



THAI AIRWAYS PUBLIC COMPANY LIMITED

The Independent Financial Advisor's Opinion on The Connected Transactions Regarding the Allocation and Offer of Newly Issued Ordinary Shares for Sale to The Ministry of Finance which is a Major Shareholder of Thai Airways Public Company Limited (The "Company")

Unit: million baht

Items	Company's Financial Statement		
	2009 (Jan-Dec)	2008 (Jan-Dec)	2007 (Jan-Dec)
Statements of Income:			
Passenger and excess baggage	134,479	164,319	160,558
Freight	18,525	25,841	26,057
Mail	823	913	978
Other activities	7,395	8,667	8,943
Interest income and Other Incomes	2,413	2,619	3,179
Total Revenues	163,636	202,359	199,715
Personnel Expenses	26,135	30,506	33,081
Fuel and oil Expenses	47,015	89,460	62,611
Inventories and supplies Expenses	8,496	8,827	9,850
Lease of aircraft and spare parts	1,532	3,651	6,758
Aviation Expenses	33,256	37,328	38,738
Depreciation and amortisation	21,008	20,255	18,210
Sales and advertising costs	6,178	6,884	7,216
Insurance	760	751	894
Remuneration for Board of Directors	13	20	24
Damages arising from Antitrust/ Competition Law	-	4,290	-
Other operating expenses	8,103	9,279	9,107
Aircraft impairment losses	529	4,945	-
Finance Cost and Other expenses	2,571	9,959	5,581
Total Expenses	155,597	226,155	193,501
Profits (Losses) before Income Tax Expenses	8,039	(23,795)	6,215
Income tax expenses (income)	622	(2,345)	1,853
Minority interest	-	-	-
Net profits (losses)	7,417	(21,450)	4,361
Toatl number of issued and paid-up share outstanding (million shrares)	1,699	1,699	1,699
Net profits (losses) per share (baht)	4.37	(12.63)	2.57



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Items	Company's Financial Statement		
	2009 (Jan-Dec)	2008 (Jan-Dec)	2007 (Jan-Dec)
Statements of Cash Flows:			
Operating profit before changes in operating assets and liabilities	32,565	10,528	30,262
Net Cash from Operating Activities	28,400	11,200	34,675
Cash paid for acquisition of assets	16,522	21,536	12,570
Cash received from sales of assets	256	702	1,909
Net Cash Used in Investing Activities	(14,596)	(19,921)	(9,326)
Cash (paid) received from debentures	(2,710)	(4,500)	7,500
Cash received from premium on ordinary shares	-	(1)	(6)
Cash (paid) received from short-term loans	(20,323)	16,580	(8,143)
Cash (paid) received from long-term loans	22,484	(10,821)	(4,692)
Cash (paid) received from promissory notes	(1,050)	(1,050)	(1,050)
Net Cash from (used in) Financing Activities	(7,030)	(9,224)	(12,217)
EBITDRA	36,317	5,596	36,109
EBITDRA per share (Baht)	21.38	3.29	21.25

Details of the information of the Company can be reviewed in the Annual Report (56-1) of the Company at www.sec.or.th or www.thaiairways.com



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PART 2 GENERAL INFORMATION OF THE ENGAGED PARTIES

1) Ministry of Finance

➤ **Company Profile**

Company's Name	:	Ministry of Finance
Type of Business	:	Government Agency
Location of Head Office	:	Rama 6 Road, Samsennai, Phaya Thai, Bangkok 10400
Telephone	:	02-273-9021
Fax	:	02-273-9408
website	:	www.mof.go.th

The Ministry of Finance is a major shareholder of the Company, which, pursuant to the Notification of the Capital Market Supervisory Board No. TorChor 21/2551 Re: Criteria for Connected Transaction and the Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure and Information and Other Acts of Listed Companies Concerning the Connected Transactions B.E. 2546 (2003) (as amended) (collectively "Connected Transaction Notifications"). According to the share register book of the Company as of 2 April 2009, the Ministry of Finance holds 866,997,841 ordinary shares of the Company or approximately 51.03 percent of the total sold shares of the Company.



