

Management's Discussion and Analysis for the third quarter ended September 30, 2013 for Thai Airways International Public Company Limited and Its Subsidiaries

1. Executive summary

The global economic overview in the third quarter of 2013 is likely to improve as there are signs of recovery for both the U.S. and the European Union economies despite ongoing uncertainties. Japan's economy is also faring better as a result of Japan's economic stimulus package. Such factors are beneficial to the aviation industry which is likely to increase overall passenger traffic demand. On the contrary, cargo transport has seen slower growth. Not only was currency fluctuation a factor affecting industry performance but also the political turmoil and the conflict in the Middle-east caused fuel price to rise slightly.

THAI is adhering to its long-term business plan especially in regards to its fleet development strategy to ensure long-term competitive advantage and readiness for the Asian Economic Community: AEC by adding 2 new Boeing 777-300ER aircraft in this quarter increasing THAI's overall capacity. Passenger production rose by 8.8% over the same period last year and is higher than averages of both the industry and that of the Asia Pacific area. The sizeable increase in production increased at a greater rate than traffic demand, dropping average cabin factor from 76.7% to 75.3% when compared to the same quarter of the previous year. On the cargo side, even though the overall cargo situation is improving, Asia-Pacific carriers with the largest proportion of the freight market, were still underperforming with the impact from the economic slowdown of regional and emerging markets. The factor bearing heavily on the industry is the fact that many airlines have also increased their production, thus bearing significant impact on pricing power. Consequently, accelerated competition has resulted in lower average freight yield. Despite THAI having decreased freight production by 1.1%, especially the decreased production of freighter aircraft. It should be noted that excluding production of freighter aircraft the freight production increased 0.3% while the heavy competition caused a decrease in freight traffic 9.0% from last year.

THAI and its subsidiaries' financial performance in the third quarter of 2013 showed a loss before foreign currency exchange and income tax of THB 3,238 million lower than last year where reported profit before foreign currency exchange and income tax was THB 2,021 million. The 3Q 2013 loss was a result of revenue rising at a slower rate than that of the rate of increase in operating expense. Combined with a THB 2,890 million loss from outstanding foreign currency debt, THAI and its subsidiaries recorded a net loss for the period totaling THB 6,182 million compared to last year's net profit of THB 1,857 million.

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

Financial Performance

The consolidated financial statements for the third quarter ended September 30, 2013 compared to the same period last year, this year's 2013 financial information excludes that of Nok Airlines Co., Ltd. (Nok Air) resulting from the change in shareholding structure along with the change in composition of the board of directors with a greater number of board members since January 18, 2013. The result was THAI no longer having controlling power over Nok Air through THAI's representation on Nok Air's Board of Directors. In addition, on June 20, 2013 Nok Airline issued 125 million shares through an IPO (initial public offering), reduced THAI's proportion of Nok down from 49 to 39.2%. In order to facilitate the year on year comparison, THAI has restated the statements of income for the year 2012 (excludes Nok Air) as if Nok Air is an associated company.

Unit : Million Baht	Consolidated						
	(Includes Nok Air)		Variance		(Excludes Nok Air)		
	2013	2012	MTHB	%	2012	MTHB	%
Total Operating Revenues	50,679	51,714	-1,035	-2.0	49,714	+965	+1.9
<u>Less</u> Total Operating Expenses	52,766	49,224	+3,542	+7.2	47,407	+5,359	+11.3
Operating Profit(loss)	(2,087)	2,490	-4,577	-183.8	2,307	-4,394	-190.5
<u>Add</u> Other revenues	672	717	-45	-6.3	700	-28	-4.0
<u>Less</u> Other expenses	162	(237)	+399	+168.4	(340)	+502	+147.6
<u>Less</u> Finance cost	1,661	1,423	+238	+16.7	1,423	+238	+16.7
Profit(Loss) before foreign currency exchange and income tax	(3,238)	2,021	-5,259	-260.2	1,924	-5,162	-268.3
Gain(loss) on foreign currency exchange	(2,890)	(120)	-2,770	-	(116)	-2,774	-
Profit (loss) before interest and tax	(4,467)	3,324	-7,791	-234.4	3,231	-7,698	-238.3
Net Profit(Loss)	(6,182)	1,857	-8,039	-432.9	1,761	-7,943	-451.1
Profit(Loss) attributable to owners of the parent	(6,195)	1,745	-7,940	-455.0	1,750	-7,945	-454.0
Net profit(Loss) per share (Baht)	(2.84)	0.80	-3.64	-455.0	0.80	-3.64	-455.0
EBITDA (MTHB)	2,953	7,464	-4,511	-60.4	7,257	-4,304	-59.3
Operating Profit(Loss) Margin (%)	(4.1)	4.8		-8.9	4.6		- 8.7
EBITDA Margin (%)	5.8	14.4		-8.6	14.6		-8.8
Net Profit(Loss) Margin (%)	(12.2)	3.6		-15.8	3.5		-15.7

