

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

The consolidated financial statements of the second quarter and six months ending June 30, 2012, when compared to the same period last year, includes two additional subsidiaries which are Thai Flight Training Co., Ltd., a business to provide aviation personnel training services with THAI holding a 49 percent share launched on July 29, 2011 and Nok Airlines Co.,Ltd (Nok Air) which 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 up to 49 percent.

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

THAI formulated the various strategies which emphasized on adaptation for responding to the market demand, apparent plan and continuing and close monitoring to minimize the external impacts on the airline industry in the past several years, especially in the late of 2011 where THAI was severely impacted by the massive flood. THAI launched the marketing campaign to stimulate more passenger traffic, rescheduling of flights and frequency to better match passengers demand. These generated profit to THAI in the first quarter of 2012; however, in the second quarter is typically the low season have small number of passengers, THAI continues those strategies from the first quarter and increases the degree of intensity which resulted 75.1% of average cabin factors higher than the 66.4% last year. This figure was considered as an excellent outcome for the low season period of tourism. Despite improved travel demand outlook, THAI was still subjected to unfavorable world economic situation, high fuel prices although THAI's fuel hedging strategy indicated outcome in the satisfactory level, the intensified competition, which is the constraint for THAI facing difficulty to increase the selling price although the cost controlling program has been continuously implemented. Moreover, repairs to the runway of the Suvarnabhumi airport in June 2012 caused flights delay and increased expenses. Finally, as same as the other low season period in the previous years, it could not turn the results of operations positive. However, the operating profit (loss) margin of the second quarter in the past five years indicated the improvement trend due to the decreasing loss.

Results of operations of Thai Airways International PCL. and its subsidiaries are as follows:

Unit : Million Baht	Consolidated				The Company			
	April - June		Variance		April - June		Variance	
	2012	2011	MTHB	%	2012	2011	MTHB	%
Total Revenues	48,506	45,559	+ 2,947	+ 6.5	46,964	45,645	+ 1,319	+ 2.9
Total Expenses *	51,233	51,518	- 285	- 0.6	49,572	51,578	- 2,006	- 3.9
Profit(Loss) before foreign currency exchange and income tax	(2,727)	(5,959)	+ 3,232	+ 54.2	(2,608)	(5,933)	+ 3,325	+ 56.0
Gain(loss) on foreign currency exchange	1,316	(2,265)	+ 3,581	+ 158.1	1,312	(2,266)	+ 3,578	+157.9
Profit(Loss) before income tax	(1,411)	(8,224)	+ 6,813	+ 82.8	(1,296)	(8,199)	+ 6,903	+ 84.2
Profit(Loss) attributable to owner of the parent	(1,526)	(7,874)	+ 6,348	+ 80.6	(1,323)	(7,828)	+ 6,505	+ 83.1
Net profit(Loss) per share(Baht)	(0.70)	(3.61)	+ 2.91	+ 80.6	(0.61)	(3.59)	+ 2.98	+ 83.0
EBITDA	3,519	20	+ 3,499		3,372	(12)	+ 3,384	
EBITDAR	4,439	1,495	+ 2,944	+ 196.9	4,096	1,463	+ 2,633	+180.0

* Excluding gains (losses) on foreign currency exchange

THAI's consolidated total revenues amounted to THB 48,506 million, which was an increase of THB 2,947 million or 6.5% from last year. Nok Air's top line revenue contribution to the THAI's total revenues were THB 1,882 million while THAI's own revenue increased due to the increase in passenger and other activities revenue, total of THB 1,319 million. THAI's consolidated total expenses, excluding gain (loss) on foreign currency exchange amounted to THB 51,233 million, which was THB 285 million or 0.6% lower than last year. The portion of Nok Air's expense totaled THB 1,204 million of THAI's total expense while THAI's expense decreased by THB 2,006 million. The major factor causing the decrease was the lower employee benefit expenses and lease of aircraft and spare parts by THB 1,020 million and THB 751 million, respectively than last year. These caused the loss before foreign currency exchange and income tax of THAI and its subsidiaries amounted to THB 2,727 million compared to last year the loss decreased by THB 3,232 million or 54.2%. During the second quarter, THAI and its subsidiaries also recorded gain on foreign currency exchange in the amount of THB 1,316 million compared to last year where THAI lost THB 2,265 million. Consequently, THAI and its subsidiaries reported a loss before income tax of THB 1,411 million which indicated the better performance when compared to last year where reported loss of THB 8,224 million.

