

## Management's Discussion and Analysis for the third quarter ending September 30, 2012 for Thai Airways International Public Company Limited and Its Subsidiaries

The consolidated financial statements for the third quarter and nine months ending September 30, 2012 compared to the same period last year, this year's financial information includes an additional subsidiary, Nok Airlines Co., Ltd (Nok Air).

### 1. Operating Results of Thai Airways International PCL. and its subsidiaries

THAI continues to execute its "Corporate Portfolio Strategy" related to the airline business by increasing its shareholding in Nok Airlines Co., Ltd (Nok Air). THAI purchased an additional 5 million shares representing an additional 10 percent stake of Nok Air's issued and paid-up shares on November 29, 2011, increasing THAI's total shares from 39% to 49% to improve cooperation and provide a comprehensive product range to compete with other domestic low cost carriers. In addition, THAI established a new business unit: THAISmile to enhance THAI's cost competitiveness and open new opportunities to expand its network throughout the short haul routes within the Asian region. THAISmile's light premium service enables its tickets to be more competitively priced as well as serving as a strategic tool for meeting the needs of THAI, THAISmile inaugurated its very first route : Bangkok-Macau on July 7, 2012 and gradually replaced THAI's operations in domestic routes including Surat Thani and Krabi with brand-new A320-200 aircraft in August 2012.

In the third quarter of 2012, air traffic demand continued to see growth over the same period last year. THAI constantly adjusted its traffic program to match seasonality and better respond to changing competitive environment. Product improvements and passenger service enhancements continued through the year and throughout the organization while the feedback delivered by THAISmile, the new service from THAI, have been positive and encouraging. The multiple product strategy has improved THAI's total system passenger traffic over the same period last year. The result was an achievement of an average cabin factor of 76.7%, higher than the 74.0% average achieved last year. Despite the average fuel price is still considered to be high but certainly lower than that for the same period last year. That combined with increase of compensation received on fuel hedging contracts have consequently reduced year on year fuel cost of THAI by 7.5%, increasing operating profit for the third quarter of 2012.

Operating Results for Thai Airways International PCL. and its subsidiaries are as follows:

Unit : Million Baht	Consolidated				The Company			
	July - September		Variance		July - September		Variance	
	2012	2011	MTHB	%	2012	2011	MTHB	%
Total Revenues	52,431	49,961	+ 2,470	+ 4.9	50,353	49,904	+ 449	+ 0.9
Total Expenses <sup>1)</sup>	50,399	49,668	+ 731	+ 1.5	48,801	49,604	- 803	- 1.6
Profit(Loss) before foreign currency exchange and income tax	2,032	293	+ 1,739	+ 593.5	1,552	300	+ 1,252	+ 417.3
Gain(loss) on foreign currency exchange	(120)	2,299	- 2,419	- 105.2	(117)	2,300	- 2,417	- 105.1
Profit(Loss) before income tax	1,912	2,592	- 680	- 26.2	1,435	2,600	- 1,165	- 44.8
Profit(Loss) attributable to owner of the parent	1,750	2,447	- 697	- 28.5	1,409	2,466	- 1,057	- 42.9
Net profit(Loss) per share(Baht)	0.80	1.12	- 0.32	- 28.6	0.65	1.13	- 0.48	- 42.5
EBITDA <sup>2)</sup>	7,464	5,622	+ 1,842	+ 32.8	7,174	5,602	+ 1,572	+ 28.1
EBITDAR <sup>3)</sup>	8,622	6,859	+ 1,763	+ 25.7	8,089	6,839	+ 1,250	+ 18.3

1) Excluding gains (losses) on foreign currency exchange

2) EBITDA = Total Operating Revenue – Total Operating Expenses + Depreciation and Amortization

3) EBITDAR = Total Operating Revenue – Total Operating Expenses + Depreciation and Amortization + Lease of Aircraft and Spare parts

THAI's consolidated total revenues amounted to THB 52,431 million, which was an increase of THB 2,470 million or 4.9% from last year. Nok Air's top line revenue contribution to THAI's total revenues were THB 2,100 million while THAI's own revenue increased totaling THB 449 million due to the increase in passenger revenue. THAI's consolidated total expenses, excluding gain (loss) on foreign currency exchange amounted to THB 50,399 million, which was THB 731 million or 1.5% higher than last year. Nok Air's portion of expense totaled THB 1,805 million while THAI's expenses decreased by THB 803 million. Almost expenses were lower than last year especially for fuel expense which was THB 1,499 million lower than last year. However, total expenses was not lower than the same period last year as the reversal of reserves with respect to damages and fines and legal fees for Antitrust/Competition law was THB 690 million as compared to the previous year's reversal of THB 1,082 million along with last year's reversal of reserves for welfare expenses totaling THB 1,391 million whereas this year, the reversal was only THB 190 million as actual payment for flood damages as a part of employee benefits was lower than reserve amount from last year. Consequently, total reduction of reserved expenses was THB 1,593 million lower than last year.

