

Management's Discussion and Analysis for the Year Ending December 31, 2012 for Thai Airways International Public Company Limited and Its Subsidiary

The consolidated financial statements for year ending December 31, 2012 compared to the same period last year, this year's 2012's financial information includes an additional subsidiary, 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 capital on November 29, 2011, increasing THAI's total shareholding to 49 percent. Nok's financial statements have been consolidated into THAI's financial statements based on THAI having controlling power over Nok through THAI's representation on Nok's Board of Directors.

1. Executive summary

In 2012, despite the economic slowdown in various parts of the world including the European Union, China and Japan that had negative impact on Asia's economic growth, the airline industry still saw satisfactory growth. International passenger traffic saw an average growth of 6.5% which was at par with last year's rate of growth. Among the global carriers, carriers in the Middle-east experienced the most rapid growth rate followed by the airlines in Latin American and Caribbean and Africa. The growth rate of Asia and Pacific was not as good as before mainly due to the economic depression and unpleasant turnover from India and Malaysia airlines. The worst part of airline industry was still in North America region. Air cargo decreased by 1.2% as the result of the declined global trade due to economic crisis in Europe coupled with the china's export growth slowdown. In the meantime, the more competition among maritime transporters brought much worse situation to air cargo transport sector. Other negative factors also came from the high fuel prices and more aggressive competition among airlines both domestic and international routes. These were the deleterious factors that heavily impacted the industry.

Unlike other airlines, THAI's operations at the beginning of 2012 was severely impacted by the massive flood in late 2011 that forced THAI to adjust its marketing strategy, pricing policy, to stimulate travel demand. Compounding the adverse effect was maintenance undertaken on the runway at Suvarnabhumi airport during June - July 2012 which caused significant flight delays and increased operating expense

THAI adhered to its strategic initiatives by implementing its corporate portfolio strategy with the objective to create competitive advantages and ensure sustainable growth by increasing THAI's total shares of Nok Air from 39% to 49% to better serve to compete with other low cost carriers and establishing a new business unit - THAISmile offering light premium service to encompass all market segments and strengthening THAI's overall position as the leading flag carrier. THAISmile inaugurated its first route: Bangkok - Macau in July 2012 and now serves 4 more domestic points of interest - Chiang Mai, Krabi, Surat Thani and Phuket.

THAI also responded rapidly to changing market conditions and scrutinized route performance and reduced intercontinental flights while increasing flights within Asia. Flight schedules were rearranged to better accommodate customer demand and selecting more appropriate aircraft type for certain periods. To enhance fleet effectiveness, THAI took delivery of new 12 aircraft to replace the 5 decommissioned aircraft and 2 B747 aircraft that were converted to freighters. As part of THAI's strategic positioning as a "premium quality services airline," 3 A380-800 aircraft were added to THAI's fleet as the largest and most modern flagship aircraft while THAI also continued to upgrade its existing equipment through cabin refurbishment and upgrade of entertainment system. In 2012, THAI introduced its new route: Bangkok - Sapporo, Japan to meet seasonality demand and travel interest. The result has been improved passenger traffic (Revenue Passenger-Kilometers : RPK) by 9.8% over the previous year while traffic production (Available Seat Kilometers : ASK) increased 0.9%. Consequently, THAI achieved an average cabin factor of 76.6% which is the highest in the past five years and higher than the previous year's 70.4% cabin factor.

For efficiency and cost management improvement, THAI was very proactive in its fuel hedging strategy and was able to reduce the impact from fuel cost fluctuation actively adjusting fuel surcharge to mitigate impact from higher fuel cost. THAI has been actively managing its operating expenses to rein in costs in the long run but ensuring sustained quality of services and safety.

In 2012, TRIS rating Co., Ltd. still assigned an A+ rating to THAI reflecting confidence in THAI's overall financial strength. THAI also was able to find asset backed long-term financing for 6 new aircraft: 3 Airbus A330-300 aircraft (commercial basis) and 3 Airbus A380-800 aircraft for which the European Export Credit Agencies (ECAs) provided loan guarantee support. To finance its long-term investments, debt repayment with higher financing cost, payment of maintenance reserves, THAI issued a total of THB 11,500 million in new debentures and additional commercial borrowings to meet financing needs and acquired committed standby revolving credit lines, totaling THB 3,600 million.

In undertaking the above strategic initiatives and actions, THAI returned to profitability once again after a disappointing 2011 financial performance. For 2012, Thai Airways International PCL. and its subsidiaries reported a net profit of THB 6,510 million with a net profit margin of 3.11%.