THAI AIRWAYS PUBLIC COMPANY LIMITED

The Independent Financial Advisor's Opinion on The Connected Transactions Regarding the Allocation and Offer of Newly Issued Ordinary Shares for Sale to The Ministry of Finance which is a Major Shareholder of Thai Airways Public Company Limited (The "Company")

PART 3 GENERAL INFORMATION OF THE TRANSACTION

1) Transaction Details

The Board Meeting of the Company has resolved in the meeting No. 5/2010 on Friday 12 March 2010 on the approval of the allocation of no more than 1,000,000,000 newly issued ordinary shares for public offering. The offer of such newly issued ordinary shares shall be proposed to the shareholders to approve that the Board of Directors or any person(s) delegated by the Board of Directors have powers to determine necessary details and conditions in connection with the offer of shares for sale, including to determine the offering price by taking into consideration the analysis of demand for the purchase and the sale of newly issued shares, e.g. the exploration of cumulative demand to purchase of institutional investors at different prices (book building) , and to allocate and offer either all or some of such shares to the existing shareholders, which may include the executives, major shareholders and related persons as permitted by relevant notifications of the Capital Market Supervisory Board, taking into consideration the advice given by financial advisor(s) and/or lead underwriter(s) and the conditions of capital markets at the time. In addition, the Board of Directors or any person(s) delegated by the Board of Directors may not allocate any share to any subscriber if such allocation will or may possibly result in the breach of foreign laws or regulations, or will result in any act required in addition to those already required under rules and regulations relating to the issuance and offer of securities for sale under the Thai laws.

In the said meeting, the Board Meeting has also resolved on the approval to propose to the shareholders to approve that, in respect of the allocation and offer of newly issued ordinary shares for sale, the Board of Directors or any person(s) delegated by the Board of Directors shall have the power to allocate and offer the newly issued ordinary shares for sale to the Ministry of Finance at the same price as the public offering price in order that the Ministry of Finance holds approximately 51.03 percent of the total sold shares of the Company post offering, which is also the shareholding of the Ministry of Finance prior to the offering. In addition, upon approval from the Shareholders' Meeting, the Board of Directors of the Company or any person(s) delegated by the Board of Directors shall have the power to obtain a waiver from the Office of the Securities and Exchange Commission in order to comply with the Notification of the Capital Market Supervisory Board No. TorChor 29/2551 Re: Subscription, Underwriting and Allocation of Newly Issued Securities.

To approve the entering into a connected transaction in connection with the allocation and offer of newly issued ordinary shares for sale to the Ministry of Finance as described earlier. The allocation and offer of newly issued ordinary shares to the Ministry of Finance as described above is a connected transaction between the Company and connected person pursuant to the Notification of the Capital Market Supervisory Board No. TorChor 21/2551 Re: Criteria for Connected Transactions and the Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transactions B.E. 2546 (2003) (as amended)



THAI AIRWAYS PUBLIC COMPANY LIMITED

The Independent Financial Advisor's Opinion on The Connected Transactions Regarding the Allocation and Offer of Newly Issued Ordinary Shares for Sale to The Ministry of Finance which is a Major Shareholder of Thai Airways Public Company Limited (The "Company")

with the size of transaction of greater than 3 percent of the net tangible asset (NTA) of the Company. Pursuant to the above notifications, such connected transaction is also subject to an approval from the Shareholders' Meeting. However, pursuant to the Notification of the Capital Market Supervisory Board No.TorChor 8/2552 Re: Criteria for Connected Transaction (No. 2), where the connected transaction is entered into between the Company and a government agency as connected person, in this case, the Ministry of Finance, the Company will be exempted from seeking approval from the Shareholders' Meeting in connection with the connected transaction if such connected transaction is approved by the Board of Directors of the Company. The Board of Directors' Meeting No. 5/2553 already approved the entering into such connected transaction.