Loss attribute to owners of the parent (net loss) was THB 1,526 million or 0.70 baht per share. The net loss decreased when compared to last year's THB 7,874 million or 3.61 baht per share lost. EBITDAR was THB 4,439 million, which increased by THB 2,944 million or 196.9% from last year.

2. Performance analysis for the second quarter of 2012

Production and Traffic (Thai Airways International PCL.)

		April - June		% Change
		2012	2011	
Production	(MATK)	2,854	2,975	- 4.1%
Traffic	(MRTK)	1,940	1,893	+ 2.5%
Load Factor	(%)	68.0	63.6	+ 4.4
Passenger Production	(MASK)	18,776	19,172	- 2.1%
Passenger Traffic	(MRPK)	14,102	12,737	+ 10.7%
Cabin Factor	(%)	75.1	66.4	+ 8.7
Freight Production	(MADTK)	1,164	1,250	- 6.9%
Freight Traffic	(MRFTK)	646	723	- 10.7%
Freight Load Factor	(%)	55.4	57.9	- 2.5
No. of Passenger	(million persons)	4.86	4.20	+ 15.7%
Flight Hours	(hours)	86,594	86,140	+ 0.5%
Average of Aircraft Utilization	(hour/aircraft/day)	11.3	11.8	- 4.2%

THAI's passenger production (Available Seat - Kilometers: ASK) decreased by 2.1% mainly due to the changes of flight frequency by decreasing flight frequency in Intercontinental route but increasing flight frequency in Regional route. Moreover, THAI performed rescheduling of flights strategy principally intended to provide the appropriate flight schedule to match the market demand for the certain period of time. The passenger traffic (Revenue Passenger - Kilometers: RPK) increased by 10.7% in almost all routes because of the promotion campaigns employed to stimulate travel demands to Thailand during post the year-end flooding that ended late 2011 as well as last year's violent Japanese's earthquake. Consequently, cabin factor was 75.1% higher than the 66.4% cabin factor achieved during the same period last year.

On the freight services side, THAI returned two block-spaced freighter aircraft in August 2011 and February 2012, respectively. In this quarter, THAI started operating its own freighter aircraft, which converted from 2 Boeing B747-400 passenger aircraft, one aircraft in mid-April and the other in mid-May while the world economic has been in the recession stage. Consequently, freight production (Available Dead Load Ton-Kilometers: ADTK) and freight traffic (Revenue Freight Ton-Kilometers: RFTK) decreased by 6.9% and 10.7%, respectively compared to the same period last year. Freight load factor was 55.4% lower than the 57.9% achieved last year.

Revenues of Thai Airways International PCL. and its subsidiaries

Total revenues for the second quarter of 2012 earned were THB 48,506 million, an increase of THB 2,947 million or 6.5% from last year. Details are as follows:

Unit : Million Baht	Consolidated				The Company			
	April - June		Variance		April - June		Variance	
	2012	2011	MTHB	%	2012	2011	MTHB	%
Revenues from transportation activities								
Passenger and excess baggage revenue	39,146	35,487	+ 3,659	+ 10.3	37,322	35,487	+ 1,835	+5.2
Freight and mail revenue	6,688	7,363	- 675	- 9.2	6,684	7,363	- 679	- 9.2
Total revenues from transportation activities	45,834	42,850	+ 2,984	+ 7.0	44,006	42,850	+ 1,156	+2.7
Revenue from other activities	2,098	1,990	+ 108	+ 5.4	2,118	1,917	+ 201	+10.5
Total operating revenue	47,932	44,840	+ 3,092	+ 6.9	46,124	44,767	+ 1,357	+3.0
Interest income	115	101	+ 14	+ 13.9	103	98	+ 5	+5.1
Other incomes	459	618	- 159	- 25.7	737	780	- 43	- 5.5
Total revenues	48,506	45,559	+ 2,947	+ 6.5	46,964	45,645	+ 1,319	+2.9

Total operating revenue was THB 47,932 million, an increase of THB 3,092 million or 6.9% from the same period last year.