As a result, profit before foreign currency exchange and income tax for THAI and its subsidiaries amounted to THB 2,032 million, an increase of THB 1,739 million when compared to last year. During the third quarter 2012, THAI and its subsidiaries also recorded a loss on foreign currency exchange in the amount of THB 120 million compared to last year where THAI gained THB 2,299 million. Consequently, THAI and its subsidiaries reported a profit before income tax of THB 1,912 million, a decrease of THB 680 million from last year.

Profit attributable to owners of the parent was THB 1,750 million or 0.80 baht per share. Net profit decreased when compared to last year's THB 2,447 million or 1.12 baht per share. EBITDAR was THB 8,622 million, which increased by THB 1,763 million or 25.7% over last year.

## 2. Performance analysis for the third quarter of 2012

### Production and Traffic (Thai Airways International PCL.)

		July - September		% Change
		2012	2011	
Production	(MATK)	3,036	3,009	+ 0.9%
Traffic	(MRTK)	2,059	2,018	+ 2.0%
Load Factor	(%)	67.8	67.1	+ 0.7
Passenger Production	(MASK)	19,729	19,836	- 0.5%
Passenger Traffic	(MRPK)	15,129	14,681	+ 3.1%
Cabin Factor	(%)	76.7	74.0	+ 2.7
Freight Production	(MADTK)	1,260	1,224	+ 2.9%
Freight Traffic	(MRFTK)	663	675	- 1.8%
Freight Load Factor	(%)	52.6	55.1	- 2.5
No. of Passenger	(Million persons)	5.10	4.77	+ 6.9%
Flight Hours	(Hours)	90,780	88,800	+ 2.2%
Average of Aircraft Utilization	(Hour/Aircraft/Day)	11.5	11.3	+ 1.8%

When compared to the same period last year, THAI increased the number of flights in Asian routes but decreased flight frequency on Intercontinental routes which caused passenger production (Available Seat - Kilometers: ASK) to decrease by 0.5%. By rescheduling flights to match market demand and adjusting appropriate promotion campaigns to suit each market increased passenger traffic (Revenue Passenger - Kilometers: RPK) by 3.1%. Consequently, the average cabin factor was 76.7% higher than the 74.0% average cabin factor achieved during the same period last year.

On the freight services side, business has been adversely affected by the dramatic world economic slowdown and the resulting heightened competition amongst air cargo transport companies has lowered overall freight traffic (Revenue Freight Ton-Kilometers: RFTK) which was 1.8% lower than last year. Meanwhile, freight production (Available Dead Load Ton-Kilometers: ADTK) increased by 2.9% compared to the same period last year due to the increase of operating flights. Average freight load factor achieved was 52.6% lower than the 55.1% average achieved last year for the same period.

### Revenues of Thai Airways International PCL. and its subsidiaries

Total revenues for the third quarter of 2012 earned was THB 52,431 million, an increase of THB 2,470 million or 4.9% from last year. Details are as follows:

Unit : Million Baht	Consolidated				The Company			
	July-September		Variance		July-September		Variance	
	2012	2011	MTHB	%	2012	2011	MTHB	%
<b>Revenues from transportation activities</b>								
Passenger and excess baggage revenue	43,092	40,207	+ 2,885	+ 7.2	41,065	40,207	+ 858	+ 2.1
Freight and mail revenue	6,535	6,892	- 357	- 5.2	6,529	6,892	- 363	- 5.3
<b>Total revenues from transportation activities</b>	<b>49,627</b>	<b>47,099</b>	<b>+ 2,528</b>	<b>+ 5.4</b>	<b>47,594</b>	<b>47,099</b>	<b>+ 495</b>	<b>+ 1.1</b>
Revenue from other activities	2,087	2,105	- 18	- 0.9	2,035	2,023	+ 12	+ 0.6
<b>Total operating revenue</b>	<b>51,714</b>	<b>49,204</b>	<b>+ 2,510</b>	<b>+ 5.1</b>	<b>49,629</b>	<b>49,122</b>	<b>+ 507</b>	<b>+ 1.0</b>
Interest income	128	104	+ 24	+ 23.1	116	100	+ 16	+ 16.0
Other incomes	589	653	- 64	- 9.8	608	682	- 74	- 10.9
<b>Total revenues</b>	<b>52,431</b>	<b>49,961</b>	<b>+ 2,470</b>	<b>+ 4.9</b>	<b>50,353</b>	<b>49,904</b>	<b>+ 449</b>	<b>+ 0.9</b>

**Total operating revenue** was THB 51,714 million, an increase of THB 2,510 million or 5.1% over the same period last year.

