

ANNUAL REPORT 2012

Thai Airways International Public Company Limited

THAI
A380
THE SMOOTHEST WAY TO FLY

A Whole
New Flying
Experience.



Anticipation for the most advanced THAI aircraft is finally over. THAI's A380 is not only very high-tech but also high-touch, with THAI's legendary Royal Orchid Service. Fly THAI's A380 from Suvarnabhumi Airport to Hong Kong, Tokyo and Frankfurt.

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Message from the Chairman



“ THAI will ensure continue development to maximize benefits for all stakeholders. Upholding the principles of good corporate governance, ensuring operational transparency, fairness and responsibility to society and the environment, sustainable growth as the national airline of Thailand can be achieved.

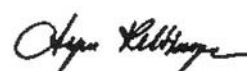
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The year 2012 has been another challenging year for THAI Airways due to global economic slowdown stemming from European debt crisis, declining economic growth in the United States, intense competition amongst low cost airlines, and the volatility of oil prices. As a defensive measure, the Company's management has greatly emphasized hedging against fuel price fluctuation, as well as significant cost control measures and marketing and sale strategy adjustments in the final quarter. As a result, the Company was able to post a profit recovering from losses a year earlier.

For 2013, THAI recognizes the need to accelerate and grow in the context of "Connecting Asia" to ensure its stature as a leading airline in the region. By using Bangkok as a connecting hub, we are connecting travelers in Asia with many other locales. In the meantime, the THAI Smile business unit has been established to strengthen the Company's competitiveness in domestic and regional markets by supporting THAI's network by providing connectivity for THAI's passengers to reach their desired final destinations under concept of a trendy, friendly and worthy airline has been a huge success. Along with the price worthiness strategy, and impressive service, THAI Smile has also been providing information relating to the country at its service destinations through their in-flight entertainment units, including tourism and business information, all in response to the needs of consumers at all levels. Such strategies are essential in supporting the intra-regional movement of resources, such as goods, labour and knowledge. These strategies are also in line with, and in support of, the integration of the ASEAN Economic Community (AEC) in 2015.

Apart from the commercial side of business operations, THAI is also committed to upholding the principles of good corporate governance by ensuring transparency and accountability throughout its operations, supporting environmental and corporate social responsibility related activities. With the aim of enhancing environmental awareness, along with social responsibility among employees and all relevant parties, various activities beneficial to the environment and society have been implemented, particularly projects which help to improve the quality of life of the Thai people and social development programs. One such project was the "Ruam Jai for the King" fund-raising event, in which THAI donated THB 84 million to Siriraj Hospital in Bangkok in honor of His Majesty the King's 84th birthday anniversary. Other social awareness programs have included youth scholarships, support for underprivileged people, THAI crew's volunteer activities at Bang Sue Police Station, and an environmental rehabilitation project. As the National Flag Carrier, THAI is fully aware of its role and responsibility towards the nation and society for which the intention is to ensure ongoing efforts in these respects.

Lastly, I would like to take this opportunity on behalf of the THAI's Board of Directors, the Management and employees, to thank our valued customers, shareholders, and all stakeholders, for their confidence and unwavering support for Thai Airways. I would like to reaffirm the commitment that THAI will ensure continue development to maximize benefits for all stakeholders. Upholding the principles of good corporate governance, ensuring operational transparency, fairness and responsibility to society and the environment, sustainable growth as the national airline of Thailand can be achieved.



Mr. Ampon Kittiampon
(Chairman)

Message from the President



“ The Company’s strategic initiatives, including product and service improvement, change in marketing strategy and maintaining financial health will enable THAI to sustain growth and remain a leading global airlines. ”

2012 was another year in which Thai Airways had to face numerous headwinds resulting from the lingering effects of the floods of late 2011 along with the differing economic outlooks for different regions and the physical number of aircraft deliveries. With the two major economies of Europe and America still on uncertain footing, Asia's healthier economic outlook has been the magnet drawing greater capacity concentration from all airlines around the world. Further complicating the tough competitive environment is the aggressive penetration of Middle East airlines, the burgeoning start-up of numerous low cost carriers and their aggressive pricing strategy. Despite the adversities, through THAI management and employees' commitment, dedication and efforts THAI was able to turn around its operating performance and posted a respectable level of profitability.

THAI will be undertaking the followings strategies to navigate through the dynamic operating environment affected by competitive intensity within the airline industry and global economic uncertainty.

Product Development Service Improvement to Enhance Business Competitive Advantage

At the heart of THAI's goal is to improve its services and enhance its competitiveness. Pre-flight service enhancement starts with improving our electronic service channels to better facilitate access to travel related information, provide self check-in service via SMS using 2D barcode and enabling passengers to print boarding passes from home (Home Print Boarding Pass). In-flight comfort and enhanced entertainment comes from a wider seat pitch and the latest in on-demand entertainment system for our new aircraft being delivered while the retrofitting progress of our existing fleet of B747-400 and B777-200 will be complete within 2013.

