



# ANNUAL REPORT 2011

Thai Airways International Public Company Limited

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# Content

Message from the Chairman .....	2
Message from the President .....	4
THAI's 2011 Performance and Operations .....	7
Financial Highlights .....	11
Business Operations .....	12
Results of Operations .....	15
Changes in Business Operations .....	16
Core Business Operations .....	17
Subsidiaries and Affiliated Companies .....	50
Compliance with The Official Information Act, B.E. 2540 .....	53
Airline Industry Outlook .....	54
Risk Management and Risk Factors .....	56
Shareholders and Management Structure .....	60
Good Corporate Governance Committee Report .....	78
Good Corporate Governance .....	79
Related Parties Transaction .....	102
Management's Discussion and Analysis .....	112
Business Direction and Corporate Strategy .....	125
Five-Year Financial Review .....	127
Board of Director's Duties on Financial Disclosure .....	128
Audit Committee's Report .....	129
Auditor's Report .....	132
Financial Statements .....	133
Notes to the Financial Statements .....	141
General Information .....	178
Board of Directors .....	182
Management Team .....	186
Thai On-line Office Address .....	190



## Message from the Chairman



“I would like to affirm my commitment to see that the implementation of 2012 strategies will be done so in reflection of His Majesty’s principles of Sufficiency Economy will serve as the basis for which the airline of all Thais is able to remain sturdy and enable it to overcome future critical challenges through assiduous commitment, flexibility and creativity to compete in the long-term.”

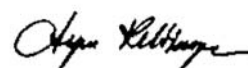
The year 2011 was another challenging year for THAI due primarily to external factors particularly the severe natural disasters such as the earthquake and the tsunami that hit Japan, a major market for the Company and the major flooding in the central region of Thailand including the northern part of Bangkok causing the number of passengers traveling to Thailand to drop significantly at the year-end. With the European economic and financial crisis, the volatility of fuel price, and a fierce competition in the aviation industry mainly from low cost carriers and from the capital advantage of the Middle Eastern airlines, THAI's operating performance was affected.

Although the Company has implemented nine strategic initiatives encompassing all aspects of operations, THAI recognizes the need to accelerate and develop competitiveness especially in the areas of cost control, comprehensive and sustained risk management and a stable financial position so that the Company is able to overcome potential future challenges. Efforts to improve and strengthen the Company are to ensure that THAI will remain a strong national carrier of Thailand with sustainable growth.

To provide shareholders and stakeholders a level of comfort that THAI's 2012 operations will see a significant improvement in financial strength, service quality and cultural integrity, THAI is planning to launch 3 major strategic initiatives in 2012 which are: 1) the establishment of THAI Smile - a light premium trendy style, value for money and quality airline with its first flight debuting in July 2012 - will help increase market share on domestic and regional routes; 2) THAI's fleet in 2012 - will see the addition of 12 new aircraft while another 14 aircraft will be retrofitted with modernized entertainment facilities and seating comfort which will enhance the overall

travel experience. The efforts undertaken by the THAI Technical Department in maintaining and servicing existing engines will lead to cost savings through greater fuel burn efficiency, extend aircraft life and thus ensure the highest level of customer satisfaction; 3) Human resource development - the Company recognizes its employees as the key building blocks for ensuring business continuity and sustained growth through development of knowledge management of risk management, quality aircraft maintenance and the ability to generate quality revenue which are all employee dependent to turn these possible weak links into points of competitive edge for THAI.

I would like to take this opportunity on behalf of the chairman and members of Board of Directors to thank our valued customers, shareholders, employees and all stakeholders for their confidence and unwavering support for THAI. I would like to affirm my commitment to see that the implementation of 2012 strategies will be done so in reflection of His Majesty's principles of Sufficiency Economy will serve as the basis for which the airline of all Thais is able to remain sturdy and enable it to overcome future critical challenges through assiduous commitment, flexibility and creativity to compete in the long-term.



(Mr. Ampon Kittiampon)  
Chairman

## Message from the President



2011 proved to be another tough year for THAI particularly caused by the 39% increase in world oil prices over 2010 averaging the highest in history. The result was an increased fuel cost burden by nearly 20 billion Baht, despite benefitting from fuel hedging positions. Natural disasters have inevitably caused a decline in the number of international travelers especially the tsunami in Japan and floods in Thailand triggering worldwide travel warnings from a number of countries. At the same time, THAI faced intense competition from the proliferation of low cost airlines and Middle Eastern airliners, all of which had significant impact on the Company's overall performance last year.

It was most unfortunate that the flooding in Thailand came at the height of the travel season and thus

had a dramatic impact on THAI's operations. The number of passengers dropped by 7% and cabin factor dropped to 65% as compared to the 75% achieved in the fourth quarter of 2010. Not only did the flood cause travel demand to drop but it also had direct negative impact on the Company's operations as THAI's Technical Department and Catering Department at Don Mueang Airport were under water for almost two months. Plans for aircraft maintenance and retrofit of seats and IFE systems fell behind schedule. Although homes and accommodation of many THAI employees were affected by the flood, THAI was able to continue to provide services to its passengers. Each employee must be commended for their dedication, commitment and personal sacrifice enabling THAI to offer uninterrupted services during this crisis.

Although THAI reported a net loss in 2011, the Catering Department and Ground Service Department achieved profits of THB 472 million and THB 925 million, respectively. The Cargo and Mail Commercial Department reported a loss of THB 2,178 million largely due to the high cost of leasing of two freighters since 2009. However, the contracts have been terminated and it is expected that financial performance of the Cargo and Mail Commercial Department will improve substantially in 2012.

Despite the numerous hurdles, 2011 can be considered to be a year of successes for THAI in achieving a number of strategic initiatives particularly in areas of customer satisfaction, aircraft availability and effective fuel management, new launches of products and services while maintaining service standards and improving on existing services. This includes the flexibility offered to passengers in making online ticket reservation and check-in via internet or mobile phone to help facilitate convenience. Through concerted effort of all employees, THAI was able to achieve its goal of earning its number 5 ranking among the top global airlines as polled by Skytrax in 2011 as opposed to its 9<sup>th</sup> place ranking the year before. THAI was also awarded Best Airline for Economy Class Catering Service and Best Economy Class Seats by Skytrax. Business Traveler Magazine named THAI the 2<sup>nd</sup> best in the World Best Airlines category and also 2<sup>nd</sup> ranking for Best Asia-Pacific Airlines. The survey conducted by International Air Transport Association - Airline Satisfaction Survey (IATA Airs@t) in 2011 among passengers flying on the European-Asia route for all classes, THAI was given a rating of 66.46% in all classes which is ranked 7<sup>th</sup> out of 16 rated airlines. The rating was much improved from the previous year's 60.45% and was ranked 9<sup>th</sup> out of 18 rated airlines.

In anticipation of future uncertainties and challenges, THAI cannot afford to remain complacent. In order to ensure long-term sustainability, THAI recognizes the need to make immediate changes to its strategy, management approach and risk management techniques to better cushion the impact of external factors. THAI is also fully aware of its role in the area of corporate social responsibility and environmental responsibility.

## **Product Developments and Improvements to Enhance Business Competitive Advantage**

For five decades THAI has and continues to commit to its vision of being a leading global airline with a competitive aircraft fleet. In 2011, THAI completed drafting its comprehensive long-term plan to acquire 75 new aircraft to join the fleet from 2011-2022 to set precedence in a systematic approach to determining the necessary aircraft and acquisition process to support THAI's future strategic aircraft requirements. The acquisition plan was approved by the Cabinet in April 2011, which was by far the largest acquisition plan in the Company's history. THAI has completed its acquisition plan for 2011-2017 totaling 37 aircraft mostly to replace aging aircraft within the fleet and enhance fleet efficiency. The fleet rejuvenation will help reduce fuel expense and maintenance costs are key factors bearing significant impact on the Company's long-term performance and financial stability.

In 2011, THAI acquired two additional B777-300ER aircraft under short-term operating lease from Jet Airways in addition to the three aircraft already leased from Jet Airways in 2010 to serve THAI's European destinations. In addition, THAI took delivery of seven new A330-300 aircraft for service on its regional routes, out of which five were unable to join the fleet on time as Koito Industries was not able to deliver the economy class seats for these aircraft causing over a year in delivery delay for THAI. The other two A330-300 aircraft were ordered in 2010 new from the manufacturer.

In 2012, THAI will take delivery of 12 new aircraft comprising three A380-800 aircraft, three A330-300 aircraft and those acquired via operating lease include two B777-300ER aircraft for THAI's fleet and four A320-200 aircraft for THAI Smile. Last year, THAI was able to complete retrofitting of seats and/or installation of on-demand entertainment units in four existing aircraft and is expected to complete retrofit work on all 20 aircraft by 2012. Acquisition of new aircraft and on board product improvements will enable THAI to offer product quality at a consistently high level in response to customer needs. The interior design of THAI's new flagship A380-800 aircraft emphasizes grandeur and aims to offer greater spacing for comfort with the latest in



entertainment content. The state-of-the-art aircraft engine technology will also help reduce overall emission of carbon dioxide gas making it a very environmentally friendly aircraft and is in line with THAI's "Travel Green" concept. All three A380-800 aircraft are expected to join the fleet by year-end 2012 under THAI's summer traffic program. The plan for product and service improvements will further strengthen THAI's competitive edge and future investment opportunities as many airlines are shifting their interest to Asia. In terms of growth, THAI expects to see a 7% rise in number of passengers served in 2012.

#### **Enhancing Competitiveness to Cope Proliferation of Low Cost Carriers**

As competition continues to intensify, THAI saw the need to launch a new product called "THAI Smile" as a business unit within THAI and is to be managed under the THAI Smile Executive Management (SEM) team reporting directly to THAI's Board of Directors to ensure operating flexibility. The new entity has a different cost structure and a separate accounting book providing ease in assessing its performance.

THAI Smile's service level, presentation and brand image will be different from that of THAI's as THAI Smile will focus on short haul routes in the range of 1-3 hours. THAI Smile aims to provide service that is fast, friendly and value for money. Compared to low cost carriers, THAI Smile offers seat selection, check-in service, free of charge luggage weight of 20 kg, free refreshment on board and mileage accumulation when such services are not available on low cost services. Tickets on THAI Smile will go on sale in April 2012 and will operate out of Suvarnabhumi Airport with a launch date in July, flying only A320 aircraft with a 174 seat configuration.

#### **Maintaining Financial Strength to Cope with Future Economic Uncertainty**

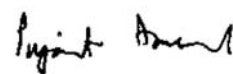
THAI has heightened risk management and control measures to cope with rising operating expenses such as fuel hedging to reduce risk from jet fuel price fluctuation that is expected to intensify in 2012 along with the fluctuation in foreign exchange rates and interest rate volatility. The Company targets to further increase efficiency in 2012 through stringent and sustained cost reduction measures and has seen promising progress.

Significant cost reduction measures include appropriate use of aircraft to maximize economic benefit by

selecting aircraft type best suited for each market and passenger demand profile per the Company's route network strategy. Control costs that are in excess of industry standards and adjusting work procedures to enhance efficiency including reduction of expenses on aircraft maintenance, overtime pay by 17% compared to a year before and personnel expense with a pay reduction for management and trimming overseas offices expenses. For 2012, THAI has targeted a cost reduction of approximately THB 5,000 million. To further reduce production and service costs, the Company is looking for business partners to ensure that under cost control measures undertaken by THAI that service quality and standards will not be affected by external uncertainty and unforeseen events enabling cost optimization and improving the Company's cost competitiveness.

Management's efforts to improve overall operations efficiency and adjustment of strategies to meet challenges and develop higher quality products and services as well as strategic investments to strengthen the Company's long term financial stability was reflected in the company's rating of A+ given by TRIS Rating Company Limited (TRIS) which was also the rating given to THAI the year before. With THAI able to continue accessing funding at competitive terms and conditions, it is a reflection of investor and creditor confidence in THAI's franchise.

On behalf of the Management, I would like to take this opportunity to thank all our customers, business partners and shareholders for the continued and strong support of THAI's operations and activities throughout the year, and all THAI employees for their total commitment and dedication in executing their tasks. Although we will continue to be affected by the still recovering European economic crisis, oil price volatility and other industry specific challenges, I can assure you that THAI's Management and its employees are committed to working together under the good governance guidelines and will strive to achieve the Company's strategic plans to ensure THAI's position as a leading global commercial airline in return for the long-standing trust and confidence of customers and shareholders bestowed upon THAI.



(Mr. Piyasvasti Amranand)  
President



# THAI's 2011 Performance and Operations

## THAI's 2011 Performance and Operations

- ◆ THAI launched the “easy of flying at a click” electronic and mobile-based services enabling rapid access to information and other services at the touch of customers’ fingertips, on March 2, 2011. Customers can make reservations, check flight schedules, check-in, track cargo, access mileage information via mobile phone or the internet.
- ◆ THAI organized the “Rak Khun Tao Fah 2011” celebration on its 51<sup>st</sup> Anniversary. THAI offered special fares to domestic and international destinations as well as promoting Royal Orchid Holiday tour programs.
- ◆ THAI launched 3 weekly direct flights between Bangkok - Brussels, Belgium with services commencing 17 November 2011.
- ◆ THAI announced the launch of a light premium sub-brand, “THAI Smile”, with a trendy style, friendly and value for money service and will make its debut flight on July 2012.
- ◆ THAI signed a code share agreement with Turkish Airlines extending THAI’s reach into Asia and Europe using Istanbul, Republic of Turkey, as the key connecting point into the two regions.
- ◆ THAI is the first airline in Asia to fly a commercial passenger flight using biofuels to reflect the Company’s Travel Green initiatives as part of its Corporate Social Responsibility (CSR) program.
- ◆ THAI and the Aeronautical Radio of Thailand Ltd. (AEROTHAI) held a demonstration of a “Perfect Flight” from Bangkok to Auckland called the “THAI ASPIRE Flight” which saw the flight take the shortest distance between the 2 cities through cooperation with space control of various countries along the way to reflect awareness of the environment and the goal of reducing emission of green house gas.
- ◆ THAI arranged a Media Trip to Japan during 19-25 May 2011 with the aim of rebuilding travel confidence back into Japan after being affected by the earthquake and the tsunami in March.
- ◆ THAI organized its first IT seminar dubbed “THAI IT Transformation 2011” supported by 12 leading IT business partners to promote the Company’s comprehensive IT services and capabilities.

## THAI's Awards & Accolades

- ◆ THAI was recognized by the Skytrax 2011 World Airline Awards in three categories - “the 5<sup>th</sup> World’s Best Airlines”, “Best Airline Economy Class Onboard Catering” and “Best Airline Economy Class Cabin Seats”.
- ◆ THAI received recognition in five categories by the coveted Business Traveller Asia-Pacific Awards 2011 - 2<sup>nd</sup> Best Airline in the world and in Asia Pacific, 2<sup>nd</sup> Best in Mileage Program, 3<sup>rd</sup> Best for Business Class Service, 3<sup>rd</sup> Best Economy Class Service and 3<sup>rd</sup> Best Airline Lounge in Asia-Pacific.
- ◆ THAI was awarded the prestigious Norwegian Grand Travel Award 2011 for “Best Intercontinental Airline” for the 7<sup>th</sup> consecutive year.
- ◆ THAI was recognized in 3 categories by SmartTravelAsia.com’s ‘2011 BEST IN TRAVEL POLL’ - 4<sup>th</sup> in the ‘Top Airlines Worldwide’ category, 2<sup>nd</sup> in the ‘Cabin Service’ category and 6<sup>th</sup> in the ‘Business Class Service’ category.
- ◆ THAI was awarded TTG Travel Awards for ‘Best Airline – Business Class’ and ‘Best South-East Asian Airline’.
- ◆ THAI received the outstanding State Enterprise Award 2011, for “Excellent Organization Development”, organized by the State Enterprise Office, Ministry of Finance.

- ◆ THAI received the prestigious “Suriyasasithorn” calendar design award for 2011 in two categories: Best Wall Calendar and Best General Notebook Calendar on the theme “The World Beyond Your-Eyes Calendar 2011”.
- ◆ Mr. Piyasvasti Amranand, the Company’s President, was awarded the “Best Executive 2010 Thailand” from Asia Money.
- ◆ THAI received the Best Airlines in South East Asia award for 2011 from the US based Global Traveller Magazine.

## Activities to Honor Their Majesties

**In honor of His Majesty the King’s 7<sup>th</sup> Cycle, 84<sup>th</sup> Birthday Anniversary on December 5, 2011, THAI held the following activities:**

- ◆ THAI held a “Ruam Jai for the King” fund raising event for the construction of the Sayamindradhiraj Medical Institute at Siriraj Hospital with the intention of raising THB 84 million in contribution.
- ◆ THAI supported the “Two Squared for the Disabled” project providing wheelchairs for the disabled.
- ◆ THAI supported the Rachaprachasamasai Foundation in selling pink wristbands, engraving with the phrase “Yen sira praw pra biriban Long live the King”
- ◆ THAI supported the Rachaprachasamasai Foundation in a Walk and Run Rally and the Bangkok Triathlon.
- ◆ THAI and the Department of Alternative Energy Development and Efficiency organized an event to promote and encourage cooperation between the public and the private sector on energy conservation.
- ◆ THAI provided flags bearing the official royal emblem marketing His Majesty the King’s 84<sup>th</sup> Birthday Anniversary to THAI’s management and employees to display in front of buildings and residents to express loyalty to His Majesty the King.
- ◆ THAI supported the Thai Red Cross Society in selling tickets for the 11<sup>th</sup> Charity Walk for Health as donation to the National Blood Center.
- ◆ THAI held an ordination ceremony marking the auspicious date of December 5<sup>th</sup>.
- ◆ THAI served a special original Thai dish on board all international flights outbound from Bangkok marking His Majesty’s Birthday.
- ◆ THAI hosted a ceremony to pay homage by giving alms to monks and a walk in honor of His Majesty the King.

**In honor of Her Majesty Queen Sirikit’s Birthday on August 12, 2011, THAI held the following activities:**

- ◆ THAI sponsored the “Thai Airways Loving Her Majesty, Loving the Forest and Loving Water” event. THAI served a special healthy cooked meal using Sangyod rice from Phatthalung province from the Royal Farm Project under Her Majesty’s patronage Her Majesty the Queen to passengers.
- ◆ THAI hosted a ceremony to pay homage by giving alms to monks and a walk in honor of Her Majesty the Queen.

## Corporate Social Responsibility Activities

### Social Activities

- ◆ THAI donated THB 1 million to the Government of Thailand and THB 1 million through the special program “Rart Rut Ruamjai Cheuypainamtum” along with making a joint donation with the Ministry of Finance of THB 500,000 to help flood and landslide victims in the southern provinces of Thailand.
- ◆ THAI cooperated with the Government of Thailand to deliver blankets and bottled drinking water to help earthquake and tsunami victims in Japan.
- ◆ THAI donated THB 100,000 to the Office of the Ministry of Transport to help earthquake and tsunami victims in Japan.
- ◆ THAI sponsored a relief site with the Chaipattana Foundation at Mahachulalongkornrajavidyalaya University in Ayudhya Province.
- ◆ THAI donated THB 1 million to the Government of Thailand to aid people in the provinces affected by the flooding along with a daily provisioning of 500 Puff & Pie bakeries to the Flood Relief Operation Center (FROC) and 1,750 boxes of food to volunteers at Siriraj Hospital.
- ◆ THAI and the Ministry of Transport delivered donated goods to flood victims in Ayudhya and Lop Buri provinces.
- ◆ THAI provided aid support through transporting 4 water pumps from Switzerland, 536 boats from China, relief supplies from Japan, medicines, diapers and children’s food from Malaysia to Nakonsawan affected by the flooding.
- ◆ THAI operated special flights to help flood victims between Bangkok-Phitsanuloke as land transport was disabled by floods.
- ◆ THAI transported relief goods, medicines and apparel (12 tons) on its Ferry Flight TG8925 from the Airbus Foundation and Luftfahrt ohne Grenzen which were delivered to the Thai Red Cross Society to help flood victims.
- ◆ THAI provided sustenance for passengers and employees affected by the flood at Hat Yai and Samui Airports.
- ◆ THAI supported the Institute for Child Studies in remote areas by purchasing tickets for the play “Sud Sakhorn” performed by the Joe Louis Puppet Theater.
- ◆ THAI provided souvenirs on National Children’s Day 2011 to Chatujak Youth Center and schools in the three southern provinces.
- ◆ Sold pencils of Office of the Project Coordinator with the purpose of obtaining funds to construct a library for tribal Children under the “Change Pencils into Libraries” project appropriately named “Our Pencil Library.”
- ◆ THAI donated funds to Air Force Wives Association to support sale of flowers on Veterans Day.
- ◆ THAI supported the Ministry of Social Development and Human Security provided wheelchairs for the disabled in deference to His Majesty the King.
- ◆ THAI sponsored air tickets to the public and private sectors for various purposes.
- ◆ THAI waived excess baggage fees for various groups travelling on THAI for non-profit or social service trips.
- ◆ On February 1, 2011 THAI arranged a special flight direct to Amman, Jordan to bring stranded Thais at Cairo International Airport back to Thailand.

- ◆ THAI arranged a second evacuation flight direct to Cairo, Egypt on 3 February 2011, to bring 300 Thais stranded in Egypt back to Thailand.
- ◆ THAI arranged special flights from Dubai to Bangkok bringing Thai evacuees back to Thailand on February 5 and 6, 2011.
- ◆ THAI arranged for charter flights for Thais who evacuated from Libya through Tunisia and into Dubai back to Thailand.

### Social Support Projects

- ◆ THAI held a “Ruam Jai for the King” to raise funds for the construction of the Sayamindradhiraj Medical Institute at Siriraj Hospital amounting to THB 84 million.
- ◆ THAI donated money to the Ministry of Social Development and Human Security in providing wheelchairs and tricycles for the disabled.
- ◆ THAI sponsored an experience for youngsters that are less fortunate from border patrol police schools to enjoy Disney on Ice : Worlds of Fantasy Show.
- ◆ THAI sponsored 8 round-trip tickets from Bangkok-Zurich, Switzerland for members of the National Science and Technology Development Agency (NSTDA) and the Ministry of Science and Technology for children attending the Nobel Prize Conference at Lindau, Germany.
- ◆ THAI supported the Walk and Run Rally and Bangkok Triathlon for donation to Rachaprasamasai Foundation

### Environmental Projects

- ◆ The “Thai Airways Loving Her Majesty, Loving the Forest and Loving Water” activity was to celebrate Her Majesty Queen Sirikit’s Birthday.
- ◆ THAI’s “Pa Nong Tong Fah” educational trip for students from schools around Suvarnabhumi airport was flown to Chiang Mai on THAI’s first biofuel flight for a field trip.

### Volunteer Activities by THAI Employees

- ◆ THAI employees hosted a concert to raise aid for flood victims in the south which brought in THB 200,000 in money that was given to the Puan Pung (Pa) Foundation.
- ◆ THAI employees hosted the “Our Hearts are with You....Japan” concert raising a total of THB 505,089 that was given to the Japanese Ambassador to Thailand in support those devastated by the tsunami in Japan.
- ◆ THAI employees hosted a concert “Pun Rak from THAI ... to Flood Victims” raising a total donation of THB 200,000.
- ◆ THAI donated funds from the “Rak Khun Tao Fah” Foundation along with money donated from employees to provide basic sustenance to flood victims.
- ◆ THAI launched its Pilot Doctors and Air Hostess Nurses Project, which brought together pilots and air crew who are certified physicians and registered nurses, the Company’s physicians and volunteers to form a mobile medical units to provide medical care to flood victims at Don Muang District.
- ◆ THAI employees made Effective Microorganisms (EM) balls to aid flood victims to help improve water quality for areas where flood water has turned bad and assist in restoring and rehabilitating houses post flooding in Bangbuatong, Nonthaburi province.



# Financial Highlights

		<i>Consolidated</i>		
		<b>2011</b>	<b>2010 (Restated)</b>	<b>2009</b>
<b>Statement of Income</b>				
Total Revenue	(Million Baht)	194,342	184,270	163,875
Total Expense	(Million Baht)	202,259	167,613	155,768
Profit (Loss) before Income Tax Expense	(Million Baht)	(7,917)	16,657	8,107
Net Profit (Loss)	(Million Baht)	(10,197)	14,744	7,344
<b>Balance Sheets</b>				
Total Assets	(Million Baht)	274,445	296,558	271,694
Total Liabilities	(Million Baht)	211,010	220,176	218,450
Shareholder's Equity	(Million Baht)	63,435	76,382	53,244
<b>Shares</b>				
Issued and Paid-up Share Capital	(Million Shares)	2,182.77	2,182.77	1,698.90
Par Value	(Baht)	10.00	10.00	10.00
Earnings Per Share	(Baht)	(4.67)	8.06	4.32
Dividend Per Share	(Baht)	-	1.25	0.25
<b>Financial Ratios</b>				
Net Profit to Total Revenues	(%)	(5.2)	8.0	4.5
Return on Total Assets <sup>(1)</sup>	(%)	(3.7)	5.0	2.7
Return of Equity <sup>(2)</sup>	(%)	(16.1)	19.3	13.8
Total Debt to Equity	(%)	3.3	2.9	4.1

*\*Thai Accounting Standard (TAS) 19, Employee Benefits, is adopted for the financial statements for the accounting period beginning on or after January 1, 2011 onward. In the fiscal year 2010, the company has adjusted the impact arising from adopting of new accounting standard for comparative purpose.*

*(1) Return on Total Assets = Net Profit / Total Assets as at end of year*

*(2) Return on Equity = Net Profit / Shareholder's Equity as at end of year*

# **Business Operations**

Thai Airways International Public Company Limited, a state-owned enterprise under the administration of the Ministry of Transport, is the national carrier of the Kingdom of Thailand. It operates domestic, regional and intercontinental flights from its home base in Bangkok to key destinations in Thailand and around the world. The Company's operation is separated into its core airline business and business units that directly supports the airline business.

## **Airline Business**

The Company's main business is the transport of passengers, cargo and mail on regularly scheduled flights as well as chartered flights to domestic and international destinations.

## **Business Related to Airline Business**

At the core of on time performance of each flight according to the flight schedule lies in the massive coordinated effort on all functions of the various supporting operations to provide the highest level of comfort, ease and safety in getting passengers to their desired destinations within the shortest time period which is key to enhancing overall customer confidence in THAI.

### **Cargo and Mail Commercial**

- ◆ Cargo and mail reservation service
- ◆ Space control and load planning for cargo, mail and baggage
- ◆ Warehouse storage service
- ◆ Cargo and mail condition inspection, sorting, weighing, transfer, loading and unloading service
- ◆ Cargo and mail documentation service
- ◆ Cargo and mail manifesting service
- ◆ Compilation of shipment documents and submission of reports on inbound and outbound aircraft to the Customs Department
- ◆ Cargo tracing service
- ◆ Transfer of electronic information to customer airlines and overseas stations
- ◆ Import and export statistics and data services
- ◆ Unit load devices control service
- ◆ Provide tracking information on package and cargo delivery via the internet (Track and Trace)
- ◆ Perishable services area to ensure the quality and freshness of cargo
- ◆ Express Service Center

## Ground Customer Services

- ◆ Check-in services consist of ticket and travel document validation, seating assignment, special meal and/or special service requirements or as pre-requested, luggage tagging and recording, and issuance of boarding pass.
- ◆ Premium class passenger lounge service - providing First and Business Class passengers, Platinum and Gold Card members, a privilege and access to THAI's First Class Lounge, Royal Business Class Lounges and THAI's Royal Orchid Spa.
- ◆ Baggage Service - tracking of missing luggage, repair or compensate for damaged or lost luggage including luggage delivery in case of late luggage arrival.
- ◆ Load Control and Weight Balance Services - providing weight calculation planning, loading and unloading of passengers' luggage including cargo and mail.
- ◆ Supporting services for passengers in case of flight irregularity on arrival, departure or flight delay, including connecting passenger to their final destinations.
- ◆ Special Services for VIP, First Class and Business Class Passengers, Platinum and Gold card members, elderly passengers, passengers under 12 years old traveling alone and passengers with disabilities.
- ◆ Providing Special Services for non-customer airlines' clients such as banks, hotels and per the agreed upon service standards in the areas of customer assistance, lounge services and other services as per requirement.
- ◆ Providing Customer Airlines Services in terms of passenger and baggage service, load control and weight balance services, lounge services and special service as per agreement.

## Ground Equipment Services

- ◆ Passengers and Crew Transport and Luggage Services
  - Transfer of passengers and crew between terminal and aircraft as well as loading, unloading and transfer of passengers checked baggage between terminal and aircraft by Ramp Bus.
- ◆ Aircraft Services
  - Aircraft towing tractor service
  - Mobile ramp service for embarking and disembarking
  - Aircraft potable water service
  - Aircraft interior cleaning service
  - Aircraft air conditioning unit and ground power unit services
  - Aircraft hot air engine starter service mobile truck
  - Cargo transfer between warehouse and aircraft
- ◆ Maintenance Services
  - Periodic maintenance checks of ground equipment and vehicles
  - Container repair service according to international best practices

## Catering Services

- ◆ Food and beverage preparation for in-flight services for THAI and customer airlines
- ◆ Food and beverages service to THAI's and customer airlines' lounges
- ◆ Restaurant and snack bar operations at Chiang Mai, Phuket, Chiang Rai, and Krabi Airports
- ◆ "Yellow Orchid" restaurant operation at the Operation Center (OPC) building, Suvarnabhumi Airport
- ◆ Internal and external banquet services
- ◆ Operation of 26 "Puff & Pie" bakery outlets (of which 20 are in Bangkok and 6 located in the provinces) at state institutions and government agencies, including 2 at other privately owned locations
- ◆ Food and beverage preparation for meetings at the Company's head office
- ◆ Snack box service for special occasions - religious ceremonies, meetings, and sporting events
- ◆ Food preparation at THAI staff canteens at Head Office, Maintenance Buildings, Crew Center and Operation Center (OPC) Building at Suvarnabhumi Airport
- ◆ Food and beverage services at special catering events, such as the World Expo in Shanghai, China
- ◆ Preparation of fresh and frozen bakery for export to other Airline Catering and Supermarket
- ◆ Preparation and delivery of bakery for THAI's "Puff & Pie Supreme Bakery Delight" franchisees at 21 locations which are operated by selected partners chosen by THAI Catering Department
- ◆ Preparation and distribution of "Euang Luang" brand products such as Retort Pouch and beverages

## Technical Services

- ◆ Technical, line and light maintenance checks for aircraft in transit or on overnight stop at Don Mueang, Suvarnabhumi Airport (24-hour service at Suvarnabhumi Airport) and at other domestic and overseas airports
- ◆ Heavy maintenance checks (C and D-check) for Boeing aircraft (B747, B777, B737), Airbus aircraft (A300-600, A310, A330, and A340) and ATR 72s manufactured by Aerospatiale, France. These have been done at the Don Mueang Maintenance Center in Bangkok and at the Utapao Maintenance Center in Rayong
- ◆ Cabin reconfiguration for B747-400, B777-200 and B777-300 aircraft at the Don Mueang Maintenance Center in Bangkok and at the Utapao Maintenance Center in Rayong
- ◆ Maintenance of General Electric engines CF6-80 and CF6-50 series and Rolls-Royce Trent-800 series including other aircraft equipment
- ◆ Maintenance service for several airlines and the fleet of government agencies such as Royal Thai Air Force and the Royal Thai Police Aviation Division
- ◆ Aircraft standard calibration and measurement service

## Transport Support Activities

Transport Support Services consist of Dispatch Services, Duty Free products for sale onboard, and THAI Shop.

- ◆ Dispatch services that provide information about flight route and weather conditions to ensure flight safety, include take-off and landing for THAI flights and that of customer airlines
- ◆ The Company arranged with King Power Marketing and Management Co., Ltd. since 2008 to operate Duty Free goods for sales onboard
- ◆ The Company operates 5 THAI Shops selling souvenir products at THAI's Head Office, Larn Luang Office, Silom Office, Chiang Mai Office and Operation Center (OPC), Suvarnabhumi Airport



# Results of Operations

The following table sets forth selected revenue data and common sized ratios.

	2011		2010		2009	
	MTHB	%	MTHB	%	MTHB	%
<b>Passenger and excess baggage revenue:</b>						
Regional	58,298	30.0	52,953	28.7	45,916	28.0
Intercontinental	56,013	28.8	52,954	28.7	50,146	30.6
Domestic	13,808	7.1	12,399	6.7	11,968	7.3
Non-scheduled	699	0.4	539	0.3	488	0.3
Insurance surcharges from passengers	1,670	0.9	1,925	1.0	2,403	1.5
Fuel surcharges from passengers	24,158	12.4	24,092	13.1	23,558	14.4
<b>Total passenger and excess baggage revenue</b>	<b>154,646</b>	<b>79.6</b>	<b>144,862</b>	<b>78.5</b>	<b>134,479</b>	<b>82.1</b>
Freight	27,245	14.0	27,391	14.9	18,525	11.3
Mail	847	0.4	839	0.5	823	0.5
Other activities	7,954	4.1	7,181	3.9	7,396	4.5
Operating revenue from subsidiaries	305	0.2	315	0.2	380	0.2
<b>Total revenue from sales or revenues from services</b>	<b>190,997</b>	<b>98.3</b>	<b>180,588</b>	<b>98.0</b>	<b>161,603</b>	<b>98.6</b>
<b>Other income</b>						
Interest income	711	0.4	185	0.1	178	0.1
Others	2,634	1.3	3,497	1.9	2,094	1.3
<b>Total other income</b>	<b>3,345</b>	<b>1.7</b>	<b>3,682</b>	<b>2.0</b>	<b>2,272</b>	<b>1.4</b>
<b>Total revenues</b>	<b>194,342</b>	<b>100.0</b>	<b>184,270</b>	<b>100.0</b>	<b>163,875</b>	<b>100.0</b>

## Changes in Business Operations



It was clear that 2011 was an eventful year for the aviation industry. The Japanese earthquake, tsunami, and the leakage of radiation from the power plants together with the global economic slowdown particularly the European countries along with the high jet fuel-price environment have adversely affected the aviation industry. The flood in the central region of Thailand including Bangkok and its vicinity took away a festive season which resulted in drop in passengers demand and cancellation of visits to Thailand. In addition, competition in the aviation industry especially on European routes has intensified due to rapid expansion by Middle Eastern airliners.

In the face of a rapidly changing operating environment with the fuel cost having risen dramatically and remaining resiliently high, higher competition from traditional airlines and the encroachment of low cost carriers sprouting up everywhere along with the Middle Eastern airliners joining the fray through launching numerous flights into European cities with large aircraft. THAI has had to make numerous adjustments to its operations and operating procedures to meet these challenges. Topping the list that drew travel warnings from many countries was the year-end flood which further reduced air travel demand during the country's peak travel season and the flood waters also affected THAI's technical and maintenance and catering facilities at Don Mueang Airport. Thus, overall year end results in 2012 were adversely affected by external factors.

# Core Business Operations

## Aircraft Fleet

As of December 31, 2011, THAI's total fleet of 89 aircraft consisting of 37 long-haul for inter-continental service consisting of B747-400, B777-200ER/300ER and A340-500/600 aircraft; 47 medium-range serving regional consisting of B777-200/300, A330-300, A300-600 aircraft and 5 narrow-body short route B737-400 aircraft. The overall average fleet age is 11.0 years.

Aircraft Type	Number of Aircraft	
	As of December 31, 2011	As of December 31, 2010
B747-400 <sup>1)</sup>	16	18
B777-200ER	6	6
A340-600	6	6
A340-500	4	4
B777-300ER <sup>2)</sup>	5	3
B777-300	6	6
B777-200	8	8
A330-300	22	15
A300-600	11	13
B737-400 <sup>3)</sup>	5	5
<b>Total</b>	<b>89</b>	<b>84</b>

**Notes:**

1) Excludes 1 Freighter B747-400

2) Includes 5 B777-300ER under short-term lease from Jet Airways.

3) Excludes aircraft leased to Nok Airlines Co., Ltd. - 4 B737-400 and 2 ATR72

During 2011, THAI acquired 2 additional B777-300ER aircraft under short-term operating lease from Jet Airways serving THAI's European destinations while also taking delivery of 7 new A330-300 aircraft adding on regional service to meet the growing travel demand and to enhance THAI's product competitiveness. In additions, THAI also retired 2 of the older A300-600 aircraft along with converting 2 B747-400 into freighters which were decommissioned to handle future cargo demand post the expiration of one leased cargo aircraft from Southern Air and another one in March next year.

The retirement of older aircraft and the joining of new ones not only helped bring the average fleet age down to 11.0 years, the new aircraft are more fuel efficient and require less down time for maintenance therefore, are able to generate more revenue and incur less maintenance cost.

# Be part of the pride.



## Route Network Development

In 2011, THAI continued to develop its route network with Suvarnabhumi Airport as the strategic hub and gateway connecting passengers to countries in South Asia, Indochina, Khong River Basin and Southern China with direct flights from Bangkok. THAI also uses Bangkok as its hub connecting passengers traveling from Europe to destinations in East Asia and Australia as well as passengers from North America traveling to West Asia. Phuket has also been selected as the second strategic destination and point of interest in Thailand. Flight frequency and available seat were increased on routes that had high demand for air travel - Milan, Brisbane, Beijing, Xiamen, Chengdu, Mumbai, Lahore and Singapore. Direct flights from Copenhagen and Seoul to Phuket and direct flights from Phuket to Hong Kong have been added to THAI's route network along with three weekly direct flights from Bangkok to Brussels. Flight frequency was either added or reduced to meet seasonal demand for certain destinations while flights were suspended on loss making routes. On certain domestic routes, THAI cooperated with Nok Air to transport passengers on key trunk and secondary routes depending on demand. Cooperation with Bangkok Airways was also sought to extend THAI's reach in Asia while cooperation with partner airlines around the world spans THAI's reach and increases options for passengers in choosing points of interest. The recent economic slowdown in PIGS countries - Portugal, Italy, Greece, and Spain - has severely impacted travel demand from the European Union (EU) and the flooding in Bangkok during October to November 2011 further curbed down travel demand to Thailand. To better cope with the demand downturn, THAI discontinued its Bangkok-Athens services and aircraft type changes were made on Bangkok-London and Bangkok-Sydney routes.

THAI also acquired an additional 10% of Nok Air's shares from a former shareholder increasing THAI's interest to 49%. There has been greater cooperation between THAI and Nok Air in regards to Nok assisting THAI with passenger service to secondary and less populated domestic destinations. Nok Air's base of operations is at Don Mueang Airport providing point to point "Value for Money" air transport service with no connectivity. Nok's positioning lies between THAI's premium product service and that of a low cost carrier. THAI also had code sharing flights with Nok Air during the 2011 Summer Traffic Program commencing March 27, 2011 to October 29, 2011 on flights between Chiang Mai-Mae Hong Son, Don Mueang-Pitsanulok, Don Mueang-Nakhon Panom and Don Mueang-Buriram enabling THAI to better provide service coverage for travellers to connect seamlessly to a greater number of destinations in Thailand.





THAI  
A380  
THE SMOOTHEST WAY TO FLY

THAI's flight schedule is made up of the summer and winter schedules where the summer schedule starts on the last Sunday of the month of March and lasts through the last Saturday of October. The Winter Schedule starts on the last Sunday of October and ends the last Saturday of March of each year in accordance with IATA's designation. For each season, flight frequency, aircraft type and destinations to be served are pre-determined and may not be the same between the seasons depending on travel demand during the period.

As of December 31, 2011, THAI's route network spans 72 destinations in 35 countries with 10 domestic points of interest (excluding Bangkok).

### Domestic Routes

To ensure smooth service for passengers, THAI continues to emphasize providing connectivity to key tourist destinations within Thailand. As for secondary cities, cooperation has been sought from partner airlines to extend THAI's domestic reach.

As of December 31, 2011, THAI's domestic route network spans 10 destinations with 283 weekly flights. To the north THAI serves Chiang Mai and Chiang Rai; to the northeast - Udon Thani, Ubon Ratchathani, and Khon Kean; to the south - Phuket, Krabi, Hat Yai, Surat Thani, and Samui Island along with the Chiang Mai - Phuket sector.

### International Routes

THAI's 596 weekly international flights span 2 geographical zones - regional and intercontinental with 442 flights to 42 destinations in 19 countries within Asia Pacific and another 154 weekly long haul flights serving 21 destinations in 16 countries on various continents. Details are as follows:

### Asia Pacific Region

Changes made to THAI's route network reflect THAI's overarching strategy to make Thailand the regional hub for air transport with a reach that spans 42 destinations in 19 countries. There are 5 geographical zones served in the region – the North, the South, the West, the Middle East and Indochina.



### Northern Routes

As the volume of passenger travelling on northern routes remains heavily, these routes continues to be THAI's stronghold, with currently serves 198 weekly flights to 16 destinations in 5 countries - Hong Kong, Tokyo (Narita and Haneda), Osaka, Nagoya, Fukuoka, Taipei, Seoul, Manila, Beijing, Busan, Shanghai, Guangzhou, Kunming, Xiamen and Chengdu . Since November 1, 2011, THAI launched its 3 weekly direct service from Seoul to Phuket.

### Southern Routes

The Southern routes have the highest competition among low cost carriers - Thai Air Asia, Jet Star Asia, and Tiger Air. To the south, THAI serves 75 weekly flights to 5 destinations in 3 countries - Singapore, Kuala Lumpur, Penang, Denpasar and Jakarta. Starting October 30, 2011, THAI increased its Bangkok-Singapore service from 28 weekly flights to 35 weekly flights.

### Western Routes

The volume of passengers traveling on western routes maintained heavily and experienced a high rate of growth especially India. However competition continues to be intense due to the proliferation of Indian based airlines and their aggressive growth strategies targeting services to Thailand. THAI serves 100 weekly flights to 15 destinations in 6 countries - Delhi, Mumbai, Kolkata, Chennai, Hyderabad, Bangalore, Dhaka, Colombo, Kathmandu, Yangon, Karachi, Islamabad, Lahore, Varanasi and Gaya. From October 30, 2011, weekly flights Bangkok-Mumbai have been increased from 10 to 13 and Bangkok-Lahore from 4 to 5.

### The Middle East

The Middle East routes are under intense competition due to the entry of strong capital-based Middle Eastern airliners rapidly expanding their fleet and penetrating both traditional and non-traditional destinations. THAI currently serves 10 weekly flights to 2 destinations in 2 countries; Muscat and Dubai.

### Indochina

Air travel demand for the Indochina region remains robust and is among the most attractive routes but faces high competition from low cost carriers. THAI currently serves 56 weekly flights to 4 destinations in 3 countries - Vientiane, Phnom Penh, Hanoi and Ho Chi Minh.





## Intercontinental Routes

### North America

North America is a very large air travel market but is highly competitive, therefore, destinations served by THAI to North America is dependent on connectivity to other cities on the North American continent. In 2011 THAI provides daily direct flight service to Los Angeles and is the only destination currently being served in North America.

THAI code shares with Star Alliance partners such as United Airlines on the Pacific route from Los Angeles to Chicago, San Francisco, New York, Denver and Washington D.C. and with All Nippon Airways on routes from Tokyo to Honolulu, Los Angeles, Chicago, New York, San Francisco, and Washington D.C. On the Atlantic route, THAI code shares with Lufthansa from Frankfurt to New York, Atlanta, Miami, Chicago, Dallas and Washington D.C. and also with Air Canada to another 3 destinations in Canada to Toronto, Montreal and Vancouver bringing the total number of destinations served by THAI and its partners to 11 destinations in 2 countries

### Europe

THAI serves 97 weekly flights to 13 destinations in 11 European countries - London, Frankfurt, Paris, Rome, Copenhagen, Stockholm, Zurich, Munich, Athens, Milan, Madrid, Moscow and Oslo. Starting November 2011, 3 weekly flights were added to Brussels and also launched 3 weekly direct flights from Copenhagen to Phuket.

Due to an economic slowdown in PIGS countries - Portugal, Italy, Greece, and Spain - THAI has suspended its services to Athens from Bangkok since November 11, 2011.

For other destinations indirectly served by THAI in Europe and the UK, code share agreements with partner airlines have been signed to facilitate smooth transfer and connecting service to another 45 destinations in 19 countries.

### Australia and New Zealand

The 5 destinations in the 2 countries served by THAI include Sydney, Melbourne, Brisbane and Perth in Australia and Auckland in New Zealand with 47 weekly flights. A code share agreement has been signed with Air New Zealand to span THAI's reach to another 6 tourist cities in 2 countries including Hong Kong-Auckland.

### Africa

THAI provides 3 weekly flights to Johannesburg, South Africa.

## Marketing

To enable THAI to overcome challenges in the operating environment which were beyond THAI's control including greater competition from both Middle Eastern airlines and that of low cost carriers, the European economic problems and the continuously rising fuel price resulting from the instability in the Middle East along with the various natural disasters encountered during the year, THAI had to make rapid changes to its strategic commercial plan by enhancing revenue management through emphasizing sales to strategic secondary routes. THAI is proud to be the first South East Asian airline to have direct service to Brussels, Belgium from Bangkok whose strategic location and their comprehensive and modern rail transport system links to many key cities providing passengers with travel options while extending THAI's reach. The Origin & Destination Revenue Management System along with the use of the latest in technology helps facilitate seat management on THAI's network to maximize the Company's benefit. The system has the flexibility to support different sales and marketing strategies and is the platform enabling quality revenue maximization for the Company for a given time period and each market region to enhance THAI's market share.

On product enhancement, THAI launched an aggressive aircraft replacement plan and to also meet the expected growth in air travel. The use of network sales is supported by the Company's full service premium network airline platform and the shared benefit derived from seamlessly serving passengers of 28 Star Alliance member airlines and providing of the largest multitude of destinations across the globe. Furthering cooperation, THAI has also worked with partner airlines serving as sales representatives for THAI across the many continents providing value added service and increasing overall revenue for the Company.

THAI is moving ahead rapidly through its corporate sales strategy to expand its customer base with cooperation with member airlines in the Star Alliance Corporate Plus program which provides comprehensive facilities and services for corporate clients. Seasonal strategies have also been put in place to stimulate intra-asia travel to increase THAI's market share, enhance revenue quality and enable THAI to compete with other major airlines around the world. Another key strategy is customer retention through enhancing brand value with integrated marketing communication (IMC) in 3 areas - service, product and network to build long-term customer loyalty. A key factor bearing significant impact on customer loyalty is the Company's Royal Orchid Plus mileage program where value and customer relationship needs to be fostered which eventually leads to repeat business and thus greater income. A new loyalty system is being developed to better able THAI to compete with its competitors and better meet customers' needs and facilitating ease of access.

The Company is moving forward to strengthen its information technology backbone to enhance effectiveness and efficiency and extending its sales channels - web on mobile via the web browser of smart phones. Customers can access various Company and flight information via an application on smart phones. Internet check-in via the Company's web site is enabled along with flexi-payment via the ATM. A new passenger service system is being developed that will enable comprehensive enhancement in customer service capabilities while the new Global Tour Management System and the preparation for development of a Data Warehouse will be to enable better access and analysis of important information to support decision making. THAI is also in the initial stages of launching its social media platform on Facebook and Twitter to be in synch with the lifestyle and culture of the new generation. This is to facilitate speed of access and have direct access to the desired customer group. The technological enhancements being undertaken will ensure the Company's sustainable competitiveness in the long-run.

### Cooperation with Star Alliance

For 2011, Star Alliance emphasized cooperation among members to improve competitiveness to strengthen the foundation of the group to ensure its premier status in the airline industry. Currently the industry is experiencing intense competition with the aggressive expansion of low cost carriers full with varieties of service standards and conveniences to meet customer needs of their intended market niche. While in the space of traditional network carriers, Middle Eastern airliners are penetrating various traditionally lucrative destinations for network airlines and through the use of their large aircraft. Therefore the strict cooperation among Star Alliance members is necessary to handle both unforeseeable penetrations.

Cooperation amongst Star Alliance members is among THAI's forefront strategies to counter intense competition from both low cost and traditional airlines by increasing revenue from international business sales through Star Alliance network. Other initiatives include tighter cooperation to provide passengers with the best products and value services through common customer ticketing and servicing, value enhancement to passengers from added value through the Frequent Flyer Program Benefits & Recognition, Through Check-in (check-in only once for the entire journey) on the Star Alliance network and Priority Baggage Service for VIP customers, modernization of basic IT for more efficient including enhance customer service at transit points by launching of a pilot project to facilitate Seamless Travel Experience at the Newark airport (EWR) in New Jersey, USA, to be a transposed point to other major airports around the world.

With 14 years of achievements and successes and the growing cooperation of members within Star Alliance, other airlines have also been attracted to the success story and have sought to be inducted into Star Alliance. The latest candidates in 2011 scrutinized to become members of Star Alliance include Shenzhen Airlines and EVA Airways while Avianca TACA Airlines and COPA Airlines are in the process of upgrading their products and services to the standards of Star Alliance in preparation for screening to join the most successful alliance family around mid 2012. The latest inductee to the Star Alliance family in 2011 was Ethiopian Airlines from Africa, making the 28 strong family and emphasizing on the ongoing success story of Star Alliance as being number one airline alliance of the world with a network spans 1,290 airports in 189 countries and over 21,000 flights per day around the world.



## Customer Service

Product and service enhancements and quality improvements are constantly being made to better meet the needs of each target customer group with Touches of Thai service starting with pre-flight services, in-flight services and ending with post-flight services. As a service provider, THAI has constantly emphasized training and re-training to instill the importance of service mindedness for all its front line employees with service from the heart. It has been the modus operandi for THAI employees for over 5 decades of successful service and means for which has been and continues to be THAI's competitive edge.

The Company established comprehensive service operation procedures and service level agreements encompassing all touch points and actively assesses and monitors each touch point to ensure that the products and services rendered to THAI's customers are of the highest quality and standard throughout the passengers' travel experience.

For pre-flight services, THAI's internet, electronic and mobile services have been enhanced to facilitate customers with quick access to various travel information including flight details and timetables, online ticketing, SMS check-in, 2D barcode check-in and home print boarding pass.

Improvements to in-flight services emphasize consistency of service standard rendered by cabin crew along with the much improved quality and presentation of in-flight food and variety of beverage offered. To add a touch of authenticity, delicacies of respective countries for which the flight is serving is offered while the choice of Thai food and special Halal meals are also available while special menus have also been created for special occasions. To heighten the travel experience, THAI commissioned a specialist to set the tone and livery of the aircraft cabin interior. The seating arrangement, upgrading of entertainment systems, seat design, on board utensils and tools have been chosen to ensure functionality and appropriateness in standard for each class of service.

As part of the aircraft upgrading and product commonization strategy, THAI is retrofitting 20 existing aircraft in its fleet-8 B777-200 aircraft and 12 B747-400 aircraft. The cabin interior is being redesigned for 66 new aircraft - 15 A330-300 aircraft, 6 A380-800 aircraft, 14 B777-300ER aircraft, 11 A320-200 aircraft, 6 B787-8 aircraft, 2 B787-9 aircraft and 12 A350-900 aircraft. To further facilitate connectivity, passengers will be able to use their mobile phones to connect directly to the ground as a future service feature.

## Finance and Accounting

In order to ensure its long-term financial strength and stability and enabling the Company to navigate through the rapidly changing operating environment of the aviation industry, several activities were undertaken with respect to the financial restructuring plan. During 2010 and 2011, THAI planned to raise a total of THB 50,000 million in funding including the capital increase via public offering of a total of THB 15,000 million, 5-7 year loans from local financial institutions with a total credit line of THB 27,000 million. A drawdown of THB 20,500 million of loans was made in 2010 and another THB 6,500 million in 2011. The Company simultaneously sought revolving credit lines from commercial banks totaling THB 5,500 million.

THAI continued to obtain additional funding as per its financial plan in 2011 where the Company issued THB 8,000 million in debentures and another THB 8,000 million in revolving credit lines. THAI also obtained 7-year loans totaling THB 1,500 million from local financial institutions in August 2011. Borrowings obtained and cash on hand have been used to repay existing loans and reduce interest burden. The Company has also negotiated to change its existing THB 2,000 million credit line into revolving credit line. As a result, THAI's revolving credit lines with 3-7 year durations total THB 15,500 million.

With the combined impact of the weak US economy, the public debt crisis of the European countries, the Japanese earthquake, the high fuel price and the flooding in Thailand during the last quarter of 2011, THAI's profitability in the second half of 2011 was adversely impacted. To prepare and obtain sufficient funding sources for its investment such as aircraft prepayment, aircraft retrofit, computer system development, provisions for expenses for flood-affected employees and maintenance of building and supply procurement affected by the flood, on December 28, 2011, the Company issued a private placement of debentures totaling THB 2,000 million.

In planning to take delivery of three A330-300 aircraft in 2011, THAI has obtained EUR 128 million long-term borrowing through a financial lease with the aircraft used as collateral. The first two A330-300 aircraft was delivered in November 16 and December 6, 2011, respectively while loan for the third A330-300 aircraft has already been obtained and the delivery is expected in February 2012.

As for five A330-300 aircraft which the economy class seat manufacturer failed to meet the targeted deadline for delivery, THAI has sought a new seat supplier and completed the seat installation. These aircraft have already joined THAI's fleet beginning March, April, May, June, and July 2011.

During 2011, THAI made payment on its outstanding long-term loans in the amount totaling THB 29,413.47 million. Of the total repayment THB 4,308.23 million was a prepayment in exchange for amendment in loan agreement reducing the net balance of outstanding loans and long-term financial lease obligations on aircraft (including the portion of long-term debt that is due within 1 year) to THB 142,349.74 million at the end of 2011 as compared to the THB 146,279.68 million outstanding at the end of 2010.