However, the Board of Directors' Meeting resolved to propose the allocation and offer of newly issued ordinary shares to the 2010 Annual General Shareholders' Meeting which is scheduled to be held on Wednesday 28 April, 2010 at 1.30 pm.

➤ **Date, Month, Year of Transaction**

The Company will enter into a connected transaction of allocating and offering newly issued ordinary shares for sale to the Ministry of Finance upon approval from the Shareholders' Meeting in relation to the increase in registered capital and other relevant matters, including an approval to authorise the Board of Directors or any person(s) delegated by the Board of Directors to allocate and offer newly issued ordinary shares for sale to the Ministry of Finance. In addition, the Company shall seek approval to offer newly issued ordinary shares for sale to the public and a waiver from the Office of the Securities and Exchange Commission to allocate and offer newly issued ordinary shares for sale to the Ministry of Finance as a major shareholder.

➤ **The Consideration of Transaction**

Total value of the consideration is calculated from the most recent closing market price before the date of the Board of Directors' Meeting on March 11, 2010 (one day before the date of the Board of Directors' Meeting) or 24.60 Baht per share and the estimate maximum securities to be offered to the Ministry of Finance in proportion to the shareholding ratio as of April 2, 2009 of approximately 51.03 percent of the total sold shares of the Company or 510.3 million shares from 1,000 million shares, amounting to the total transaction value of 12,553.4 million Baht.

➤ **Contractual Parties, Relationship with Connected Person, Characteristics and Scope of Interest of Connected Person**



THAI AIRWAYS PUBLIC COMPANY LIMITED

The Independent Financial Advisor's Opinion on The Connected Transactions Regarding the Allocation and Offer of Newly Issued Ordinary Shares for Sale to The Ministry of Finance which is a Major Shareholder of Thai Airways Public Company Limited (The "Company")

- Contractual Parties

Issuer: Thai Airways Public Company Limited

Connected Person: Ministry of Finance

- Relationship with Connected Person, Characteristics and Scope of Interest of Connected Person

The Ministry of Finance is a major shareholder of the Company, which, pursuant to the Notification of the Capital Market Supervisory Board No. TorChor 21/2551 Re: Criteria for Connected Transaction and the Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure and Information and Other Acts of Listed Companies Concerning the Connected Transactions B.E. 2546 (2003) (as amended) (collectively "Connected Transaction Notifications"). According to the share register book of the Company as of 2 April 2009, the Ministry of Finance holds 866,997,841 ordinary shares of the Company or approximately 51.03 percent of the total sold shares of the Company.

2) Type and Size of the Transaction

The allocation and offer of newly issued ordinary shares for sale to the Ministry of Finance is a connected transaction entered into between the Company and connected person pursuant to the Connected Transaction Notifications in the type of transaction relating to assets or services having the size of more than 20 million Baht and more than 3 percent of the net tangible asset (NTA) of the Company. Total value of the transaction is calculated from the most recent closing market price before the date of the Board of Directors' Meeting on March 11, 2010 (one day before the date of the Board of Directors' Meeting) or 24.60 Baht per share and the estimate maximum securities to be offered to the Ministry of Finance in proportion to the shareholding ratio as of April 2, 2009 of approximately 51.03 percent of the total sold shares of the Company or 510.3 million shares from 1,000 million shares, amounting to the total transaction value of 12,553.4 million Baht whereas the NTA of the Company according to the NTA account in the financial statements of the Company as ended 31 December 2009 is 52,294.5 million Baht. Therefore, the size of the transaction is 24 percent, which is greater than 3 percent of NTA of the Company.

Such connected transaction is required to be disclosed to the Stock Exchange of Thailand and is subject to an approval from the Board of Directors and the Shareholders' Meeting of the Company pursuant to the Connected Transaction Notifications. However, pursuant to the Notification of the Capital Market Supervisory Board No. TorChor 8/2552 Re: Criteria for Connected Transaction (No.