Unit : Million Baht	The Company			
	2013	2012	Variance	
			MTHB	%
Total Operating Revenues	50,581	49,629	+952	+1.9
<u>Less</u> Total Operating Expenses	52,766	47,403	+5,363	+11.3
Operating Profit(Loss)	(2,185)	2,226	-4,411	-198.2
<u>Add</u> Other revenues	834	724	+110	+15.2
<u>Less</u> Other expenses	341	(27)	+368	-
<u>Less</u> Finance cost	1,661	1,424	+237	+16.6
Profit(Loss) before foreign currency exchange and income tax	(3,353)	1,553	-4,906	-315.9
Gain(loss) on foreign currency exchange	(2,891)	(118)	-2,773	-
Profit (loss) before interest and tax	(4,583)	2,859	-7,442	-260.3
Net Profit(Loss)	(6,275)	1,409	-7,684	-545.4
Net profit(Loss) per share (Baht)	(2.87)	0.65	-3.52	-541.5
EBITDA (MTHB)	2,854	7,175	-4,321	-60.2
Operating Profit(Loss) Margin (%)	(4.3)	4.5	-	- 8.8
EBITDA Margin (%)	5.6	14.5	-	-8.9
Net Profit(Loss) Margin (%)	(12.4)	2.8	-	-15.2

In the third quarter, THAI's consolidated operating loss totaled THB 2,087 million, which is lower than last year's reported profit of THB 2,490 million due to THAI's own operating loss of THB 2,185 million as operating revenue increased by THB 952 million or by 1.9%. The slight increase in operating revenue reflects the impact from the strong Thai Baht against foreign currencies, especially the Japanese Yen which is one of major currencies in terms of revenue, reducing operating revenue by approximately 4.3%. Passenger and excess baggage revenue increased by THB 1,390 million or 3.4% over the same period last year. Revenue from business units and other activities also increased, totaling THB 213 million or 10.5% due to increase of passenger traffic related to increase of passenger production while revenue from freight and mail decreased by THB 651 million or 10.0% due to high competition. THAI's own operating expenses increased THB 5,363 million or 11.3%. Although THAI benefitted from the baht appreciation, reducing operating cost by approximately 3.3%, the increase in total production (ATK) by 4.6% increased expenses related to traffic production. The significant increase in personnel expense by 16.3% are attributable to higher overtime charge both THAI own staff and outsourced staff because of worker shortage, the annual salary increment, staff welfare and higher professional license fee for the Technical Department.

THAI's consolidated loss before foreign currency exchange and income tax was THB 3,238 million when compared to last year where THAI reported a gain of THB 2,021 million. THAI's own losses before impact from foreign currency exchange and income tax totaled THB 3,353 million of that amount THB 2,185 million was incurred from operation while other expenses and financing cost increased pushing total expenses higher.

THAI's consolidated loss on foreign currency exchange was THB 2,890 million, an increase of THB 2,770 million from last year. Consequently, THAI and its subsidiaries reported a net loss of THB 6,182 million compared to last year's gain of THB 1,857 million. Loss attributable to owners of the parent was THB 6,195 million or a loss of 2.84 baht per share, a decrease from last year's gain of 0.80 baht per share.

EBITDA was THB 2,953 million, which decreased by THB 4,511 million or 60.4% over last year. EBITDA margin this past quarter was 5.8%, as compared to last year's reported 14.4%.

Operating performance: The Company

The Company		Jul - Sep		% Change
		2013	2012	
Production	(MATK)	3,177	3,036	+ 4.6%
Traffic	(MRTK)	2,083	2,059	+ 1.2%
Load Factor	(%)	65.6	67.8	- 2.2
Total yield	(THB/RTK)	22.77	23.12	- 1.5%
Passenger carried	(Million)	5.41	5.10	+ 6.1%
Passenger Production	(MASK)	21,458	19,729	+ 8.8%
Passenger Traffic	(MRPK)	16,149	15,129	+ 6.7%
Cabin Factor	(%)	75.3	76.7	- 1.4
Passenger yield	(THB/RPK)	2.57	2.69	- 4.5%
Freight Production	(MADTK)	1,246	1,260	- 1.1 %
Freight Traffic	(MRFTK)	603	663	- 9.0%
Freight Load Factor	(%)	48.4	52.6	- 4.2
Freight loaded	(Ton)	154,446	166,187	- 7.1%
Freight yield	(THB/RFTK)	9.40	9.58	- 1.9%
Flight Hours	(Hours)	95,083	90,780	+ 4.7%
Average of Aircraft Utilization	(Hour/Aircraft/Day)	11.2	11.5	- 2.6%
Number of flight	(Flight)	23,988	22,289	+ 7.6%

Revenues of Thai Airways International PCL. and its subsidiaries

Total revenues for the third quarter of 2013 earned was THB 51,351 million, a decrease of THB 1,080 million or 2.1% lower than last year. It should be noted that in the third quarter last year Nok Air's revenues was included in the Company's top line revenue. Details are as follows:

Consolidated										
	(Includes Nok Air)						(Excludes Nok Air)			
	Jul - Sep				Variance		Jul - Sep		Variance	
	2013	% of Total Revenue	2012	% of Total Revenue	MTHB	%	2012	% of Total Revenue	MTHB	%
Revenues from transportation activities										
Passenger and excess baggage revenue	42,455	82.7	43,092	82.2	-637	-1.5	41,065	81.5	+1,390	+3.4
Freight and mail revenue	5,878	11.4	6,535	12.5	-657	-10.1	6,529	12.9	-651	-10.0
Total Revenue from Transportation activities	48,333	94.1	49,627	94.7	-1,294	-2.6	47,594	94.4	+739	+1.6
Revenue from business units	1,775	3.5	1,568	3.0	+207	+13.2	1,568	3.1	+207	+13.2
Revenue from other activities	571	1.1	519	1.0	+52	+10.0	552	1.1	+19	+3.4
Total operating revenue	50,679	98.7	51,714	98.7	-1,035	-2.0	49,714	98.6	+965	+1.9
Interest income	171	0.3	128	0.2	+43	+33.6	118	0.2	+53	+44.9
Other incomes	501	1.0	589	1.1	-88	-14.9	582	1.2	-81	-13.9
Total revenues	51,351	100.0	52,431	100.0	-1,080	-2.1	50,414	100.0	+937	+1.9