**Revenues from transportation activities** amounted to THB 49,627 million, an increase of THB 2,528 million or 5.4% over last year. Details are as follows:

- **Passenger and excess baggage revenue**

Passenger and excess baggage revenue totaled THB 43,092 million, an increase of THB 2,885 million or 7.2%. The main reasons are

- Passenger and excess baggage revenue for THAI increased by THB 858 million or 2.1% since passenger traffic (Revenue Passenger Ton-Kilometers: RPK) increased by 3.1%. Average passenger yield (including fuel and insurance surcharge) was 2.71 THB/RPK increased from last year and the previous quarter.
- Passenger and excess baggage revenue for Nok Air totaled THB 2,027 million.

- **Freight and mail revenue**

Freight and mail revenue amounted to THB 6,535 million, which was a decrease of THB 357 million or 5.2%, due to the lower average freight yield for THAI (including fuel and insurance surcharge) which decreased from 9.94 THB/RFTK last year to 9.58 THB/RFTK this year or a 3.6% reduction while freight traffic (Revenue Freight Ton-Kilometers: RFTK) also decreased by 1.8% over the same period last year

***Other activities revenue***

Other activities revenue amounted to THB 2,087 million, which decreased by THB 18 million or 0.9% primarily from

- Other activities revenue for THAI increased by THB 12 million since there were more government's aircraft technical services along with higher spare parts sales compared to last year.
- Other activities revenue from subsidiaries decreased because revenue of Nok Air has been consolidated into THAI's consolidated financial statement since this quarter.

***Interest income***

Interest income totaled THB 128 million, an increase of THB 24 million or 23.1% of which THB 10 million was contributed by Nok Air.

***Other income***

Other income amounted to THB 589 million was a decrease of THB 64 million or 9.8% primarily the result of lower other income earned by THAI decreased by THB 74 million resulting from

- lower recognition of passenger airport fees that were not billed to THAI for over 3 years which was THB 120 million lower than last year
- other services revenue for Technical service department was THB 40 million lower than last year.
- despite an increase in compensation for delay in aircraft delivery of THB 112 million.

## Expenses for Thai Airways International PCL. and its subsidiaries

In the third quarter of 2012, total expenses amounted to THB 50,519 million, which was THB 3,150 million or 6.6% higher than the same period last year. A summary of operating expenses is as follows:

Unit : Million Baht	Consolidated				The Company			
	July-September		Variance		July-September		Variance	
	2012	2011	MTHB	%	2012	2011	MTHB	%
Fuel and oil	19,139	20,013	- 874	- 4.4	18,514	20,013	- 1,499	- 7.5
Employee benefit expenses	7,505	6,470	+ 1,035	+ 16.0	7,409	6,459	+ 950	+ 14.7
Flight service expenses	5,342	5,137	+ 205	+ 4.0	5,196	5,137	+ 59	+ 1.1
Crew expenses	1,443	1,374	+ 69	+ 5.0	1,405	1,373	+ 32	+ 2.3
Aircraft maintenance and overhaul costs	3,186	3,043	+ 143	+ 4.7	2,845	3,043	- 198	- 6.5
Depreciation and amortization	4,963	5,113	- 150	- 2.9	4,949	5,110	- 161	- 3.2
Lease of aircraft and spare parts	1,158	1,237	- 79	- 6.4	915	1,237	- 322	- 26.0
Inventories and supplies	2,472	2,751	- 279	- 10.1	2,437	2,751	- 314	- 11.4
Selling and advertising expenses	1,666	1,584	+ 82	+ 5.2	1,584	1,550	+ 34	+ 2.2
Insurance expenses	196	169	+ 27	+ 16.0	162	169	- 7	- 4.1
Impairment loss of assets	353	265	+ 88	+ 33.2	353	265	+ 88	+ 33.2
Impairment loss of aircraft	-	181	- 181	- 100.0	-	181	- 181	- 100.0
Other expenses	1,765	864	+ 901	+ 104.3	1,608	848	+ 760	+ 89.6
Losses (gains) on foreign currency exchange	120	(2,299)	+ 2,419	+ 105.2	117	(2,300)	+ 2,417	+ 105.1
Finance costs	1,423	1,467	- 44	- 3.0	1,424	1,468	- 44	- 3.0
Share of profits of associates	(212)	-	- 212	-	-	-	-	-
<b>Total Expenses</b>	<b>50,519</b>	<b>47,369</b>	<b>+ 3,150</b>	<b>+ 6.6</b>	<b>48,918</b>	<b>47,304</b>	<b>1,614</b>	<b>+ 3.4</b>