In regards to managing foreign exchange exposure risk, THAI has adopted a "Natural Hedging" strategy to manage this risk by better matching its net revenue and expense position of various currencies and arrange borrowings and restructure loans to better offset the long cash flow currencies. To mitigate the impact of the highly volatile exchange rates and interest rates, cross currency swap (CCS) contracts were undertaken from floating rates Baht-denominating debts reference to THBFIIX to fixed rate Yen-denominating debts. Therefore, after entering into cross currency swap contracts totaling THB 4,427 million, the outstanding balance of the Company's debt as of December 31, 2011 in the 4 major currencies stood at USD : EUR : JPY : THB = 1 : 33 : 11 : 55 percent of the Company's total outstanding borrowings. To reduce the potential impact of interest rate exposure risk, an interest rate swap (IRS) contract on Euro borrowings were undertaken in 2011 with a contract amount of EUR 42.49 million, put the floating interest rate to fixed rate. From such transactions, total borrowings with fixed interest rate to floating interest rate was at 47 : 53 as of December 31, 2011.

The Company is currently in the process of implementing an Enterprise Resource Planning (ERP) system which will enable greater efficiency in obtaining necessary and real time information to improve management's decision making ability. The software chosen to run the ERP system is the Systems, Applications and Products in Data Processing (SAP) as approved by the Company's Board of Directors for a company-wide implementation. The purpose of implementing a corporate SAP is to enable the integration of company-wide information leading to the development of a comprehensive corporate MIS system. The pilot project is to be installed in the Finance and Accounting Department as it forms the backbone for the information link with all other business functions of the Company. The Corporate SAP Master Plan was drafted in 3 phases of implementation - first phase is to stabilize the Foundation; second phase is to Extend the Solution; and the last being the Optimization of the Business. The Company launched stage 1 of the implementation phase encompassing the installation of the SAP system in the Finance and Accounting Department and encompassing the procurement and inventory management processes in January 2011. The business blueprint was completed in December 2011 and was under the realization process including training and responsibilities for the SAP system which is expected to be launched in June 2012.

## Flight Operations

Safety by far is the highest concern for the Company in regards to flight operations as the Company's main purpose is to transport people and cargo to the desired destinations with the utmost ease and comfort, on time while observing the highest international standards of safety. These include the standards as set by the Department of Civil Aviation (DCA), the International Civil Aviation Organization (ICAO), the European Aviation Safety Agency (EASA), the Federal Aviation Administration (FAA), and safety audit of the International Air Transport Association (IATA).

THAI concentrates on selecting highly qualified people to join the ranks of the cockpit crew. Each candidate has to undergo several knowledge, skill, behavior, aviation psychology and aptitude test plus an array of course work to ensure that the Company has selected and prepared the best trained pilots to fly THAI's aircraft. The most modern in equipment is available to help train pilots to ensure their readiness in handling different situations through the use of its flight simulators. To help facilitate training beyond the classroom environment, e-Learning tools were added to facilitate refreshers and enhance knowledge related to the latest in technological developments. The knowledge management system was also integrated into the training regiment to further facilitate the learning experience through exchange and sharing of knowledge. All measures taken to prepare and train our cockpit crew have been to ensure the highest sense of safety for passengers under its "Safe and Warm" policy while ensuring unsurpassed service quality with Touches of Thai to attain the status of the First Choice Carrier.

Apart from the unequivocal passion for ensuring safety in flight operation, service excellence does not fall short of a similar passion for the Company. Success in service excellence is derived from the heart and passion of its cabin crew. With the natural order of Thai's being service minded in nature, the Company further supports cabin crew's service efforts through its value added knowledge training and information support. Since day one of joining the Company, class and hands on training form part of employees' knowledge and expertise training and development while understanding of cultural diversity and etiquette bears significant impact on employees' understanding and viewpoint on service standard and protocol. In-flight safety is ranked among the top concerns and to ensure the highest level of safety for our passengers, all flight attendants have to regularly attend various training courses related to security systems, devices and equipment, both in theory and in simulated emergency environments. The In-flight Service Department consistently monitors, evaluates and assesses all its in-flight attendants of all class services to determine areas needing improvement and thus follow-up with necessary training as needed to achieve the standard and quality of service as desired by THAI.

In addition to in-flight safety and the high standard of service, the Company places great emphasis on environmental impact awareness and the effective management of available resources to maximize benefit to the Company and the environment. To this end, the Company undertook a proactive approach on fuel management by optimizing fuel carry and fuel reserve to reduce fuel burn from excess weight during flight. Going a step further, the Company has taken initial steps to curb carbon emissions. During 2011, the "THAI ASPIRE Flight" which was a demonstration of a "Perfect Flight" from Bangkok to Auckland where the space control of the various countries coordinated for the flight to fly the most direct route to its destination. Preparation of the



## Save and Warm

said flight saw the limiting of unnecessary weight carried, lowering overall weight of underbelly luggage, the washing of the aircraft to reduce friction and the cleaning of the engine to enhance efficiency in fuel burn and thus reduce carbon emissions.

Under the Environmental and Corporate Social Responsibility (CSR) strategy, or “Travel Green,” THAI initiated the bio-fuel awareness campaign to lead the way in trying to find means to reduce carbon emissions and stimulate others to also seek means and approaches to do the same. THAI supports the initiative to find alternatively viable and sustainable fuel source for air travel. During the last month of 2011, THAI took to the skies with “Thai’s First Passenger Biofuel Flight in Asia” on a flight between Bangkok and Chiang Mai to raise awareness for its passengers and show solidarity on sustainable alternative source of fuel.

The highest standard of safety and excellence for in-flight services for maximum customer satisfaction together with the introduction of the latest in in-flight entertainment and environmental awareness are all part of the Company’s efforts to ensure the highest level of customer satisfaction when flying THAI.



## Aviation Safety Security and Standards

As the National Flag Carrier, the top mission and core value of the Company is to uphold the highest international aviation safety, security and standards in accordance with all relevant standards, guidelines, rules, regulations, standards and applicable laws. THAI has proactively managed to improve operating standards and provide the highest level of confidence to THAI's stakeholders in regards to every aspect of the Company's operations.

To achieve the aforementioned standard of safety and security, THAI established the Safety Management System (SMS) which pertains specifically to the areas of flight operations, ground operations, aircraft maintenance and other relevant operating units under the Standard and Recommended Practices (SARP) of the International Civil Aviation Organization (ICAO), to enhance safety of the Company's operations to be at par of international standards. THAI has developed and trained its personnel to be aware of the SMS and to strengthen the safety culture within the Company as well as the development of the Safety Performance Index (SPI) with partner airlines in Star Alliance and is preparing a Safety Change Management in advance of taking delivery of THAI's A380-800 aircraft which will be in late 2012. This is also coupled with improvements made to the THAI Safety and Quality Manual (TSQM), which is a manual on safety and quality standards encompassing not only flight operations but also all of THAI's business units.

For aviation security, THAI has strictly complied with the international security standard practices and the regulations of the ICAO. In addition, THAI has also complied with rules, guidelines, and regulations of all countries with its utmost safety for the wellbeing of passengers, employees, public and assets of the company. The implementation of the Aviation Security Policy encompasses all activities including the aviation safety plan to determine the direction on such development which helps the Security Management System (SeMS) more efficiently. THAI has also developed its THAI Security Program (TSP) as well as the risk assessment for flight security and joined the Aviation Security Network both domestically and regionally. THAI's observes the highest international aviation security standard.

The Emergency Response standard is another area for which THAI strictly adheres in terms of readiness in case of an emergency or a crisis. To ensure smooth ongoing operations during such emergency or crisis, the task of the Crisis Management Operations Center (CMOC) is to facilitate coordination within the Company. A variety of response scenarios have been designed to handle a range of possible unforeseen events for which ongoing drills in accordance with the established emergency or crisis management protocol to ensure with high certainty of business continuity in all circumstances. THAI had to enact a number of emergency protocols during 2011 alongside the cooperation with various related external entities especially during the political unrest in the Middle East, the massive earthquake that hit Japan and the ensuing tsunami that caused the radiation crisis, the volcano eruptions in Iceland and Chile and the devastating floods that hit Thailand at the end of last year.



To ensure the highest level of commitment on aviation safety, security and standards, THAI established the Management Safety and Quality Board (MSQB), which consists of senior executives of the Company with the President acting as the Chairman of the MSQB. The MSQB meets at least twice a year to establish safety operating guidelines. Four other committees were also established - the Company Safety Committee (CSC), the Aviation Security Committee (ASC), the Quality Assurance Committee (QAC) and the Occupational Health and Safety Committee (OHSC) consisting of representatives from various departments meet on a monthly basis to review, assess and determine actions to enhance the effectiveness of each committee's operations.

With employees being at the heart of the organization's success, it is important to ensure that the work place is hygienic and safe. General safety guidelines have been put in place while regular monitoring is undertaken to ensure the highest level of safety and each unit of operations is certified under the Occupational Health and Safety Management System (OHSMS). Such certification ensures the adherence to international standards and is in line with the Company's policies. THAI's policy has been to promote the development of knowledge and skills of personnel in multi-faceted approach such as theoretical training, seminars and workshops including dissemination of information and knowledge on aviation safety security and standards through various forms of media for all ground employees and flight crew.

The Company has provided safety, security, quality assurance and control system in various formats including audits, inspections, surveys, testing and drills to ensure the highest level of effectiveness in safety and security and conforms to international standards.

In 2011, THAI has been audited and assessed on safety security from both domestic and international authorities such as Airports of Thailand Public Company Limited (AOT), Transportation Security Administration (TSA) of the United States and the Office of Transport Security (OTS) of Australia. THAI passed each of the inspection on safety and aviation security. THAI has also been certified for safety assessment by the International Air Transport Association (IATA Operational Safety Audit) since 2005 and continues to be assessed by IATA every two years to ensure the highest level of quality, safety, security and standard for THAI's customers, partner airlines and related stakeholders.

## Details of Certificate received by various Departments and Business Units

<i>Certificate</i>	<i>Department Function</i>	<i>Expiry Date</i>
ISO 9001: 2008 (Quality Management System)	Cargo & Mail Commercial Department	June 2014
	Ground Services Business unit	December 2015
	Technical Department	May 2013
	General Administration Department	October 2012
	Personnel Development & Training Department	May 2013
	Catering Department	March 2014
ISO 14001: 2004 (Environmental Management System)	Head Office, Laksi office, Larnluang Office, Operation Center at Suvarnabhumi Airport, Ground Customer Services at Suvarnabhumi Airport	April 2013
	Technical Department	June 2013
	Catering Department	September 2012
OHSAS 18001: 2007 (Occupational Health and Safety Assessment Series)	Catering Department	August 2014
IOSA (IATA Operational Safety Audit)	Corporate Certification	May 2012
FAR Part 145 (Repair Station)	Technical Department (Suvarnabhumi Airport and Don Mueang Airport)	October 2012
	Technical Department (U-tapao Airport)	October 2012
EASA Part 145 (Approved Maintenance Organization)	Technical Department	No ending date evaluate every 6 month
HACCP	Catering Department	March 2014
GMP	Catering Department	March 2014
HALAL	Catering Department	Within evaluation period

## Technical Department

The Technical Department is committed to delivering uncompromised safety and the highest quality of maintenance service to ensure the highest level of safety for passengers and cargo in reaching their desired destination. At the heart of THAI's ongoing success is the trust that is earned by the Company from its customers, therefore, maintenance work performed by THAI must meet the highest standard of all aviation authority requirements and regulations. THAI has and continues to be certified by major aviation authorities around the world including the Federal Aviation Administration (FAA), European Aviation Safety Agency (EASA) and the Japan Civil Aviation Bureau (JCAB). Quality assurance certification has also been sought for which THAI has been ISO 9001:2008 and ISO 14001:2004 certified. The Technical Department has also received ISO 17021 certification on calibration standards for flight equipment and instruments. Services rendered by the Technical Department include line, light and heavy maintenance, component & accessory repair, engine repair, calibration and staff training for its own fleet and also that of other airlines.

For 2011, a total of 50,519 line maintenances, 650 light maintenances, and 65 heavy maintenance services were undertaken for THAI's own aircraft while a total of 55,752 line maintenance services, 9 light maintenances and 8 heavy maintenances were performed for customer aircraft. A total of 19 GE CF6-80C2B1F engines and 6 RR Trent-800 engines maintenance services were performed for THAI's aircraft. Maintenance was performed on only one GE CF6-50C2 engine for a client airline and performed an engine disassembly on a GE CF6-50C2 for its customer aircraft, MGN Airlines. The Technical Department has also done THAI's own aircraft retrofitting of 3 B747-400 and 6 B777-300. Also calibration services for equipment and components of both THAI's aircraft and customers' aircraft were done at both Don Mueang and Suvarnabhumi Airports.

At Suvarnabhumi Airport, THAI Technical Department offers a modern facility providing light maintenance services spanning an area of 190,000 square meters with a 3-bay hangar of 24,300 square meters which is the largest facility in Southeast Asia which can simultaneously accommodate three Airbus A380 aircraft.

Maintenance facilities at Don Mueang Airport consisting of 5 hangars dedicated for heavy maintenance services and can house 6 aircraft simultaneously - three wide-body B747s, two B777s or A330 or A300-600 and one narrow-body B737. Total usable space at the Don Mueang Airport facilities is 170,000 square meters.

THAI also has a 3 bay hangar at U-tapao airfield located on the east coast of Thailand with the capability to handle heavy maintenance services. The facility can house 2 large aircraft (B747, B777, A330 or A340) and 1 small aircraft (B737 and A320) simultaneously with a total usable space of 179,080 square meters.

With the size and number of hangar facilities along with the sophisticated equipment available in the shops, THAI's Technical Department has the ability to provide a wide range of maintenance services for different aircraft types. THAI's technical capability is sufficiently advanced enabling the Department to undertake structural body and nose section maintenance for B747's and has the capability to undertake cabin reconfiguration for both B747 and B777 aircraft. Structural hydro mechanical modifications, engine repairs, equipment repairs, radio and avionics repairs are also among the capabilities of the Department. THAI also has the ability to provide calibration services for A300-600, A310, A330, A340, B737, B747 and B777 aircraft.

THAI's maintenance facilities and equipment enables the Department to virtually handle most of the technical and maintenance requirements of THAI's aircraft in terms of line, light and heavy maintenance. The Department also has the technical expertise to perform maintenance on certain engine types and maintenance work not able to be performed in-house is outsourced to an external service provider.

Contractual agreements are based on IATA's guidelines while the rules, regulations and guidelines of the FAA, EASA, and JCAB are strictly adhered to in rendering of services to customer airlines. The Company's main customers consist of other airlines including aircraft from the Thai government agencies such as the Royal Thai Air Force and Royal Thai Police Aviation Division. All services rendered by the Technical Department are charged in US Dollars.

Major competitors for line maintenance and light maintenance services include airlines and aircraft maintenance companies operating at Suvarnabhumi Airport while competitors for heavy maintenance are airlines and aircraft maintenance companies located outside of Thailand.

The Technical Department is not only concerned with just maintenance per se but is also aware of the necessity for rendering quality of service. Among the initiatives undertaken in 2011 to add customer value include:

1. Retrofitting new seats in all class of service complete with the installation of personal screens (In-seat VDO) and new in-flight entertainment system of 4 B747-400 aircraft and 6 B777-300 aircraft to add value and comfort for passengers.
2. Project to improve Aircraft Washing and Aircraft Engine Compressor Wash Process to reduce air friction, fuel consumption and atmospheric pollution.





# Standards





## Information Technology

THAI recognizes the importance of information technology as a strategic tool to drive and ensure success in achieving its long-term corporate strategic plans and in building a strong financial base for sustained growth through enhanced and timely customer service and thus heightening satisfaction and improved operating efficiency. The Company drafted and is implementing an IT transformation road map and a plan for improving information management. This transformation is based on THAI's push to upgrade and modernize its backbone system designed to provide the necessary flexibility and level of security at all levels of operations.

The development of information technology of the Company is reflected through several channels where customers are able to obtain information regarding flight schedule, ticketing, check-in, Royal Orchid Plus and Royal Orchid Holidays packages as well as cargo shipment through electronic and mobile services which are connected to THAI's network.

To accommodate the increasing number of internet users, THAI has diversified its services through a new website; [www.thaiairways.com](http://www.thaiairways.com) which include pre-ordering systems for a special menu for First Class and Business Class travelers from Bangkok to Europe and collecting lifestyle information of Royal Orchid Plus members where members can easily save and edit their own information. THAI has provided self-service accessibility from anywhere and anytime via all mobile devices e.g. mobile phones, smart phone, and tablets through mobile browser; [m.thaiairways.com](http://m.thaiairways.com) website. Customers can easily inquire any information via speech recognition in Thai language via phone number 0-2400-4000 and via SMS (SMS Broadcasting & Query) number 4514455 which covers similar services to the website [m.thaiairways.com](http://m.thaiairways.com). THAI m-Service is accessible via a number of smart phone models and THAI Touch on some tablet models where customers are able to download the application via the App Store. THAI plans to continue its mobile application development on other operating systems and add new services to provide a similar level of function and information available on [www.thaiairways.com](http://www.thaiairways.com). The latest in development is the Mobile Boarding Pass service scheduled to be launched for domestic flights out of Suvarnabhumi Airport.



For the Royal Orchid Plus program, THAI has set up a system which handles Platinum status members, the most premium membership who have been long standing Gold members and selected by invitation only for very frequent flyers who travel exclusively in First Class and Business Class on THAI. The Company has also installed its First and Business Class customer database into its top customer profile which enables front line staff to access customers' information at every service touch point – reservations, ticketing, check-in, access to Royal First Class and Royal Silk Class lounge and onboard services to facilitate accurate, expedited and tailored services for premium class passengers.

To ensure smooth, expedited and obtain maximum benefit to support all operating functions, the Company chose the latest in technological developments like the Origin & Destination Revenue Management System - a system which assists analysis and forecast passenger demand, routing and sales origination through the global travel network. The Company also implemented an Automatic Flight Information system for the Catering Department to enhance efficiency in food management and ensure adequacy. The Restaurant and Puff & Pie Management System assists in every step of Catering operation, starting from ordering raw material and bakery from suppliers, production process, revenue collection, to preparation of financial documentation. The system is also able to automatically feed data to THAI's central accounting system.

In addition to enhancing convenience to customers and its employees, THAI has other systems linking it to other organization outside the Company to comply with standards, laws, business requirements and safety related purposes such as e-Customs for Customs Free Zone to support customs-related formalities where imported ingredients for meal production on board have to electronically processed. The E-Formalities system used by the Airport of Thailand (AOT) and immigrations and customs facilitates electronic submission of passenger, crew and cargo and mail manifests for each flight are electronically submitted to AOT, Immigrations and the Custom Department.

THAI recognizes the importance of Corporate Social Responsibility (CSR) and promotes the reduction in paper usage by using IT system within the Company i.e. applicants making online payment for submitting an application to become a pilot. Other systems under development include the e-Meeting System, e-Inter Office Communication and e-Document in order to reduce cost, increase efficiency and reduce global warming.

In terms of risk management, measures have been put in place to ensure the highest level of safety and ensure business continuity. During the flood, THAI enacted a number of measures to ensure business continuity through the transfer of its IT operations to a safe location while preparations were also made to prepare the back-up site for ramp up. The flooding passed without causing a hitch to the Company's operations as a result of cooperation from every operating unit.

From 2012, THAI will modernize its core IT system by migrating from mainframe-based core systems to a new and more efficient distributed platform to enable greater flexibility and be more adaptive and support business development:

- ◆ Passenger Services System - THAI plans to transfer the Reservation, Inventory Control, Ticketing and Departure Control systems to the new and modernized platform. It is to support competitive business requirements, be responsive to customers' needs and ultimately increase THAI's operating efficiency.
- ◆ New Loyalty System - a new frequent flyer program under the Royal Orchid Plus (ROP) is being considered to provide ROP members with quality services and also support the Company's marketing and sales efforts, leading to a greater efficiency in managing sales campaigns. Global Tour Management System - a Royal Orchid Holidays system (ROH) with flexibility to quickly create and customize a variety of attractive tours and hotel packages worldwide to suit travelers' preferences. The new system will increase value to THAI's products and services and leverage ROH direct sales targeting customers via internet channel.
- ◆ Commercial Data Warehouse - is to capture all relevant data such as passenger reservation, flight information, and etc. With the customer database, THAI will be able to improve in-depth analysis of customer information in multiple dimensions to effectively support planning and decision making in areas of sales and marketing, flight planning as well as focus on personalized customer services.
- ◆ New Cargo IT system - a new modernized IT system will replace the existing ORCHIDS system to support cargo and mail operations, cargo reservation & sales, cargo revenue management and accounting. THAI expects the system to increase its cargo revenue, improve operating efficiency and competitiveness including assuring customer satisfaction.
- ◆ Systems Applications and Products in Data Processing (SAP) a new Finance and Accounting module is being developed as the accounting core to expedite financial reporting and enhance flexibility in information requirement to suit management needs which is also linked to human resource management. The finance and accounting module of the SAP will serve as the core junction for existing and future database to be integrated into the Enterprise Resource Planning (ERP) system as well as improve on the Corporate MIS enhancing management's planning and decision making effectiveness.

To achieve the above goals and objectives, THAI is in the process of overhauling its IT infrastructure, improving its IT process management and introducing new information technology to support the changes required in the new operating environment. These include :

- ◆ Application Integration Platform (ESB & ODS) - facilitates the interface of different application/ platforms by using a standard and compatible technical architecture. The first application to be interfaced will be the Passenger Services System.
- ◆ Cloud Computing - a new approach to providing computing service through the concept of Server Virtualization is being readied by THAI to meet the changing operating and competitive environment of the aviation industry.
- ◆ E-Collaboration Projects - are support systems for staff communication, cooperation and knowledge management sharing within the Company to enhance efficiency, reduce cost and support Green IT environment i.e. e-Document, Corporate Unified Communication and Collaboration, Knowledge Management - implementation of infrastructure and software application tools to support all the above.

Other IT systems have also been developed such as the Public Key Infrastructure to support digital signature in electronic transactions and Web Service Security for accessing appropriate information by communicating through a secured network where users, employees, customers and business partners will have access to relevant data on demand. These developments have been implemented in part to facilitate the changing face of business operations while meeting the new standards, laws, business requirements and safety guidelines to enhance and build confidence for everyone using this platform.

## Human Resource Management

Understanding that the most important resource that the Company has to drive and achieve its long-term objectives is its human resource, the Company has drafted both short and long-term strategies emphasizing improving work proficiency and restructuring the organization to meet future challenges of the airline industry. Future trend of competition requires that THAI be able to attain a flexi personnel expense structure while ensuring that its personnel is well versed in regards to the essentials of the industry and experience in relevant tasks. Building employee engagement, loyalty, equitability, good conscience and pride underpins THAI's human resource policy going forward emphasizing enhanced efficiency, ensuring expertise in required fields as per the Company's needs to support sustained operations and growth while being aware of its responsibilities towards society under its CSR policies.

To achieve the established corporate strategy, set in 2011, a new job valuation system and the concept of modern staffing have been undertaken to more appropriately allocate manpower underpinned by increasing efficiency through maintaining a healthy people to work ratio and per each operating unit reflecting business conditions. The ultimate goal though is to bring down overall personnel expense in the long run. The policies are being implemented in the business units.

In developing and instilling a performance-based culture emphasizing taking responsibility, key performance indicators have been pushed down from senior management level to all employees throughout the organization. Performance evaluation will link employees' performance to their compensation and will serve to align personal interest with the Company's overall goal. In 2011, THAI established Key Result Areas (KRA) and Key Performance Indicators (KPI) for personnel from division manager-level up.

Corporate knowledge management will play a key role in enhancing the effectiveness of training sessions while also shortening the time needed to move up the competency scale. The Company held knowledge development workshops and chose units to launch pilot information aggregation projects and designed the corporate KM website while soliciting employee involvement through designing of the KM Mascot and Theme & Tone for the KM website. This is to ensure communication and cooperation among various operating units and also to foster the culture of information sharing which is to form the basis which will lead to the concept of a "Learning Organization".

In respect to employee engagement, the company conducted a survey of staff engagement within the organization. Strategic initiatives have been developed for a number of operating units to enhance employee engagement to increasing job loyalty which is a key driver of increasing commitment leading to creativity and work proficiency.

In order to ensure sufficient replacement of key staff positions, an assessment is underway to determine immediate needs for replacements and plan for future needs of key personnel changes. The Company has identified and is preparing these talents to be ready for the eventual changing of the guard through a tailored development training program.



THAI has developed and improved its cross-functional work processes enhancing efficiency with the sole purpose of improving each business unit's work process through enhanced cooperation and appropriate sharing of information and a comprehensive cooperative framework to enhance overall effectiveness is ready for implementation.

THAI has also taken assessment of its organization structure to move towards a flat organization with emphasis placed on being lean and mean with appropriate span of control that is in line with the Company's vision and mission statements.

## **Cargo and Mail Services**

In following the Company's philosophy of "Concentrate on delivering the best service to customers" for commercial flights, the Company expects to maintain its international standard services and strengthen every aspect of its services with the speed of modern technology, safety and hygiene and service rendered with Touches of Thai. This is to ensure that the most care is being put in the delivery of services and delighting customer, fostering a long lasting relationship between THAI and its customers.

### **Cargo Transportation Services**

The cargo transport business includes the transport of general air freight, the transport of special cargo such as fresh produce, live animals, valuable goods, artifacts, hazardous material and mail. THAI is basically geared towards transport of specialized items such as temperature controlled items, valuable items and time sensitive items. These items command higher prices for THAI. In addition to normal cargo operations, THAI offers a comprehensive handling services, including a number of specialized services such as TGForce for guaranteed airport-to-airport express cargo service, THAIPAC for economical and swift international dispatches of personal items bought in Thailand, Thai Express Cargo (TEC) for domestic express cargo, Transportation of Automobiles for domestic carriage and Perishable Cargo (PER) for perishable goods.

As of December 31, 2011 THAI Cargo and Mail Service routinely serves 76 destinations (excluding Bangkok) in 33 countries by way of THAI's passenger route network and to four significant destinations (Dubai, Delhi, Frankfurt, Amsterdam) by way of freighter aircraft. The combined revenue of cargo and mail constitutes a total of 15% of the Company's total revenue in 2011.

Several marketing campaigns have been launched targeting THAI's customers linking such promotions to other services for which THAI provides. This includes providing cargo services beyond THAI's traditional points of service to off-line cargo destinations -and sponsoring Customer Airline Seminar to strengthen its customer airlines' relationships. Such activities form part of the overall value-added and Seamless Service provided by THAI Cargo in building cooperation with other airlines and enhance customers' confidence in the long run.



In addition, THAI has interline agreements with various airlines in regards to standard of service rendered to partner airline's customers benchmarked, to IATA's Interline Arrangements, which THAI is able to block space or rent space on partner airlines' aircraft adding flexibility to THAI's Cargo and Mail services and increases customers' confidence in THAI's ability to deliver their products in time.

Service fees on cargo and mail are charged in local currency of origin of products delivered. Pricing strategy has been set by considering types of services required, whether the product or goods to be shipped have time sensitivity, market competition and timing, seasonality, distance, fuel cost and other related factors.

THAI competes head on with other airlines serving similar destinations as THAI or provides similar or comprehensive cargo and mail transport services as provided by the Company. In addition, there are specialized freight and mail delivery companies that have their own distribution centers, door-to-door distribution capability and a wide distribution network. Despite the rising competition from liberalization of the aviation industry, other servicers providers are not significant competitors of THAI because of limited traffic rights in Thailand. The Company is facing some domestic competition on the domestic freight business but its contribution is only a very small part of THAI's overall freight and mail income.



### Warehouse Services

THAI's Warehouse, Cargo and Mail Commercial Services is the largest air cargo operation at Suvarnabhumi Airport and provides services to 58 customer airlines as of December 31, 2011. Warehouse management is made of 2 main functions - general goods and high value special cared goods - fresh produce, live animals, valuable goods, artifacts and hazardous material. In the beginning of 2010, THAI established a perishable zone to facilitate handling and warehousing of temperature sensitive goods and products using temperature controlled containers from start to the point of delivery. A new service being offered by THAI is the "to-door" and "door-to-door" delivery of packages and parcels including customs processing services. The Cargo Contact Center (CCC), a one-stop information service was established for all queries about services offered, tracking needs and assistance as required. For greater flexibility and efficiency, the on-line Track and Trace service was launched to facilitate tracking of packages at the convenience and comfort of customers via website [www.thaicargo.com](http://www.thaicargo.com). Initiatives were also taken to expedite the transaction process, delivery time to customers, enhancing customer experience and reducing cost from inefficiencies and mistakes. The Cargo and Mail Commercial Services was also accredited with the ISO 9001:2008 certification and is now in the process of developing a software program (New Cargo IT System) to better facilitate transportation of tracking and expediting delivery services for which the system implementation is expected to be complete within 2012.

For the year 2011, a total of 567,570 tons of THAI's own cargo was handled through the Cargo and Mail Commercial services while another 407,020 tons were that of customer airlines whose contracts are for 2-3 year periods with payments denominated in THB or USD.

## Ground Services

The intention is to provide a comprehensive range of quality ground services from customer assistance to facilitating passengers' needs, aircraft related services, parking and ground support equipment services emphasizing quick, efficient, error free, cost competitive unsurpassed quality service. The purpose is to strengthen ground services operations for both domestic and international stations through rapid respond to THAI and THAI's customers' needs. To further strengthen, enhance coordination, increase strategic synergy of ground services and ensuring consistent standard of service, an organization restructuring saw the merging of the Ground Services Department and the Ground Equipment Service Department into an integrated unified unit reporting to a single Executive Vice President. The unified approach has led to the anticipated synergy and thus enabling the Ground Services Department to achieve its goals.

As an internationally certified entity by external third parties in regards to the quality and safety service standards, customers of the Ground Services and Ground Equipment Services Departments can have peace of mind knowing that THAI's Ground Services and Ground Equipment Services Department is behind their success. Certifications earned include :

- ◆ International Organization for Standardization (ISO9001) from TUV NORD (Certification Body) - ISO9001 : 2008 certification was awarded to THAI with consistent ongoing monitoring and a certification renewal of every 3 years since 1999.
- ◆ IATA Operational Safety Audit (IOSA) certified by the International Air Transportation Association (IATA) since 2000 with recertification every two years.
- ◆ Aviation Security Standard from Transportation Security Administration (TSA) under the Department of Homeland Security (DHS) of the United States of America for direct flights inbound/outbound of the US since 2001 with a yearly assessment.
- ◆ Aviation Security Standard from the Australian Government Office of Transport Security (OTS) for any flight inbound/outbound to/from Australia since 2006 with yearly assessment.



### Ground Customer Services

Services rendered by the Ground Customer Service is underpinned by unique Touch of Thai experience for all product offering and at all customer touch points that conforms to international standards which reflects the Department's emphasis on providing the highest standard of service to be among the leading airlines recognized for quality service. For its dedication, commitment and ongoing improvements, THAI was awarded the 2<sup>nd</sup> Best Airline Ground Services for 2011 by Skytrax.

At Suvarnabhumi Airport (SBIA), premium-class passengers are greeted to curbside service and then are helped through THAI's Royal First Check-in Lounge or THAI's Royal Orchid Premium area for a personalized check-in service. Premium class passengers are also treated to a fast track immigrations services. Special transport service is arranged for premium class passengers to the departure gates and upon arrival to SBIA. Post Flight Services are also available to facilitate special needs of THAI's passengers. A One-Stop-Service point facilitates making reservations, provide travel related information and facilitate any special needs passengers such as monks, miners, elders and first-timer traveler. With a minimal fee, a Meet and Assist Service is available to assist with special passenger requests, luggage and cargo handling, which is also offered to THAI's customer airlines at SBIA.

The Royal Orchid Lounges provides comfort and amenities for THAI's first class, business class, Royal Orchid Plus Platinum Members and Royal Orchid Plus Gold members. Services include A-La-Carte restaurant concept dining with slumber rooms, family room and kids' room with free wifi internet service and computer stations. For relaxation, passengers can take a massage course at the Royal Orchid Spa lounge or enjoy the use of the steam room. These amenities have earned THAI Skytrax's 2<sup>nd</sup> Best Airline First Class Lounge award.

New products and services are constantly being introduced to facilitate service and enhance customer experience. Passengers making seat reservation online but paid in cash are able to check-in online while passengers also have the flexibility to cancel one's check-in online. Accessing one's own booking information can be done via mobile phone with browsers and can make seating changes as needed from the layout of the aircraft cabin. Passengers can input their ROP membership number via a mobile communication tool and information regarding the account and trip information will be retrieved and displayed on the screen. Another channel is accessing one's reservation information through the use of SMS. A further value added service to THAI's passengers who use the express train to travel to the airport is the off-site check-in service at the Bangkok City Air terminal (BCAT) starting January 2011.

The Ground Operation Control Center (GOCC) was established to centralize all communications, coordinate and ensure smooth operations with On-time Performance at the heart of its function while also overseeing aircraft rotation and facilitating passengers and baggage transfer between flights. The GOCC is also charged with the responsibility of finding solutions to problems in case of any operational or event irregularities with oversight on cost control and efficiency enhancement as part of its responsibility. In the event of a flight irregularity, the Service Delivery Support team is tasked to help passengers to continue on to their destination smoothly, conveniently and safely.

THAI's Ground Customer handling at the 60 destinations abroad are handled by local service providers except for Kathmandu, Nepal and Karachi, Pakistan where THAI undertakes self-handling as done in Thailand.

THAI believes that the robust guidelines on elevating service quality beyond customers' expectations combined with the change in operating procedure and the introduction of new tools to provide ground customer service along with the proficiency and commitment of THAI's ground staff will enable the Company to achieve its goals serving as a strong base for future development.

#### Ground Equipment Services

As a full air transport service airline, THAI supported by its Ground Equipment and Ground Customer Services along with THAI Cargo, THAI Maintenance and THAI Catering business units is able to provide customers a one-stop air transport service to its customers. The competitive edge derived from this synergy provides THAI unique competitiveness at Suvarnabhumi, Don Mueang and U-Tapao airports along with other destinations in Thailand where THAI currently provides service. THAI's ground equipment services commands the lion share of services rendered on the ground with over 80 customer airlines providing services to over 180,000 flights per annum. It is therefore important for the Department to continue seeking means to improve service quality and standards along with efficiency for it to further expand its services in a growing market and to be the first choice ground equipment services provider.

The Company is continually seeking to improve its ground equipment services to provide the highest level of customer satisfaction while being prepared to support the growing demand in service from the rapidly increasing number of flights into Suvarnabhumi Airport. An aspect that must not be overlooked in the growth process is ensuring long-term competitiveness and overall operating efficiency for which the standards of ISO 9001:2000 are strictly upheld. To ensure the highest standards of operations, safety procedures and processes, operational guidelines based on IATA's Operational Safety Audit (IOSA) have been drafted and implemented in all areas of THAI's operations.

In ensuring the highest level of security, safety and hygiene in the work place, THAI adheres closely to the applicable laws, regulations and guidelines of the Department of Civil Aviation and that of the AOT Public Company Limited to prevent danger and the possibility of terrorism. The Company has in place numerous closed circuit televisions (CCTV) along with the use of a number of Access Control points with biometric security to ensure security in the working place. THAI believes that clean and hygienic ground services equipment will assure passenger confidence and heighten customer satisfaction through consistent and strict adherence to these safety guidelines. THAI uses the British Secure Clean standard to clean its aircraft along with using the 36 contact points cleaning program - cleaning of points of highest likelihood of passengers coming into contact including aircraft sanitizing and air vent cleaning.

Meanwhile, THAI has also concentrated on improving its ground equipment services to better meet its customers' needs. THAI also takes to heart management of operating cost emphasizing efficient use of fuel for ground equipment, minimizing spare parts inventory cost and proactively upkeep equipment to maximize profit and benefit through optimizing equipment use.

## Catering Services

THAI Catering is predominantly geared towards the preparation of meals for uplift on THAI flights and that of its customer airlines. It also operates restaurants and snack bars at the airports, runs a chain of Puff & Pie bakery as well as providing off-site catering services and operates food services at the Company's various canteens.

Of the 2 catering facilities that THAI has, the largest facility of 70,000 square meters is located in the duty free zone at Suvarnabhumi Airport geared towards serving international flights for THAI and customer airlines. The second facility of 40,000 square meters is situated at Don Mueang Airport producing meals mainly for domestic flights and serves as the preparation site for all of THAI Catering's on ground food businesses. At the various provincial stations, THAI Catering operates restaurants in Chiang Rai, Chiang Mai, Krabi, and Phuket airports and also prepares meals for aircraft uplift for several airlines that serve these destinations.

At the forefront in food preparation is the objective of delighting passengers with great tasting food while observing the highest standard of hygiene as per the Thai Ministry of Industry's food preparation guidelines. THAI Catering employs a sophisticated system to analyze points of danger and critical points of risk to ensure the highest level of hygiene.

In 2011, THAI Catering remained the leader in providing meal uplift services to 57 customer airlines commanding 71% of the meal uplift market on 70,243 flights and producing around 65,890 meals per day. Of that, 31,435 meals per day were for international flights, 13,864 meals per day for domestic flights and the balance of approximately 20,771 meals per day were for other airlines.

Certification has been at the top of THAI Catering's priority to ensure the highest standard of safety, cleanliness and hygiene. Among the certifications include the Quality Hygiene and Safety (QHS) that combines the recognition of Good Manufacturing Practice (GMP) under the ISO 9001-2008 certification and the Hazard Analysis and Critical Control Point (HACCP) certification. These certifications are recognized by both IATA and the World Health Organization (WHO). THAI Catering has also received ISO 14001:2004 certification, OHSAS 18001:2007 certification and the HAL-Q (Halal-GMP/HACCP) certifications.

With expertise and experience of more than 40 years, THAI Catering has received a multitude of awards and accolades of international standards over the years. In 2011, THAI Catering was recognized at the national level for its safety and hygiene standards and an environmentally friendly facility. Such standards have been the stepping stone for THAI receiving the World's Best Economy Class Catering from Skytrax.

Although THAI Catering was affected from the global economic slowdown including the political uncertainty, high fuel-price environment and various natural disasters, several strategic plans and procedures have been employed in operational level ensuring cost competitiveness in this challenging operating environment. Investment deferment, rationalization of energy consumption and the use of lean management techniques having been part of the Company's cost control measures along with an internal reorganization was undertaken to improve cost efficiency and to be cost competitive with peers.

### **THAI Smile Business Unit**

With intensity of rising competition within the aviation industry especially from the rapidly growing low cost carriers, THAI has established a sub-brand called THAI Smile as a business unit within the Company to enhance its THAI brand and its market position. To enhance connectivity on shorter routes within the region, THAI Smile will have a service level similar to that of THAI with a more cost competitive structure which will improve THAI's overall competitiveness.

THAI Smile is positioned as a light premium airline that is trendy, provides friendly and value for money service, catering to the middle segment with 30% of the expected passengers to be connecting on THAI's flights while another 70% of the passengers are expected to be unique to THAI Smile.

The newly set-up carrier is scheduled to take delivery of 4 narrow-body Airbus A320-200 with range of 3,500 kilometers or duration of 2-3 hours with a total of 11 aircraft in 2015 based out of Suvarnabhumi Airport. THAI Smile will operate short-haul routes covering various destinations in Asia such as China, India and ASEAN and is scheduled to launch its debut flight in July 2012.



## Environment and Social Responsibilities

THAI would like to be known as an environmentally friendly airline where conscientious decisions are made bearing in mind the impact of each activity on the environment in all aspects of the Company's operations. Environmental and Corporate Social Responsibility Strategy (CSR) activities have been undertaken including how to effectively manage and enhance efficiency in using aviation fuel. These include all procedures and maintenance of aircraft engines and a study to use biofuels in order to reduce carbon emissions (CO<sub>2</sub>) into the atmosphere. To reach adequate production of sustainable biofuels for aviation in Thailand, THAI will bring together both public and private sectors including petroleum producers, research firms, academic institutions, aircraft and engine manufacturers, and different government bodies to take part in this development. This "Sustainable Biofuels Development for Aviation Industry" is an environmental/socio-economic project aiming to create both demand and supply through clear national policy on biofuels and help generate wealth in the agricultural sector while reducing carbon emissions. THAI aims to develop greater cooperation among the aviation-related entities at the national level for sound support and policies on sustainable development of biofuels. THAI is spearheading a joint regional effort in the development of biofuels for use in commercial flights.

In its effort to be recognized as a green airline, THAI has over the past year undertaken various activities to benefit the environment. Under the Environmental and Corporate Social Responsibility (CSR) strategy, or "Travel Green" concept, THAI has developed an important project on sustainability. In raising environmental awareness and the effects of global warming THAI, was the first airline in Asia to fly a commercial passenger flight using biofuels, which was a demonstration of the Company's commitment to Travel Green initiative as part of its Corporate Social Responsibility (CSR) program. In order to boost awareness and to support the use of biofuels in Thailand, THAI flew its "THAI First Flight with Biofuels" in December 2011. The flight from Bangkok to Chiang Mai was the "The First Passenger Biofuels Flight in Asia". THAI hopes that its support and participation in using biofuels will encourage other carriers in the region to choose biofuel renewable energy over fossil fuels.

The Company has taken initial steps to curb carbon emissions. During the year, the Company had a demonstration flight from Bangkok to Auckland. "THAI ASPIRE Flight", under the cooperation between THAI and AEROTHAI, is a demonstration of a "perfect flight" on international routes, aiming to save fuel consumption and be environmentally friendly by utilizing the most efficient, advanced technologies and procedures. The success of THAI ASPIRE Flight will support flight operation standards that generate effective fuel consumption and reduce carbon dioxide emission. At the same time, this will emphasize THAI's environmental responsibilities.

THAI has carefully selected products that are environmentally friendly on every step of the journey of the passengers from the beginning of the travel, in-flight, and after the trip. These include the usage of Aircraft Washing Machine, the retrofitting of B777-200 aircraft to reduce jet fuel usage in the Performance Improvement Program, the global warming project with a reduction of HALON emission, the program to reduce/cease the use of ozone depleting chemicals, the reduction of unnecessary items causing extra weight to reduce carbon emissions including e-service for booking tickets, reservation, Check-in, and boarding pass via 2D Mobile Boarding so as to reduce the use of paper and conserve energy. The Company has also provided a Carbon Footprint for its Signature Dishes on board starting from the two Carbon Footprint labels' food on a flight to Europe from January 2012 onwards. The volume of carbon dioxide released for the whole cycle of these dishes; rice with chicken massaman and rice with green chicken curry, were presented so that passengers were able to participate in the reducing of the global warming. A environmental friendly tourism program organized by Royal Orchid Holidays was also introduced.

THAI is cooperating with the International Air Transport Association (IATA) in working towards reducing carbon emissions by 5% by the year 2020, and equivalent to zero carbon emissions by the year 2057. The aviation industry currently releases 2% of total carbon emissions worldwide, which is not much when compared to other industries. However, if carbon emissions are not reduced by 5% per year, it will result in a carbon dioxide increase in the environment by 3%, or up to 20 million tons per year. Should member airlines agree to use renewable energy for aviation by 6%, carbon emissions will be lowered by 5%.

THAI is proud to be the first airline in Asia Pacific region to sign a Memorandum of Understanding with the International Air Transport Association (IATA) to take part in cooperation with the passengers to realize in environment preservation. The Company has launched a Voluntary Carbon Offset Program with IATA to provide customers with the opportunity to virtually offset carbon emissions generated from flying. The carbon offset through the website was approximately 200 tons CO<sub>2</sub> or equivalent to USD 4,000 per month. The passenger's contribution goes entirely towards sponsored projects. THAI Offset Program has chosen only to invest in the UN-backed CER credits which the Company believes that at the moment CERs offer the highest quality offsets. These two projects include the Korat Waste to Energy of Thailand and the Braco Norte IV Small Hydro of Brazil.

The company has undertaken a continuous program of energy conservation in all working processes and within its office building, particularly at the Operation Center (OPC) at Suvarnabhumi Airport which is an energy conservation building and environmental friendly. The building was awarded for an outstanding creative building to conserve energy in the "Green building" categories from Thailand Energy Awards 2011 and for the Head Office as an Energy Controlling Building categories. Besides, THAI has implemented the THAI Energy Conservation to encourage its employees of reducing energy usage. From the cooperation of its employees, THAI has accredited by ISO 14001:2004 Environmental Management System for its offices. Customers are confidence that all services from THAI is with high quality, safety, and environmental friendly.

In order that its employees are aware of the role to be good state enterprises employees in social responsibility, the Company has set a policy incorporating the concept of social responsibility and the philosophy of sufficient economy to its strategic business plans.

THAI is proud and grateful to take part in supporting His Majesty the King's Royal Project Foundation. The Royal Project has developed production, post-harvest, and packaging processes to meet international standards. Introducing GAP (Good Agricultural Practices) systems make it possible for the Royal Project to ensure that quality and safe ingredients be served to customers. For the past 20 years, THAI has been a major customer of the Royal Project and continues to use the organic products to prepare meals served on board. With the slogan "Fresh from the Farms Lead to Excellent Dish" from the Royal Project, THAI passengers and the customer airlines can ensure that they are delivered the best.

Furthermore, THAI has implemented the Corporate Social Responsibility (CSR) projects to help promote social development in health, education, sports, music, religion and culture. These projects include project to help flood victims, transportation of donated goods and medicines to provide humanitarian aid and assistance to those affected by natural disasters in several areas, the transportation of goods to assist earthquake and tsunami victims in Sendai, Japan, participation in fund raising program of the Sayamindrachiraj Medical Institute, Siriraj Hospital, the project to donate wheelchairs to the disabled, the project of THAI Border Patrol Police School, Klong Had, Sakaew province, the 'Taem Fan Pan Nong' project to donate new years gifts for students, the support of youth on international trips for various purposes "Pa Nong Tong Fa", the Buddhist Pilgrimage to India and Nepal program organized by the Royal Orchid Holiday Tour, the project to support Thai-Muslims to travel and join the Haj ceremony in Saudi Arabia, the Supports Reforestation project at the Sirindhorn International Environmental Park, Cha-am district, Phetchaburi province.

# **Subsidiaries and Affiliated Companies**

## **Thai-Amadeus Southeast Asia Company Limited**

Thai-Amadeus Southeast Asia Co., Ltd. (Thai-Amadeus) is a 55% held subsidiary of THAI with a registered capital of THB 15 million with THAI's proportion of investment totals THB 8.25 million. The company is a leading reservations system for air travel, hotel, car rental and other travel related services.

As of December 31, 2011, Thai-Amadeus Southeast Asia Co., Ltd. earned a net profit of THB 77.31 million.

## **Nok Airlines Company Limited**

Nok Air, a subsidiary of THAI, is a budget carrier serving domestic route using Don Mueang Airport as its base of operations. THAI owns THB 360 million or 49% of Nok Air's paid-up capital of THB 500 million. In terms of the equity method THAI's holding totals THB 465.61 million. On November 29, 2011, THAI invested in another 5 million shares or equivalent to 10% totaling THB 165 million. From the additional acquisition of shares, THAI is entitled to appoint another Board representative as stipulated in the Shareholders' Agreement giving THAI majority vote in the Board of Directors.

As of December 31, 2011, Nok Air earned a net profit of THB 190.08 million.

## **WingSpan Services Company Limited**

WingSpan Services Co., Ltd. (WingSpan), a subsidiary of THAI, was established and registered on December 2, 2010. WingSpan was launched with the intention of providing manpower-outsourcing services to THAI and help THAI resolve its service quality issues while lowering its personnel expense in the long run. The company has registered and paid-up capital of THB 2 million with THAI holding 49% or equivalent to THB 0.98 million and Phuket Air Catering Co., Ltd. holds preferred shares constitutes 51% of WingSpan's seed capital or THB 1.02 million.

As of December 31, 2011, WingSpan earned a net profit of THB 4.89 million.

## **THAI Flight Training Company Limited**

THAI Flight Training Co., Ltd., a subsidiary of THAI, was established and registered on July 29, 2011 to provide aviation training services, which will help increase revenue for the Company and to optimize efficiency in resources management. The Company has issued and paid-up capital of THB 2 million with THAI holding 49% or equivalent to THB 0.98 million and WingSpan Services Co., Ltd. holds 51% of the company's capital in the form of preferred shares (THB 1.02 million)

As of December 31, 2011, THAI Flight Training Co., Ltd. earned a net profit of THB 1.11 million.





### **Tour Eurng Luang Company Limited**

Tour Eurng Luang Co., Ltd., a subsidiary of THAI, was established and registered on September 5, 2011 to provide travel business and tourism related services. The Company has issued and paid-up capital of THB 1 million. WingSpan Services Co., Ltd. holds 49% of the seed capital or equivalent to THB 0.49 million and Thai individuals hold preferred shares constituting 51% of the seed capital.

As of December 31, 2011, the Company generated a loss of THB 97,325.89

### **Don Mueang International Airport Hotel Company Limited**

The Don Mueang International Airport Hotel Company Limited, an associate company, of THAI, runs a hotel and related services called the Amari Don Mueang Airport Hotel which is located near Don Mueang Airport. Currently, the company has issued and paid-up capital of THB 120 million with THAI holding 40% in its paid-up capital totaling THB 48 million, while investment via the equity method totals THB 92.90 million.

As of December 31, 2011, Don Mueang International Airport Hotel Co., Ltd. generated a loss of THB 43.11 million.

### **Phuket Air Catering Company Limited**

Phuket Air Catering Co., Ltd., an associate company of THAI, provides in-flight meal catering for several airlines on international flights from Phuket International Airport both regular and charter flight. The Company's registered and paid-up capital totals THB 100 million with THAI holding 30% or THB 30 million. In terms of equity method THAI's holding totals THB 144.52 million.

As of December 31, 2011, Phuket Air Catering Co., Ltd. earned a net profit of THB 139.27 million.

## **Royal Orchid Hotel (Thailand) Public Company Limited**

The Royal Orchid Hotel (Thailand) Public Company Limited, an associate company of THAI, was among the founders of the Royal Orchid Sheraton Hotel, a 726-room premium hotel located on the banks of the Chao Phraya River in Bangkok. The Company has issued and paid-up capital of THB 937.50 million. THAI has a shareholding of 24% in this Company's paid-up capital totaling THB 225 million. The amount of investment by THAI via equity method is THB 113.71 million.

As of December 31, 2011, Royal Orchid Hotel (Thailand) Public Company Limited generated a loss of THB 232.58 million.

## **Bangkok Aviation Fuel Services Public Company Limited (BAFS)**

The Bangkok Aviation Fuel Services Public Company Limited (BAFS), an associate company of THAI, provides storage services for aviation fuel and provides aircraft refueling service at both Suvarnabhumi and Don Mueang Airports. The company's issued and paid-up capital totals THB 510 million with THAI holding 22.59% or THB 115.19 million or THB 698.41 million on equity method.

As of December 31, 2011, BAFS earned a net profit of THB 417.84 million.

## **Suvarnabhumi Airport Hotel Company Limited**

The Suvarnabhumi Airport Hotel Co., Ltd., an associate company of THAI, runs a hotel and related service called Novotel Suvarnabhumi Airport Hotel. The company's issued and paid-up capital total THB 1,017.78 million with THAI holding 30% or THB 305.33 million or THB 114.80 million by way of the equity method.

As of September 30, 2011, Suvarnabhumi Airport Hotel Co., Ltd. generated a net loss of THB 109.71 million and for the period of 3 months ending December 31, 2011, the hotel reported a net profit of THB 19.44 million.

## **Other investments for which THAI holds less than 10% shareholding in the company's paid-up capital are as follows:**

- ◆ Aeronautical Radio of Thailand Limited is a non-profit organization with the purpose of providing aircraft surveillance (Air Traffic Control) at the various airports in Thailand. THAI holds a 2.3% share.
- ◆ Fuel Pipeline Transportation Limited stores and transports aviation fuel via underground pipes, for which THAI holds a 8.4% share.
- ◆ Trade Siam Company Limited runs an Electronic Data Interchange Center. With THAI holds a 3.5% share.
- ◆ The Syndicate of Thai Hotels & Tourists Enterprises Limited is the company that owns land plots which has been leased for the development of the Grand Hyatt Erawan Hotel. THAI holds a 1.3% share.
- ◆ Star Alliance Services GmbH develops passenger air transportation system and other services to support profitability of its members and enhance overall efficiency. THAI holds a 5.7% share.

# Compliance with the Official Information Act, B.E. 2540

THAI's Public Information Center was established 13 years ago since 16 November 1998 to serve as the point of contact to access for the general public which is a reflection of management's intention to ensure transparency in all areas of operations. Since the establishment of the Information Center, information related to the Company has been readily accessed by the general public, government agencies, and private sector. THAI has policies and procedures for disclosure of information to comply with the Official Information Act B.E. 2540 ("Information Act") by adhering to the principle of "Disclosure is the key. Non-disclosure is an exception."

The Public Information Center offers an easy channel for the public to access any information related to the organization most of which are readily available upon request. The Center has complied with guidelines of the Information Act. In 1999, the Public Information Center was awarded for outstanding consistency in adhering to the Ministry of Transport's Information Act. In 2005 and 2008, certificates were bestowed on THAI by the Official Information Committee as the model Center in providing public access to its information and as a role model on adherence to the Information Act.

In 2011, THAI's actions to fulfill the spirit of the Information Act were as follows:

## Information Provided via Electronic Form

Information of interest and benefits to the general public have been posted on the Company's website [www.thaiairways.com](http://www.thaiairways.com) under the "THAI Company Information" section which includes topics such as significant meeting resolutions, organization structure, the Company's development and aircraft in the fleet. From accumulated data, the website had a total of 132,115 hits in 2011.