2. Summary of Operating Results for Thai Airways International PCL. and its subsidiaries

Unit : Million Baht	Consolidated				The Company			
	2012	2011	Variance		2012	2011	Variance	
			MTHB	%			MTHB	%
Total Revenues	213,530	194,342	+ 19,188	+ 9.9	204,255	194,213	+ 10,042	+ 5.2
Total Expenses ¹⁾	209,639	199,831	+ 9,808	+ 4.9	202,505	199,820	+ 2,685	+ 1.3
Profit(Loss) before foreign currency exchange and income tax	3,891	(5,489)	+ 9,380	+170.9	1,750	(5,607)	+ 7,357	+ 131.2
Gain(loss) on foreign currency exchange	3,213	(2,428)	+ 5,641	+232.3	3,207	(2,430)	+ 5,637	+ 232.0
Net profit(loss)	6,510	(10,162)	+ 16,672	+164.1	4,430	(10,238)	+ 14,668	+ 143.3
Profit(Loss) attributable to owner of the parent	6,229	(10,197)	+ 16,426	+ 161.1	4,430	(10,238)	+ 14,668	+ 143.3
Net profit(Loss) per share(Baht)	2.85	(4.67)	+ 7.52	+161.0	2.03	(4.69)	+ 6.72	+ 143.3
EBITDA ²⁾	26,680	17,207	+ 9,473	+ 55.1	26,011	17,085	+ 8,926	+ 52.2
EBITDAR ³⁾	31,232	22,636	+ 8,596	+ 38.0	29,694	22,514	+ 7,180	+ 31.9

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 213,530 million, which was an increase of THB 19,188 million or 9.9% from last year. Nok Air's top line revenue contribution to THAI's total revenues were THB 8,248 million and gains on assets transferred as consideration by the acquiring entity from acquiring shares of Nok Air, amounted to THB 1,584 million while THAI's own revenue increased totaling THB 10,042 million due to the increase in total operating revenue. This incremental revenue amounted to THB 10,366 million or 5.4% mainly from the accelerate volume of passengers.

THAI's consolidated total expenses, excluding gain (loss) on foreign currency exchange amounted to THB 209,639 million, which was THB 9,808 million or 4.9% higher than last year. Nok Air's portion of expense totaled THB 6,869 million while THAI's expenses increased by THB 2,685 million or 1.3% due to the increase of fuel cost, traffic production related expenses, passenger related expenses, annual welfare payment. However, aircraft maintenance and overhaul cost and lease of aircraft and spare parts expenses were declined.

THAI's gain before foreign currency exchange and income tax was THB 3,891 million compared to last year where THAI lost THB 5,489 million. THAI recorded gain on foreign currency exchange in the amount of THB 3,213 million compared to last year where THAI lost THB 2,428 million.

Consequently, THAI reported net profit of THB 6,510 million when compared to last year where THAI reported loss of THB 10,162 million. Profit attributable to owners of the parent was THB 6,229 million or 2.85 baht per share when compared to last year's loss of THB 10,197 million or 4.67 baht per share. EBITDAR was THB 31,232 million, which increased by THB 8,596 million or 38.0% over last year.

3. Performance analysis for the year 2012

Production and Traffic (Thai Airways International PCL.)

		2012	2011	% Change
Production	(MATK)	12,023	11,987	+ 0.3%
Traffic	(MRTK)	8,237	7,836	+ 5.1%
Load Factor	(%)	68.5	65.4	+ 3.1
Passenger Production	(MASK)	79,231	78,533	+ 0.9%
Passenger Traffic	(MRPK)	60,679	55,267	+ 9.8%
Cabin Factor	(%)	76.6	70.4	+ 6.2
Freight Production	(MADTK)	4,892	4,919	- 0.5%
Freight Traffic	(MRFTK)	2,659	2,766	- 3.9%
Freight Load Factor	(%)	54.4	56.2	- 1.8
No. of Passenger	(Million persons)	20.62	18.39	+ 12.1%
Flight Hours	(Hours)	364,536	355,815	+ 2.5%
Average of Aircraft Utilization	(Hour/Aircraft/Day)	11.5	11.9	- 3.4%

THAI continually emphasized on fleet efficiency development. In 2012, THAI decommissioned 5 aircraft for pending sales (excluding 3 Boeing B737-400 aircraft which were returned from Nok Air due to the end of contract and on ground status), that consisted of 2 Airbus A300-600, 3 Airbus A340-500 aircraft, respectively. Whereas THAI took delivery of 12 aircraft consisting of 2 new Boeing 777-300ER's, principally serving North America routes, 3 new Airbus A330-300's, principally serving regional routes, 3 new Airbus A380-800's mainly replacing Boeing B747-400 which were converted to freighter aircraft and serving Hong Kong and Frankfurt routes, and 4 Airbus A320-200's serving routes operated by THAISmile.