Significant changes of expenses for the third quarter of 2012 include:

Fuel and oil expense amounted to THB 19,139 million, was THB 874 million or 4.4% lower than last year.

- Fuel and oil expense for THAI decreased by THB 1,499 million. The main reasons were the decrease of 5.6% in average jet fuel price and compensation income from fuel hedging amounting to THB 1,074 million compared to last year where THAI recorded an expense from fuel hedging activities totaling THB 48 million. However, THAI increased its fuel consumption by 0.5% over last year and the stronger U.S. dollar compared to the Thai Baht which increased THAI's fuel expense in baht terms.

- Fuel and oil expense for Nok Air amounted to THB 625 million.

Employee benefits expenses (including Nok Air) consisting of personnel expense, employee benefits expense, management benefits expense and board of directors benefits expense amounted to THB 7,505 million, which was an increase of THB 1,035 million or 16.0% over last year mainly due to

- The increase of THAI's employee benefit expenses in the third quarter of 2012 in the amount of THB 950 million was the result of a reversal of the annual welfare that was set aside in the first part of 2011 in the amount of THB 1,391 million making last year's employee benefit expense lower. In this quarter of 2012, THAI also reduced accrued employee compensation but was for the reserves to assist employees for the 2011 flood disaster where a total of THB 201 million was paid for qualified applicants. This subsidiary program will end in October 2012 and thus enabling THAI to reverse this reserve by THB 190 million with THB 9 million remaining for payout. (Also see the notes to financial statements no.2.27.2)

- Employee benefits expenses for Nok Air amounted to THB 135 million

Flight service expenses amounted to THB 5,342 million, an increase of THB 205 million or 4.0% over last year. The increase was mainly from

- Flight service expenses for THAI increased by THB 59 million due to the increase in the number of flights.

- Flight service expenses for Nok Air amounted to THB 146 million.

Lease of aircraft and spare parts expenses totaled THB 1,158 million, a decrease of THB 79 million or 6.4%, which was mainly from

- Lease of aircraft and spare parts expenses for THAI decreased by THB 322 million due to the return of the 2 leased freighter aircraft one in August 2011 and another one in February 2012 even though THAI leased additional 6 aircraft which consisted of 2 Boeing B777-300ER, in November 2011 and August 2012, and 4 Airbus A320-200 aircraft.

- Lease of aircraft and spare parts expenses for Nok Air amounted to THB 243 million.

Inventories and supplies expenses totaled THB 2,472 million, a decrease of THB 279 million or 10.1%, which was mainly from

- Inventories and supplies expenses for THAI decreased by THB 314 million due to the replacement of life-limited engine spare parts in the same period in 2011.

- Inventories and supplies expenses for Nok Air amounted to THB 35 million.

Impairment loss of aircraft was THB 181 million lower than last year as in the previous year, THAI recognized an impairment loss of 2 decommissioned Airbus A300-600 aircraft which were on process of pending sale.

Other expenses amounted to THB 1,765 million, an increase of THB 901 million or 104.3% due to

- Other expenses for THAI increased by THB 760 million mainly since THAI reversed the reserve for estimated damages and fines of legal fee for Antitrust/competition law in the same period last year totaling THB 1,082 million while the reversal for the same period in 2012 was THB 690 million with THB 783 million in reserves still outstanding (Also see the notes to financial statements no.2.25.2) Moreover, there was no adjustment of property tax this year.

- Other expenses for Nok Air amounted to THB 133 million.

Losses on foreign currency exchange of THAI and its subsidiaries amounted to THB 120 million mostly due to the translation of the Company's outstanding assets and liabilities into Baht terms at the end of the period when compared to last year where THAI and its subsidiaries had gain on foreign currency exchange in the amount of THB 2,299 million.

