

The Thailand Focus

*Striving together towards
a strong and sustainable THAI*

28 October 2009

Agenda

- **Introducing key newly appointed THAI senior executives**
- Looking back
- *Striving together towards a strong and sustainable THAI*
- Quick-win initiatives
- Preliminary 2010 projected targets
- Conclusion

Newly appointed THAI senior executives

- **Khun Kaweephan Raungpaka – Executive Vice President, Finance and Accounting Department (DE)**
- **Khun Chokchai Panyayong – Executive Vice President, Strategy and Business Development Department (DY)**
- **Khun Pruet Boobphakam – Executive Vice President, Commercial Department (DN)**

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Looking back

- **Global economic weakness**
- **Record jet fuel price**
- **Political differences in Thailand**
- **H1N1 epidemic**
- **Increased competition from low-cost carriers and new players from the Middle East and India**
- **One time charges for anti-trust; devalued aircraft**

- **Earned a staggering net loss in 2008**
- **Experienced liquidity tightness**

Turnaround plan initiated

Stabilize revenue

- Adjusted capacity and targeted higher yielding customers

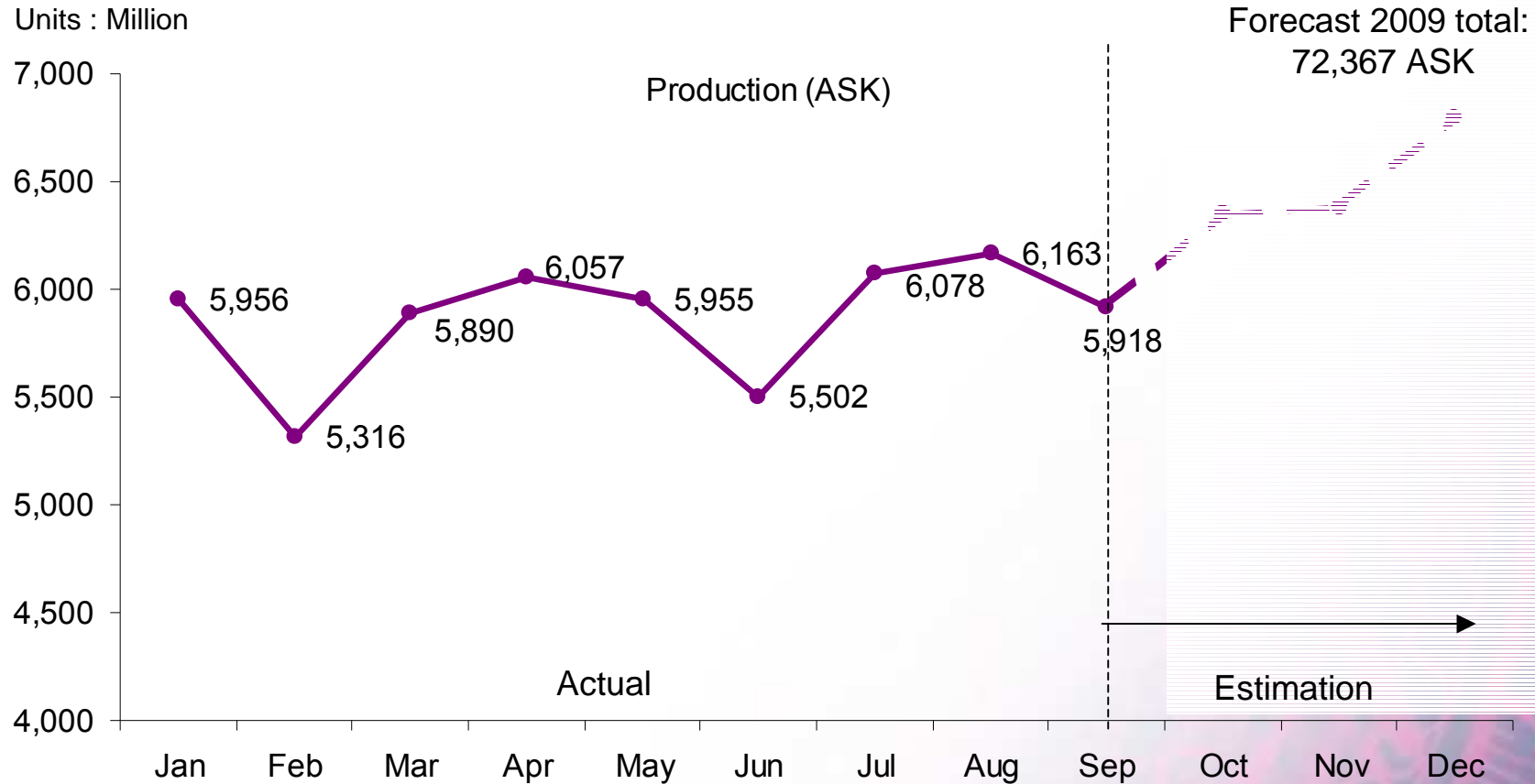
Set cost-cutting target

- Set year-end 2009 cost-cutting target of about THB11bn
- Stringent operating cost reduction - cutting targets across all departments and minimizing discretionary cash expenses and unnecessary capex

Improve liquidity

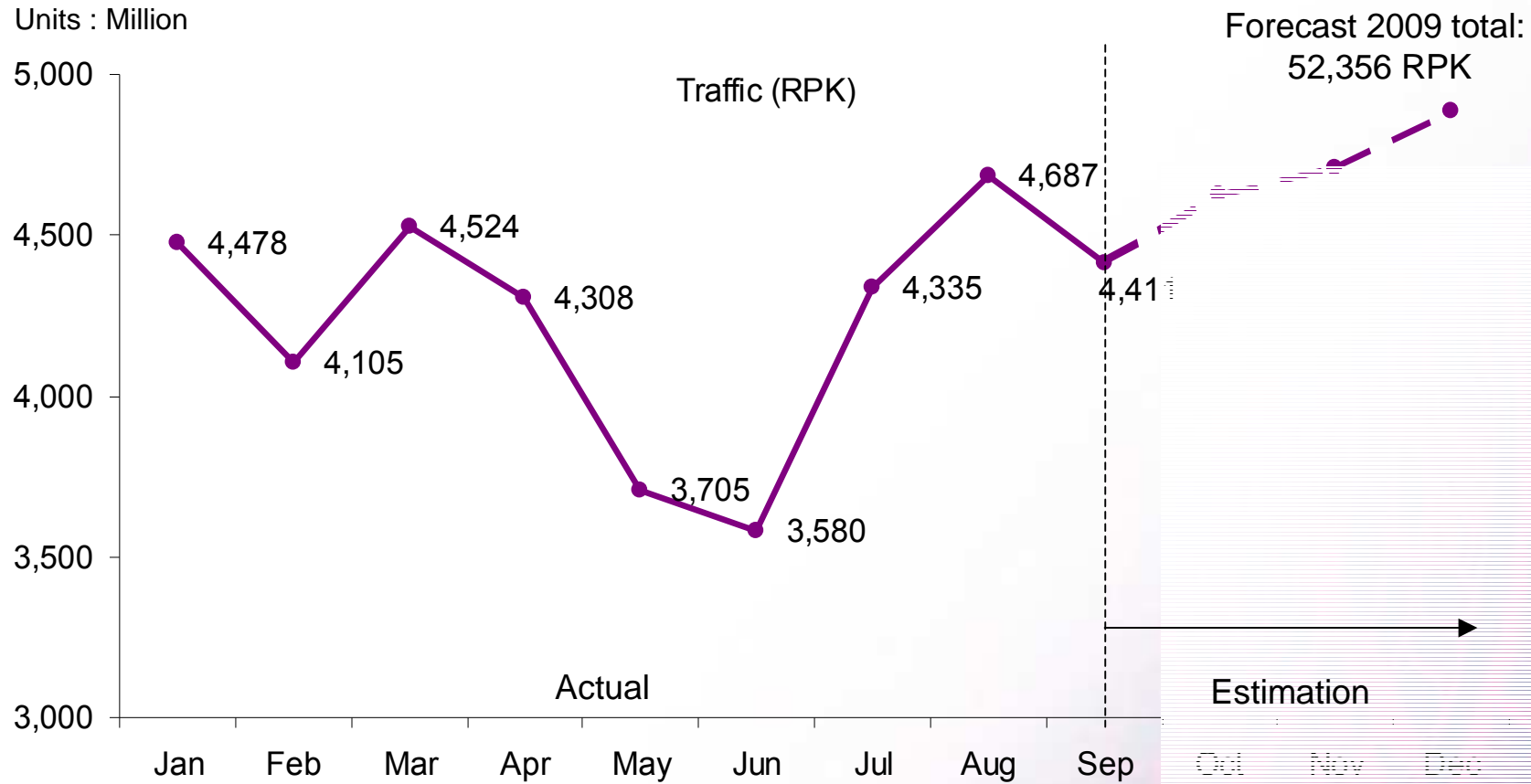
- Target long-term financing requirement THB 35 bn