Revenues from transportation activities amounted to THB 45,834 million, an increase of THB 2,984 million or 7.0% from last year. Details are as follows:

- **Passenger and excess baggage revenue**

Passenger and excess baggage revenue totaled THB 39,146 million, an increase of THB 3,659 million or 10.3%. The main reasons are

- Passenger and excess baggage revenue for THAI increased by THB 1,835 million or 5.2% since passenger traffic (Revenue Passenger Ton-Kilometers: RPK) increased by 10.7%. With the more serious price war situation, average passenger yield (including fuel and insurance surcharge) decreased from 2.73 THB/RPK last year to 2.64 THB/RPK this year.
- Passenger and excess baggage revenue for Nok Air totaled THB 1,822 million.

- **Freight and mail revenue**

Freight and mail revenue amounted to THB 6,688 million, which was a decrease of THB 675 million or 9.2%, due to the diminished revenue from freighter service. In the second quarter last year, THAI operated freighter service by using 2 leased freighter aircraft. However, THAI returned these aircraft in August 2011 and February 2012, respectively while THAI started to operate its own 2 freighter aircraft converted from 2 Boeing B747-400 passenger aircraft in April and May 2012, consecutively. This caused freight production (Available Dead Load Ton-Kilometers: ADTK) to decrease 6.9% from last year. Freight traffic (Revenue Freight Ton-Kilometers: RFTK) also decreased 10.7% from the same period last year due to the world economic recession. Average freight yield (including fuel and insurance surcharge) increased from 9.92 THB/RFTK last year to 10.07 THB/RFTK this year.

Other activities revenue

Other activities revenue amounted to THB 2,098 million, which increased by THB 108 million or 5.4% primarily from THAI's as a result of an increase in number of both flights and passengers from customer airlines to utilize more VIP lounge services earned higher level of external revenue by Ground Services and Cargo Handling Services. In this quarter, there were more revenue from government's aircraft technical services along with higher spare parts sales compared to last year.

Interest income

Interest income totaled THB 115 million, an increase of THB 14 million or 13.9% which THB 9 million came from Nok Air.

Other income

Other income amounted to THB 459 million was a decrease of THB 159 million or 25.7% primarily the result of no further compensation for delay in aircraft delivery, compared to the amount of THB 126 million received in compensation the year before. The other portion which saw lower recognition was passenger airport fees, that were not billed to THAI for over 3 years, was THB 120 million lower than last year.

Expenses for Thai Airways International PCL. and its subsidiaries

In the second quarter of 2012, total expenses amounted to THB 49,917 million, which was THB 3,866 million or 7.2% lower than the same period last year. A summary of operating expenses is as follows:

Unit : Million Baht	Consolidated				The Company			
	April - June		Variance		April - June		Variance	
	2012	2011	MTHB	%	2012	2011	MTHB	%
Fuel and oil	19,679	19,370	+ 309	+ 1.6	19,021	19,371	- 350	- 1.8
Employee benefit expenses	7,787	8,689	- 902	- 10.4	7,656	8,676	- 1,020	- 11.8
Flight service expenses	4,998	5,105	- 107	- 2.1	4,849	5,105	- 256	- 5.0
Crew expenses	1,312	1,362	- 50	- 3.7	1,278	1,362	- 84	- 6.2
Aircraft maintenance and overhaul costs	3,312	3,085	+ 227	+ 7.4	3,069	3,085	- 16	- 0.5
Depreciation and amortization	5,045	5,007	+ 38	+ 0.8	5,031	5,004	+ 27	+ 0.5
Lease of aircraft and spare parts	920	1,475	- 555	- 37.6	724	1,475	- 751	- 50.9
Inventories and supplies	2,237	2,147	+ 90	+ 4.2	2,211	2,147	+ 64	+ 3.0
Selling and advertising expenses	1,651	1,463	+ 188	+ 12.9	1,581	1,451	+ 130	+ 9.0
Insurance expenses	352	169	+ 183	+ 108.3	320	169	+ 151	+ 89.3
Impairment loss of assets	113	256	- 143	- 55.9	113	256	- 143	- 55.9
Other expenses	2,405	2,074	+ 331	+ 16.0	2,281	2,058	+ 223	+ 10.8
Losses (gains) on foreign currency exchange	(1,316)	2,265	-3,581	- 158.1	(1,312)	2,266	- 3,578	-157.9
Finance costs	1,437	1,419	+ 18	+ 1.3	1,438	1,419	+ 19	+ 1.3
Losses from debentures redemption	-	1	- 1	- 100.0	-	-	-	-
Share of profits of associates	(15)	(104)	+ 89	+ 85.6	-	-	-	-
Total Expenses	49,917	53,783	-3,866	- 7.2	48,260	53,844	- 5,584	- 10.4

Significant changes of expenses for the second quarter of 2012 included:

Fuel and oil expense amounted to THB 19,679 million, was THB 309 million or 1.6% higher than last year.