THAI performed rescheduling of flights strategy principally intended to provide the appropriate flight schedule to match the market demand and seasonality as well as respond faster to any change in competition and/or situation. Consequently, passenger traffic (Revenue Passenger - Kilometers: RPK) increased by 9.8% in almost all routes except North America. Passenger production (Available Seat - Kilometers: ASK) increased by 0.9% due to the expanding Regional routes but reducing

intercontinental routes. Consequently, the average cabin factor was 76.6% higher than the 70.4% average cabin factor achieved during last year.

On the freight services side, THAI returned the last of block-spaced freighter aircraft in February 2012 and re-launched its freighter services with its own 2 freighter aircraft converted from passenger aircraft in April and May, respectively. Unfortunately, business has been adversely affected by the dramatic world economic slowdown and resulting heightened competition among air cargo transport companies. To respond to the crisis, THAI had to reduce freight production of a freighter aircraft in September which made lower both freight production (Available Dead Load Ton-Kilometers: ADTK) and freight traffic (Revenue Freight Ton-Kilometers: RFTK) by 0.5% and 3.9%, consecutively, compared to the same period last year. Average freight load factor achieved was 54.4% lower than the 56.2% average achieved last year.

Revenues of Thai Airways International PCL. and its subsidiaries

Total revenues for the year 2012 earned was THB 213,530 million, an increase of THB 19,188 million or 9.9% from last year. Details are as follows:

Unit : Million Baht	Consolidated				The Company			
	2012	2011	Variance		2012	2011	Variance	
			MTHB	%			MTHB	%
Revenues from transportation activities								
Passenger and excess baggage revenue	173,458	154,646	+18,812	+ 12.2	165,486	154,646	+10,840	+ 7.0
Freight and mail revenue	26,764	28,092	- 1,328	- 4.7	26,746	28,092	- 1,346	- 4.8
Total revenues from transportation activities	200,222	182,738	+17,484	+ 9.6	192,232	182,738	+ 9,494	+ 5.2
Revenue from other activities	8,901	8,259	+ 642	+ 7.8	8,826	7,954	+ 872	+ 11.0
Total operating revenue	209,123	190,997	+18,126	+ 9.5	201,058	190,692	+ 10,366	+ 5.4
Interest income	497	711	- 214	- 30.1	443	696	- 253	- 36.4
Other incomes	2,326	2,634	- 308	- 11.7	2,754	2,825	- 71	- 2.5
Profit from acquisition	1,584	-	+ 1,584	-	-	-	-	-
Total revenues	213,530	194,342	+19,188	+ 9.9	204,255	194,213	+10,042	+ 5.2

Total operating revenue was THB 209,123 million, an increase of THB 18,126 million or 9.5% over last year.

Revenues from transportation activities amounted to THB 200,222 million, an increase of THB 17,484 million or 9.6% over last year. Details are as follows:

• Passenger and excess baggage revenue

Passenger and excess baggage revenue totaled THB 173,458 million, an increase of THB 18,812 million or 12.2%. The main reasons are

- Passenger and excess baggage revenue for Nok Air totaled THB 7,966 million.
- Passenger and excess baggage revenue for THAI increased by THB 10,840 million or 7.0% since passenger traffic (Revenue Passenger Ton-Kilometers: RPK) dramatically enhanced by 9.8%. Average passenger yield (including fuel and insurance surcharge) was 2.72 THB/RPK, decreased from 2.75 THB/RPK or 1.1% from last year due to the special fare tickets which stimulated traffic demand back on track after massive flood disaster. The details of revenue based on territories as follows:

Unit : Million Baht	2012	2011	Increase(decrease)	
			MTHB	%
Passenger and excess baggage revenue				
Regional	65,744	58,298	+ 7,446	+ 12.8
Intercontinental	53,878	56,013	- 2,135	- 3.8
Domestic	14,691	13,808	+ 883	+ 6.4
Non-schedule flight	753	699	+ 54	+ 7.7
Passenger insurance surcharge	1,562	1,670	- 108	- 6.5
Passenger fuel surcharge	28,858	24,158	+ 4,700	+ 19.5
Total passenger and excess baggage revenue	165,486	154,646	+ 10,840	+ 7.0