THAI AIRWAYS PUBLIC COMPANY LIMITED

The Independent Financial Advisor's Opinion on The Connected Transactions Regarding the Allocation and Offer of Newly Issued Ordinary Shares for Sale to The Ministry of Finance which is a Major Shareholder of Thai Airways Public Company Limited (The "Company")

2), where the connected transaction is entered into with a government agency, in this case, the Ministry of Finance, the Company will be exempted from seeking approval from the Shareholders' Meeting to enter into the connected transaction if such transaction is already approved by the Board of Directors. In this connection, the Board of Directors' Meeting No. 5/2553 approved such connected transaction. The Board of Directors' Meeting resolved to propose the allocation and offer of newly issued ordinary shares to the 2010 Annual General Shareholders' Meeting which is scheduled to be held on Wednesday 28 April, 2010 at 1.30 pm.

The Company's Net Asset Value (Consolidated Financial Statement) as of December 31, 2009

Shareholders' Equity	52,946.4	million Baht
(less) Intangible Assets	(651.9)	million Baht
Net Tangible Asset Value	52,294.5	million Baht

Connected Transaction Size Calculation

Total value of the consideration calculated from the most recent closing market price before the date of the Board of Directors' Meeting or 24.60 baht per share (24.60*51.03%*1,000 million shares)	12,553.4	million Baht
Connected Transaction Value (12,553.4/52,294.5)	24%	

When this size of transaction is summed up with transactions entered with connected persons in the same group during the last 6 months, the total size equals 24 of book value of tangible assets held by the Company and its subsidiaries. Generally, the Company must disclose this transaction to the Stock Exchange of Thailand and arranges the Extraordinary General Meeting of Shareholders to receive an approval for this transaction. The approval of the Extraordinary General Meeting of Shareholders must comprise not less than three-fourths of the total votes of shareholders attending the meeting and having voting rights, excluding interested shareholders. Nevertheless, pursuant to the Notification of the Capital Market Supervisory Board No.TorChor 8/2552 Re: Criteria for Connected Transaction (No. 2), where the connected transaction is entered into between the Company and a government agency as connected person, in this case, the Ministry of Finance, the Company will be exempted from seeking approval from the Shareholders' Meeting in connection with the connected transaction if such connected transaction is approved by the Board of Directors of the Company. The Board of Directors' Meeting No. 5/2553 already approved the entering into such connected transaction.



THAI AIRWAYS PUBLIC COMPANY LIMITED

The Independent Financial Advisor's Opinion on The Connected Transactions Regarding the Allocation and Offer of Newly Issued Ordinary Shares for Sale to The Ministry of Finance which is a Major Shareholder of Thai Airways Public Company Limited (The "Company")

PART 4 INDEPENDENT FINANCIAL ADVISOR OPINION ON THE SENSIBLENESS OF TRANSACTION

1) Objectives and Necessary of the Transaction

The Board Meeting of the Company has resolved in the meeting No. 5/2010 on Friday 12 March 2010 on the approval of the allocation of no more than 1,000,000,000 newly issued ordinary shares for public offering. The offer of such newly issued ordinary shares shall be proposed to the shareholders to approve that the Board of Directors or any person(s) delegated by the Board of Directors have powers to determine necessary details and conditions in connection with the offer of shares for sale, including to determine the offering price by taking into consideration the analysis of demand for the purchase and the sale of newly issued shares, e.g. the exploration of cumulative demand to purchase of institutional investors at different prices (book building), and to allocate and offer either all or some of such shares to the existing shareholders, which may include the executives, major shareholders and related persons as permitted by relevant notifications of the Capital Market Supervisory Board, taking into consideration the advice given by financial advisor(s) and/or lead underwriter(s) and the conditions of capital markets at the time. In addition, the Board of Directors or any person(s) delegated by the Board of Directors may not allocate any share to any subscriber if such allocation will or may possibly result in the breach of foreign laws or regulations, or will result in any act required in addition to those already required under rules and regulations relating to the issuance and offer of securities for sale under the Thai laws.