- Fuel and oil expense for THAI decreased by THB 350 million. The main reasons were the decrease of 3.5% and 1.5% in average jet fuel price and in fuel consumption from passenger production reduction from last year, respectively. However, fuel consumption in this quarter decreased in the proportion that was less than the volume of production decline due to the repairs to the runway of the Suvarnabhumi airport in June 2012 that caused increase of expense in the circle for landing. In spite of appreciated value of U.S. dollar to Thai Baht, it caused the higher fuel expense. THAI was compensated on fuel hedging contracts in the amount of THB 716 million, which was THB 290 million higher than last year.
- Fuel and oil expense for Nok Air amounted to THB 658 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 7,787 million, which was a decrease of THB 902 million or 10.4% over last year mainly due to

- The decrease of THAI's employee benefit expenses amounted to THB 1,020 million since there was no such expenses, consisted of accrued annual welfare, vacation compensation to employees who could not take vacation and pilot trainee expenses, totaled THB 1,004 million (excluding personnel tax) this year. In this quarter, THAI retrospectively recorded the annual salary increment, which had been pending for adjustment since January 2012, amounted to THB 167 million (excluding personnel tax).
- Employee benefits expenses for Nok Air amounted to THB 118 million

Flight service expenses amounted to THB 4,998 million, a decrease of THB 107 million or 2.1% from last year. The decrease was mainly from

- Flight service expenses for THAI decreased by THB 256 million due to the reduction of freighter flights from last year.
- Flight service expenses for Nok Air amounted to THB 149 million.

Aircraft maintenance and overhaul costs amounted to THB 3,312 million was an increase of THB 227 million or 7.4% from last year. The increase was mainly from

- Aircraft maintenance and overhaul costs for THAI decreased by THB 16 million as the number of engines requiring maintenance service was less than the year before.
- Aircraft maintenance and overhaul costs for Nok Air amounted to THB 243 million.

Lease of aircraft and spare parts expenses totaled THB 920 million, a decrease of THB 555 million or 37.6%, which was mainly from

- Lease of aircraft and spare parts expenses for THAI decreased by THB 751 million due to the return of the 2 leased freighter aircraft.
- Lease of aircraft and spare parts expenses for Nok Air amounted to THB 196 million.

Selling and advertising expenses totaled THB 1,651 million, an increase of THB 188 million or 12.9%, which was mainly from

- Selling and advertising expenses for THAI increased by THB 130 million due to higher reservation expenses resulting from the increase of passenger which made higher volume of reservation.
- Selling and advertising expenses for Nok Air amounted to THB 54 million.

Insurance expenses totaled THB 352 million, an increase of THB 183 million or 108.3%, which was mainly from

- Insurance expenses for THAI increased by THB 151 million due to higher insurance premium rate in every aspect: aircraft, assets and information system equipments as a consequence from the massive flood in the late 2011.
- Insurance expenses for Nok Air amounted to THB 31 million.

Impairment loss of assets amounted to THB 113 million, a decrease of THB 143 million or 55.9% due to lower reserved for damaged rotatable spare parts which had been set aside for pending sale.

Other expenses amounted to THB 2,405 million, an increase of THB 331 million or 16.0% due to

- Other expenses for THAI increased by THB 223 million mainly due to the allowance of inventory obsolescence from non-moving spare parts over 2 years.
- Other expenses for Nok Air amounted to THB 108 million.

Gains on foreign currency exchange of THAI and its subsidiaries amounted to THB 1,316 million, when compared to the same period last year, THAI and its subsidiaries had loss on foreign currency exchange in the amount of THB 2,265 million mostly due to the translation of the Company's outstanding Euro currency loans into Baht term at the end of the period.