	The Company						
	2013	Jul-Sep		2012	% of Total Revenue	Variance	
		% of Total Revenue	2012			% of Total Revenue	MTHB
Revenues from transportation activities							
Passenger and excess baggage revenue	42,455	82.6	41,065	81.6	+1,390	+3.4	
Freight and mail revenue	5,878	11.4	6,529	13.0	-651	-10.0	
Total Revenue from Transportation activities	48,333	94.0	47,594	94.6	+739	+1.6	
Revenue from business units	1,775	3.5	1,568	3.1	+207	+13.2	
Revenue from other activities	473	0.9	467	0.9	+6	+1.3	
Total operating revenue	50,581	98.4	49,629	98.6	+952	+1.9	
Interest income	170	0.3	116	0.2	+54	+46.6	
Other incomes	664	1.3	608	1.2	+56	+9.2	
Total revenues	51,415	100.0	50,353	100.0	+1,062	+2.1	

Revenues from transportation activities, totaling THB 48,333 million, constituting 94.1% of total revenues, decreased by THB 1,294 million or 2.6% over the same period last year. It should be noted that in the third quarter last year revenue from transportation activities included Nok Air's revenue. Therefore, if the comparison does not include revenues from transportation activities of Nok Air in the consolidated 2012, revenues from transportation activities of 2013 rose by THB 739 million or 1.6 percent over the previous year.

The implementation of a new passenger revenue accounting system has enabled THAI to keep track between revenue and the amount of commission for which THAI has to pay. The resulting change is that THAI no longer reports its revenue on a net basis but now revenue constitutes of two parts – ticket sales and commissions due to agencies. In the third quarter of 2013, the amount of commission amounted to THB 529 million was booked as part of the passenger and excess baggage revenue account, the same amount was booked in the selling and advertising expenses account. The simultaneous booking in the revenue and expense accounts bears no overall effect to THAI's profit and loss statement.

- **Passenger and excess baggage revenue**

Passenger and excess baggage revenue totaled THB 42,455 million, an increase of THB 1,390 million or 3.4%. The main reasons are:

- Passenger traffic (Revenue Passenger Ton-Kilometers: RPK) increased by 6.7%. Average passenger yield (including fuel and insurance surcharge) decreased by 0.12 THB/RPK or 4.5% resulting from the Baht strength compared to the same period last year.

- Sales commission was THB 529 million.

- **Freight and mail revenue**

Freight and mail revenue amounted to THB 5,878 million, which was a decrease of THB 651 million or 10.0% due to greater competition amongst sea, land and air transport companies lowering the Company's freight traffic (Revenue Freight Ton-Kilometers: RFTK) by 9.0% and average freight yield (including fuel and insurance surcharge) decreased 0.18 THB/RFTK or 1.9% over last year. The baht strength also contributed to the weaker yield.

Revenues from Business Units

Revenue from Business Units amounted to THB 1,775 million, an increase of THB 207 million or 13.2% resulting from higher revenue generated from all business units which was mainly derived from the increase of service rendered to customer airlines.

Revenue from other activities

Other activities revenue amounted to THB 571 million, which increased by THB 52 million or 10.0% over last year. The main reason was revenue from aircraft maintenance rendered to customer airlines and government agencies increased from the previous year.

Other income

- interest income totalled THB 171 million, an increase of THB 43 million or 33.6%, due to increase of cash on hand and

- other income amounted to THB 501 million, a decrease of THB 88 million or 14.9% lower than last year as THAI did not receive any late compensation for aircraft delivery during this quarter.

Expenses for Thai Airways International PCL. and its subsidiaries

In the third quarter of 2013, total expenses (included loss of foreign currency exchange) amounted to THB 57,479 million, which was THB 6,949 million or 13.8% higher than the same period last year. A summary of operating expenses is as follows:

	Consolidated									
	(Includes Nok Air)					(Excludes Nok Air)				
	Jul - Sep		Variance			Jul - Sep		Variance		
	2013	% of Total Expenses	2012	% of Total Expenses	MTHB	%	2012	% of Total Expenses	MTHB	%
Operating expense										
Fuel and oil	20,130	35.0	19,139	37.9	+991	+5.2	18,514	38.1	+1,616	+8.7
Employee										
Benefit expenses	8,560	14.9	7,505	14.9	+1,055	+14.1	7,370	15.2	+1,190	+16.1
Depreciation and amortization	5,040	8.8	4,974	9.8	+66	+1.3	4,950	10.2	+90	+1.8
Other operating expenses	19,036	33.1	17,606	34.8	+1,430	+8.1	16,573	34.1	+2,463	+14.9
Total Operating Expenses	52,766	91.8	49,224	97.4	+3,542	+7.2	47,407	97.6	+5,359	+11.3
Impairment loss of assets	87	0.2	353	0.7	-266	-75.4	353	0.7	-266	-75.4
Loss on foreign currency exchange	2,890	5.0	120	0.2	+2,770	-	116	0.2	+2,774	-
Financial cost	1,661	2.9	1,423	2.8	+238	+16.7	1,423	2.9	+238	+16.7
Share of profits of associates	(179)	(0.3)	(212)	(0.4)	+33	+15.6	(315)	(0.6)	+136	+43.2
Other expenses	254	0.4	(378)	(0.7)	+632	+167.2	(378)	(0.8)	+632	+167.2
Total Expenses	57,479	100.0	50,530	100.0	+6,949	+13.8	48,606	100.0	+8,873	+18.3