## Accolades

In 2011, the Company's Public Information Center was awarded by the Official Information Commission (O.I.C) to receive the award for cooperation with O.I.C in complying with the Information Act. This is with pride that the Public Information Center is able to achieve its vision from the onset "To be the leading company with good image and an exemplary model for the dissemination of information, and beneficial to the Company's operation."

## Cooperation with the Government Sector

- ◆ Was invited by the Office of Energy Policy and Planning, Ministry of Energy to provide knowhow on management of complaints and information according to the Information Act to employees of the Office of Energy Policy and Planning.
- ◆ Coordinated and exchanged knowledge and information with other Public Information Centers such as the Expressway Authority of Thailand to improve operations of their Information Center more efficiently.
- ◆ Cooperated with the O.I.C and served as a pilot entity compliance with standards and transparency of information required by the Information Act. The objective is to create transparency for state related entities and prepare information so as to be able to abide by the guidelines and KPIs as required by the Information Act. Such standards and measures of transparency of state related entities encompasses 7 areas including procurement, management, budget management, human resources management, service rendered to the general public, monitoring and evaluation and disclosure and dissemination of information as per the Information Act. To meet the aforementioned guidelines requires the full cooperation and the understanding of each unit within the Company in regards to information disclosure with respect to the official guidelines.

## Enhancing Knowledge and Understanding Related to Abiding by the Official Information Act and Information Disclosure to Employees of the Company

Information disclosure related to the understanding of the Information Act particularly in the areas of the Government's policies on information disclosure, several rulings from studies on information disclosure and relevant laws and issues of interest in relation to the Information Act are readily accessible via the Company's website.



## **Airline Industry Outlook**

Although the aviation industry for the first quarter 2011 improved from the global economic recovery due mainly to the measures launched by various countries to stimulate their respective economies, the political tensions in the Middle East and North Africa rendered a negative impact to the aviation industry in both oil price surge causing higher operating cost and the cancellation/delay of passengers' trips. Furthermore, the dramatic impact on air travel to and from Japan also came from the devastating earthquake that shook the country in March. The ensuing tsunami, which led to the near-disaster events at the nuclear power plant, continued to stifle air travel demand to and from Japan throughout the second quarter. The economic uncertainties plaguing some European countries and the austerity measures and budget cuts implemented by various governments led to a dwindling demand for longer-haul travel to the Far East. Among the negative factors include competition within the airline business intensified leading to price competition, routes and fleet expansion, especially from the Middle Eastern airlines and low cost carriers. In addition to cost improvements, clear and prudent strategic management needs to be in place to ensure long-term viability of the airline.

In order to cope with those challenges, THAI reviewed, revised and drafted alternative plans to handle unforeseen incidents not only on the cost front but also taking proactive actions to mitigate volatility of jet fuel prices as well. Fuel hedging has been actively and consistently employed as a means to mitigate the immediate impact of a rise in fuel cost. To increase competitiveness, route network adjustments and flight schedule adjustments along with attractive marketing campaigns will help boost travel demand. THAI is consistently monitoring all strategies and implemented the use of e-services to improve its efficiency. The Company also has contingency plans to tackle unforeseen events.

### **Air Passenger Transport**

Passenger transport outlook for 2012 as forecast by the International Air Transportation Association (IATA) is expected to grow by 4.9% as compared to 6.9% in 2011. The growth rate in Asia is expected to be below 4.1% while the fastest growth is expected in Latin America with a growth rate of 10.2% reflecting the strong economic growth anticipated for the region as a result of increasing inbound investments and international reserves.

Although the Thai economy expanded since 2011, the natural disasters in several countries particularly the earthquake in Japan in March leading to the tsunami hurt air travel demand from Japan and THAI's revenue. The devastating flood in central Thailand and northern Bangkok during September-November also adversely impacted travel demand during the forth quarter which is the peak season of the year. To cope with the various adversities, THAI rapidly rationalized its flights, reduced flight frequencies to better cope with the change in operating environment and demand.



In 2011, there were 93 airlines carrying a total of 37.7 million passengers or a 12.4% increase over the previous year. Out of the total international passengers entering and leaving Thailand, 12.4 million was carried by THAI, an 11.9% increase, which was a slightly slower rate of growth than the total international passengers. THAI commands the greatest market share of international passengers at 32.9% with the closest runners up (Thai AirAsia, Cathay Pacific, Emirates, China Airline and Korean Air) commanding 6.2%, 3.7%, 3.0%, 2.4% and 2.0% market share, respectively.

### **Outlook for Air Freight Transport**

IATA forecasts a growth rate in the global air freight industry of 4.9% in 2012 as compared to 2011 which was declined by 0.6%. Asia air freight business growth rate declined the highest at 4.8%, while Middle East experienced the highest growth rate of 8.2% in 2011.

In 2011, the international air freight business for Thailand decelerated by 4% as compared to 2010 with the volume of 747,965 tons for exports. Imports constituted a total of 554,986 tons which decreased by 7.3% from last year. THAI carried a total of 330,123 tons of outbound air freight which was a 3% decrease over the year before, while THAI carried a total of 271,570 tons inbound air freight which was a 0.6% decrease over the previous year. Destinations with the highest regional air freight volume throughput for THAI were Hong Kong, Singapore, Tokyo, Taipei and Seoul. Frankfurt, Paris, Sydney, Melbourne and Zurich are destinations with the highest air cargo volume throughput for THAI's intercontinental destinations.

### **Domestic Competition**

Domestic passengers market continues to grow with a more severe pricing competition and various marketing promotions to attract passengers. Currently, there are seven airlines serving for domestic markets which are THAI, Bangkok Airways, SGA Airline, Happy Air and the other three are low cost carriers including Thai AirAsia, Nok Air, Orient THAI Airline. In 2011, 15 million passengers traveled domestically, an increase of 13.6% as compared to 2010. THAI commanded the highest market share of 34.5% or equivalent to 5.2 million passengers. Thai AirAsia, Nok Air, Bangkok Airways, Orient THAI Airline, SGA Airline and Happy Air had market share of 24.6%, 19.6%, 14%, 7.1%, 0.1%, and 0.1%, respectively.

### **International Competition**

A number of inbound and outbound passengers have continuously increased both from regular flights and charter flights. Several airlines not only full-serviced airlines but low cost airlines also have launched new flights and expand their routes to Thailand. The Middle Eastern airliners have tried to use various cities in the Middle East as a connecting hub for intra-regional travelling and routes expansion using large fleets. Travel demand in Asia continues to grow due to the economic growth in Asia especially China and India. Low cost carriers also tend to expand their services in this region which will lead to a more intense competition in the industry particularly in price competition.

# **Risk Management and Risk Factors**

Amidst numerous internal and external risks faced by THAI over these past few years, THAI foresees the need for a rigorous management system to enhance operating efficiency and have in place a conservative management approach to ensure stable and sustainable operations. To this end, THAI has put in place a robust and comprehensive risk management system since 2003 to maximize return and build confidence for shareholders and stakeholders by identifying key risks and the corresponding short-term and long-term measures being taken to reduce that risk. Training workshops have consistently been provided for management of all levels to support and instill risk management as part of the corporate culture.

The Company's Board of Directors has appointed the Risk Management Committee of which members comprise Board Members from both the public sector and independent directors from the private sector. The Risk Management Committee is charged with the responsibility of setting risk management policies and assessing such policies to ensure that management and employees have identified relevant risks, assess and assign risk priority and establishing measures to prevent, control and manage corporate and departmental risk at an acceptable level. The risk control measures undertaken must also be in-line with Committee of Sponsoring Organization of the Treadway Commission (COSO) standards. Risk management activities undertaken by the Risk Management Department is reported to the Risk Management Committee and the Company's Board of Directors on a quarterly basis. The objective is for these policies to serve as risk management tools for management and employees of all departments to be incorporated into their routine operations.

To prevent losses or damages that may arise from uncertainty and to ensure adherence to strategies as established in 2011, management of corporate level risk has been integrated into the Company's strategic plans complete with analysis regarding source of risk and the relation of such risk to the Company's operations. Key Risk Indicators have now been integrated as an early warning tool while improvements have been made to enhance effectiveness of risk management through the installation of the latest Enterprise-wide Risk Management System that enables flexibility in preparing risk management reports across functions and is able to be linked to other management systems within the Company.

## **Significant Risk Factors**

Risk factors include risks associated with the aviation industry and direct impacts to the Company as follows:

### **Risks on the Aviation Industry**

#### **1. Risk Associated with Volatility of Jet Fuel Price**

Jet fuel cost constituted 39.4% of the Company's operating expense in 2011 resulting from the consistently high jet fuel price and is expected to continue to fluctuate through 2012. For 2011, the Company took a more proactive approach to jet fuel price hedging to mitigate the effects of this fluctuation. The hedging guideline requires a minimum of 20% of fuel year's demand to be hedged and caps the limit without Board of Directors' approval at 80%. Each hedging contract size is managed to be approximately 3-5% of monthly fuel consumption with contract periods of 3-6 months. In addition to the hedging contracts, the Company has undertaken measures to improve efficiency in fuel management and to tag on an appropriate level of fuel surcharge depending on competition on each route to mitigate the high cost of jet fuel. It is expected that the fuel surcharge is likely to be able to compensate 91.77% of the fuel cost increase.

## **2. Risk Associated with Fluctuation of Foreign Exchange Rates**

As 75% of the Company's revenue is derived from 40 different foreign currencies while the Company's outstanding borrowings and most of the Company's expenses are incurred in 4 currencies USD, JPY, EUR and THB. The Company mitigates its foreign currency exposure through a natural hedging approach. The purpose is to ensure that there is a counter balance to the excess or mismatch in revenue and expense or the net operating cash flow through borrowings. The Company also needs to be aware of bringing on too much foreign currency borrowings by taking on Thai baht borrowing. THAI currently employs the VaR software program to determine funding strategies and establishing risk management guidelines through the use of cross currency swaps (CCS) when the window is open. During 2011, the Company undertook a total value of THB 4,427 million in CCS contracts changing Baht denominated borrowings into Yen and locking in interest rates from a float rate. As of 31 December 2011, THAI's borrowing denominated in USD : EUR : JPY : THB post CCS is 1 : 33 : 11 : 55, respectively (excluding operating lease aircraft obligations).

## **3. Risk Associated with Fluctuation of Interest Rates**

As borrowings have been obtained for investments and operations, THAI's exposure to interest rate fluctuation comes from its floating rate exposure. To mitigate the effects of interest rate fluctuation, the Company entered into an interest rate swap (IRS) at the end of December 2011 to convert Euro 42.49 million floating rate borrowing into fixed rate. The Company's current portion of fixed rate borrowing is 47% of total borrowings (excluding operating lease aircraft obligations) with an average cost of borrowings of 3.92%.

## **4. Risk Associated with Emissions and the Environment**

The European Union (EU) has issued guidelines for the Emissions Trading Scheme (ETS) to be put into effect in 2012. The scheme requires that beginning 2012 all airlines flying into Europe must limit CO<sub>2</sub> emissions at a similar level to the base years from 2004-2006. Therefore any airline exceeding emissions from the base years will have to compensate for the excess CO<sub>2</sub> emitted in the form of Certified Emission Reduction (CERs) units. The Company is in cooperation with a verifier in preparation for and submission of the Annual Emission Monitoring, Reporting, Verification Report (AE MRV Report) for 2011 to the Deutsche Emissionshandelsstelle (DEHSt) by March 2012. In January 2012, THAI is expected to open a Registry Account with the DEHSt and the Allowance Free given to THAI will be deposited into the said account. In 2012, Carbon trading will be done via the opened account and upon obtaining the desire amount of Certified Emission Reductions (CERs) and European Union Allowances (EUAs). The CERs and EURs will be transferred to DEHSt in March of 2013.

## **Risk Factors Related to the Company's Business**

### **1. Risk Associated with External Crisis especially Politics and Natural Disasters**

As Thailand is a major point for leisure travel, THAI's core business of passenger and cargo transport services on domestic and international routes is highly dependent on the health of the tourism industry. The risk that THAI faces is weakening tourism as a result of factors beyond THAI's control that are inherent to Thailand along with a range of external factors. A financial turmoil, weak global economic growth, high fluctuation in fuel cost, natural disasters including domestic political stability all bear significant impact on travel demand to and from Thailand.

In recognizing the importance of being able to promptly respond to unforeseen incidents, THAI established the Crisis Management Operation Center (CMOC) to closely monitor developments of key incidents that may bear impact on the Company's operations. Procedures have been put in place to enable immediate corrective

actions to mitigate the severity of impact and ensure uninterrupted operations. These contingency plans provide passengers a greater peace of mind. In enhancing dynamism in the Company, a monthly assessment of financial performance along with assessment from information on local and international key factors that may bear significant impact on the Company's financial performance provides management with the intelligence needed to make informed decisions on strategy changes in response to the changing operating environment. Strategic change in production is made should travel demand drop and flight frequency reduced in case that profit contribution for a particular flight is negative.

To specify business unit strategic plans through a development of airline portfolio which has different market position, THAI is able to offer a variety of products to meet its customer needs and satisfaction. The Company has provided the cargo transport business by expanding its freighter fleets along with a clear strategy by seeking opportunities to expand into other businesses related to the air transportation. This will help stimulate demand for traveling and cargo transportation and also enhance its income, reduce volatility and risk of dependence on one source of income. Also, operating cost will reduce and its profitability will improve. This is in line with the Company's policy to maximize its asset utilization and enhance its competitiveness as a whole.

## **2. Risk Associated with the Number of Aircraft Types and Inappropriate use of Aircraft on Routes**

The Company has in place risk mitigation measures related to its route network and fleet management which is core of being a successful airline. The short-term measures in managing risk include the number and type of aircraft used on particular routes encompassing the adjustment of flight frequency to meet existing demand. The longer-term risk management measures must take into consideration the industry outlook and growth in traffic demand along with being able to acquire the necessary aircraft, according to the Fleet Acquisition Plan 2011-2022, to replace those that are being retired from the fleet and to grow and meet the growing demand for air travel. The long-run goal is to enhance fleet utilization, reduce the type of aircraft in THAI's fleet and the variety of engine types to reduce overall expense and to maximize fleet flexibility.

## **3. Risk Associated with Legal Disputes**

The Company is subject to legal risks encompassing antitrust cases in several jurisdictions such as the investigations in the United States, Australia, New Zealand and South Korea. In the case of U.S. Cargo Civil Class Action, the class Plaintiff and the Company has subsequently entered into a settlement of USD 3,500,000 or approximately THB 109.03 million (Exchange Rate: 31.15 Baht = 1 US dollar). The court has rendered a judgment in accordance with the settlement. As for the case where THAI was investigated by Republic of Korea Fair Trade Commission (KFTC) on November 30, 2010, the Company received an official decision of the KFTC which imposed a fine totaling an amount of KRW 2,877 million or approximately THB 77.45 million (Exchange Rate: 1 Won = 0.026921 Baht) but dropped the criminal charges against the Company and the relevant staff. The Company has already appealed the KFTC Commissioners' decision to a competent court.

In order to reduce risk from legal disputes, the Company has drafted and made available a legal framework handbook for expatriates based in the various countries. The Department also provides advice on compliance issues, international rules and regulations for THAI's expat employees.

The provision for losses and applicable fees are now computed in the currency for which THAI may have to make payment on outstanding legal cases. The baht equivalent of the amount for THAI is THB 1,465 million.

#### **4. Risk Associated with Quality and Efficiency of Human Resources**

In terms of quality and efficiency of its human resource, the Company has devised a clear policy and guideline to enhance the capability of its management which will serve as criteria in consideration of any promotion and has been stipulated as part of the regulation on human resource management. A test of core competency, functional competency, management skills and people management skills have been put in place. The Company has also introduced a modern staffing concept to manage man power requirement over the next 5 years.

In order to management cost of human resources, the Company's has appointed the Remuneration Committee to consider appropriate guidelines and related measures such as interim salary increase to be in line with annual salary increase and awards, overtime payment, working schedule, and compensation structure. This is for an efficient cost administration and management so that THAI could implement those improvements to attaining its goal at the highest level.

#### **5. Risk Associated with Product and Service Inconsistency**

Product and service consistency are key to ensuring customer satisfaction and repeat business. Although THAI's products have improved with the addition of new aircraft and retirement of older aircraft, the difference in standard ambience, seat and entertainment equipment has been the Achilles heel and has hurt THAI's overall image. In order to upkeep its excellent service standards, THAI has improved its call center, special services to corporate accounts and improved land and air service standard.

#### **6. Risk Associated with a Legacy IT Platform**

A legacy IT platform that is intertwined and complicated from decades of add-on developments makes it a costly feat in maintaining the whole system. Further development based on an old technological backbone has its limitations in terms of flexibility and span of add-on modules that can be integrated to further facilitate customer service and expedite operations. Another limitation is the lack of technical knowhow related to the existing outdated platform and investment cost in human resource to support such system would not justify the benefits. Continued use of the existing platform would only see competitors widening the service quality gap compared to THAI.

Acknowledging the competitive risks of falling behind, THAI has drafted a comprehensive IT overhaul which is happening on many fronts starting with IT Sourcing to manage head count, ongoing staff training and development to enhance technical skills and expertise as part of the "IT Professional Re-skilling" program to provide employees the required skills to meet the needs and requirements of the Company. A new IT architecture is being developed with the necessary platform that has flexibility to serve, ease of modification and meet the changing needs of THAI in a rapidly changing operating environment and competitive landscape.



# Shareholders and Management Structure

## Shareholders

The names of major shareholders, number of shares held and percentage of shareholding as of March 16, 2011 are as follows:

Ranking	Name of Shareholders	Number of Shares	Percentage
1	MINISTRY OF FINANCE	1,113,931,061	51.03
2	VAYUPAK FUND 1 BY MFC ASSET MANAGEMENT PCL.	165,037,582	7.56
3	VAYUPAK FUND 1 BY KRUNG THAI ASSET MANAGEMENT PCL.	165,037,582	7.56
4	THAI NVDR COMPANY LIMITED	99,706,482	4.57
5	GOVERNMENT SAVING BANK FUND	52,114,826	2.39
6	THE BANK OF NEW YORK MELLON	29,056,370	1.33
7	NORBAX INC., 13	22,956,412	1.05
8	HSBC (SINGAPORE) NOMINEES PTE LTD	19,046,402	0.87
9	STATE STREET BANK AND TRUST COMPANY	15,664,907	0.72
10	STATE STREET BANK AND TRUST COMPANY FOR AUSTRALIA	14,646,158	0.67
11	OTHER SHAREHOLDERS	485,574,135	22.25
	<b>Total Paid up Capital</b>	<b>2,182,771,917</b>	<b>100.00</b>
	Thai Shareholders	1,862,225,903	85.31
	Foreign Shareholders	320,546,014	14.69

The Government holds a 53.42% stake in the Company. Shareholding is through the Ministry of Finance and the Government Saving Bank Fund. With greater than 50% shareholding by the Government, THAI is a state enterprise and is subjected to the following Government guidelines:

1. THAI must obtain approval from the cabinet for investments of significant value.
2. The Office of the Auditor General is responsible for auditing the Company's financial statements

## Dividend Policy

The Board of Directors may propose an annual dividend payment, however, it must be approved by the shareholders. THAI's dividend policy is to pay an annual dividend of not less than 25% net profit before gain/loss on foreign currency exchange on the Company's consolidated financial statements and is subject to consideration of future investment plans and other relevant factors.

The Public Limited Company Act B.E.2535 (PLCA) prohibits public companies to pay dividends if there is an accumulated loss. Though the Company may be profitable but still has retained losses, as per the PLCA and the company's Articles of Association requires that the Company set provisions of not less than 5% of its net profit for the year less any retained loss in reserves until the reserve is at least 10% of the Company's registered capital.



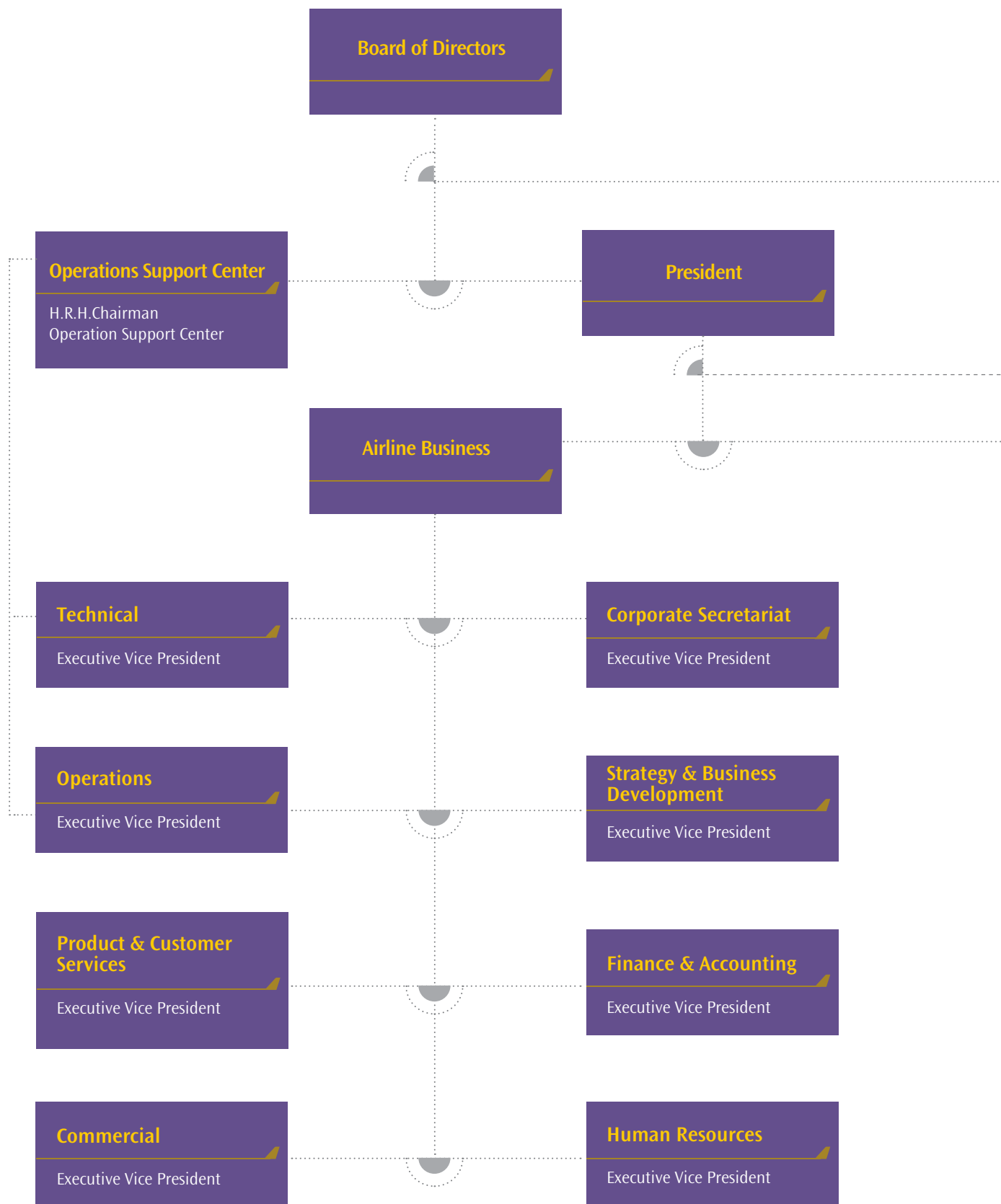
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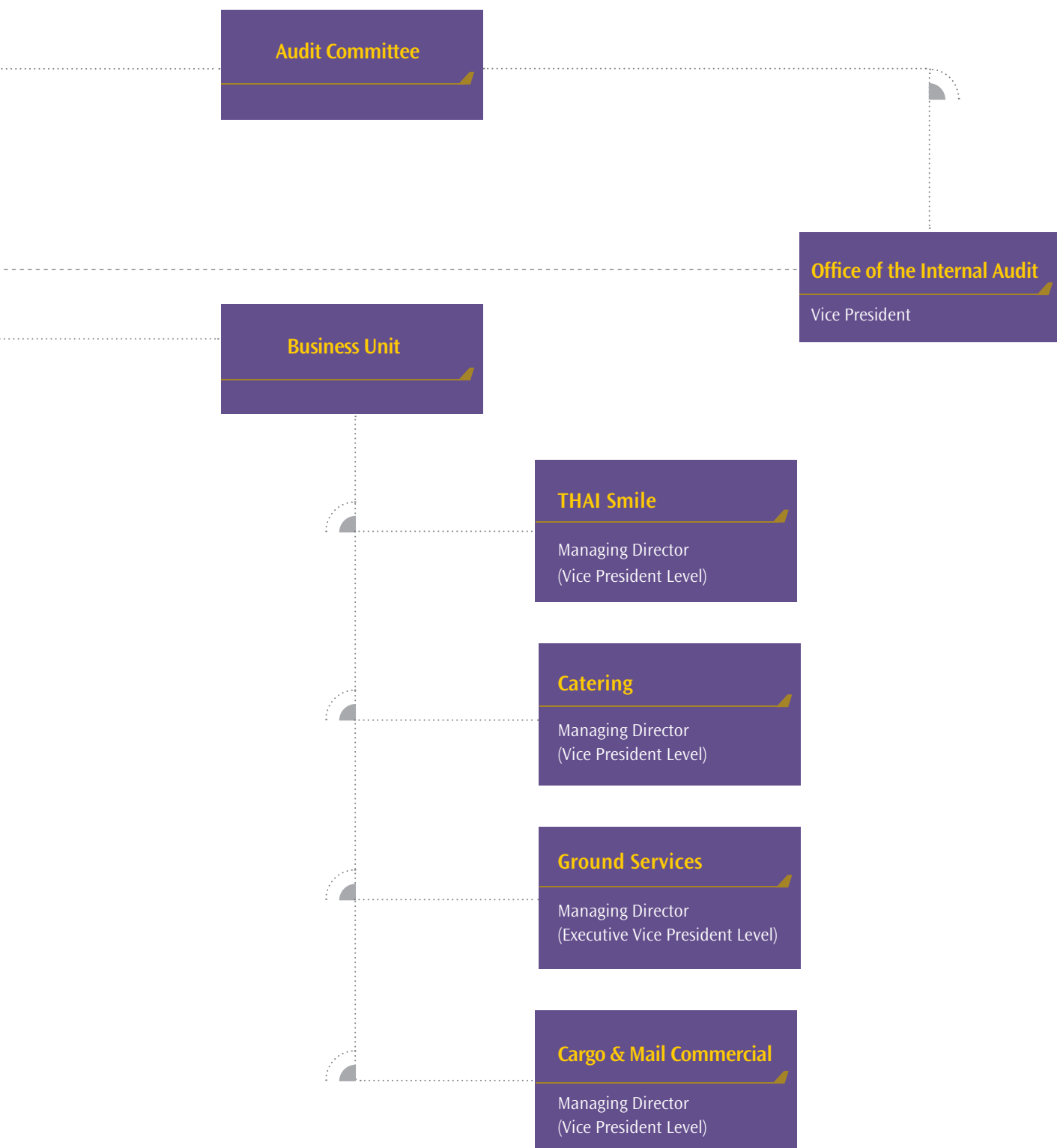
**A380**

*THE SMOOTHEST WAY TO FLY*



# Management Structure





## Board of Directors

The Board of Directors has ultimate responsibility for the administration of our affairs. Our Articles of Association provide for a Board of Directors of between 5 and 15 Directors, as decided in a general meeting of shareholders from time to time. Nor less than half of the Directors must reside in Thailand. At our annual general meeting of shareholders, one-third of our Directors are required to retire, and new Directors will be elected. Directors that are required to retire may be re-elected.

As of December 31, 2011 the Company's Board of Directors consist of the following members:

1.	Mr. Ampon Kittiampon	Chairman and Independent Director
2.	Mr. Chulasingh Vasantasingh	Vice Chairman, Chairman of Audit Committee and Independent Director
3.	Mr. Areepong Bhoocha-oom	Vice Chairman
4.	Mr. Kanit Sangsubhan	Independent Director
5.	Mr. Pradit Sintavanarong	Director
6.	Pol. Gen. Preophan Dhamapong	Director
7.	Mr. Weerawong Chittmittrapap	Independent Director and Audit Committee
8.	ACM Satitpong Sukvimol	Independent Director
9.	ACM M.L. Suprija Kamalasana	Director
10.	Mr. Apiporn Pasawat	Independent Director
11.	Mr. Dheerasak Suwannayos	Director
12.	Mr. Voradej Harnprasert	Director
13.	Mr. Chutinant Bhirom Bhakdi	Audit Committee
14.	Mr. Silpachai Jarukasemratana	Director
15.	Mr. Piyasvasti Amranand	Director

Mr. Niruj Maneepun (Executive Vice President, Corporate Secretariat Department) as Secretary

\*Mr. Silpachai Jarukasemratana has been appointed as new member to the Board of Directors with effect from 20 January 2012.

### Directors Authorized to Sign Legal and Binding Contracts on the Company's Behalf

Signatures of Mr. Ampon Kittiampon, Chairman and either one of Mr. Kanit Sangsubhan or Mr. Apiporn Pasawat or Mr. Piyasvasti Amranand along with a Company seal constitutes for a binding contract or signature of 3 Board Members together; Mr. Kanit Sangsubhan and Mr. Apiporn Pasawat and Mr. Piyasvasti Amranand along with a Company seal constitutes for a binding contract.

### Scope of Authority and Responsibilities of Board of Directors

Members of the Board of Directors (BoD) are required to perform their duties in compliance with legal and Company objectives and to execute resolutions as reached at the Shareholders' Meeting. The BoD may appoint a person to run the Company's operations but such person must report to the BoD. The BoD may provide a proxy to persons to act on behalf of the Company in accordance with the stipulation and within the given time frame as deemed appropriate by the BoD but the BoD has the power to nullify, rescind, modify or change proxy in which such appointed person is to act on behalf of the Company. The BoD may stipulate names of authorized directors as well as appoint sub-committee.



The Company's Board of Directors met in total 15 times for 2011.

During the year, a number of Committees were appointed to undertake specific tasks including the following :

### Audit Committee

To ensure abidance with policies on good corporate governance as stipulated by the Ministry of Finance (MOF) and the Stock Exchange of Thailand (SET) to increase shareholder and investor confidence, the Company's Board of Directors appointed non-executive Board members who are qualified as Independent Director to the Audit Committee.

As of December 31, 2011 the Audit Committee consisting of :

1.	Mr. Chulasingh	Vasantasingh	Chairman
2.	Mr. Chutinant	Bhirom Bhakdi	Member (who has knowledge and experience in reviewing reliability of Financial Statements)
3.	Mr. Weerawong	Chittmittrapap	Member
	Mrs. Keseree	Narongdej	Advisors to the Audit Committee
	Ms. Raweepon	Kuhiran	Advisors to the Audit Committee
	Mrs. Suvakhon	Nawongs	(Vice President, Office of The Internal Audit) Secretary

The members of our Audit Committee must meet the following requirements of the Thai Capital Market Supervisory Board, which include:

1. They must be independent directors with qualifications as defined by the Capital Market Supervisory Board.
2. They may not be directors authorized by our Board of Directors to make any decisions in the business operations of the parent company, subsidiary company or a subsidiary at the same level as our Company, or the majority shareholders or controlling persons.
3. They may not be directors of the parent company, subsidiary company or a subsidiary at the same level as our Company.
4. They must have sufficient knowledge and experience to perform their duties as Audit Committee members.

### Audit Committee's Authority and Responsibilities

1. The Audit Committee helps audit the Company's financial statements and ensure sufficient and correct disclosure of financial information.
2. Ensures adequate and efficient internal control measures and internal audit process that is effective while also ensuring the independence of the Internal Audit Department. The Committee's responsibility is also to provide consent on the appointment, transfer of or the firing of the head of the Audit Department.
3. Ensures the Company adheres to all rules and regulations relating to Securities and Exchange and all other related legal guidelines as per the business of the Company.
4. Consider, screen and submit for approval qualified independent persons to undertake the function of the Company's financial auditor along with submitting for approval the applicable auditor's fees. It is also required that the Audit Committee meet with the Company's financial auditor at least once without the presence of the Company's management.
5. Review the transactions determined to be related party transactions or have conflicts of interest and ensuring adherence to all legal guidelines and regulations that of the SET and determine appropriateness of the transactions yielding the Company maximum benefit.

6. Prepare an Audit Committee statement that is to be disclosed in the Company's annual report and must contain not only the content as stipulated by the SET and signed by the Chairman of the Audit Committee.
7. Undertake other activities that may be prescribed by the Company's Board of Directors within the scope of the Audit Committee's function.
8. Upon finding or have any questions regarding transaction or actions taken which may bear significant impact on the Company's financial stability and financial performance, the Audit Committee must report such findings and/or query to the Company's Board of Directors for immediate corrective action within the time period as stipulated by the Audit Committee. These include :
  - (1) Transactions that create conflict of interest
  - (2) Corruption or something out of the ordinary or any fault or loophole in the internal audit process
  - (3) Breaking any of the legal guidelines, rules and regulations relating to Securities and Exchange, notifications of the SET or any other related rules and regulations applicable to governing the Company's business.

The Audit Committee met a total of 11 times in 2011 and progress reports were made to the Company's Board of Directors.

### Good Corporate Governance Committee

To ensure integrity of the Company's operations with respect to the principles of good corporate governance as stipulated by both the MOF and the SET and is in line with international best practices.

The Company's Board of Directors appointed the following persons, as of December 31, 2011 to the Good Corporate Governance Committee :

1.	Pol. Gen. Preophan	Dhamapong	Chairman
2.	ACM Satitpong	Sukvimol	Member
3.	Mr. Weerawong	Chittmittrapap	Member
4.	Mr. Dheerasak	Suwannayos	Member
5.	Mr. Piyasvasti	Amranand	Member
6.	Mr. Niruj	Maneepon	Member and Secretary
7.	Mr. Bumpen	Suppasri	Assistant Secretary

### Good Corporate Governance Committee's Authority and Responsibilities

1. Reviewing our corporate governance procedures and making recommendations to the Board of Directors, with the goal of establishing good corporate governance according to the principles set forth by the MOF and the SET.
2. Auditing the good corporate governance of the Company.
3. Coordinate with the Company's Board of Directors and related sub-committees of the company get as think fit.
4. The authority to question management, employees or other related persons to provide a statement and/or view point including the authority to request documents or other necessary items to assist in decision making.
5. Other undertakings as may be designated by the Board of Directors

The Committee met once in 2011 and provided progress reports to the Company's Board of Directors.

## Independent Directors

To meet requirements of the Securities and Exchange Commission (SEC) and the guidelines for Good Governance of State Enterprise Policy office (SEPO) and Thai Institute of Directors (IOD).

The Board of Directors has appointed the following persons, as of December 31, 2011 to be the Independent Directors.

1.	Mr. Ampon	Kittiampon	Member
2.	Mr. Chulasingh	Vasantasingh	Member
3.	Mr. Kanit	Sangsubhan	Member
4.	Mr. Weerawong	Chittmittrapap	Member
5.	ACM Satitpong	Sukvimol	Member
6.	Mr. Apiporn	Pasawat	Member

The Scope and Limitations of Independent Directors are as follows:

1. Must hold no more than 1 percent of the total outstanding voting stock of THAI, its subsidiary or its affiliated companies, its major shareholders or persons having control over the Company. Shareholding of the Independent Director includes shares held by persons related to the particular Independent Director.
2. Is not currently or has been part of management, staff, employee or consultant receiving regular remuneration or having the ability to govern or dictate the direction of the Company, parent company, subsidiary, affiliates or affiliates of the same level, major shareholder or a person/entity having the ability to govern or dictate the Company's direction unless the position has been terminated for over 2 years. However, this restriction does not apply to Independent Directors having been a public servant or served as consultant to the government unit which is the Company's major shareholder or that of the entity that is able to govern or dictate the company's direction.
3. Is not a person that is related by blood or is related through legal bonding that includes the father, Mother, spouses, siblings and children including spouses of the children to management, the major shareholder, entity with the authority to govern or dictate the direction of the Company or any person that has received nomination to become a management or an entity that has authority to govern or dictate the Company's direction or its subsidiary.
4. Never gave or used to have business relationships with the Company, parent Company, subsidiary, affiliates, major shareholder or persons having ability to govern or dictate the Company's direction which may distract one's independent judgment. This also includes not having been or has been a shareholder of significance or person possessing the authority to govern or dictate an entity of an entity that has a business relationship with the Company, the parent Company, subsidiary, affiliates, major shareholder or a person with management authority unless the person's term has been terminated by at least 2 years.
5. Is not or has been the auditor of the Company, parent Company, subsidiary, affiliates, major shareholder or a person with authority to govern or dictate the Company and is not a shareholder of significance, a person with ability to control or a partner to an audit firm that has an auditor providing service to the Company, parent Company, subsidiary or affiliates, the major shareholder or a person of authority as part of the firm unless the position has been terminated for at least 2 years.

6. Is not or has been a professional service provider that includes being a legal advisor or financial advisor that has received remuneration of over 2 million baht per annum from the Company, parent Company, subsidiary, affiliates, the major shareholder or an entity that has authority to govern the Company and is not a shareholder of significance, person of authority to govern or a partner of a professional service provider unless that position has been terminated for at least 2 years.
7. An Independent Director is not a Director appointed as a representative of the Company's Board of Directors, major shareholder or a shareholder that is related to the major shareholder.
8. Must not operate or own a similar type of business that is a direct competitor to the Company or its subsidiary or is not a major partner in a limited partnership or is a Director with management authority, staff, employee, a consultant earning regular remuneration or hold more than 1% of total voting shares of other companies that operates a similar type of business and is deemed to be a direct competitor to that of the Company or subsidiary.
9. There are no other issues that would prevent such person to provide an independent point of view related to the Company's operations.

The Company has stipulated the shareholding limits of an Independent Director in clause 2 of not exceeding 0.5% which is more stringent than the requirement by both SEC and the SET.

An Independent Director possessing qualifications from 1 through 9 may be given authority through collective decision to allow such person to run the Company's operations including the parent Company, subsidiary, affiliates, and affiliate of similar level, major shareholders or persons with the ability to dictate or govern the direction of the Company.

In case the person appointed to the position of Independent Director has or has had business relationship or a relationship with a professional service provider with remuneration exceeding section 4 or section 6 of the guidelines, the Company's Board of Directors may consider relaxing the guidelines if it is determined that the qualifications of the person appointed does not bear impact upon the role and the independence of his/her judgment. The Company must disclose the following information regarding the Independent Director in the section on the appointment of Independent Directors as part of the invitation for the shareholders' meeting:

- (1) Business relationships or professional services which would cause this candidate to not meet the stipulated criteria.
- (2) Reason and necessity for appointing such person as the Company's Independent Director.
- (3) A comment by the Company's Board of Directors regarding the proposed candidate to be appointed as Independent Director

#### Independent Director's Authority and Responsibilities

1. Freely provide comments/suggestions and/or provide progress reports on undertakings as assigned by the Board of Directors to ensure that the Company has good corporate governance which complies with the MOF and the SET's guidelines and guidelines for which the Company is evaluated annually including international best practices.
2. Has the authority to obtain documents and summon relevant persons to provide information in regards to assigned task(s)
3. Execute other matters as assigned by the Board of Directors.

In 2011, the Independent Directors performed their assigned duties and commented independently in order to retain the interests of all shareholders equally.

### **Nomination, Remuneration And Human Resource Development Committee**

Following the good corporate governance principles of both the MOF, that of the SET and international best practices.

The Company's Board of Directors appointed the following members, as of December 31, 2011 to the Nomination, Remuneration and Human Resource Development Committee:

- |    |                |             |          |
|----|----------------|-------------|----------|
| 1. | Mr. Areepong   | Bhoocha-oom | Chairman |
| 2. | ACM Satitpong  | Sukvimol    | Member   |
| 3. | Mr. Kanit      | Sangsubhan  | Member   |
| 4. | Mr. Apiporn    | Pasawat     | Member   |
| 5. | Mr. Piyasvasti | Amranand    | Member   |

Mr. Sathok Varasarin (Executive Vice President, Human Resources Department) as Secretary

### **Nomination, Remuneration and Human Resource Development Committee's Authority and Responsibilities**

1. The Committee is charged with the obligation to establish a selection and appointment process for the Company's Board members along with the Company's senior management and means to develop the Company's human resource. Such process must be ethical and comply with the good corporate governance principles as stipulated by the MOF and the SET and conforms to international best practices. Such process must reflect the latest approach in human resource management to acquire persons with the highest qualification and quality to sit on the Company's Board of Directors and senior management posts. The selection process must be fair, just, transparent and is subject to audit.
2. The Committee is also responsible for determining the appropriate level of compensation for members of the Board of Directors, Sub-Committees, the Company's management and outsiders who have been commissioned to perform tasks on the Company's behalf. The compensation scheme should be comparable to companies within the industry but must be sufficient to attract and retain persons possessing desired qualities. Board members who have been assigned additional tasks and responsibilities are also appropriately compensated for their extra effort and commitment. For members of the Board with management responsibilities and that of the Company's senior management, compensation is tied to the Company's overall performance and each individual's effort and contribution. Such guidelines reflect the Company's efforts in fulfilling the good corporate governance guidelines stipulated by both the Ministry of Finance and the SET while observing international best practices.
3. The Committee has the authority to obtain documents and summon relevant persons to provide information in regards to assigned task(s).
4. Execute other matters as assigned by the Board of Directors.
5. The Committee is charged with the authority encompassing the consideration of the appropriateness of each of the various positions of the Company's employees especially for senior management positions.
6. Conducting the review and selection process for prospective candidates for our Board of Directors and senior management.

The Committee met a total of 7 times in 2011 and provided progress reports to the Company's Board of Directors.



## Risk Management Committee

To ensure that the Company has a robust risk management system that not only conforms to the MOF and the SET's good corporate governance guidelines and meeting international best practices, the Risk Management Committee was established to ensure adherence to the stipulated guidelines as it forms part of the Company's annual performance assessment.

The Company's Board of Directors appointed the following persons, as of December 31, 2011 to the Risk Management Committee:

1.	Mr. Kanit	Sangsubhan	Chairman
2.	Mr. Dheerasak	Suwannayos	Member
3.	ACM M.L. Suprija	Kamalasana	Member
4.	Mr. Piyasvasti	Amranand	Member
5.	Mr. Chokchai	Panyayong	Secretary

### Risk Management Committee's Authority and Responsibilities

1. Provide advice and consultation on risk issues and the management of such risks spanning all areas of the Company's operations.
2. Has the authority to summon relevant persons and documents to clarify matters under consideration.
3. Execute other matters as assigned by the Board of Directors.

The Risk Management Committee met 2 times in 2011 and provided progress reports to the Company's Board of Directors.

## Executive Board

As of December 31, 2011 the Executive Board consisting of the persons below were appointed and given the responsibility to ensure that the Company is run with maximum efficiency and to be able to meet the challenges of a dynamic operating environment while ensuring maximum benefit to the Company.

1.	Mr. Kanit	Sangsubhan	Chairman
2.	Mr. Apiporn	Pasawat	Member
3.	Mr. Pradit	Sintavanarong	Member
4.	Mr. Voradej	Harnprasert	Member
5.	Mr. Piyasvasti	Amranand	Member

Mr. Niruj Maneepun (Executive Vice President, Corporate Secretariat) as Secretary

### The Executive Board's Authority and Responsibilities

1. Oversee the various aspects of the Company's operations to ensure abidance with corporate policies, corporate plans and that of the Company's Board of Directors.
2. Screen issues to be submitted for Board of Directors' consideration.
3. Provide suggestions in regards to approach and measures to improve effectiveness and efficiency in the Company's operations.
4. Approve purchases within budget according to the Company's procurement policies not exceeding THB 500 million.

5. Has the authority to approve non-budgeted investments of more than 50 million baht but not exceeding THB 100 million and must report such authorizations to the Board of Directors.
6. Has the authority to summon relevant staff and documents to clarify matters under consideration.
7. Has the authority to appoint sub-committees and working groups as deemed appropriate.
8. Execute other matters as assigned by the Board of Directors.
9. At each meeting of the Executive Board, at least half of the members must be present in order to constitute a quorum. The Chairman is the Chairperson of the meeting and if the Chairman is unable to attend the meeting or is unable to execute his duties, the Chairman is to appoint another Board member to act as the Chairperson on his/her behalf. In case that the Chairman is not able to appoint another Board member to act as Chairperson, members of the Executive Board present at the meeting shall vote amongst themselves for a member of the Executive Board to act as Chairperson. A majority vote by Members of the Executive Board determines a resolution with each member of the Board having one vote. Board Members that may have conflicts of interest on a particular issue must leave the room during discussion and does not have the right to vote on the particular issue. Should there be a tie in the votes the Chairperson will have a second vote to break the tie.

The Executive Board met a total of 13 times in 2011 and reported to the Board of Directors.

### Corporate Social Responsibility Committee (CSR)

In order for the company to clearly continue Corporate Social Responsibility (CSR) participation, add business value and communicate company social and environmental activities to publics regularly.

The Company's Board of Directors appointed the following persons as of December 31, 2011 to the Corporate Social Responsibility Committee:

- |                   |                |          |
|-------------------|----------------|----------|
| 1. Mr. Apiporn    | Pasawat        | Chairman |
| 2. Mr. Chutinant  | Bhirom Bhakdi  | Member   |
| 3. Mr. Weerawong  | Chittmittrapap | Member   |
| 4. Mr. Piyasvasti | Amranand       | Member   |
| 5. Mrs. Nareeluck | Wimooktanon    | Member   |

Mr. Ampon Kittiampon as Advisor to the Committee and Mrs. Sunuthee Isvarphornchai (Vice President, Corporate Communications) as Secretary

### CSR Committee's Authority and Responsibilities

1. Set company policies and clear guidelines for participation of CSR to demonstrate the commitment and dedication of the company in environmental management mixed with idea of "Green Innovation".
2. Perform CSR project with idea of "Travel Green" by continuously inviting all shareholders, passengers, stakeholders and employees to participate in all activities.
3. Set activities to raise awareness and cultivate employees at all levels to think of environment and society, and to agree and to support company activities to publics benefits and charity.
4. Manipulate a communication and public relations of CSR activities and produce CSR Report for publics regularly.
5. Other undertaking as may be designated by the Board of Directors.

The CSR Committee met 2 times in 2011 and provided progress reports to the Company's Board of Directors.

The Board of Directors also appointed various committees and sub-committees including Jet Fuel Price Risk Management Committee, Jet Fuel Price Purchasing Policy Sub-Committee and Legal Sub-Committee.

## THAI Management Executives

As of December 31, 2011, the Company had 13 Senior Management positions : President - 1, Executive Vice President - 9, and Vice Presidents - 3, comprising :

1.	Mr. Piyasvasti	Amranand	President
2.	Mr. Pandit	Chanapai	Executive Vice President, Commercial Department
3.	Flt. Lt. Montree	Jumrieng	Executive Vice President, Technical Department
4.	Mr. Chokchai	Panyayong	Executive Vice President, Strategy and Business Development Department
5.	Sqn. Ldr. Asdavut	Watanangura	Executive Vice President, Operations Department
6.	Mr. Teerapol	Chotichanapibal	Executive Vice President, Product and Customer Services
7.	Mr. Danuj	Bunnag	Managing Director, Ground Services Business Unit Executive Vice President Level.
8.	Mr. Niruj	Maneepan	Executive Vice President, Corporate Secretariat Department
9.	Mr. Sathok	Varasarin	Executive Vice President, Human Resources
10.	Mrs. Wasukarn	Visansawatdi	Executive Vice President, Finance & Accounting Department
11.	Mr. Thongchai	Singhakul	Vice President, Financial Accounting Department
12.	Mr. Raj	Tanta-Nanta	Vice President, Corporate Finance Department
13.	Mrs. Charita	Leelayudth	Vice President, Management Accounting and Budget Department

Note: "Management Executives" are as per the definition of "Management" denoted by the SEC

## The President's Authority and Responsibilities

The President's authority and responsibilities as stipulated by the Company's guidelines include:

1. Authority and duties stated in the "Policies of Thai Airways International Plc."

Under the General Administration Section B.E. 2550 The President is responsible for managing the Company's operations and to achieve corporate objectives as set by the Board of Directors. The President oversees the Company's management and staff and is subject to the Company's guidelines or directives as mandated by the Company's Board of Directors.

2. Authority and duties under the Procurement Guideline - B.E. 2546 (Amended)

In accordance with corporate guidelines, the President is responsible for upholding Company guidelines and has the authority to approve or enter into binding contracts on behalf of the Company with regard to procurement or disposal of supplies. This includes procurement of supplies, hiring, leasing of or to lease supplies to others. The President may issue orders as per the given guidelines that refer to the President's authority in approving such transactions subject to authorized limits per the stipulated guidelines.

- ◆ Procurement of equipment and others for the delivery of aircrafts-up to THB 300 million.
- ◆ Contracts to obtain consultant service-up to THB 100 million.
- ◆ Contracts or transactions related to supplies procurement through tender or auction-up to THB 200 million.
- ◆ Contracts or transactions related to supplies procurement through special process-up to THB 100 million.
- ◆ Contracts or transaction for advertising and sales promotion-up to THB 300 million.
- ◆ Contracts or transactions related to procuring jet fuel-up to THB 500 million.
- ◆ Procurement of aircraft and/or passenger insurance-up to THB 500 million.
- ◆ Contracts or transaction related to food, beverage, catering services both domestics and international station-up to THB 200 million.
- ◆ Contracts or transaction related to office rent, staff accommodations to all stations up to THB 200 million.
- ◆ Contracts or transaction related to crew accommodations-up to THB 200 million.
- ◆ Contracts or transaction related to spare parts, hiring to repair of aircraft component according to Technical Department-up to THB 150 million.
- ◆ Contracts or transaction related to procurement of insurance with insurance policy of up to THB 500 million.

### 3. Authority and duties under the Company's Financial Authority and Duties B.E. 2552.

The President has the authority to enter financial contracts and approve financial undertakings as per the guidelines approved by the Board of Directors and contracts related to the Company's operations must also observe the Company's stipulated guidelines-up to THB 200 million and approve to use outside budget not more than THB 50 million.

The President may not approve or enter into transactions beyond the pre-approved guidelines. According to the Board meeting resolution 14/2002 on November 27, 2002, the Company's Board of Directors entrusts the President to handle all routine matters but does not enable the President to undertake transactions in which involves the President or persons that may be considered to have conflicts of interest (these include : (A) a Company executive, (B) Company's major shareholder, (C) persons with management control, (D) a direct family member, a spouse or someone legally registered with (A), (B) or (C) such as parents, spouse, children or a close relative and (E) a legal entity in which (A), (B) or (C) holds shares, controls or has direct or indirect vested interest or a person stipulated by the SEC. Persons that may have vested interest or may have any conflicts of interest with the Company or its subsidiaries are also prohibited.

## **Appointment of the Board of Directors And Management Executives**

### **Appointment of Board of Directors**

Per the Company's rules and regulations, the Board of Directors must comprise of at least 5 and a maximum of 15 members for which the number is to be decide upon at the Annual General Shareholders' Meeting. At least half of the Board members must reside in Thailand and each person must possess the appropriate qualifications and is not subject to any legal prohibitions. Directors are appointed by majority vote at the Annual General Shareholders' Meeting in accordance with guidelines and procedures. At every Annual General Shareholders Meeting, one-third of the Directors shall retire from office. If the numbers of Directors do not match one-third exactly, the nearest amount to one-third shall be deemed appropriate.

Guidelines have been stipulated by the Company's Board of Directors in regards to selecting candidates to serve as a member of the Company's Board of Directors. The mandate of the Selection, Remuneration and Human Resource Development Committee is to abide by the Good Corporate Governance guidelines as stipulated by the Finance Ministry and the SET emphasizing transparency and ethicality along with complying with Company guidelines in relation to the selection process.

1. Determine the necessary qualifications of the Board Member to be selected
  - 1.1 Key qualifications include sufficiency of knowledge, experience and understanding of the role of being a member of the Board of Directors. It is imperative for the Company's Board of Directors to have persons, capabilities and understandings that are sufficient and appropriate to set the direction of the Company along with the ability to ensure the effectiveness of executing the Company's strategies.
  - 1.2 The qualifications of each Board Member should provide comfort that the chosen person has the ability to execute his/her fiduciary duty – duty of care and duty of loyalty. Such person must also be ethical, has integrity and accountable for his/her actions and makes decisions based on informed judgment.
  - 1.3 Possesses all the qualifications as per the law and other related regulations.
  - 1.4 Not being hampered in judgment as an Independent Director.
  - 1.5 Has the time to perform one's duties for the Company, as can be determined by the number of companies for which a person serves as a Board Member, in order for sufficient time to attend Board meetings on a regular basis, oversee and keep abreast of the Company's operations.
2. Board Member Selection Process
  - 2.1 The Selection Committee is charged with the responsibility of screening candidates to be selected to serve as a Board Member.

**Case 1 :** In case a Board seat is vacated because of a completion of term of the retiring Board Members as required by law where a third of the Board Members must retire, candidates can be selected from : 1) the same person(s) who has/have retired by rotation; 2) the list of accredited persons to sit on the Board of state enterprises and announced by the Ministry of Finance. In case that a non-accredited Board Member's term is terminated prior to the completion of term, it is required that one third of the person to be replaced from the vacancies must be an accredited person by the Ministry of Finance; 3) list of names of candidates as submitted by shareholders (if any); 4) the name of the candidate submitted by the Chairman of the Board or the Company's Board of Directors; 5) persons whose credentials meet the above criteria determined through a screening process.

