

## Management's Discussion and Analysis for the Year Ending December 31, 2010 for Thai Airways International Public Company Limited and Its Subsidiary

### 1. Operating Results

In 2010 the airline industry saw a fairly strong recovery since the fourth quarter of 2009 as the global economy started to recover. However, it was not smooth sailing the whole year through as there were events that bore negative impact on the commercial airline industry and thus the Company's operations. These include the volcano eruption in Iceland forcing closure of the European airspace for a period of time in April 2010 and the domestic political protest in April-May 2010. The political situation subsided heading into the third quarter of 2010. In taking rapid actions to mitigate the impact of these events, the Company's profitability was much higher than that of 2009.

A key to future stability for the Company was the need to strengthen its capital structure by ensuring sufficient liquidity, sufficient capital for investments, business operations and expansion along with meeting its future debt obligations while having sufficient liquidity to withstand economic and unforeseen events that could adversely impact the Company. The Company was able to successfully raise THB 15,000 million through a public offering, obtaining additional debt according to financing needs and acquire committed standby revolving credit lines. The ability to restructure its capital structure, the Company had sufficient liquidity that is in line with peers in the industry.

Results of operations are as follows:

Unit : Million Baht	2010	2009	Increase(decrease)	
			MTHB	%
Total revenues	184,270	163,875	+ 20,395	+ 12.4
Total costs *	175,853	158,935	+ 16,918	+ 10.6
Profits (Losses) before foreign currency exchange and tax	8,417	4,940	+ 3,477	+ 70.4
Gains (Losses) on foreign currency exchange	9,106	3,167	+ 5,939	+ 187.5
Profits (Losses) before income tax	17,523	8,107	+ 9,416	+ 116.1
Net profits (losses)	15,350	7,344	+ 8,006	+ 109.0
Net profits (losses) per share (Baht)	8.39	4.32	+ 4.07	+ 94.2
EBITDA	28,991	30,385	- 1,394	- 4.6
EBITDAR	33,322	31,917	+ 1,405	+ 4.4

\* Excluding gains (losses) on foreign currency exchange but including share of profits (losses) from investments by the equity method and finance costs

The Company's total operating revenue amounted to THB 184,270 million, which was an increase of THB 20,395 million or 12.4% from last year. Total operating revenue increased in the amount of THB 18,985 million or 11.7% from last year. The Company's total expenses, excluding gains (losses) on foreign currency exchange but including share of profits (losses) of investments by the equity method and finance costs, amounted to THB 175,853 million, which was THB 16,918 million or 10.6% higher than last year. The reasons for the increase were 26.4% increase in average jet fuel price and the increase in production and traffic. In addition, the personnel expenses were higher than last year partially from the Company's manpower strategy by the implementation of Golden Handshake Program and Mutual Separation Plan. Nevertheless, these programs will lead to a more competitive personnel expenses in the long run. Moreover, the Company recorded gains on foreign currency exchange in the amount of THB 9,106 million,

which was increased by THB 5,939 million or 187.5% from last year. The Company's profits before tax was THB 17,523 million, which increased by THB 9,416 million or 116.1% from last year. However, excluding gains (losses) on foreign currency exchange, the Company's profits before foreign currency exchange and tax was THB 8,417 million, which was THB 3,477 million or 70.4% higher than last year.

The Company's net profits was THB 15,350 million or 8.39 baht per share which was higher than that of THB 7,344 million or 4.32 baht per share gained in the same period last year. EBITDAR was THB 33,322 million, which increased by THB 1,405 million or 4.4% from last year.

The Company has changed its accounting policy for recording fixed assets by increasing the value of fixed assets from THB 3,000 to THB 20,000 and above per item effective from January 1, 2010 onwards. As a result, the Company's expenses for the period increased THB 21.5 million as compared to expenses booked in accordance with the previous accounting policy.