THAI to boost production in-line with increase in global travel



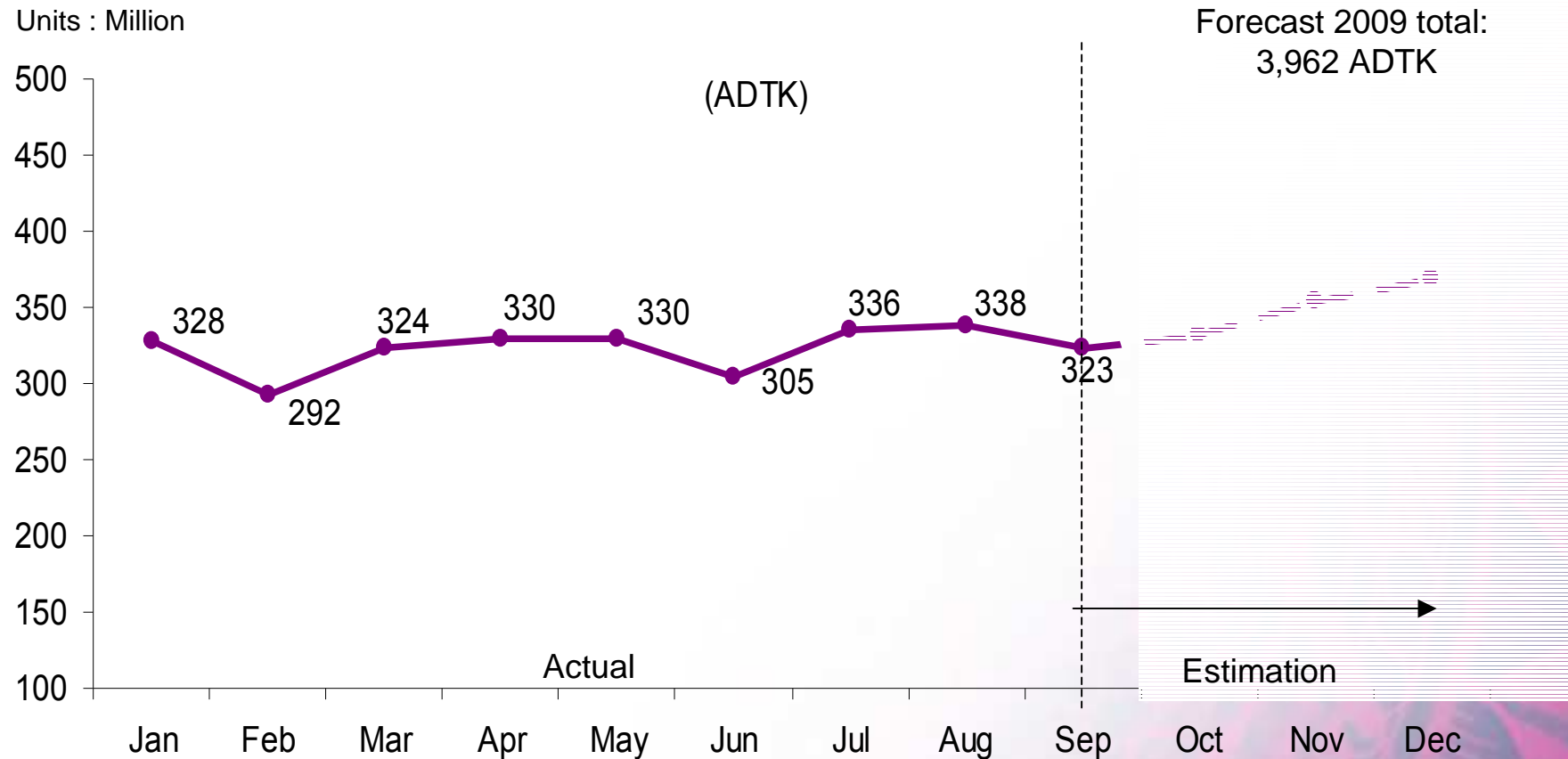
- Additional
- Capacity increase planned for 4Q 2009, with total forecast production for 2009 at 72,367 ASK

RPK improving with through peak season upward trend through end 2009



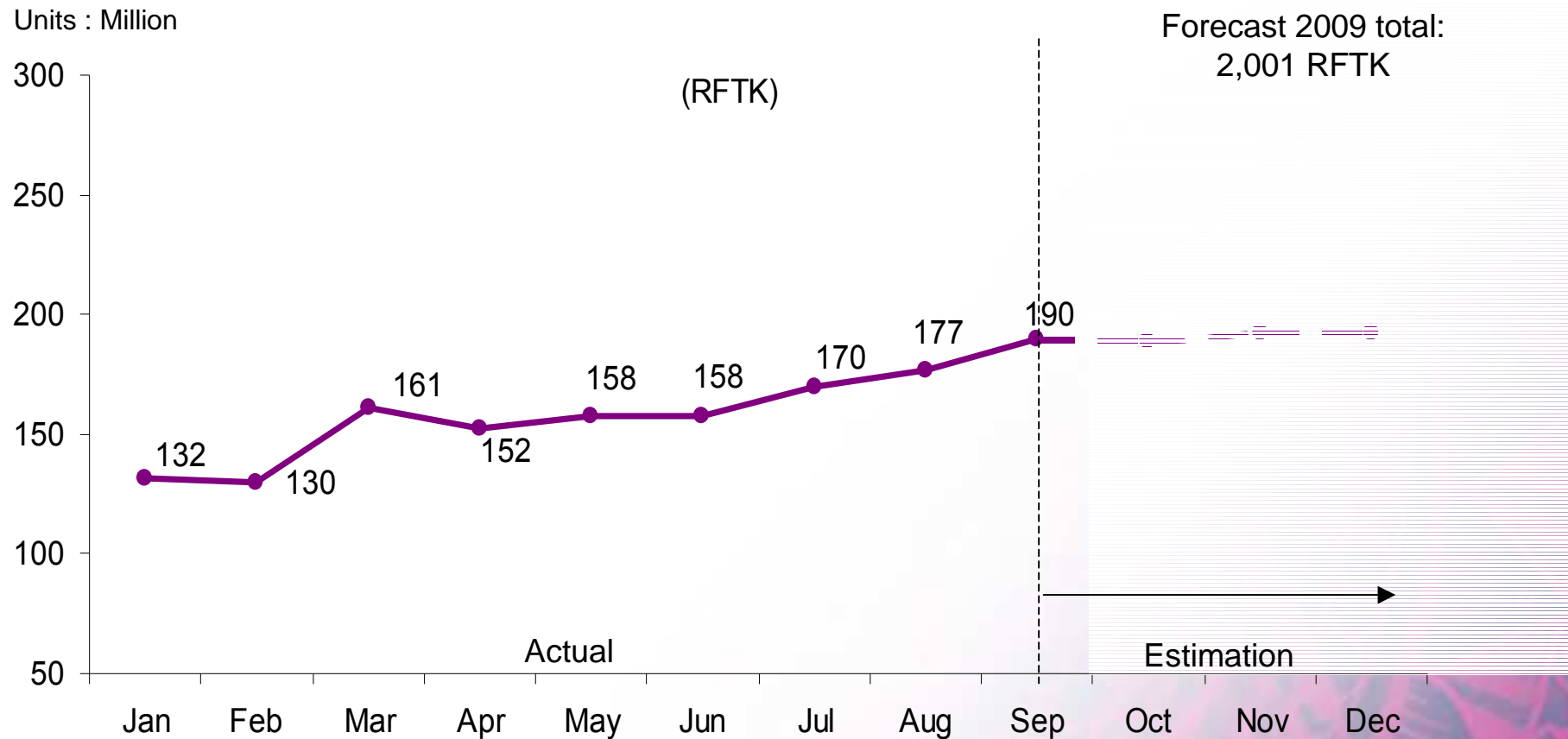
- Traffic is expected to increase steadily in 4Q 2009, with the high tourist season
- Stronger 4Q yield to contribute to 2009 RPK of 52,356

THAI to boost production with recovering demand



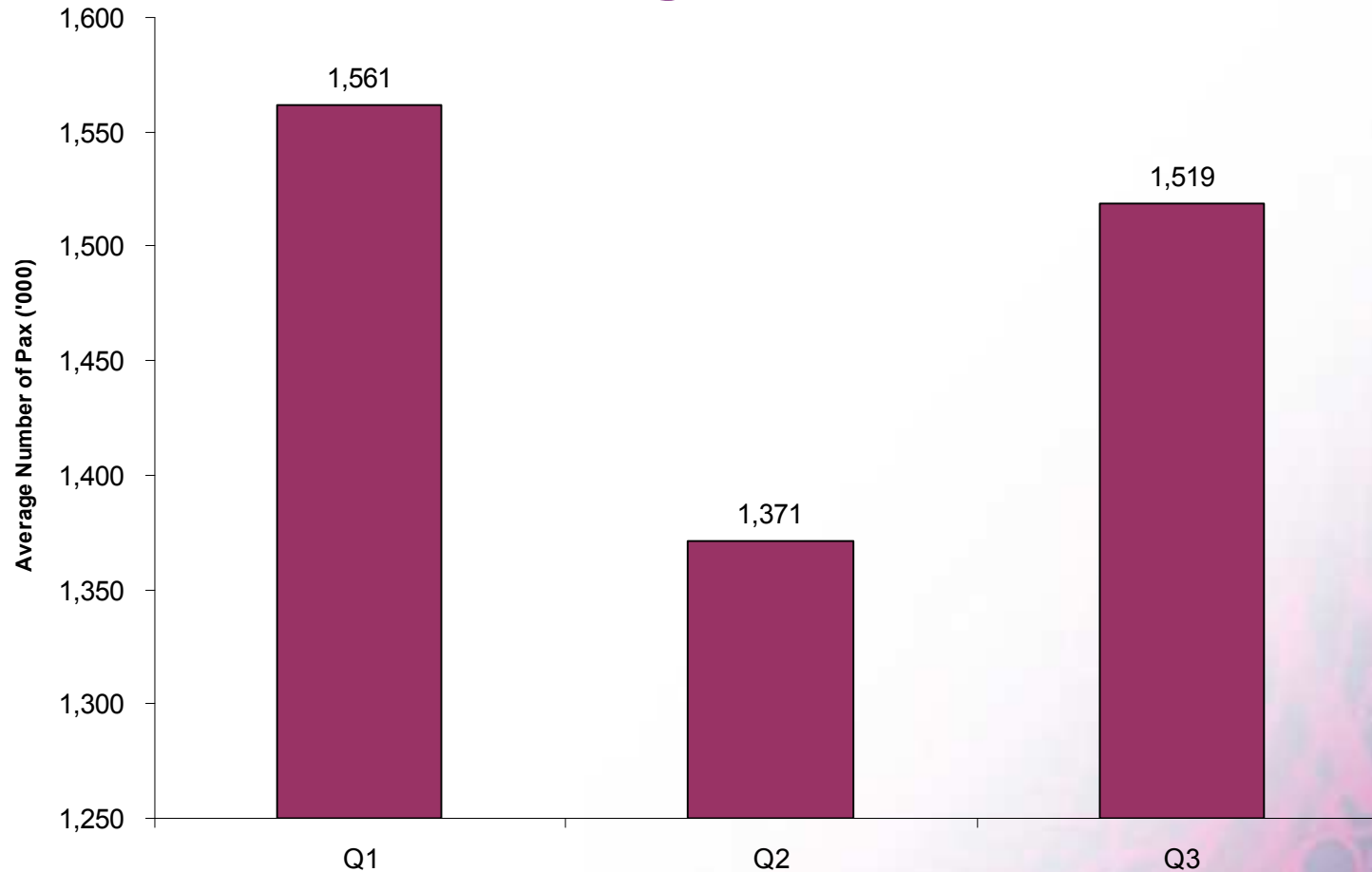
- Additional
- Capacity increase planned for 4Q 2009, with total forecast production for 2009 at 3,962 ADTK