**Case 2 :** In case that a Board seat is vacated by other than the case of 2.1, the Company's Selection Committee will undertake to find a new candidate upon a resolution of the Company's Board of Directors to appoint a replacement. Candidates can be selected from 1) the list of accredited persons to sit on the Board of state enterprises and announced by the Ministry of Finance. In case that a non-accredited Board Member's term is terminated prior to the completion of term, it is required that one-third of the person to be replaced from the vacancies must be an accredited person by the Ministry of Finance; 2) list of names of candidates as submitted by shareholders (if any); 3) the name of the candidate submitted by the Chairman of the Board or the Company's Board of Directors; 4) persons whose credentials meet the above criteria determined through a screening process.



- 2.2 Screen candidates and ensure their credentials are as stipulated.
- 2.3 The Corporate Secretary must verify the credentials of persons to be considered to serve as a Board Member as per the process as stipulated by the Company.
- 2.4 The Selection Committee must screen and submit the names of qualified candidates to the Company's Board of Directors.

#### Majority Vote at the Annual General Shareholders' Meeting to Determine Appointment of Board Member

1. Each shareholder has 1 vote per share owned
2. Each shareholder must vote his/her entire vote for an individual or individuals to serve as a member of the Company's Board but is not allowed to make partial vote.
3. The individual who receive the highest number of votes in sequence will serve on the Company's Board of Directors. In case that there is a tie for the last Board seat, the selection will be done by lottery.

In case there is a Board seat vacancy resulting from reasons other than by completed term, the Board of Directors is to appoint a person, whose qualifications meet all necessary requirements, to serve on the Company's Board at the next Board meeting with a vote requirement of no less than 3 quarters of the remaining Board Members unless the remaining term of the vacated Board Member is less than 2 months. The appointed person in this case can serve as a Board Member until the remaining term of the vacated Board seat is complete.

The AGM can vote to remove any Board Member with at least a 3 quarters vote of the number of votes present at the AGM and has the right to vote.

At every AGM, at least a third of the Board Members must retire in turn but if the number of Board Members is not divisible by 3, the closest number shall retire. For the first 2 years post registration of the Company, retirees are to be selected by lottery. From then on, Board Members with the longest tenure must retire in turn but may be re-elected back to serve on the Company's Board of Directors.

#### Appointment of other Committees

The Company's Board of Directors has the authority to appoint other committees including the Audit Committee, Independent Committee, Ethics Committee, Selection and Remuneration and Human Resource Development Committee, Risk Management Committee and the Executive Board.

#### Appointment of Management Executives

In appointing the Company's President, the Board of Directors must appoint a Nomination Committee comprising of the 5 members from the Board of Directors and Senior Executive Vice President From Corporate Secretariat Department. This Committee draws up qualifications and screens suitable candidates according to the Act of Standard Qualifications of the State Enterprise Directors and Staff B.E. 2518 and that of the amended version. The Nominating Committee will submit for a majority vote by the Company's Board of Directors persons whose qualifications meet the minimum requirements.

For other members of management, the Board of Directors has mandated the Nomination, Remuneration and Human Resource Development Committee to select the Executive Vice President level and submit the Board to approve to fill each available position, For Vice President level the President to select the most appropriate candidate and report to the Board before appointment.

## Remuneration For Members of the Board of Directors and Management

### Monetary Benefits

The resolution reached on remuneration for members of the Board are as proposed by the Nomination, Remuneration and Human Resource Development Committee and the Board of Directors for which received shareholder approval on April 27, 2011. Details are as follow:

1. Each Board member receives a fixed 50,000 baht monthly remuneration and a monthly allowance of no more than 30,000 baht for Board Meeting attendance. The Chairman and the Vice Chairman receive meeting allowance that is 25% and 12.5% higher than other Board members, respectively.
2. Upon being appointed by the Board or the Chairman of the Board to a Committee, a Sub-Committee or a Working Group, the Director receives an additional THB 10,000 per meeting attendance. However, the maximum allowance paid is 10,000 baht no matter how many meetings are called.
3. Members of the Audit Committee receive a monthly remuneration equivalent to that of meeting allowance of Board members whether or not a meeting is called.
4. The Board of Directors shall receive annual bonus at 0.2% of consolidated net profit before gain or loss foreign currency exchange; however, the total amount shall not exceed baht 30 million.

### Board member remuneration for the year 2011 ending December 31, 2011

Unit : Million Baht

	Number of Persons	Remuneration including allowance and bonus
Company's Board of Directors	25	27.29 <sup>1)</sup>
Audit Committee <sup>2)</sup>	5	0.98
Other Committees <sup>3)</sup>	13	1.37

Note:

- 1) Remuneration plus meeting allowance for Board of Directors, meeting allowance for the sub Committee (excluding audit committees and the annual reward in term of the position to be accounted as an actual amount
- 2) The Board who has been appointed as an audit committee
- 3) Other Committees including Adviser Committee appointed from the external individuals  
Remuneration for Management Executives

### Compensation for Management Executive for fiscal year 2011 ending December 31, 2011

Unit : Million Baht

	Number of Persons	Remuneration including allowance and bonus
Management Executive	13*	88.76

Note : "Management Executive" of 13 person, including retirement before December 31, 2011

## Other Compensation

### Ticket Benefits

#### Board of Directors

According to the Company's guideline on ticket benefits for director and former directors (including family members namely father, mother, husband, wife and legitimate children). They are now entitled to 10 free international round trip tickets and 10 free domestic round trip tickets per annum on the Business class seats or highest class if available. This benefit is for the duration of their tenure as a member of the Company's Board of Directors starting 21 October, 2011.

#### Management Executives

Management executives including their wives and children are entitled to air tickets as per the Company's guidelines.

According to the Company's Guideline No. 03/2553 on the adjustment in ticket benefits for employee, the number and class of tickets was reduced for the management and spouse to business class and can be upgraded to the highest class if available. The management's children are entitled to Business class sets effective from April 1, 2010

#### Provident Fund

The Company's Provident Fund was registered on June 26, 1992, for which contributions are made by both staff and the Company. A 9 % contribution is made to the fund by the Company for staff whose tenure is less than 20 years while those with tenures greater than 20 years receive a 10 % contribution. Each employee is required to make contributions not less than 2 % of monthly salary and no more than the Company's contribution.

#### Pension Fund

The Company established a staff pension fund with a policy of contributing 10 % of staff's salary for which the funds are invested and earn interest. Should there be a shortfall of available funds against its liabilities the Company will make a one-time contribution to the fund to match its liabilities.

Staff must have worked for the Company at 3 years before being eligible to receive payment upon resignation, retirement or death. Staff hired post the inception of the provident fund in June of 1992 are only allowed to participate in the Staff Provident Fund. As a result, no new members have been added to the Pension Fund since June 1992.

Total contribution made to Management Executive's provident fund and pension fund for fiscal year 2011 ending December 31, 2011

	<i>Number of Persons</i>	<i>Total Amount</i>
Management Executive	13	2.78

Note : "Management Executive" of 13 person, including retirement before December 31,2011

# Good Corporate Governance Committee Report

Thai Airways International Plc. recognizes the importance of good corporate governance and stresses the application of the principles of good corporate governance into daily management of the Company's operations will continually increase the Company's overall value and build stakeholder confidence but ultimately leading to enhancing the Company's competitiveness.

The Committee operates in a systematic way and in accordance with procedures to achieve its goal of strengthening the overall organization and enhancing good corporate governance through implementing appropriate assessment tools, which are :

- ◆ The Company's regulations related to the complaints on corruption or noncompliance with the laws, rules, regulations, orders or good corporate governance or ethics of Good Corporate Governance and Ethics Code 2010.
- ◆ Good Corporate Governance and Ethics Code
- ◆ Established the Corporate Inspection Office
- ◆ Implemented the Whistle Blower Policy

The tools implemented reflect the core underlying cultural principles of THAI Spirit as guiding principles for all business functions and individuals to strive to achieve.

A comprehensive good corporate governance policy, policy on adherence to all laws and the company's rules and regulations and the good corporate governance plan for 2012-2013 have been approved by the Committee to enable the Board of Directors, management and employees of THAI to have the same understanding and thus work towards the same goals. In focusing on and heightening awareness of good corporate governance, THAI was recognized by the State Enterprise Policy Office in 2011 for its achievements in the category of management improvement by a State Enterprise. Recognition was also earned from independent third parties such as the Thai Institute of Directors (IOD) with a "Very Good" grading for the 6<sup>th</sup> consecutive year for good corporate governance. A good reflection of THAI's success in the continuous push, promoting and supporting for adoption of good corporate governance within the company through adherence by senior management and under the guidance of the committee is the accolade received by an external third party.

The Company is rapidly moving to integrate the principles of good corporate governance into daily management of operations under an ever more competitive and rapidly changing operating environment requiring the highest level of cooperation and support from management, employees and stakeholders while upholding the highest standard of good corporate governance. The ultimate benefit will be in building confidence and enhancing value of the company while ensuring THAI's long-term stability.

Pol. Gen.



(Preophan Dhamapong)  
Chairman

# Good Corporate Governance

As a publicly listed company, THAI understands the importance of having good corporate governance and diligently observes such principles in practice. To ensure comprehensiveness in observing such principles, the Company's Board of Directors appointed a Good Corporate Governance Committee and its various subcommittees, a Corporate Secretariat Department, an Investor Relations Department and a Risk Management Department with mandates to function and observe the principles of good corporate governance. The goal is to instill a culture of good corporate governance to enhance THAI's competitiveness leading to long-term sustainable growth and building shareholder value over time. For THAI's efforts in embracing principles of good corporate governance as per the guideline of the Stock Exchange of Thailand (SET) and that of the Securities and Exchange Commission (SEC). THAI was recognized in 2004 with a "Good" rating. Thai Rating and Information Services company (TRIS) and the Thai Institute of Directors Association (IOD) has assessed and were subsequently given a "very good" rating since 2005.

The results of THAI's rating by TRIS for the seventh consecutive year reflects the commitment of the company's Board of Directors, management and employees towards good corporate governance. Providing equitable treatment to all stakeholders will serve well to ensure sustained growth in the longer term. THAI has complied with the laws and terms as per the guidelines of the SEC including principles of Good Governance.

## **1. Policies on Good Corporate Governance**

THAI is fully committed to the principles of good corporate governance to ensure long-term sustainable growth for the Company. This commitment to good corporate governance is reflected in the Board of Directors' resolution on October 28, 2002 approving the principles of Good Corporate Governance. These principles are to ensure that Board of Directors, management and employees are conscious of undertaking actions based on these principles and serve as a strong foundation for improving efficiency and effectiveness in managing the Company. The purpose is to ensure equitable treatment of all stakeholders, build confidence in the Company and enable the Company to operate transparently and ethically. On 28 July 2003, the Company's Board of Directors approved THAI's new Ethics Policies and Principles of Good Corporate Governance by providing clearer guidelines encompassing the following:

### **THAI's Good Corporate Governance Principle**

- ◆ **Creation of Long Term Value:** The Company must promote and instill such vision in the Officers and must cause them to realize the importance in increasing the competency in all aspects of operations including setting up the appropriate committees to ensure abidance with Good Corporate Governance guidelines. Management must comply with transparency and fairness in regards to nominations, appointments, transfers and consideration for promotions.



- ◆ **Transparency:** Ensure that there is sufficient disclosure of significant financial, operational and other relevant information related to the Company's past operations and during the relevant time period. Information disclosure must be made via channels that are most readily accessible by persons who have relevant need to access such information. Further facilitating information disclosure and dissemination is through the establishment of the Public Relations and the Investors Relations Department. Employees must perform their duties with integrity, must not take actions in their own interest and must not create a situation of having conflicts of interest. An employee may not undertake a post as a director, advisor or any other position at another Company that could cause a conflict of interest.
- ◆ **Responsibility:** Employees must devote themselves in performing their duties employing their knowledge, experience and to the best of their ability and using discretion in performing such duties with honesty and fairness. Employees must not seek benefit or interest for themselves or others. Employees must uphold the highest standard of responsibility in performing one's duties. Management must be responsive to the need of shareholders, customers, business partners, employees and company's other stakeholders
- ◆ **Accountability:** Management must attentively perform their duties to the best of their ability and must exercise care in the manner of the person having knowledge and experience including being ready to take responsibility for the outcome of their actions and are able to explain their decision and action to the Company's Board of Directors, immediate supervisor, shareholders, customers, business partners and Company's other stakeholders.
- ◆ **Equitable Treatment:** Managements must ensure fairness and equitable treatment in conducting business operation towards stakeholders without discrimination based on races, nationalities, religions, sexes or other unfair reasons while ensuring fair treatment of competitors based on internationally accepted principles not fraudulently obtaining trade secret or undertake corporate espionage activities. Management must provide the channels for which employees are able to file reports which may be beneficial to the Company if there has been observance of wrongdoing and a response should be provided within a given time frame.
- ◆ **Ethics**  
In performing their duties, Officers must adhere to the principles as follows:-
  - (1) Uphold the democratic regime - To support and adhere to the democratic regime of which the King is the Head of State;
  - (2) Maximize the Company's interest - To perform duties for the maximum benefit of the Company by neither seeking nor benefitting for themselves or engaging in transactions having conflicts of interest;
  - (3) Uphold honesty - Perform work and duties responsibly and honestly;
  - (4) Uphold righteousness - Perform one's duties correctly to the best of one's ability;
  - (5) Uphold transparency - No distortion in integrity of information provided to colleagues, the general public, shareholders and other stakeholders.

As for the Company's Principles of Good Corporate Governance, the Company abides by the principles and guidelines of good corporate governance for state enterprises as stipulated by the MOF. THAI also abides by the SET's Principles of Good Corporate Governance for publicly listed companies B.E. 2549 and follows international best practices.

The Board of Directors appointed a Good Corporate Governance Committee comprising members of the Board, management and qualified persons charging them with the responsibility of reviewing and advising the Board on good corporate governance practices. The Committee is also responsible for ensuring adherence to such principles as stated by the MOF, the SET and that of international best practices. The Committee may coordinate with the Audit Committee, the Risk Management Committee and other committees as deemed necessary to accomplish their tasks. The Good Corporate Governance Committee is also responsible for devising a comprehensive review process and making necessary adjustments to good corporate governance policies on an ongoing basis. All Board members are encouraged to attend seminars provided by IOD and other institutions on relevant topics concerning Good Corporate Governance.

The Company's Good Corporate Governance Committee reviewed and appointed Good Corporate Governance Sub-Committee to oversee the development of ethics for the Company's operating units and ensure clarity of strategy, systematic and comprehensive implemented process. The Good Corporate Governance Sub-Committee is also tasked to support, disseminate and inculcate ethics for all to be aware, understanding of and abidance by all employees.

## **2. Shareholders : Right and Equitable Treatment**

### **Shareholders' Rights**

THAI recognizes the importance of shareholders and their rights to build confidence and trust to invest in the Company. To this end, THAI has implemented policies to protect the basic rights of its shareholders which include the right to purchase, sell or transfer Company shares or receive a share in the Company's profits, receive sufficient and timely Company information, participating in the Annual General Shareholders' Meeting (AGM), give proxy to vote on shareholder's behalf, make inquiries during the AGM, have rights to submit the issues for meeting agenda and also be able to nominate the appropriate individuals for consideration to be appointed to the Company's Board of Directors. The right to participate in important decisions such as electing directors of the Company, approval of transactions that bears effect on the direction of the business and making amendments to the Articles of Association.

### **Equitable Treatment of All Shareholders**

THAI's policy is to facilitate the needs of its shareholders and to ensure equitable and fair treatment which complies with applicable laws and guidelines protecting shareholders' basic rights where voting rights are based on a one vote per share basis with Independent Directors mandated to look after the benefits of minority shareholders. Measures have been taken to prevent insider trading and the misuse of internal information by the Company's Board members, management including their spouses and their children. Board members and those that have retired from office of no more than 6 months are prohibited from making any transactions in regards to THAI's shares from 1 month prior and 3 days post disclosure of the Company's financial performance. The Company's Board members and its Executives are required to disclose their holding of THAI's shares and a shareholding movement report must be submitted the Board of Directors on a regular basis. These measures are to ensure the integrity of members of the Board and that of management.

### 3. Stakeholders' Rights

THAI's main goal is to provide comprehensive air transport services encompassing domestic and international routes, focusing on safety, convenience and unsurpassed quality service to satisfy its customers and gain their trust. Effective and efficient management at par with international standards combined with satisfactory financial performance serves to maximize shareholders' value. To optimize staff effectiveness and growth potential, the Company seeks to provide a stable, safe and friendly working environment so that everyone can feel proud to be part of the success story. THAI, in its role as the national carrier, supports the nation through its various charity and social contributions.

To achieve the Company's objectives, it is important to take into consideration the rights of each of the Company's internal stakeholders including shareholders, the Company's Board members, its employees and external stakeholders including customers, business partners, creditors, competitors, regulatory bodies and other entities for which the Company interacts. THAI's internal and external interactions are founded on the basis of Corporate Social Responsibility (CSR). Written guidelines in the Thai Airways International Code of Conduct of 2002 lays the ground rules for which Board members, management and employees are expected to abide. The Good Corporate Governance Committee has revised Thai Airways International Code of Conduct to be more encompassing, more precise and better reflect the current operating environment. The revision process enabled all staff to participate in the preparation of THAI's Ethics Principles. In September 2010, the Company announced the Good Corporate Governance and Ethics code manual. Stakeholders' rights observed by the Company include:

#### Shareholders

THAI's modus operandi is based on honesty, transparency and equality to provide shareholders confidence for every decision that is made by the Company the issue has been scrutinized and analyzed based on maximizing shareholder benefit and that of related parties. Every effort is made in each decision process to consistently maximize return to shareholders and ensure equal treatment of all shareholders through the following guidelines :

- ◆ Perform duties with honesty, integrity and fairness for the benefit of major and minor shareholders as well as other related parties.
- ◆ Manage for stable long-term sustainable growth while maximizing shareholder wealth.
- ◆ Knowledgeably execute responsibilities with utmost care and professionalism.
- ◆ Safeguard the Company's assets.
- ◆ Disclose sufficient and accurate financial and non-financial information on a consistent and timely manner reflecting the Company's operating and financial status.

#### Customers

To enable all THAI employees to contribute in ensuring the highest level of customer satisfaction at every customer service touch point, the Company is actively seeking ways and means to more efficiently and effectively meet the needs and expectations of customers through the following guidelines:

- ◆ Adopt a positive attitude with emphasis placed on customer care and service, providing service with enthusiasm and courtesy, keeping customer's personal information confidential and ensure equitable treatment of all customers to provide unsurpassed service quality leaving passengers with an indelible experience.

- ◆ Study and understand customers' needs to develop products to suit their needs and to ensure the highest standard of service for each customer touch point. THAI's employees are encouraged to keep abreast of the latest in information and build experience through field work to gain expertise and efficiency. The expectation is for THAI's employees to use their experience to provide unsurpassed service quality and through customer satisfaction, customer retention is achieved.
- ◆ Establish a strong working relationship to build customer loyalty. It's products and services are to be first rate but there must also be a system that quickly and satisfactorily handle customer complaints.

#### Business Partners, Creditors and Debtors

THAI's corporate policy in regards to business partners and/or creditors or debtors is of equal treatment and to ensure fairness for all parties, avoid situations where conflicts of interest may arise and abide by the terms of contract, provide factual information and ensure integrity of reports while resolutions to conflicts is based on the relationship of the business. The following policies serve as codes of conduct with business partners, creditors and debtors:

- ◆ Any money, gift or benefit worth more than 3,000 baht from any of the above parties is prohibited
- ◆ The solicitation, acceptance, payment or offer for payment any benefit that is not considered to be transparent with a business partner and solicitation, acceptance, payment or offer for payment any benefit that is not considered to be transparent with creditors and/or debtors are prohibited.
- ◆ Should there be evidence of solicitation, acceptance, payment or offer for payment benefits of any sort that is not considered to be transparent, immediate action must be taken to rectify the situation in accordance with the stipulated procedure and based on fairness.
- ◆ Uphold and abide by the terms and conditions of contracts made with business partners and/or creditors in totality and should there be a chance for non-performance on any covenant, the respective business partner or creditor must be notified immediately to find means to resolve the problem.

#### Competitors

- ◆ The Company's policy is to treat all competitors as per the international standard under relevant legal guidelines pertaining to competition where corporate espionage is not allowed and has the following provisions:
- ◆ Abide by the framework of fair competition.
- ◆ Avoid defamation of competitors through negative information or false accusations.
- ◆ Avoid illegal access of competitor's confidential information 4

#### In Relation to Society and Community

- ◆ Undertake activities that are of mutual benefit to the Company and that of the community. Avoid activities that will tarnish the country's image, adverse impact on natural resources and the environment and that of the general public.
- ◆ Provide ongoing support for activities that are beneficial to the general public.
- ◆ Instill a culture of being socially responsible for all employee levels.
- ◆ Avoid undertaking illegal actions or being accessory to illegal acts.
- ◆ Manage the Company free of political agenda.

## 4. Annual General Shareholders' Meeting

The Company have to prepare the AGM as required in accordance with the guidelines of the SET and that of the made by the Thai Rating and Information Services Company Limited (TRIS) along with recommendations from the Thai Institute of Directors Association (IOD). An AGM Checklist was used in preparation of holding the AGM, which is the basis for which publicly listed companies will be rated by the Thai Investors Association and the SEC to enhance the quality of AGM. Areas of evaluation include the following:

### **Date, Time and Place to hold the AGM**

At the Board of Directors' meeting 3/2011 held on February 25, 2011, a resolution was reached by the Company's Board of Directors to hold the second AGM for 2011. February 27, 2011, and the Company's website beginning March 26, 2010, which complies with the articles of association of Thai Airways International Public Company Limited requiring the AGM to be held within 4 months after posting its financial performance for 2011. The venue for the AGM was held the Makawanrangsang Hall, third floor, at the Royal Thai Military Club on Vibhavadee Rangsit Road, Bangkok. A total of 3,969 shareholders and proxies attended the meeting representing a total of 1,847,950,202 shares which was more than one third of the Company's paid-up capital constituting a quorum.

### **Prior to the AGM**

For 2011 AGM, to ensure abidance with the guidelines of good corporate governance and recognizing shareholder's rights, THAI enabled its shareholders to submit name(s) of qualified candidates to be considered for election to the Company's Board of Directors. The time frame allowing submission of names of candidates was from October to December 2010. Applicable guidelines and qualifications for persons to be considered for Board membership was posted on the Company's website. A letter stipulating qualification of potential Board candidates signed by the Company Secretariat was submitted to the President of the SET.

### **Distribution of Material for the AGM and Proxy**

An invitation letter to attend the AGM was sent along with the complete details of the agenda to be considered at the AGM as per the laws, regulations of the SET and as per the Company's Articles of Association requiring sufficient background information of each agenda must be included in the information package for shareholders to make an informed decision. In this regard, the Company clearly disclosed for each agenda for shareholder consideration whether the agenda is "for shareholders' information", "for approval" or "for consideration". A summary of the Board of Directors' view on each agenda was also included. The complete information packet delivered to shareholders also included the complete minutes to the previous AGM, a copy of the Annual Report, all necessary documents to be used for the AGM along with proxy sheets and how proxies are to be used. All the above documents were sent at least 21 days ahead of the AGM date. The notice for the AGM was printed in a Thai language daily newspaper for 3 consecutive days which were printed prior to 3 days before the AGM. The invitation to attend the AGM along with the complete information packet was also posted on the Company website for more than 30 days prior to the AGM. An invitation letter was sent to all shareholders whose name appeared on the Company's shareholder registrar. Independent Directors were also named for whom proxy votes can be given to vote on the shareholders' behalf or such proxy can be given to another person attending the AGM to vote on the shareholders' behalf.



## Day of the AGM

### Meeting Attendance and Registration

Information relevant to the AGM was also included in the information packet sent to shareholders along with the letter of invitation to attend the AGM to enable shareholders to have sufficient information to make sound decisions on the various issues proposed for consideration. The time and date of the AGM was clearly disclosed while the meeting location was selected to ensure maximum security for shareholders. Shareholders and their proxies were expedited through the registration process with a large number of employees on hand to facilitate the process. Registration to attend the AGM began 2 hours prior to the meeting commencement and continued through the end of the AGM. A small token of appreciation was also given upon registration and shareholders were treated to snacks and refreshments.

### Attendance of Board Members and Management at the AGM

In 2011, Mr. Ampon Kittiampon, Chairman of the Board of Directors, presided over the Meeting as the Chairman. There were directors and committees including management executives attending the Meeting as follows:

#### Board of Directors and Committees:

1.	Mr. Ampon	Kittiampon	Chairman
2.	Mr. Surachai	Tansitpong	1 <sup>st</sup> Vice Chairman, Independent Director and Chairman of the Nomination, Remuneration and Human Resources Development Committee
3.	Mr. Sathit	Limpongpan	2 <sup>nd</sup> Vice Chairman and Chairman of the Good Corporate Governance Committee
4.	Mr. Chulasingh	Vasantasingh	Independent Director and Chairman of the Audit Committee
5.	Mr. Banyong	Pongpanich	Independent Director, Member of the Audit Committee and Member of the Risk Management Committee
6.	Mr. Weerawong	Chittmittrapap	Independent Director, Member of the Audit Committee and Member of the Good Corporate Governance Committee
7.	Mr. Chaisak	Angkasuwan	Director, Member of the Nomination, Remuneration and Human Resources Development Committee
8.	Mr. Areepong	Bhoocha-oom	Director, Member of the Good Corporate Governance Committee and Member of the Risk Management Committee
9.	Mr. Kanit	Sangsubhan	Director, Member of the Good Corporate Governance Committee
10.	Mr. Apiporn	Pasawat	Director, Member of the Risk Management Committee

11. Mr. Pravich	Rattanapian	Director
12. Mr. Varah	Sucharitakul	Director
13. Mr. Piyasvasti	Amranand	Director, Member of the Good Corporate Governance Committee; Member of the Nomination, Remuneration and Human Resources Development Committee and Member of the Risk Management Committee

#### Management Executives:

1. Mr. Piyasvasti	Amranand	President
2. Mr. Kaweepon	Raungpaka	Executive Vice President, Finance and Accounting
3. Mr. Pandit	Chanapai	Executive Vice President, Commercial
4. Flt.Lt. Montree	Jumrieng	Executive Vice President, Technical
5. Sqn.Ldr. Asdavut	Watanangura	Executive Vice President, Operation
6. Mr. Teerapol	Chotichanapibal	Executive Vice President, Commercial Development and Support Department
7. Mr. Sathok	Varasarin	Executive Vice President, Human Resources
8. Mr. Niruj	Maneepon	Executive Vice President, Corporate Secretariat, acting as the Company Secretary to the Meeting
9. Mr. Danuj	Bunnag	Managing Director, Ground Services Business Unit
10. Mr. Apichart	Danaivan	Vice President, General Administration
11. Mrs. Suvakhon	Nawongs	Vice President, Office of the Internal Audit
12. Mrs. Sunathee	Isvarphornchai	Vice President, Corporate Communications
13. Mr. Prakobkiat	Ninnad	Vice President, Petroleum and Corporate Insurance
14. Mrs. Chuda	Dhanabhumi	Vice President, Personnel Development and Training
15. Mrs. Nareeluck	Wimooktanon	Vice President, VVIP/VIP Travel Planning and Coordination
16. Mr. Raj	Tanta-Nanta	Vice President, Investor Relations
17. Mr. Pichait	Riengvattanasuk	Vice President, Corporate Finance
18. Mr. Thongchai	Singhakul	Vice President, Financial Accounting
19. Flt.Lt. Sopit	Pokasoowan	Vice President, Risk Management
20. Mr. Pichai	Chunganuwad	Managing Director, Cargo and Mail Commercial
21. Mr. Lek	Klinvibul	Vice President, Ground Customer Service
22. Mrs. Charita	Leelayudth	Vice President, Management Accounting and Budget
23. 2 <sup>nd</sup> Lt. Anussorn	Naksrichum	Vice President, Ground Equipment Services
24. Flg.Off. Wuttichai	Saguanmoo	Vice President, Heavy Maintenance
25. Flg.Off. Chalermpon	Intarawong	Vice President, Aircraft Maintenance Center BKK Base
26. Flt.Lt. Yuthasit	Suwanloy	Vice President, Technical Support
27. Mrs. Wasukarn	Visansawatdi	Vice President, Business Development and Special Project
28. Mrs. Jirawan	Chiasakul	Vice President, Information Technology Services

29. Mr. Woranate	Laprabang	Vice President, Corporate Strategy and Planning
30. Sqn.Ldr. Alongot	Pullsuk	Vice President, Flight Operation
31. Mr. Dullayapong	Sukhanusas	Vice President, Alliance and Loyalty Management
32. Flt.Lt. Kanok	Thongpurk	Vice President, Human Resources Management
33. Mr. Chalongchai	Hiranyalekha	Vice President, Market Planning and Revenue Management
34. Mr. Krittaphon	Chantalitanon	Vice President, Product and Service Development
35. Flg.Off. Suraphon	Israngura Na Ayuthya	Managing Director, Catering
36. Mr. Bumpen	Suppasri	Vice President , Legal and Compliance Department

### **Shareholder Enquiry and Comments, Resolution and Preparing Minutes to the AGM**

Prior to commencing the 2011 AGM, the Chairman presiding over the AGM provided attendees with a summary of the Quorum, explained how to use the voting card, the voting procedure, the vote collection process and the vote counting process. After each vote count, the Chairman announced the results of voting for each agenda to the shareholders ensuring transparency of each vote count. The physical vote stubs are kept in filing for future reference. On each agenda for consideration, the Board of Directors and management were on hand to provide comprehensive response to queries and/or comment that shareholders may have. In regards to the voting and vote counting process, the Company strictly adhered to the company's Articles of Association allowing 1 vote per share held and using majority vote as a quorum. Except for votes that were against or refrained, the stubs of votes going towards the quorum are kept for future reference. A comprehensive minute of the AGM is kept along with a video recording was made of the whole meeting which is readily available for shareholder reference.

### **After the AGM**

#### **Disclosure of Resolutions**

Resolutions reached at the AGM are disclosed the following business day to the general public via the SET's information channel. Details regarding the approved/disapproved resolution and the vote counts (approve/disapprove/refrain from votes) have been clearly indicated for each issue that was submitted for consideration. The detailed minutes to the AGM containing names of Board members and management attending the meeting along with the resulting resolutions, (approved/disapproved) and the vote count (approve/disapprove/refrain from votes) on issues posed for shareholder consideration along with major issues posed by shareholders and the response made by the Company were submitted to the SET and other relevant government bodies within 14 days post the AGM. The minutes to the AGM has also been posted on the Company's web site <http://www.thaiairways.com>.

## **5. Leadership and Vision**

THAI's Board of Directors is made up of knowledgeable and qualified persons of diverse backgrounds and experience including the areas of commercial airline industry, finance, accounting, legal, public and private administration. Each Board member clearly understands their roles and responsibilities thus enabling the Board of Directors to function smoothly. Members of the Board actively contribute in various areas of the Company's operations including the Company's vision, mission, objectives, strategies, goals and approving the Company's strategic directions and policies. The Board of Directors is also responsible for development of the annual plan

and the corresponding budget while overseeing management and ensuring adherence to and the effectiveness in meeting corporate strategies and the established budget. The Board also ensure that all activities undertaken by the Company are in compliance with all legal and regulatory guidelines, the Company's own regulations and guidelines including those of the respective Ministries oversight of THAI along with the resolutions reached at the AGM. A robust internal audit process must be in place and a comprehensive risk management system is also be in effect to ensure maximum benefit for the Company and for the Company's stakeholders complying with the principles of good corporate governance to increase the Company's economic value and provide shareholders with the greatest level of security and return.

## 6. Conflicts of Interest

One aim of the principles of good corporate governance is to prevent conflicts of interest. The Board of Directors screens transactions based on moral guidelines for transactions that may have conflicts of interest including related party transactions or transactions amongst business units within. It is required of everyone within the Company from Board members down to the Company's employees to strictly adhere to the guidelines below as set forth by the SET.

A guideline was announced in regards to disclosure of information on related party transactions as per the guidelines and procedures as stipulated by the SET since September 2004 to let members of the Board and management know that information disclosure is a must in case there be any relationship that falls within the definition as stipulated by the SEC. Disclosure is made on the person and business entity that is related and every time there is a new management appointment, the Company Secretariat sends the "Details of Related Persons Form as per the SET's guidelines relating to information disclosure for listed companies on related party transactions, B.E. 2546," which is updated according to the Capital Market Supervisory Board, for the newly appointed person to fill and sign-off on the integrity of information provided. In terms of information that has changed, the Board of Directors and management shall submit a signed certification of the accuracy of the information to the Legal and Compliance Department and the form will be sent to the Chairman of the Board and Chairman of Audit Committee. The document must be returned to the Company's Secretariat who is responsible for summarizing the information of related persons and business entities for review purposes and send copies to management and persons responsible for tracking related party information for each business unit. The information provided to each business unit serves as reference for screening proposals seeking management or Board of Directors approval. If there is an issue that requires information disclosure, the respective units must prepare the necessary related party documents to be disclosed to the SET. Related party transactions have been disclosed in the Annual Report (form 56-2) and the annual disclosure of the Company's information (form 56-1).

To improve disclosure on related party transactions and compliance with the SET's guidelines and that of accounting standards, THAI released an announcement in January of 2005 on "Transfer Pricing Guidelines for Thai Airways International Plc." The announcement details the application of non-related party pricing as benchmark but provides flexibility for using conditional pricing for related party transactions. In abidance of the above procedure, THAI is in compliance with SET's guidelines and adheres to the generally accepted accounting standards.

In addition, at each monthly Board of Directors' meeting and Management's meeting, a summary on related party transactions is submitted to the Board of Directors and management by the Legal and Compliance on a monthly basis. THAI has improved disclosure process of information as per the guidelines of relevant agencies to notify of potential conflicts of interest in accordance with the principles of good corporate governance.

## 7. Business Morals

The Company asserts its commitment to all its stakeholders and takes to heart concerns over environment and social issues and upholding national interests while conducting ongoing transparent, honest and ethical business in line with the principles of good corporate governance. The Company regards Thai Airways International's Code of Conduct to be very important as it is considered to be an element to THAI's ongoing success. Revisions were made to the "Thai Airways International Code of Conduct" handbook which was drafted and approved in 2002 to better reflect the stipulations by section 279 of the Thai Constitution B.E. 2550 stipulating ethical standards for those holding a political post, serve as public servants or government official positions along with values as suggested by the General Auditors' Office to be observed. There must be a means and robust process in place to efficiently enforce these standards while also stipulating the related penalties appropriate for each degree of seriousness for not observing the Ethics Code. The THAI Ethics Code is to be used in enforcing abidance by employees of all levels in conjunction with the announcement, rule and regulation, orders and procedure guidelines to abide by. Uphold pride and honor that justifies the trust bestowed while building the trust of customers and the general public and to ensure cooperation while being responsible in executing duties, having honesty and integrity, ensuring personal integrity and having empathy towards one another projecting a unified corporate image.

Effort has been put forth in incorporating ethics into the corporate culture at THAI by getting employees involved in the process of making changes to Thai Airways International Code of Conduct, participating in a good corporate governance slogan competition and attending seminars on good corporate governance such as the Good Corporate Governance seminars for middle management by the King Prajadhipok's Institute. Changes in job processes for front line service and supporting functions were undertaken to comply with the principles of good corporate governance and the increased utilization of computers as a means to increase efficiency and effectiveness in operations management benefiting both stakeholders and the nation as a whole.

## 8. Balance of Power by Non- Executive Directors

Prior to Board members being approved by the AGM, candidates were screened by the Nomination, Remuneration and Human Resource Development Committee and then reviewed by the Company's Board of Directors as per the Company's guidelines. The Company's Board of Directors is made up of at least 5 persons but not more than 15. As of December 31, 2011 the Company's Board of Directors consisted of 14 persons.

- ◆ 7 Non-Executive Board Members
- ◆ 6 Independent Directors
- ◆ 1 Executive Directors

Of the 14 Board members, 50% are Non-Executive Directors and 42.85% are Independent Directors, which is considered to be sufficient to have a built-in check and balance system. With the current composition of Board members, stakeholders can be rest assured that shareholders' interests are upheld with an adequate check



and balance system. The Company's Board of Directors has the responsibility of ensuring that the Company's operations abide by the relevant rules and regulations, purpose and the Company's regulations including the resolutions reached at the AGM. Board members are expected to execute their responsibilities with honesty and due care in protecting shareholders' benefits. Each Board member has a fixed tenure as stipulated by the Company's regulations requiring that at least one third of the existing Board members retire based on the length of tenure at each AGM.

## **9. Evaluation of Board Members and Evaluating the Performance of Incumbent President**

The Company has drafted an evaluation of the Board Members in accordance with Good Corporate Governance guidelines. As a tool to monitor the performance of the Board of Directors and adjusted to form a more defined. The evaluation approved by the Good Corporate Governance Committee for use in the year 2011 which comprise of 3 forms - Self-Assessment, Cross Evaluation and Board Evaluation .

THAI has appointed a committee to evaluate the performance of the incumbent president. The committee will evaluate the performance of the president 2 times a year for the calendar year and evaluated the performance of continuous and intermittent.

## **10. Combined and Segregation of Positions**

The Chairman of the Board of Directors does not hold a management position but is an Independent Director and is not the same person holding the position of Company President. The Chairman of the Board has no relations to other members of the Board or members of Management. There is also a clear written segregation in roles of the Company's Board of Directors and that of the Company's Management.

## **11. Remuneration for Directors and Management**

The Company's Board of Directors appointed the Nomination, Remuneration and Human Resource Development Committee and tasked the Committee to determine the appropriate level of remuneration for members of the Board, member of various sub-committees and the Company's management. This also includes setting remuneration for non-company personnel hired to execute tasks for the Company. The remuneration guidelines are clear and transparent while being attractive to retain qualified Board members and is benchmarked against other companies in the industry. Board members who took on additional responsibility were given an appropriate level of extra remuneration. As for Executive Board members and remuneration for management is determined based on the Company's financial performance along with the performance of each Board member and Senior Executive Management need to be taken into consideration. To comply with the MOF's good corporate governance principles and that of the SET including internationally accepted guidelines, remuneration for Board members must comply with the amount approved at the AGM. For the year 2011, the Board and Management Executive remuneration has been disclosed in the Board and Management Executive Remuneration section.

## 12. Board of Directors Meetings

Board meetings have been scheduled ahead for the fiscal year with monthly meetings held on the second Friday of the month and special rounds of meetings are called as necessary. Both the agenda and details are provided for each Board member 7 days prior to each Board meeting. There is also a follow-up section in regards to resolutions reached at the previous Board meeting for which the Company Secretariat has been charged to provide progress updates. Prior to the Board meeting, an invitation to attend the meeting along with the supporting documents are submitted 7 days ahead of time for each Board member to review. For the year 2011, the Board convened 15 times with attendance details for each Board member provided in the Board of Director's Shareholding and Meeting Attendance.

The Company Secretariat prepares minutes to each Board meeting and submits the minutes to each Board member for review prior to the ratification of the minutes at the next Board meeting. Agendas approved by the Board are filed and can be reviewed by the Board and other related departments.

## 13. Sub-Committees

The Company's Board of Directors appointed knowledgeable and experienced Board members to various sub-committees to assist in analyzing and screening of important issues that may require close monitoring in the various areas of operations. The various sub-committees are expected to provide thoughts, comments and recommendations to the Board of Directors for consideration and decision making. The various sub-committees as defined by the principles of Good Corporate Governance, the Company assigned these sub-committees to be responsible for various areas. Information on the sub-committees has been detailed in the Board of Directors and Sub-Committees Section.

## 14. Internal Control and Internal Audit

THAI has established a sufficiently robust internal control system for its operations. The procedures of regular monitoring and evaluation have been implemented to ensure stable operations in a changing environment and appropriate with the level of risk appetite. The internal control structure, according to COSO (Committee of Sponsoring Organization of the Treadway Commission), comprises of 5 components as follows:

### 1. Control Environment

The Company has developed an appropriate and sufficient control environment for effective internal control and measures taken are in-line with the Company policy on internal control. The Company consistently reviews and revises job descriptions for management and employees as appropriate with the then operating environment. In order to achieve desired objectives, KPIs have been specified as part of the job description and guidelines for management from Director level up. Appropriate manpower requirement and planning is regularly assessed in conjunction with the revision of the employee handbook. The underlying determinant in the Company's success is the ability to internalize the "THAI Spirit" culture and the ongoing development of employee knowledge and skills while taking to heart ethics and good corporate governance.

## 2. Risk Management

The Company has a sufficient risk assessment process. Vision, mission, and objectives are defined by key Strategic Success Measures (SSM) aligned with the Company's strategies. Risk identification, assessment and analysis are performed on external and internal factors. Key Risk Indicators (KRI) is in place to serve as an early warning system for all corporate level risks. Risk management is undertaken at the Department level with quarterly reporting as required by the risk management handbook. The Risk Management Department is responsible for regular monitoring of the progress made on action plans for both corporate and departmental risks. The risk monitoring report is prepared by Risk Management Department and submitted to the Company's Executive Management Committee, the Risk Management Committee and the Board of Directors on a regular basis.

## 3. Oversight of Management

Sufficient control activities are in place that is in-line with the Company's objectives and risk assessment results. The Company has defined and has in writing its policies, procedures and regulations for important corporate functions. Compliance is adhered to all Company policies, regulations, and manuals under supervision of his/her direct superior. Some of these regulations relate to the financial authority, human resource management and the procurement process. The Company ensures segregation of duties and safeguards its assets. Company assets must be accounted for and must be physically checked on an annual basis. Management must also, on a regular basis, perform operations assessment to ensure financial integrity and ensure adherence to the various international standards set by IATA, ICAO and the Department of Civil Aviation and various ISO certificates. THAI undertakes not only internal control monitoring through its Internal Audit Department but is also subjected to scrutiny by related qualified accredited external entities.

## 4. Information Technology and Communication

THAI has an adequate information and communications system to support management decisions. The Company website and the THAISphere intranet portal provide a comprehensive platform for information dispersion outside and within the Company. For internal communication purposes, many departments have developed their own websites to better inform others of their operations. Other external information related to IATA, GAP, UNFCCC and Skytrax are also posted on the Company's website for reference. In the pipeline is the SAP system and the Commercial Data Warehouse that will enable a change in the way the Company operates to be synchronized with the Company's overall strategy. Internal and external communication channels including bulletin, circular and web boards are sufficient to ensure the most up to date information available for reference and communication. The Whistle Blower policy is also implemented and serves as a channel for employee to communicate with the Company. Furthermore, customers, business partner or shareholders can make complaints, comments and submit to the Company for consideration to improve the Company's operations.

## 5. Monitoring and Evaluation

A sufficient and suitable monitoring and evaluation system is in place within the Company as management at all levels understand their area of concern and regularly takes proactive actions to ensure adherence to determined plans. Regular department meetings are held to ensure that work is in line with established KPIs along with regular comparisons of achievement with set goals, milestones or budget. Thus, immediate action

would be taken together with the post-monitoring. Every department undertakes a Control Self-Assessment (CSA) and prepares a report to the State Audit Commission, the Company's Board of Directors, and the Company's Audit Committee annually as per rule 6 of the Regulation of Audit Commission on Internal Control B.E.2544. A separate evaluation on the internal control system is performed by the Internal Audit Department. Likewise, external audit representatives from Bureau Veritas, IATA Operational Safety Audit (IOSA), the Department of Civil Aviation and the International Standardization and Organization (ISO) also play the important role as qualified external auditors. Management deems these audits to be of importance where remedial actions were taken as recommended by auditors.

Transparency and the ability to be audited in its daily undertakings is of crucial importance, to this end, strong support is given to the Internal Audit Department with a direct reporting channel to the Company's Board of Directors with oversight of the Audit Committee and ensuring independence in executing their tasks and responsibilities. Assessment is made on risks management, internal control with sufficient and effective governance providing confidence that the overall Company performance is efficient and effective while ensuring cost effective investments. The Internal Audit Department also plays a role in ensuring the integrity of the Company's financial disclosure and ensuring that the undertakings by each individual business function is in line with that of the Company's overall policies, rules, regulations and applicable laws. The Internal Audit Department is also tasked to maximize benefits to the Company and ensure integrity of assets to optimize utilization for the benefit of the Company. Work process improvement is constantly being made while ongoing assessment is made of its subsidiaries and affiliated companies. Apart from the assessment function of the audit work, the Internal Audit Department also serves as a consultant in recommending enhancements in internal control over internal procedures including undertaking IT audit. The audit process takes into consideration the outcome of existing risk management procedures and anticipates potential future risk factors which would bear impact on the Company's operations. Unique audits are also undertaken under the directive of the Audit Committee and the results of such audits are presented to the respective person in charge, the Company President and the Audit Committee on a quarterly basis. In case there are any significant findings that may bear significant impact on the Company's operations, the Vice President of the Internal Audit Department will immediately report such findings to the President and the Audit Committee.

It is of the Board of Directors' opinion that there are sufficient and appropriate internal control procedures to safeguard the Company's operations.

## **15. Board of Directors' Report**

The Board of Directors is responsible for preparing a summary of the Company's performance and discuss issues that impacted the Company's operations during the year. The Board is also responsible for putting in place a strong and effective risk management and internal control process. An Internal Audit Committee was appointed to ensure comprehensive and transparent disclosure of financial information and ensure that the Company has a robust internal control process that is in abidance with generally accepted accounting standards. Both the Board of Directors and the Audit Committee have provided summary statements regarding their respective areas of concern in the annual report.

## 16. Investor Relations

THAI has built a strong working relationship with its key stakeholders namely institutional and individual shareholders, investors, creditors, regulating bodies, rating companies, media companies and other relevant entities interested in accessing the Company's information and understanding the business and the industry in which the Company operates. Relevant public information made available to the investment community encompasses operating and financial information along with industry updates and trends. Such information is provided transparently, timely and equitably while there are a number of channels available for stakeholders to access the Investor Relations Department - by e-mail, facsimile, phone calls, teleconference or by regular mail.

In 2011, the Investor Relations Department undertook the following activities with stakeholders to foster trust and confidence :

<i>Activity</i>	<i>Times per annum (2011)</i>
Domestic Road Show	6 time
International Road Show	10 times
One on one corporate visits/teleconference	74 times
Phone calls and internet enquiries	3-5 times per day
Quarterly pre and post disclosure analyst briefings	4 times
Company visit (site visit)	4 times
Other special activities undertaken	2 times

Going beyond normal IR activities, the IR Department was asked to meet with students who won the MFC Talent Award held by MFC Asset management Plc. to provide students with insight into the airline industry and information regarding THAI as a potential security for investment. Supporting the Travel Green concept and THAI as the leading Asian airline promoting the use of bio-fuel, the IR Department invited fund managers to fly on the maiden flight using biofuel.

To promote the spirit of being a leading publicly listed Company, meetings were arranged for the investment community to meet with senior management of THAI to obtain the latest information regarding the Company's performance, finances, strategic direction and clarify any questions or concerns stakeholders may have. The purpose is to build greater understanding of the airline industry and to foster stakeholder confidence through regular meetings with management and regular information updates on the Company's website [www.thaiairways.com/about-thai/investor-relations/en/investor.html](http://www.thaiairways.com/about-thai/investor-relations/en/investor.html) to ensure transparency, equitable disclosure of information regarding THAI.

## 17. Office of the Secretariat

The Company's Board of Directors understands the importance of the role and responsibilities of the Corporate Secretariat and the need to comply with Securities and Exchange Act (No.4) B.E. 2551 Section 89/15, which the Board of Directors must provide the Corporate Secretariat to undertake actions on behalf of the Company or the Company's Board of Directors, Mr. Niruj Maneepun Executive Vice President Corporate Secretariat Department reporting directly to the President and also to serve as secretary to the Company's Board of Directors with the following divisions under management :



The Secretariat is charged with the following duties :

- ◆ Coordinate and manage the various activities of the Board of Directors to ensure compliance with laws and regulations and resolution of the AGMs
- ◆ Prepare and file Board of Directors registry
- ◆ Prepare and file complete Board of Director's Meeting notices, Meeting documents, and Meeting reports
- ◆ Prepare and file complete Shareholders' Meeting notices, Meeting documents, and Meeting reports within the legal time limit
- ◆ Keeping a report on conflict of interest filed by a Director or an executive
- ◆ Serve as consultant and secretary to the Board of Directors
- ◆ Serve as consultant and coordinator to the secretary for the various sub-committees that the Board has established
- ◆ Oversee good corporate governance issues
- ◆ Ensure legal compliance and compliance of the Company's internal guidelines
- ◆ Coordinate between legal advisor and the financial auditor
- ◆ Serve as a communications center and provide information to Board members committees and external parties
- ◆ Provide advice to the Board regarding legal issues and the Company rules and regulations and ensure compliance with such rules and regulations. Report changes of amendments of such rules or regulations to the Board of Directors
- ◆ Direct, oversee, and is responsible for filing annual reports (Form 56-2) and THAI's annual registration statement (Form 56-1)

## 18. Policies on Insider Information

THAI strictly adheres to and abides by the guidelines of both the SET and the SEC as emphasis is placed on good corporate governance. An internal guideline was announced in 2004 that current Board members and those that have retired from office of less than 6 months are not allowed to buy or sell THAI shares during the period of 1 month prior to and 3 days post the disclosure of the Company's financial statements. The Company Secretariat is responsible for notifying both the Board of Directors and the Executive Management in regards to the blackout period for which THAI's shares cannot be traded. A monthly shareholding report is provided to both the Board of Directors and Executive Management summarizing changes in shareholding of THAI shares by persons stipulated by the SET, SEC and the Company's guidelines. Both the Board of Directors and Executive Management have been notified of ensuing penalties for not complying with the established guidelines within the stipulated time. THAI's ethics handbook clearly prohibits the use of Company information for personal gains which is also considered to be a breach of discipline.

## 19. Personal Development for Directors and Senior Executives

There has been enhanced interest by stakeholders, investors, shareholders, government units and listed companies themselves in the role in which directors of publicly listed companies are playing to champion good corporate governance. With the ever increasing important role that members of the Board are taking on, stakeholders are no longer satisfied with just a summary report but are expecting the Board of Directors to successfully steer and guide the Company towards sustainable growth. Growth in itself is a function of employed capital where the mix consists of 2 portions, internally generated capital and that which has been obtained from investors or creditors. It is therefore an important role for the Board of Directors to look after the interests of institutional and retail shareholders and to provide such shareholders with the highest rate of return. With the role of Board members becoming increasingly important, it is the Company's policy to emphasize the vision, knowledge, and skill which are the key ingredients for Board of Directors and Executive Management to possess in order for the Company to be able to sustain its growth. To meet the growing challenges, the Board of Directors mandated that Board Members, Executive Management and the Corporate Secretary register as members of the Thai Institute of Directors Association (IOD), amongst other institutions. The benefit of such membership is the wealth of knowledge that can be obtained to expand knowledge and sharpen skills by attending the various courses and seminars provided by IOD, the SET, the SEC and The Listed Companies Association.

The Board of Directors have passed the courses organized by the IOD as follows :

1. the Director Accreditation Program (DAP)
2. the Director Certification Program (DCP)
3. the DCP Refresher Courses (Re - DCP)
4. the Audit Committee Program (ACP)
5. the Role of Chairman Program (RCP)
6. the Finance for Non-Finance Director (FND) Program
7. the Understanding the Fundamental of Financial Statements (UFS)
8. the Financial Statement for Director (FSD) and

other courses which are offered by the SET and the Listed Companies Association. The Board of Directors and management are given notice of available courses for which they can attend.