The Company may allocate and offer newly issued ordinary shares for sale to the Ministry of Finance at the same price as the public offering price in order that the Ministry of Finance holds approximately 51.03 percent of the total sold shares of the Company post offering, which is also the shareholding of the Ministry of Finance prior to the offering. However, the Independent Financial Advisor has agreed with the Board of Directors that the allocation and offer of such shares is aimed at making the Ministry of Finance hold shares in the Company in the ratio of approximately 51.03 percent of the total sold shares of the Company post offering, which will be also shareholding of the Ministry of Finance prior to offering. The maintenance of shareholding ratio of the Ministry of Finance is necessary and significant for the satisfaction of contractual obligations of the Company under several financial agreements whereby the Company shall procure that the Ministry of Finance maintains its shareholding ratio at more than 51 percent. Otherwise, the Company will be deemed to be in default of performing its obligations under such financial agreements, which will result in the termination of those financial agreements and the causes the Company to repay its debt obligation prior to the maturity date and/or to return the aircraft under those agreement to the lessor, which will result in damage caused to the Company in terms of operations and cash flows. The debt obligations that the Company may have to repay prior to the maturity date under the said financial agreements are approximately 122,641 million Baht, which accounted for 80 of total principal outstandings at 149,263 million Baht.



THAI AIRWAYS PUBLIC COMPANY LIMITED

The Independent Financial Advisor's Opinion on The Connected Transactions Regarding the Allocation and Offer of Newly Issued Ordinary Shares for Sale to The Ministry of Finance which is a Major Shareholder of Thai Airways Public Company Limited (The "Company")

2) Rationale of the Transaction

There are two key rationales in entering into the connected transaction of allocating and offering newly issued ordinary shares for sale to the Ministry of Finance detail as follow.

- For the satisfaction of contractual obligations of the Company under several financial agreements

At the moment, the Company is obligated under several financial agreements whereby the Company shall procure that the Ministry of Finance maintains its shareholding ratio at more than 51 percent. Otherwise, the Company will be deemed to be in default of performing its obligations under such financial agreements, which will result in the termination of those financial agreements and the causes the Company to repay its debt obligation prior to the maturity date and/or to return the aircraft under those agreement to the lessor, which will result in damage caused to the Company in terms of operations and cash flows.

- To enhance the confident to the existing shareholders and investor who are interested in subscribing the increased share capital of the Company

The Company believes the allocation and offer newly issued ordinary shares for sale to the Ministry of Finance will enhance the confident to the existing shareholders and investor who are interested in subscribing the increased share capital of the Company, resulting in the completion of the fund raising, which will support the business plan of the Company.

3) Benefits and Detriments of entering and not entering into the Connected Transaction

➤ The Expected Effects from entering into the Transaction

- *Benefits in a Capital Structure and a Liquidity*

The Company believes the allocating and offering newly issued ordinary shares for sale to the Ministry of Finance will enhance the confident to the existing shareholders and investor who are interested in subscribing the increased share capital of the Company, resulting in the successful fund raising objecting, which will ensure stronger capital base of the Company and the increased financial liquidity of the Company.

- *Benefits in an Operation Results and a Financial Status.*

The completion of the increase capital will cause the Company to have sufficient capital to support both current and future business of the Company, also alquidity, which resulting in the stable finance in order to carry on the business under the high volatility in airlines business.



THAI AIRWAYS PUBLIC COMPANY LIMITED

The Independent Financial Advisor's Opinion on The Connected Transactions Regarding the Allocation and Offer of Newly Issued Ordinary Shares for Sale to The Ministry of Finance which is a Major Shareholder of Thai Airways Public Company Limited (The "Company")

■ *Benefits in Competitiveness*

This increase capital will enhance the potential of the Company for investment of business expansion in order to stay competitive in the long run. This will be a crucial factor contributing to increased profitability, competitiveness and growth, which will finally lead to added value for the shareholders of the Company.