Passenger and excess baggage revenue classified by flight regions

Regional passenger and excess baggage revenue amounted to THB 65,744 million, which was an increase of THB 7,446 million or 12.8% due to the strategy adjustment which more concentrated on Asia market to minimize the impact from unsolved European economic crisis. THAI also performed route and flight frequency adjustment and launch the new route to Sapporo, Japan. As a result, ASKs increased by 2,597 million seat-kilometers or 8.4%. and RPK increased by 3,665 million passenger-kilometers or 16.9% while average cabin factor was 75.7%, higher than the 70.2% achieved in 2011.

Due to the THAISmile's operation in Bangkok – Macau route, ASK increased by 195 million seat-kilometers and RPK increased by 161 million passenger-kilometers. Cabin factor was amazingly high as 82.3%.

Intercontinental passenger and excess baggage revenue amounted to THB 53,878 million, which was a decrease of THB 2,135 million or 3.8%. In 2012, THAI adjusted flight plans to suit the operating environment. As a result, ASKs decreased by 2,296 million seat-kilometers or 5.4% but RPKs increased by 1,217 million passenger-kilometers or 4.0%, while cabin factor was 77.5% which was higher than the 70.5% average in 2011.

Domestic passenger and excess baggage revenue (including revenue from THAISmile) amounted to THB 14,691 million, which was an increase of THB 883 million or 6.4%. ASKs increased by 188 million seat-kilometers or 4.3% and RPKs increased by 356 million passenger-kilometers or 11.3% while cabin factor was 77.0% higher than 72.1% over the same period the year before.

Passenger fuel surcharge amounted to THB 28,858 million, which was an increase of THB 4,700 million or 19.5% mainly due to efficient and effective fuel surcharge adjustment and the increase of number of passenger.

- **Freight and mail revenue**

Freight and mail revenue amounted to THB 26,764 million for THAI, which was a decrease of THB 1,328 million or 4.7%. Freight and mail revenue for THAI decreased by THB 1,346 million or 4.8%. Average freight yield (including fuel and insurance surcharge) was 9.76 THB/RFTK, decreased from 9.89 THB/RFTK or 1.3% from last year due to global economic crisis, the more competition among maritime transporters, and the growth of land transport sector which usurped THAI's market shares. As a result, freight traffic (Revenue Freight Ton-Kilometers: RFTK) decreased by 107 million ton-kilometers or 3.9% while freight production (Available Dead Load Ton-Kilometers:ADTK) decreased by 27 million ton-kilometers or 0.5%. Average freight load factor was 54.4% lower than last year where recorded 56.2%.

Other activities revenue

Other activities revenue amounted to THB 8,901 million, which increased by THB 642 million or 7.8% primarily from other activities revenue for THAI increased by THB 872 million due to the revenue growth of all business units which consisted of ground services, cargo handling services, onboard catering. Therefore, there were more government's aircraft technical services along with higher spare parts sales compared to last year.

Interest income

Interest income totaled THB 497 million, a decrease of THB 214 million or 30.1% mainly due to lower average interest rate from deposit amount.

Other income

Other income amounted to THB 2,326 million was a decrease of THB 308 million or 11.7% primarily the result of lower other income earned by THAI decreased by THB 71 million resulting from lower recognition of passenger airport fees that were not billed to THAI for over 3 years which was THB 480 million lower than last year, higher dividends from subsidiary and associated companies of THB 276 than last year, and higher compensation for delay in aircraft delivery of THB 140 million than last year.

Gains on assets transferred as consideration by the acquiring entity

In 2012, THAI had gains on assets transferred as consideration by acquiring entity, amounted to THB 1,584 million, since THAI acquired shares of Nok Air Co., Ltd. which increased the number of shares held by THAI from 39% to 49%. (Also see the notes to financial statements no.5.5).