	The Company					
	Jul - Sep				Variance	
	2013	% of Total Expenses	2012	% of Total Expenses	MTHB	%
Operating expense						
Fuel and oil	20,130	34.9	18,514	37.8	+1,616	+8.7
Employee Benefit expenses	8,616	15.0	7,409	15.2	+1,207	+16.3
Depreciation and amortization	5,039	8.7	4,949	10.1	+90	+1.8
Other operating expenses	18,981	32.9	16,531	33.8	+2,450	+14.8
Total Operating Expenses	52,766	91.5	47,403	96.9	+5,363	+11.3
Impairment loss of assets	87	0.2	353	0.7	-266	-75.4
Loss on foreign currency exchange	2,891	5.0	118	0.2	+2,773	-
Financial cost	1,661	2.9	1,424	2.9	+237	+16.6
Other expenses	254	0.4	(380)	-0.7	+634	+166.8
Total Expenses	57,659	100.0	48,918	100.0	+8,741	+17.9

Total operating expenses amounted to THB 52,766 million which was THB 3,542 million or 7.2% higher than last year. Without including the operating expenses of Nok Air last year, operating expenses of THAI and its subsidiaries increased by THB 5,359 million or 11.3 percent. Significant changes of expenses for this quarter include:

Fuel and oil expense amounted to THB 20,130 million, 35.0% of total expenses, was THB 1,616 or 8.7% higher with an increase in production which caused the higher volume of fuel consumption by 6.2%. Average jet fuel price was 0.1% higher than the same period last year; however, the stronger Thai Baht further benefitted THAI lowering fuel cost in baht terms. Compensation from fuel hedging during the period totaled THB 531 million.

Employee benefits expenses consisting of personnel expense, employee benefits, management benefits and board of directors' benefits amounted to THB 8,560 million, which was an increase of THB 1,190 million or 16.1% over last year mainly due to higher overtime pay, especially cockpit and cabin crew, and a higher number of outsourced staff as compared to last year. These mainly were caused by the increase of production, Government's minimum wage policy and shortage of outsourced staff. Other items contributing to the rise in employee benefits include the increment in annual staff salary, increase in professional license fee for the Technical Department to ensure compliance with international standards and the provision for a one month annual welfare pay deducted equally each month as compared to last year where the annual welfare pay was charged to December's account resulting in higher total expenses.

Depreciation and amortization expenses totalled THB 5,040 million, an increase of THB 90 million or 1.8% due to the depreciation taken against the seat retrofit program for 2 aircraft types: Boeing B777-200 and B747-400 aircraft, totaling 7 aircraft this year along with the change in the aircraft and engines depreciation policy extending the depreciation period from 15 to 20 years decreasing the depreciation expense by THB 684 million, however, THAI also took delivery of new aircraft this year.

Other operating expenses consisted of flight service expenses, crew expenses, aircraft maintenance and overhaul costs, lease of aircraft and spare parts charges, inventories and supplies expenses, selling and advertising expenses, insurance expenses, and other expenses totaled THB 19,036 million, an increase of THB 2,463 million or 14.9%. Most of them increased in relation to increased traffic and production which was higher than the same period last year. Other significant increase was

- Selling and advertising expenses increased THB 843 million or 52.6% due to the implementation of a new passenger revenue accounting system mentioned above. (see also Passenger and excess baggage revenue) The implementation caused the increase of selling and advertising expenses totaling THB 529 million.

- Maintenance and overhaul costs increased THB 675 million or 23.7% due to the increase in relation to increased production and increased number of repaired engines which was higher than the same period last year

Impairment loss of assets totaled THB 87 million, a decrease of THB 266 million or 75.4% since the provision for impairment of parts damaged and could not be repaired decreased from last year.

Finance cost amounted to THB 1,661 million, an increase of THB 238 million or 16.7% since the increase of long-term liabilities (including liabilities under finance lease, long-term borrowing, and debentures) which increased from the same period last year by THB 36,743 million due to debentures issuance, totaling THB 9,000 million, long-term loan from local financial institution, amount of USD 200 million, approximately THB 6,368 million and from the Ministry of Finance to pay the 2 Airbus A380-800 aircraft for USD 500 million, roughly THB15,634 million, and liabilities under finance lease, amount of THB 11,393 million for payment of 3 new aircraft delivered this year, THAI has been able to raise cheaper cost of funds since average interest rate was lower than last year.

Share of profits of associates amounted to THB 179 million. Almost all associated company reported profit except Royal Orchid Hotel (Thailand) PCL. Details as follow:

- Nok Airlines PCL's amount of THB 96 million. It should be noted that last year, Nok Airlines PLC was recognized as a subsidiary company of THAI.
- Bangkok Aviation Fuel Services PCL's amount of THB 75 million, an increase of THB 24 million,
- Phuket Air Catering Ltd.'s amount of THB 8 million, while last year reported loss of THB 2 million
- Donmuang International Airport Hotel Ltd.'s amount of THB 4 million, an increase of THB 3 million,
- Suvarnabhumi Airport Hotel Ltd.'s amount of THB 0.3 million while last year reported loss of THB 2 million , and
- Royal Orchid Hotel (Thailand) PCL's amount of THB -4 million while last year reported profit of THB 164 million.