□ *Effect on the Status of the Company*

Due to the fact that the Ministry of Finance has a status as a government Agency, considering a role and duty, the Company's status will be a state enterprise if the Ministry of Finance still maintains more than 50% of its shares capital. Consequently, the decisions in some cases may take time and several steps, resulting in less flexibility in operation. In some operations, the Company may have to consider the effects on public and/or consumers

➤ *The Expected Effects from not entering into the Transaction*

■ *Benefit from not being a state enterprise*

After the increase capital, if the Ministry of Finance holds less than/ equal to 50% of the Company's shares capital, the Company will no longer be a state enterprise, which may increase the flexibility in the Company's operation.

■ *Effects on an Insufficient Liquidity and a Business Plan Execution*

In case the Company cannot allocate the increased share capital and procure that the Ministry of Finance maintains its shareholding ratio at more than 51 percent, the Company will be deemed to be in default of performing its obligations under such financial agreements, which will result in the termination of those financial agreements and the causes the Company to repay its debt obligation prior to the maturity date and/or to return the aircraft under those agreement to the lessor, which will result in damage caused to the Company in terms of financial status and operations.

■ *Effects on an Increase in Capital*

In case the Ministry of Finance does not maintain its shareholding ratio at more than 51 percent, it may have an effect on the confident of existing shareholders and investor who are interested in subscribing the increased share capital of the Company, resulting in a failure in the fund raising of the Company. Completion



THAI AIRWAYS PUBLIC COMPANY LIMITED

The Independent Financial Advisor's Opinion on The Connected Transactions Regarding the Allocation and Offer of Newly Issued Ordinary Shares for Sale to The Ministry of Finance which is a Major Shareholder of Thai Airways Public Company Limited (The "Company")

4) Advantages and Disadvantages from entering into the transactions with a connected party

Advantages

- The entering into the transaction with a connected party, which familiar with operating business will result in quick execution of the proposed transaction and reduce due diligence cost. Moreover, it will enhance the confident to investors which will decrease a risk from unsuccessful fund raising.

Disadvantages

- The entering into the transaction with a connected party may hinder the price negotiation, conditions as well as payment method when compared to entering into the transaction with a non-connected party.

However, in this case, the price condition is set to be at the same price as the public offering price and the number of shares allocating to the Ministry of Finance is aimed for the satisfaction of contractual obligations of the Company under several financial agreements whereby the Company shall procure that the Ministry of Finance maintains its shareholding ratio at more than 51 percent. Otherwise, the Company will be deemed to be in default of performing its obligations under such financial agreements, which will result in the termination of those financial agreements and the causes the Company to repay its debt obligation prior to the maturity date and/or to return the aircraft under those agreement to the lessor, which will result in damage caused to the Company in terms of operations and cash flows.

5) Necessity of transaction with connected persons and THAI's rationale for not executing transaction with third parties

Generally, the Company has never placed restrictions on entering into transactions with connected persons only, but has first considered the most appropriate time, opportunity and reasonableness as well as returns and other interests. In this transaction, it is necessary and significant for the Company to allocate the increase share capital to the Ministry of Finance in order to satisfy contractual obligations of the Company under several financial agreements whereby the Company shall procure that the Ministry of Finance maintains its shareholding ratio at more than 51 percent. Otherwise, the Company will be deemed to be in default of performing its obligations under such financial agreements, which will result in the termination of those financial agreements and the causes the Company to repay its debt obligation prior to the maturity date and/or to return the aircraft under those agreement to the lessor, which will result in damage caused to the Company in terms of operations and cash flows.

Therefore, the allocation and offer newly issued ordinary shares for sale to the Ministry of Finance is for the overall benefits of the Company and best interests of minority shareholders. As a result, the Company agrees to enter into this transaction with The Ministry of Finance. The negotiations for such are based on the same practice to any transaction entered with outside parties.