Expenses for Thai Airways International PCL. and its subsidiaries

In 2012, total expenses amounted to THB 206,426 million, which was THB 4,167 million or 2.1% higher than the same period last year. A summary of operating expenses is as follows:

Unit : Million Baht	Consolidated				The Company			
	2012	2011	Variance		2012	2011	Variance	
			MTHB	%			MTHB	%
Fuel and oil	80,179	76,389	+ 3,790	+ 5.0	77,481	76,389	+ 1,092	+ 1.4
Employee benefit expenses	32,087	31,009	+ 1,078	+ 3.5	31,544	30,964	+ 580	+ 1.9
Flight service expenses	21,321	20,428	+ 893	+ 4.4	20,693	20,428	+ 265	+ 1.3
Crew expenses	5,707	5,485	+ 222	+ 4.0	5,547	5,485	+ 62	+ 1.1
Aircraft maintenance and overhaul costs	12,600	11,698	+ 902	+ 7.7	11,288	11,698	- 410	- 3.5
Depreciation and amortization	20,524	19,989	+ 535	+ 2.7	20,424	19,978	+ 446	+ 2.2
Lease of aircraft and spare parts	4,552	5,429	- 877	- 16.2	3,683	5,429	- 1,746	- 32.2
Inventories and supplies	9,530	9,042	+ 488	+ 5.4	9,415	9,042	+ 373	+ 4.1
Selling and advertising expenses	6,833	5,885	+ 948	+ 16.1	6,467	5,816	+ 651	+ 11.2
Insurance expenses	893	733	+ 160	+ 21.8	760	733	+ 27	+ 3.7
Other operating expenses	8,741	7,692	+ 1,049	+ 13.6	8,169	7,623	+ 546	+ 7.2
Total Operating Expenses	202,967	193,779	+ 9,188	+ 4.7	195,471	193,585	+ 1,886	+ 1.0
Impairment loss of aircraft and assets	771	1,121	- 350	- 31.2	771	1,121	- 350	- 31.2
Losses (gains) on foreign currency exchange	(3,213)	2,428	- 5,641	- 232.3	(3,207)	2,430	- 5,637	- 232.0
Finance costs	5,836	5,656	+ 180	+ 3.2	5,839	5,657	+ 182	+ 3.2
Loss on debenture redemption	-	2	- 2	- 100.0	-	-	-	-
Share of profits of associates	(363)	(184)	- 179	- 97.3	-	-	-	-
Other expenses	428	(543)	+ 971	+ 178.8	424	(543)	+ 967	+ 178.1
Total Expenses	206,426	202,259	+ 4,167	+ 2.1	199,298	202,250	- 2,952	- 1.5

Total operating expenses amounted to THB 202,967 million, was THB 9,188 million or 4.7% higher than last year since this year THAI consolidated financial statement of Nok air after acquisition. Significant changes of expenses for 2012 included:

Fuel and oil expense amounted to THB 80,179 million, was THB 3,790 million or 5.0% higher than last year.

- Fuel and oil expense for THAI increased by THB 1,092 million. The main reasons were the increase of both average jet fuel price and fuel consumption which raised 1.2% and 0.5%, respectively. Therefore, the stronger U.S. dollar compared to the Thai Baht affected the increase of THAI's fuel expense in baht terms. However, from fuel hedging policy made compensation income from fuel hedging amounting to THB 3,764 million.

- Fuel and oil expense for Nok Air amounted to THB 2,276 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 32,087 million, which was an increase of THB 1,078 million or 3.5% over last year mainly due to

- The increase of THAI's employee benefit expenses of 2012 in the amount of THB 580 million or 1.9% was the result of the annual welfare that was granted based on 1 month salary of employees while last year there was no payment. In 2012, THAI also reduced accrued employee compensation for the 2011 flood disaster, amount of THB 191 million, compared to last year where recorded THB 400 million. (Also see the notes to financial statements no.5.38.2)

- Employee benefits expenses for Nok Air amounted to THB 536 million

Flight service expenses amounted to THB 21,321 million, an increase of THB 893 million or 4.4% over last year. The increase was mainly from

- Flight service expenses for THAI increased by THB 265 million due to the increase in the number of flights.

- Flight service expenses for Nok Air amounted to THB 628 million.

Aircraft maintenance and overhauls costs amounted to THB 12,600 million, an increase of THB 902 million or 7.7% over last year. The increase was mainly from

- Aircraft maintenance and overhauls costs for THAI decreased by THB 410 million due to the decrease in the number of engines required for overhaul compared to last year.

- Aircraft maintenance and overhauls costs for Nok Air amounted to THB 1,312 million.

Depreciation and amortization expenses totaled THB 20,524 million, an increase of THB 535 million or 2.7% due to delivery of new aircraft.