In additional, the Company consolidated the financial results of WingSpan Services Co., Ltd. (WingSpan), a subsidiary company into its 2010 financial disclosure. WingSpan was established and registered under the civil and commercial law of the Kingdom of Thailand on December 2, 2010 with an issued and paid-up share capital of THB 2 million. WingSpan's purpose is to provide manpower-outsourcing services to the Company. Tasks requiring specific skills or customer service personnel and/or tasks where the Company has found that outside operators have failed to provide competent outsourcing service and/or tasks where age limit is an issue. WingSpan can help the Company resolve service quality issues and also reduce its personnel expense in the long run. The Company's investment is in WingSpan's common shares constituting 49% of WingSpan's seed capital while Phuket Air Catering Co., Ltd.'s investment is in WingSpan's cumulative preferred shares constituting 51% of WingSpan's seed capital bearing a 6% dividend from the investment. The shareholding structure ensures that the Company controls WingSpan's operations while providing WingSpan with operational flexibility as a private company.

## 2. Performance analysis for the year 2010

### 2.1 Production and Traffic

		2010	2009	% Change
Production	(MATK)	11,516	10,499	+ 9.7%
Traffic	(MRTK)	7,997	6,908	+ 15.8%
Load Factor	(%)	69.4	65.8	+ 3.6
Passenger Production	(MASK)	75,600	72,031	+ 5.0%
Passenger Traffic	(MRPK)	55,676	52,593	+ 5.9%
Cabin Factor	(%)	73.6	73.0	+ 0.6
Freight Production	(MADTK)	4,708	4,016	+ 17.2%
Freight Traffic	(MRFTK)	2,895	2,092	+ 38.4%
Freight Load Factor	(%)	61.5	52.1	+ 9.4
No. of Passenger	(million persons)	18.17	18.48	- 1.7%
Flight Hours	(hours)	341,165	326,008	+ 4.6%
Average of Aircraft Utilization	(hour/aircraft/day)	11.4	11.2	+ 1.8%

The Company took the delivery of three Airbus A330-300 aircraft at the end of 2009 and another two aircraft in March 2010. Such aircraft are under preservation awaiting for the seat installation, which led to a deviation in the Company's performance from established plans. As a result, the Company leased three Boeing 777-300ER aircraft in order to supplement the Company's production capacity. Moreover, the Company reserved block space of two Boeing 777-200LR aircraft in order to provide freight service. Consequently, the Company's total production (Available Ton - Kilometer : ATK) increased by 9.7% from last year. Total traffic (Revenue Ton - Kilometer : RTK) increased by 15.8%. Average load factor increased from 65.8% last year to 69.4%, passenger production (Available Seat - Kilometer : ASK) increased by 5% and passenger traffic (Revenue Passenger - Kilometer : RPK) increased 5.9% while cabin factor was 73.6%, slightly higher than 73.0% over the same period last year.

## 2.2 Revenues

Total revenues for the year 2010 was THB 184,270 million, an increase of THB 20,395 million or 12.4% from last year. Details are as follows:

Unit : Million Baht	2010	2009	Increase(decrease)	
			MTHB	%
Passenger and excess baggage revenue				
Regional	52,953	45,916	+ 7,037	+ 15.3
Intercontinental	52,954	50,146	+ 2,808	+ 5.6
Domestic	12,399	11,968	+ 431	+ 3.6
Non-schedule flight	539	488	+ 51	+ 10.5
Passenger insurance surcharge	1,925	2,403	- 478	- 19.9
Passenger fuel surcharge	24,092	23,558	+ 534	+ 2.3
<b>Total passenger and excess baggage revenue</b>	<b>144,862</b>	<b>134,479</b>	<b>+ 10,383</b>	<b>+ 7.7</b>
Freight and mail revenue	28,230	19,348	+ 8,882	+ 45.9
<b>Total revenue from transportation activities</b>	<b>173,092</b>	<b>153,827</b>	<b>+ 19,265</b>	<b>+ 12.5</b>
Revenue from other activities	7,496	7,776	- 280	- 3.6
<b>Total operating revenue</b>	<b>180,588</b>	<b>161,603</b>	<b>+ 18,985</b>	<b>+ 11.7</b>
Interest income	185	178	+ 7	+ 3.9
Other incomes	3,497	2,094	+ 1,403	+ 67.0
<b>Total revenues</b>	<b>184,270</b>	<b>163,875</b>	<b>+ 20,395</b>	<b>+ 12.4</b>

**Total operating revenue** was THB 180,588 million, an increase of THB 18,985 million or 11.7% from the same period last year.