Share of profits of associates amounted to THB 212 million, compared to last year where there was a small loss due to recognizing the share of Royal Orchid Hotel (Thailand) PCL's and Bangkok Aviation Fuel Services PCL's profits. Nok Air's profit has been consolidated into THAI's consolidated financial statements in 2012 while last year, such profit was recognized as a share of profits of associates.

### Net income tax expenses of Thai Airways International PCL. and its subsidiaries

Net income tax expenses amounted to THB 44 million, a decrease of THB 96 million. The main reason is the decrease of taxable profit whereas THAI still has the accumulated deficit that was able to deduct partial tax payment.

### Profit(Loss) attributable to owners of the parent

Profit attributable to owners of the parent amounted to THB 1,750 million, a decrease of THB 697 million or 28.5 when compared to last year.

**Operating results of Thai Airways International PCL. and its subsidiaries of the first nine months of 2012 (January – September 2012)** are as follows:

Unit : Million Baht	Consolidated				The Company			
	January- September		Variance		January - September		Variance	
	2012	2011	MTHI	%	2012	2011	MTHI	%
Total Revenues	155,442	147,372	+ 8,070	+ 5.5	150,005	147,312	+ 2,693	+ 1.8
Total Expenses <sup>1)</sup>	152,796	148,924	+ 3,872	+ 2.6	147,888	148,916	- 1,028	- 0.7
Profit(Loss) before foreign								
currency exchange and income tax	2,646	(1,553)	+ 4,199	+ 270.4	2,117	(1,604)	+ 3,721	+ 232.0
Gain (loss) on foreign currency								
exchange	1,723	(3,325)	+ 5,048	+ 151.8	1,722	(3,326)	+ 5,048	+ 151.8
Profit(Loss) before income tax	4,369	(4,878)	+ 9,247	+ 189.6	3,839	(4,930)	+ 8,769	+ 177.9
Profit(Loss) attributable to owner of								
the parent	3,868	(4,809)	+ 8,677	+ 180.4	3,602	(4,799)	+ 8,401	+ 175.1
Net profit(Loss) per share(Baht)	1.77	(2.20)	+ 3.97	+ 180.5	1.65	(2.20)	+ 3.85	+ 175.0
EBITDA <sup>2)</sup>	20,764	15,398	+ 5,366	+ 34.8	20,261	15,299	+ 4,962	+ 32.4
EBITDAR <sup>3)</sup>	24,027	19,545	+ 4,482	+ 22.9	22,905	19,447	+ 3,458	+ 17.8

1) Excluding gains (losses) on foreign currency exchange

2) EBITDA = Total Operating Revenue – Total Operating Expenses + Depreciation and Amortization

3) EBITDAR = Total Operating Revenue – Total Operating Expenses + Depreciation and Amortization + Lease of Aircraft and Spare parts

THAI and its subsidiaries' profit before foreign currency exchange and income tax amounted to THB 2,646 million, when compared to the same period last year where THAI and its subsidiaries reported a loss of THB 1,553 million resulting from close and continuous performance monitoring to timely adjustment of operations and enact appropriate response to developing situations. Flights and frequency were adjusted to better match passengers demand, the launch of marketing campaign and sales promotion programs increased both passenger traffic and revenue combined with intensive cost management programs in place along with THAI's additional investment in NOK Air.

During the nine months period of 2012, THAI and its subsidiaries also recorded a gain on foreign currency exchange in the amount of THB 1,723 million compared to last year where THAI and its subsidiaries reported a loss of THB 3,325 million. Consequently, THAI and its subsidiaries reported profit attributable to owners of the parent of THB 3,868 million or 1.77 baht per share for nine months of 2012 compared to last year's loss of THB 4,809 million or a loss of 2.20 baht per share.

Other comprehensive income of THAI and its subsidiaries was THB 54 million which was from the recognition of fair value of Nok Air's net assets which generated a comprehensive income of THB

4,132 million. Therefore, total comprehensive income for the period attributable to owners of the parent amounted to THB 3,922 million.

In the first nine months of 2012, THAI decommissioned 5 aircraft for pending sales which consisted of 2 Airbus A300-600 aircraft in March 2012 and 3 Airbus A340-500 aircraft in April and May 2012, respectively. THAI took the delivery of new 8 aircraft: 2 Airbus A330-300 aircraft in March and September, respectively mainly to be operated in the Region and to Australian routes and a Boeing 777-300ER aircraft in August, initially serving on Japanese routes and later was used on the North American route. Delivery of 4 Airbus A320-200 aircraft during June to September were taken for THAI Smile serving THAISmile's designated routes and an Airbus A380-800 in September 2012. It should be noted that three delivered aircraft in September: 1 Airbus A330-300, 1 A320-200 and 1 A380-800 aircraft, will commence flights beginning October 2012.