Financial cost amounted to THB 1,437 million, an increase of THB 18 million or 1.3% mainly due to the increase of long-term liabilities. However, average interest expense rate reduced along with Euro dollar was more weakened value against Thai Baht which made lower expense when translated to Thai Baht.

Share of profits of associates amounted to THB 15 million, a decrease of THB 89 million or 85.6% due to a decrease of recognizing the share of Bangkok Aviation Fuel Services PCL's and Phuket Air Catering Co.,Ltd's profits. Therefore, this year, Nok Air's profit was a part of consolidated financial statement instead of share of profits associates in the year before.

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

Net income tax expenses amounted to THB 47 million from recognizing income tax expenses from subsidiaries rather than last year where gained the net income tax revenue amounted to THB 360 million due to the operating loss.

Profit(Loss) attributable to owners of the parent

Loss attributable to owners of the parent amounted to THB 1,526 million when compared to last year where reported the loss of THB 7,874 million

Operating results of Thai Airways International PCL. and its subsidiaries of the first six months of 2012 (January - June 2012) are as follows:

Unit : Million Baht	Consolidated				The Company			
	January - June		Variance		January - June		Variance	
	2012	2011	MTHB	%	2012	2011	MTHB	%
Total Revenues	103,011	97,410	+ 5,601	+ 5.7	99,652	97,408	+ 2,244	+ 2.3
Total Expenses *	102,397	99,257	+ 3,140	+ 3.2	99,088	99,312	- 224	- 0.2
Profit(Loss) before foreign currency exchange and income tax	614	(1,847)	+ 2,461	+ 133.2	564	(1,904)	+ 2,468	+129.6
Gain (loss) on foreign currency exchange	1,843	(5,623)	+ 7,466	+ 132.8	1,839	(5,626)	+ 7,465	+132.7
Profit(Loss) before income tax	2,457	(7,470)	+ 9,927	+ 132.9	2,403	(7,530)	+ 9,933	+131.9
Profit(Loss) attributable to owner of the parent	2,118	(7,256)	+ 9,374	+ 129.2	2,193	(7,266)	+ 9,459	+130.2
Net profit(Loss) per share(Baht)	0.97	(3.32)	+ 4.29	+ 129.2	1.00	(3.33)	+ 4.33	+130.0
EBITDA	13,300	9,775	+ 3,525	+ 36.1	13,086	9,698	+ 3,388	+ 34.9
EBITDAR	15,405	12,686	+ 2,719	+ 21.4	14,815	12,609	+ 2,206	+ 17.5

* Excluding gains (losses) on foreign currency exchange

THAI and its subsidiaries gained profit before foreign currency exchange and income tax amounted to THB 614 million, when compared to the same period last year where THAI and its subsidiaries reported loss of THB 1,847 million resulting from the close and continuous performance monitoring to timely adjust the operation and to appropriately respond to the situation. Moreover, rescheduling of flights and frequency to better match passengers demand, the launch of marketing campaign and sales promotion program, the return of freighter aircraft to eliminate losses, the fuel hedging strategy to reduce

the impact from higher fuel price, the cancellation of accrued annual welfare and the intensive cost management program.

During the six months period of 2012, THAI and its subsidiaries also recorded a gain on foreign currency exchange in the amount of THB 1,843 million compared to last year where THAI and its subsidiaries reported loss of THB 5,623 million. Consequently, THAI and its subsidiaries reported profit attribute to owners of the parent of THB 2,118 million or 0.97 baht per share compared to last year's loss of THB 7,256 million or 3.32 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 the comprehensive income, THB 2,264 million. Therefore, total comprehensive income for the period attribute to owners of the parent amounted to THB 2,172 million.

In the first six 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 2 aircraft: an Airbus A330-300 aircraft in March 2012 whose mainly operate in Regional and Australia routes and an Airbus A320-200 aircraft for mainly serving THAI Smile business unit's target destinations where aims to the short-haul market and has begun to operate the new route, Bangkok – Macau vice versa, since July 7, 2012 onward.

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

Assets

As of June 30, 2012, total assets were THB 277,375 million, an increase of THB 2,930 million or 1.1% from as at December 31, 2011.