**Revenue from transportation activities** amounted to THB 173,092 million, an increase of THB 19,265 million or 12.5% from last year. Details are as follows:

### *Passenger and excess baggage revenue*

Passenger and excess baggage revenue totaled THB 144,862 million, an increase of THB 10,383 million or 7.7%. The main reasons are the increase in travel demand resulting from the global economic recovery since the forth quarter of year 2009 to year 2010. This is despite

the impact of the volcano eruption in Iceland in April 2009 affecting travel from Europe to Thailand and the domestic political protest in April and May 2010, which led to many governments of various countries warning and prohibiting their citizens from travelling to Thailand. However, the Company implemented promotion strategy to reduce the impact and increase demand during the protest and low season period. As a result, RPKs increased 5.9%. Average passenger yield (including fuel and insurance surcharge) increased from 2.50 baht/RPK in year 2009 to 2.57 baht/RPK or 2.8% resulting from higher travel demand and average fuel surcharge rate levied reflecting higher fuel price, although the yield was partially weakened by a stronger Baht.

As of April 1, 2010 the Company partially changed its pricing strategy for sale of domestic tickets and price of some international routes where the fuel and applicable insurance surcharge were quoted as part of the full fare ticket. The Company recognizes these tickets in full fare and does not separately recognize such surcharges as was the case in 2009.

- Passenger and excess baggage revenues classified by flight regions

**Regional passenger and excess baggage revenues** amounted to THB 52,953 million, which was an increase of THB 7,037 million or 15.3% due to increase in travel demand from the global economic recovery. Moreover, the Company launched sale promotion during low season period. Although, the Company revenue was partly affected from the domestic political protest and the impact of volcano eruption in Iceland, there was increased production both increasing flight frequency and aircraft capacity. The increases were specifically for sectors between Bangkok to China, Hongkong, Japan, Singapore and Malaysia in order to better serve increase in travel demand. As a result, ASKs increased by 992 million seat-kilometers or 3.5% and RPKs increased by 1,864 million passenger-kilometers or 9.5% while cabin factor was 73.5% higher than 69.5% over the same period last year.

**Intercontinental passenger and excess baggage revenues** amounted to THB 52,954 million, which was an increase of THB 2,808 million or 5.6% partly resulting from the global economic recovery. The Company increased its flight frequency in 2010 as opposed to the capacity reduction during the 2009 economic downturn. Flight frequency was increased to high demand route as well as re-launching 4 weekly direct flights from Bangkok to Johannesburg, South Africa since June 2, 2010. As a result, ASKs increased by 3,003 million seat-kilometers or 7.8% and RPKs increased by 1,970 million passenger-kilometers or 6.8% while cabin factor was 74.3% which slightly lower than 74.9% over last year.

**Domestic passenger and excess baggage revenues** amounted to THB 12,399 million, which was an increase of THB 431 million or 3.6% primarily due to the Company including fuel surcharge and insurance surcharge in the ticket price in this year. However, the Company has adjusted its domestic route since March 1, 2010, in cooperation with Nok Air under the Two-Brand Strategy in order to strengthen their competitive edge and service on the Bangkok-Phitsanulok v.v., Chiang Mai-Mae Hong Son v.v. and Bangkok-Ubon Rachatani v.v. routes are operated by Nok Air while the Company maintains daily flight on the Bangkok-Ubon Rachatani v.v route. As a result, ASKs decreased by 451 million seat-kilometers or 9.5% and RPKs decreased by 758 million passenger-kilometers or 20.0% while cabin factor was 70.5% lower than 79.7% over the same period last year.

- Passenger and excess baggage revenue from non-scheduled flights

Passenger and excess baggage revenue from non-scheduled flights totalled THB 539 million, which was an increase of THB 51 million or 10.5% due to increase in number of international non-schedule flight.

- Passenger insurance surcharge

Passenger insurance surcharge amounted to THB 1,925 million, which was a decrease of THB 478 million or 19.9% mainly due to the appreciation of Baht against the principal foreign currency. Moreover, the Company does not separately recognize domestic insurance surcharge revenue as mentioned above.