### Board and Executive Management Training

The Company's Board of Directors has placed great importance in attending seminars on issues related to ongoing knowledge development in regards to executing the Board's duties. As of December 31, 2010, the Company's Board of Directors along with the Company's Executive Management as defined by the SEC either have or were attending the following seminars provided by the IOD to utilize the knowledge and experience gained to benefit the Company and its subsidiaries :

<i>Board of Directors</i>	<i>Position</i>	<i>Course Attended</i>
Mr. Ampon Kittiampon	Chairman and Independent Director	- Director Certification Program (DCP 80 / 2006)
Mr. Chulasingh Vasantasingh	Vice Chairman , Independent Director and Chairman Audit Committee	- Audit Committee Program (ACP 17/2007) - Understanding the Fundamental of Financial Statements (UFS 1/2006) - Director Certification Program (DCP 35/2003) - Finance for Non-Finance Director (FND 7/2003)
Mr. Areepong Bhoocha-oom	Vice Chairman	- Director Certification Program (DCP 3 / 2000) - DCP Refresher Course (Re-DCP 2 / 2009)
Mr. Kanit Sangsubhan	Independent Director	- Director Accreditation Program (DAP 21 / 2004)
Mr. Pradit Sintavanarong	Director	-
Pol. Gen. Preophan Dhamapong	Director	-
Mr. Weerawong Chittmittrapap	Independent Director, Audit Committee	- Director Certification Program (DCP / 2000)
ACM Satitpong Sukvimol	Independent Director	-
ACM M.L. Suprija Kamalasana	Director	-
Mr. Apiporn Pasawat	Independent Director	- Director Accreditation Program (DAP 39 / 2005)
Mr. Dheerasak Suwannayos	Director	- Director Accreditation Program (DAP 26 / 2004)
Mr. Voradej Harnprasert	Director	-
Mr. Chutinant Bhirom Bhakdi	Director Audit Committee	- Director Certification Program (DCP 49 / 2004) - Role of the Chairman Program (RCP 11 / 2005)
Mr. Piyasvasti Amranand	Director and President	- Director Accreditation Program (DAP 35 / 2005)
Mrs. Wasukarn Visansawatdi	Executive Vice President Finance and Accounting Department	-
Flt. Lt. Montree Jumrieng	Executive Vice President Technical Department	-

<i>Board of Directors</i>	<i>Position</i>	<i>Course Attended</i>
Mr. Pandit Chanapai	Executive Vice President Commercial Department	- Director Certification Program (DCP 111 / 2008)
Mr. Chokchai Panyayong	Executive Vice President Strategy and Business Development Department	-
Sqn. Ldr. Asdavut Watanangura	Executive Vice President Operations Department	-
Mr. Sathok Varasarin	Executive Vice President Human Resources Department	-
Mr. Teerapol Chotichanapibal	Executive Vice President Product and Customer Services Department	- Director Certification Program (DCP 111 / 2008) - Role of the Compensation Committee (RCC 9/2010)
Mr. Danuj Bunnag	Managing Director Ground Services Business Unit	- Director Certification Program (DCP 48/2004) - Directors Accreditation Program ThaiAir DPA/2004
Mr. Niruj Maneepun	Executive Vice President Corporate Secretariat	- Company Secretary Program (CSP 33/2009) - Director Certification Program (DCP143/2011) - Financial Statements for Directors (FSD 10/2010)
Mr. Thongchai Singhakul	Vice President Financial Accounting Department	-
Mr. Raj Tanta-Nanta	Vice President Corporate Finance Department	- Director Certification Program (DCP 71/2006)
Mrs. Charita Leelayudth	Vice President Management Accounting and Budget Department	-

## Orientation of New Directors

To conform to the principles of Good Corporate Governance in relation to the Board's responsibilities as per the Company's Corporate Governance Assessment Report & Recommendations of the IOD, an orientation is held to better acquaint new Board members with the Company's business and its operations. Documents and information prepared and given to assist in better fulfilling their role as a Board member include :

1. Principles and guidelines of good corporate governance in state enterprises in 2009
2. THAI's Director Handbook
3. Listed Company Directors Handbook
4. Good Corporate Governance and Ethics Code
5. Guidelines for Corporate Secretariat of State Enterprise
6. Memorandum and Articles of Association
7. Act of Standard Qualifications of Directors and Officials of State Enterprises B.E. 2518
8. The Principle of Good Corporate Governance for Listed Companies
9. Recommendation on information disclosure for publicly listed companies
10. Summary of Key Guidelines of the Securities and Exchange Act (No.4) B.E. 2551
11. Guidelines on Disclosure of Information of Listed Companies
12. Latest copy of the Company's Annual Report

## Audit Fee and Related Expenses

As a state enterprise, Thai Airways International Plc. must comply with the Royal Decree and section 4(4) and 39(2) of the Constitution regarding auditing B.E. 2542 the Company's financial statements. The audit must be done by the Office of Auditor General. The transfer or changes in individual auditors or officers rests with the Office of Auditor General. For the fiscal year 2011, the audit fee was THB 2.90 million and other audit expenses were THB 1.26 million.

## Other Factors Bearing Impact on Investment Decision

The aviation business is highly competitive there are various risk factors which related to the business which has direct impact on business performance and return on investment such as the global economy, domestic oil prices and economic health along with the stability of financial and capital markets, competition from other airlines, political events domestic and abroad along with impact of natural disasters.

It is recommended that investors be aware of the risks that are involved in making investments in the Company's shares taking into consideration not only the competency of management but also other relevant factors that bears significant impact on the Company and its overall performance.



## Board of Director's Shareholding and Meeting Attendance for the period December 31, 2011

Board of Directors			Number of Shares	Number of Attendance/ Total Meeting (times)	Period of Time
1. Mr. Ampon	Kittiampon	Chairman and Independent Director	-	15/15	27 Apr 11- Apr 14
2. Mr. Chulasingh	Vasantasingh	Vice Chairman and Independent Director	-	15/15	28 Apr 10 - Apr 13
		Chairman of the Audit Committee		11/11	
3. Mr. Areepong	Bhoocha-oom	Vice Chairman	-	13/15	22 Apr 09 - 25 Apr 12
4. Mr. Kanit	Sangsubhan	Independent Director	-	15/15	28 Apr 10 - Apr 13
5. Mr.Pradit	Sintavanarong	Director	-	3/3	12 Oct 11 - Apr 14
6. POL. Gen. Preophan	Dhamapong	Director	-	2/3	12 Oct 11 - 25 Apr 12
7. Mr. Weerawong	Chittmittrapap	Independent Director	-	14/15	28 Apr 10 - Apr 13
		Audit Committee		11/11	
8. ACM Satitpong	Sukvimol	Independent Director	-	2/15	22 Apr 09 - 25 Apr 12
9. ACM M.L. Suprija	Kamalasana	Director	-	2/3	12 Oct 11 - 25 Apr 12
		Former Audit Committee		-/1	14 Oct 11 - 11 Nov 11
10. Mr. Apiporn	Pasawat	Independent Director	-	14/15	28 Apr 10 - Apr 13
11. Mr. Dheerasak	Suwannayos	Director	-	9/10	27 Apr 11 - Apr 14
12. Mr. Voradej	Harnprasert	Director	-	1/1	11 Nov 11 - Apr 13
13. Mr. Chutinant	Bhirom Bhakdi	Director	-	1/1	11 Nov 11 - Apr 14
		Audit Committee		1/1	
14. Mr. Piyasvasti	Amranand	Director	-	15/15	27 Apr 11 - Apr 14
15. Mr. Suphoth	Sublom	Former Vice Chairman	-	2/2	12 Oct 11 - 28 Nov 11
16. Mr. Surachai	Tansitpong	Former Vice Chairman	-	10/11	22 Apr 09 - 1 Oct 11
17. Mr. Sathit	Limpongpan	Former Vice Chairman	-	11/11	22 Apr 09 - 1 Oct 11
18. Mr. Banyong	Pongpanich	Former Director	-	10/11	27 Apr 11 - 30 Sep 11
		Former Audit Committee		6/8	
19. Mr. Pichai	Chunhavajira	Former Director	-	5/5	22 Apr 09 - 22 Apr 11
20. Mr. Chaisak	Angkasuwan	Former Director	-	10/11	22 Apr 09 - 1 Oct 11
21. Mr. Pravich	Rattanian	Former Director	-	12/12	28 Apr 10 - 7 Oct 11
22. Mr. Varah	Sucharitakul	Former Director	-	10/12	27 Apr 11 - 7 Oct 11
23. Mr. Chaikasem	Nitisiri	Former Director	-	-	27 Apr 07 - 28 Apr 10
24. Mr. Wallop	Bhukkanasut	Former Director	-	-	22 Apr 09 - 5 Jan 10
25. Mr. Amornsuk	Noparumpa	Former Director	-	-	22 Apr 09 - 21 Jul 10

Note: Former Chairman, Vice Chairman and directors are members of the Board of Directors who were retired from office before December 31, 2011.

## Remuneration for the Board of Directors for the period December 31, 2011

Board of Directors			Meeting Allowance Board of Directors	Meeting Allowance Sub-Committee (Baht)	Bonus Fiscal year 2010 (THB)	Total Remuneration (THB)
				Meeting Allowance Audit Committee		
1. Mr. Ampon Kittiampon	Kittiampon	Chairman and Independent Director	962,500.00	-	1,100,187.46	2,062,687.46
2. Mr. Chulasingh Vasantasingh	Vasantasingh	Vice Chairman and Independent Director	910,000.00	80,000.00	598,019.71	1,918,019.71
		Chairman of the Audit Committee	-	330,000.00	-	
3. Mr. Areepong Bhoocha-oom	Bhoocha-oom	Vice Chairman	861,250.00	85,000.00	880,149.97	1,826,399.97
4. Mr. Kanit Sangsubhan	Sangsubhan	Independent Director	880,000.00	122,500.00	880,149.97	1,882,649.97
5. Mr. Pradit Sintavanarong	Sintavanarong	Director	222,258.07	10,000.00	-	232,258.07
6. POL. Gen. Preophan Dhamapong	Dhamapong	Director	192,258.07	10,000.00	-	202,258.07
7. Mr. Weerawong Chittmittrapap	Chittmittrapap	Independent Director	880,000.00	40,000.00	880,149.97	2,130,149.97
		Audit Committee	-	330,000.00	-	
8. ACM Satitpong Sukvimol	Sukvimol	Independent Director	602,500.00	27,500.00	880,149.97	1,510,149.97
9. ACM M.L. Suprija Kamalasana	Kamalasana	Director	192,258.07	-	-	219,677.42
		Former Audit Committee	-	27,419.35	-	
10. Mr. Apiporn Pasawat	Pasawat	Independent Director	850,000.00	165,000.00	880,149.97	1,895,149.97
11. Mr. Dheerasak Suwannayos	Suwannayos	Director	645,000.00	20,000.00	-	665,000.00
12. Mr. Voradej Harnprasert	Harnprasert	Director	113,333.33	10,000.00	-	123,333.33
13. Mr. Chutinant Bhirom Bhakdi	Bhirom Bhakdi	Director	113,333.33	-	-	163,333.33
		Audit Committee	-	50,000.00	-	
14. Mr. Piyasvasti Amranand	Amranand	Director	880,000.00	210,000.00	880,149.97	1,970,149.97
15. Mr. Suphoth Sublom	Sublom	Former Vice Chairman	149,758.07	-	-	149,758.07
16. Mr. Surachai Tansitpong	Tansitpong	Former Vice Chairman	670,000.00	32,500.00	990,168.72	1,692,668.72
17. Mr. Sathit Limpongpan	Limpongpan	Former Vice Chairman	670,000.00	-	990,168.72	1,660,168.72
18. Mr. Banyong Pongpanich	Pongpanich	Former Director	638,333.33	47,500.00	880,149.97	1,804,983.30
		Former Audit Committee	-	239,000.00	-	
19. Mr. Pichai Chunhavajira	Chunhavajira	Former Director	228,750.00	30,000.00	880,149.97	1,138,899.97
20. Mr. Chaisak Angkasuwan	Angkasuwan	Former Director	640,000.00	152,500.00	880,149.97	1,672,649.97
21. Mr. Pravich Rattanapian	Rattanapian	Former Director	679,677.42	135,000.00	788,517.92	1,603,195.34
22. Mr. Varah Sucharitakul	Sucharitakul	Former Director	657,177.42	100,000.00	204,966.43	962,143.85
23. Mr. Chaikasem Nitisiri	Nitisiri	Former Director	-	-	284,541.63	284,541.63
24. Mr. Wallop Bhukkanasut	Bhukkanasut	Former Director	-	-	9,645.48	9,645.48
25. Mr. Amornsuk Noparumpa	Noparumpa	Former Director	-	-	484,685.33	484,685.33

Note: Former Chairman, Vice Chairman and directors are members of the Board of Directors who were retired from office before December 31, 2011.

## Related Parties Transaction

The following transaction include certain transaction that are deemed material related transaction with person who may have conflicts of interest for the year ended December 31, 2011.

Name of persons who may have conflicts of interest	Relationship	Type of Transaction	Value of Related Transactions (Million Baht)		Conditions/Pricing Policy
			for the year ended December 31, 2011	for the year ended December 31, 2010	
Ministry of Finance (MOF)	<ul style="list-style-type: none"> <li>■ The MOF is a major shareholder of THAI with 51.03% equity interest.</li> <li>■ One of THAI's Directors, Mr. Areepong Bhoocha-oom, is a Permanent Secretary of MOF.</li> </ul>	Loans via the MOF are as follows : <ul style="list-style-type: none"> <li>● Long-term Loans               <ul style="list-style-type: none"> <li>- Outstanding balance</li> <li>- Interest expense</li> </ul> </li> <li>● Short-term Loans               <ul style="list-style-type: none"> <li>- Outstanding balance</li> <li>- Interest expense</li> </ul> </li> </ul>	1,273.28 87.06	1,211.85 205.45	The Pricing and terms of these transaction are on an arms' length basis and on commercial terms as unrelated parties as follows : <ul style="list-style-type: none"> <li>- Interest rate 7.07% per annum</li> <li>- 20- year terms</li> <li>- Due on September 30, 2013</li> <li>- Interest rate 2.20% per annum</li> <li>- 1- year term</li> <li>- Due on January 8, 2010</li> </ul>
		● THAI leased the lands from the Treasury Department : <ul style="list-style-type: none"> <li>- Rayong Province</li> <li>- Khon Kaen Province</li> <li>- Udon Thani Province</li> <li>- Surat Thani Province</li> <li>- Krabi Province</li> </ul>	4.41	4.02	

Name of persons who may have conflicts of interest	Relationship	Type of Transaction	Value of Related Transactions (Million Baht)		Conditions/Pricing Policy
			for the year ended December 31, 2011	for the year ended December 31, 2010	
Government Saving Bank (GSB)	■ GSB is controlled by the MOF, a major shareholder of THAI.	1. THAI borrowed loans from GSB as follows : ● Promissory Notes - Outstanding balance - Interest expense	0.00 0.00	0.00 8.33	The Pricing and terms of these transaction are on an arms' length basis and on commercial terms as unrelated parties as follows : 2 Promissory Notes : 1) Bare floating interest rate, 6-month fixed deposit +3% per annum, over terms of 10 years and due on June 15, 2010 2) Bare floating interest rate, 6-month fixed deposit +3% per annum, over terms of 10 years and due on August 15, 2010 2 Long-term Loans : - 3 Outstanding of Long-term Loans : 1) Bare floating interest rate, MLR - 1.9% per annum, over terms of 5 years and due on July 9, 2014 2) Bare floating interest rate, THBFIK + 0.65% per annum, over terms of 7 years and due on October 8, 2015 3) Bare floating interest rate, THBFIK + 0.55% per annum, over terms of 7 years and due on October 13, 2015 - Committed revolving credit line not more than THB 7,000 million, over term of 7 years. At present, THAI has not drawn any such committed revolving credit line but THAI paid a Committed fee at the rate of 0.25% annum.
		● Long-term Loans - Outstanding balance - Interest expense	5,034.00 236.12	6,606.00 485.74	
Islamic Bank of Thailand (ISBT)	■ ISBT is controlled by the MOF, a major shareholder of THAI. ■ One of THAI's Directors, Mr. Dheerasak Suwannayos, is a Managing Director of ISBT. <u>Note</u> : Mr. Dheerasak Suwannayos is a Director of THAI on April 27, 2011.	2. THAI sold tickets, leased ATM area and line telephone to GSB - Aggregate amount - Outstanding balance	7.14 1.05	4.99 0.96	THAI sells and leases goods and services on an arms' length basis and on commercial terms as unrelated parties.  The Pricing and terms of these transaction are on an arms' length basis and on commercial terms as unrelated parties as follows : - Floating profit rate, SPRL - 1.00% per annum - 5-year terms - Due on December 31, 2013
		THAI borrowed loans from ISBT as follows : ● Long-term loans - Outstanding balance - Profit payment	1,000.00 80.41	1,500.00 239.87	

Name of persons who may have conflicts of interest	Relationship	Type of Transaction	Value of Related Transactions (Million Baht)		Conditions/Pricing Policy
			for the year ended December 31, 2011	for the year ended December 31, 2010	
Thailand Post Company Limited	<p>■ The MOF, a major shareholder of THAI, is a major shareholder of Thailand Post Co., Ltd..</p>	1. THAI purchased postal and related services from Thailand Post Co., Ltd.	15.78	31.10	THAI purchases services at a market price on an arms' length basis and on commercial terms as unrelated parties.
		- Aggregate amount - Outstanding balance	0.00	0.02	
Tourism Authority of Thailand (TAT)	<p>■ The MOF, a major shareholder of THAI, is a major shareholder of TAT.</p>	2. THAI sold tickets to Thailand Post Co., Ltd.	0.79	1.24	THAI sells goods and services on an arms' length basis and on commercial terms as unrelated parties.
		- Aggregate amount - Outstanding balance	0.16	0.38	
PTT Public Company Limited (PTT)	<p>■ The MOF, a major shareholder of THAI, is a major shareholder of PTT.</p> <p>■ Two of THAI's Directors, Mr. Ampon Kittiampon and Mr. Pichai Chunhavajira, are Directors of PTT.</p> <p><u>Note</u> : Mr. Pichai Chunhavajira resigned from a Director of THAI on April 22, 2011.</p>	THAI sold tickets and leased the Trang office to TAT	56.89	77.52	THAI sells and leases goods and services on an arms' length basis and on commercial terms as unrelated parties.
		- Aggregate amount - Outstanding balance	6.28	5.51	
PTT Exploration and Production Public Company Limited (PTTEP)	<p>■ PTT is a major shareholder of PTTEP.</p> <p>■ Two of THAI's Directors, Mr. Chulasingh Vasantasingh and Mr. Pichai Chunhavajira, are Directors of PTTEP.</p> <p><u>Note</u>: Mr. Pichai Chunhavajira resigned from a Director of THAI on April 22, 2011.</p>	1. THAI purchased fuel and oil for its aircraft and vehicles from PTT	9,481.92	7,005.04	THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties.
		- Aggregate amount - Outstanding balance	443.69	294.40	
PTT Exploration and Production Public Company Limited (PTTEP)	<p>■ PTT is a major shareholder of PTTEP.</p> <p>■ Two of THAI's Directors, Mr. Chulasingh Vasantasingh and Mr. Pichai Chunhavajira, are Directors of PTTEP.</p> <p><u>Note</u>: Mr. Pichai Chunhavajira resigned from a Director of THAI on April 22, 2011.</p>	2. THAI sold tickets to PTT	160.69	60.31	THAI sells goods and services on an arms' length basis and on commercial terms as unrelated parties.
		- Aggregate amount - Outstanding balance	18.69	15.78	
PTT Exploration and Production Public Company Limited (PTTEP)	<p>■ PTT is a major shareholder of PTTEP.</p> <p>■ Two of THAI's Directors, Mr. Chulasingh Vasantasingh and Mr. Pichai Chunhavajira, are Directors of PTTEP.</p> <p><u>Note</u>: Mr. Pichai Chunhavajira resigned from a Director of THAI on April 22, 2011.</p>	THAI sold tickets to PTTEP	146.53	0.00	THAI sells goods and services on an arms' length basis and on commercial terms as unrelated parties.
		- Aggregate amount - Outstanding balance	0.00	0.00	

Name of persons who may have conflicts of interest	Relationship	Type of Transaction	Value of Related Transactions (Million Baht)		Conditions/Pricing Policy
			for the year ended December 31, 2011	for the year ended December 31, 2010	
Bangchak Petroleum Public Company Limited (BCP)	<p>■ The MOF, a major shareholder of THAI, is an indirect major shareholder of BCP.</p> <p>■ One of THAI's Directors. Mr. Pichai Chunhavajira, is a Director of BCP.</p> <p><b>Note:</b> Mr. Pichai Chunhavajira resigned from a Director of THAI on April 22, 2011.</p>	THAI purchased fuel and oil for its aircraft and vehicles from BCP - Aggregate amount - Outstanding balance	18,965.57 2,733.30	13,820.46 1,864.12	THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties.
Berli Jucker Public Company Limited (BJC)	<p>■ One of THAI's Directors. Mr. Weerawong Chittmittrapap, is a Director of BJC.</p>	THAI purchased consumable goods from BJC - Aggregate amount - Outstanding balance	12.11 3.19	8.42 0.07	THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties.
Airports of Thailand Public Company Limited (AOT)	<p>■ The MOF, a major shareholder of THAI, is a major shareholder of AOT.</p>	1. THAI leased land and building at Suvarnabhumi Airport and other airports in Thailand and purchased airport related services from AOT - Aggregate amount - Outstanding balance	5,016.17 277.61	2,707.98 1,053.86	THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties.
		2. THAI sold tickets to AOT and received 2% income from collecting passenger service charges for AOT - Aggregate amount - Outstanding balance	65.74 21.71	54.87 9.04	THAI sells goods and services on an arms' length basis and on commercial terms as unrelated parties.
Bank of Thailand (BOT)	<p>■ One of THAI's Directors, Mr. Kamit Sangsubhan, is a Director of BOT.</p>	THAI sold tickets to BOT - Aggregate amount - Outstanding balance	24.45 1.31	20.28 1.13	THAI sells goods and services on an arms' length basis and on commercial terms as unrelated parties.
District Cooling system and Power Plant Company Limited (DCAP)	<p>■ Electricity Generating Authority of Thailand (EGAT) is a major shareholders of DCAP.</p>	THAI bought steam and chilled water from DCAP - Aggregate amount - Outstanding balance	30.86 11.09	0.00 0.00	THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties.



Name of persons who may have conflicts of interest	Relationship	Type of Transaction	Value of Related Transactions (Million Baht)		Conditions/Pricing Policy
			for the year ended December 31, 2011	for the year ended December 31, 2010	
Office of Private Secretary to His Royal Highness Crown Prince Maha Vajiralongkorn	■ One of THAI's Directors, ACM. Satitpong Sukvimol, is a Private Secretary to the Royal Highness Crown Prince Maha Vajiralongkorn	THAI sold tickets to the Office of Private Secretary to His Royal Highness Crown Prince Maha Vajiralongkorn - Aggregate amount - Outstanding balance	35.22 45.23	8.66 35.44	THAI sells goods and services on an arms' length basis and on commercial terms as unrelated parties.
Office of the Attorney General	■ One of THAI's Directors, Mr. Chulasingh Vasantasingh, is a Attorney General of the Office of the Attorney General.	THAI sold tickets to the Office of the Attorney General - Aggregate amount - Outstanding balance	13.27 1.20	0.00 0.00	THAI sells goods and services on an arms' length basis and on commercial terms as unrelated parties.
Civil Aviation Training Center (CATC)	■ The MOF, a major shareholder of THAI, is a major shareholder of CATC.	1. CATC provided civil aviation training to THAI's pilots - Aggregate amount - Outstanding balance  2. THAI sold tickets to CATC - Aggregate amount - Outstanding balance	10.43 0.00  0.07 0.00	143.11 0.00  0.18 0.00	THAI sells goods and services on an arms' length basis and on commercial terms as unrelated parties.  THAI sells goods and services on an arms' length basis and on commercial terms as unrelated parties.
Department of Civil Aviation (DCA)	■ One of THAI's Directors, Mr. Voradej Hamprasert, is a Director General of DCA. Note : Mr. Voradej Hamprasert is a Director of THAI on November 11, 2011.	THAI leased the offices in district airports and bought apron services from DCA - Aggregate amount - Outstanding balance	10.59 10.00	10.59 10.00	THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties.

Name of persons who may have conflicts of interest	Relationship	Type of Transaction	Value of Related Transactions (Million Baht)		Conditions/Pricing Policy
			for the year ended December 31, 2011	for the year ended December 31, 2010	
Thai-Amadeus Southeast Asia Company Limited (Subsidiary Company)	<p>■ THAI is a major shareholder with 55% equity interest.</p> <p>■ One of THAI's Directors, Mr. Kanit Sangsubhan, is a Chairman and one of THAI's Executives, Mr. Niruj Maneepun, is a Director of Thai-Amadeus Southeast Asia Co., Ltd.</p>	1. Thai-Amadeus Southeast Asia Co., Ltd. invested in THAI's bonds	50.78	0.00	<p>The Pricing and terms of these transaction are on an arms' length basis and on commercial terms as unrelated parties as follows :</p> <ul style="list-style-type: none"> <li>- Interest rate 5.04% per annum</li> <li>- 1.7 years to maturity</li> <li>- Due on November 22, 2012</li> </ul>
		2. THAI sold tickets as well as leased office area, computers and office equipment to Thai-Amadeus Southeast Asia Co., Ltd.	3.04 0.32	2.99 0.27	
WingSpan Services Company Limited (Subsidiary Company)	<p>■ THAI is a major shareholder with 49% equity interest.</p> <p>■ Six of THAI's Executives, Mr. Chokchai Panyayong, is a Chairman, Mr. Kaweepon Raungpaka, Mr. Pandit Chanapai, Mrs. Wasukarn Visansawatdi, Mr. Danuj Bunnag, and Mr. Niruj Maneepun are Directors of WingSpan Service Co., Ltd.</p> <p>Note : Mrs. Wasukarn Visansawatdi replaced Mr. Kaweepon Raungpaka (retired) and Mr. Danuj Bunnag replaced Mr. Pandit Chanapai on October 1, 2011 as Directors of WingSpan Service Co., Ltd.</p>	1. THAI purchased outsource staff service from WingSpan Service Co., Ltd.	67.38 2.53	0.00 0.00	<p>THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties.</p> <p>THAI sells and leases goods and services on an arms' length basis and on commercial terms as unrelated parties.</p>
		2. THAI leased office area and equipment to WingSpan Services Co., Ltd.	0.36 0.00	0.00 0.00	
Thai Flight Training Company Limited (TFTA) (Subsidiary Company)	<p>■ THAI is a major shareholder with 49% equity interest .</p> <p>■ Three of THAI's Executives, Sqn. Ldr. Asdavut Watanangura, Mr. Chokchai Panyayong and Mrs. Wasukarn Visansawatdi, are Directors of TFTA on July 29, 2011.</p>	THAI provided training equipment and leased office area as well as equipment to TFTA	5.88 0.00	0.00 0.00	<p>THAI sells and leases goods and services on an arms' length basis and on commercial terms as unrelated parties.</p>

Name of persons who may have conflicts of interest	Relationship	Type of Transaction	Value of Related Transactions (Million Baht)		Conditions/Pricing Policy
			for the year ended December 31, 2011	for the year ended December 31, 2010	
Donmuang International Airport Hotel Company Limited (Associated Company)	<ul style="list-style-type: none"> <li>THAI holds 40% equity interest in Donmuang International Airport Hotel Co., Ltd..</li> <li>Two of THAI's Executives, Mr. Pandit Chanapai, is a Chairman and Flt. Lt. Montree Jumrieng, is a Director of Donmuang International Airport Hotel Co., Ltd.</li> </ul>	THAI purchased accommodation services for its passengers from Donmuang International Airport Hotel Co., Ltd. - Aggregate amount - Outstanding balance	0.41 0.00	0.90 0.00	THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties.
Bangkok Aviation Fuel Services Public Company Limited (BAFS) (Associated Company)	<ul style="list-style-type: none"> <li>THAI holds 22.59% equity interest in BAFS.</li> <li>Three of THAI's Executives, Mr. Chokchai Panyayong, Flt. Lt. Montree Jumrieng and Snr. Ldr. Asdavut Watanangura, are Directors of BAFS.</li> </ul> Note: Snr. Ldr. Asdavut Watanangura resigned from a Director of BAFS on June 1, 2011.	1. BAFS provides fuel services for THAI - Aggregate amount - Outstanding balance  2. THAI provided transportation and catering services to BAFS - Aggregate amount - Outstanding balance	394.03 36.36  0.03 0.00	368.70 37.15  0.02 0.00	THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties.
Royal Orchid Hotel (Thailand) Public Company Limited (ROH) (Associated Company)	<ul style="list-style-type: none"> <li>THAI holds 24% equity interest in ROH.</li> <li>Two of THAI's Executives, Mr. Pandit Chanapai and Mr. Teerapol Chotichanapibal, are Directors of ROH.</li> </ul>	1. THAI purchased accommodation services for its passengers from ROH - Aggregate amount - Outstanding balance  2. THAI sold advertising in ROH Brochure to ROH - Aggregate amount - Outstanding balance	4.47 0.03  0.15 0.00	3.58 0.01  0.22 0.00	THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties.
Phuket Air Catering Company Limited (PACCO) (Associated Company)	<ul style="list-style-type: none"> <li>THAI holds 30% equity interest in PACCO.</li> <li>Two of THAI's Executives, Mr. Kaweepon Raungpaka and Mr. Sathok Varasarin are Chairmen of PACCO.</li> </ul> Note: Mr. Sathok Varasarin replaced Mr. Kaweepon Raungpaka, retired on September 30, 2011, as a chairman of PACCO.	1. THAI purchased food and catering services from PACCO - Aggregate amount - Outstanding balance  2. THAI sold raw material and catering services to PACCO - Aggregate amount - Outstanding balance	11.01 3.20  3.36 0.88	12.11 2.93  2.99 0.26	THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties.

Name of persons who may have conflicts of interest	Relationship	Type of Transaction	Value of Related Transactions (Million Baht)		Conditions/Pricing Policy
			for the year ended December 31, 2011	for the year ended December 31, 2010	
Suvannabhumi Airport Hotel Company Limited (Associated Company)	<ul style="list-style-type: none"> <li>THAI holds 30% equity interest in Suvannabhumi Airport Hotel Co., Ltd.</li> <li>Two of THAI's Executives, Mr. Pichait Riangvattanasuk and Mrs. Wasukarn Visansawatdi, are Directors of Suvannabhumi Airport Hotel Co., Ltd..</li> </ul> <p><u>Note:</u> Mrs. Wasukarn Visansawatdi is a Director of Suvannabhumi Airport Hotel Co., Ltd. on January 28, 2011.</p>	1. THAI purchased accommodation services for its passengers from Suvannabhumi Airport Hotel Co., Ltd. - Aggregate amount - Outstanding balance	28.39 0.45	30.95 3.35	THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties.
		2. THAI sold tickets to Suvannabhumi Airport Hotel Co., Ltd. - Aggregate amount - Outstanding balance	0.02 0.00	0.00 0.00	THAI sells goods and services on an arms' length basis and on commercial terms as unrelated parties.
Nok Airlines Company Limited (Associated Company)	<ul style="list-style-type: none"> <li>THAI holds 49% equity interest in Nok Airlines Co., Ltd..</li> </ul> <p><u>Note:</u> On November 29, 2011, THAI Purchased 10% additional shares of Nok Airlines Co., Ltd. which increased THAI's equity interest to 49%.</p> <ul style="list-style-type: none"> <li>Two of THAI's Directors, Mr. Apiorn Pasawat and Mr. Weerawong Chittmittrapap, are a Chairman and Director of Nok Airlines Co., Ltd., respectively. Four of THAI's Executives, Mr. Piyaasasti Amranand, Mr. Kaweeapan Raungpaka, Mr. Chokchai Panyayong and Mr. Teerapol Chotichanapibal, are Directors of Nok Airlines Co., Ltd.</li> </ul> <p><u>Note:</u> Mr. Apiorn Pasawat replaced Mr. Kaweeapan Raungpaka as a Director of Nok Airlines Co., Ltd. on June 13, 2011. Mr. Piyaasasti Amranand is a Director of Nok Airlines Co., Ltd. on December 22, 2011.</p>	THAI has been leasing out aircraft and providing aviation operation services to Nok Airlines Co., Ltd. - Aggregate amount - Outstanding balance	815.90 110.73	1,609.78 69.30	THAI sells and leases goods and services on an arms' length basis and on commercial terms as unrelated parties.

Name of persons who may have conflicts of interest	Relationship	Type of Transaction	Value of Related Transactions (Million Baht)		Conditions/Pricing Policy
			for the year ended December 31, 2011	for the year ended December 31, 2010	
Aeronautical Radio of Thailand Limited (AEROTHAI) (Related Company and Joint Venture Company)	<ul style="list-style-type: none"> <li>■ The MOF, a major shareholder of THAI, is a major shareholder of AEROTHAI.</li> <li>■ THAI holds 2.33% equity interest in AEROTHAI.</li> <li>■ One of THAI's Directors, Mr. Chaisak Angkasuwan, is a Chairman and one of THAI's Executives, Sqn. Ldr. Asdavut Watanangura, is a Director of AEROTHAI.</li> </ul> <p><b>Note :</b> Mr. Chaisak Angkasuwan resigned from THAI's Director on October 1, 2011.</p>	1. THAI purchased aeronautical navigation and leased equipment from AEROTHAI	1,224.70	1,189.60	THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties.
		- Aggregate amount - Outstanding balance	101.89	100.61	
		2. THAI sold tickets and provided transportation services to AEROTHAI	3.94	0.25	THAI sells goods and services on an arms' length basis and on commercial terms as unrelated parties.
		- Aggregate amount - Outstanding balance	0.47	0.01	

THAI has related party transactions for utilizing expenses, consisting of electricity, water and telephone charges, which related to those government agencies and/or state enterprises providing such utilities amount of THB 258.25 million for the year ended December 31, 2011 with outstanding balance of THB 50.09 million as of December 31, 2011.

### Necessity and reasonableness of related parties transactions

Having scrutinized items on related parties transactions during 2011 ending December 31, 2011 the Audit Committee is of the opinion that the aforementioned items were transacted in accordance with the Company's regular business practices and in a reasonable manner. The setting of prices, terms and conditions were done in the same manner as those offered to non-related parties. There were no transfer benefits between the Company, subsidiaries, joint ventures, associated, related companies and shareholders.

### Approval procedures for related parties transactions

Related parties transactions were undertaken as per the Company's regular business procedures and were approved strictly in accordance with the Government and State Enterprise procedures. No Directors and Executives with conflicts of interest in the respective matter are involved in the approval process.

### Policies on future related parties transactions

The Audit Committee will oversee future related parties transactions to ensure that transactions are made properly with a fair rate of return and approved in accordance with appropriate processes and procedures. Items and values of related parties transactions with connected persons are to be disclosed in compliance to the announcement and regulations by the Securities and Exchange Commission (SEC), and the Stock Exchange of Thailand (SET).



# Management's Discussion And Analysis

For the Year Ending December 31, 2011

For Thai Airways International Public Company Limited and Its Subsidiary

## 1. Operating Results

In 2011 THAI's operations has been impacted by a number of external factors affecting its operating results since the first quarter 2011 - the rapid rise in fuel price, the financial crisis in Europe and America, the earthquake in Japan in March leading to the tsunami and rounding off the year-end was the devastating flood in Thailand adversely impacting not only travel demand during the peak season of the year but also hurting the volume of cargo business. To cope with the various adversities and especially the year-end flood, THAI rapidly rationalized its flights to better cope with the change in operating environment and demand. THAI closely monitored fuel price and made necessary adjustments to the level of fuel surcharge to cover the jump in fuel cost but with fierce market competition, THAI was not able to sufficiently adjust fuel surcharge to cover the fuel cost increase which adversely impacted THAI's overall profitability for 2011.

Competition in the airline industry has intensified from the rapid expansion of low cost carriers and Middle East airlines forcing THAI to adjust its marketing and operating strategies to cope with the heightened competition: new flight plan, new aircraft utilization plan, new and variety of promotions, risk management both fuel hedging and currency fluctuation, financial strength policy, postponement of trivial investments, cost reduction and cost controlling program and new business unit : THAI Smile which mainly aimed to expand target groups by designing products and services tailor-made to suit the demands of short-haul travelers in order to contend and maintain market place, and to prepare for the feasible factors that might occur in the future.

Results of operations are as follows:

Unit : Million Baht	2011	2010	Increase (decrease)	
			MTHB	%
Total revenues	194,342	184,270	+ 10,072	+ 5.5
Total expenses *	199,831	176,719	+ 23,112	+ 13.1
Profit (Loss) before foreign currency exchange and income tax	(5,489)	7,551	- 13,040	- 172.7
Gain (Loss) on foreign currency exchange	(2,428)	9,106	- 11,534	- 126.7
Profit (Loss) before income tax	(7,917)	16,657	- 24,574	- 147.5
Effect of tax rate change on deferred income tax	(2,407)	-	- 2,407	-
Profit (loss) attributable to owners of the parent	(10,197)	14,744	- 24,941	- 169.2
Net profit (loss) per share (Baht)	(4.67)	8.06	- 12.73	- 157.9
EBITDA	17,207	28,067	- 10,860	- 38.7
EBITDAR	22,637	32,398	- 9,761	- 30.1

\* Excluding gains (losses) on foreign currency exchange

THAI's total revenues amounted to THB 194,342 million, which was an increase of THB 10,072 million or 5.5% from last year. Total operating revenue increased in the amount of THB 10,409 million or 5.8% from last year mainly due to the increase in number of passengers and the average passenger yield which reflected a higher fuel surcharge rate. THAI's total expenses, excluding gain (loss) on foreign currency exchange amounted to THB 199,831 million, which was THB 23,112 million or 13.1% higher than last year. The reason for the increase was 38.7% increase in average jet fuel prices causing THB 19,870 million jump in fuel cost year on year. In addition, the increase of total production activated the higher relevant cost items. Moreover, THAI recorded loss on foreign currency exchange in the amount of THB 2,428 million compared to last year where THAI gained THB 9,106 million. Consequently, THAI reported loss before income tax of THB 7,917 million when compared to last year where THAI reported earnings before income tax of THB 16,657 million. Excluding gain (loss) on foreign currency exchange, THAI's loss before foreign currency exchange and income tax was THB 5,489 million compared to last year where THAI earned THB 7,551 million.

With implementation of change in tax rate to be applied in 2011 where tax rate is to drop from 30% to 23% and 20% in 2012 and 2013 onward. The impact will be on both deferred income tax assets and liabilities. In 2011, THAI recorded a tax rate change effect in the income tax expense amounting to THB 2,407 million. The adjustment increased THAI's net loss to THB 10,197 million or 4.67 baht per share compared to last year where THAI reported gain of THB 14,744 million or 8.06 baht per share. EBITDAR was THB 22,637 million, which decreased by THB 9,761 million or 30.1% from last year.

In additional, THAI consolidated the financial results of Thai-Amadeus Southeast Asia Co. Ltd., WingSpan Services Co., Ltd., THAI Flight Training Co., Ltd. and Tour Eurng Luang Co., Ltd.

#### Changes in accounting policy

In order to comply with Thai Accounting Standard (TAS) and Thai Financial Reporting Standard (TFRS) which are effective on January 1, 2011, THAI has changed in accounting policies which are presentation of financial statements and employee benefits. (Also see notes to the financial statement no. 3 and 4) The changes in those accounting policies have effected only on the presentation of financial statements, but have no effect on profit or earnings per share, excepted in employee benefits. THAI has opted to record the entire amount of the employee benefits obligation as retrospective adjustment. According to these changes, retained earnings indicated in consolidated financial statement as of January 1, 2011 declined by THB 6,527 million. Net profits of 2010 decreased by THB 606 million and earnings per share reduced THB 0.33.

## 2. Performance analysis for the year 2011

### Production and Traffic

		2011	2010	% Change
Production	(MATK)	11,987	11,516	+ 4.1%
Traffic	(MRTK)	7,836	7,997	- 2.0%
Load Factor	(%)	65.4	69.4	- 4.0
Passenger Production	(MASK)	78,533	75,600	+ 3.9%
Passenger Traffic	(MRPK)	55,267	55,676	- 0.7%
Cabin Factor	(%)	70.4	73.6	- 3.2
Freight Production	(MADTK)	4,919	4,708	+ 4.5%
Freight Traffic	(MRFTK)	2,766	2,895	- 4.5%
Freight Load Factor	(%)	56.2	61.5	- 5.3
No. of Passenger	(million persons)	18.39	18.17	+ 1.2%
Flight Hours	(hours)	355,815	341,165	+ 4.3%
Average of Aircraft Utilization	(hour/aircraft/day)	11.9	11.4	+ 4.4%

THAI implemented a fleet efficiency improvement strategy to compete with its peers, to support growth of the aviation industry and reduce the Company's overall cost. In 2011 THAI took delivery of nine aircraft consisting of seven new Airbus A330-300's, principally used on regional routes and two leased Boeing B777-300ER's serving European routes for aircraft replacement and fleet expansion. THAI decommissioned two more than 20-year-old Airbus A300-600's pending sale. THAI has begun to convert two Boeing B747-400's into freighter aircraft to substitute for the 2 previously leased Boeing B777-200LRF freighters. One of which was returned in August 2011 and the contract for the second aircraft will terminate in March 2012.

For route development in 2011, THAI launched new routes: Bangkok- Brussels, Kingdom of Belgium, in November 2011 with 3 weekly flights to support the strong European passenger demand during the winter schedule and 2 direct routes from Copenhagen - Phuket and Seoul - Phuket operating 3 weekly flights. Victim of the European financial crisis was the Bangkok - Athens route where service has been discontinued.

Consequently, THAI's total production (Available Ton - Kilometer : ATK) increased by 4.1% from last year. Total traffic (Revenue Ton - Kilometer : RTK) decreased by 2.0%. Average load factor decreased from 69.4% in 2010 to 65.4%, in 2011, passenger production (Available Seat - Kilometer : ASK) increased by 3.9% but passenger traffic (Revenue Passenger - Kilometer : RPK) decreased 0.7% while cabin factor was 70.4%, lower than 73.6% over the same period last year.

## Revenues

Total revenues for the year 2011 was THB 194,342 million, an increase of THB 10,072 million or 5.5% from last year. Details are as follows:

Unit : Million Baht	2011	2010	Increase (decrease)			
			MTHB		%	
<b>Passenger and excess baggage revenue</b>						
Regional	58,298	52,953	+	5,345	+	10.1
Intercontinental	56,013	52,954	+	3,059	+	5.8
Domestic	13,808	12,399	+	1,409	+	11.4
Non-schedule flight	699	539	+	160	+	29.7
Passenger insurance surcharge	1,670	1,925	-	255	-	13.2
Passenger fuel surcharge	24,158	24,092	+	66	+	0.3
<b>Total passenger and excess baggage revenue</b>	<b>154,646</b>	<b>144,862</b>	<b>+</b>	<b>9,784</b>	<b>+</b>	<b>6.8</b>
Freight and mail revenue	28,092	28,230	-	138	-	0.5
<b>Total revenue from transportation activities</b>	<b>182,738</b>	<b>173,092</b>	<b>+</b>	<b>9,646</b>	<b>+</b>	<b>5.6</b>
Revenue from other activities	8,259	7,496	+	763	+	10.2
<b>Total operating revenue</b>	<b>190,997</b>	<b>180,588</b>	<b>+</b>	<b>10,409</b>	<b>+</b>	<b>5.8</b>
Interest income	711	185	+	526	+	284.3
Other incomes	2,634	3,497	-	863	-	24.7
<b>Total revenues</b>	<b>194,342</b>	<b>184,270</b>	<b>+</b>	<b>10,072</b>	<b>+</b>	<b>5.5</b>

**Total operating revenue** was THB 190,997 million, an increase of THB 10,409 million or 5.8% from the same period last year.

**Revenue from transportation activities** amounted to THB 182,738 million, an increase of THB 9,646 million or 5.6% from last year. Details are as follows:

- **Passenger and excess baggage revenue**

Passenger and excess baggage revenue totaled THB 154,646 million, an increase of THB 9,784 million or 6.8%. The main reasons are the increase of average passenger yield (including fuel and insurance surcharge) increased from 2.57 baht/RPK in year 2010 to 2.75 baht/RPK or 7.0% this year essentially due to the increase of fuel surcharge, included as part of the ticket fare, that caused the higher fare rate in response to the rapid increase in fuel prices and the increase income from first and business passengers.

THAI has been quoting the price of its domestic tickets to be all inclusive of applicable fuel and insurance surcharges Since April 2010 and on certain international routes including India since June 2010, Australia and New Zealand since January 2011 and Sri Lanka since February 2011, respectively. THAI received more passenger revenue (excluding fuel and insurance surcharge) than last year since fuel surcharges have been included in the ticket price on some International routes.

## Passenger and excess baggage revenue classified by flight regions

**Regional passenger and excess baggage revenue** amounted to THB 58,298 million, which was an increase of THB 5,345 million or 10.1% due to the combination of fuel surcharge as part of the full fare ticket. THAI also made route network adjustments, flight frequency and change in aircraft capacity to better suit passenger traffic demand. As a result, ASKs increased by 1,572 million seat-kilometers or 5.4%. But because of the earthquake in Japan and the devastating flood in Thailand resulting in many travel warnings issued by various governments for their citizens to reconsider travel to Thailand, RPK increased slightly by 133 million passenger-kilometers or 0.6% while average cabin factor was 70.2%, lower than the 73.5% achieved in 2010.

**Intercontinental passenger and excess baggage revenue** amounted to THB 56,013 million, which was an increase of THB 3,059 million or 5.8% partly resulting from the combination of fuel surcharge as part of the full fare ticket, except Australia and New Zealand territory where both fuel and insurance surcharges were included in fare ticket. In 2011, THAI adjusted flight plans to suit the operating environment and thus discontinued the Bangkok - Athens route which was heavily affected by European financial crisis. On the other hand, THAI added and modified routes to respond to passenger demand by opening: Bangkok – Brussels, 3 weekly flights, and direct flight: Copenhagen - Phuket with 3 flights per week. As a result, ASKs increased by 1,226 million seat-kilometers or 2.9% but due to the European and America financial crisis along with the heated competition-more airlines, flight frequency and aircraft type adjustments caused RPKs to decrease by 691 million passenger-kilometers or 2.2%, while cabin factor was 70.5% which was lower than the 74.3% average in 2010.

**Domestic passenger and excess baggage revenue** amounted to THB 13,808 million, which was an increase of THB 1,409 million or 11.4% primarily due to the pricing, revenue management and incremental market share strategy which increased both average passenger yield and the number of passengers. THAI continued to emphasize service on primary trunk routes while cooperating with NOK Air on secondary routes and feeder routes to provide a broader span of service to passengers across the country. As a result, ASKs increased by 62 million seat-kilometers or 1.4% and RPKs increased by 118 million passenger-kilometers or 3.9% while cabin factor was 72.2% higher than 70.5% over the same period the year before.

### *Passenger and excess baggage revenue from non-scheduled flights*

Passenger and excess baggage revenue from non-scheduled flights totalled THB 699 million, which was an increase of THB 160 million or 29.7% due to the increase in number of international non-schedule flights.

### *Passenger insurance surcharge*

Passenger insurance surcharge amounted to THB 1,670 million, which was a decrease of THB 255 million or 13.2% mainly due to THAI realized that insurance surcharge sold in some countries as part of passenger revenue.

### *Passenger fuel surcharge*

Passenger fuel surcharge amounted to THB 24,158 million, which was an increase of THB 66 million or 0.3% mainly due to the combination of fuel surcharge as part of the full fare ticket as mention above. Moreover, due to the rigorous competition which was incapable for THAI to adjust fuel surcharge to fully compensate the rise in fuel cost, it caused the diminutive increment of passenger fuel surcharge revenue.

- *Freight and mail revenue*

Eventhough average freight yield (including fuel and insurance surcharge) increased from 9.50 baht/RFTK in 2010 to 9.89 baht/RFTK this past year or a 4.1% increase, freight and mail revenue amounted to THB 28,092 million, which was a decrease of THB 138 million or 0.5%, primarily due to global economic weakening, the earthquake that hit Japan and massive flood that hit Thailand. These factors reduced the production capacity which directly affected the amount of freight traffic. Another factor lowering THAI's freight revenue is the growth in land transportation alternatives. To better adjust to the changing operating environment, THAI returned one of the two leased Boeing 777-200LRF freighter aircraft that joined the fleet in 2010 during the height of the air cargo transport business. Consequently, freight traffic (Revenue Freight Ton-Kilometers : RFTK) decreased by 129 million ton-kilometers or 4.5% from 2010. Freight production (Available Dead Load Ton-Kilometers : ADTK) increased by 211 million ton-kilometers or 4.5% from 2010. The average freight load factor was 56.2%, which is lower than that the 61.5% posted in 2010.

### *Other activities revenue*

Other activities revenue amounted to THB 8,259 million, which increased by THB 763 million or 10.2% primarily as a result of an increase in number of both flights and passengers from customer airlines and new services such as VIP lounge access privilege to the passenger who hold bank credit card contracted with THAI and new cargo handling fees of cargo handling, and so forth, increasing revenue earned by Technical Services, Ground Services, Catering Services and Cargo Handling Services.

### *Interest income*

Interest income totalled THB 711 million, which increased by THB 526 million or 284.3% due to receipt of THB 287 million in interest on aircraft deposit along with a higher average cash and cash equivalent items and higher interest rates than last year. Also, THAI increased its short-term investment, which THAI will obtain higher return.

### *Other income*

Other income amounted to THB 2,634 million, which decreased by THB 863 million or 24.7% primarily resulting from THAI recognized compensation for the delay in aircraft delivery, which was THB 952 million lower than the compensation recognized in last year. In addition, revenue from passenger airport fees, which were not been billed to THAI over 3 year, was THB 275 million lower than last year, as well. In 2011, THAI recorded revenue from insurance compensation flood disaster amounted to THB 175 million by using the net book value of assets that has been damaged by flooding. Those assets are protected under the terms of insurance policy (also see notes to the financial statement no. 6.35.1).



## Expenses

In 2011, Total expenses amounted to THB 202,259 million, which was THB 34,646 million or 20.7% higher than the same period last year. A summary of operating expenses is as follows:

Unit : Million Baht	2011	2010	Increase (decrease)	
			MTHB	%
Fuel and oil	76,389	56,519	+ 19,870	+ 35.2
Employee benefit expenses	31,009	34,525	- 3,516	- 10.2
Flight service expenses	20,428	19,064	+ 1,364	+ 7.2
Crew expenses	5,485	5,092	+ 393	+ 7.7
Aircraft maintenance and overhaul costs	11,698	9,675	+ 2,023	+ 20.9
Depreciation and amortization	19,989	20,236	- 247	- 1.2
Lease of aircraft and spare parts	5,430	4,331	+ 1,099	+ 25.4
Inventories and supplies	9,042	9,046	- 4	-
Selling and advertising expenses	5,885	6,103	- 218	- 3.6
Insurance expenses	733	675	+ 58	+ 8.6
Impairment loss of assets	940	318	+ 622	+ 195.6
Impairment loss of aircraft	181	171	+ 10	+ 5.8
Other expenses	7,149	6,056	+ 1,093	+ 18.0
Loss (gain) on foreign currency exchange	2,428	(9,106)	+ 11,534	+ 126.7
Finance costs	5,656	5,166	+ 490	+ 9.5
Loss on debenture redemption	1	-	+ 1	-
Share of Profit from investments in associated companies	(184)	(258)	+ 74	+ 28.7
<b>Total Expenses</b>	<b>202,259</b>	<b>167,613</b>	<b>+ 34,646</b>	<b>+ 20.7</b>

### Significant changes of expenses for the year 2011 included:

Fuel and oil expense amounted to THB 76,389 million, was THB 19,870 million or 35.2% higher than last year. The main reasons were an increase in average jet fuel prices by 38.7% from last year and an increase in fuel consumption by 2.5% from production expansion whereas the US dollar is weaken against Thai baht partially offset the rise in fuel cost. Moreover, the Company was compensated on fuel hedging contracts in the amount of THB 1,103 million, THB 505 million or 84.4% higher than last year.

Employee benefit expenses consisting of personnel expense, employee benefits expense, management benefits expense and board of directors benefits expense amounted to THB 31,009 million, which was a decrease of THB 3,516 million or 10.2% from last year. The main reasons were no annual welfare payment for this year while THAI paid THB 4,301 million for annual welfare fee in 2010. Therefore, there was no execution of Golden Handshake Program and Mutual Separation Plan for year 2011. When compared to year 2010 where Golden Handshake Program and Mutual Separation Plan was implemented, THAI could save the amount of THB 2,263 million for compensation expenses this year. Without taking into consideration the annual welfare fee and compensation expenses of Golden Handshake Program and Mutual Separation Plan, employee benefit expenses would be THB 3,048 million higher than last year because of

- ◆ the annual salary increment, an increase in salary for employees whose salary was less than THB 50,000 as per the Cabinet resolution,
- ◆ increase in overtime due to increased production,
- ◆ special incentive based on employees performance for the year 2010,
- ◆ pilot trainee expenses,
- ◆ increase in employee benefit due to applying of new guidelines announced under Thai Accounting Standard (TAS) 19 (Also see notes to the financial statement no.6.17) and
- ◆ provision for flood victim staff, totaled 6,000 staff, amount of THB 400 million

Flight service expenses amounted to THB 20,428 million was an increase of THB 1,364 million or 7.2% from last year. The increase was mainly from the increase in the total production. It should be noted that when compared to last year, THAI received special discount program from Airport of Thailand Pcl.(AOT) mainly to assist airlines and operators of AOT during March - December 2010 which made atypical low expenses.

Aircraft maintenance and overhaul costs amounted to THB 11,698 million, an increase of THB 2,023 million or 20.9% from last year, which were mainly from an increase in overhaul expense due to more scheduled overhaul in 2011 than last year and an increase in total traffic production.

Lease of aircraft and spare parts expenses totaled THB 5,430 million, an increase of THB 1,099 million or 25.4%, which was due to leases of three Boeing 777-300ER aircraft from JetAirways since May 2010 and additional two aircraft in July and November 2011, respectively, which made greater amount of expenses than last year. Also, the cost of renting space on cargo freight tonnage increased from the previous year.

Other expenses totaled THB 7,149 million, an increase of THB 1,093 million or 18.0%. Since 2010 THAI had reduced the estimated reserve for damages and fine from violating the Antitrust and Competition law that was put aside in the amount of THB 1,783 million. This year THAI reduced the reserve down, THB 1,042 million, which made the remaining reserve balance is THB 1,465 million (Also see notes to the financial statement no.6.16.7). In 2011, THAI also recorded flood disaster expense, THB 175 million, by using the net book value of assets that has been damaged by flooding(Also see notes to the financial statement no.6.35.1).

Loss on foreign currency exchange amounted to THB 2,428 million mostly due to the translation of the Company's outstanding EURO and Japanese Yens currency loans into Baht term at the end of the period when compared to last year, THAI had gain on foreign currency exchange amounted to THB 9,106 million.

Share of profit from investment in associated companies amounted to THB 184 million, a decrease of THB 74 million or 28.7% due to a decrease of recognizing the share of Nok Air Company Limited' profits.