Stabilizing freight rates in line with stranger demand



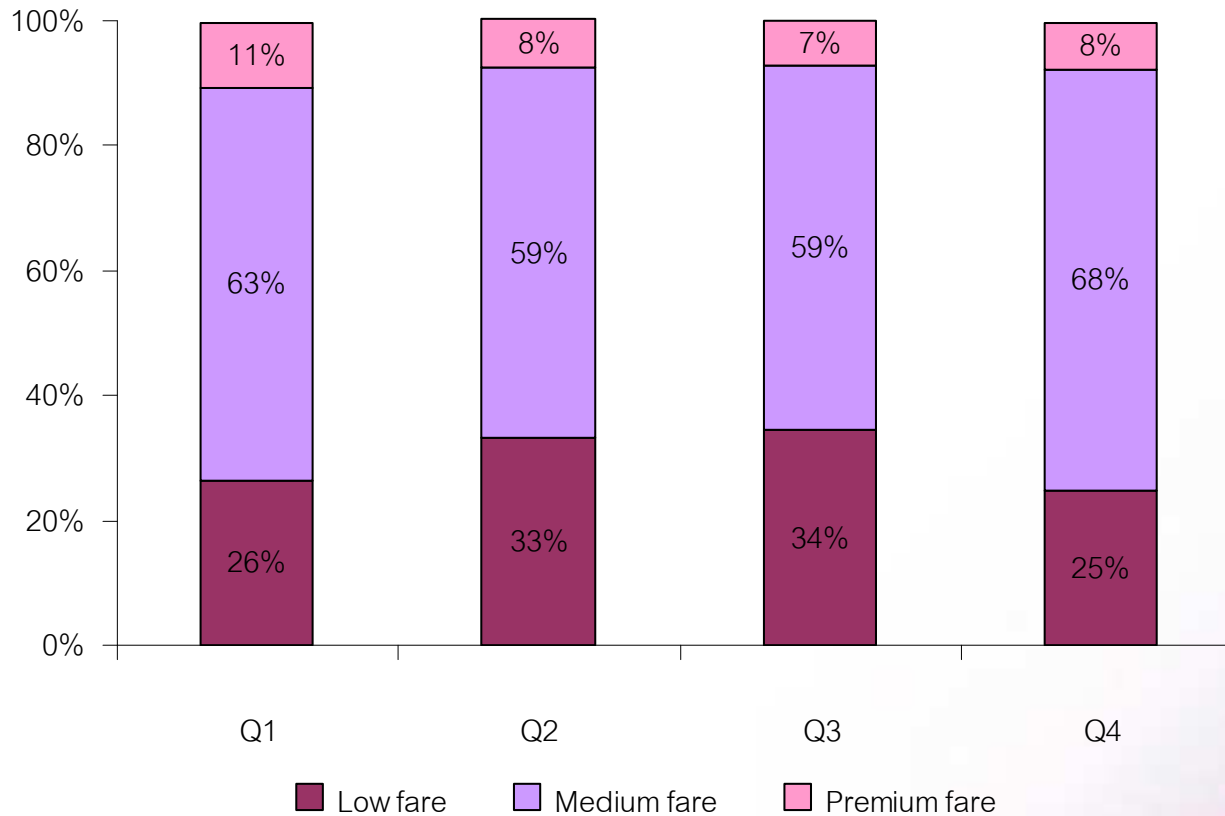
- Total forecast RFTK for 2009 is 2,001

Stabilizing revenue – THAI's passenger demand in pace with global pick-up



- Stronger demand during the European summer months and increased capacity improved 3Q 2009 passenger numbers
- Expect 4Q 2009 to continue to show improvement with high season

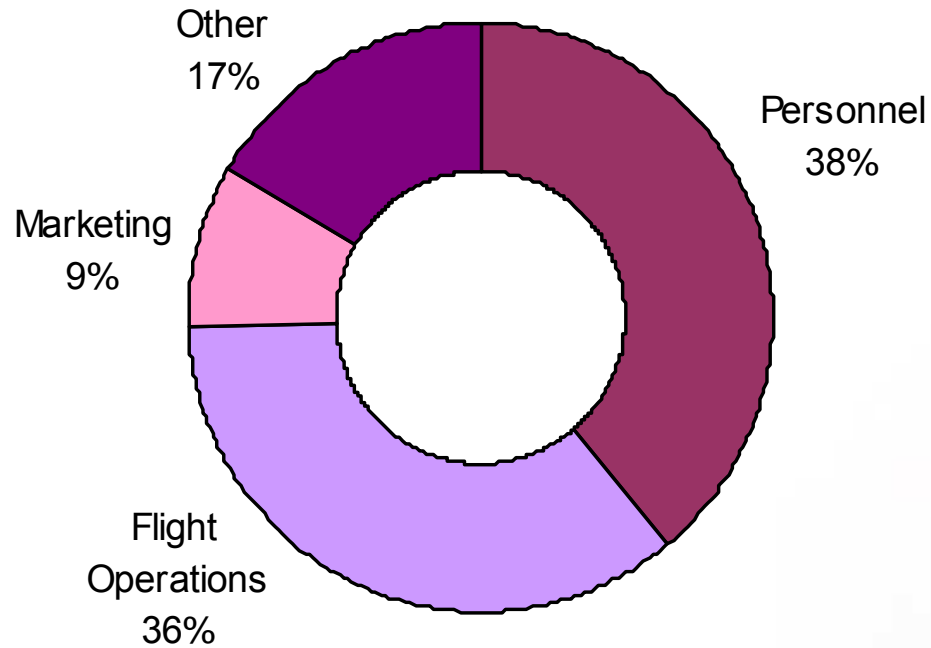
Stabilizing revenue - Stronger yield likely for 4Q



- 4Q normally strong in number of travellers and yield
- Greater effort put forth in managing for stronger RBDs to improve yield

Cost control – achieved as of 3Q 2009

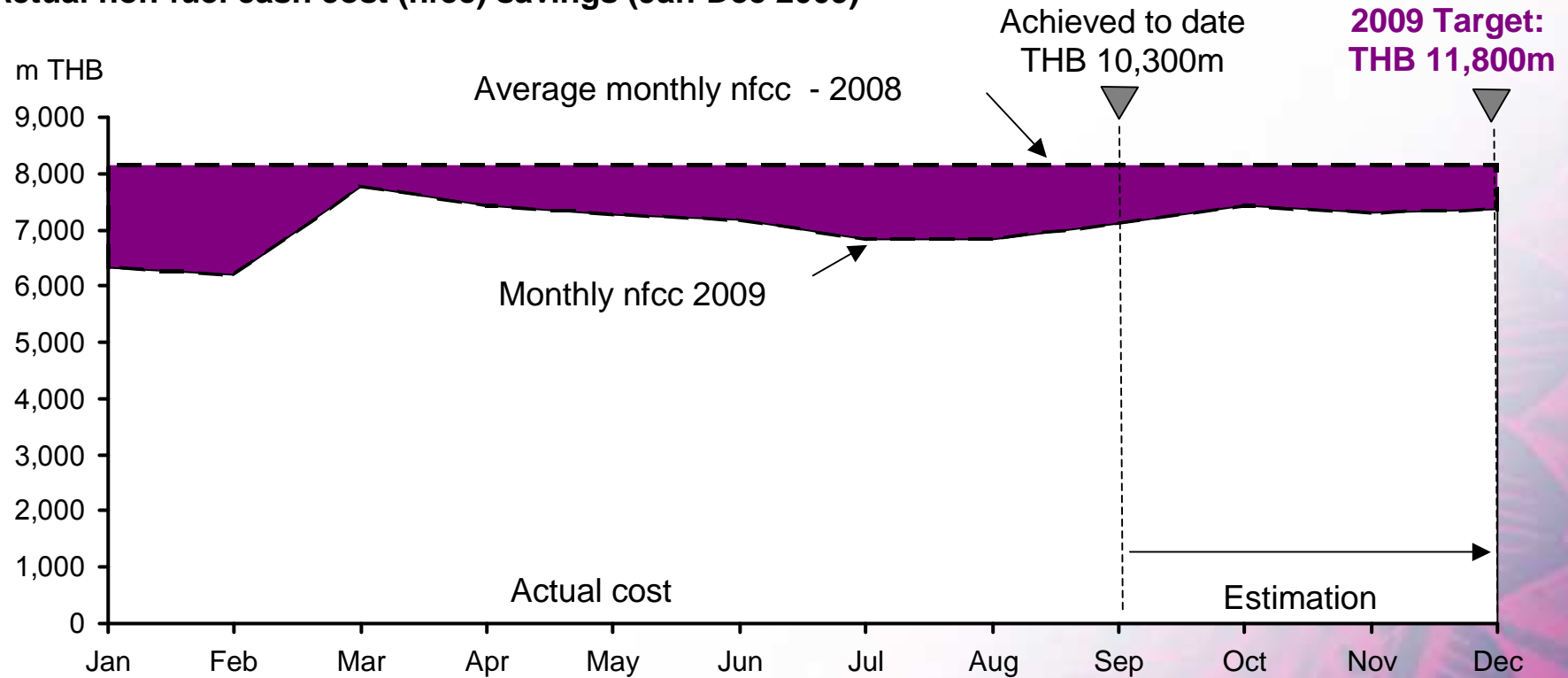
THB11,800m non-fuel cost reduction targeted for year-end 2009



- Aggressive cost control at every level– achieving cost reduction of close to THB10bn through 3Q 09

Cost control – Likely to achieve cost reduction goal

Actual non-fuel cash cost (nfcc) savings (Jan-Dec 2009)

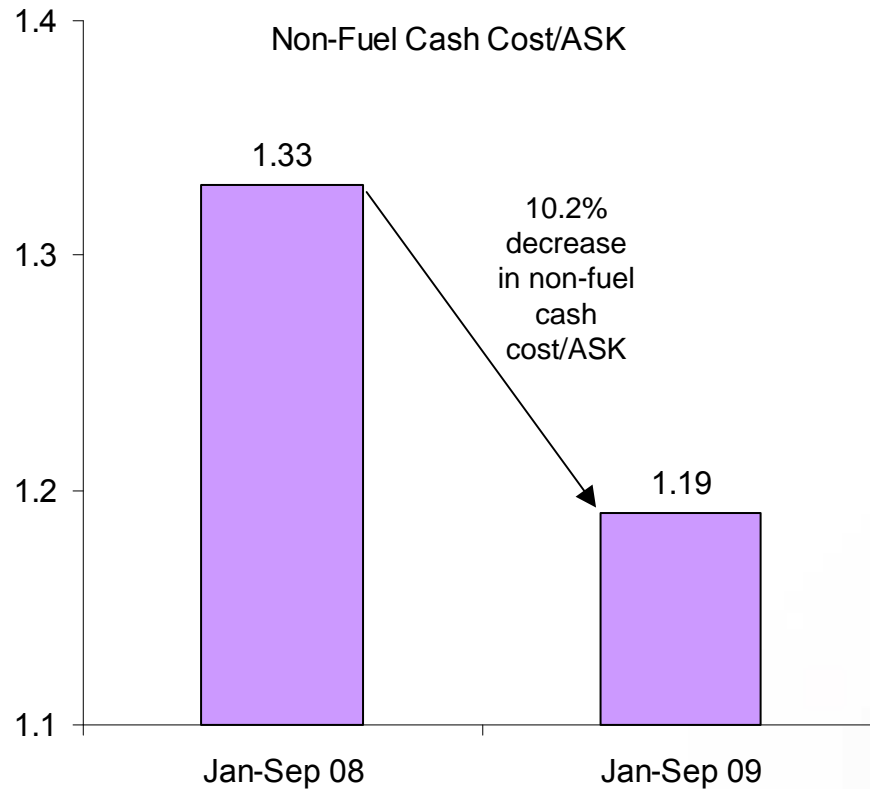


Note:

1. Total operating expenses less fuel expenses less depreciation, impairment, and other non-operating charges

Jan-Sep 09 non-fuel cash cost¹/ASK decreased by 10.2% y-o-y

Units : THB



- Non-fuel cash cost/ASK in Jan-Sep 09 was THB1.19/ASK, a 10.2% reduction from Jan-Sep 08 due to successful cost reduction measures
- Non-fuel cash cost/ASK savings of THB0.14/ASK in Jan-Sep 09 translates into 6.6% of Total Cost/ASK over the period

Note:

1. Total operating expenses less fuel expenses less depreciation, impairment, and other non-operating charges

Improved liquidity

- Successfully restructured short-term funding to longer-term financing:
 - Target long-term financing requirement THB 35 bn
 - Current long-term loan acquired THB 28 bn (as of 3Q 2009)
 - Balance of THB 7 bn in financing not yet drawn down (as of 3Q 2009)

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Building on THAI's strengths

Thailand as home base

- Thailand is one of the leading tourist destinations in the world
- THAI will continue to benefit from Thailand's natural endowment as a gateway to the region

Leading service and hospitality

- THAI's leading reputation for service and unique Thai hospitality has been recognized by high rankings in industry surveys

High quality employees

- Efforts, capability, and dedication of THAI's employees reflected by THAI's strong industry rankings
- Demonstrated by the successful cost reduction of turnaround plan during 2009

Robust flight operation

- THAI operates with the highest standards of safety and reliability

Challenges still facing THAI

Global and domestic crises

- Due to globalization, global crises will continue to take place, even more frequently, impacting our international traffic volume
- Thailand has become less stable than before

Fuel price volatility

- High fuel price volatility
- THAI's fleet is less fuel-efficient compared to peers.

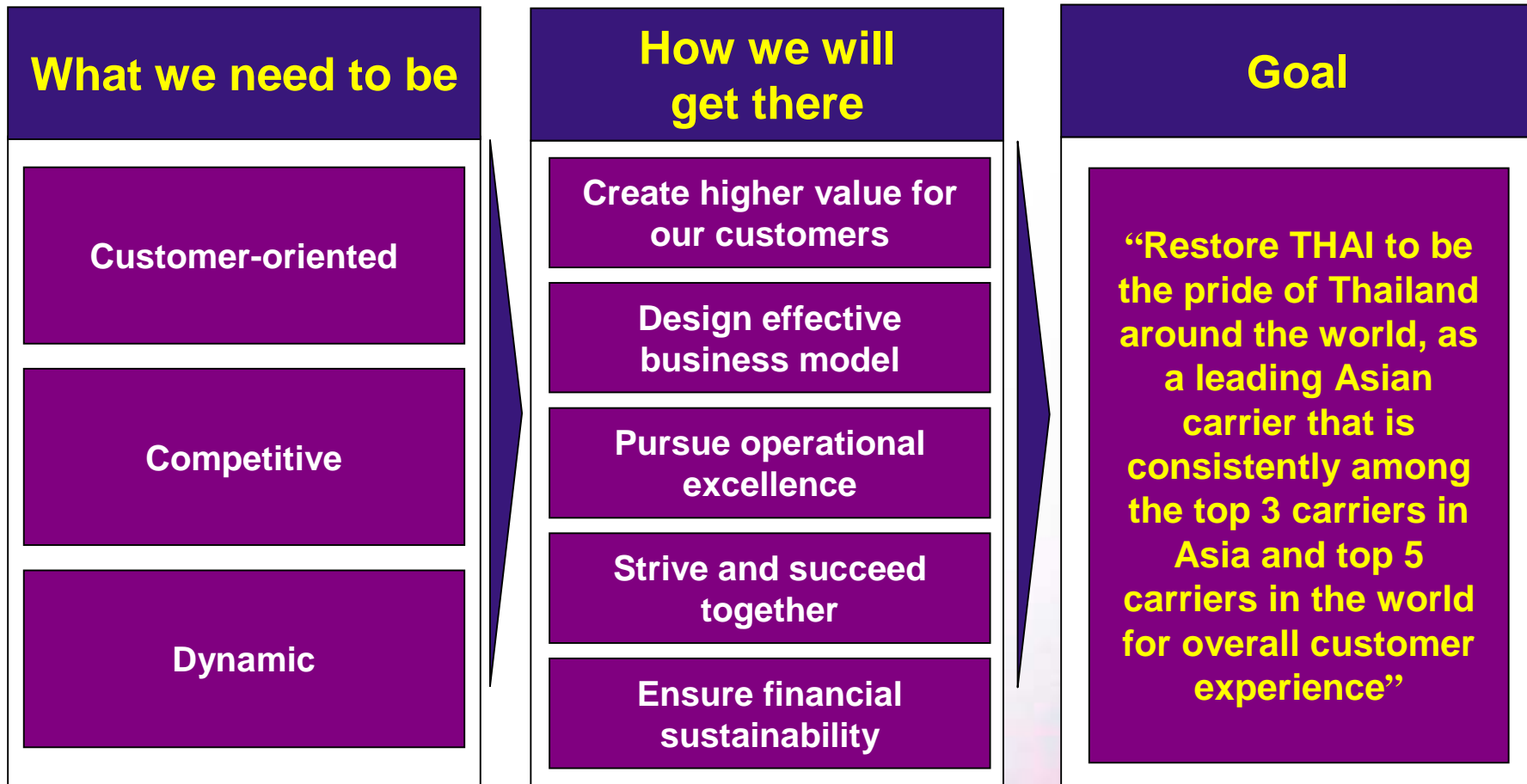
Intense competition

- Peers' service standards increasing. Our cabin products currently lagging that of peers.
- Threat from LCCs in domestic and international markets, especially to regional destinations
- New players from the Middle East

Internal weakness

- SOE work culture with rigid rules & regulations and cumbersome decision making process
- Open to external interference at all levels

Our journey toward THAI's 100th Anniversary



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Quick-win initiatives

**Create
higher value
for our
customers**

- Increase premium seat availability for our paid customers during high season
- Quick-win product and service improvements that do not require any additional investment/expense
 - eliminate recurring in-flight service complaints
 - improve procedures for handling flight disruptions and cancellations
 - redesign in-flight menus to best suit customer tastes and preferences while leveraging the popularity of Thai food around the world

**Design
effective
business
model**

- Enhance customer accessibility through website and other alternative channels such as call center and direct sales to corporate customers
- Re-align NokAir to its original goal of being a complementary LCC partner of THAI
- Comprehensive review competitive positioning & business model to determine strategic direction of THAI

Quick-win initiatives

**Pursue
operational
excellence**

- Renew cost/productivity management program
- Review current internal rules, regulations and processes to enhance business agility
- Redesign procurement process to respond faster to market changes and improve transparency
- Study and introduce “Whistleblower” concept
- Improve maintenance timeliness to enhance reliability and increase aircraft availability

**Strive and
succeed
together**

- Implement performance-based culture by starting with performance contracts for EVPs & MDs
- Review the leadership team effectiveness
- Mobilize change leaders to enhance internal communication channels

Quick-win initiatives

Ensure financial sustainability

- Establish world-class fuel risk management to reduce impact of fuel price volatility
- Develop financial restructuring plan to strengthen balance sheet and reduce liquidity & FX risk
- Continue the 2009 turnaround plan by restructured funding toward longer-term financing

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- **Preliminary 2010 projected targets**
- **Conclusion**

Preliminary 2010 projected targets & assumptions

ASK

- Increase by 8-12% to 78,000 MASK – 79,530 MASK, from projected 72,300 MASK in 2009

RPK

- Increase by 10-14% to 57,640 MRPK – 59,700 MRPK, from projected 52,400 MRPK in 2009

Cabin factor

- Increase to 73-74% from around 72% projected in 2009

Passenger yield

- Target 5% increase over projected 2009 average passenger yield

Cargo RFTK

- Increase by 6-8% to 2,100 MRFTK – 2,200 MRFTK, from projected 2,000 MRFTK in 2009

Preliminary 2010 projected targets (Cont'd)

Revenue

- Increase by 15-20% to THB184bn – THB192bn from around THB160bn projected in 2009

Fuel expense

- Increase by 30-40% in 2010 from 2009 projection

Non-fuel expense

- Increase by 5-10% in 2010 from 2009 projection

EBITDA

- Target 15-19% increase over projected 2009 EBITDA

Yield improvement strategies

Improve yield during low season

- Reduce swing in passenger number between high and low seasons through proactively marketing Thailand as a destination during high season and Thailand as a transit point during low season
- Pursue appropriate route pricing by seasonality

Ensure product consistency

- With consistent product on key routes, THAI will be able to increase ticket prices, as passenger will know what to expect

Increase direct sales

- Focus on growing internet sales
- Targeted marketing for corporate accounts
- Clearer pricing policy and tighter fare rules

Premium passengers

- Greater emphasis on premium class passengers

Route network and schedule

- Optimize route schedule to customer preferences, instead of aircraft utilization
- Increased cooperation with partner airlines to extend route network

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Conclusion

- We are confident of leading THAI to be
 - Highly *customer-oriented*
 - *Competitive* with its Asian and global peers
 - *Dynamic* in responding to and anticipating sudden industry changes
- We will lay the foundation for THAI to continue to be a strong and sustainable company at 100 years



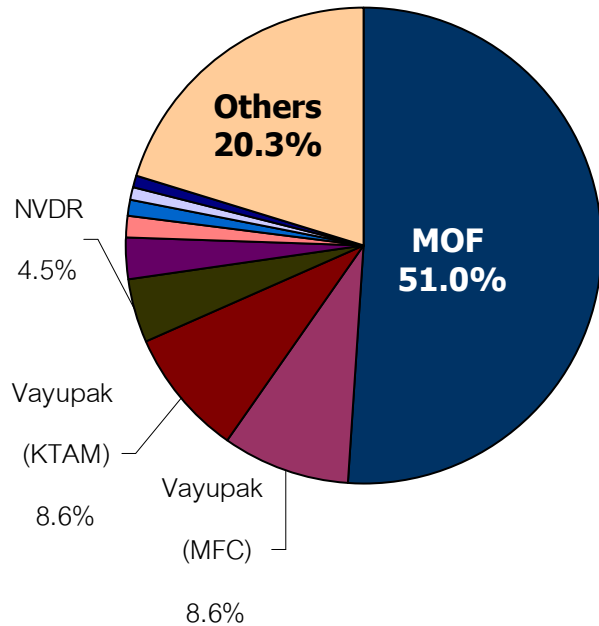
Restore THAI to being the pride of and representing Thailand around the world, as a leading Asian carrier that is consistently ranked among the top 3 carriers in Asia and top 5 carriers in the world for overall customer experience