- Passenger fuel surcharge

Passenger fuel surcharge amounted to THB 24,092 million, which was an increase of THB 534 million or 2.3% mainly due to increase in fuel price, leading the Company increased passenger fuel surcharge rate. In addition, the 8.6% increase in the number of international passenger which the fuel surcharge rates were higher than the domestic rates.

*Freight and mail revenue*

Freight and mail revenue amounted to THB 28,230 million, which was an increase of THB 8,882 million or 45.9% primarily as a result of the increase in export and import demand in line with global economic recovery. Moreover, the Company reserved block space of two freighter aircraft, Boeing 777-200LRF since March 2010. Consequently, the Company's freight production (Available Dead Load Ton-Kilometers : ADTK) increased by 692 million ton-kilometers or 17.2% from last year. Freight traffic (Revenue Freight Ton-Kilometers : RFTK) increased by 803 million ton-kilometers or 38.4% from last year. The average freight load factor was 61.5%, which is higher than that of 52.1% last year. Along with, average freight yield, including fuel and insurance surcharge increased from 8.90 baht/RFTK in year 2009 to 9.50 baht/RFTK or 6.7%.

*Other activities revenue*

Other activities revenue amounted to THB 7,496 million, which decreased by THB 280 million or 3.6% primarily as a result of revenue from Technical Services were lower than last year. In addition, a decrease in number of flight and passenger of customer airlines led external revenue from Ground Support Equipment Services and Catering Services lower than last year. However, revenue from Cargo Handling Services increased from last year, resulting from increase in freight shipment demand.

*Interest income*

Interest income totalled THB 185 million, which increased by THB 7 million or 3.9% due to average cash and cash equivalent was higher than last year. Moreover, the Company increased its short-term investment, which the Company will obtain higher return.

*Other income*

Other income amounted to THB 3,497 million, which increased by THB 1,403 million or 67.0% primarily resulting from the Company recognized compensation for the delay in aircraft delivery, which was THB 723 million higher than the compensation recognized in last year. In addition, revenue from passenger airport fees, which were not been billed to the Company over 3 year, was THB 816 million higher than last year.

## 2.3 Expenses

Total expenses amounted to THB 166,747 million, which was THB 10,979 million or 7.0% higher than the same period last year. A summary of operating expenses is as follows:

Unit : Million Baht	2010	2009	Increase(decrease)	
			MTHB	%
Fuel and oil	56,519	47,015	+ 9,504	+ 20.2
Personnel	33,526	26,191	+ 7,335	+ 28.0
Management benefit expenses	74	61	+ 13	+ 21.3
Flight service expenses	19,064	17,692	+ 1,372	+ 7.8
Cockpit and cabin crew expenses	5,093	5,243	- 150	- 2.9
Aircraft maintenance and overhaul costs	9,675	10,321	- 646	- 6.3
Depreciation and amortization	20,236	21,023	- 787	- 3.7
Lease of aircraft and spare parts	4,331	1,532	+ 2,799	+ 182.7
Inventories and supplies	9,045	8,496	+ 549	+ 6.5
Sales and advertising cost	6,103	6,221	- 118	- 1.9
Insurance	675	760	- 85	- 11.2
Damages arising from antitrust/competition law	(1,783)	-	- 1,783	-
Impairment of assets	489	529	- 40	- 7.6
Other expenses	7,898	8,104	- 206	- 2.5
Finance costs	5,166	5,738	- 572	- 10.0
Share of loss (profit) from investments by the equity method	(258)	9	- 267	
Loss (gains) on foreign currency exchange	(9,106)	(3,167)	- 5,939	- 187.5
<b>Total Expenses</b>	<b>166,747</b>	<b>155,768</b>	<b>+ 10,979</b>	<b>+ 7.0</b>

Significant changes of expenses for the year 2010 included:

**Fuel and oil expense** amounted to THB 56,519 million, was THB 9,504 million or 20.2% higher than last year. The main reasons were an increase in average jet fuel price by 26.4% from last year and an increase in fuel consumption by 6.2% from production expansion whereas the US dollar is weakened against Thai baht partially offset the rise in fuel cost. Moreover, the Company was compensated on fuel hedging contracts in the amount of THB 598 million.