Loss on foreign currency exchange of THAI and its subsidiaries totaled THB 2,890 million which consists of realizing foreign currency gain of THB 438 million resulting from active natural hedging to mitigate the impact from foreign currency fluctuation and the unrealized loss portion totaling THB 3,328 million resulting the Company's outstanding foreign currency loans into Baht terms at the end of the period.

Operating results of Thai Airways International PCL. and its subsidiaries of the first nine months of 2013 (January - September 2013) are as follows:

Unit : Million Baht	Consolidated						
	(Included Nok Air)				(Excluded Nok Air)		
	2013	2012	Variance		2012	Variance	
MTHB			%	MTHB		%	
Total Operating Revenues	153,785	153,645	+140	+0.1	148,210	+5,575	+3.8
<u>Less</u> Total Operating Expenses	154,328	148,069	+6,260	+4.2	142,890	+11,439	+8.0
Operating profit (loss)	(543)	5,576	-6,120	-109.8	5,320	-5,864	-110.2
<u>Add</u> Other revenues	3,115	3,381	-266	-7.9	3,329	-214	-6.4
<u>Less</u> Impairment loss of aircraft	3,592	181	+3,411	-	181	+3,411	-
<u>Less</u> Other expenses	401	238	+163	+68.5	76	+325	+427.6
<u>Less</u> Finance cost	4,593	4,341	+252	+5.8	4,341	+252	+5.8
Profit (Loss) before foreign currency exchange and income tax	(6,015)	4,197	-10,212	-243.3	4,051	-10,066	-248.5
Gain(loss) on foreign currency exchange	(963)	1,723	-2,686	-155.9	1,725	-2,688	-155.8
Profit (loss) before interest and tax	(2,385)	10,261	-12,646	-123.2	10,117	-12,502	-123.6
Net Profit(Loss)	(6,313)	5,629	-11,942	-212.2	5,494	-11,807	-214.9
Loss attributable to owners of the parent	(6,351)	5,436	-11,787	-216.8	5,452	-11,803	-216.5
Net profit(Loss) per share (Baht)	(2.91)	2.49	-5.40	-216.9	2.50	-5.41	-216.4
EBITDA (MTHB)	14,262	20,764	-6,502	-31.3	20,438	-6,176	-30.2
Operating Profit(Loss) Margin (%)	(0.4)	3.6		-4.0	3.6		-4.0
EBITDA Margin (%)	9.3	13.5		-4.2	13.8		-4.5
Net Profit(Loss) Margin (%)	(4.1)	3.7		-7.8	3.7		-7.8

Unit : Million Baht	The Company			
	2013	2012	Variance	
			MTHB	%
Total Operating Revenues	153,506	147,958	+5,548	+3.7
<u>Less</u> Total Operating Expenses	154,243	142,811	+11,432	+8.0
Operating Profit (loss)	(737)	5,147	-5,884	-114.3
<u>Add</u> Other revenues	2,636	2,047	+589	+28.8
<u>Less</u> Impairment loss of aircraft	3,592	181	+3,411	-
<u>Less</u> Other expenses	1,095	554	+541	+97.7
<u>Less</u> Finance cost	4,593	4,342	+251	+5.8
Profit (Loss) before foreign currency exchange and income tax	(7,381)	2,117	-9,498	-448.7
Gain(loss) on foreign currency exchange	(963)	1,722	-2,685	-155.9
Profit (loss) before interest and tax	(3,751)	8,181	-11,932	-145.9
Net Profit(Loss)	(7,631)	3,602	-11,233	-311.9
Net profit(Loss) per share (Baht)	(3.50)	1.65	-5.15	-312.1
EBITDA (MTHB)	14,064	20,261	-6,197	-30.6
Operating Profit(Loss) Margin (%)	(0.5)	3.5		-4.0
EBITDA Margin (%)	9.2	13.7		-4.5
Net Profit(Loss) Margin (%)	(5.0)	2.4		-7.4

THAI and its subsidiaries' operating loss amounted to THB 543 million when compared to last year's profit of THB 5,576 million.

- Operating revenues slightly increased by THB 140 million or 0.1% mainly due to last year's revenue from Nok Air was consolidated. When compared on the same basis without operating revenue of Nok Air recorded in 2012 and sales commissions, THB 1,643 million, of THAI recorded in 2013, THAI's operating revenue increased by THB 3,932 million or 2.7 % since passenger and excess baggage revenue increased THB 5,628 million or 4.7 %. However, freight revenue decreased THB 2,150 million or 11.1%.

- Operating expenses increased by 6,260 million or 4.2 %. In order to compare on the same basis, excluding the expenses of Nok Air and commissions recorded in the year 2013 which is equal to the amount recorded in the revenue, THAI's own operating expenses increased by THB 9,795 million, or 6.9% while production increased 8.5%. Despite benefits of lower average fuel cost and extended aircraft depreciation period, employee benefits rose sharply.

- Other revenues and expenses in 2013 recorded a gain on deemed disposal value of THB 722 million, gain on reclassified investment of THB 298 million, an impairment charge taken against aircraft held for sale of THB 3,592 million compared to last year where THAI recognized a gain on business acquisition of THB 1,584 million.

- Loss on foreign currency exchange amounted to THB 963 million, where's last year reported gain of THB 1,723 million.

- Net loss amounted to THB 6,313 million compared to the same period last year where THAI's consolidated recorded profit was THB 5,629 million. Loss attributable to owners of the parent amounted to THB 6,351 million.

- Loss per share was 2.91 THB, a decrease from last year where THAI reported a profit per share of 2.49 THB.