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- Appendix
 - Background information of THAI
 - Financial review – 2Q and 1H 2009

Company overview



■ Ministry of Finance	51.0%
■ Vayupak (MFC)	8.6%
■ Vayupak (KTAM)	8.6%
■ NVDR	4.5%
■ Government Saving Bank	2.7%
■ Mellon Bank	1.5%
■ Citibank Nominees	1.0%
■ Nortrust Nominees	0.9%
■ Social Security Office	0.9%
■ Others	20.3%

- Thailand's National Flag Carrier
- 51% directly 68% indirectly owned by the Royal Thai Government
- 49 years of operations

- Registered Capital (THB): 17,000 mn
 - Par Value (THB) : 10
 - Issued and paid-up (THB): 16,989 mn
 - Market Capitalization (THB): 24,140 mn
- (As of 30 Jun 2009)**

Subsidiary & Associated Companies

Name of Company	Percent Holding	Business Type	2008 Financial Highlights (MB)			
			Assets	Liab.	Equity	Net Profit (Loss)
1. Thai-Amadeus Southeast Asia Co., Ltd.	55%	Reservation Service	706	85	621	145
2. Donmuang International Airport Hotel Co., Ltd.	40%	Hotel	480	16	464	-18
3. Nok Air Co., Ltd.	39%	Low Cost Flight Service	590	795	-204	-502
3. Suvarnabhumi Airport Hotel Co., Ltd.	30%	Hotel & Services	2,400	1,757	643	-91
4. Phuket Air Catering Co., Ltd.	30%	Catering Service	293	31	262	89
5. Royal Orchid Hotel (Thailand) Plc.	24%	Hotel	1,660	162	1,498	214
6. Bangkok Aviation Fuel Services Plc.	23%	Fuel Service	7,061	4,070	2,991	438

Fleet Profile

Aircraft Type	Number of Aircraft	Age (Year)	Number of Aircraft		
			Owned	Financial Lease	Operating Lease
Long range					
B 747-400	18	13.14	13	5	-
B 777-300	6	9.60	-	6	-
A340-500	4	3.58	1	3	-
A340-600	6	3.25	-	6	-
B 777-200ER	6	2.32	-	6	-
Medium to long range					
B 777-200	8	12.29	5	-	2
A330-300	14	11.10	10	2	2
A300-600*	17	16.44	17	-	-
Short range					
B 737-400**	9	15.47	7	-	3
ATR 72	2	19.29	2	-	-
Total	90	11.70	55	28	7
Aircraft utilization 11.1 hours per aircraft					

Notes: * Two A300-600s are grounded for sales; ** Three 737-400s are leased to Nok Air

Fleet Information

THAI's Tentative Aircraft In/Out Schedule

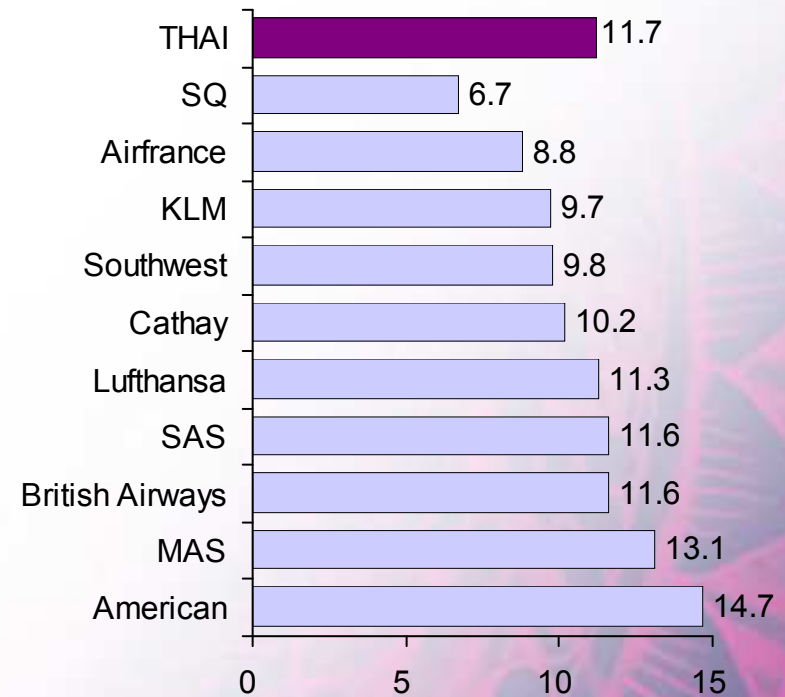
Phase-in

Aircraft	2009	2010	2011	2012	2013	Total
A330-300	6	2	-	-	-	8
A380	-	-	-	3	3	6
Total	6	2	-	3	3	14

Phase-out

Aircraft	2009	2010	2011	Total
A300-600	3	1	-	4
Total	3	1	-	4

Airline's Fleet Age



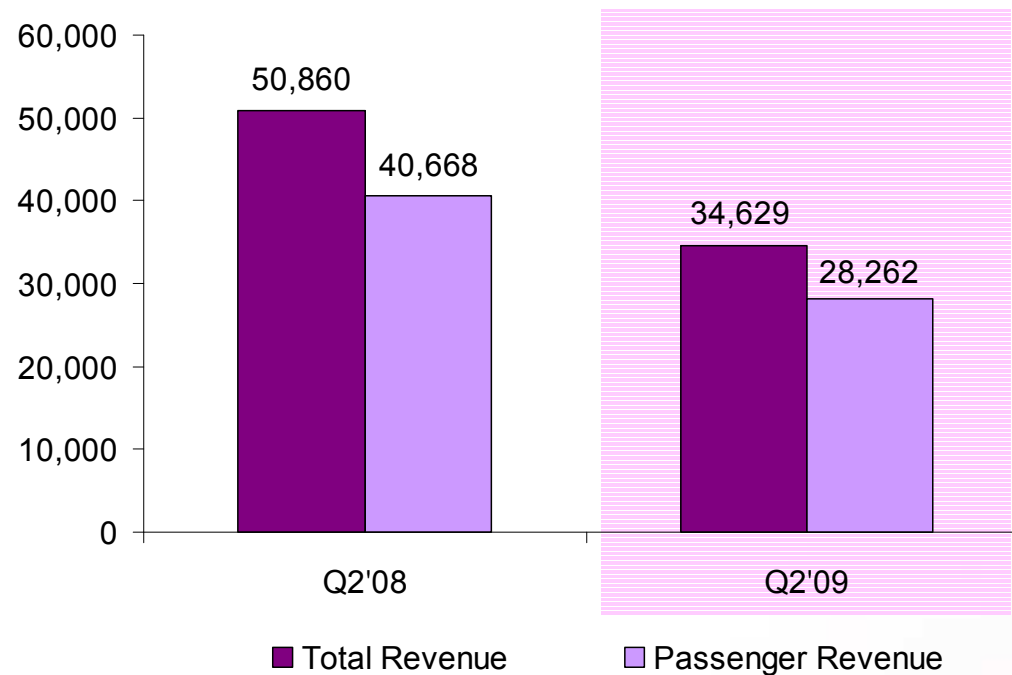
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Revenue Comparison

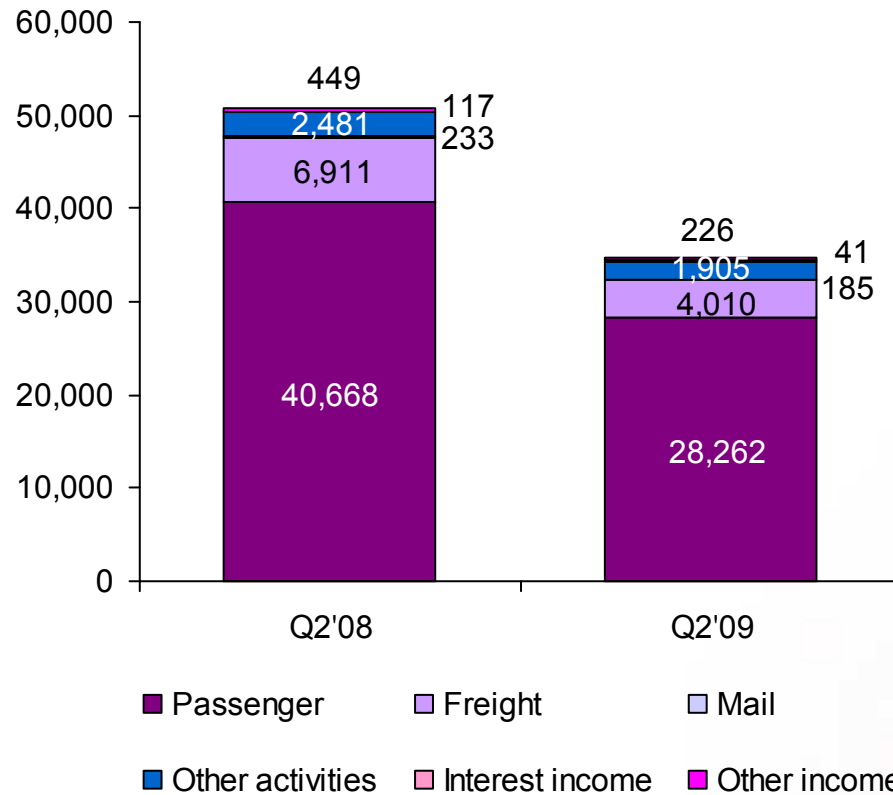
Units : THB mn



- **Total revenue decreased yoy by 31.91% (2009 over 2008)**
- **Passenger revenue decreased yoy by 30.51% (2009 over 2008)**