**Personnel expenses** amounted to THB 33,526 million, which was an increase of THB 7,335 million or 28.0% from last year. The main reasons were the compensation expenses in the amount of THB 2,263 million, which was a one-time payment to employees participating in the Company's Golden Handshake Program and Mutual Separation Plan. Those two schemes reflect the Company's manpower strategy to have suitable personnel structure, increase competitiveness, having suitable number of staff to support the future corporate operations and reducing personnel cost in the long run. The voluntary early retirement of employees will bear no impact on the Company's operations. The early retirement of 600 employees through the mutual separate plan took effect in 2010 while another 28 were to become effective in 2011. Moreover, personnel cost rose in 2010 from an increase in annual benefit paid to employees.

**Flight service expenses** amounted to THB 19,064 million was an increase of THB 1,372 million or 7.8% from last year. The increase was mainly the result of the increase in the Company's total production and rise in the cargo handling expenses in lines with the Block Space agreement.

**Aircraft maintenance and overhaul costs** amounted to THB 9,675 million, a decrease of THB 646 million or 6.3% from last year, which was mainly from a decrease in overhaul expense due to fewer scheduled overhaul in 2010.

**Lease of aircraft and spare parts expenses** were THB 4,331 million, an increase of THB 2,799 million or 182.7%, which was due to the Company had leased two Boeing 777-200LRF aircraft since March 2010 for freight service and three Boeing 777-300ER aircraft since end of May 2010 for passenger service.

**Damages arising from antitrust and competition law** In 2008, the Company put aside a THB 4,290 million the reserve against charges for violating antitrust and competition law. However, on November 2010, the European Commission dropped its charges due to not having sufficient evidence. As a result, the Company was able to reverse that reserve by THB 1,783 million and the remaining reserve balance is THB 2,507 million.

**Gain on foreign currency exchange** amounted to THB 9,106 million, which was an increase of THB 5,939 million or 187.5% mostly due to the translation of the Company's outstanding EURO currency loans into Baht term at the end of the period.

**Share of gain (loss) from investment by equity method** increase from a loss of THB 9 million in year 2009 to a gain of THB 258 million in year 2010 by recognizing the share of Nok Air Company Limited' profits in the amount of THB 235 million.

#### **2.4 Income tax expenses**

The Company's income tax expenses amounted to THB 2,125 million, which was an increase of THB 1,434 million or 207.5%. The primarily reason was an increase in the profits that were subject to taxation at the prevailing rates.

#### **2.5 Net profit attributable to equity holders of the parent**

The Company's net profit attributable to equity holders of the parent increased from THB 7,344 million in 2009 to THB 15,350 million in year 2010 or 109.0% and a rise in net profit margin from 4.54% in 2009 to 8.50% in 2010.

### **3. Financial Position**

#### **3.1 Assets**

As of December 31, 2010, the Company's total assets were THB 293,760 million, an increase of THB 22,066 million or 8.1% from as at December 31, 2009.

	<b>December 31, 2010</b>		<b>December 31, 2009</b>	
	<b>MTHB</b>	<b>% of total assets</b>	<b>MTHB</b>	<b>% of total assets</b>
Current assets	78,301	26.7	47,288	17.4
<b>Property, plant and equipment</b>				
Aircraft	65,615	22.3	62,252	22.9
Aircraft under finance leases	115,425	39.3	124,330	45.8
Aircraft spare parts	10,822	3.7	10,445	3.8
Land, buildings and improvements	7,988	2.7	8,588	3.2
Other plant and equipment	6,269	2.1	7,890	2.9
<b>Property, plant and equipment-net</b>	<b>206,119</b>	<b>70.1</b>	<b>213,505</b>	<b>78.6</b>
Other non-current assets	9,340	3.2	10,901	4.0
<b>Total Assets</b>	<b>293,760</b>	<b>100.0</b>	<b>271,694</b>	<b>100.0</b>

### **Current Assets**

Current assets were THB 78,301 million or accounted for 26.7% of total assets, an increase of THB 31,013 million or 65.6% from as of December 31, 2009. Primarily as a result of:

- Cash and cash equivalents as of December 31, 2010 amounting to THB 37,680 which increased by THB 23,380 million from as of December 31, 2009. In this regard, the Company reserved more cash on hand to reach the Airlines standard according to the strengthening financial strategic plan.
- Prepaid expenses and deposits increased by THB 4,627 million primarily resulting from security deposit in the amount of THB 4,418 million for the eight operating leased Boeing 777-300ER aircraft for which the Company will take delivery in 2012-2013.