### 3. Financial Position of Thai Airways International PCL. and its subsidiaries

#### Assets

As of September 30, 2012, total assets were THB 291,553 million, an increase of THB 17,108 million or 6.2% from as at December 31, 2011.

	<b>Consolidated</b>				<b>The Company</b>			
	<b>September 30, 2012</b>		<b>December 31, 2011</b>		<b>September 30, 2012</b>		<b>December 31, 2011</b>	
	<b>MTHB</b>	<b>% of Total Assets</b>	<b>MTHB</b>	<b>% of Total Assets</b>	<b>MTHB</b>	<b>% of Total Assets</b>	<b>MTHB</b>	<b>% of Total Assets</b>
Current assets	73,717	25.3	59,294	21.6	71,420	24.8	58,799	21.
Property, plant and equipment								
Prepaid aircraft and Spare								
engine	22,573	7.8	21,279	7.8	22,574	7.8	21,279	7.
Aircraft	46,027	15.8	46,104	16.8	46,027	15.9	46,104	16.
Aircraft under finance leases	111,152	38.1	112,051	40.8	111,152	38.5	112,051	41.
Aircraft spare parts	11,783	4.0	10,367	3.8	11,782	4.1	10,367	3.
Work in process	3,899	1.3	2,838	1.0	3,899	1.3	2,838	1.
Land, building and improvements	7,126	2.4	7,463	2.7	7,126	2.5	7,463	2.
Other plant and equipment	4,623	1.6	4,893	1.8	4,432	1.6	4,885	1.
<b>Property, plant and equipment-net</b>	<b>207,183</b>	<b>71.0</b>	<b>204,995</b>	<b>74.7</b>	<b>206,992</b>	<b>71.7</b>	<b>204,987</b>	<b>75.</b>
Other non-current assets	10,653	3.7	10,156	3.7	10,156	3.5	9,502	3.
<b>Total Assets</b>	<b>291,553</b>	<b>100.0</b>	<b>274,445</b>	<b>100.0</b>	<b>288,568</b>	<b>100.0</b>	<b>273,288</b>	<b>100.0</b>

Current assets were THB 73,717 million or accounted for 25.3% of total assets, an increase of THB 14,423 million or 24.3% from as of December 31, 2011. The main reason were

- Cash and cash equivalents (included cash and cash equivalents of Nok Air, amount of THB 304 million) as of September 30, 2012 totaled to THB 18,237 million which increased by THB 1,571 million from as of December 31, 2011.

- Temporary investments as of September 30, 2012 totaled THB 1,539 million, an increase of THB 1,120 million on a consolidated basis where Nok Air invested THB 1,300 million in bill of exchange.

- Trade receivables as of September 30, 2012 totaled THB 17,918 million, an increase of THB 1,269 million from as of December 31, 2011 principally due to the increase of sales from the forth quarter of 2011 which is the outcome from the promotion campaign to stimulate passenger traffic after the Thailand's massive flood.



- Other current assets as of September 30, 2012 totaled THB 10,255 million, an increase of THB 3,135 million from as of December 31, 2011. Other current assets for THAI increased THB 2,892 million mainly from reimbursement of damages claims from insurance due to the flood around Don Muang International Airport last year amounted to THB 386 million, input tax refund which was THB 438 million higher than last year and accrued income from fuel hedging which was THB 432 million higher than last year. Other current assets of Nok Air totaled THB 343 million.

- Non-current assets classified as held for sale as of September 30, 2012 totaled THB 7,333 million, an increase of THB 7,071 million from as of December 31, 2011 due to the decommission of 7 aircraft for pending sales which are 2 Airbus A300-600 aircraft in March 2012 and 3 Airbus A340-500 aircraft in April and May 2012, and 2 Boeing B737-400 aircraft which were leased by Nok Air and their contracts were terminated in July 2012, respectively.

Property, plant and equipment-net totaled THB 207,183 million or represented 71.0 % of total assets, which saw a decrease of THB 2,188 million or 1.1% from as of December 31, 2011 resulting from

- Prepaid aircraft and spare engines increased by THB 1,294 million due to advance payments for aircraft and furnished equipment of Airbus A330-300 aircraft, Airbus A380-800 aircraft, Boeing B777-300ER aircraft and Airbus A350-900XWB and spare engines, expected to be delivered during 2012-2017. It should be noted that this year a portion of aircraft and spare engine prepayments have been recognized as aircraft under finance leases and aircraft spare parts as THAI has taken delivery of 3 aircraft: 2 Airbus A330-300 aircraft and 1 Airbus A380-800 aircraft, and delivery of new spare engines this year.