Net income tax expenses

### Net income tax expenses

THAI's net income tax expenses amounted to THB 2,245 million, which was a record of an impact to deferred tax assets and liabilities because of changes in corporate income tax from 30 percent to 23 percent in 2012 and 20 percent in 2013 onward.

### Net loss attributable to owners of the parent

THAI's net loss attributable to owners of the parent amounted to THB 10,197 million or -5.34% net profit margin when compared to last year where THAI gained profit, amount of THB 14,744 million or 8.16% net profit margin.

## 3. Financial Position

### Assets

As of December 31, 2011, THAI's total assets were THB 274,445 million, a decrease of THB 22,113 million or 7.5% from as at December 31, 2010.

	December 31, 2011		December 31, 2010	
	MTHB	% of total assets	MTHB	% of total assets
Current assets	59,294	21.6	78,577	26.5
<b>Property, plant and equipment</b>				
Prepaid aircraft and Spare engines	21,279	7.8	17,983	6.1
Aircraft	46,104	16.8	48,588	16.4
Aircraft under finance leases	112,051	40.8	115,621	39.0
Aircraft spare parts	10,367	3.8	9,593	3.2
Work in process	2,838	1.0	311	0.1
Land, buildings and improvements	7,463	2.7	7,987	2.7
Other plant and equipment	4,893	1.8	6,035	2.0
<b>Property, plant and equipment-net</b>	<b>204,995</b>	<b>74.7</b>	<b>206,118</b>	<b>69.5</b>
Other non-current assets	10,156	3.7	11,863	4.0
<b>Total Assets</b>	<b>274,445</b>	<b>100.0</b>	<b>296,558</b>	<b>100.0</b>

Current assets were THB 59,294 million or accounted for 21.6% of total assets, a decrease of THB 19,283 million or 24.5% from as of December 31, 2010. The main reason was from cash and cash equivalents as of December 31, 2011 amounting to THB 16,666 which decreased by THB 21,014 million from as of December 31, 2010 since cash outflow, which consisted of repayment of long-term loans, debentures, interest, dividend payments, and payment of other assets acquisition along with aircraft and spare engines advance payment, exceeded cash earned from operating and financing activities- issuing of debentures and obtaining long-term loans.

Property, plant and equipment-net were THB 204,995 million or represented 74.7% of total assets, which decreased by THB 1,123 million or 0.5% from as of December 31, 2010 primarily resulting from

- Prepaid aircraft and spare engines increased THB 3,296 million due to advance payments for five Airbus A320-200 aircraft, five Airbus A330-300 aircraft, four Airbus A350-900 XWB aircraft, six Airbus A380-800 aircraft, six Boeing B777-300ER aircraft and spare engines and furnished equipment, expected to be delivered during 2012-2017.

- Aircraft and aircraft under finance lease decreased THB 6,054 million since the amount of aircraft depreciation was higher than the value of new seven Airbus A330-300 aircraft delivered during 2011.

- Work in progress increased by THB 2,527 million mainly due to the cost of product design and parts of eight Boeing B747-400s, eight Boeing B777-200s cabin reconfiguration program of which have been under construction, and two Boeing B747-400s which have been on the process of conversion to freighter aircraft expected to complete in 2012.

Other non-current assets were THB 10,156 million or represented 3.7% of total assets, which decreased by THB 1,707 million or 14.4% from as of December 31, 2010, primarily resulting from the reduction of deferred income tax assets under the decree: reduction of corporate income tax rate(Also see notes to the financial statement no.6.9 -6.10).

## Liabilities

The Company's total liabilities as of December 31, 2011 totaled THB 211,010 million, which was a decrease of THB 9,166 million or 4.2% from as of December 31, 2010. These comprise of:

	December 31, 2011		December 31, 2010	
	MTHB	% of total liabilities	MTHB	% of total liabilities
Current liabilities (excluding current portion of long-term loans)	51,804	24.6	57,581	26.2
<b>Long-term loans</b>				
Debentures	27,797	13.2	29,335	13.3
Liabilities under financial leases	57,895	27.4	64,327	29.2
Long term loan from others	56,607	26.8	52,618	23.9
<b>Total long-term loans</b>	<b>142,299</b>	<b>67.4</b>	<b>146,280</b>	<b>66.4</b>
Employee benefit obligation	10,632	5.0	9,326	4.2
Other non-current liabilities	6,275	3.0	6,989	3.2
<b>Total liabilities</b>	<b>211,010</b>	<b>100.0</b>	<b>220,176</b>	<b>100.0</b>

Current liabilities (excluding current portion of long-term loans) totaled THB 51,804 million, representing 24.6% of total liabilities, which decreased from December 31, 2010 by THB 5,777 million or 10.0%. The main reason were the decrease of THB 4,939 million in accrued expenses and THB 1,044 million in unearned transportation revenue.

Long-term loans as of December 31, 2011 totaled THB 142,299 million (including current portion of long-term loans amounting to THB 18,872 million) or represented 67.4% of total liabilities, was a decrease of THB 3,981 million from December 31, 2010. In 2011, in addition to loan repayments, THAI made a loan prepayment totaling THB 6,308 million for which THB 1,500 million in long-term borrowings was acquired to prepay existing debt to extend maturity and lower interest burden. Furthermore, THAI issued a total of THB 10,000 million in new debentures to repay THB 11,538 million in debentures due.

Employee benefit obligation as of December 31, 2011 was THB 10,632 million or 5.0% of total liabilities. It increased by THB 1,306 million or 14.0% from December 31, 2010 due to recognition of employee benefit obligation for the year-end. (Also see notes to the financial statement no.6.17 for details)

Other non-current liabilities as of December 31, 2011 totaled THB 6,275 million or represented 3.0% of total liabilities, which was a decrease of THB 714 million or 10.2% from December 31, 2010. The decrease mainly came from a decrease in long-term provisions in the amount of THB 1,030 million, which was from the reduction in provision for damages and fines from the antitrust and competition charges. In addition, the staff pension fund increased in the amount of THB 190 million, deferred income tax liabilities increased in the amount of THB 56 million and other non-current liabilities increased in the amount of THB 71 million.

## Shareholders' Equity

As of December 31, 2011, THAI's shareholders' equity amounted to THB 63,435 million, a decrease of THB 12,947 million from December 31, 2010. The main reasons were from the negative results in 2011 and dividend payment for year 2010.

## 4. Liquidity

Cash and cash equivalents as of December 31, 2011 amounted to THB 16,666 million, a decrease of THB 21,014 million or 55.8% from as of December 31, 2010.

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

<i>Unit : Million Baht</i>	<i>2011</i>	<i>2010</i>
Net cash from operating activities	9,167	28,268
Net cash used in investing activities	(11,030)	(8,872)
Net cash from (used) in financing activities	(19,238)	3,979
Effect from changing in exchange rate on cash and cash equivalents	87	5
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(21,014)</b>	<b>23,380</b>

### Net cash from operating activities

Net cash from operating activities for fiscal year end December 31, 2011 amounted to THB 9,167 million, decreasing THB 19,101 million was mainly from incurring operating loss with profit from operations before changes in assets and liabilities decreased by THB 13,906 million. Operating liabilities decreased by THB 12,316 million while operating assets decreased by THB 6,183 million and income tax decreased by THB 938 million year on year.

### Net cash used in investing activities

Net cash used in investing activities for year 2011 amounted to THB 11,030 million, which increased by THB 2,158 million. These primarily comprised of the use of cash in making advance payments on aircraft and engines. In addition, payment was also made for furnished equipment, rotatable spare parts procurement, the cost of designing products and parts for cabin reconfiguration program of Boeing B747-400 and Boeing B777-200 aircraft and the cost of aircraft conversion for two Boeing B747-400's into freighter aircraft.

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

Net cash used in financing activities for year 2011 amounted to THB 19,238 million, increased THB 23,217 million from last year. Net cash used in financing activities for this year consisted of cash outflow including repayment of long-term loans and debentures in the amount of THB 29,463 million, interest payment totaling THB 5,770 million, dividend payment totaling THB 2,805 million and cash inflow including new debentures issued and long-term loans totaling THB 18,800 million.



## 5. Capital Expenditures

THAI's capital expenditures before deduction of cash received from financial lease agreement for year 2011 totaled THB 16,338 million, which increased by THB 2,730 million or 20.1% from last year. Capital expenditures for year 2011 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 part, cabin reconfiguration program, and aircraft conversion expenses of two Boeing B747-400s which will be operated as freighter aircraft totaling THB 15,638 million.

<i>Unit : Million Baht</i>	<b>2011</b>	<b>2010</b>
Aircraft and aircraft spare parts	15,638	13,235
Non-Aircraft	700	373
<b>Total</b>	<b>16,338</b>	<b>13,608</b>

## 6. Financial Ratios

	<b>2011</b>	<b>2010</b>
<b>Liquidity Ratio</b>		
Current Ratio <sup>1)</sup> (times)	2.19	2.47
<b>Profitability Ratio</b>		
Operating Profit(Loss) Margin (%)	(1.46)	4.34
Net Profit(Loss) Margin (%)	(5.34)	8.16
Return on Equity (%)	(14.59)	23.84
<b>Efficiency Ratio</b>		
Return on Total Assets (%)	(3.57)	5.17
<b>Financial Policy Ratio</b>		
Interest Bearing Debt to Equity (times)	2.24	1.92
Interest Coverage Ratio <sup>2)</sup> (times)	3.04	5.43

*Note :* 1) *Current Ratio = Current Assets / Current Liabilities (Excluding Current Portion of Long-Term Liabilities and Unearned Transportation Revenues)*  
 2) *Interest Coverage Ratio = EBITDA / Interest Expense*  
 3) *Financial ratios for year 2010 showed above was adjusted which caused by the adoption of new TAS used for comparison*

Detail of significant accounting policies, privileges received under investment promotion, market risk and contractual obligations are in the note to the financial statements number 5, 6.26, 6.32 and 6.34, respectively.

## **Business Direction and Corporate Strategy**

The Company's vision is to be the First Choice Carrier with Touches of Thai with the objective to deliver quality service beyond expectation at every customer touch point. Thai touch and warm hospitality has been the heart of THAI's quality service for the past five decades aimed at creating a long lasting relationship between the Company and its customers.

In order to be a competitive organization with streamlined operations and providing the highest standard of service to meet customers' needs and build stakeholder confidence, THAI continued to execute its strategic business plan in 2011 that was developed in 2010 emphasizing product enhancement and service improvement that meets international standards. Internal reorganization and process redesign are ongoing to improve operating efficiency and enhancing overall competitiveness ensuring sustainable growth amidst an industry that is intensely competitive and continuously changing.

A number of distinct successful changes achieved through the implementation of THAI's 2011-2017 strategic initiatives include:

1. Strengthening the Company's existing businesses including the airline business by increasing its holding in Nok Airlines Co., Ltd. to enhance THAI's network and strengthen cooperation to better compete with other low cost carriers. In addition, a new business unit - THAI Smile, positioned as a light premium airline with competitive pricing emphasizing on shorter routes which will be extending THAI's regional presence. Another product that THAI is looking to launch is the answer to the rapidly growing low end market through a potential establishment of a low cost carrier emphasizing on regional and intercontinental markets. For aviation related businesses, WingSpan Services Co., Ltd. was established with the purpose of providing manpower-outsourcing service to THAI which will enable THAI to obtain skills that THAI really needs. Thai Flight Training Co., Ltd. was established to provide aviation training services, which will help increase revenue for the Company and to optimize efficiency in resources management. The Company is also seeking other related sustainable business opportunities which could lower the Company's operating expense and enhance the Company's overall profitability.
2. Route network development - THAI's route network development has been geared towards ensuring effectiveness and competitiveness of Suvarnabhumi Airport as the connecting hub and gateway for passengers traveling to countries in South Asia, Indochina, Khong River Basin, and Southern China with direct flights from Bangkok. THAI also used Bangkok as its hub for transit passengers traveling from Europe to destinations in East Asia and Australia, as well as North America to West Asia. Phuket, in parallel with Bangkok, has also been developed as an additional point of interest. New routes such as Bangkok-Brussels, direct flights from Copenhagen and Seoul to Phuket and direct flights from Phuket to Hong Kong have been added to strengthen and diversify its route network while Bangkok-Athens being loss making was dropped. THAI has been rationalizing its aircraft fleet in terms of size and type to better

meet travel demands for different areas. To enhance its competitiveness on Europe and North Asia routes, two A330-300 aircraft were delivered in 2011 while six A380-800s will join THAI's fleet in 2012-2013 including eleven A320-200 (narrow-body aircraft) to serve Asia.

3. Product and service improvements are being made at every customer touch point with constant monitoring and adjustment being made to improve consistency and synchronization amongst the service points. Examples include improvement in Call Center services, upgrade of VIP rooms for greater passenger comfort, improvement in food quality, increase in food variety with rapid turnover in menu and special dishes designed by distinguished chefs, improved efficiency in baggage handling and a ramp bus service for premium class. A number of existing aircraft have undergone seat and in-flight entertainment system retrofit programs to improve THAI's product offering. Some of the aircraft undergoing such retrofit program include the installation of personal screens in economy seats in B747-400 and B777-200 fleet. The retrofit program will enhance THAI's product quality competitiveness and lend to a more relaxed and smooth experience with THAI's Royal Orchid service.
4. Strengthening the Company's financial position to support its long-term growth plans is key to ensuring sustainable growth and sufficient cash on hand to repay its liabilities on an ongoing basis. In 2011, the Company issued debentures totaling THB 10,000 million. As of December 31, 2011, the Company has committed revolving credit lines totaling THB 15,500 million. In doing so, THAI has strengthened the Company's capital structure with sufficient liquidity to sustain growth and future operations.

# Five-Year Financial Review

		Year 2011 (Jan-Dec)	Year 2010 (Jan-Dec)	Year 2009 (Jan-Dec)	Year 2008 (Jan-Dec)	Year 2007 (Jan-Dec)
Number of Aircraft		89	90	91	89	90
Flight Hours	(Block Hours)	355,815	341,165	326,008	342,175	356,604
Available Ton-Kilometers	(Million)	11,987	11,516	10,499	10,938	11,521
Revenue Ton-Kilometers	(Million)	7,836	7,997	6,908	7,458	8,100
Load Factor	(%)	65.4	69.4	65.8	68.2	70.3
Number of Passengers	(000)	18,398	18,165	18,477	18,710	19,884
Available Seat-Kilometers	(Million)	78,533	75,600	72,031	75,391	78,032
Revenue Passenger-Kilometers	(Million)	55,267	55,676	52,593	56,377	61,615
Cabin Factor	(%)	70.4	73.6	73.0	74.8	79.0
Available Dead Load Ton-Kilometers	(Million)	4,919	4,708	4,016	4,152	4,498
Revenue Freight Ton-Kilometers	(Million)	2,766	2,895	2,092	2,292	2,456
Freight Load Factor	(%)	56.2	61.5	52.1	55.2	54.6
Number of Personnel	(People)	25,848	25,884	27,002	27,193	27,285
Profit (losses) before Tax	(Million Baht)	(7,917)	16,657	8,107	(23,600)	6,338

## Definition of Aviation Terms

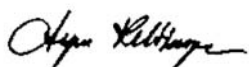
- ◆ **Available Ton-Kilometers (ATK)** Capacity offered for sale expressed as aircraft payload multiplied by flown kilometers.
- ◆ **Revenue Ton-Kilometers (RTK)** Capacity sold expressed as tons of load carried multiplied by flown kilometers.
- ◆ **Load Factor** Revenue ton-kilometers expressed as percentage of available ton-kilometers.
- ◆ **Available Seat-Kilometers (ASK)** Passenger capacity offered for sale expressed as number of seats multiplied by flown kilometers.
- ◆ **Revenue Passenger-Kilometers (RPK)** Passenger capacity sold expressed as number of passengers multiplied by flown kilometers.
- ◆ **Cabin Factor** Revenue passenger-kilometers expressed as percentage of available seat-kilometers.
- ◆ **Available Dead Load Ton-Kilometers (ADTK)** Capacity offered of aircraft payload after deduction of weight of the load of passengers multiplied by flown kilometers.
- ◆ **Revenue Freight Ton-Kilometers (RFTK)** Freight capacity sold expressed as tons of freight carried multiplied by flown kilometers.
- ◆ **Freight Load Factor** Revenue freight-kilometers expressed as percentage of available dead load ton-kilometers.
- ◆ **Aircraft Payload** Weight of the load of passengers, cargo and other load carried on a fully loaded aircraft using the average density of cargo.

## Board of Director's Duties on Financial Disclosure

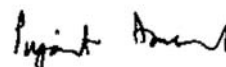
The Board of Directors of Thai Airways International Public Company Limited understands its responsibilities as Board members of a publicly listed company in ensuring that the Company's 2011 financial report is within the integrity, the sufficiency of relevant and transparent disclosure of information, which best reflects the Company's financial status, protect against fraud and undertaking of abnormal activities while observing generally accepted accounting principles. Appropriate accounting principles have been applied on a consistent basis and due consideration has been given in preparing the Company's consolidated financial statements, the Company's own financial statements along with other financial information as disclosed in the 2011 annual report with the statement of the Company Auditor reflecting their opinion.

To enhance stakeholder trust, the Board appointed an Audit Committee comprising of Independent Directors with qualifications as stipulated by the guidelines of the Stock Exchange of Thailand to ensure that the Company provides sufficient, transparent, correct and appropriate financial disclosure along with information regarding related party transactions is a key function of the Committee. Ensuring appropriate, sufficient and effective risk management guidelines, appropriate internal control procedures along with a robust internal audit process are also the functions of the Committee. Legal compliance is at the forefront of the Board's concerns therefore the Committee is also charged with ensuring that the Company's operations adhere to all relevant external and internal legal guidelines and policies.

The Board of Directors believe that the Company and the Company's consolidated 2011 financial statements ending December 31, 2011 reviewed by the Audit Committee, management and the Company's financial auditor to be correct, complete, appropriate, in compliance with generally accepted accounting practices and employs appropriate accounting policies on a consistent basis. The financial disclosure is deemed to be transparent, provides an appropriate level of disclosure and is in compliance with all the relevant legal guidelines and policies.



(Mr. Ampon Kittiampon)  
Chairman



(Mr. Piyasvasti Amranand)  
President

# Audit Committee's Report

Dear Shareholders,

The Audit Committee of Thai Airways International Public Company Limited consists of three independent directors, qualified and experienced in finance, legal and organization management; Mr. Chulasingsh Vasantasingh as the committee chairman, Mr. Chutinant Bhirom Bhakdi and Mr. Weerawong Chittmittrapap as the committee members. The committee is supported by two committee advisors, experienced in accounting and internal audit; Professor Emeritus Kesaree Narongdej and Mrs. Raweepon Kuhiran.

During the course of 2011, there were some changes in Audit Committee members where from 14<sup>th</sup> October 2011 the Board of Director appointed ACM M.L. Suprija Kamalasana to assume the position as a committee member instead of Mr. Banyong Pongpanich and from 18<sup>th</sup> November 2011 until present, Mr. Chutinant Bhirom Bhakdi was appointed instead of ACM M.L. Suprija Kamalasana.

During the year 2011, 11 meetings were organized between the Audit Committee, the external auditors, the internal auditors and the Company's executive management. Important issues and the committee's opinions were reported to the Board of Directors for acknowledgement or consideration as deemed appropriate. The Audit Committee's meeting attendance records can be referred to in the Good Corporate Governance section. A summary of significant Audit Committee's activities during the year 2011 are as follows:

**1. Financial Statement Audit:** The Audit Committee together with the finance and accounting division management and the external auditors have jointly reviewed the Company's quarterly financial reports and the annual 2011 financial statements, as well as the notes and analysis of the Company's financial status and performance. The auditors' comments on completeness and disclosure adequacy of the financial statements, recommendation on significant adjustments and the observations from both auditors and management were contemplated to reassure that the financial statements were prepared in conformity with acceptable accounting standards and the information disclosed was sufficient and timely.

One separate meeting session was held between the Audit Committee and the external auditors without Company's management. In addition, the supporting audit observations were reviewed and, in conjunction, managements' actions in relation to those observation points were continuously monitored. Nonetheless, no violations to the law Under Section 89/25 of the Securities and Exchange Act (No. 4) B.E. 2551 were found from the audit findings or reported by the external auditors.

**2. The audit of adequacies and effectiveness of internal audit and risk management systems:** The Audit Committee has reviewed external auditors' observations, audit reports from the Office of Internal Audit and the report from Company's management where one joint discussion session between the Audit Committee and the Management Committee was organized with presence of executive management for clarification and consultation to align the common understanding of critical operation processes as well as other relevant agenda as appropriate. In so doing, the Audit Committee has reviewed the adequacy and suitability of internal audit system and advised guidance to optimize efficiency and productivity of the internal audit system within the critical line of work process such as contractual management, branch management, etc.

This year, the Audit Committee recognized the importance of strengthening management's understanding and awareness of the internal controls and their roles and responsibilities in promoting good practice within their organizations. A seminar program on "Management's roles and internal control" was organized for management of director level upwards. Another seminar program on internal control for account managers of Company's branch office was also organized.



In addition, the Audit Committee has evaluated results of internal control self-assessment in accordance with the State Audit Commission's Internal Audit Guidelines B.E. 2544. The reports on significant risks and mitigation measures were also examined.

**3. Monitoring of Internal Audit activities:** The Audit Committee has reviewed and approved the audit program from the Office of Internal Audit and endorsed on adjustments in the program in order to ensure that the program is well aligned with the changes in risk environment and optimized with available resources within the Office of Internal Audit. The Audit Committee has provided advises and monitored performance of the Office of Internal Audit on quarterly basis.

In addition, the Committee approved changes to the internal audit charter, audit manual and approved the annual training programs for Internal Audit personnel. Moreover, the review of performance assessment criteria of the head of internal audit, approval of appointments of management from director level and above within the Office of the Internal Audit, acknowledgements of appointments, promotions, merit increases, staff performances and judgments on new recruitments within the Office of Internal Audit were also under the Audit Committee's duties.

**4. Legal Compliance Audit:** The Audit Committee has jointly discussed with relevant Company management and acknowledged reports from the Corporate Secretariat Department which served to monitor and ensure that each division of operations were within compliance of applicable laws and regulations.

**5. Audit of Connected Transactions:** The Audit Committee has reviewed and provided opinion on the Company's connected transactions in accordance with the guidelines of the Stock Exchange of Thailand prior to seeking final endorsement from the Board of Directors to reassure that connected transactions were performed in a transparent manner, such that the stakeholders did not have any involvements or manipulations on the decisions and that the decisions were made solely based on company's interests as if the transactions were performed with external parties. The audit committee has acknowledged the connected transaction reports on quarterly basis, as well as ensuring that the transactions were properly disclosed and sufficiently complete.

**6. Audit Charter and Self-assessment of the Audit committee:** The Audit Committee has collated and reviewed the Charter of the Audit Committee, as well as performed self-assessment as stipulated in the best practice guidelines of the Stock Exchange of Thailand and the guidelines for the Audit Committee for state enterprises defined by the Ministry of Finance, where the assessment was performed on the Committee themselves both as a group and as an individuals. The assessment indicates that the Committee had prudently and independently performed their duties and was in line with the guidelines, practices and the Audit Committee's Charter.

**7. Proposal of Appointment of External Auditor:** The Audit Committee has proposed consideration to the Board of Directors and thereafter seeking concurrence from the shareholders' meeting for the appointment of the Auditor General as the Company's 2012 legal external auditor.

Through contemplations of various Company's performance reports and deliberations with executive management, external and internal auditors, the Audit Committee has concluded that the Company's financial statements to be accurate and observes the generally accepted accounting principles with adequate and complete disclosure with information integrity. The Company's connected transactions are appropriately and sufficiently disclosed. The Company has in place sufficient and efficient internal control and internal audit systems and abides by relevant laws and regulations without any significant breach of such laws and regulations.

(Mr. Chulasingh Vasantasingh)  
Chairman of Audit Committee  
February 21, 2012



NO. 0020/0600

Office of the Auditor General  
Rama VI Road, Bangkok 10400  
Tel : 66 2 271 8000  
Fax : 66 2 618 5783  
E-mail : audit3@oag.go.th

This letter is given to confirm that the English version of the Auditor's Report together with the consolidated financial statements for the years ended December 31, 2011 and 2010 of the Thai Airways International Public Company Limited and its subsidiaries and the separate financial statements for the years ended December 31, 2011 and 2010 of the Thai Airways International Public Company Limited were translated by the Thai Airways International Public Company Limited. The Office of the Auditor General reviewed the aforementioned English version of the Auditor's Report and financial statements and found that they are in agreement, as to form and content, with the Auditor's Report and the consolidated and separate financial statements for the same period issued in the Thai language.

Given on March 2, 2012

(Prapee Ankinandana)

Deputy Auditor General

Acting Auditor General

# Auditor's Report

## TO : THE SHAREHOLDERS OF THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED

The Office of the Auditor General of Thailand has audited the accompanying consolidated balance sheets of Thai Airways International Public Company Limited and its subsidiaries and the statement of financial position of Thai Airways International Public Company Limited as at December 31, 2011 and 2010, and the related consolidated and the Company's statements of comprehensive income, changes in shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. The responsibility of the Office of the Auditor General of Thailand is to express an opinion on these financial statements based on the audits.

The Office of the Auditor General of Thailand conducted the audits in accordance with generally accepted auditing standards. Those standards require that the Office of the Auditor General of Thailand plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. The Office of the Auditor General of Thailand believes that the audits provide a reasonable basis for the opinion.

In the opinion of the Office of the Auditor General of Thailand, the consolidated and the Company's financial statements referred to above present fairly, in all material respects, the financial position of Thai Airways International Public Company Limited and its subsidiaries and of the Thai Airways International Public Company Limited as at December 31, 2011 and 2010, and the results of operations, the changes in shareholders' equity, and the cash flows for the years then ended in accordance with generally accepted accounting principles.

Without qualifying an opinion on these financial statements, the Office of the Auditor General of Thailand would like to draw attention to Note 3 and 4, during the current year, the Company has adopted the revised new accounting standards and accounting standard interpretations issued by the Federation of Accounting Professions to prepare and present these financial statements. The Company restated the financial statements as at December 31, 2010 and for the year then ended to comply with the changes in accounting policy resulting from the adoption of revised accounting standards and accounting standard interpretations.

(Signed) *Jiraporn Piriyakitpaiboon*  
(Jiraporn Piriyakitpaiboon)  
Inspector General

(Signed) *Dawan Wongphayak*  
(Dawan Wongphayak)  
Director of Audit Office

Office of the Auditor General  
February 21, 2012

# Financial Statements

## THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES STATEMENTS OF FINANCEIAL POSITION AS AT DECEMBER 31, 2011 AND 2010

Unit : Baht

		Consolidated Financial Statements		Separate Financial Statements	
		2011	2010 (Restated)	2011	2010 (Restated)
ASSETS					
Current Assets					
Cash and cash equivalents	6.1	16,666,025,016	37,679,682,021	16,629,940,922	37,601,476,433
Temporary investments		419,005,881	549,631,092	-	-
Trade accounts receivable	6.2	16,648,726,577	17,026,522,846	16,623,707,215	16,997,958,124
Prepaid expenses and deposits		10,467,893,729	9,086,820,600	10,482,589,799	9,080,884,481
Inventories and supplies	6.3	7,710,007,103	6,967,672,684	7,710,007,103	6,967,672,684
Other current assets	6.4	7,120,368,409	6,991,111,837	7,090,660,788	6,963,643,648
Non-current assets classified as held for sale		261,631,778	274,996,800	261,631,778	274,996,800
Total Current Assets		59,293,658,493	78,576,437,880	58,798,537,605	77,886,632,170
Non-Current Assets					
Investment in associates	6.5.1	1,629,966,047	1,400,993,771	1,083,520,500	918,520,500
Investment in subsidiaries	6.5.1	-	-	10,209,900	9,229,930
Other long-term investments	6.5.2	179,041,214	78,868,075	79,889,058	78,868,075
Property, plant and equipment	6.7	204,994,677,040	206,118,498,576	204,987,311,294	206,106,106,106
Intangible assets	6.8	623,739,745	552,355,100	617,255,122	547,622,540
Deferred tax assets	6.9	5,409,447,315	7,569,631,669	5,398,556,488	7,555,783,585
Other non-current assets	6.11	2,314,170,825	2,261,025,826	2,312,892,713	2,260,652,011
Total Non-Current Assets		215,151,042,186	217,981,373,017	214,489,635,075	217,476,782,747
Total Assets		274,444,700,679	296,557,810,897	273,288,172,680	295,363,414,917

The accompanying notes are an integral part of these financial statements.

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
STATEMENTS OF FINANCEIAL POSITION  
AS AT DECEMBER 31, 2011 AND 2010

Unit : Baht

Note	Consolidated Financial Statements		Separate Financial Statements	
	2011	2010 (Restated)	2011	2010 (Restated)
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Current Liabilities</b>				
Trade accounts payable	7,362,821,704	6,438,803,086	7,354,684,963	6,429,968,646
Accrued expenses	13,958,939,401	18,897,692,862	13,940,060,094	18,869,584,115
Current portion of long-term liabilities				
Long-term loans from related parties	6.12 2,072,000,000	2,072,000,000	2,072,000,000	2,072,000,000
Long-term loans from other parties	6.12 2,028,000,000	-	2,028,000,000	-
Liabilities under finance leases	6.13 10,102,499,455	9,595,026,378	10,102,499,455	9,595,026,378
Debentures	6.14 4,670,000,000	11,487,920,000	4,670,000,000	11,487,920,000
Current income tax payable	14,507,725	16,398,775	-	-
Other current liabilities				
Accrued dividends	52,032,037	72,007,719	51,960,945	72,007,719
Unearned transportation revenues	24,760,701,984	25,804,443,193	24,760,701,984	25,804,443,193
Deferred income	-	509,417,156	-	509,417,156
Others	6.15 5,653,845,282	5,841,986,865	5,629,595,110	5,819,769,875
<b>Total Current Liabilities</b>	<b>70,675,347,588</b>	<b>80,735,696,034</b>	<b>70,609,502,551</b>	<b>80,660,137,082</b>
<b>Non-Current Liabilities</b>				
Long-term liabilities				
Long-term loans from related parties	6.12 5,235,276,000	7,245,852,000	5,235,276,000	7,245,852,000
Long-term loans from others	6.12 47,272,000,000	43,300,000,000	47,272,000,000	43,300,000,000
Liabilities under finance leases	6.13 47,793,179,638	54,732,093,240	47,793,179,638	54,732,093,240
Debentures	6.14 23,126,790,000	17,846,790,000	23,176,790,000	17,846,790,000
Deferred tax liabilities	6.10 55,761,979	-	55,761,979	-
Staff pension fund	6.29 4,561,205,013	4,371,134,750	4,561,205,013	4,371,134,750
Employee benefits obligation	6.17 10,631,622,487	9,326,022,519	10,627,153,071	9,322,510,535
Long-term provisions	6.16 1,526,616,686	2,556,971,979	1,524,216,756	2,555,351,979
Other non - current liabilities	131,684,668	61,310,000	130,996,430	61,310,000
<b>Total Non-Current Liabilities</b>	<b>140,334,136,471</b>	<b>139,440,174,488</b>	<b>140,376,578,887</b>	<b>139,435,042,504</b>
<b>Total Liabilities</b>	<b>211,009,484,059</b>	<b>220,175,870,522</b>	<b>210,986,081,438</b>	<b>220,095,179,586</b>
<b>Shareholders' Equity</b>				
Share capital	6.19			
Authorized share capital				
2,698.90 million ordinary shares par value of Baht 10 each	26,989,009,500	26,989,009,500	26,989,009,500	26,989,009,500
Issued and paid-up share capital				
2,182.77 million ordinary shares par value of Baht 10 each	21,827,719,170	21,827,719,170	21,827,719,170	21,827,719,170
Share premium account - Ordinary shares	25,548,223,951	25,548,223,951	25,548,223,951	25,548,223,951
Retained earnings				
Appropriated				
Legal reserve	2,469,792,865	2,469,792,865	2,469,792,865	2,469,792,865
Unappropriated	13,323,207,378	26,247,856,250	12,456,355,256	25,422,499,345
<b>Total Company Shareholders' Equity</b>	<b>63,168,943,364</b>	<b>76,093,592,236</b>	<b>62,302,091,242</b>	<b>75,268,235,331</b>
<b>Non-controlling Interests</b>	<b>266,273,256</b>	<b>288,348,139</b>	<b>-</b>	<b>-</b>
<b>Total Shareholders' Equity</b>	<b>63,435,216,620</b>	<b>76,381,940,375</b>	<b>62,302,091,242</b>	<b>75,268,235,331</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>274,444,700,679</b>	<b>296,557,810,897</b>	<b>273,288,172,680</b>	<b>295,363,414,917</b>

The accompanying notes are an integral part of these financial statements.

(Signed) *Piyasvasti Amranand*  
(Piyasvasti Amranand)  
President

(Signed) *Wasukarn Visansawatdi*  
(Wasukarn Visansawatdi)  
Executive Vice President  
Finance and Accounting

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS END DECEMBER 31, 2011 AND 2010

Unit : Baht

Note	Consolidated Financial Statements		Separate Financial Statements	
	2011	2010 (Restated)	2011	2010 (Restated)
<b>Revenues</b>				
<b>Revenues from Sales or Revenues from Services</b>				
Passenger and excess baggage	154,646,038,064	144,862,179,813	154,646,038,064	144,862,179,813
Freight	27,245,224,586	27,391,294,840	27,245,224,586	27,391,294,840
Mail	846,773,123	838,688,162	846,773,123	838,688,162
Other activities	8,259,156,208	7,496,520,151	7,953,888,559	7,181,174,045
<b>Total Revenues from Sales or Revenues from Services</b>	<b>190,997,191,981</b>	<b>180,588,682,966</b>	<b>190,691,924,332</b>	<b>180,273,336,860</b>
<b>Other Income</b>				
Interest income	710,591,930	185,028,027	696,064,855	175,552,112
Other income - Others 6.22	2,634,025,739	3,496,673,812	2,825,207,874	3,666,122,646
<b>Total Other Income</b>	<b>3,344,617,669</b>	<b>3,681,701,839</b>	<b>3,521,272,729</b>	<b>3,841,674,758</b>
<b>Total Revenues</b>	<b>194,341,809,650</b>	<b>184,270,384,805</b>	<b>194,213,197,061</b>	<b>184,115,011,618</b>
<b>Expenses</b>				
Fuel and oil	76,388,558,174	56,518,905,218	76,388,558,174	56,518,905,218
Employee benefits expenses 6.21	31,009,093,407	34,524,846,106	30,964,018,415	34,484,049,321
Flight service expenses	20,427,965,628	19,064,241,405	20,427,965,628	19,064,241,405
Crew expenses	5,485,141,957	5,092,478,171	5,485,141,957	5,092,478,171
Aircraft maintenance and overhaul costs	11,698,186,020	9,674,696,586	11,698,186,020	9,674,696,586
Depreciation and amortisation expenses	19,989,063,832	20,236,478,167	19,977,881,694	20,224,771,922
Lease of aircraft and spare parts	5,429,503,645	4,330,692,346	5,429,503,645	4,330,692,346
Inventories and supplies	9,042,071,447	9,045,666,940	9,042,071,447	9,045,666,940
Selling and advertising expenses	5,885,165,605	6,103,389,350	5,816,205,759	6,060,948,019
Insurance expenses	732,966,634	675,150,146	732,966,634	675,150,146
Impairment loss of assets	939,895,341	318,265,061	939,895,341	123,265,061
Impairment loss of aircraft 6.24	180,909,303	170,914,911	180,909,303	170,914,911
Other expenses 6.23	7,148,903,461	6,056,118,134	7,079,838,343	5,990,978,336
Losses (Gains) on foreign currency exchange	2,428,181,168	(9,106,263,666)	2,430,282,274	(9,114,515,204)
Finance costs	5,655,587,760	5,165,714,842	5,657,410,445	5,165,714,842
Loss on debentures redemption	1,427,287	-	-	-
Share of profits of associates	(183,736,042)	(257,921,577)	-	-
<b>Total Expenses</b>	<b>202,258,884,627</b>	<b>167,613,372,140</b>	<b>202,250,835,079</b>	<b>167,507,958,020</b>
<b>Profit (loss) before Income Tax Expense</b>	<b>(7,917,074,977)</b>	<b>16,657,012,665</b>	<b>(8,037,638,018)</b>	<b>16,607,053,598</b>
Net tax expense 6.25	2,245,036,998	1,865,335,568	2,200,830,323	1,816,968,739
<b>Profit (loss) for the year</b>	<b>(10,162,111,975)</b>	<b>14,791,677,097</b>	<b>(10,238,468,341)</b>	<b>14,790,084,859</b>
<b>Other Comprehensive Income (Expense)</b>	-	-	-	-
<b>Other Comprehensive Income (Expense) for the year - net of tax</b>	-	-	-	-
<b>Total Comprehensive Income (Expense) for the year</b>	<b>(10,162,111,975)</b>	<b>14,791,677,097</b>	<b>(10,238,468,341)</b>	<b>14,790,084,859</b>
<b>Profit (Loss) Attributable to:</b>				
<b>Owners of the parent</b>	<b>(10,196,973,124)</b>	<b>14,743,648,463</b>	<b>(10,238,468,341)</b>	<b>14,790,084,859</b>
Non-controlling interests	34,861,149	48,028,634	-	-
	<b>(10,162,111,975)</b>	<b>14,791,677,097</b>	<b>(10,238,468,341)</b>	<b>14,790,084,859</b>
<b>Total Comprehensive Income (Expense) Attributable to:</b>				
<b>Owners of the parent</b>	<b>(10,196,973,124)</b>	<b>14,743,648,463</b>	<b>(10,238,468,341)</b>	<b>14,790,084,859</b>
Non-controlling interests	34,861,149	48,028,634	-	-
	<b>(10,162,111,975)</b>	<b>14,791,677,097</b>	<b>(10,238,468,341)</b>	<b>14,790,084,859</b>
<b>Earnings (loss) per Share 6.27</b>				
Basic earnings (loss) per share	(4.67)	8.06	(4.69)	8.08

The accompanying notes are an integral part of these financial statements.

(Signed) *Piyasvasti Amranand*  
(Piyasvasti Amranand)  
President

(Signed) *Wasukarn Visansawatdi*  
(Wasukarn Visansawatdi)  
Executive Vice President  
Finance and Accounting



THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

CONSOLIDATED FINANCIAL STATEMENTS

Unit : Baht

Note	Owners of the parent				Non-controlling Interests	Total
	Issued and Paid-up Share Capital	Share Premium Account - Ordinary Shares	Retained Earnings	Total Owners of the parent		
<b>Balance as at January 1, 2010 before Adjustment</b>	16,989,009,500	15,637,625,278	20,319,766,346	52,946,401,124	297,558,183	53,243,959,307
<b>Less</b> The effect of changes in accounting policy	-	-	(5,921,065,085)	(5,921,065,085)	(883,748)	(5,921,948,833)
<b>Balance after Adjustment</b>	16,989,009,500	15,637,625,278	14,398,701,261	47,025,336,039	296,674,435	47,322,010,474
<b>Changes in Shareholders' Equity</b>						
<b>Add</b> Issued and paid-up ordinary shares - The Company	4,838,709,670	10,161,290,307	-	14,999,999,977	-	14,999,999,977
<b>Add</b> Issued and paid-up ordinary shares - Subsidiaries	-	-	-	-	70	70
<b>Add</b> Issued and paid-up preference shares - Subsidiaries	-	-	-	-	1,020,000	1,020,000
<b>Less</b> Dividends paid	-	-	(424,725,237)	(424,725,237)	(57,375,000)	(482,100,237)
<b>Add</b> Dividends returned	-	-	24,628	24,628	-	24,628
<b>Less</b> Stock issuing fee	-	(250,691,634)	-	(250,691,634)	-	(250,691,634)
<b>Add</b> Comprehensive income for the year 2010 (Restated)	-	-	14,743,648,463	14,743,648,463	48,028,634	14,791,677,097
<b>Balance as at December 31, 2010</b>	<b>21,827,719,170</b>	<b>25,548,223,951</b>	<b>28,717,649,115</b>	<b>76,093,592,236</b>	<b>288,348,139</b>	<b>76,381,940,375</b>
<b>Balance as at January 1, 2011 before Adjustment</b>	21,827,719,170	25,548,223,951	35,244,758,604	82,620,701,725	289,454,414	82,910,156,139
<b>Less</b> The effect of changes in accounting policy 4	-	-	(6,527,109,489)	(6,527,109,489)	(1,106,275)	(6,528,215,764)
<b>Balance after Adjustment</b>	21,827,719,170	25,548,223,951	28,717,649,115	76,093,592,236	288,348,139	76,381,940,375
<b>Add</b> Issued and paid-up ordinary shares - Thai Flight Training Company Limited	-	-	-	-	60	60
<b>Add</b> Issued and paid-up preference shares - Tour Eung Luang Company Limited	-	-	-	-	510,000	510,000
<b>Less</b> Dividends paid 6.18	-	-	(2,728,464,896)	(2,728,464,896)	(57,375,000)	(2,785,839,896)
<b>Add</b> Dividends returned	-	-	789,148	789,148	-	789,148
<b>Less</b> Dividends paid to cumulative preference shares	-	-	-	-	(71,092)	(71,092)
<b>Add</b> Comprehensive income (expense) for the year 2011	-	-	(10,196,973,124)	(10,196,973,124)	34,861,149	(10,162,111,975)
<b>Balance as at December 31, 2011</b>	<b>21,827,719,170</b>	<b>25,548,223,951</b>	<b>15,793,000,243</b>	<b>63,168,943,364</b>	<b>266,273,256</b>	<b>63,435,216,620</b>

The accompanying notes are an integral part of these financial statements.

(Signed) **Piyasvasti Amranand**  
(Piyasvasti Amranand)  
President

(Signed) **Wasukarn Visansawatdi**  
(Wasukarn Visansawatdi)  
Executive Vice President  
Finance and Accounting

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

SEPARATE FINANCIAL STATEMENTS

Unit : Baht

	Note	Issued and Paid-up Share Capital	Share Premium Account - Ordinary Shares	Retained Earnings	Total
<b>Balance as at January 1, 2010 before Adjustment</b>		16,989,009,500	15,637,625,278	19,446,892,908	52,073,527,686
<u>Less</u> The effect of changes in accounting policy		-	-	(5,919,984,948)	(5,919,984,948)
<b>Balance after Adjustment</b>		16,989,009,500	15,637,625,278	13,526,907,960	46,153,542,738
<b>Changes in Shareholders' Equity</b>					
<u>Add</u> Issued and paid-up ordinary shares		4,838,709,670	10,161,290,307	-	14,999,999,977
<u>Less</u> Dividends paid		-	-	(424,725,237)	(424,725,237)
<u>Add</u> Dividends returned		-	-	24,628	24,628
<u>Less</u> Stock issuing fee		-	(250,691,634)	-	(250,691,634)
<u>Add</u> Comprehensive income for the year 2010 (Restated)		-	-	14,790,084,859	14,790,084,859
<b>Balance as at December 31, 2010</b>		<b>21,827,719,170</b>	<b>25,548,223,951</b>	<b>27,892,292,210</b>	<b>75,268,235,331</b>
<b>Balance as at January 1, 2011 before Adjustment</b>		21,827,719,170	25,548,223,951	34,418,049,585	81,793,992,706
<u>Less</u> The effect of changes in accounting policy	4	-	-	(6,525,757,375)	(6,525,757,375)
<b>Balance after Adjustment</b>		21,827,719,170	25,548,223,951	27,892,292,210	75,268,235,331
<b>Changes in Shareholders' Equity</b>					
<u>Less</u> Dividends paid	6.18	-	-	(2,728,464,896)	(2,728,464,896)
<u>Add</u> Dividends returned		-	-	789,148	789,148
<u>Less</u> Comprehensive loss for the year 2011		-	-	(10,238,468,341)	(10,238,468,341)
<b>Balance as at December 31, 2011</b>		<b>21,827,719,170</b>	<b>25,548,223,951</b>	<b>14,926,148,121</b>	<b>62,302,091,242</b>

The accompanying notes are an integral part of these financial statements.

(Signed) *Piyasvasti Amranand*  
(Piyasvasti Amranand)  
President

(Signed) *Wasukarn Visansawatdi*  
(Wasukarn Visansawatdi)  
Executive Vice President  
Finance and Accounting

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

Unit : Baht

Note	Consolidated Financial Statements		Separate Financial Statements	
	2011	2010 (Restated)	2011	2010 (Restated)
<b>Cash Flows from Operating Activities</b>				
Profits (losses) before income tax expenses	(7,917,074,977)	16,657,012,665	(8,037,638,018)	16,607,053,598
Adjustment to reconcile profit before tax to cash provided by (paid from) operating activities :				
Depreciation and amortisation expenses	19,989,063,832	20,236,478,167	19,977,881,694	20,224,771,922
Dividends received	(98,000)	(105,000)	(189,986,765)	(168,119,520)
Share of profits of investments by equity method	(183,736,042)	(257,921,577)	-	-
Interest income	(710,591,930)	(185,028,027)	(696,064,855)	(175,552,112)
Interest expenses	5,655,587,760	5,165,714,842	5,657,410,445	5,165,714,842
Gains on sales of assets	(9,961,177)	(93,913,342)	(9,961,177)	(93,913,342)
Loss on sales of aircrafts	-	148,464,856	-	148,464,856
Other non-current liabilities	779,930	1,620,000	-	-
Loss (gain) on foreign currency exchange	1,430,932,281	(8,231,569,446)	1,430,754,039	(8,231,449,732)
Employee benefits obligation	1,305,599,968	866,095,615	1,304,642,536	865,389,181
Provision for obsolete inventories and supplies	87,982,108	(5,864,415)	87,982,108	(5,864,415)
Doubtful accounts	56,272,429	(58,104,978)	56,298,513	(57,891,791)
Impairment loss of aircrafts	180,909,303	170,914,911	180,909,303	170,914,911
Impairment loss of assets	939,895,341	318,265,061	939,895,341	318,265,061
Reversal of impairment loss on investment	-	-	-	(195,000,000)
Operating profits before changes in operating assets and liabilities	20,825,560,826	34,732,059,332	20,702,123,164	34,572,783,459
Decrease (increase) in operating assets :				
Trade accounts receivable	459,850,730	(1,860,354,166)	456,449,156	(1,910,237,178)
Inventories and supplies	(942,837,773)	(763,848,741)	(942,837,773)	(763,848,741)
Prepaid expenses and deposits	(860,553,052)	(4,850,356,383)	(881,185,241)	(4,850,381,343)
Tax refund	192,977,393	(6,460,094)	192,977,393	(6,460,094)
Other current assets	110,313,613	(331,076,245)	109,344,521	(339,504,049)
Deferred Income Taxes	38,375,858	-	38,375,858	-
Assets for sales	3,163,998	508,609,865	3,163,998	508,609,865
Other assets	51,975,533	24,642,739	52,879,830	24,642,739
Deferred charges	(407,994,056)	(258,706,810)	(407,994,056)	(258,706,810)
Increase (decrease) in operating liabilities :				
Trade accounts payable	(2,775,025,683)	(136,433,674)	(2,772,255,538)	(139,995,611)
Accrued expenses and other current liabilities	(4,888,550,157)	5,082,051,140	(4,878,839,330)	5,078,376,088
Deferred income	(509,417,156)	(1,460,945,567)	(509,417,156)	(1,460,945,567)
Staff pension fund	190,070,263	(337,472,736)	190,070,263	(337,472,736)
Unearned transportation revenues	(927,854,273)	473,087,269	(927,854,273)	473,087,269
Other non-current liabilities	(1,109,717,473)	(1,324,984,970)	(1,109,717,473)	(1,324,984,970)
<b>Cash received from operations</b>	<b>9,450,338,591</b>	<b>29,489,810,959</b>	<b>9,315,283,343</b>	<b>29,264,962,321</b>
Payment of income tax	(283,641,408)	(1,222,185,214)	(240,500,940)	(1,157,396,421)
<b>Net Cash from Operating Activities</b>	<b>9,166,697,183</b>	<b>28,267,625,745</b>	<b>9,074,782,403</b>	<b>28,107,565,900</b>

The accompanying notes are an integral part of these financial statements.

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

Unit : Baht

Note	Consolidated Financial Statements		Separate Financial Statements	
	2011	2010 (Restated)	2011	2010 (Restated)
<b>Cash Flows from Investing Activities</b>				
Cash received from operational assistance subsidy	69,686,430	61,310,000	69,686,430	61,310,000
Cash paid for acquisition of fixed assets <b>B</b>	(12,336,018,601)	(9,580,587,175)	(12,332,724,504)	(9,579,055,127)
Cash paid for intangible assets	(292,020,009)	(103,200,695)	(290,158,940)	(102,869,598)
Cash received from transferring the rights for advance payment of aircraft and aircraft equipment	584,610,525	318,985,741	584,610,525	318,985,741
Cash received from sales of assets	285,163,764	374,968,984	285,163,764	374,968,984
Interest income	665,619,895	158,296,837	654,985,655	147,723,351
Dividends received	119,861,765	97,994,520	189,986,765	168,119,520
Investment decrease (increase)	(260,789,804)	128,222	(162,741,311)	(851,708)
Cash received (paid) from (for) temporary investment	133,969,660	(199,969,555)	-	-
<b>Net Cash used in Investing Activities</b>	<b>(11,029,916,375)</b>	<b>(8,872,073,121)</b>	<b>(11,001,191,616)</b>	<b>(8,611,668,837)</b>
<b>Cash Flows from Financing Activities</b>				
Cash received from debentures	10,000,000,000	-	10,000,000,000	-
Cash received from long-term loans	8,799,805,348	21,965,338,178	8,799,805,348	21,965,338,178
Cash received from issuing ordinary shares	60	4,838,709,740	-	4,838,709,670
Cash received from issuing preference shares	510,000	1,020,000	-	-
Cash received from premium on ordinary shares	-	9,910,598,674	-	9,910,598,674
Cash paid for repayment of short-term loans	-	(1,116,109,440)	-	(1,116,109,440)
Cash paid for repayment of debentures	(11,537,920,000)	(10,955,290,000)	(11,487,920,000)	(10,955,290,000)
Cash paid for repayment of long-term loans	(17,925,554,448)	(13,854,951,591)	(17,925,554,448)	(13,854,951,591)
Cash paid for repayment of promissory notes	-	(750,000,000)	-	(750,000,000)
Cash paid for loan interest	(5,769,782,243)	(5,579,165,794)	(5,771,335,668)	(5,579,165,794)
Dividends paid	(2,747,722,522)	(423,308,755)	(2,747,722,522)	(423,308,755)
Dividends paid for non-controlling interests	(57,375,000)	(57,375,000)	-	-
<b>Net Cash used in Financing Activities</b>	<b>(19,238,038,805)</b>	<b>3,979,466,012</b>	<b>(19,132,727,290)</b>	<b>4,035,820,942</b>
Increase (decrease) in cash and cash equivalents	(21,101,257,997)	23,375,018,636	(21,059,136,503)	23,531,718,005
Effect from changing in exchange rate on cash and cash equivalents increase (decrease)	87,600,992	4,982,461	87,600,992	4,982,461
Cash and cash equivalents at the beginning of the periods	37,679,682,021	14,299,680,924	37,601,476,433	14,064,775,967
<b>Cash and Cash Equivalents at the End of the Periods <b>C</b></b>	<b>16,666,025,016</b>	<b>37,679,682,021</b>	<b>16,629,940,922</b>	<b>37,601,476,433</b>

The accompanying notes are an integral part of these financial statements.

(Signed) *Piyasvasti Amranand*  
(Piyasvasti Amranand)  
President

(Signed) *Wasukarn Visansawatdi*  
(Wasukarn Visansawatdi)  
Executive Vice President  
Finance and Accounting

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

*Note to Statements of Cash Flows*

**A. Tax Refund - Consolidated and Separate Financial Statements**

<i>Unit : Million Baht</i>	
	<b>2011</b>
Proceeds from P.N.D.50 for the year 2009	201.92
Proceeds from P.N.D.50 for the year 2007	0.71
Adjustment of tax refund for the year 2010	(9.65)
	<b>192.98</b>
	<b>2010</b>
Adjustment of tax refund for the year 2009	(6.46)
	<b>(6.46)</b>

**B. Property, Plant and Equipment**

*Consolidated financial statements*

During the year 2011, the Company bought property, plant and equipment under finance leases amount of THB 4,002.12 million and cash payment amount of THB 12,336.02 million, total cost amount of THB 16,338.14 million.

During the year 2010, the Company bought property, plant and equipment under finance leases amount of THB 4,027.20 million and cash payment amount of THB 9,580.59 million, total cost amount of THB 13,607.79 million.

*Separate financial statements*

During the year 2011, the Company bought property, plant and equipment under finance leases amount of THB 4,001.63 million and cash payment amount of THB 12,332.72 million, total cost amount of THB 16,334.35 million.

During the year 2010, the Company bought property, plant and equipment under finance leases amount of THB 4,027.20 million and cash payment amount of THB 9,579.06 million, total cost amount of THB 13,606.26 million.