Lease of aircraft and spare parts expenses totaled THB 4,552 million, a decrease of THB 877 million or 16.2%, which was mainly from

- Lease of aircraft and spare parts expenses for THAI decreased by THB 1,746 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 August 2011 and November 2012, and 4 Airbus A320-200 aircraft.

- Lease of aircraft and spare parts expenses for Nok Air amounted to THB 869 million.

Selling and advertising expenses totaled THB 6,833 million, an increase of THB 948 million or 16.1%, which was mainly from

- Selling and advertising expenses for THAI increased by THB 651 million due to the higher reservation expenses being amplified by the greater number of passengers over last year.

- Selling and advertising expenses for Nok Air amounted to THB 295 million.

Other operating expenses amounted to THB 8,741 million, an increase of THB 1,049 million or 13.6% due to

- Other operating expenses for THAI increased by THB 546 million due to higher reserve of allowance for doubtful accounts and outsourcing service.

- Other operating expenses for Nok Air amounted to THB 492 million.

Other expenses was THB 3,459 million, decreased by THB 5,021 million due to

Impairment loss of aircraft and assets was THB 771 million, THB 350 million or 31.2% lower than last year, due to lower reserved for damaged rotatable spare parts which had been set aside for pending sale.

Gain on foreign currency exchange of THAI and its subsidiaries amounted to THB 3,213 million mostly due to the translation of the Company's outstanding loan, especially Euro dollar and Japanese Yen, into Baht terms at the end of the period when compared to last year where THAI and its subsidiaries had loss on foreign currency exchange in the amount of THB 2,428 million.

Finance cost amounted to THB 5,836 million, an increase of THB 180 million or 3.2% due to higher long-term loan for financing lease of new 6 aircraft.

Share of profits of associates amounted to THB 363 million, improved by THB 179 million compared to last year due to recognizing the share of Royal Orchid Hotel (Thailand) PCL's profit, amount of THB 149 million increased from last year where recognized as expense, amount of THB 71 million, Bangkok Aviation Fuel Services PCL's profit, amount of THB 161 million which increased by THB 52 million. 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.

Other expenses amounted to THB 428 million, an increase of THB 971 million or 178.8% due to Other expenses for THAI increased by THB 967 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 1,042 million while the reversal for the same period in 2012 was THB 696 million with THB 769 million in reserves still outstanding (Also see the notes to financial statements no.5.18.9) Moreover, THAI and Australian Competition and Consumer Commission(ACCC) reached the conclusion to proceed with compromise agreement which THAI agreed to pay for the fines and attorney's fees amounted to THB 257 million. (Also see the notes to financial statements no.5.33.2)

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

Net income tax expenses amounted to THB 593 million, a decrease of THB 1,652 million. The main reason were a record of an impact to deferred tax assets and liabilities due to changes in corporate income tax and the benefits from investment promotion for certificates for air transportation operation of aircraft: passenger aircraft reduced partial tax burdens.

Net profit(loss)

Net profit amounted to THB 6,510 million or 3.11% profit margin while last year amounted to THB -10,162 million or – 5.32% profit margin. Profit attributable to owners of the parent amounted to THB 6,229 million and profit attribute to non-controlling interests amounted to THB 281 million.

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

Assets

As of December 31, 2012, total assets were THB 304,096 million, an increase of THB 30,140 million or 11.0% from as at December 31, 2011.

	<u>Consolidated</u>				<u>The Company</u>			
	<u>December 31, 2012</u>		<u>December 31, 2011</u>		<u>December 31, 2012</u>		<u>December 31, 2011</u>	
	<u>MTHB</u>	<u>% of Total Assets</u>	<u>MTHB</u>	<u>% of Total Assets</u>	<u>MTHB</u>	<u>% of Total Assets</u>	<u>MTHB</u>	<u>% of Total Assets</u>
Current assets	71,611	23.5	58,805	21.5	69,357	23	58,310	21.
Property, plant and equipment								
Prepaid aircraft and spare engine	17,617	5.8	21,279	7.8	17,617	5	21,279	7.
Aircraft	51,661	17.0	46,104	16.8	51,661	17	46,104	16.
Aircraft under finance leases	122,707	40.4	112,051	40.9	122,707	41	112,051	41.
Aircraft spare parts	12,506	4.1	10,367	3.8	12,506	4	10,367	3.
Work in process	2,488	0.8	2,838	1.0	2,488	0	2,838	1.
Land, building and improvements	7,020	2.3	7,463	2.7	7,020	2	7,463	2.
Other plant and equipment	4,569	1.5	4,893	1.8	4,479	1	4,885	1.
Property, plant and equipment-net	218,568	71.9	204,995	74.8	218,478	73	204,987	75.
Other non-current assets	13,917	4.6	10,156	3.7	11,521	3	9,503	3.
Total Assets	304,096	100.0	273,956	100.0	299,356	100	272,800	100.0