### **Property, plant and equipment-net**

Property, plant and equipment-net were THB 206,119 million or represented 70.1% of total assets, which decreased by THB 7,386 million or 3.5% from as of December 31, 2009, primarily resulting from accumulated depreciation costs, partially offset by the acquisition of two Airbus A330-300 aircraft and advance payment of seven Airbus A330-300 aircraft.

### **Other non-current assets**

Other non-current assets were THB 9,340 million or represented 3.2% of total assets, which decreased by THB 1,561 million or 14.3% from as of December 31, 2009, primarily resulting from a decrease in deferred income tax assets of THB 959 million. This decrease was from the reduction in provision for damages and fines arising from the antitrust and competition law. In addition, there was a THB 608 million decrease in assets pending sale, arising from selling two Airbus A300-600 aircraft.

### **3.2 Liabilities**

The Company's total liabilities as of December 31, 2010 totaled THB 210,850 million, which was a decrease of THB 7,600 million or 3.5% from as of December 31, 2009. These comprise of:



	<b>December 31, 2010</b>		<b>December 31, 2009</b>	
	<b>MTHB</b>	<b>% of total liabilities</b>	<b>MTHB</b>	<b>% of total liabilities</b>
Current liabilities (excluding current portion of long-term loans)	57,581	27.3	54,961	25.2
<b>Long-term loans</b>				
Debentures	29,335	13.9	40,290	18.4
Liabilities under financial leases	64,327	30.5	79,341	36.3
Long term loan from others	52,618	25.0	35,269	16.2
<b>Total long-term loans</b>	<b>146,280</b>	<b>69.4</b>	<b>154,900</b>	<b>70.9</b>
Other non-current liabilities	6,989	3.3	8,589	3.9
<b>Total liabilities</b>	<b>210,850</b>	<b>100.0</b>	<b>218,450</b>	<b>100.0</b>

### **Current liability (excluding current portion of long-term loans)**

Current liability (excluding current portion of long-term loans) totaled THB 57,581 million, representing 27.3% of total liabilities, which increased from December 31, 2009 by THB 2,620 million or 4.8%. The main reason were the increase in accrued expenses, which related to personnel welfare fees and early-retirement programs.

### **Long-term loans**

Long-term loans as of December 31, 2010 totaled THB 146,280 million (included current portion of long-term loans amounting to THB 23,155 million) or represented 69.4% of total liabilities, which was a decrease of THB 8,620 million from December 31, 2009. The decrease was mainly from the repayment of liabilities under financial leases and debentures.

The details of long-term loans are in the notes to the financial statement number 6.11, 6.12, 6.13 and 6.30.

### **Other non-current liabilities**

Other non-current liabilities as of December 31, 2010 totaled THB 6,989 million or represented 3.3% of total liabilities, which was a decrease of THB 1,600 million or 18.6% from December 31, 2009. The decrease mainly came from a decrease in long-term provisions in the amount of THB 1,323 million, which was from the reduction in provision for damages and fines from the antitrust and competition charges. In addition, the staff pension fund decreased in the amount of THB 338 million from payment made to employees participating in the early-retirement programs.

## **3.3 Shareholders' Equity**

As of December 31, 2010, the Company's shareholders' equity amounted to THB 82,910 million, an increase of THB 29,666 million from December 31, 2009. The main reasons were from:

- The issuance of 483.9 million ordinary shares increased the Company's issued and paid-up shares capital by THB 4,839 million from THB 16,989 million to THB 21,828 million. Premium on share capital was 21 baht per share or THB 10,160 million, minus the THB 251 million in fees related to the issuance of ordinary shares. Therefore the net increase in premium on share capital totaled THB 9,910 million.