THAI AIRWAYS PUBLIC COMPANY LIMITED

The Independent Financial Advisor's Opinion on The Connected Transactions Regarding the Allocation and Offer of Newly Issued Ordinary Shares for Sale to The Ministry of Finance which is a Major Shareholder of Thai Airways Public Company Limited (The "Company")

Part 5 Opinion of the Independent Financial Advisor on the Fairness and Reasonableness of Price and Transaction Conditions

1) Opinion of the Independent Financial Advisor on the Reasonableness of Price

The Independent Financial Advisor is not be able to render its opinion on the Reasonableness of Price since the said price will be determined later by taking into consideration the analysis of demand for the purchase and the sale of newly issued shares, e.g. the exploration of cumulative demand to purchase of institutional investors at different prices (Book Building)

Nevertheless, the exploration of cumulative demand to purchase of institutional investors at different prices (Book Building) is a methodology for determining the share offering price by a Demand-Supply of the share at the moment, which is one of the pricing methodologies that is generally used for determining the share offering price.

However, the price condition of the allocating and offering newly issued ordinary shares for sale to the Ministry of Finance, a major shareholder of the Company, is set to be the same price as the public offering price.

2) Opinion of the Independent Financial Advisor on the Fairness and Reasonableness of Transaction Conditions

The Independent Financial Advisor opines that it is necessary to the Company to allocate and offer Newly Issued Ordinary Shares for Sale to The Ministry of Finance which is a Major Shareholder of the Company in order to satisfy contractual obligations of the Company under several financial agreements whereby the Company shall procure that the Ministry of Finance maintains its shareholding ratio at more than 51 percent. Otherwise, the Company will be deemed to be in default of performing its obligations under such financial agreements, which will result in the termination of those financial agreements and the causes the Company to repay its debt obligation prior to the maturity date and/or to return the aircraft under those agreement to the lessor, which will result in damage caused to the Company in terms of operations and cash flows.

Nevertheless, the independent financial advisor has inspected all of the related financial agreements of the Company in order to determine the debt obligations that the company may have to repay prior to the maturity, arise from the Events of Default on the related financial agreements as mention earlier in case the Company is fail to procure that the Ministry of Finance maintains its shareholding ratio at more than 51 percent. The maximum principle balance the company may have to repay prior to the maturity is approximately 122,641 million baht, accounted for 80% of total principle outstanding of the Company as of February 26, 2010, in amouting of 149,264 million Baht. (Calculated by the applied exchange rate as of February 26, 2010, at USD 1: THB 33.22160, JPY 0.373996: THB 1 and Euro 1: THB 45.21910)



THAI AIRWAYS PUBLIC COMPANY LIMITED

The Independent Financial Advisor's Opinion on The Connected Transactions Regarding the Allocation and Offer of Newly Issued Ordinary Shares for Sale to The Ministry of Finance which is a Major Shareholder of Thai Airways Public Company Limited (The "Company")

The independent financial advisor opines that the transaction conditions are fair and reasonable, considered from the necessary of the transaction and the debt obligations that the company may have to repay prior to the maturity as mention earlier, including the Expected Effects from entering into the Transaction compared with the Expected Effects from entering into the Transaction , which the independent financial advisor stated the Opinion In "Part 4 Independent Financial Advisor Opinion On The Sensibleness Of Transaction" Topic 3) "Benefits and Detriments of entering and not entering into the Connected Transaction"

3) Opinion of the Independent Financial Advisor

In conclusion, the independent financial advisor opines that such transaction is reasonable since the Transaction has the purpose for the overall benefits of the Company.

The independent financial advisor certifies that the opinions above have been considered, examined and presented fairly and carefully in accordance with the generally accepted professional standards with regard to best interests of shareholders. Nevertheless, the IFA will not be held responsible for any damages that may occur from the incorrect information that it has received or significant status changes in the current operation of THAI and the overall industry.

Yours Sincerely,

Mr. Tanavudh Tulyatan

Deputy Managing Director