	Consolidated				The Company			
	June 30, 2012		December 31, 2011		June 30, 2012		December 31, 2011	
	MTHB	% of Total Assets	MTHB	% of Total Assets	MTHB	% of Total Assets	MTHB	% of Total Assets
Current assets	68,360	24.6	59,294	21.6	66,421	24.2	58,799	21.5
Property, plant and equipment								
Prepaid aircraft and Spare engine	24,998	9.0	21,279	7.8	24,998	9.1	21,279	7.8
Aircraft	47,482	17.1	46,104	16.8	47,482	17.3	46,104	16.9
Aircraft under finance leases	101,626	36.7	112,051	40.8	101,626	37.0	112,051	41.0
Aircraft spare parts	10,854	3.9	10,367	3.8	10,854	3.9	10,367	3.8
Work in process	2,177	0.8	2,838	1.0	2,177	0.8	2,838	1.0
Land, building and improvements	7,233	2.6	7,463	2.7	7,233	2.6	7,463	2.7
Other plant and equipment	4,723	1.7	4,893	1.8	4,526	1.6	4,885	1.8
Property, plant and equipment-net	199,093	71.8	204,995	74.7	198,896	72.3	204,987	75.0
Other non-current assets	9,922	3.6	10,156	3.7	9,586	3.5	9,502	3.5
Total Assets	277,375	100.0	274,445	100.0	274,903	100.0	273,288	100.0

Current assets were THB 68,360 million or accounted for 24.6% of total assets, an increase of THB 9,066 million or 15.3% 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 237 million) as of June 30, 2012 totaled to THB 17,702 million which increased by THB 1,036 million from as of December 31, 2011.

- Temporary investments as of June 30, 2012 totaled THB 1,139 million, an increase of THB 720 million on a consolidated basis where Nok Air invested THB 900 million in bill of exchange.
- Other current assets as of June 30, 2012 totaled THB 8,233 million, an increase of THB 1,113 million from as of December 31, 2011. Other current assets for THAI increased THB 860 million mainly from reimbursement of damages claims from insurance due to the flood around Don Muang International Airport last year amounted to THB 339 million and input tax refund which was THB 304 million higher than last year. Other current assets of Nok Air totaled THB 418 million.
- Non-current assets classified held for sale as of June 30, 2012 totaled THB 7,124 million, an increase of THB 6,863 million due to the decommission of 5 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, respectively.

Property, plant and equipment-net totaled THB 199,093 million or represented 71.8 % of total assets, which saw a decrease of THB 5,902 million or 2.9% from as of December 31, 2011 resulting from

- Prepaid aircraft and spare engines increased by THB 3,719 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.
- Aircraft and aircraft under finance lease decreased by THB 9,047 million mainly due to transfer of assets which consisted of 5 decommissioned aircraft: 2 Airbus A300-600 and 3 Airbus A340-500 aircraft which were on pending sales to non-current assets classified as held for sale along with the depreciation calculation.
- Aircraft spare parts increased by THB 487 million due to the rotatable spare parts and engines for new delivered aircraft.

Liabilities of Thai Airways International PCL. and its subsidiaries

Total liabilities as of June 30, 2012 totaled THB 211,381 million, which was an increase of THB 371 million or 0.2% from as of December 31, 2011. These comprise of:

	<u>Consolidated</u>				<u>The Company</u>			
	<u>June 30, 2012</u>		<u>December 31, 2011</u>		<u>June 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)	52,399	24.8	51,804	24.6	51,466	24.5	51,737	24.5
Long-term liabilities								
Debentures	32,127	15.2	27,797	13.2	32,177	15.3	27,847	13.2
Liabilities under financial leases	53,677	25.4	57,895	27.4	53,677	25.5	57,895	27.5
Long term borrowings from others	55,577	26.3	56,607	26.8	55,577	26.4	56,607	26.8
Total long-term liabilities	141,381	66.9	142,299	67.4	141,431	67.2	142,349	67.5
Employee benefits obligation	11,161	5.3	10,632	5.0	11,073	5.3	10,627	5.0
Other non-current liabilities	6,440	3.0	6,275	3.0	6,438	3.0	6,273	3.0
Total Liabilities	211,381	100.0	211,010	100.0	210,408	100.0	210,986	100.0

Long-term liabilities as of June 30, 2012 totaled THB 141,381 million (included the current portion of long-term liabilities amounting to THB 21,569 million) or represented 66.9% of total liabilities, which was a decrease of THB 918 million from December 31, 2011. In this quarter, THAI repaid loans and maturing debenture due and made prepayment on outstanding loan's whose amount totaled THB 431 million. THAI issued new debentures in the first quarter 2012, totaling THB 4,500 million, for working capital, for asset investment and for loans repayment bearing higher cost of capital.