Current assets were THB 71,611 million or accounted for 23.5% of total assets, an increase of THB 12,806 million or 21.8% 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 246 million) as of December 31, 2012 totaled to THB 20,048 million which increased by THB 3,382 million from as of December 31, 2011.

- Temporary investments as of December 31, 2012 totaled THB 1,710 million, an increase of THB 1,291 million on a consolidated basis where Nok Air invested THB 1,410 million in bill of exchange.

- Other current assets as of December 31, 2012 totaled THB 9,949 million, an increase of THB 2,829 million from as of December 31, 2011. Other current assets for THAI increased THB 2,622 million mainly from reimbursement of damages claims from insurance amounted to THB 365 million, input tax refund which was THB 592 million higher than last year and accrued income from fuel hedging which was THB 284 million higher than last year. Other current assets of Nok Air totaled THB 330 million.

- Non-current assets classified as held for sale as of December 31, 2012 totaled THB 7,430 million, an increase of THB 7,168 million from as of December 31, 2011 due to the decommission of 8 aircraft for pending sales which are 2 Airbus A300-600 aircraft and 3 Airbus A340-500 aircraft, and 3 Boeing B737-400 aircraft which were leased by Nok Air and their contracts were terminated, respectively.

Property, plant and equipment-net totaled THB 218,568 million or represented 71.9 % of total assets, which saw a decrease of THB 13,573 million or 6.6% from as of December 31, 2011 resulting from

- Aircraft and aircraft under finance lease increased by THB 16,213 million mainly due to delivery of 6 new aircraft: 3 Airbus A330-300 and 3 Airbus A380-800 aircraft. On the other hand, in 2012, THAI transferred assets, consisted of 8 decommissioned aircraft: 2 Airbus A300-600, 3 Airbus A340-500 aircraft and 3 Boeing B737-400 aircraft which transferred to non-current assets classified as held for sale.

- Aircraft spare parts increased by THB 2,139 million due to the increase in rotatable spare parts and engines of newly delivered aircraft.

- Prepaid aircraft and spare engines decreased by THB 3,662 million due to a portion transfer of aircraft and spare engine prepayments to be aircraft under finance leases. However, THAI made 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 2013-2017.

Other non-current assets totaled THB 13,917 million or represented 4.6% of total assets, which increased THB 3,761 million or 37.0% 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 December 31, 2012 totaled THB 234,278 million, which was an increase of THB 23,269 million or 11.0% from as of December 31, 2011. These comprise of:

	<u>Consolidated</u>				<u>The Company</u>			
	<u>December 31, 2012</u>		<u>December 31, 2011</u>		<u>December 31, 2012</u>		<u>December 31, 2011</u>	
	<u>MTHB</u>	<u>% of Total Liabilities</u>	<u>MTHB</u>	<u>% of Total Liabilities</u>	<u>MTHB</u>	<u>% of Total Liabilities</u>	<u>MTHB</u>	<u>% of Total Liabilities</u>
Current liabilities (excluding current Portion of long-term liabilities)	58,739	25.1	51,803	24.6	57,688	24.7	51,771	24.5
Long-term liabilities								
Debentures	34,677	14.8	27,797	13.2	34,677	14.9	27,800	13.2
Liabilities under financial leases	71,550	30.5	57,895	27.4	71,550	30.7	57,800	27.5
Long term borrowings	52,459	22.4	56,607	26.8	52,459	22.5	56,600	26.8
Total long-term liabilities	158,686	67.7	142,299	67.4	158,686	68.1	142,300	67.5
Employee benefits obligation	11,082	4.7	10,632	5.0	10,971	4.7	10,600	5.0
Other non-current liabilities	5,771	2.5	6,275	3.0	5,767	2.5	6,200	3.0
Total Liabilities	234,278	100.0	211,009	100.0	233,112	100.0	210,900	100.0

Current liabilities totaled THB 58,739 million, representing 25.1% of total liabilities, which increased from December 31, 2011 by THB 6,936 million. The main reason were the increase of THB 4,768 million in accrued expenses due to the increase of accrued fuel expense, the increase of THB 2,928 million in airport tax, the increase of prepaid insurance compensation from flood disaster, THB 1,048 million, and the increase of other account payable, THB 1,665 million but trade payables decreased by THB 2,741 million.