Operating Revenue

Units : THB mn

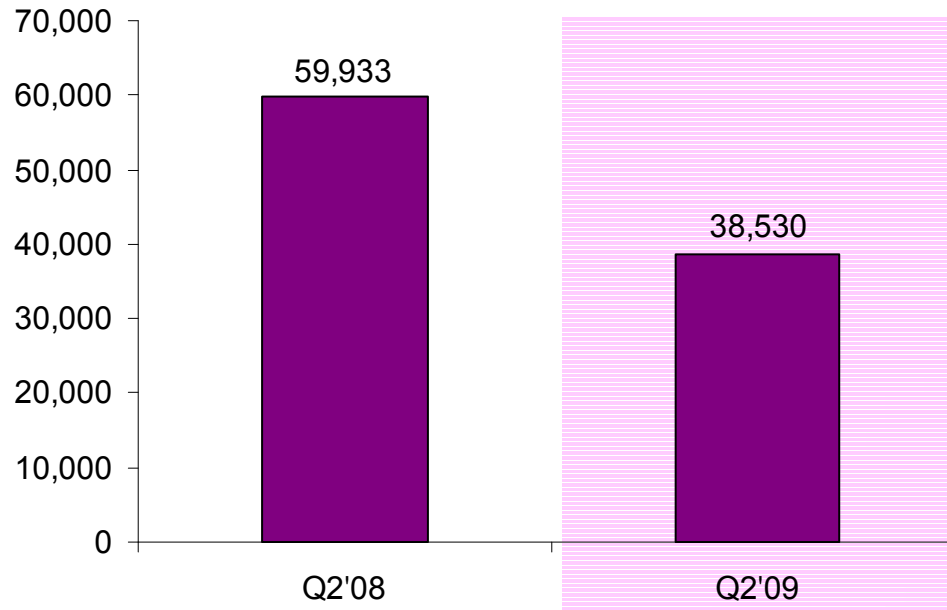


Change Q2 '08-Q2 '09

Passenger	-30.51%
Freight	-41.97%
Mail	-20.57%
Other activities	-23.25%
Interest income	-64.76%
Other income	-49.75%
Total Income	-31.91%

Total Expense

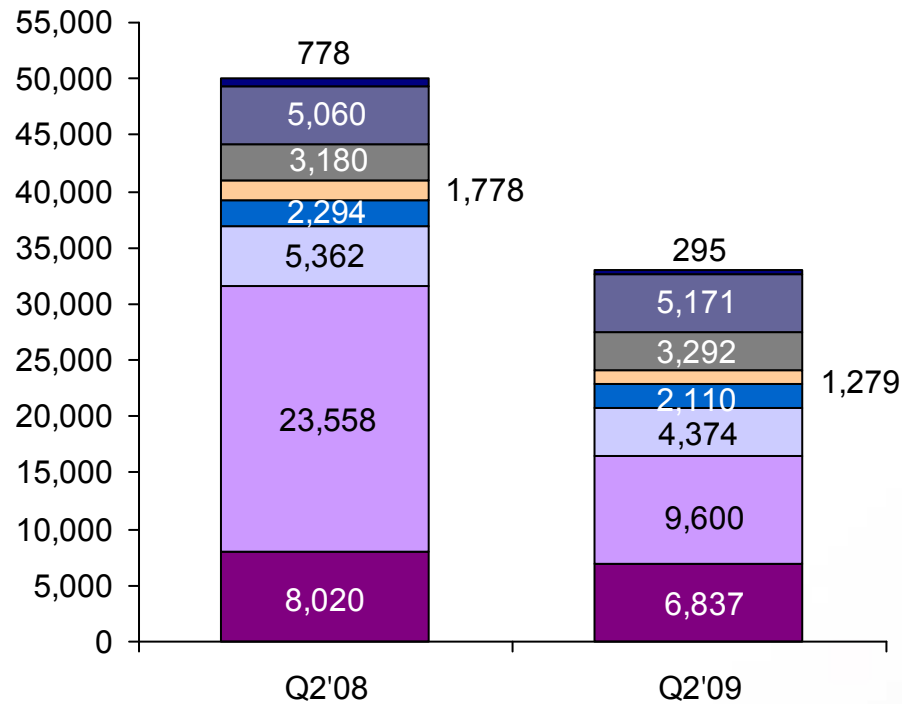
Units : THB mn



- Total expense decreased yoy by 35.7%
- Cost declined more rapidly from fuel price and consumption reduction.

Operating Expense

Units : THB mn



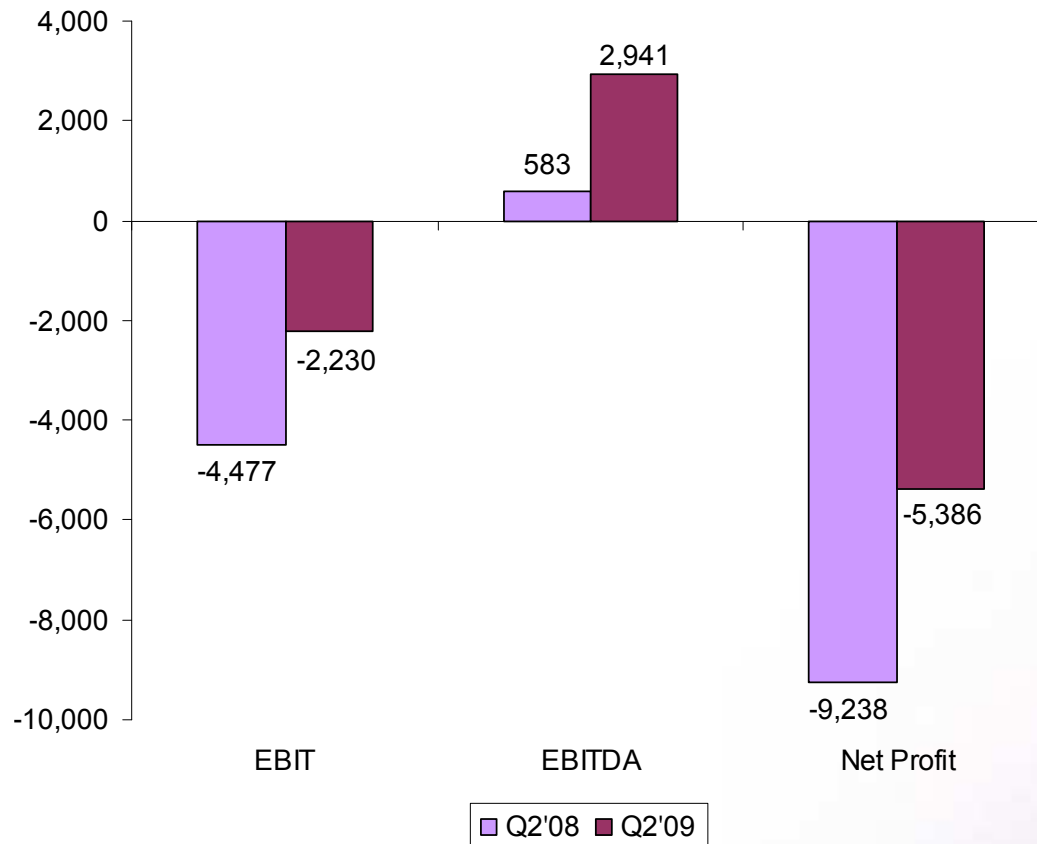
- Personnel
- Flight Service Expense
- Crew Expense
- Depreciation
- Fuel and Oil
- Inventory & Supply
- Aircraft Maintenance
- Lease of a/c

Change Q2 '08-Q2 '09

Personnel expense decreased	-14.75%
Fuel and oil decreased	-59.25%
Flight service expense decreased	-18.41%
Inventories and supplies decreased	-8.03%
Crew expense decreased	-28.08%
Maintenance/overhaul increased	3.54%
Depreciation/amortisation increased	2.20%
Aircraft lease/spare parts decreased	-62.09%
Total Expense decreased	-35.71%

EBIT, EBITDA and Net Profit

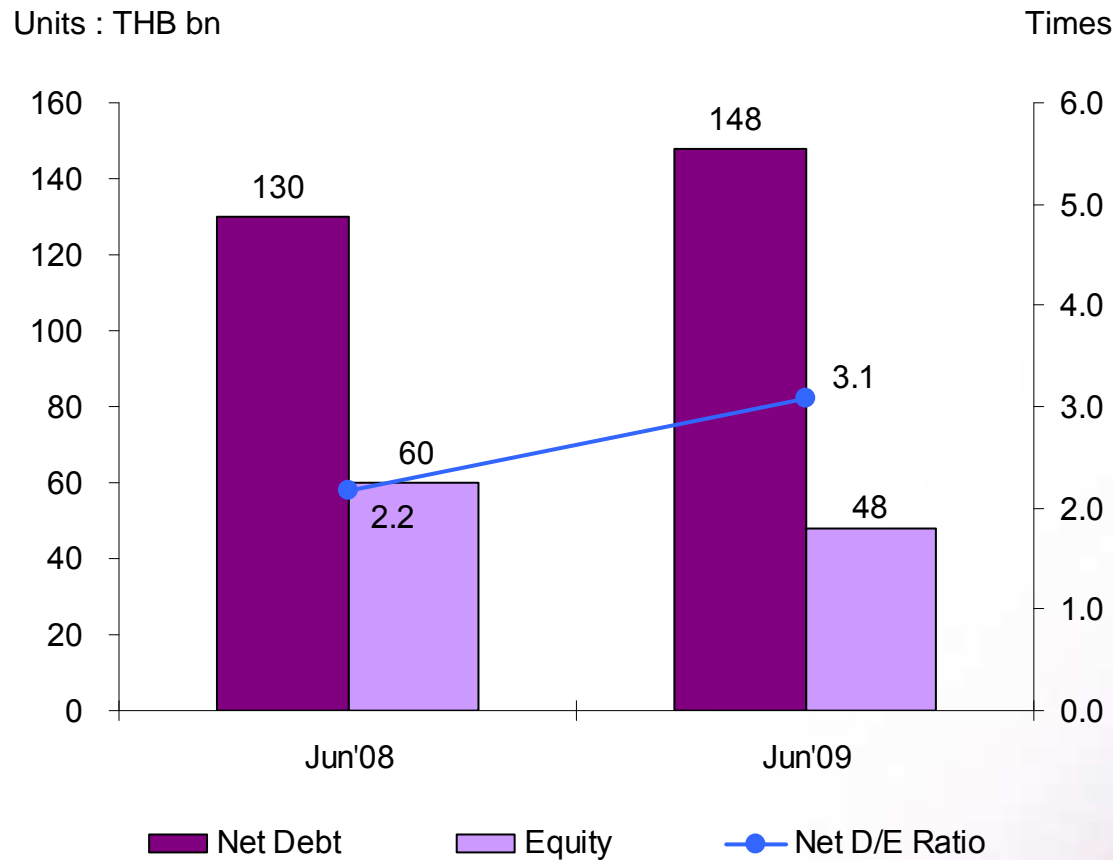
Units : THB mn



Factors Contributing to Improved Q2 '09 Results

- Control personnel expense – outsource and OT
- Dramatic fuel price drop & low hedging
- Ability to maintain fuel surcharge above actual fuel cost
- Reduction in operating expense