**C. Cash and Cash Equivalents**

<i>Unit : Million Baht</i>				
	<i>Consolidated Financial Statements</i>		<i>Separate Financial Statements</i>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Cash on hand and outstanding bank balances	10,778.43	28,474.70	10,742.34	28,396.50
Short-term investments	5,800.00	9,200.00	5,800.00	9,200.00
Cash and cash equivalents as previously reported	16,578.43	37,674.70	16,542.34	37,596.50
Effect of exchange rate changes	87.60	4.98	87.60	4.98
<b>Cash and cash equivalents as reported</b>	<b>16,666.03</b>	<b>37,679.68</b>	<b>16,629.94</b>	<b>37,601.48</b>

(Signed) **Piyasvasti Amranand**  
(Piyasvasti Amranand)  
President

(Signed) **Wasukarn Visansawatdi**  
(Wasukarn Visansawatdi)  
Executive Vice President  
Finance and Accounting

# Notes to the Financial Statements

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

## 1. BASIS OF FINANCIAL STATEMENT PREPARATION

The consolidated and the separate financial statements have been prepared in accordance with generally accepted accounting principles under the Accounting Act B.E. 2543 (2000) being those Thai Accounting Standards which issued by the Accounting Profession Act B.E. 2547 (2004) and the Financial Reporting Requirements of the Securities and Exchange Commission, Thailand under the Securities and Exchange Act B.E. 2535 (1992).

Transactions in the financial statements are presented complying with the regulation announced by the Department of Business Development on September 28, 2011 according to the Accounting Act B.E. 2543 (2000).

The Company's financial statements consist of Thai Airways International Public Company Limited and the Company's staff pension fund.

The consolidated financial statements consist of the Company and its subsidiaries as follows:

Company's Name	Type of Business	Located Country	Percentage of Share Holding	
			2011	2010
<b>Held by the Company:</b>				
- Thai-Amadeus Southeast Asia Company Limited	Information technology company for travel services	Thailand	55%	55%
- WingSpan Services Company Limited	Providing special personnel services to the Company	Thailand	49%	49%
- Thai Flight Training Company Limited	Aviation training services	Thailand	49%	-
<b>Held by a subsidiary of the Company</b>				
A subsidiary held by WingSpan Services Company Limited				
- Tour Eurng Luang Company Limited	Tourism Business	Thailand	49%	-

The subsidiaries are controlled by the Company, directly or indirectly, in determining the financial policies and operations of such subsidiaries. Significant accounting transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements. Except on November 29, 2011 that the Company is holding 5 millions shares of Nok Airlines Company Limited, at THB 33 par value, totaling of THB 165 million, which is up from 39% to 49%. On December 22, 2011, Board of Directors of Nok Airlines Company Limited appointed Mr. Piyasvasti Amranand to be the Director of Nok Airlines Company Limited, which caused the Company to increase from 4 to 5 seats in the total numbers of Board of Directors. The Company Management considered that the Company has controlled Nok Airlines Company Limited for 8 days in 2011, which has no significant impact on the controlling. In addition, the Share Holder Agreement has not been amended yet. As at December 31, 2011, net asset value of Nok Airlines Company Limited is THB 770.80 million.



An English language version of the financial statements has been prepared from the statutory financial statements that were issued in Thai language. In case of conflict or difference in understanding, the financial statements in Thai language shall prevail.

These financial statements are prepared by the historical cost basis except for the other disclosures in the accounting policies.

## 2. ADOPTION OF NEW ACCOUNTING STANDARDS

**2.1 During the year 2011, The Company follows the Federation of Accounting Professions (FAP) announced the revised Thai Accounting Standards and Thai Financial Reporting Standards as follows:**

TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 2 (revised 2009)	Inventories
TAS 7 (revised 2009)	Statement of Cash Flows
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events After the Reporting Period
TAS 11 (revised 2009)	Construction Contracts
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 17 (revised 2009)	Leases
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Costs
TAS 24 (revised 2009)	Related Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (revised 2009)	Investments in Associates
TAS 29	Financial Reporting in Hyperinflationary Economics
TAS 31 (revised 2009)	Interests in Joint Ventures
TAS 33 (revised 2009)	Earnings Per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2009)	Intangible Assets
TAS 40 (revised 2009)	Investment Property
TFRS 2	Share-Based Payments
TFRS 3 (revised 2009)	Business Combinations
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6	Exploration for and Evaluation of Mineral Resources
TFRIC 15	Agreements for the Construction of Real Estate
SIC 31	Revenue - Barter Transactions Involving Advertising Services

## 2.2 New Accounting Standards Issued During The Years But Not Yet Effective

The Federation of Accounting Professions (FAP) issued the following new/revised accounting standards that are effective for fiscal years beginning on or after January 1, 2013.

TAS	12	Income Taxes
TAS	20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS	21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates
SIC	10	Government Assistance - No Specific Relation to Operating Activities
SIC	21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
SIC	25	Income Taxes - Changes in the Tax Status of an Enterprise or its Shareholders

The management of the Company has assessed that the above standards have no significant impact on the consolidated and the separate financial statements for the current year. The Company has early adopted the TAS 12.

## 3. CHANGES IN ACCOUNTING POLICIES

In order to comply with Thai Accounting Standards (TAS) and Thai Financial Reporting Standards (TFRS) which are effective on January 1, 2011, the Company has changed in the accounting policies as follows:

### 3.1 Presentation of Financial Statements

The Company has adopted TAS 1 (Revised 2009) Presentation of Financial Statements. Under the revised TAS 1, the Company's financial statements consist of statements of financial position, statement of comprehensive income, statement of changes in shareholders' equity, statement of cash flows and notes to financial statement.

Comparative statements have been restated in order to comply with the new revised standards.

### 3.2 Employee Benefits

The Company has adopted TAS 19 Employee Benefits. Under the Company's defined benefit plans concerning after retirement benefits and other long-term employee benefits are recognized in the financial statements based on calculations by a qualified actuary using the projected unit credit method. Previously, these obligations were recognized as occurred.

Actuarial gains and losses for the Company's defined benefit plans and other long-term employee benefits will be recognized in the income statement.

The Company has opted to record the entire amount of the employee benefits obligation as retrospective adjustment in the 2010 financial statements.

The changes in those accounting policies have effected only on the presentation of financial statements, but have no effect on profit or earnings per share, except for the employee benefits as stated in Note 4.

#### 4. EFFECT OF THE FIRST TIME ADOPTION OF THAI ACCOUNTING STANDARDS (TAS) AND THAI FINANCIAL REPORTING STANDARDS (TFRS)

As the Company has adopted the newly issued and revised TAS, and TFRS, which are effective on January 1, 2011, the effects are as follows:

##### Statement of Financial Position as at December 31, 2010

Unit : Million Baht

	Consolidated Financial Statements	Separate Financial Statements
Retained earnings as at December 31, 2010 as reported previously	35,244.76	34,418.05
Increase in employee benefit obligation	(9,324.44)	(9,322.51)
Increase in deferred tax asset	2,797.33	2,796.75
Retained earnings as at January 1, 2011	28,717.65	27,892.29

##### Statement of Comprehensive Income for the year ended December 31, 2010

Unit : Million Baht

	Consolidated Financial Statements	Separate Financial Statements
Increase in expenses		
Increase in employee benefit expenses	866.10	865.39
Decrease in tax expenses - net	(259.83)	(259.62)
Decrease in profit	606.27	605.77
Decrease in earnings per share		
Basic earnings per share (THB)	0.33	0.33

#### 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 5.1 Allowance for Doubtful Accounts

Trade accounts receivable, not government agencies and state enterprises, are set an allowance for doubtful accounts by analysing a payment history and connection data together with aging analysis of each trade account receivable as a criteria at the following rates:

Period overdue	Allowance for doubtful accounts (%)
over 6 months to 1 year	50
over 1 year to 2 years	75
over 2 years	100

## 5.2 Inventories and Supplies

Inventories and supplies at the year-end, consisting of aircraft spare parts, fuel and oil for aircraft, cabin supplies, goods for sales as well as stationery and office supplies, are stated at the lower of moving average cost or net realizable value, except inventories in transit are stated at purchased date cost.

- ◆ Provision for obsolescence of aircraft spare parts is made at an annual rate of 10% of the year-end balance.
- ◆ Slow moving aircraft spare parts and spare parts for sales are spare parts not moving over two years or spare parts for aircraft not represented in the fleet. Provision for obsolescence is made at an annual rate of 33.33% of the incurred balance during the year.
- ◆ Provision for obsolete and damaged inventories is made at the full amount.

## 5.3 Investments

5.3.1 Investments in subsidiary and associated companies are recorded by the equity method in the consolidated financial statements but by cost method in the separate financial statements.

5.3.2 Current investments in debt securities held-to-1 year maturity are stated by the amortized cost method. A premium or discount on debt securities is amortized according to an effective interest rate. The amortized amount will be taken to adjust to an interest income.

5.3.3 Long-term investments in non-marketable equity securities are recorded at cost net of a provision for impairment. An impairment loss is recognized in the income statement.

## 5.4 Property, Plant and Equipment and Depreciation

### 5.4.1 Aircraft and aircraft under finance leases

5.4.1.1 Aircraft and aircraft under finance leases are stated at cost, including where applicable (engines and other flight equipment), as well as cost of decoration incurred prior to the aircraft being placed into service but excluding passenger seats and the first estimated overhaul cost, less any concessions for the acquisition of aircraft. Depreciation is calculated on a straight-line basis over an estimated useful life of 20 years with a residual value of 10% of cost. As for the aircraft and aircraft under finance leases, which the Company has taken the delivery since the fiscal year of 2006/07, and the depreciation of the existing aircraft having the same as those aircraft type are calculated on a straight-line basis over the estimated useful life of 15 years with a residual value of 10% of cost.

5.4.1.2 Aircraft overhaul (D-check) costs, the first estimated overhaul costs, are presented as separate assets from the aircraft cost and depreciated over the period of the next scheduled overhaul 4-7 years depending on type of aircraft. When these costs incur, the asserted assets will be expensed and replaced by the incurred overhaul cost.

5.4.1.3 Passenger seats are presented as separate assets from the aircraft cost and depreciated on a straight-line basis over an estimated useful life of 5 years. When the replacement costs incur, they are accounted for as the separate assets and the replaced assets will be written off.

5.4.2 Aircraft spare parts are stated at cost on the acquisition date and depreciated on a straight-line basis over an estimated useful life of 5-20 years.

5.4.3 Other fixed assets are stated at cost on the acquisition date or on the date of completion of construction and depreciated on a straight-line basis over an estimated useful life of 5-30 years.

5.4.4 Leasehold buildings are amortized as expense over a lease term of 10-30 years.

5.4.5 Gain or loss on sale of aircraft is calculated from the difference between the net benefit from aircraft selling and the carrying amount of the aircraft, including D-check, improvements to passenger seats, and sales expense. Gain or loss on sale of other assets is calculated from the difference between the net benefit and net book value of sold assets and recognized as revenue or expense in the income statement.

## **5.5 Non-Current Assets Classified as Held for Sale**

Non-current assets classified as held for sale are stated at the lower of carrying amount or fair value less costs to sell.

Losses on impairment are recognized in an income statement. Gains or losses on sales of assets are recognized as other income or expense at sales.

## **5.6 Intangible Assets**

### **Computer Software**

Software license and cost that are directly with identifiable and unique software product, which can be separated, identified costs and have an economic useful life over the accounting period, will be recognized as an intangible asset and amortized as expenses on a straight-line basis over an useful life of 5 years.

Expenses arising from developing or maintaining computers are recognized as expenses when incurred.

## **5.7 Impairment of Assets**

Assets may be impaired whenever there is an indicator that the book value of the asset exceeds its recoverable amount. A recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

The Company will recognize an impairment loss in an income statement whenever the book value of the asset exceeds its recoverable amount. Also, the Company will reverse the impairment loss when there is an indicator that the impairment has no longer existed or amount of impairment has decreased.

## **5.8 Deferred Charges**

5.8.1 Aircraft overhaul costs (D-check) for aircraft under operating lease are presented as deferred charges and amortized as expenses over an estimated useful life of 4-7 years but not over the lease term.

5.8.2 Loan guarantee premiums are recorded as deferred charge and amortized as expenses over the period of loans in each accounting period.

## **5.9 Liabilities under Finance leases**

Liabilities under finance leases are liabilities from the purchase of aircraft under long-term finance leases with financial institutions and are stated at obligation value less aggregate repayments.

## **5.10 Revenue Recognition**

### **5.10.1 Passenger and excess baggage revenues:**

5.10.1.1 Revenue from ticket sales and service orders is recognized as revenue when transportation is provided. For passengers using the services of other airlines, the difference between the selling price charged by the Company and the amount billed to the Company by those airline performing the services is recognized as revenue.

5.10.1.2 Unused tickets and service orders are recognized as revenue after 2 years.

5.10.1.3 Deferred revenues for war risk insurance and fuel surcharges are recognized as revenues when the outstanding balances are over 3 years.

5.10.2 Freight revenue is recognized when the Company provides the services and issues its air waybills. For freight carried by other air carriers, the difference between the selling price charged by the Company and the amount billed to the Company by those air carriers performing the services is recognized as revenue.

◆ Freight with respect to which the Company has issued an air waybill but carried by other air carriers is recognized as revenue if the other air carriers do not bill within 1 year.

5.10.3 The Company has operated a frequent flyer program called “Royal Orchid Plus” since 1993. Members exchange accumulated mileage for services. The Company calculates cost per mile by dividing the average net collected fare in each zone by the number of miles redeemed for awards in that zone. The Company estimates the number of miles utilised by members based upon the weighted zonal redemption. The estimated cost is used to reduce passenger revenues and record liability under “unearned transportation revenue”. Revenues are recognized when members redeem awards.

5.10.3.1 Unredeemed awards are recognized as revenue after 3 years.

5.10.3.2 Redemptions with Star Alliance partners involve interline billing arrangements and costs per mile specified in partner agreements. Revenues are recognized when transportation is provided.

5.10.3.3 The Company sells mileage to its members in order to encourage redemptions and recognizes the difference between the sale price and mileage cost as revenue.

5.10.4 Revenues from business units, Aircraft Maintenance Services, Ground Customer Services, Ground Support Equipment Services, and Cargo and Mail Commercial Services are recognized when services are provided. Revenues from Catering Services are recognized at sales. As for revenues from supporting activities such as Sale on Board and Thai Shop are recognized at sales but revenues from Dispatch Services are recognized when services are provided.

5.10.5 Other revenues are recognized on an accrual basis.

## **5.11 Earnings Per Share**

Basic earnings per share is calculated by dividing a profit or loss of owners of the parent by the weighted average number of ordinary shares outstanding during the period.

## **5.12 Foreign Currency Transactions**

Foreign currency transactions incurred during the year are translated into Baht at exchange rates calculated from the average exchange rate of the Bank of Thailand and commercial banks in the month in which the transaction occurs. Except for foreign loans, the Company uses the exchange rate of the Bank of Thailand at cash received date.

Assets and liabilities denominated in foreign currency at year-end are translated into Baht by the closing rate at the average buying and average selling rates of commercial banks announced by the Bank of Thailand at that date. Gains or losses on currency exchange are recognized in an income statement.



### **5.13 Staff Provident Fund**

On June 26, 1992, the Company established an “Employee of Thai Airways International Public Company Limited Registered Provident Fund” in accordance with the Provident Fund Act B.E. 2530. The fund is managed by a professional fund manager and does not appear on the Company’s balance sheet. The Company contributes to the fund on a monthly basis at a rate of 9% of salaries for members having not more than 20 years of service and 10% for members having more than 20 years of service. Contributions are treated as expenses of the Company.

### **5.14 Deferred Tax**

The Company’s income tax is calculated in accordance with the Revenue Code of Thailand.

The deferred tax asset is calculated from temporary differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. The Company recognizes the deferred tax assets to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilized. At the end of each reporting period, the Company reviews and reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The deferred income tax liability is calculated from temporary differences between the tax base of an intangible asset and its carrying amount.

### **5.15 Accounting Estimates**

The Company and its subsidiaries have applied the accounting estimates and many assumptions in preparation financial statements to conform to the generally accepted accounting principles. These will impact on the amounts of assets, liabilities, revenues, expenses as well as the disclosure of contingent assets and liabilities which may be differed from the actualities.

The estimates and assumptions used in the presentation of financial statement are consistently reviewed. Revisions to accounting estimates are recognized in the periods of the reviews and affected future periods.

### **5.16 Financial Instruments**

The Company uses derivative financial instruments which are Interest Rate Swap (IRS) and Cross Currency Swap (CCS) to reduce the fluctuation risk from an interest rate and exchange rate by entering into a Swap Confirmation to exchange the principal amount and interest at maturity according to the contract. The arising different will be recorded as interest expenses in an income statement. For the Forward Contracts, the Company will recognize in its financial statements at the end of forward contracts. The arising difference will be recorded as gain or loss on foreign currency exchange in an income statement.

In addition, the Company also entered into fuel-oil hedging agreement in which premiums and the difference of the fuel price arising from this agreement will be recorded as expenses in an income statement.

## 6. SUPPLEMENTARY INFORMATION

### 6.1 Cash and Cash Equivalents

Unit : Million Baht

	Consolidated Financial Statements		Separate Financial Statements	
	2011	2010	2011	2010
Cash - Domestic	26.81	133.01	26.81	133.01
Cash - Abroad	26.29	18.59	26.29	18.59
Bank Deposits - Domestic	10,751.44	22,984.35	10,715.35	22,906.15
Bank Deposits - Abroad	5,861.49	14,543.73	5,861.49	14,543.73
<b>Total</b>	<b>16,666.03</b>	<b>37,679.68</b>	<b>16,629.94</b>	<b>37,601.48</b>

### 6.2 Trade Accounts Receivable

Unit : Million Baht

	Consolidated Financial Statements		Separate Financial Statements	
	2011	2010	2011	2010
Period overdue				
Not over 6 months	16,635.00	17,008.81	16,609.98	16,980.24
Over 6 months to 1 year	48.32	89.86	48.31	89.85
Over 1 year to 2 years	61.77	91.53	61.75	91.61
Over 2 years	1,548.05	1,456.66	1,519.32	1,427.82
	18,293.14	18,646.86	18,239.36	18,589.52
<u>Less</u> Allowance for doubtful accounts	(1,644.41)	(1,620.34)	(1,615.65)	(1,591.56)
<b>Trade accounts receivable - net</b>	<b>16,648.73</b>	<b>17,026.52</b>	<b>16,623.71</b>	<b>16,997.96</b>

## 6.3 Inventories and Supplies

Unit : Million Baht

	Consolidated Financial Statements		Separate Financial Statements	
	2011	2010	2011	2010
Aircraft spare parts	5,827.21	6,285.86	5,827.21	6,285.86
Less Provision for obsolescence (10% of the year-end balance)	(582.72)	(628.59)	(582.72)	(628.59)
Less Provision for spare part damages from flood disaster	(112.52)	-	(112.52)	-
<b>Aircraft spare parts - Net</b>	<b>5,131.97</b>	<b>5,657.27</b>	<b>5,131.97</b>	<b>5,657.27</b>
<b>Vehicle spare parts and ground support equipments</b>	<b>283.34</b>	<b>260.24</b>	<b>283.34</b>	<b>260.24</b>
Slow moving aircraft spare parts and spare parts for sale	2,624.45	1,301.49	2,624.45	1,301.49
Less Provision for obsolescence (33.33% of incurred balance during the period)	(1,431.03)	(1,292.18)	(1,431.03)	(1,292.18)
<b>Slow moving aircraft spare parts and spare parts for sale - Net</b>	<b>1,193.42</b>	<b>9.31</b>	<b>1,193.42</b>	<b>9.31</b>
Fuel and oil for aircraft	568.04	484.11	568.04	484.11
Goods for sales	210.09	191.07	210.09	191.07
Cabin supplies	164.78	201.99	164.78	201.99
Supplies and other consumables	19.38	20.91	19.38	20.91
Stationery and office supplies	85.74	93.81	85.74	93.81
Inventories and spare parts in transit	53.25	49.59	53.25	49.59
<b>Total inventories and supplies</b>	<b>1,101.28</b>	<b>1,040.85</b>	<b>1,101.28</b>	<b>1,040.85</b>
Obsolete and damaged inventories for disposal	11.31	23.33	11.31	23.33
Less Provision for obsolescence (100%)	(11.31)	(23.33)	(11.31)	(23.33)
<b>Obsolete and damaged inventories for disposal - Net</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total inventories and supplies - Net</b>	<b>7,701.01</b>	<b>6,967.67</b>	<b>7,701.01</b>	<b>6,967.67</b>
Total inventories and supplies at year-end	9,847.59	8,911.77	9,847.59	8,911.77
Less Total provision for obsolete inventories and supplies	(2,025.06)	(1,944.10)	(2,025.06)	(1,944.10)
Less Provision for spare part damages from flood disaster	(112.52)	-	(112.52)	-
<b>Total inventories and supplies - Net</b>	<b>7,710.01</b>	<b>6,967.67</b>	<b>7,710.01</b>	<b>6,967.67</b>

## 6.4 Other Current Assets

Unit : Million Baht

	Consolidated Financial Statements		Separate Financial Statements	
	2011	2010	2011	2010
Tax refund	324.33	265.59	324.33	265.59
Cash and bank deposits of pension fund	4,434.59	4,650.13	4,434.59	4,650.13
Others	2,361.45	2,075.39	2,331.74	2,047.92
<b>Total</b>	<b>7,120.37</b>	<b>6,991.11</b>	<b>7,090.60</b>	<b>6,963.64</b>

## 6.5 Investments

### Consolidated Financial Statements

Unit : Million Baht

Unit : Million Baht

Name of Company	Percentage of Shareholding		Investments				Income on investments	
			Cost method		Equity method			
	2011	2010	2011	2010	2011	2010	2011	2010
6.5.1 Investments in associated companies stated by equity method								
Royal Orchid Hotel (Thailand)								
Public Company Limited	24	24	225.00	225.00	113.71	185.11	(71.40)	(63.03)
(Fair value for the year 2011 amount of THB 495.00 million and for the year 2010 amount of THB 562.50 million)								
Donmuang International Airport								
Hotel Company Limited	40	40	48.00	48.00	92.90	112.31	(19.40)	(12.57)
Bangkok Aviation Fuel Services								
Public Company Limited	22.6	22.6	115.19	115.19	698.42	659.83	108.85	99.25
(Fair value for the year 2011 amount of THB 1,313.13 million and for the year 2010 amount of THB 1,232.50 million)								
Phuket Air Catering Company Limited	30	30	30.00	30.0	144.53	108.95	46.07	29.45
Suvarnabhumi Airport Hotel Company Limited	30	30	305.33	305.33	114.80	100.07	14.73	(29.90)
Nok Airlines Company Limited	49	39	360.00	195.00	465.61	234.72	104.89	234.72
Total investments stated by equity method					1,629.97	1,400.99	183.74	(257.92)
6.5.2 Other long-term investments stated at cost method								
Fuel Pipeline Transportation Limited	8.4	8.4	133.00	133.00			-	-
Aeronautical Radio of Thailand Limited	2.3	2.5	15.36	16.58			-	-
SITA Investment Certificate	-	-	31.14	30.34			-	-
Trade Siam Company Limited	3.5	3.5	1.75	1.75			-	-
(paid 25% of authorized share capital)								
SITA Information Networking Computing	-	-	28.85	27.44			-	-
Other Shares	-	-	2.79	2.76			0.10	0.11
Bond Investment	-	-	99.15	-			-	-
Less Allowance for impairment of			(133.00)	(133.00)				
Fuel Pipeline Transportation Ltd.							-	-
Total other long-term investments			179.04	78.87			0.10	0.11

The fair value of the investments in associated companies, listed companies, is calculated from the closed price in the Stock Exchange of Thailand.

## Separate Financial Statements

Unit : Million Baht

Unit : Million Baht

Name of Company	Percentage of Shareholding		Investments		Dividend Income	
			Cost method			
	2011	2010	2011	2010	2011	2010
6.5.1 Investments stated by cost method						
Subsidiary Companies						
Thai-Amadeus Southeast Asia Company Limited	55	55	8.25	8.25	70.12	70.12
Wing Span Services Company Limited	49	49	0.98	0.98	-	-
Thai Flight Training Company Limited	49	-	0.98	-	-	-
Total			10.21	9.23	70.12	70.12
Associated Companies						
Royal Orchid Hotel (Thailand)						
Public Company Limited	24	24	225.00	225.00	-	-
(Fair value for the year 2011 amount of THB 495.00 million and for the year 2010 amount of THB 562.50 million)						
Donmuang International Airport Hotel						
Company Limited	40	40	48.00	48.00	-	33.60
Bangkok Aviation Fuel Services Public Company Limited	22.6	22.6	115.19	115.19	70.27	55.29
(fair value for the year 2011 amount of THB 1,313.13 million and as for the year amount of THB 1,232.50 million)						
Phuket Air Catering Company Limited	30	30	30.00	30.00	10.50	9.00
Suvarnabhumi Airport Hotel Company Limited	30	30	305.33	305.33	-	-
Nok Airlines Company Limited	49	39	360.00	195.00	39.00	-
Total			1,083.52	918.52	119.77	97.89
Total investments using the cost method			1,093.73	927.75	189.89	168.01
6.5.2 Other long-term investments stated at cost method						
Fuel Pipeline Transportation Limited	8.4	8.4	133.00	133.00	-	-
Aeronautical Radio of Thailand Limited	2.3	2.5	15.36	16.58	-	-
SITA Investment Certificate	-	-	31.14	30.34	-	-
TRADESIAM Company Limited	3.5	3.5	1.75	1.75	-	-
(paid 25% of authorized share capital)						
SITA Information Networking Computing	-	-	28.85	27.44	-	-
Other Shares	-	-	2.79	2.76	0.10	0.11
Less Allowance for impairment of						
Fuel Pipeline Transportation Limited			(133.00)	(133.00)	-	-
Total other long-term investments			79.89	78.87	0.10	0.11

The fair value of the investments in associated companies, listed companies, is calculated from the closed price in the Stock Exchange of Thailand.

### 6.5.3 Financial Data Summary of Subsidiaries and Associated Companies

Unit : Million Baht

Name of Company	Assets	Liabilities	Income	Gains (Losses)
<b>Subsidiary Companies</b>				
Thai-Amadeus Southeast Asia Company Limited	679.23	90.91	317.72	77.31
WingSpan Services Company Limited	35.97	28.69	67.61	4.89
Thai Flight Training Company Limited	10.03	6.94	12.16	1.11
<b>Associated Companies</b>				
Royal Orchid Hotel (Thailand) Public Company Limited	1,344.82	871.02	684.11	(232.58)
Donmuang International Airport Hotel Company Limited	294.44	62.19	175.39	(43.11)
Bangkok Aviation Fuel Services Public Company Limited	6,170.74	3,079.04	1,875.56	417.84
Phuket Air Catering Company Limited	561.69	79.94	480.18	139.27
Suvarnabhumi Airport Hotel Company Limited	1,823.68	1,441.01	642.86	(62.57)
Nok Airlines Company Limited	1,987.12	1,216.32	6,075.73	190.08

The Company used the financial statements of associated companies as at December 31, 2011, unaudited by the certified public accountant, to record the investment by equity method in the consolidated financial statement and by cost method in the Company's financial statement.

## 6.6 Related Parties

### 6.6.1 Major Shareholders

#### 6.6.1.1 Long-term loans from related parties

Unit : Million Baht

	2011	2010
Foreign loans via the Ministry of Finance	1,273.28	1,211.85
Government Saving Bank	5,034.00	6,606.00
Islamic Bank of Thailand	1,000.00	1,500.00
<b>Total</b>	<b>7,307.28</b>	<b>9,317.85</b>

### 6.6.2 Subsidiary Companies

#### 6.6.2.1 Bonds and Bond Investments

Unit : Million Baht

	2011	2010
Thai-Amadeus Southeast Asia Company Limited	50.78	-
<b>Total</b>	<b>50.78</b>	<b>-</b>

#### 6.6.2.2 Sales and Purchase

Unit : Million Baht

	2011		2010	
	Sales	Purchase	Sales	Purchase
Thai-Amadeus Southeast Asia Company Limited	3.04	-	2.99	-
WingSpan Services Company Limited	0.36	67.38	-	-
Thai Flight Training Company Limited	5.88	-	-	-



### 6.6.2.3 Account Receivables and Account Payables

Unit : Million Baht

	2011		2010	
	Account Receivables	Account Payables	Account Receivables	Account Payables
Thai-Amadeus Southeast Asia Company Limited	0.32	-	0.27	-
WingSpan Services Company Limited	-	2.53	-	-
Thai Flight Training Company Limited	-	-	-	-

### 6.6.3 Associated Companies

#### 6.6.3.1 Sales and Purchase

Unit : Million Baht

	2011		2010	
	Sales	Purchase	Sales	Purchase
Royal Orchid Hotel (Thailand) Public Company Limited	0.15	4.47	0.22	3.58
Donmuang International Airport Hotel Company Limited	-	0.41	-	0.90
Bangkok Aviation Fuel Services Public Company Limited	0.03	394.03	0.02	368.70
Phuket Air Catering Company Limited	3.36	11.01	2.99	12.11
Suvarnabhumi Airport Hotel Company Limited	0.02	28.39	-	30.95
Nok Airlines Company Limited	815.90	-	1,609.78	-

#### 6.6.3.2 Account Receivables and Account Payables

Unit : Million Baht

	2011		2010	
	Account Receivables	Account Payables	Account Receivables	Account Payables
Royal Orchid Hotel (Thailand) Public Company Limited	-	0.03	-	0.01
Donmuang International Airport Hotel Company Limited	-	-	-	-
Bangkok Aviation Fuel Services Public Company Limited	-	36.36	-	37.15
Phuket Air Catering Company Limited	0.88	3.20	0.26	2.93
Suvarnabhumi Airport Hotel Company Limited	-	0.45	-	3.35
Nok Airlines Company Limited	110.73	-	69.30	-

The Company purchases goods and services at a market price from related parties on normal commercial term as unrelated parties.

On June 21, 2011, The Strategy Steering Committee approved to waive the wages for the 4 employees who perform secondment duty at WingSpan Services Company Limited for 2 years since the year 2010-2012.

## 6.7 Property, Plant and Equipment

### Consolidated Financial Statements

Unit : Million Baht										
	Prepaid Aircraft and Spare Engines	Aircraft	Aircraft under financial leases	Aircraft spare parts	Work In Progress	Land and buildings	Leasehold Buildings	Building Improvement	Other plant and equipment	Total
<b>Cost</b>										
As at January 1, 2011	17,982.74	141,437.22	163,441.09	27,718.15	310.68	3,463.10	10,782.61	4,656.38	29,321.66	399,113.63
- Adjust/Transfers	(1,980.43)	1,446.95	(3,352.62)	(207.37)	-	-	-	11.55	110.03	(3,971.89)
- Additions	5,276.67	1,847.25	6,137.92	3,517.35	2,527.53	-	19.08	59.65	512.43	19,897.88
- Disposals	-	(1,149.51)	(905.86)	(1,931.54)	-	(0.39)	(8.49)	(87.74)	(441.57)	(4,525.10)
As at December 31, 2011	21,278.98	143,581.91	165,320.53	29,096.59	2,838.21	3,462.71	10,793.20	4,639.84	29,502.55	410,514.52
<b>Impairment Allowance</b>	-	950.40	3,475.19	-	-	-	-	-	-	4,425.59
<b>Accumulated depreciation</b>										
As at January 1, 2011	-	91,898.70	44,345.32	18,124.77	-	2,199.03	4,875.09	3,840.54	23,286.05	188,569.50
- Depreciation	-	6,607.31	9,129.74	1,727.89	-	67.74	231.43	315.62	1,712.70	19,792.43
- Adjust/Transfers	-	(831.00)	(2,778.22)	(139.56)	-	-	-	(1.55)	1.54	(3,748.79)
- Disposals	-	(1,147.81)	(902.11)	(983.07)	-	(0.39)	(8.49)	(86.73)	(442.56)	(3,571.16)
<b>Provision for flood damages</b>	-	-	-	-	-	-	-	-	52.28	52.28
As at December 31, 2011	-	97,477.60	53,269.92	18,730.03	-	2,266.38	5,098.03	4,067.88	24,610.01	205,519.85
<b>Net book value</b>										
As at December 31, 2010	17,982.74	48,588.12	115,620.58	9,593.38	310.68	1,264.07	5,907.52	815.84	6,035.57	206,118.50
As at December 31, 2011	21,278.98	46,104.31	112,050.61	10,366.56	2,838.21	1,196.33	5,695.17	571.96	4,892.54	204,994.67

### Separate Financial Statements

Unit : Million Baht

	Prepaid Aircraft and Spare Engines	Aircraft	Aircraft under financial leases	Aircraft spare parts	Work In Progress	Land and buildings	Leasehold Buildings	Building Improvement	Other plant and equipment	Total
<b>Cost</b>										
As at January 1, 2011	17,982.74	141,437.22	163,441.09	27,718.15	310.68	3,463.10	10,782.61	4,656.38	29,108.04	398,900.01
- Adjust/Transfers	(1,980.43)	1,446.95	(3,352.62)	(207.37)	-	-	-	11.55	110.03	(3,971.89)
- Additions	5,276.67	1,847.25	6,137.92	3,517.35	2,527.53	-	19.08	59.65	508.69	19,894.14
- Disposals	-	(1,149.51)	(905.86)	(1,931.54)	-	(0.39)	(8.49)	(87.74)	(442.48)	(4,526.01)
As at December 31, 2011	21,278.98	143,581.91	165,320.53	29,096.59	2,838.21	3,462.71	10,793.20	4,639.84	29,284.28	410,296.25
<b>Impairment Allowance</b>	-	950.40	3,475.19	-	-	-	-	-	-	4,425.59
<b>Accumulated depreciation</b>										
As at January 1, 2011	-	91,898.70	44,345.32	18,124.77	-	2,199.03	4,875.09	3,840.54	23,084.86	188,368.31
- Depreciation	-	6,607.31	9,129.74	1,727.89	-	67.74	231.43	315.62	1,702.98	19,782.71
- Adjust/Transfers	-	(831.00)	(2,778.22)	(139.56)	-	-	-	(1.55)	1.54	(3,748.79)
- Disposals	-	(1,147.81)	(902.11)	(983.07)	-	(0.39)	(8.49)	(86.73)	(442.56)	(3,571.16)
<b>Provision for flood damages</b>	-	-	-	-	-	-	-	-	52.28	52.28
As at December 31, 2011	-	97,477.60	53,269.92	18,730.03	-	2,266.38	5,098.03	4,067.88	24,399.10	205,308.94
<b>Net book value</b>										
As at December 31, 2010	17,982.74	48,588.12	115,620.58	9,593.38	310.68	1,264.07	5,907.52	815.84	6,023.18	206,106.11
As at December 31, 2011	21,278.98	46,104.31	112,050.61	10,366.56	2,838.21	1,196.33	5,695.17	571.96	4,885.18	204,987.31

In this fiscal year, there are 97 aircraft represented in the Company's fleet consisting of 53 own aircraft, 32 aircraft under financial leases, and 12 aircraft under operating leases which excluded 2 aircraft for sales, with a carrying amount of THB 261.63 million.

Aircraft spare parts consist of aircraft engines and other aircraft spare parts.

The Company uses buildings and equipment that are now fully depreciated with historical cost of THB 64,073.76 million including the leasehold buildings amount of THB 3,925.04 million.

Leasehold buildings are leased from Airports of Thailand Public Company Limited at Suvarnabhumi with a lease term of 30 years starting from September 28, 2006 to September 29, 2036 and at Donmuang with a lease term of 3 years starting from September 27, 2009 to September 28, 2012. The title of buildings and elements will be passed to The Ministry of Finance at the end of the lease term.

The Company has provided a land located in Bangkok for security meanwhile the Company is now in the procedure of appealing against the judgement of the court of first instance who has made a decision that compelled the Company to provide compensation in the amount of THB 27.63 million with interest due to ceasing of wine purchase.

At present, the official appraisal value of the Company's domestic land is THB 3,965.58 million consisting of land in Bangkok amount of THB 3,728.64 million and land in provinces amount of THB 236.94 million.

Leased aircraft are aircraft under financial leases which the purchase contracts were made in USD currency but the finance leases were made in EUR, USD, and JPY currency.

## 6.8 Intangible Assets

<i>Unit : Million Baht</i>		
	<i>Consolidated Financial Statements</i>	<i>Separate Financial Statements</i>
<b>Cost</b>		
As at January 1, 2011	1,502.79	1,495.74
- Additions	352.37	349.19
As at December 31, 2011	1,855.16	1,844.93
<b>Accumulated amortisation</b>		
As at January 1, 2011	950.43	948.12
- Amortisation	280.99	279.55
As at December 31, 2011	1,231.42	1,227.67
<b>Net book value</b>		
<b>As at December 31, 2010</b>	<b>552.36</b>	<b>547.62</b>
<b>As at December 31, 2011</b>	<b>623.74</b>	<b>617.26</b>

## 6.9 Deferred Tax Assets

Deferred tax assets arising from the temporary differences between the book values and tax bases of assets and liabilities in statement of financial position are as follows:

	Unit : Million Baht			
	Consolidated Financial Statements		Separate Financial Statements	
	2011	2010	2011	2010
Contribution to staff provident fund	85.75	143.39	85.75	143.39
Contribution to staff pension fund	475.91	677.53	475.91	677.53
Allowance for obsolete inventories	421.24	583.23	421.24	583.23
Allowance for doubtful accounts	371.79	542.05	365.17	533.42
Allowance for impairment in value of assets	849.56	1,341.82	849.56	1,341.82
Estimated accrual expenses	890.18	1,326.71	889.63	1,326.23
Loss on foreign currency exchange	77.03	134.11	77.03	134.11
Intangible assets	101.42	-	101.42	-
Employee benefits obligation	2,126.75	2,797.81	2,125.77	2,796.75
Others	9.82	22.98	7.08	19.30
<b>Total</b>	<b>5,409.45</b>	<b>7,569.63</b>	<b>5,398.56</b>	<b>7,555.78</b>

## 6.10 Deferred Tax Liabilities

	Unit : Million Baht			
	Consolidated Financial Statements		Separate Financial Statements	
	2011	2010	2011	2010
Intangible assets	55.76	-	55.76	-

On December 21, 2011, a Royal Decree was issued which enacted the law for reducing the corporate income tax rates. Under this new law, the reduction in corporate income tax rates is on a temporary basis whereby the corporate income tax rate is to be reduced for the three years. The corporate income tax rate for 2012 is 23 percent, for 2013 and 2014 at 20 percent. Subsequently on January 13, 2012, the Federation of Accounting Professions issued the guideline regarding the reduction in corporate income rate in which the substantially enacted tax rate for using the measurement of the deferred tax assets and liabilities would be 23 percent for 2012 fiscal year and 20 percent for 2013 fiscal year onwards. As per the announcement of the Cabinet on October 11, 2011, the Company has reduced its deferred tax assets as at December 31, 2011 from 30 percent to 23 percent for 2012 fiscal year and 20 percent for 2013 fiscal year onwards. The effect of the reduction in corporate income tax rate on deferred tax assets and liabilities amount of THB 2,431.66 and 27.88 million, respectively, had been included in the statements of comprehensive income for the year 2011.

## 6.11 Other Non-Current Assets

Unit : Million Baht

	Consolidated Financial Statements		Separate Financial Statements	
	2011	2010	2011	2010
Deferred charges	2,030.72	1,918.80	2,030.72	1,918.80
Others	283.45	342.23	282.17	341.85
<b>Total</b>	<b>2,314.17</b>	<b>2,261.03</b>	<b>2,312.89</b>	<b>2,260.65</b>

Deferred charges consisted of aircraft overhaul costs (D-check) for aircraft under operating lease, which are amortized as expenses over an estimated useful life of 4-7 years but not over the lease term, and loans guarantee premiums for purchasing of aircraft are amortized as expenses over the period of due payment loans in each accounting period.

## 6.12 Long-Term Loans Consolidated and separate financial statements

Unit : Million Baht

Currency	Loan Currency		Baht Equivalent (Million)	
	2011	2010	2011	2010
USD	40,000,000	40,000,000	1,273.28	1,211.85
THB	55,334,000,000	51,406,000,000	55,334.00	51,406.00
Total long-term loans			56,607.28	52,617.85
Less Current portion of				
long-term loans			4,100.00	2,072.00
<b>Net long-term loans</b>			<b>52,507.28</b>	<b>50,545.85</b>

At the year-end, long-term loans of the Company consisted of the foreign loans borrowed via the Ministry of Finance amount of THB 1,273.28 million, the outstanding balance for acquisition of two aircraft and loans from the commercial banks, Islamic Bank of Thailand and Government Saving Bank amount of THB 55,334.00 million. The total of long-term loans amounted to THB 56,607.28 million. As at December 31, 2011, such long-term loans have been transferred to be a current portion of long-term loans amount of THB 4,100.00 million, remained the balance of long-term loans amount of THB 52,507.28 million.

## 6.13 Liabilities under Finance leases Consolidated and separate financial statements

Unit : Million Baht

Currency	Loan Currency		Baht Equivalent (Million)	
	2011	2010	2011	2010
JPY	27,402,854,792	36,785,991,071	11,301.10	13,765.98
USD	-	25,249,036	-	764.95
EUR	1,127,114,550	1,237,283,018	46,594.58	49,796.18
Total liabilities under finance leases			57,895.68	64,327.11
Less Current portion of finance leases			10,102.50	9,595.02
<b>Net liabilities under finance leases</b>			<b>47,793.18</b>	<b>54,732.09</b>



The Company has exercised purchase options at the end of term finance leases of aircraft, presented the value regarding to the accounting policy described in Note 3.9, with 8 foreign financial institutions. For the fiscal year 2011, the outstanding balance of obligations under finance leases for 31 aircraft is THB 63,640.29 million with maturities ranging from 2010 to 2023. After deducting interest expenses due amount of THB 5,744.61 million, the principal balance of obligations under the Company's finance leases is THB 57,895.68 million. As at December 31, 2011, the amount of THB 10,102.50 million has been transferred to a current portion of financial lease, leaving the balance of long-term liabilities under finance lease amount of THB 47,793.18 million.

## 6.14 Debentures

According to the Resolution of Extraordinary Shareholders' Meeting No. 1/2003 held on September 2, 2003 approved the Company to issue debentures in the amount of THB 40 billion. The Company had already issued its debentures for the first tranche of THB 10 billion, the second tranche of THB 15 billion, and the third tranche of THB 15 billion, totaling to THB 40 billion which had already been transferred to the Company's account. On May 12 and October 8, 2008, October 20, 2009, October 8, 2010, May 12, 2011, as well as October 20, 2011, the Company redeemed the due debentures amount of THB 6,000 million, 5,500 million, 7,500 million, 4,500 million, 6,000 million and 4,500 million, respectively.

According to the Resolution of the 2005 Annual General Shareholders' Meeting held on December 23, 2005 approved the Company to issue its debentures within the amount of THB 60 billion. On November 22, 2007, the Company had issued the debentures No.1/2550 for an aggregate of THB 7,500 million which were offered in 2 tranches. The first tranche amount of THB 3,000 million and the second tranche amount of THB 4,500 million had already been transferred to the Company's account, totaling THB 7,500 million. In addition, the Company redeemed the due debentures amount of THB 3,000 million on November 22, 2010. The Company had issued the debentures No. 1/2551 for an aggregate of THB 7,000 million on October 2, 2008. Such debentures were offered in 3 tranches. The first tranche amount of THB 3,455.29 million, the second tranche amount of THB 987.92 million and the third tranche amount of THB 2,556.79 million, totaling to THB 7,000 million, had already been transferred to the Company's account. On April 2, 2010 and October 2, 2011, the Company redeemed the due debentures amount of THB 3,455.29 million and THB 987.92 million. On January 20, 2009, the Company had issued the debentures No. 1/2552 for an aggregate of THB 4,790 million issuing in 4 tranches, the first tranche amount of THB 170 million, the second tranche amount of THB 720 million, the third tranche amount of THB 300 million and the fourth tranche amount of THB 3,600 million. The amount of the debentures No. 1/2552 had already been transferred to the Company's account amount of THB 4,790 million.

According to the Resolution of the 2010 Annual General Shareholders' Meeting held on April 28, 2010 approved the Company to issue its debentures within the amount of THB 40 billion. On May 13, 2011, the Company had issued the debentures No.1/2554 for an aggregate of THB 8,000 million which were offered in 5 tranches. The first tranche amount of THB 1,555 million, the second tranche amount of THB 833 million, the third tranche amount of THB 2,000 million, the fourth tranche amount of THB 1,445 million, and the fifth tranche amount of THB 2,167 million had already been transferred to the Company's account, totaling to THB 8,000 million. On December 28, 2011, the Company had issued the debentures No.2/2554 for an aggregate of THB 2,000 million which had already been transferred to the Company's account.

As at December 31, 2011, the balance of debentures was THB 27,846.79 million which the amount of THB 4,670.00 million was transferred to be a current portion of long-term liabilities, leaving the balance of long-term liabilities amount of THB 23,176.79 million. The details are as follows:

	<i>Tenor (Year)</i>	<i>Interest Rate Pay every 6 months (%)</i>	<i>Amount (MTHB)</i>	<i>Redemption date</i>
The second	10	5.80	3,000.00	October 20, 2014
The third	10	5.19	3,000.00	May 12, 2015
No. 1/2550	5	5.04	4,500.00	November 22, 2012
No. 1/2551	5	5.50	2,556.79	October 2, 2013
No. 1/2552	3	5.30	170.00	January 20, 2012
	5	5.45	720.00	January 20, 2014
	7	5.60	300.00	January 20, 2016
	10	6.00	3,600.00	January 20, 2019
			4,790.00	
No. 1/2554	7	Year 1-3 4.00	1,500.00	May 13, 2018
		Year 4-6 4.50		
		Year 7 5.25		
	10	Year 1-4 4.25	833.00	May 13, 2021
		Year 5-8 4.75		
		Year 9-10 5.35		
	5	3.91	2,000.00	May 13, 2016
	7	4.36	1,445.00	May 13, 2018
	10	4.62	2,167.00	May 13, 2021
			8,000.00	
No. 2/2554	5	4.30	2,000.00	December 28, 2016
<b>The balance as at December 31, 2011</b>			<b>27,846.79</b>	

The Company has registered these debentures with the Thai Bond Market Association (Thai BMA) in the bond electronic exchange of the Stock Exchange of Thailand except for the issuing of debentures No. 1/2552 which were offered to specific investors (not more than 10 investors).

## 6.15 Other Current Liabilities - Others

	<i>Unit : Million Baht</i>			
	<i>Consolidated Financial Statements</i>		<i>Separate Financial Statements</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
Airport fees	2,169.24	2,258.59	2,169.24	2,258.59
Deferred revenue	2.51	2.54	2.23	2.41
Taxes payable	698.82	783.74	697.04	782.01
Fringe benefits-field office staff	658.06	574.54	658.06	574.54
Other accounts payable	2,125.22	2,222.58	2,103.03	2,202.22
<b>Total</b>	<b>5,653.85</b>	<b>5,841.99</b>	<b>5,629.60</b>	<b>5,819.77</b>

## 6.16 Long-Term Provision Separate financial statements

### Changes in present value of long-term provision

Unit : Million Baht

	2011	2010
Long-term provision beginning balance	2,555.35	3,880.34
Long-term provision for the period	(1,031.13)	(1,324.99)
Long-term provision ending balance	<b>1,524.22</b>	<b>2,555.35</b>

Long-term provision as at December 31, 2011 consisted of:

6.16.1 The Court of First Instance has sentenced the Company to pay compensatory damages claimed by the employees in the amount of THB 19.85 million. At present, the Company has appealed the case to the Court of Appeal.

6.16.2 The Court of First Instance has sentenced the Company to pay compensatory damages for the cancellation the purchase of wines claimed by Ming Yeng International Co., Ltd. in the amount of THB 27.63 million, which is now under the consideration of the Court of Appeal.

6.16.3 In the year 2009, the case where the courts awarded the Company to pay its liabilities amount of THB 2.09 million, which is now under the consideration of the Supreme Court.

6.16.4 The Court of First Instance has ordered the Company to compensate employees in the amount of THB 3.22 million. The case is currently under the consideration of the Supreme Court.

6.16.5 The Court of First Instance has rendered a judgment that the Company shall pay damages to other companies totaling THB 1.03 million. The case is currently under the Court of Appeal's consideration.

6.16.6 The Department of Civil Dispute Settlement and Arbitration has rendered a decision that the Company shall pay half of the damages totaling THB 5.47 million to the Royal Thai Police.

6.16.7 In the fiscal year 2008, the Company had estimated damages and fines with respect to Antitrust laws allegation and criminal investigation pending against the Company in the amount of THB 4,290.17 million. As at December 31, 2008, the Company transferred the amount of THB 458.20 million to be a short-term provision and remained the amount of THB 3,831.97 million as a long-term provision. In the fiscal year 2010, the Company had decreased the total amount of the said short-term provision and decreased such long-term provision totaling to THB 1,783.19 million, and remained the amount of THB 2,506.98 million as the long-term provision as at December 31, 2010. In the fiscal year 2011, the Company had decreased an amount of the reserve with respect to the said damages and fines for THB 1,042.05 million which included the loss on currency exchange resulting from the adjustment of the reserve at the year-end amount of THB 78.58 million, leaving the amount as long-term provision amount of THB 1,464.93 million as at December 31, 2011.

According to the Board of Directors Meeting No. 10/2554 held on August 19, 2011, the meeting has resolved as follows:

1. To apply the local currency of each foreign country which the Company has the obligation to pay for the damages and fines reserve instead of applying the Thai currency.
2. To decrease an amount of said damages and fines reserve of the antitrust case in the United States of America and the fines reserve in the Republic of Korea since the Company has already made a payment for the fine totaling an amount of KRW 2,877 million or approximately THB 77.45 million according to the Korea Fair Trade Commission (KFTC) official decision.

Correspondingly, the Company's Department of Legal Affairs and Business Administration has modified the estimation guidelines as follows:

1. The above adjustment of damages and fines is based on the status of the cases which have become more apparent as to the direction of the trial and is considered from the opportunities that the Company may be alleged by the authorities of each country which conducts the investigation and from the calculation of the lowest fine rates that may be used in case the courts rule or sentence that the Company has committed guiltiness as alleged or claimed. In addition, the damages and fines are adjusted to be in compliance with the current currency exchange

2. The above estimated damages and fine amounts are estimated from fines rate in respect of the investigations made by the competent authorities in the aforesaid countries including the initial estimate of the compensation in the Civil Class Actions cases in the United States of America, though the disputed amount of claims has not yet been set in the complaint and the plaintiffs still have to prove the damages.

3. The sentence or decision on the cases might be given separately in the next forth coming different fiscal years.

4. The above provision may be substantially deviate from the truth due to:

4.1 In the countries where investigations are initiated and no allegation is filed yet, there is no clear fact as to whether an allegation will be filed against the Company. And if such an allegation is filed against the Company, in which locations that such allegation may cover. The turnover amount of such locations which shall be based for calculation of fine or damages is therefore unaware.

4.2 The determination of fines and damages is dependent on the discretion of the deciding body. Other facts of the cases may require to be considered by such deciding body.

4.3 Before the decision is made, there may be a compromise or settlement of fines or damages amount, depending on the policy of each country and the case aspects.

## **6.17 Employee Benefits Obligation** Separate financial statements

Employee benefits obligations are classified into 5 projects as follows:

6.17.1 Legal Severance Payments are paid to the retired employees who work with the Company from 5 to less than 15 years, receiving 180 days of the latest salary rate. For the retired employees who work with the Company from 15 years onwards will receive for 300 days of the latest salary rate.

6.17.2 Post-Retirement Medical Benefits are provided to the retired and early retired employees together with their spouses and unmarried children less than 20 years of age with no expenses at all medical centers of the Company.

6.17.3 Encashment of Unutilized Holiday Leaves is paid to the employees who have outstanding holiday leaves, which can be accumulated not more than 3 years.

6.17.4 Long Service Awards (Pin/Ring) will be rewarded to the employees who have been working with the Company for 15, 25 and 35 years.

6.17.5 Long Service Awards (Air ticket) is provided to the employees who have been working with the Company for 15 years will get rewards for 1 free confirmed ticket on the Company's routes, and every next 5 years from the latest reward if continue working with the Company. The employees can accumulate and use these awards whenever they desire.

### Principal actuarial assumptions :

Discount rate	4.2%
Price inflation	3.5%
Average salary increase rates	
Domestic staff	3.0% - 7.0%
Oversea staff	5.0%
Staff turnover rate	
Domestic staff	0.0% - 1.5%
Oversea staff	0.0% - 9.0%
Medical cost inflation	6.0%
Mortality rate	TM097 (Thai mortality tables year 1997)

### Changes in Present Value of the Employee Benefits Obligation

Unit : Million Baht

	Consolidated Financial Statements		Separate Financial Statements	
	2011	2010	2011	2010
Beginning Balance – Employee Benefits Obligation	9,326.02	10,499.58	9,322.51	10,496.78
Current service cost	487.80	467.95	486.99	467.36
Interest cost	384.95	398.15	384.80	398.03
Benefits paid during the year	(469.45)	(2,039.66)	(469.45)	(2,039.66)
Actuarial loss	902.30	-	902.30	-
<b>Ending Balance – Employee Benefits Obligation</b>	<b>10,631.62</b>	<b>9,326.02</b>	<b>10,627.15</b>	<b>9,322.51</b>

### 6.18 Dividend Paid Separate financial statements

The resolution of the 2011 Annual General Shareholders' Meeting held on April 27, 2011 approved a dividend payment from the Company's operation for the year 2010 to the shareholders representing 2,182.77 million shares at THB 1.25 per share, totaling to THB 2,728.46 million. The Company paid the dividend amount of THB 2,727.67 million because there are 631,318 nominee shares having no rights to receive the dividend amount of THB 0.79 million.