- EBITDA was THB 14,263 million, a decrease of THB 6,501 million or 31.3% from last year

- EBITDA margin was 9.3 decreased from last year where reported 13.5%

Operating performance

The Company		Jan - Sep		% Change
		2013	2012	
Production	(MATK)	9,411	8,882	+ 6.0%
Traffic	(MRTK)	6,239	6,081	+ 2.6%
Load Factor	(%)	66.3	68.5	- 2.2
Total yield	(THB/RTK)	23.10	23.27	- 0.7%
Passenger carried	(Million)	16.20	15.12	+ 7.1%
Passenger Production	(MASK)	63,415	58,458	+ 8.5%
Passenger Traffic	(MRPK)	47,683	44,836	+ 6.3%
Cabin Factor	(%)	75.2	76.7	- 1.5
Passenger yield	(THB/RPK)	2.65	2.69	- 1.5%
Freight Production	(MADTK)	3,704	3,621	+ 2.3%
Freight Traffic	(MRFTK)	1,865	1,960	- 4.8%
Freight Load Factor	(%)	50.3	54.1	- 3.8
Freight loaded	(Ton)	479,310	501,947	- 4.5%
Freight yield	(THB/RFTK)	9.23	9.89	- 6.7%
Flight Hours	(Hours)	284,018	269,054	+ 5.6%
Average of Aircraft Utilization	(Hour/Aircraft/Day)	11.1	11.5	- 3.5%
Number of flight	(Flight)	72,124	66,507	+ 8.4%

3. Financial Position and Liquidity

Capital Expenditures

Capital expenditures for this quarter ending September 30, 2013 totalled THB 3,195 million, a decrease of THB 8,774 million from last year where THAI took delivery of 2 new aircraft while no new aircraft were added to the fleet this year. Capital expenditures for this year mainly were prepayments for acquiring aircraft and engines totalling THB 2,856 million for aircraft and engines deliveries from 2013-2018 as well as investment in in-flight equipment consisted of current aircraft and new aircraft, including the cabin reconfiguration programs with a total investment value of THB 154 million. Other fixed assets amounted to THB 184 million. When combined with investments of the first six months of 2013 totaling THB 16,881 million, total investments for the nine months of 2013 totaled THB 20,076 million.

Unit : Million Baht	Jan - Sep	
	2013	2012
Aircraft and aircraft spare parts	19,299	21,009
Non-Aircraft	777	639
Total	20,076	21,648

In this quarter THAI financed based on financing plans to use as its working capital, investing in various assets, and repaying the loan with a higher cost in order to reduce the financial burden. THAI issued THB 4,000 million in new debentures with a tenor of 5 - 10 years and also sought a USD 200 million or around THB 6,368 million loan facility from a domestic financial institution in August 2013 to be used as repayment for outstanding obligations on the three Airbus A340-500 aircraft in October 2013. The Company's cash flows are as follows:

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

Unit : Million Baht	<u>Consolidated</u>		<u>The Company</u>	
	2013	2012	2013	2012
Net cash from operating activities	17,765	20,718	17,680	20,163
Net cash used in investing activities	(8,594)	(10,200)	(8,436)	(10,184)
Net cash from (used in) financing activities	6,275	(8,894)	6,410	(8,702)
Effect from changing in exchange rate on cash and cash equivalents increase (decrease)	(172)	(53)	(172)	(52)
Increase in cash and cash equivalents	15,274	1,571	15,482	1,225

Cash and cash equivalents for the nine-month period ended September 30, 2013 increased THB 15,274 million from December 31, 2012 mainly due to cash from operations totaling THB 17,765 million which was THB 2,953 million lower than last year. Cash used in investing activities totaled THB 8,594 million, decreased THB 1,606 million compared to last year. However, cash from financing activities totaled THB 6,275 million which was THB 15,169 million higher resulting from increased borrowings in 2013 while repayments exceeded borrowings in the same period last year.

Fleet

In this quarter, THAI took delivery of 2 Boeing B777-300ER aircraft under operating lease with 12 year lease terms joining the fleet in July and August 2013, respectively. THAI also decommissioned 1 Airbus A330-300 aircraft that has been damaged from skidding off the runway after landing at Suvarnabhumi Airport on September 8, 2013 (more details in Notes to Consolidated Clause 5.29.2) the above aircraft movement puts THAI's net active aircraft fleet at 96. (As of June 30, 2013, THAI had 95 active aircraft)

As of September 30, 2013 THAI's fleet totaled 113 aircraft which consist of 43 THAI owned aircraft(including the grounded Airbus 330-300 aircraft pending damage assessment), 33 aircraft under finance lease, 21 aircraft under operating lease and 16 aircraft held for sale. Fleet details are as follow

Aircraft type	Number of Aircraft	Owned	Finance lease	Operating lease	Aircraft in services	Aircraft held for sale
Boeing B747-400	16	14	2	-	14	2
Boeing B777-300	6	6	-	-	6	-
Boeing B777-200ER	6	-	6	-	6	-
Boeing B777-200	8	6	-	2	8	-
Boeing B737-400	9	6	-	3	5	4
Boeing B777-300ER	8	-	-	8	8	-
Airbus A340-600	6	-	6	-	6	-
Airbus A340-500	4	1	3	-	-	4
Airbus A330-300	27	10	15	2	26 ¹⁾	-
Airbus A320-200	6	-	-	6	6	-
Airbus A380-800	4	-	4	-	4	-
Airbus A300-600R	9	9	-	-	5	4
ATR- 72	2	2	-	-	-	2
Freighter aircraft						
Boeing B747-400	2	2	-	-	2	-
Total	113	56	36	21	96	16

Remarks : 1) Excluded 1 Airbus A330-300 aircraft grounded and pending for damage inspection

According to THAI's fleet development program, aircraft delivery commitments are as follows:

- Obligation to purchase 17 aircraft expected delivery during the year 2013 – 2018 which consists of 2 Airbus A380-800 aircraft, 5 Airbus A320-200 aircraft, 4 Airbus A350-900XWB, and 6 Boeing B777-300ER worth a total of THB 61,164 million

- Lease obligations and commitment fees for 21 operating lease aircraft which are now in service and 26 aircraft which have not been scheduled for delivery totaling THB 153,301 million. The lease terms of 47 operating lease aircraft will be for the period between 2013-2029.