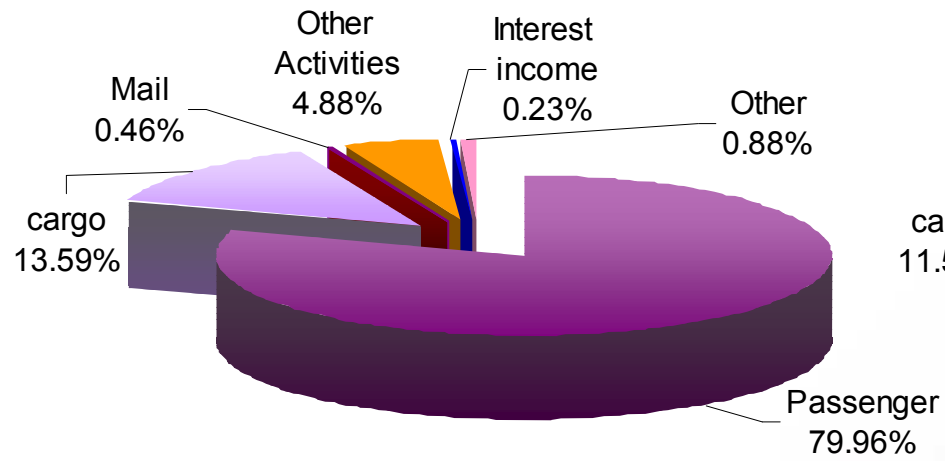
Net Debt/Equity Ratio (As of Jun. '09)



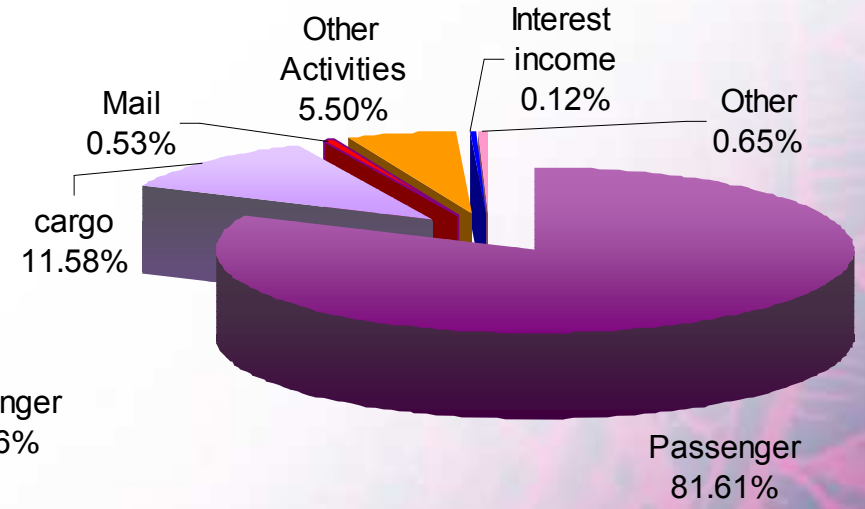
- Ratio may increase slightly in 2009 with financing of 6 additional aircraft.

Revenue Breakdown

(Q2 '08)

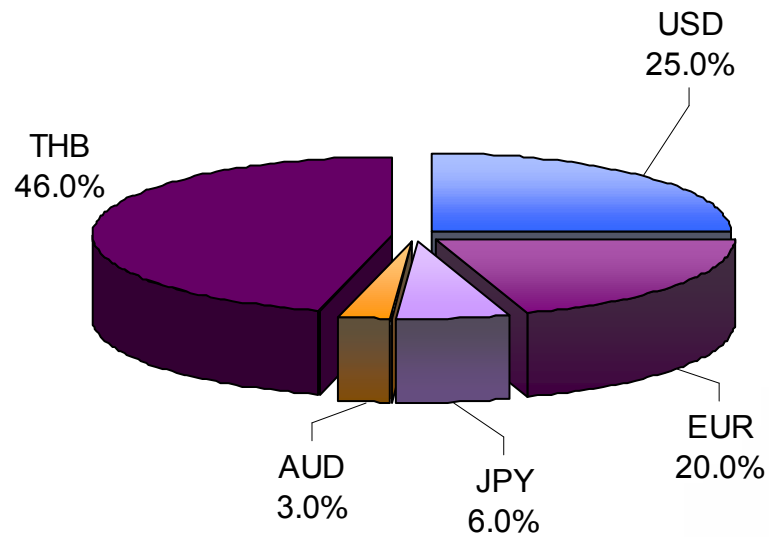


(Q2 '09)