- Aircraft and aircraft under finance lease decreased by THB 976 million mainly due to transfer of assets which consisted of 7 decommissioned aircraft: 2 Airbus A300-600, 3 Airbus A340-500 aircraft and 2 Boeing B737-400 aircraft which are pending sales to non-current assets classified as held for sale along with the depreciation calculation. On the other hand, THAI had additional assets due to delivery of 3 new aircraft: 2 Airbus A330-300 and 1 Airbus A380-800 aircraft.

- Aircraft spare parts increased by THB 1,416 million due to the increase in rotatable spare parts and engines of newly delivered aircraft.

- Work in progress increased by THB 1,061 million mainly due to the cost of product design and parts of 12 Boeing B747-400 and Boeing B777-200 aircraft cabin reconfiguration program which is currently underway.

Other non-current assets totaled THB 10,653 million or represented 3.7% of total assets, which saw an increase of THB 497 million or 4.9% from as of December 31, 2011 resulting from the increase of deferred charges from loan guarantee premiums for purchasing of Airbus A380-800 and Airbus A330-300 aircraft.

### Liabilities of Thai Airways International PCL. and its subsidiaries

Total liabilities as of September 30, 2012 totaled THB 223,691 million, which was an increase of THB 12,681 million or 6.0% from as of December 31, 2011. These comprise of:

	<u>Consolidated</u>				<u>The Company</u>			
	<u>September 30, 2012</u>		<u>December 31, 2011</u>		<u>September 30, 2012</u>		<u>December 31, 2011</u>	
	MTHB	% of Total Liabilities	MTHB	% of Total Liabilities	MTHB	% of Total Liabilities	MTHB	% of Total Liabilities
Current liabilities (excluding current Portion of long-term liabilities)	59,751	26.7	51,804	24.6	58,769	26.4	51,771	24.5
<b>Long-term liabilities</b>								
Debentures	32,127	14.4	27,797	13.2	32,177	14.4	27,800	13.2
Liabilities under financial leases	60,304	26.9	57,895	27.4	60,304	27.1	57,800	27.5
Long term borrowings	54,315	24.3	56,607	26.8	54,315	24.4	56,600	26.8
<b>Total long-term liabilities</b>	<b>146,746</b>	<b>65.6</b>	<b>142,299</b>	<b>67.4</b>	<b>146,796</b>	<b>65.9</b>	<b>142,300</b>	<b>67.5</b>
Employee benefits obligation	11,389	5.1	10,632	5.0	11,296	5.1	10,600	5.0
Other non-current liabilities	5,805	2.6	6,275	3.0	5,802	2.6	6,200	3.0
<b>Total Liabilities</b>	<b>223,691</b>	<b>100.0</b>	<b>211,010</b>	<b>100.0</b>	<b>222,663</b>	<b>100.0</b>	<b>210,900</b>	<b>100.0</b>

Current liabilities totaled THB 59,751 million, representing 26.7% of total liabilities, which increased from December 31, 2011 by THB 7,947 million. The main reason were

- the increase of THB 1,403 million in accrued expenses mainly due to the increase of accrued fuel expense
- the increase of THB 2,408 million in unearned transportation revenue mainly due to the increase of sales volume
- the increase of THB 3,887 million in other current liabilities mainly due to the increase of prepaid insurance compensation from flood disaster, THB 1,044 million.

Long-term liabilities as of September 30, 2012 totaled THB 146,746 million (included the current portion of long-term liabilities amounting to THB 24,417 million) or represented 65.6% of total liabilities, which was an increase of THB 4,447 million from December 31, 2011 primarily due to liabilities under finance leases of 2 Airbus A330-300 and 1 Airbus A380-800 aircraft and new debentures issuance in the first quarter 2012, totaling THB 4,500 million, for working capital, for asset investment and for loan repayment bearing higher cost of capital. In addition to making payments on borrowings and maturing debentures, THAI also made prepayments on loans totaling THB 431 million.

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

As of September 30, 2012, shareholders' equity (including Nok Air's shareholders' equity, total of THB 517 million) totaled THB 67,862 million, an increase of THB 4,427 million from December 31, 2011 due to the increase in net profit from THAI and its subsidiaries in the first nine months period of 2012.