Assets of Thai Airways International PCL. and its subsidiaries

As of September 30, 2013, total assets were THB 324,518 million, an increase of THB 20,422 million or 6.7% from as at December 31, 2012.

	<u>Consolidated</u>				<u>The Company</u>			
	<u>Sep 30, 2013</u>		<u>Dec 31, 2012</u>		<u>Sep 30, 2013</u>		<u>Dec 31, 2012</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								
Cash and cash equivalents	35,322	10.9	20,048	6.6	35,224	11.0	19,742	6.6
Non-current assets classified as held for sale	7,836	2.4	7,430	2.4	7,836	2.5	7,430	2.5
Other current assets	43,151	13.3	44,133	14.5	43,382	13.5	42,185	14.1
Current Assets	86,309	26.6	71,611	23.5	86,442	27.0	69,357	23.2
Property, plant and equipment								
Prepaid aircraft and spare engine	19,351	5.9	17,617	5.8	19,351	6.0	17,617	5.9
Aircraft	49,744	15.3	51,661	17.0	49,744	15.5	51,661	17.3
Aircraft under finance leases	126,207	38.9	122,707	40.4	126,208	39.3	122,707	41.0
Aircraft spare parts	12,511	3.9	12,506	4.1	12,511	3.9	12,506	4.2
Work in process	1,811	0.5	2,488	0.8	1,811	0.6	2,488	0.8
Land, building and improvements	6,775	2.1	7,020	2.3	6,774	2.1	7,020	2.3
Other plant and equipment	4,769	1.5	4,569	1.5	4,761	1.5	4,479	1.5
Property, plant and equipment-net	221,168	68.1	218,568	71.9	221,160	68.9	218,478	73.0
Other non-current assets	17,041	5.3	13,917	4.6	13,223	4.1	11,521	3.8
Total Assets	324,518	100.0	304,096	100.0	320,825	100.0	299,356	100.0

Current assets were THB 86,309 million or accounted for 26.6% of total assets, an increase of THB 14,698 million from as of December 31, 2012. The main reason was an increase in cash and cash equivalents of THB 15,274 million which was for the most part acquired through the loan provided to THAI from the Ministry of Finance in the second quarter this year to be used as payment for two Airbus 380-800 aircraft in the 4th quarter of 2013 with low financing cost and long maturity. As timing was of essence, THAI had to acquire the loans ahead of the time funds are required but the cost of funds was partially offset by investing in short-term paper.

Property, plant and equipment-net totaled THB 221,168 million or represented 68.1 % of total assets, which saw an increase of THB 2,600 million or 1.2% from December 31, 2012 resulting from the increase in the number of aircraft under finance lease, totaled 3 aircraft.

Other non-current assets totaled THB 17,041 million or represented 5.3% of total assets, which increased THB 3,124 million from as of December 31, 2012 resulting from the change in position of Nok Air from a subsidiary to an associated company. Hence, the investments in associated company increased from THB 1,430 million to THB 4,840 million. Goodwill, recorded in the first quarter last year was lower by THB 1,391 million.

Return on assets of the first nine months was -0.76% lower than last year's 3.62% due to the impairment of aircraft consisted of 3 Airbus A300-600 aircraft and 4 Airbus A340-500 aircraft, the total amount was THB 3,592 million. Unless excluded such expense, return on assets would be 0.38% which is still lower than the same period last year due to the great number of delivered aircraft this year. However, it is unable to effectively increase revenue to retain speed with the assets growth and last year THAI earned gain on acquisition of subsidiary and consolidated Nok Airline PCL's financial statement.

Liabilities of Thai Airways International PCL. and its subsidiaries

Total liabilities as of September 30, 2013 totaled THB 262,957 million, which was an increase of THB 28,679 million or 12.2% from as of December 31, 2012. These comprise of:

	<u>Consolidated</u>				<u>The Company</u>			
	<u>Sep 30, 2013</u>		<u>Dec 31, 2012</u>		<u>Sep 30, 2013</u>		<u>Dec 31, 2012</u>	
	MTHB	% of Total Liabilities	MTHB	% of Total Liabilities	MTHB	% of Total Liabilities	MTHB	% of Total Liabilities
Current liabilities (including current								
Portion of long-term liabilities)	89,123	33.9	82,683	35.3	89,502	34.0	81,632	35.0
Long-term liabilities								
Debentures	40,400	15.3	32,120	13.7	40,400	15.3	32,120	13.8
Liabilities under financial leases	63,070	24.0	61,611	26.3	63,070	24.0	61,611	26.4
Long term borrowings	52,499	20.0	41,011	17.5	52,499	19.9	41,011	17.6
Total long-term liabilities	155,969	59.3	134,742	57.5	155,969	59.2	134,742	57.8
Other non-current liabilities	17,865	6.8	16,853	7.2	17,834	6.8	16,738	7.2
Total Liabilities	262,957	100.0	234,278	100.0	263,305	100.0	233,112	100.0