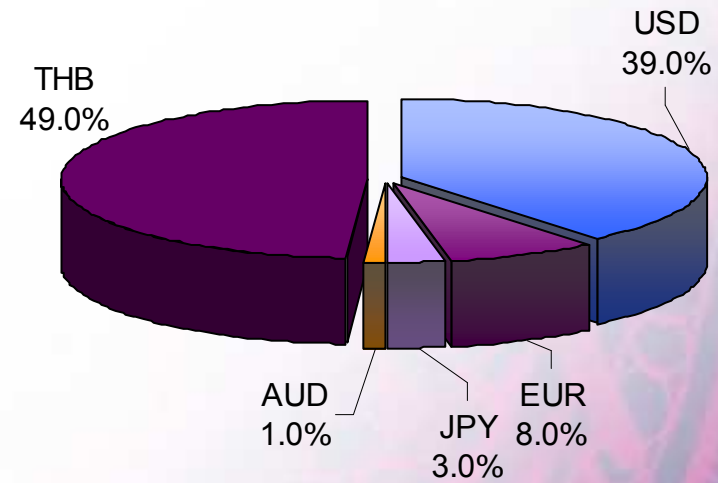


Operating Revenue & Expense by Currency

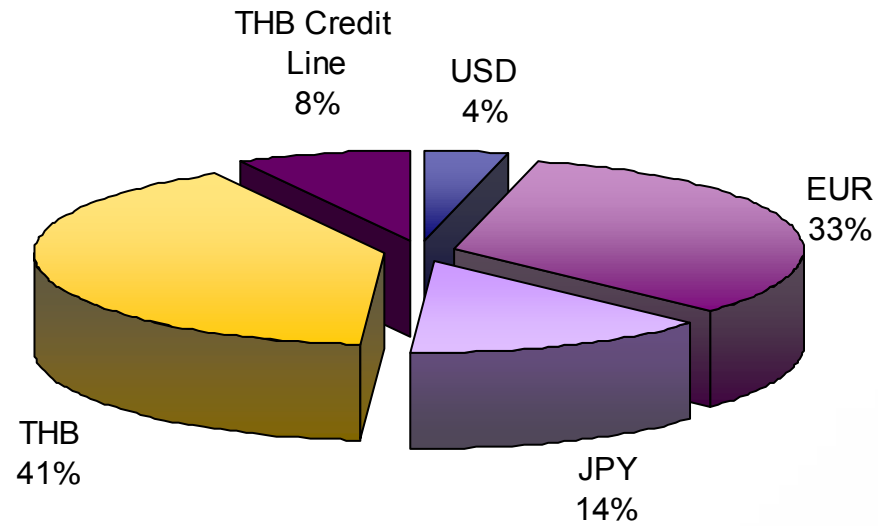
Operating Revenue



Operating Expense



Outstanding Loan by Currency

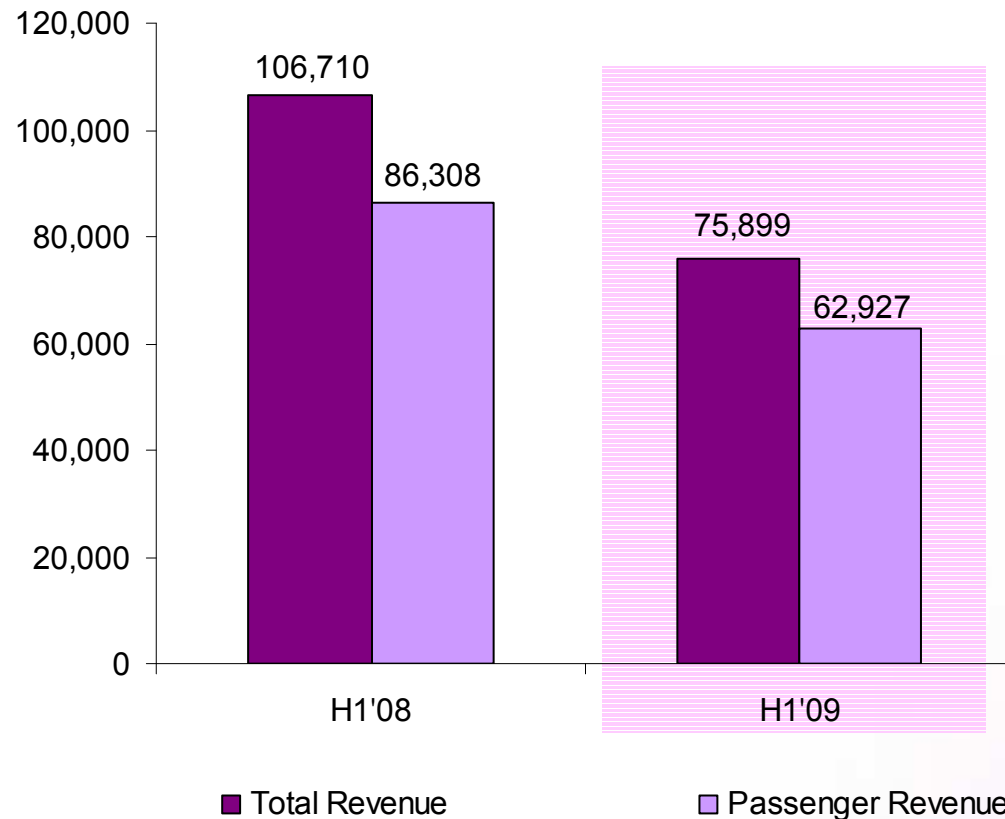


- All in cost of funds about 3.26%

Total loan = 155,386 Million Baht

Revenue Comparison

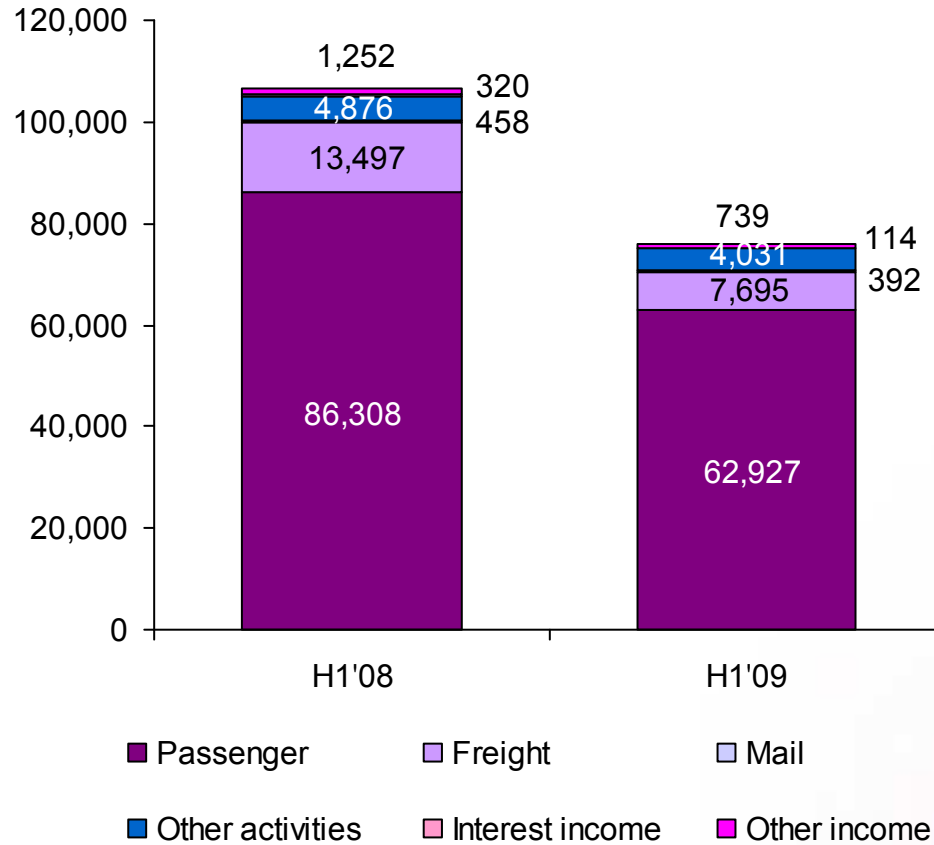
Units : THB mn



- **Total revenue decreased yoy by 28.87% (2009 over 2008)**
- **Passenger revenue decreased yoy by 27.09% (2009 over 2008)**

Operating Revenue

Units : THB mn

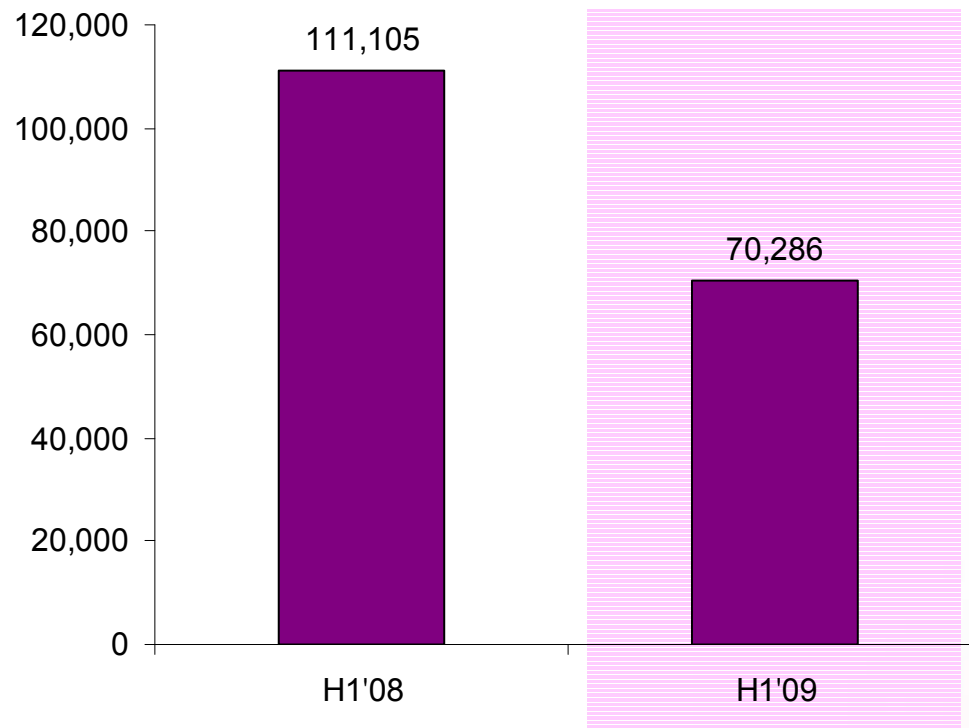


Change H1 '08 – H1 '09

Passenger	-27.09%
Freight	-42.98%
Mail	-14.41%
Other activities	-17.32%
Interest income	-64.15%
Other income	-40.98%
Total Income	-28.87%

Total Expense

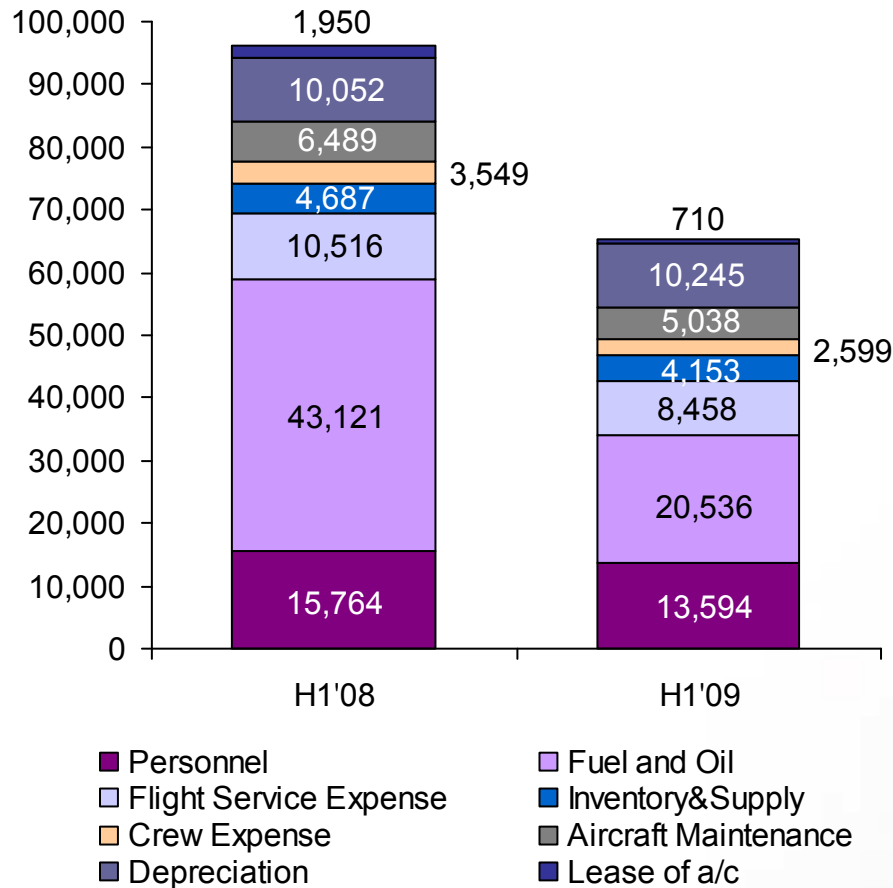
Units : THB mn



- **Total expense decreased yoy by 36.74%**
- **Cost declined more rapidly from fuel cost and measures implemented as part of the cost control and reduction strategy.**

Operating Expense

Units : THB mn

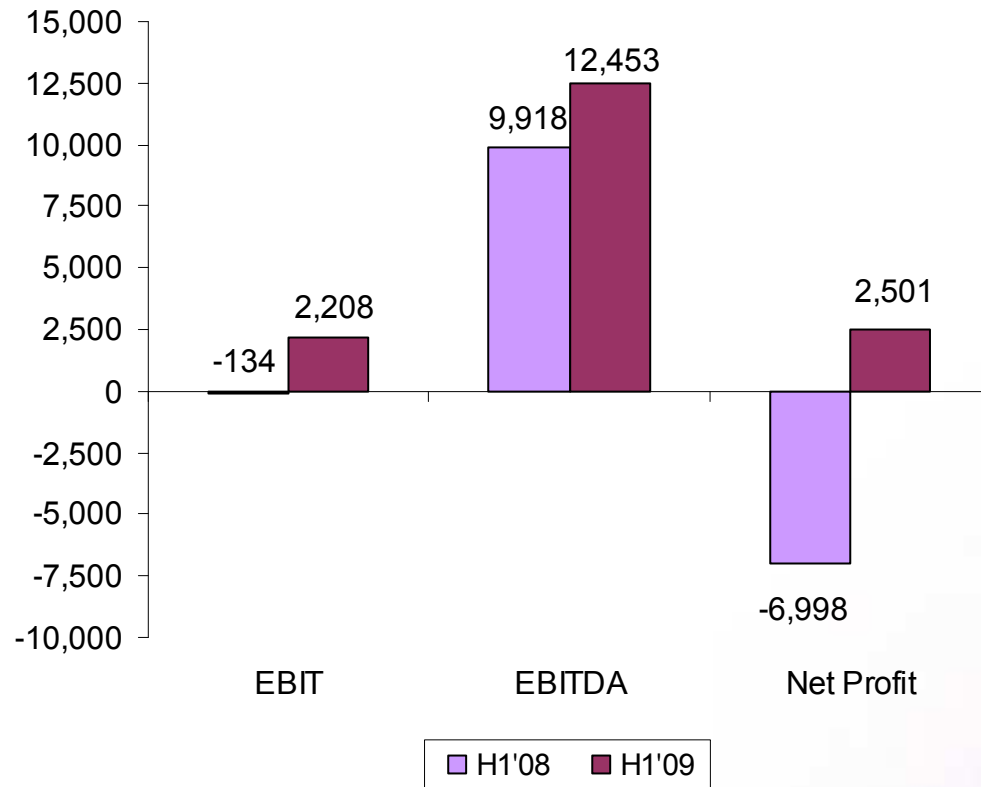


Change H1 '08 – H1 '09

Personnel expense decreased	-13.76%
Fuel and oil decreased	-52.38%
Flight service expense decreased	-19.57%
Inventories and supplies decreased	-11.38%
Crew expense decreased	-26.78%
Maintenance/overhaul increased	-22.36%
Depreciation/amortisation increased	1.92%
Aircraft lease/spare parts decreased	-63.59%
Total Expense decreased	-36.74%

EBIT, EBITDA & Net Profit

Units : THB mn



Factors Contributing to Improved H1 '09 Results

- Control personnel expense – outsource and OT
- Dramatic fuel price drop & low hedging
- Ability to maintain fuel surcharge above actual fuel cost
- Reduction in operating expense

Fuel Surcharge Adjustment Update

- **Regional** **Previous 20.50-57.00** **Now +1.5-5 USD/Flight**
- **Australia** **Previous 64.00-83.00** **Now +5-7 USD/Flight**
- **Europe** **Previous 90.00-105.00** **Now +10 USD/Flight**
- **America** **Previous 125.00** **Now +20 USD/Flight**

***Target coverage jet fuel cost about 110%**

Effective October 1, 2009