- Unappropriated retained earning increased by THB 14,155 million from the profits earned in 2010.

#### 4. Liquidity

Cash and cash equivalents as of December 31, 2010 amounted to THB 37,680 million, an increase of THB 23,380 million or 163.5 from as of December 31, 2009, from the strengthened financial position mentioned above. Some part of this cash was invested in short-term investment to reduced interest burden.

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

Unit : Million Baht	2010	2009
Net cash from operating activities	28,268	28,523
Net cash used in investing activities	(8,872)	(14,472)
Net cash from (used) in financing activities	3,979	(7,085)
Increase (decrease) in cash and cash equivalents	23,375	6,966

##### 4.1 Net cash from operating activities

Net cash from operating activities for fiscal year end December 31, 2010 amounted to THB 28,268 million, decreased by THB 255 million or 0.9%, although the Company's operating profits before changes in operating assets and liabilities increased by THB 1,951 million. The reason of that reduction was the increase in Company's operating assets in the amount of THB 7,324 million coming from the increase in prepaid expenses and deposits and also trade accounts receivable, while the increase in Company's operating liabilities in the amount of THB 5,118 million primarily coming from the increase in accrued expenses and other current liabilities as well as unearned transportation revenues.

##### 4.2 Net cash used in investing activities

Net cash used in investing activities for year 2010 amounted to THB 8,872 million, which decreased by THB 5,600 million or 38.7%. These primarily comprised of the use of cash in the acquisition of two Airbus A330-300 aircraft, which the Company took delivery in March 2010 along with an advance payment of seven Airbus A330-300 aircraft, which the Company will acquire in the year 2011-2013.

##### 4.3 Net cash from (used in) financing activities

Net cash from financing activities for year 2010 amounted to THB 3,979 million whereas net cash used in financing activities for year 2009 amounted to THB 7,085 million. The net cash from financing activities for this year consisted of:

- Cash received from ordinary shares issuing of THB 14,748 million
- Net cash received from long-term loans in the amount of THB 8,110 million
- Repayment of debentures, totaling THB 10,955 million
- Repayment of short-term loans, amounting to THB 1,116 million
- Repayment of promissory notes, payment of loan interest and dividend payment, aggregating THB 6,810 million.

## 5. Capital Expenditures

The Company's capital expenditures for year 2010 totaled THB 13,608 million, which decreased by THB 15,720 million or 53.6% from last year. Capital expenditures for year 2010 consisted of payment for the acquisition of new aircraft in which delivery was taken of two aircraft in 2010 and another seven will be taken in 2011-2013 as well as payment for acquisition of rotatable aircraft spare part totaling THB 13,235 million.

Unit : Million Baht	2010	2009
Aircraft and aircraft spare parts	13,235	28,634
Non-Aircraft	373	694
<b>Total</b>	<b>13,608</b>	<b>29,328</b>

## 6. Financial Ratios

		2010	2009
<b>Liquidity Ratio</b>			
Current Ratio <sup>1)</sup>	(times)	2.46	1.58
<b>Profitability Ratio</b>			
Operating Profit Margin	(%)	4.85	5.79
Net Profit Margin	(%)	8.50	4.54
Return on Equity	(%)	8.39	4.32
<b>Efficiency Ratio</b>			
Return on Total Assets	(%)	5.43	2.76
<b>Financial Policy Ratio</b>			
Interest Bearing Debt to Equity	(times)	1.76	2.93
Interest Coverage Ratio <sup>2)</sup>	(times)	5.61	5.30
Debt Service Coverage Ratio (DSCR) <sup>3)</sup>	(times)	1.30	1.56

Note : 1) Current Ratio = Current Assets/ Current Liabilities (Excluding Current Portion of Long-Term Liabilities and Unearned Transportation Revenues)

2) Interest Coverage Ratio = EBITDA / Interest Expense

3) Debt Service Coverage Ratio = EBITDAR / (Long-term loan Repayment+Interest Expense+Lease of Aircraft and Spare Parts)

Detail of significant accounting policies, privileges received under investment promotion, market risk and contractual obligations are in the note to the financial statements number 3, 6.24, 6.30 and 6.32, respectively.