## Liquidity of Thai Airways International PCL. and its subsidiaries

Cash and cash equivalents as of September 30, 2012 amounted to THB 18,237 million, an increase of THB 1,571 million or 9.4% from as of December 31, 2011.

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

Unit : Million Baht	Consolidated		The Company	
	January - September 2012	2011	January - September 2012	2011
Net cash from operating activities	20,718	7,554	20,163	7,489
Net cash used in investing activities	(10,200)	(9,000)	(10,184)	(8,991)
Net cash used in financing activities	(8,894)	(15,821)	(8,702)	(15,716)
Effect from changing in exchange rate on cash and cash equivalents increase(decrease)	(53)	55	(52)	56
<b>Increase(Decrease) in cash and cash equivalents</b>	<b>1,571</b>	<b>(17,212)</b>	<b>1,225</b>	<b>(17,162)</b>

### Net cash from operating activities

Net cash from operating activities for the nine months period ending September 30, 2012 amounted to THB 20,718 million due to

- operating profits before changes in operating assets and liabilities totaled THB 23,349 million.
- the increase of operating assets of THB 6,514 million
- the increase of operating liabilities of THB 4,153 million resulting from the increase of accrued expenses and other current liabilities and
- income tax payment of THB 270 million.

### Net cash used in investing activities

Net cash used in investing activities for the first nine months of 2012 amounted to THB 10,200 million. The majority of net cash used for investing activities in acquisition of fix assets totaled THB 12,232 million consisted of advance payments that were made for aircraft and engines, furnished equipment, rotatable spare parts procurement and the cost of designing products and parts for cabin reconfiguration program of Boeing B747-400 and B777-200 aircraft. These amount deducted by cash received from transferring the rights for advanced payments of aircraft: Airbus A330-300 and Airbus A380-800 aircraft, amounted to THB 1,262 million, and cash received from other investment, amounted to THB 770 million.

### Net cash used in financing activities

Net cash used in financing activities for the nine months ending September 30, 2012 amounted to THB 8,894 million. It consisted of cash outflow including repayment of long-term loans and debentures in the amount of THB 10,261 million, interest payment totaling THB 3,905 million, dividend paid for non-controlling interests totaling THB 193 million against cash inflow including debentures totaling THB 4,500 million and long-term loans totaling THB 965 million.

## 5. Capital Expenditures

Capital expenditures before deduction of cash received from finance leases agreement for nine months ending September 30, 2012 totaled THB 21,648 million, which increased by THB 11,994 million or 124.2% from last year. Capital expenditures for nine month period of this year mainly consisted of payment for acquisition of 3 new aircraft delivered in the nine month period of this year, and the rest of the new aircraft in which delivery will be taken in 2012-2017 as well as payment for acquisition of rotatable aircraft spare parts, and cabin reconfiguration program totaling THB 21,009 million.

Unit : Million Baht	January – September	
	2012	2011
Aircraft and aircraft spare parts	21,009	9,396
Non-Aircraft	639	258
<b>Total</b>	<b>21,648</b>	<b>9,654</b>

## 6. Financial Ratios

		<u>Consolidated</u>		<u>The Company</u>	
		<u>January - September</u>		<u>January – September</u>	
		2012	2011	2012	2011
<b>Liquidity Ratio</b>					
Current Ratio	(times)	2.26	2.23	2.23	2.21
<b>Profitability Ratio</b>					
Operating Profit Margin	%	3.65	0.33	3.48	0.27
Net Profit Margin	%	2.52	(3.31)	2.43	(3.31)
Return on Equity	%	5.89	(6.62)	5.62	(6.71)
<b>Efficiency Ratio</b>					
Return on Total Assets	%	1.37	(1.68)	1.28	(1.68)
<b>Financial Policy Ratio</b>					
Interest Bearing Debt to Equity	(times)	2.16	2.05	2.23	2.08
Interest Coverage Ratio	(times)	4.78	3.67	4.67	3.65

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

2) Operating Profit Margin = (Operating Revenue – Operating Expenses) / Operating Revenue

3) Net Profit Margin = Net Profit / Operating Revenue

4) Return on Equity = Net Profit / Average Shareholders' Equity

5) Return on Total Assets = Net Profit / Average Total Assets

6) Interest Bearing Debt to Equity = (Short-term Loan + Long-term Loan including current portion of Long-term Loan within 1 year) / Shareholders' Equity

7) Interest Coverage Ratio = EBITDA / Interest Expense

Details of significant contractual obligations are in the note to the financial statements number 2.26

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