Long-term liabilities as of December 31, 2012 totaled THB 158,686 million (included the current portion of long-term liabilities amounting to THB 23,944 million) or represented 67.7% of total liabilities, which was an increase of THB 16,387 million from December 31, 2011 primarily due to liabilities under finance leases of 6 new aircraft and new debentures issuance, totaling THB 11,500 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 1,138 million.

Employee benefit obligation as of December 31, 2012 was THB 11,082 million or 4.7% of total liabilities. It increased by THB 450 million from December 31, 2011.

Other non-current liabilities as of December 31, 2012 totaled THB 5,771 million or represented 2.5% of total liabilities, which was a decrease of THB 504 million from December 31, 2011.

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

As of December 31, 2012, shareholders' equity totaled THB 69,818 million, an increase of THB 6,871 million from December 31, 2011 due to the positive performance from THAI and its subsidiaries.

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

Cash and cash equivalents as of December 31, 2012 amounted to THB 20,048 million, an increase of THB 3,382 million or 20.3% from as of December 31, 2011.

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

Unit : Million Baht	<u>Consolidated</u>		<u>The Company</u>	
	2012	2011	2012	2011
Net cash from operating activities	31,163	9,167	30,224	9,075
Net cash used in investing activities	(14,764)	(11,030)	(14,441)	(11,001)
Net cash used in financing activities	(12,426)	(19,238)	(12,080)	(19,133)
Effect from changing in exchange rate on cash and cash equivalents increase (decrease)	(591)	88	(591)	88
Increase(Decrease) in cash and cash equivalents	3,382	(21,013)	3,112	(20,971)

Net cash from operating activities

Net cash from operating activities for the year ending December 31, 2012 amounted to THB 31,163 million due to

- the increase of operating profits before changes in operating assets and liabilities totaled THB 30,693 million.
- the increase of operating assets of THB 3,981 million due to the increase of other current assets and other deferred expenses
- the increase of operating liabilities of THB 4,785 million resulting from the increase of accrued expenses and other current liabilities and
- income tax payment of THB 334 million.

Net cash used in investing activities

Net cash used in investing activities for 2012 amounted to THB 14,764 million. The majority of net cash used for investing activities in acquisition of fix assets totaled THB 18,388 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 2,959 million, and cash received from other investment, amounted to THB 665 million.

Net cash used in financing activities

Net cash used in financing activities for the year ending December 31, 2012 amounted to THB 12,426 million. It consisted of cash outflow including repayment of long-term loans and debentures in the amount of THB 19,822 million, interest payment totaling THB 5,629 million, dividend paid for non-controlling interests totaling THB 346 million against cash inflow including debentures and long-term loans totaling THB 13,372 million.

6. Capital Expenditures

Capital expenditures before deduction of cash received from finance leases agreement for 2012 ending December 31, 2012 totaled THB 40,576 million, which increased by THB 24,238 million or 148.4% from last year. Capital expenditures for this year mainly consisted of payment for acquisition of 6 new aircraft delivered in this year, and the rest of the new aircraft in which delivery will be taken in 2013-2017 as well as payment for acquisition of rotatable aircraft spare parts, and cabin reconfiguration program totaling THB 39,956 million.

Unit : Million Baht	January – December	
	2012	2011
Aircraft and aircraft spare parts	39,956	15,638
Non-Aircraft	620	700
Total	40,576	16,338

7. Financial Ratios

	Consolidated		The Company	
	2012	2011	2012	2011
Liquidity Ratio				
Current Ratio (times)	2.05	2.17	2.02	2.16
Profitability Ratio				
Operating Profit Margin (%)	2.94	(1.46)	2.78	(1.52)
Net Profit Margin (%)	3.11	(5.32)	2.20	(5.37)
Return on Equity (%)	9.81	(14.64)	6.92	(14.99)
Efficiency Ratio				
Return on Total Assets (%)	2.25	(3.57)	1.55	(3.61)
Financial Policy Ratio				
Interest Bearing Debt to Equity (times)	2.27	2.26	2.40	2.30
Interest Coverage Ratio (times)	4.57	3.04	4.46	3.02

- 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 5.37
