Boeing B747-400F aircraft.

- Aircraft under finance lease increased THB 123,076 million, a decrease of THB 11,535 million or 8.6%, due to transferring 6 decommissioned Airbus A340-600 aircraft to non-current assets classified as held for sales aircraft whose net book value was around THB 16,360 million and the result of depreciation estimated. However, there were new aircraft delivered in this quarter which consisted of 1 Boeing B777-300ER and 1 Airbus A320-200 aircraft.

- Although the result of depreciation estimated made the decrease in value of assets, the aircraft spare part totaled THB 13,671 million, an increase of THB 480 million or 3.6% due to the delivery of spare engines.

- Although there were additional assets in this quarter, property, plant and equipment, consisted of work in progress, land, buildings and improvements of other plants and equipment, totaled THB 11,983 million, a decrease of THB 546 million, mainly due to the normal depreciation estimated.

Other non-current assets totaled THB 21,519 million or represented 7.4% of total assets, which increased THB 2,558 million or 13.5% from as of December 31, 2014 resulting from deferred tax assets totaled THB 9,318 million, an increased by THB 2,309 million or 32.9% mainly due to the recording of deferred tax assets from the increase of allowance for impairment of aircraft,

Return on assets of the first quarter 2015 was 1.2% higher than last year's -0.3% due to net profit while last year's loss.

Liabilities of Thai Airways International PCL. and its subsidiaries

Total liabilities as of March 31, 2015 totaled THB 246,320 million, which was a decrease of THB 19,651 million or 7.4% from as of December 31, 2014. These comprise of:

	Consolidated					
	Mar 31, 2015		Dec 31, 2014		Variance	
	MTHB	% of Total Liabilities	MTHB	% of Total Liabilities	MTHB	%
Current liabilities (including current portion of long-term liabilities)	89,579	36.4	102,109	38.4	-12,530	-12.3
Long-term liabilities						
Debentures	41,300	16.8	41,600	15.6	-300	-0.7
Liabilities under financial leases	58,266	23.6	61,389	23.1	-3,123	-5.1
Long term borrowings	39,966	16.2	43,886	16.5	-3,920	-8.9
Total long-term liabilities	139,532	56.6	146,875	55.2	-7,343	-5.0
Other non-current liabilities	17,209	7.0	16,987	6.4	+222	+1.3
Total Liabilities	246,320	100.0	265,971	100.0	-19,651	-7.4

Current liabilities (excluding current portion of long term liabilities' amount of THB 20,996 million) totaled THB 68,583 million, a decrease of THB 11,849 million or 14.7% from last year. Details as follows:

- Short-term loan decreased THB 6,300 million due to repayment of short-term maturity.
- Accrued expenses decreased THB 4,066 million mainly due to the decrease of accrued fuel expense from the decline in fuel prices. Moreover, as of December 31, 2014, there were other accrued expense consisted of accrued expenses on return of the 3 operating lease aircraft: Boeing B737-400, amount of THB 615 million, accrued special incentive for 2013's performance, amount of THB 640 million which was paid in this quarter.

Long-term liabilities as of March 31, 2015 (including current portion of long term liabilities' totaled THB 20,996 million) totaled THB 160,528 million represented 65.2 % of total liabilities, which was a decrease of THB 8,024 million or 4.8% from December 31, 2014 primarily due to the strengthening value of the Baht as of March 31, 2015 when compared to the end of 2014 benefited from the reduction of long-term liabilities translated to Baht terms. When excluded foreign currency adjustment, the amount of THB 9,568 million, long-term liabilities increased THB 1,544 million mainly due to

- acquiring the additional long-term financing increased THB 6,207 million to pay for aircraft purchases, 1 Boeing B777-300ER and 1 Airbus A320-200 aircraft.
- Long-term repayment, amount of THB 4,663 million, consisted of long-term repayment and liabilities under financial leases.

At the end of the first quarter 2015, interest bearing debt to equity was 3.9 times when compared to the end of 2014's 4.7 times.

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

As of March 31, 2015, shareholders' equity totaled THB 45,845 million, an increase of THB 4,549 million or 11.0% from December 31, 2014 due to profit from operations. Consequently, return on equity for the first quarter 2015 increased from -4.7% at the same period last year to 10.4%.

4. Factors affecting future operations

The forecast situation of the aviation industry in the second quarter is to grow steadily corresponding to the global economic recovery and positive factor which is expected low oil prices. For the aviation industry of Thailand, there are issues of the safety concerns which Thai Department of Civil Aviation will be closely audited by the International Civil Aviation Organization (ICAO) following the Universal Safety Oversight Audit Program – USOAP. In case of any problem occurs, it seriously affect the aviation industry of Thailand, 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 by adjusting the aircraft in accordance with market demand and constantly decreasing flight path with losses continuing for a long time. The Summer TPI 2015 which began on March 29, 2015, has stopped flying Day Flight to Frankfurt since May 1, 2015, and London since July 1, 2015.
- Providing the Mutual Separation Plan-MSP for general employees and Golden Handshake scheme for flight attendants in order to manage capacity which has been affected by the reduction of flights and routes, to restructure personnel costs, and to well manage personnel aimed to balance and increase efficiency.
- Fleet strategy by selling 8 aircraft comprising 5 Airbus A 300-600 aircraft and 3 A330-300 aircraft. These aircraft will be delivered to the buyer during May - June 2015, and expects to sell more 8 aircraft in July 2015.
- Debentures issuance in April 2015, the total amount THB 7,000 million which divided into four series, the amount of THB 5,000 million, and reserved for IPO up to THB 2,000 million. The scheduled issue date will be April 30, 2015 and pay interest every six months throughout the life of the bonds. The objective is to use for debentures repayment, and/or use for investment, and/or use for working capital.

The reliability of THAI's debentures has been ranked at A+ by TRIS Rating Co., Ltd. , reflecting the confidence of THAI as state enterprise and national flag carrier with fully support by Thai government.

For an issuance of an International Civil Aviation Organization Significant Safety Concern (ICAO-SSC), THAI had developed a risk mitigation plan to reduce the impact on our airline business. THAI also supports Thai DCA in developing a comprehensive corrective action plan as well as providing aviation personal experts to assist in resolving these short coming within the prescribed realistic time frame. Recently, THAI management had traveled to meet and clarify this situation with safety agencies of Japan, China and South Korea with positive and satisfactory results. This is to ensure confidence that the operating process of THAI is in accordance with international standards. THAI plans to respond to the situation in a pro-active manner including the preparation of both equipment and personnel to support safety assessments from all countries operates into. THAI conforms to the IATA's Operating Safety Audit-IOSA accreditation that is an internationally recognized standard. THAI is confident that our organization preparation will be able to handle situations that may arise in the future. THAI is able to mitigate and control the risks associated with this situation as well as taking further actions to minimize the effect to our aviation business.

5. Financial Ratios

		Jan – Mar	
		2015	2014
Liquidity Ratio			
Current Ratio	(times)	0.79	0.80
Profitability Ratio			
Profit (loss) before Gain on foreign currency exchange	%		
Tax and Impairment Margin		8.55	(6.58)
Net Profit (loss) Margin	%	8.81	(5.24)
Return on Equity	%	10.44	(4.71)
Efficiency Ratio			
Return on Total Assets	%	1.23	(0.31)
Financial Policy Ratio			
Interest Bearing Debt to Equity	(times)	3.87	3.35
Interest Coverage Ratio	(times)	7.75	2.28

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 Impairment)

= Profit (loss) before Gain on foreign currency exchange Tax and Impairment / 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

Interest Coverage ratio = EBITDA/interest