### 6.19 Share Capital

On April 28, 2010, the Annual General Shareholders' Meeting 2010 approved the Company to decrease its registered share capital by canceling the 1.10 million unoffered registered shares, totaling to THB 10.99 million and to increase capital by issuing and offering 1,000 million new ordinary shares to the public and the Ministry of Finance at one price. Still, the Ministry of Finance is the major shareholder holding at 51.03% of the total paid-up ordinary shares.

On June 3, 2010, the Company has registered 1,000 million additional ordinary shares at par value of THB 10 each, totaling to 2,698.90 million authorized ordinary shares or amount of THB 26,989.01 million.

On September 16 and 17, 2010, the Company has already offered such increased ordinary shares to the public amount of 483.87 million shares at the following share allotment; the Ministry of Finance 246.93 million shares, existing shareholders (excluded the Ministry of Finance) 221.83 million shares, and retail investors 15.11 million shares. The Company already received the amount of money for ordinary shares issuance on September 24, 2010.

As at December 31, 2011 and 2010, the Company has authorized ordinary shares amount of 2,698.90 million shares at par value THB 10 each for an aggregate of THB 26,989.01 million, issued and paid-up ordinary shares amount of THB 21,827.72 million.

## 6.20 Legal Reserve

As at December 31, 2011, the Company's legal reserve balance was THB 2,469.79 million.

## 6.21 Employee Benefits Expenses

Unit : Million Baht

	Consolidated Financial Statements		Separate Financial Statements	
	2011	2010	2011	2010
Personnel expenses	29,584.81	33,584.91	29,542.36	33,546.30
Employee benefits expenses	1,305.60	866.10	1,304.64	865.39
Executive benefits expenses	88.85	57.86	88.76	57.86
Board of directors benefits expenses	29.83	15.98	28.26	14.50
<b>Total</b>	<b>31,009.09</b>	<b>34,524.85</b>	<b>30,964.02</b>	<b>34,484.05</b>

Managements refer to the Company's Board of directors, chief executives, persons in the next four executive levels below the chief executives, and in similar position, including accounting or finance department managers or above according to the regulation of the Stock Exchange of Thailand.

Moreover, the directors of the Company obtain the ticket benefits. For the year 2011 and 2010, they issued the tickets for themselves and their related parties amount of 220 and 179 tickets with the value of THB 23.49 million and THB 24.37 million, respectively, calculating from the full fare tickets in those traveling classes.

## 6.22 Other Income - Others

Unit : Million Baht

	Consolidated Financial Statements		Separate Financial Statements	
	2011	2010	2011	2010
Gains on sales of assets	9.96	93.91	9.96	93.91
Dividends from associated and subsidiary companies	-	-	189.89	168.01
Revenue from other services of Aircraft Maintenance Department	393.57	281.73	393.57	281.73
Revenue from airport fees collected from passengers	793.65	1,068.79	793.65	1,068.79
Compensation revenue from the delay delivery of aircraft	509.42	1,460.95	509.42	1,460.95
Insurance compensation from the flood disaster	175.00	-	175.00	-
Others	752.43	591.29	753.72	592.73
<b>Total</b>	<b>2,634.03</b>	<b>3,496.67</b>	<b>2,825.21</b>	<b>3,666.12</b>

## 6.23 Other Expenses

Unit : Million Baht

	Consolidated Financial Statements		Separate Financial Statements	
	2011	2010	2011	2010
Rentals and utilities	2,708.79	2,728.73	2,708.79	2,728.73
Office supplies	224.41	230.38	224.41	230.38
Repair of building and equipment	575.29	511.54	575.29	511.54
Outsource services	997.40	926.21	997.40	926.21
Consultant and service fees	546.51	524.59	546.51	524.59
Legal fee for Antitrust/ Competition Law	(826.32)	(1,596.91)	(826.32)	(1,596.91)
Computer service expenses	393.41	404.92	393.41	404.92
Travelling and transportation expenses	656.24	577.54	656.24	577.54
Concession fees	350.93	276.29	350.93	276.29
Passenger claim expenses	186.62	279.54	186.62	279.54
Damages from flood disaster	175.00	-	175.00	-
Others	1,160.62	1,193.29	1,091.56	1,128.15
<b>Total</b>	<b>7,148.90</b>	<b>6,056.12</b>	<b>7,079.84</b>	<b>5,990.98</b>

Legal fee for Antitrust/Competition Law is a contingent liability that the Company has to set the reserve for damages and fines with respect to Antitrust laws allegation. In the fiscal year 2011, the Company has decreased the provision for such damages and fines (according to Note 6.16.7.)

## 6.24 Impairment Loss of Aircraft

According to the Company's Board of Directors Resolution, 2 A300-600 own aircraft have been phased out from the fleet. They are under the selling process. When comparing the net book value with the fair value after deducting the selling cost, it appears that the fair value after deducting the selling cost is lower than the net book value. Therefore, the Company recognized the impairment loss of such aircraft amount of THB 180.91 million

## 6.25 Net Tax Expense

Unit : Million Baht

	Consolidated Financial Statements		Separate Financial Statements	
	2011	2010	2011	2010
Tax expense from taxable profit for the period	41.25	1,166.17	-	1,117.12
<u>Less:</u> tax adjustment of the previous year	(12.16)	-	(12.16)	-
<u>Add:</u> effect of tax rate change				
on deferred income tax	2,407.09	-	2,403.78	-
<u>Add (less):</u> deferred tax asset/ liability from				
temporary difference increase/ decrease	(191.14)	699.16	(190.79)	(699.85)
<b>Net tax expense</b>	<b>2,245.04</b>	<b>1,865.33</b>	<b>2,200.83</b>	<b>1,816.97</b>



## 6.26 Investment Promotion

The Company received the investment promotion certificates for air transportation operation of aircraft, consisting of passenger and cargo transportation activities, according to the investment promotion certificates No.1214(2)/2552, 1874(2)/2552 and 1446(2)/2554 received on March 13, 2009, November 19, 2009 and April 21, 2011, respectively. Under the condition, the Company will give a privilege for exemption from corporate income tax for the net profit, which operated by such aircraft starting from the date of first revenues derived from the promoted activities, up to 8 years.

Revenues from sales or revenues from services classified to the promoted and non-promoted activities for the year ended December 31, 2011 and 2010 are as follows:

Unit : Million Baht

	Separate Financial Statements	
	2011	2010
<b>Revenues from sales and services</b>		
Promoted activities	16,929.74	6,559.07
Non-promoted activities	173,762.18	173,714.27
<b>Total revenues from sales and services</b>	<b>190,691.92</b>	<b>180,273.34</b>

## 6.27 Earnings (Loss) Per Share

Basic earnings per share is calculated by dividing net profit for the period by the weighted average number of ordinary shares in issue during the periods.

Unit : Million Baht/Million Shares

	Consolidated Financial Statements		Separate Financial Statements	
	2011	2010	2011	2010
<b>Profits (losses) attributable to owners of the parent</b>	<b>(10,196.97)</b>	<b>14,743.65</b>	<b>(10,238.47)</b>	<b>14,790.08</b>
Number of ordinary shares in issued as at January 1	2,182.77	1,698.90	2,182.77	1,698.90
An effect from issued share capital on September 24, 2010	-	131.24	-	131.24
<b>Number of weighted average ordinary shares</b>	<b>2,182.77</b>	<b>1,830.14</b>	<b>2,182.77</b>	<b>1,830.14</b>
<b>Basic earnings (loss) per share (THB)</b>	<b>(4.67)</b>	<b>8.06</b>	<b>(4.69)</b>	<b>8.08</b>

## 6.28 Financial Information by Segment Consolidated financial statements

### 6.28.1 Business segments

#### Statements of Income

For the years ended December 31, 2011 and 2010

Unit : Million Baht

	Revenues		Inter - Segment Revenues		Total Revenues		Segment Results	
	2011	2010	2011	2010	2011	2010	2011	2010
Air transportation	182,738.04	173,092.16	-	-	182,738.04	173,092.16	(2,660.87)	11,848.09
Business Units	6,222.70	5,700.00	10,112.43	9,607.10	16,335.13	15,307.10	1,853.62	(631.33)
Other activities	2,036.45	1,796.52	5,205.91	5,450.29	7,242.36	7,246.81	(869.66)	(1,542.86)
Eliminations	-	-	(15,318.34)	(15,057.39)	(15,318.34)	(15,057.39)	-	-
Operating profits (losses)							(1,676.91)	9,673.90
Loss on debentures redemption							(1.43)	-
Share of profits of associates							183.74	257.92
Finance costs - net							(4,944.99)	(4,980.69)
Gains (losses) on foreign currency exchange							(2,428.18)	9,106.26
Other income - net							950.70	2,599.62
Non-controlling interests							(34.86)	(48.03)
Net tax expenses							(2,245.04)	(1,865.33)
<b>Net profits (losses) - attributable to owners of the parent</b>							<b>(10,196.97)</b>	<b>14,743.65</b>

#### Assets and Liabilities

As at December 31, 2011 and 2010

Unit : Million Baht

	Current Assets		Non-Current Assets		Total Assets	
	2011	2010	2011	2010	2011	2010
Air transportation	55,674.27	74,657.06	206,076.42	208,285.40	261,750.69	282,942.46
Business Units	599.48	517.25	6,544.93	7,215.99	7,144.41	7,733.24
Other activities	709.31	1,033.26	2,529.69	2,479.98	3,239.00	3,513.24
Non-allocated assets	2,310.60	2,368.87	-	-	2,310.60	2,368.87
<b>Total</b>	<b>59,293.66</b>	<b>78,576.44</b>	<b>215,151.04</b>	<b>217,981.37</b>	<b>274,444.70</b>	<b>296,557.81</b>

Unit : Million Baht

	Current Liabilities		Non-Current Liabilities		Total Liabilities	
	2011	2010	2011	2010	2011	2010
Air transportation	69,466.92	79,101.24	140,302.56	139,391.34	209,769.48	218,492.58
Business Units	645.19	1,077.15	14.59	26.73	659.78	1,103.88
Other activities	195.98	224.02	16.99	22.10	212.97	246.12
Non-allocated liabilities	367.26	333.29	-	-	367.26	333.29
<b>Total</b>	<b>70,675.35</b>	<b>80,735.70</b>	<b>140,334.14</b>	<b>139,440.17</b>	<b>211,009.49</b>	<b>220,175.87</b>

Segment results derive from segment revenues net of segment costs and operating expenses excluding interest expenses, gains (losses) on foreign currency exchange, other expenses, and income taxes.

Segment current and non-current assets are those operating assets that are employed by a segment in its operating activities.

Segment current and non-current liabilities are those operating liabilities that result from the operating activities of a segment.

The Company records inter-segment revenue transfers at market price charged to its unaffiliated customers net of discount. As for the Technical Department, the inter-segment revenue transfers is recorded at cost plus. Those transfers are eliminated in consolidation.

## 6.28.2 Geographical Segments

	<i>Unit : Million Baht</i>	
	<b>2011</b>	<b>2010</b>
Domestic Revenues		
Transportation	14,278.28	12,843.85
Business units	6,222.70	5,700.00
Other activities	2,036.45	1,796.52
Total domestic revenues	22,537.43	20,340.37
Foreign Transportation Revenues		
Regional Asia	68,279.53	63,467.62
Europe	41,940.20	42,493.38
North Pacific	3,539.77	3,612.94
Australia & New Zealand	17,211.46	14,767.63
Africa	1,154.62	726.90
Total foreign transportation revenues	132,125.58	125,068.47
Charter revenues and others	10,506.08	9,161.77
Insurance surcharge from passengers	1,669.66	1,925.32
Fuel surcharge from passengers	24,158.44	24,092.75
Interest income	710.59	185.03
Other income	2,634.03	3,496.67
<b>Total</b>	<b>194,341.81</b>	<b>184,270.38</b>

## 6.29 Staff Pension Fund Consolidated and Separate Financial Statements

The Company has established a staff pension fund, contributing 10% of employee salaries to the fund each month. The fund's assets, liabilities and balance are presented in the Company's statements of financial position. Interest and expenses arising from fund operations are recognized as income and expenses of the Company. The details are as follows:

	<i>Unit : Million Baht</i>	
	<b>2011</b>	<b>2010</b>
Current assets	4,511.18	4,761.11
Others	65.92	31.37
Total	4,577.10	4,792.48
Other current liabilities	15.89	421.34
Pension fund	4,561.21	4,371.14
Total	4,577.10	4,792.48

As at December 31, 2011, the fund balance was THB 4,561.21 million, equal to the Company's obligation to its staff under the fund. The total Company's contribution to the fund in this accounting periods was THB 333.35 million, consisting of the contributions at a rate equivalent to 10% of employee salaries in the amount of THB 219.32 million and the amounts to match the Company's obligation of THB 114.03 million.

### 6.30 Staff Provident Fund

The Company contributes to the provident fund at the rate of 9% for members having not more than 20 years of services and 10% for members having more than 20 years of services, representing amount of THB 1,156.87 million for this period.

The Company's provident fund is managed by Kasikorn Asset Management Company Limited and Krungthai Asset Management Public Company Limited which are permitted by the Securities and Exchange Commission, Thailand (SEC).

### 6.31 Contingent Liabilities

6.31.1 The Company has contingent liabilities, not presented in the financial statements, as follows:

<i>Unit : Million Baht</i>		
	<b>2011</b>	<b>2010</b>
Letters of guarantee issued by banks - Domestic	30.96	132.48
Letters of guarantee issued by banks - Abroad	397.19	203.63
The Company as defendant in		
Labor dispute cases	1,343.33	1,751.71
Damage claims cases	2,597.98	2,308.62
<b>Total</b>	<b>4,369.46</b>	<b>4,396.44</b>

6.31.2 The Company is a defendant in violation of the Sherman Antitrust and other cases that the Company has been prosecuted, alleged and criminally investigated as the following:

1. The Company has the competition law allegation pending against it. A group of 35 cargo shippers have brought an action against the Company to the Civil Court of New York alleging that the Company jointly with other 38 airlines fixed fuel surcharge, war risk surcharge and other fees in violation of the Sherman Act or Antitrust Law of the United States of America and Europe Union laws causing damages to them. They sought the court's order for compensation by the Company and other airlines. At present, the class plaintiff and the Company has subsequently entered into a settlement of USD 3,500,000 or approximately THB 109.03 million (Exchange rate: 31.1500 THB per 1 USD) The court has rendered a judgment in accordance with the settlement. However, there are some plaintiffs who opt out of the settlement and they are entitled to bring their own lawsuits against the Company.

2. A total of 19 lawsuits were brought against 12 airlines including the Company. Two lawsuits were filed at the Superior Court of Los Angeles while other 17 lawsuits were filed at the San Francisco County Superior Court. The airlines were accused of violating the Antitrust Act by committing price fixing conspiracy in respect of Trans-Pacific Carriers. Presently, the Judicial Panel on Multi-district Litigation has ordered to combine the 19 cases to be considered by the court at San Francisco as a single case, however, the amount of the compensatory damages has not yet been determined. The case is currently undergoing the court procedures.

3. The Company received the Statement of Objections from the Commission of the European Communities alleging that the Company and other 27 airlines infringed the EC Treaty by coordinating pricing behavior in the provision of air freight services with respect to the fuel surcharge, the security surcharge, the war risk surcharge, freight rates and the payment of commission to forwarders on surcharges causing damages to air freight shippers. However, the Commission of the European Communities later dropped charges against the Company on November 9, 2010. A penalty has therefore never been imposed on the Company.

4. As for the case involving the New Zealand Commerce Commission (NZCC) filing a lawsuit against the Company and other 13 airlines at the Auckland High Court and alleging that the Company, jointly with other airlines, fixed the fuel surcharge and security surcharge, constituting a violation against the Commerce Act of New Zealand, the NZCC requested the court to fine the Company according to the law. However, these fines remained unspecified at the time of filing the lawsuit and were, thus, left for the court to decide afterwards. At present, the case is currently undergoing the court procedures.

5. Regarding an examination by the United States' Department of Justice (DOJ), summons for documents were sent to the Company during the ongoing investigation. Correspondingly, the company has already hired a local attorney to correspond with the DOJ. However, it is still uncertain as to whether an allegation is being sought.

6. With respect to the investigation by the Australian Competition and Consumer Commission (ACCC), on October 28, 2009 the ACCC has subsequently filed a lawsuit against the Company for violating Trade Practices Act 1974. Yet, the amount of fines has not yet been specified by the ACCC. At the moment, the case is currently under the discovery process so as to seek evidences for each party. After that, the case will undergo the court procedures.

7. On the subject of an investigation by the Korean Fair Trade Commission (KFTC), the Company received an official decision of the KFTC on November 30, 2010 which imposed a fine totaling to KRW 2,877 million or approximately THB 77.45 million (Exchange Rate: 1 Won = 0.026921 Baht) but dropped the criminal charges against the Company and the relevant staff. The Company has already appealed the KFTC Commissioners' decision to the competent court, which is now under the consideration of the Court of Appeal.

The Company has set the reserve for the contingent liabilities, the damages and fines, amount of THB 1,464.93 million (according to Note 6.16.7).

6.31.3 A lawsuit of CEAT case with respect to the use of website in America continent has been files against the Company. At present, the case is dropped since the plaintiff withdraws the case.

## 6.32 Disclosure of Financial Instruments Separate financial statements

### 6.32.1 Interest rate risk

Interest rate risk in financial statements arises from changes in market interest rates which have an effect on the Company's operating results at present and in the future.

The following tables show weighted average interest rates and the amount of financial liabilities.

**2011**

*Unit : Million Baht*

Financial Liabilities	Weighted Average Interest Rate	Outstanding Balances Floating Interest Rates			Outstanding Balances Fixed Interest Rates			Total
		Less than 1 year	1 to 5 years	Over 5 years	Less than 1 year	1 to 5 years	Over 5 years	
USD	7.07	-	-	-	-	1,273.28	-	1,273.28
JPY	1.63	3,759.07	5,169.06	2,372.97	-	-	-	11,301.10
EUR	2.45	5,073.29	20,067.93	13,666.51	1,270.14	5,367.38	1,149.33	46,594.58
THB	4.75	3,775.00	35,169.79	11,389.21	4,995.00	18,251.79	9,600.00	83,180.79
<b>Total</b>		<b>12,607.36</b>	<b>60,406.78</b>	<b>27,428.69</b>	<b>6,265.14</b>	<b>24,892.45</b>	<b>10,749.33</b>	<b>142,349.75</b>

**2010**

*Unit : Million Baht*

Financial Liabilities	Weighted Average Interest Rate	Outstanding Balances Floating Interest Rates			Outstanding Balances Fixed Interest Rates			Total
		Less than 1 year	1 to 5 years	Over 5 years	Less than 1 year	1 to 5 years	Over 5 years	
USD	4.46	764.95	-	-	-	1,211.85	-	1,976.80
JPY	1.28	3,511.34	7,753.22	2,501.42	-	-	-	13,765.98
EUR	1.88	4,108.32	17,822.12	19,074.41	1,210.42	5,112.87	2,468.05	49,796.19
THB	3.88	2,072.00	31,122.53	13,211.47	11,487.92	18,946.79	3,900.00	80,740.71
<b>Total</b>		<b>10,456.61</b>	<b>56,697.87</b>	<b>34,787.30</b>	<b>12,698.34</b>	<b>25,271.51</b>	<b>6,368.05</b>	<b>146,279.68</b>

For Interest Rate Risk Management, the Company applies a derivative financial instrument, Interest Rate Swap (IRS), to swap the floating interest rates which show high tendency to increase to fixed. As at December 31, 2011, the portion of the Company's debt after swap with floating to fixed interest rate is 53 : 47.

At the moment, the Company has the total of 11 IRS transactions, swapping debt with floating interest rate to fixed interest rate. Two of these transactions are in JPY currency, the remaining nine transactions in EUR. As at December 31, 2011, IRS transactions' total notional amount was THB 20,657.93 million of which interest exchange payments are done quarterly. The two transactions in JPY currency will expire in 2013. The five transactions in EUR currency will expire in 2017 and the other four transactions in EUR currency will expire in 2018.

### 6.32.2 Foreign Currency Exchange Rate Risk

The Company generates revenues in THB and more than 40 currencies, mainly in USD, THB, EUR and JPY while incurring liabilities mainly in 4 major currencies : EUR, THB, JPY and USD as well as expenses mainly in USD and THB. Fluctuations in exchange rates affect on long-term liabilities and operating expenses denominated in foreign currencies. Therefore, the Company has adopted “Natural Hedge” strategy to manage this risk by increasing the matching of currency between the revenues and expenses and to arrange for loan and restructure loan to coincide with net operating cash flow, and at the same time, to decrease foreign currency debt risk partially by relying on Thai baht loan in order to decrease the fluctuation of gain or loss from foreign exchange in the financial statements. In addition, the Company has a policy to enter into Cross Currency Swap (CCS) when the financial market benefits to the Company. As at December 31, 2011, the proportion of the Company’s debts after swap in each currency i.e. USD : EUR : JPY : THB is 1 : 33 : 11 : 55. Gradually, the Company also used hedging strategy named Forward Contracts, by providing various degrees of participation in favorable currency exchange rate movement to hedge the future obligation that has underlying exposures.

At present, the Company has four CCS transactions, swapping debt in THB currency with floating interest rate to JPY currency with fixed interest rate. As at December 31, 2011, the four CCS transactions’ total notional amount was JPY 10,617.44 million or equivalent to THB 4,378.70 million of which exchange payments, both principal and interest, are done quarterly. The two CCS transactions will expire in 2015 and the other two transactions will expire in 2017.

#### *Foreign Currency Liabilities*

*Unit : Million Baht*

Currency	2011			2010		
	<i>Due within 1 year</i>	<i>Due 1 to 5 years</i>	<i>Due over 5 years</i>	<i>Due within 1 year</i>	<i>Due 1 to 5 years</i>	<i>Due over 5 years</i>
USD	-	1,273.28	-	764.95	1,211.85	-
JPY	3,759.07	5,169.06	2,372.97	3,511.34	7,753.22	2,501.42
EUR	6,343.43	25,435.31	14,815.84	5,318.74	22,934.99	21,542.46

### 6.32.3 Fuel Price Risk

Fuel price fluctuation depends on supply and demand of global economic situation and political uncertainty worldwide. Fuel price has direct impact on the Company’s operating result as fuel plays vital factor in airline industry. The Company has implemented jet fuel price hedging in order to reduce the risk of fuel price volatility, to protect the value of shareholders and is not to be treated as a profit-marking venture.

This was in accordance with the Company’s policy, specifying that fuel hedging be conducted on a regular basis at not lower than 20 percent and not more than 80 percent of annual fuel consumption, whereby the tenor of each contract would be for a period of not more than 18 months. The Company selected a financial tool that was suitable for the market situation by establishing the lowest and highest prices of jet fuel, whereby the Company would incur the difference in USD currency, should the price of jet fuel falls below the lowest price. On the contrary, the Company would be compensated should the price of jet fuel rises higher than the highest price. In this fiscal year, the Company’s hedge portion account to 73 percent of its annual fuel consumption. As at December 31, 2011, the Company still has an obligation from fuel price hedging until December 2012 amount of 13.98 million barrels of Jet fuel whereby the average lowest and the highest jet fuel prices are at USD 105.40 per barrel and USD 116.50 per barrel, respectively.



#### 6.32.4 Fair Value of Financial Instruments

Fair value is the amount for which the buyer and the seller agree to exchange an asset, or settle a liability, while both parties are knowledgeable, willing, independent with the freedom to bargain.

The methods and assumptions that the Company uses to estimate the fair value of assets and liabilities are as follows:

Cash and cash equivalents, trade accounts payable, loans, and accrued expenses are stated at the carrying value.

Investments in related companies not having market prices are stated at cost net of allowance of impairment. As for the investments in related companies having market prices are stated at closed market price of the Stock Exchange of Thailand.

Other investments are stated at net book value net of allowance of impairment. Investments in marketable equity securities are stated at market value.

Trade accounts receivable are stated at net book value net of allowances for doubtful accounts.

### 6.33 Airbus A330-300 Delivery

On December 23, 2009 and March 29, 2010, the Company accepted the transfer of title of A330-300 for 3 and 2 aircraft, respectively, totaling 5 aircraft. The acquisition of these 5 aircraft has been made under financing lease agreements. However, they could not be commercially utilized since there were no economy class seats installed. They were parked and stored in Bordeaux, France. Koito Industries Limited had informed the Company that Koito was unable to deliver the seats to the Company by September 20, 2010 as scheduled. Thereafter, the Company sent a notice of termination to Koito for breach of the General Terms Agreements (GTAs) A330 on August 3, 2010. In addition, the Company engaged a legal adviser to take legal action against Koito. The Company sent a notice of clarifications and demands for payments of damages to Koito on February 11, 2011. Koito sent a letter requesting the Company to provide supporting documentations for each item of the claimed damages to Koito on February 28, 2011. The Company is currently gathering relevant documentations to Koito as well as engaging a foreign law firm to take a legal action against Koito Industries Limited (currently renamed to KI Holdings Co., Ltd.) and Asia Fleet Services (Singapore) Pte., Ltd. so as to claim damages arising from Koito's breach of the GTAs for undeliverable seats of Airbus A330-300, A380-800 and Boeing 777-300 aircraft. The case will be submitted to the court in England.

On July 2, 2010, the Company has entered into a contract with another seat supplier namely ZIM Flugsitz GmbH to produce and deliver the economy class seats for 5 Airbus A330-300 aircraft by the scheduled delivery dates. At present, the Company has already accepted the transfer of title with seats installation of such 5 aircraft on March 25, April 11, May 21, June 6 and July 4, 2011, respectively. The relevant expenses have already been recorded as expenses until December 31, 2011 amount of THB 180.52 million, of which THB 65.34 million are expenses for fiscal year 2011.

## 6.34 Contractual Obligations

### 6.34.1 Obligation to Purchase Aircraft

The Company has a payment obligation to purchase 6 A380-800, 5 A330-300, 5 A320-200, 4 A350-900XWB, and 6 B777-300ER aircraft amount of THB 111,160.51 million, expected to take delivery during the year 2012-2017 which consisted of:

*Unit : Million Baht*

<i>Obligation</i>	<i>Within 1 year</i>	<i>Over 1 year – 5 years</i>
Purchase of aircraft	24,848.89	86,311.61

### 6.34.2 Leases and Obligations of Aircraft

The Company has obligations from entering into operating leases for 42 aircraft amount of USD 5,053.53 million or approximately to THB 160,863.58 million consisting of 6 A320-200, 2 A330-300, 8 A350-900, 3 B737-400, 2 B777-200, 13 B777-300ER, 6 B787-8, and 2 B787-9 aircraft.

There are 30 aircraft which have not been scheduled delivery yet. The Company entered into the operating lease of 8 Boeing 777-300ER with the BOC Aviation Pte. Ltd. (BOCA) according to the Predelivery Commitment Agreement and Aircraft Lease Agreement dated October 22, 2010. Therefore, the Company has an obligation for the commitment fee amount of USD 31.19 million or approximately to THB 992.94 million, starting from the signing date in the Agreement until the delivery date of such aircraft. When the Company takes the delivery of such aircraft within 2012 and 2013, the commitment fee will be recognized in the Company's statement of income with a straight-line method over the lease term. The operating leases of those 42 aircraft will be expired during 2013-2029.

Lease obligation and commitment fee can be classified as follows:

*Unit : Million Baht*

<i>Obligation</i>	<i>Within 1 year</i>	<i>Over 1 year – 5 years</i>	<i>Over 5 years</i>
Rent	3,395.78	37,011.34	119,463.52
Commitment Fee	751.03	241.91	-
<b>Total</b>	<b>4,146.81</b>	<b>37,253.25</b>	<b>119,463.52</b>

### 6.34.3 Lease and Obligation of Cargo Block Space

On May 20, 2011 the Company's Board of Directors approved the lease termination of cargo block space for 1 aircraft. The termination date was negotiated changing from July 21, 2011 to August 1, 2011.

The Company has an obligation of cargo block space which is determined a minimum block hour amount of USD 3.12 million or approximately to THB 99.43 million per block space for 2 aircraft in July 2011 and 1 aircraft starting August 2011 onwards. The lease will be expired in the year 2012.

## 6.35 Estimated Damages from the Flood Disaster

6.35.1 On October 26, 2011, the flood reached Don Muang Airport causing the damages to the Company's assets which the insurance will cover for such damages.

The Company has primarily recorded the damages from flood disaster such as two Airbus A300-600 aircraft phased out from the fleet and under the selling process, consumable parts and supplies of Technical Department with net value of THB 175 million. On January 25, 2012, the Company received THB 50 million as the first insurance compensation from the insurance company, and total of USD 5 million or approximately THB 154.53 million on January 27, 2012, January 31, 2012 and February 13, 2012, respectively. The Company recognized the insurance compensation of THB 175 million, which is equal to the net book value of the damaged assets, which has been reported in the statements of comprehensive income for the year 2011. However, all the damaged assets which are covered by the insurance policy are under claiming process with the insurance company.

### 6.35.2 Employee Grant for Flood Disaster

The Company has extended the deadline for the employee to apply for support until February 29, 2012 in case such employees encountered the flood disaster. From the information as at February 3, 2012, the Company estimated that 6,000 staffs will apply for support as at February 29, 2012, which will cost the total amount of THB 400.00 million. The Company has already recognized such amount as expenses.

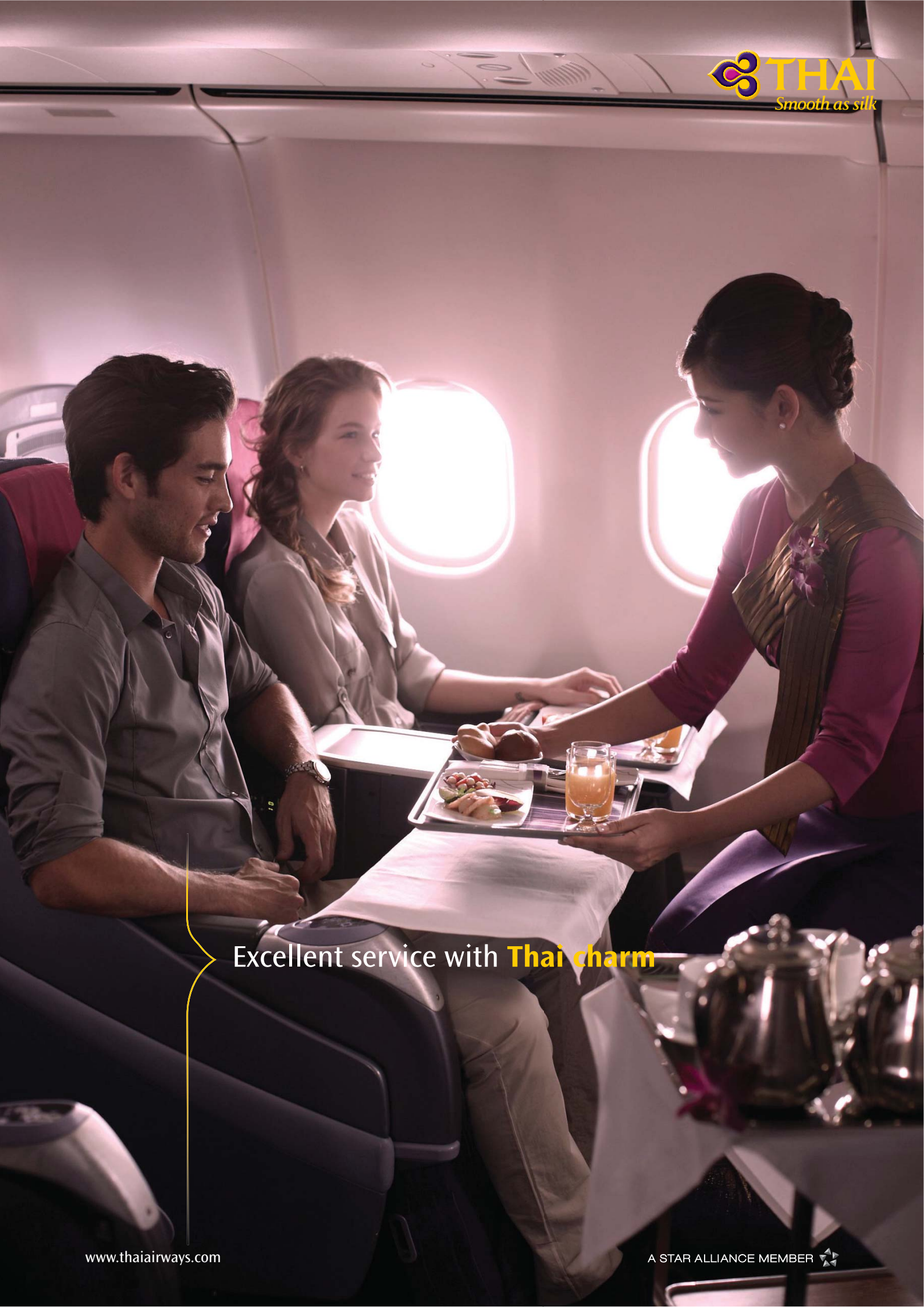
## 6.36 Events after the Reporting Period

6.36.1 On January 5, 2012, at 2.00 a.m. local time, cargo building at Indira Gandhi International Airport in India caught fire. At the meantime, the Company is estimating the damages of the assets which have not been exactly determined the figure yet. The damaged assets are covered by the insurance policy.

6.36.2 On February 16, 2012, the Company has issued and sold the debentures to the institutional investors and major investors in Thailand, totaling of THB 3,000 million, which is composed of 7 years debentures of THB 1,000 million and 10 years debentures of THB 2,000 million.

## 6.37 Approval of Financial Statements

These financial statements were approved by the Audit Committee, the Authorized Board of Directors, on February 21, 2012.



Excellent service with **Thai charm**

# General Information

## Company Name

Company Name	:	THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED
	:	Abbreviation (THAI)
Business	:	Air transportation services and other related aviation services
Head Office	:	89 Vibhavadi Rangsit Road, Jompol, Chatujak, Bangkok 10900
Registration Number	:	0107537001757
Home Page	:	www.thaiairways.com
Telephone	:	66 (0) 2545-1000, 66 (0) 2695-1000
THAI Contact Center	:	66 (0) 2545-3000

## Ordinary Shares

As of December 31, 2011, the Company has :

Registered Capital of 2,698,900,950 shares with a par value of 10 baht per share or a total of 26,989,009,500 baht

Paid-up Capital of 2,182,771,917 shares with a par value of 10 baht per share or a total of 21,827,719,170 baht

## Subsidiary and Affiliated Companies in which THAI's Shareholding Exceeds 10%

<i>Company Name</i>	<i>Business Type</i>	<i>Share Type</i>	<i>Paid-up Authorized Shares (Million Baht)</i>	<i>Percent of Interest</i>
Thai-Amadeus Southeast Asia Co., Ltd. The Offices at Central World 999/9 Unit 3406-3412, 34 <sup>th</sup> Floor, Rama 1 Road, Pathumwan, Bangkok 10330 Thailand Tel. 66 (0) 2207-9090 Fax. 66 (0) 2207-9191	Online Ticketing Services to Agents and Other Travel Services	Ordinary	15.00	55.0
Nok Airlines Co., Ltd. 17 <sup>th</sup> Floor, Rajanakarn Building, 183 South Sathorn Road, Yannawa, Sathorn, Bangkok 10120 Tel. 66 (0) 2627-2000 Fax. 66 (0) 2286-9830	Air Transport Services	Ordinary	500.00	49.00 (with controlling authority)
WingSpan Services Co., Ltd. 89 Vibhavadi Rangsit Road, Jompol, Jatujak, Bangkok 10900 Tel. 66(0) 2545-1267, Fax. 66(0) 2545-1535	Human Resources Management Services	Ordinary	2.00	49.00 (with controlling authority)
THAI Flight Training Co., Ltd. 89 Vibhavadi Rangsit Road Jompol, Jatujak, Bangkok 10900 Tel. 66 (0) 2545-3330, Fax. 66 (0) 2545-3992	Aviation Training Services	Ordinary	2.00	49.00 (with controlling authority)



<i>Company Name</i>	<i>Business Type</i>	<i>Share Type</i>	<i>Paid-up Authorized Shares (Million Baht)</i>	<i>Percent of Interest</i>
Tour Eung Luang Co., Ltd. 89 Vibhavadi Rangsit Road Jompol, Jatujak, Bangkok 10900 Tel. 66(0) 2356-2888 Fax. 66 (0) 2288-7158	Tourism services and related-tourism activities	Ordinary	1.00	49.00 (with controlling authority)
Don Mueang International Airport Hotel Co., Ltd. 333 Moo 10, Chert Wudthakas Road, Don Mueang, Bangkok 10210 Tel. 66 (0) 2566-1020-1 Fax. 66 (0) 2566-1941	Hotel and Restaurant	Ordinary	120.00	40.00
Phuket Air Catering Co., Ltd. 10/3 Moo 6, Sanambin Road, Tambon Mai Khoa, Thalang, Phuket 83000 Tel. 66 (0)-7632-7497-9, 66 (0)-7632-7500-6 Fax. 66 (0)-7632-7123-4	Airline Catering	Ordinary	100.00	30.00
Royal Orchid Hotel (Thailand) PLC. 2 Captain Bush Lane, Charoen Krung Road, Bangrak, Bangkok 10500 Tel. 66 (0) 2266-0123 Fax. 66 (0) 2236-6656	Hotel and Restaurant	Ordinary	937.50	24.00
Bangkok Aviation Fuel Services PLC. 171/2 Moo 10, Vibhavadi Rangsit Road, Sikan, Don Mueang, Bangkok 10210 Tel. 66 (0) 2565-3811-8 Fax. 66 (0) 2565-3825	Aviation Fuel Service, Aviation Depot, Aircraft Refueling Service	Ordinary	510.00	22.59
Suvarnabhumi Airport Hotel Co., Ltd. 999 Suvarnabhumi Airport Hotel Building Moo 1, Nongprue, Bang Phli, Samutprakarn 10540 Tel. 66 (0) 2131-1111 Fax. 66 (0) 2131-1188	Hotel and Restaurant	Ordinary	1,017.78	30.00

*Notes: Information as of December 31, 2011*

## References

**Securities Registrar  
(Common Shares):** : THAILAND SECURITIES DEPOSITORY CO., LTD.  
62 Ratchadapisek Road, Klongtoei, Bangkok 10110  
Tel. 66 (0) 2229-2800, 66 (0) 2229-2888, 66 (0) 2654-5599  
Fax. 66 (0) 2359-1262-3

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**Debenture Holders’  
Representative 1/2004** : THANACHART BANK PLC.  
900 Tonson Tower, Ploenchit Road, Lumpini,  
Pathumwan, Bangkok 10330  
Tel. 66 (0) 2655-9129 Fax. 66 (0) 2655-9001

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**Debenture Registrar 1/2004** : THE SIAM COMMERCIAL BANK PLC.  
Corporate Trust Operations Division  
Building 2, Fl.3, 1060 Phetchaburi Tat Mai Road,  
Mukkasun, Ratchatawee Bangkok 10400  
Tel. 66 (0) 2256-2323-27 Fax. 66 (0) 2256-2405

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**Debenture Holders’  
Representative 1/2005** : CIMB THAI BANK PLC.  
44 Langsuan Road, Lumpini, Pathumwan Bangkok 10330  
Tel. 66 (0) 2626-7000 Fax. 66 (0) 2626-7543

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**Debenture Registrar 1/2005** : TMB BANK PLC.  
Securities Operation and Investment Banking  
393 Silom Road, Soi 7 Bangrak, Bangkok 10500  
Tel. 66 (0) 2230-5575, 66 (0) 2230-7531  
Fax. 66 (0) 2230-6093

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**Debenture Holders’  
Representative 1/2007** : TMB BANK PLC.  
Securities Operation and Investment Banking  
393 Silom Road, Soi 7 Bangrak, Bangkok 10500  
Tel. 66 (0) 2230-5575, 66 (0) 2230-5731  
Fax. 66 (0) 2230-6093



<b>Debenture Registrar 1/2007</b>	: TMB BANK PLC. Securities Operation and Investment Banking 393 Silom Road, Soi 7 Bangrak, Bangkok 10500 Tel. 66 (0) 2230-5575, 66 (0) 2230-5731 Fax. 66 (0) 2230-6093
<b>Debenture Holders’ Representative 1/2008</b>	: TMB BANK PLC. Securities Operation and Investment Banking 393 Silom Road, Soi 7 Bangrak, Bangkok 10500 Tel. 66 (0) 2230-5575, 66 (0) 2230-5731 Fax. 66 (0) 2230-6093
<b>Debenture Registrar 1/2008</b>	: TMB BANK PLC. Securities Operation and Investment Banking 393 Silom Road, Soi 7 Bangrak, Bangkok 10500 Tel. 66 (0) 2230-5575, 66 (0) 2230-5731 Fax. 66 (0) 2230-6093
<b>Debenture Holders’ Representative 1/2011 and 2/2011</b>	: CIMB THAI BANK PLC. 44 Langsuan Road, Lumpini, Pathumwan Bangkok 10330 Tel. 66 (0) 2626-7000 Fax. 66 (0) 2626-7543
<b>Debenture Registrar 1/2011 and 2/2011</b>	: CIMB THAI BANK PLC. 44 Langsuan Road, Lumpini, Pathumwan, Bangkok 10330 Tel. 66 (0) 2626-7000 Fax. 66 (0) 2626-7543
<b>Auditor</b>	: OFFICE OF THE AUDITOR GENERAL OF THAILAND Rama 6 Road, Phayathai, Bangkok 10400 Tel. 66 (0) 2271-8000 Ext. 2405 Fax. 66 (0) 2618-5783

# Board of Directors



## Mr. Ampon Kittiampon

Chairman and  
Independent Director

### Education

- Ph.D. (Applied Economics)  
Clemson University,  
South Carolina, USA

### Experiences

- Deputy Permanent Secretary,  
Ministry of Agriculture and Cooperatives
- Secretary General,  
Office of the Nation Economic and  
Social Development Board

### Present Positions

- Secretary General,  
The Secretariat of the Cabinet
- Directors, Bank of Thailand
- Member, Monetary Policy Committee
- Directors, Chairman of Auditing  
Committee PTT Exploration and  
Production PCL.

## Mr. Chulasingsh Vasantasingh

Vice Chairman  
and Independent Director

### Education

- MCL (Comparative Law)  
University of Illinois, USA

### Experiences

- Deputy Attorney General
- Director, Electricity Generating Authority  
of Thailand
- Director, Ratchaburi Electricity  
Generating Holding PCL.

### Present Positions

- Attorney General
- Audit Committee, Krung Thai Bank PCL.
- Directors, The Thai Bar

## Mr. Areepong Bhoocha-oom

Vice Chairman

### Education

- Ph.D. (Finance)  
University of Mississippi, USA

### Experiences

- Deputy General, The Excise Department  
Ministry of Finance
- Director General, State Enterprise Policy  
Office (SEPO)

### Present Positions

- Permanent Secretary, Ministry of  
Finance
- Chairman, Government Housing Bank



#### **Mr. Kanit Sangsubhan**

**Independent Director**

##### **Education**

- Ph.D. (Economics) University of Toronto, Canada

##### **Experiences**

- Independent Director, Tisco Bank PCL.
- Director, Dhanarak Asset Development Co., Ltd.

##### **Present Positions**

- Director, Fiscal Policy Research Institute Foundation Ministry of Finance
- Director, Bank of Thailand

#### **Mr. Pradit Sintavanarong**

**Director**

##### **Education**

- MPH, Harvard University

##### **Experiences**

- Executive Director of J&W Development Co.,Ltd.

##### **Present Positions**

- Managing Director of De'cor Mart Co., Ltd.
- Board of National Health Security Office (NHSO)
- Advisor of National Command Centre for Combating Drugs (NCCD)

#### **Pol. Gen. Preophan Dhamapong**

**Director**

##### **Education**

- M.Sc. (Criminology) Eastern Kentucky University, USA

##### **Experiences**

- Commander of Immigration Division 2, Immigration Bureau
- Commissioner of Narcotics Suppression Bureau

##### **Present Positions**

- Commissioner - General Royal Thai Police
- Director of National Strength to Defeat Drugs Center, Royal Thai Police
- Board of Anti - Money Laundering
- Special Investigation Committee

#### **Mr. Weerawong Chittmittrapap**

**Independent Director**

##### **Education**

- LL.M. University of Pennsylvania, USA

##### **Experiences**

- Executive Partner, White and Case (Thailand) Co., Ltd.
- Director, NOBLE Development PCL.

##### **Present Positions**

- President, Weerawong, Chinavat and Peangpanor Co., Ltd.
- Audit Committee, Berli Jucker PCL.
- Director, Minor International PCL.



#### **ACM Satitpong Sukvimol**

##### **Independent Director**

###### **Education**

- BA, Chiang Mai University

###### **Experiences**

- Court Office, The Bureau of the Royal Household, The Kingdom of Thailand (level 10)

###### **Present Positions**

- Private Secretary to His Royal Highness Crown Prince Maha Vajiralongkorn

#### **ACM M.L. Suprija Kamalasana**

##### **Director**

###### **Education**

- B.A. Aerospace Engineering, Royal Thai Air Force Academy
- National Defence College

###### **Experiences**

- Commandant, Royal Thai Air Force Command and Staff College
- Superintendent Royal Thai Air Force Academy
- Chief of Staff Officers to the Supreme Commander

###### **Present Positions**

- President of Advisory Board Royal Thai Armed Forces Headquarters

#### **Mr. Apiporn Pasawat**

##### **Independent Director**

###### **Education**

- MS (Chemical Eng.) MBA (Production) University of Wisconsin, USA

###### **Experiences**

- Advisor, The Siam Cement PCL.
- President, Cementhai Chemical Co., Ltd.
- Director, The Aromatics (Thailand) PCL.

###### **Present Positions**

- Chairman of The Executive Committee and Director, Thai Plastic and Chemicals PCL.
- Chairman of The Executive Committee and Director, Thai Industrial Gases PCL.
- Chairman of The Board of Directors, Nok Airlines Co., Ltd.

#### **Mr. Dheerasak Suwannayos**

##### **Director**

###### **Education**

- M.A. (Economics), University of Karachi, Karachi, Pakistan

###### **Experiences**

- Chairman, Board of Directors, Krung Thai Asset Management Co., Ltd.
- Air Transport, Thai Airways International Public Company Limited
- Member, Board of Directors of MCOT Company Limited

###### **Present Positions**

- President, Islamic Bank of Thailand
- Member, Sub-committee to consider announcements regarding securities Issuances and offering, Securities and Exchange Commission
- Advisor, Sheikhul Islamm Office





#### **Mr. Voradej Harnprasert**

**Director**

##### **Education**

- M.A (Economics), Middle Tennessee State University, USA

##### **Experiences**

- Principal Adviser on Air Transport Economics
- Inspector-General, Ministry of Transport

##### **Present Positions**

- Director General, Department of Civil Aviation
- Chairman of the Board of Directors , Aeronautical Radio of Thailand Ltd.

#### **Mr. Chutinant Bhirom Bhakdi**

**Director**

##### **Education**

- Bachelor's Degree in Economics, Boston University, Massachusetts, USA

##### **Experiences**

- Vice Chairman of Executive Committee, Director, Bangkok Glass Industry Co., Ltd.
- Chairman of Board of Director, Bangkok Visypak Co., Ltd. And Petpak Co., Ltd.
- Former Member of the Constituent Assembly, Chairman of the Committee on Public Relations and Dissemination
- Former Bangkok Senator

##### **Present Positions**

- Executive Vice President, Director, Boonrawd Brewery Co., Ltd.
- President, Paralympic Committee of Thailand

#### **Mr. Silpachai Jarukasemratana**

**Director**

##### **Education**

- Bachelor of Science, Civil Engineering Prince of Songkla University
- MS. (D.I.C.) Transport Imperial College, University of London
- M.Sc. Transport Engineering and Traffic Operation, University of Newcastle Upon-Tyne, UK

##### **Experiences**

- Deputy Director General, Department of Land Transport
- Chief Inspector General, Ministry of Transport
- Director General, Department of Land Transport

##### **Present Positions**

- Deputy Permanent Secretary, Ministry of Transport

#### **Mr. Piyasvasti Amranand**

**Director**

##### **Education**

- Ph.D. (Economics) London School of Economics, UK

##### **Experiences**

- Chairman, the Advisory Panel to the CEO, Kasikornbank PCL.
- Minister of Energy
- Chairman, Kasikorn Asset Management Co.,Ltd.
- Secretary General, The National Energy Policy Office

##### **Present Positions**

- Chairman, Energy for Environment Foundation
- Member, the Council, Thailand Environment Institute
- Member, the Council of Trustee, Thailand Development Research Institute

## Management Team



### **Mr. Piyasvasti Amranand**

**President**

#### **Education**

- Ph.D. (Economics)  
London School of Economics, UK

#### **Experiences**

- Chairman, the Advisory Panel to the CEO, Kasikornbank PCL.
- Minister of Energy
- Chairman, Kasikorn Asset Management Co.,Ltd.
- Secretary General, The National Energy Policy Office

### **Mr. Pandit Chanapai**

**Executive Vice President,  
Commercial Department**

#### **Education**

- Master of Arts, International Relations,  
The University of Connecticut, USA

#### **Experiences**

- Executive Vice President, Human Resources and General Administration Department
- Executive Vice President, Commercial Department
- Vice President, Commercial Development and Support Department

### **Flt. Lt. Montree Jumrieng**

**Executive Vice President,  
Technical Department**

#### **Education**

- Bachelor of Science,  
Mechanical Engineering,  
Royal Thai Air Force Academy

#### **Experiences**

- Executive Vice President, Human Resources and General Management Department
- Vice President, Human Resources Management Department
- Director, Pilot Administration Department



#### **Mr. Chokchai Panyayong**

Executive Vice President,  
Strategy and Business  
Development Department

##### **Education**

- Master of Engineering, Civil Engineering,  
University of Detroit, USA

##### **Experiences**

- Vice President, Business Development  
and Special Project Department
- Vice President, Suvarnabhumi Project
- Director, Building and Premises  
Department

#### **Sqn. Ldr. Asdavut Watanangura**

Executive Vice President,  
Operations Department

##### **Education**

- Diploma Prufung Bauingenieurwesen  
(Master Degree Level), Civil Engineering  
Hochschule Der Bundeswehr  
Muenchen Germany

##### **Experiences**

- Vice President, Aviation Resources  
Development Department
- Director, Flight Deck Crew Training  
Department
- Deputy Director, Domestic Flight Deck  
Crew Training Department

#### **Mr. Teerapol Chotichanapibal**

Executive Vice President,  
Product and Customer Services  
Department

##### **Education**

- Master of Science, Operations Research,  
University of Southampton, UK

##### **Experiences**

- Vice President, Commercial  
Development and Support Department
- Managing Director, Catering Department





#### **Mr. Danuj Bunnag**

Managing Director,  
Ground Services Business  
Unit

##### **Education**

- Master of Construction Management, Construction Management, Washington University at St. Louis, USA

##### **Experiences**

- Vice President, Marketing Planning and Revenue Management Department
- Director, Royal Orchid Holidays Department
- Director, Office of the Vice President Marketing Planning and Revenue Management Department

#### **Mr. Niruj Maneepun**

Executive Vice President,  
Corporate Secretariat  
Department

##### **Education**

- Master of Laws, (LL.M.) Temple University, Philadelphia Pennsylvania, USA

##### **Experiences**

- Vice President, Legal and Compliance Department

#### **Mr. Sathok Varasarin**

Executive Vice President,  
Human Resources  
Department

##### **Education**

- Master of Business Administration Middleham University, UK

##### **Experiences**

- Managing Director, Catering Department
- Vice President, In-Flight Services Department
- Vice President, Office of the President

#### **Mrs. Wasukarn Visansawatdi**


Executive Vice President,  
Finance and Accounting  
Department

##### **Education**

- Master of Science (Development Economics), Project Analysis and Appraisal, The National Institute of Development Administration

##### **Experiences**

- Vice President, Corporate Finance Department
- Vice President, Business Development and Special Project Department
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<b>CHIANGMAI, THAILAND</b>	TKT/RSVN	: (053) 920-999
240 PRAPOKKLAO ROAD,	FAX	: (053) 920-995
AMPHUR MUANG, CHIANGMAI 52000, THAILAND		

**CHIANGRAI, THAILAND**

870 PHAHOLAYOTIN ROAD	TKT/RSVN	: (053) 711-179, 715-207, 715-734
AMPHURE MUANG, CHIANGRAI 57000	FAX	: (053) 713-663
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**HAT YAI, THAILAND**

180, 182, 184 NIPHAT UTHIT 1 ROAD	TKT/RSVN	: (074) 230-445
HAT YAI, SONGKHLA 90110, THAILAND	FAX	: (074) 233-114

**PHUKET, THAILAND**

78 RANONG ROAD, TABOM TALADNUE	TKT/RSVN	: (076) 360-111, 258-239
MUANG DISTRICT, PHUKET 83000, THAILAND	FAX	: (076) 360-487-8, 360-485-6

**KRABI, THAILAND**

KRABI INTERNATIONAL AIRPORT	TKT/RSVN	: (075) 701-591-593
133 MOO 5 PETKASEM RD. T.NUAKLONG	FAX	: (075) 701-594
A.NUAKLONG KRABI 81130, THAILAND		

**KHONKAEN, THAILAND**

HOTEL SOFTEL RAJA ORCHID KHONKAEN	TKT/RSVN	: (043) 227-701-04
9/9 PRACHASAMRAN ROAD, AMPHUR	FAX	: (043) 227-708
MUANG, KHONKAEN 40000, THAILAND		

**PATTAYA, THAILAND**

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PATTAYA CITY, CHOLBURI 20150	FAX	: (038) 420-998

**SURATTHANI, THAILAND**

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