Long-term liabilities as of September 30, 2013 (including liabilities under finance lease, long-term borrowings, and debentures) were THB 155,969 million or represented 59.3% of total liabilities, which was an increase of THB 21,227 million from December 31, 2012. Consequently, interest bearing debt to equity increased from 2.27 times from the end of last year to 2.98 times at the end of this quarter. In the first nine months of 2013, THAI obtained a total of THB 42,395 million in long-term financing:

- Liabilities under finance leases, amount of THB 11,393 million, which attended to pay for the purchase of three aircraft consisting of 2 Airbus A330-300 aircraft delivered in January and April, respectively, and 1 Airbus A380-800 aircraft, delivered in March.

- Long-term liabilities, amount of USD 500 million or around THB 15,634 million, which THAI borrowed from Ministry of Finance for 2 Airbus A380-800 aircraft repayment in the fourth quarter of 2013. THAI had drawn down under the loan prior to withdrawal of the Ministry of Finance and had the funds to invest in the short-term to reduce the financial cost while waiting to pay for the aircraft.

- Debentures, amount of THB 9,000 million, and Long-term loan, amount of USD 200 million, approximately THB 6,368 million, which to be used as working capital, investment in assets, repayment of long-term loan which contained higher finance costs.

Current liabilities as of September 30, 2013 were THB 89,123 million or represented 33.9% of total liabilities, which was an increase of THB 6,440 million or 7.8% from December 31, 2012 mainly as trade payables increased THB 1,375 million or 29.7% due to the increase of production that made the related expenses increased, and long-term liabilities within 1 year increased THB 3,576 million.

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

As of September 30, 2013, shareholders' equity totaled THB 61,561 million, a decrease of THB 8,257 million from December 31, 2012 due to loss from operations. A dividend payment was made to shareholders totaling THB 1,226 million in 2013 and the effect of losing control in Nok Airlines PCL., increased THAI's equity by THB 721 million. Consequently, return on equity for the first nine-month of 2013 decreased from 8.48 last year to -9.66 this year.

4. Factors affecting future operations

During the last quarter of this year, it is expected that there would be more foreign tourists coming to Thailand. The latest legislation from the Chinese Government on tour operators, effective from October 1, 2013, caused the number of Chinese tourists in the month of October to decline noticeably compared to the first nine months of 2013. Nonetheless political instability in Thailand could also be a factor affecting confidence of investors and tourists deterring travel to Thailand. Air cargo is dependent on the health of the global economy. Although the global economic outlook has improved, the uncertainty of economic policies of many countries such as China and the U.S. caused cargo traffic to grow slower than passenger traffic. Fluctuation in exchange rates, higher production cost and the higher level of competition within the airline industry, especially in the Asian market is also among the risk factors for which THAI is monitoring closely.

In the fourth quarter, THAI plans to take delivery of 2 Airbus A380-800 aircraft financed by a loan acquired from the Ministry of Finance for which funds have already been drawn down. Another 5 aircraft under operating lease including 1 Boeing B777-300ER and 4 Airbus A320-200 aircraft will also be joining the fleet in the fourth quarter. The Commercial Department also underwent a major reorganization which is expected to be able to more efficiently manage marketing and enhance sales. The new organization structure is also designed to increase competitiveness and generate greater revenue and profits in the long-term. The sales strategy will focus on achieving revenue goals. There will also be ensuing reorganization of related departments geared towards enhancing data mining. The objective of this change is to facilitate communication with customers while tailoring products and campaigns to meet customers' preference. On the other hand, the ongoing cost-control program will remain in effect.

THAI Smile has launched new flights to the cities of Chongqing and Changsha, People's Republic of China on October 27, 2013 to bolster THAI's connectivity to destinations in Europe and elsewhere. On September 24, 2013, the Cabinet approved the establishment of the new state enterprise company: THAISmile Airways Limited, a wholly owned subsidiary of THAI. THAISmile Airways Limited was registered on October 17, 2013 as segregating operations of the two entities. The goal for separating THAISmile is to increase operating flexibility and to span THAI's services to cover all customer segments.

5. Financial Ratios

		<u>Consolidated</u>		<u>The Company</u>	
		<u>Jan - Sep</u>		<u>Jan - Sep</u>	
		<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Liquidity Ratio					
Current Ratio	(times)	2.22	2.25	2.21	2.22
Profitability Ratio					
Operating Profit Margin	%	(0.35)	3.63	(0.48)	3.48
Net Profit Margin	%	(4.10)	3.66	(4.97)	2.43
Return on Equity	%	(9.66)	8.48	(12.33)	5.66
Efficiency Ratio					
Return on Total Assets	%	(0.76)	3.62	(1.21)	2.92
Financial Policy Ratio					
Interest Bearing Debt to Equity	(times)	2.98	2.12	3.19	2.24
Interest Coverage Ratio	(times)	3.11	4.78	3.06	4.67

GLOSSARY

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

EBITDA MARGIN = EBITDA/ Total operating revenue

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

Operating Profit Margin = (Total Operating revenue – Operating expenses)/ Total Operating revenue

Net Profit Margin = Net Profit / Total Operating revenue

Return on Equity = Net Profit / Average Shareholders' Equity

Return on Asset = Profit before interest and tax/ Average total assets

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

Interest Coverage ratio = EBITDA/interest