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

As of June 30, 2012, shareholders' equity (included Nok Air's shareholders' equity, amount of THB 410 million) totaled THB 65,994 million, an increase of THB 2,558 million from December 31, 2011 due to the net profit from THAI and its subsidiaries in the first six months period of 2012.

Liquidity of Thai Airways International PCL. and its subsidiaries

Cash and cash equivalents as of June 30, 2012 amounted to THB 17,702 million, an increase of THB 1,036 million or 6.2% from as of December 31, 2011.

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

Unit : Million Baht	<u>Consolidated</u>		<u>The Company</u>	
	January - June		January - June	
	2012	2011	2012	2011
Net cash from operating activities	12,246	6,074	12,165	6,011
Net cash used in investing activities	(6,482)	(6,712)	(6,900)	(6,748)
Net cash used in financing activities	(4,657)	(11,289)	(4,491)	(11,182)
Effect from changing in exchange rate on cash and cash equivalents	(71)	281	(72)	281
Net cash from operating activities	1,036	(11,646)	702	(11,638)

Net cash from operating activities

Net cash from operating activities for six-months period ending June 30, 2012 amounted to THB 12,246 million due to

- the operating profits before changes in operating assets and liabilities amount of THB 14,722 million.
- the increase of operating assets amount of THB 700 million
- the decrease of operating liabilities amount of THB 1,603 million resulting from increase of accrued expenses and other current liabilities and
- income tax payment amount of THB 173 million.

Net cash used in investing activities

Net cash used in investing activities for the first six months of 2012 amounted to THB 6,482 million. For majority of net cash used in investing activities in acquisition of fix assets, amount of THB 7,693 million, consisted of advance payments that were also 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 temporary investment amounted to THB 331 million, cash received from transferring the rights of advanced payments of aircraft and aircraft equipment: Airbus A330-300 aircraft, amounted to THB 283 million, cash received from investment in subsidiaries amounted to THB 197 million and cash received from other investment.

Net cash used in financing activities

Net cash used in financing activities for six months ending June 30, 2012 amounted to THB 4,657 million. It consisted of cash outflow including repayment of long-term loans and debentures in the amount of THB 6,516 million, interest payment totaling THB 2,786 million, dividend paid for non-controlling interests totaling THB 166 million against cash inflow including debentures totaling THB 4,500 million and long-term loan totaling THB 311 million.

5. Capital Expenditures

Capital expenditures before deduction of cash received from finance leases agreement for six months ending June 30, 2012 totaled THB 9,679 million, which increased by THB 2,397 million or 32.9% from last year. Capital expenditures for the six-month period of this year mainly consisted of payment for the acquisition of new aircraft in which delivery will be taken in 2012-2017 as well as payment for acquisition of rotatable aircraft spare parts, aircraft payment for a new Airbus A330-300 aircraft delivered in the first quarter of this year and cabin reconfiguration program totaling THB 9,261 million.

Unit : Million Baht	January - June	
	2012	2011
Aircraft and aircraft spare parts	9,261	7,128
Non-Aircraft	418	154
Total	9,679	7,282

6. Financial Ratios

		<u>Consolidated</u>		<u>The Company</u>	
		<u>January - June</u>		<u>January - June</u>	
		<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Liquidity Ratio					
Current Ratio	(times)	2.46	2.24	2.46	2.23
Profitability Ratio					
Operating Profit Margin	%	3.05	(0.03)	2.97	(0.10)
Net Profit Margin	%	2.08	(7.57)	2.23	(7.59)
Return on Equity	%	3.27	(10.17)	3.46	(10.34)
Efficiency Ratio					
Return on Total Assets	%	0.77	(2.50)	0.80	(2.52)
Financial Policy Ratio					
Interest Bearing Debt to Equity	(times)	2.14	2.20	2.19	2.24
Interest Coverage Ratio	(times)	4.56	3.58	4.48	3.56

- 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 2.24