On top of improving service standards, THAI is on track with its aircraft delivery plan of 6 brand new B777-300ER aircraft and 3 brand new A380-800 flagship aircraft all to join THAI's fleet in 2013. Another 2 new A330-300 and 6 new A320-200 aircraft (for THAI Smile) also to be delivered in 2013 will enhance overall product quality and consistency all geared towards meeting the growing demand for air travel while ensuring a higher level of customer satisfaction. Further enhancing the travel experience of passengers, THAI under the "Thailand Branding" concept, hired a designer to redesign the cabin interior and livery of THAI's aircraft to reflect a more contemporary Thai look.

Strategic Marketing Initiatives

Thailand's expected total tourism revenue of THB 1.44 trillion as expected by the Tourism Authority of Thailand in 2012 is forecast to exceed THB 2.00 trillion by 2015 with the explosion of air travel expected in and around Asia predominantly led by the expected increase in Chinese, Indians and Russian travelers. THAI is thus making adjustments to its marketing plans to tap into these key markets to capture the rapidly growing demand of travelers. With the rapidly approaching integration of the ASEAN economies under the ASEAN Economic Community (AEC) in 2015, Thailand's geographic location will put it at the center of intra-regional travel making Thailand a strategic hub for regional travel. THAI also plans to capture a larger percent of revenue through its internet channel but to do so, THAI is overhauling its e-channel efficiency while implementing greater price flexibility to better suit demand cycles and putting the ability to make seat selection or make alterations to their travel itinerary at passengers' fingertips. Revenue from internet sales currently accounts for just 8-9% of our gross passenger sales, which is comparatively low to other airlines but the target for year-end 2013 is for the proportion to reach 15% through initiatives currently under way.

Maintaining Financial Strength in the Face of Global Economic Uncertainty

Another crucial aspect in ensuring THAI's enduring success is maintaining financial strength. With respect to cost control measures, THAI scrutinizes every item in its operating cost especially fuel economy. Adjustment in flight schedule and the use of appropriate aircraft type suited for demand in respective markets is designed to optimize fuel consumption. With ongoing global economic uncertainty, certain actions have been taken to preempt and minimize impact of fuel cost and foreign exchange fluctuation. Fuel hedging, alongside fuel surcharges have been implemented to stabilize fuel expense while natural hedging and active management of foreign currency exposures have been part of the daily routine to mitigate overall risk exposure. Sufficient funding to meet the Company's investment needs is also important and therefore, healthy relationships with financial institutions have been a top priority for the Company. A reflection of our success is the re-affirmed risk rating that was earned by THAI from TRIS Rating Co., Ltd. at A+, indicating confidence in THAI's future prospects and the ability for THAI to access funds with reasonable terms and rates.

On behalf of THAI's management and its employees, I would like to take this opportunity to personally thank all our customers, business partners and shareholders for their strong and ongoing support of THAI. I can say with assurance that the Company's strategic initiatives, including product and service improvement, change in marketing strategy and maintaining financial health will enable THAI to sustain growth and remain a leading global airlines.



Mr. Sorajak Kasemsuvan
(President)

THAI's 2012 Performance and Operations

Operations Summary - 2012

- THAI supported the Thai Red Cross Society in the distribution of blood supply to hospitals in remote areas and National Blood Centers nationwide throughout the year.
- TRIS Rating affirmed THAI's company ratings and the rating of its existing senior debentures of A+.
- THAI introduced 2 of its modified B747-400 cargo freighters into THAI's fleet to enhance the efficiency of its air freight services.
- THAI held the "Bin Kuen Fah Pha Soo Phan" event to launch THAI Flight Training Co., Ltd. (TFT) and the MOU signing ceremony between TFT and various aviation training and academic institutions. The cooperation is designed to boost training and development of qualified personnel for the aviation industry.
- THAI signed an MOU with Sumitomo Mitsui in a co-branding of the Royal Orchid Plus Credit Card designed for frequent flyers residing in Japan.
- THAI cooperated with its local and international business partners namely American Express (Thai), Bangkok Bank, Siam Commercial Bank to offer more expedient services and greater benefits for its Royal Orchid Plus members with greater convenience and faster mileage accumulation.
- THAI Smile's inaugural flight TG 750 was to Macau served by its brand new A320-200 aircraft on July 7, 2012.
- THAI launched the Mobile 2D Barcode Boarding Pass service on smart phones for domestic flights from Suvarnabhumi Airport, Chiang Mai Airport and Phuket Airport in lieu of paper boarding passes to expedite the check-in process to facilitate passenger convenience and being environmentally conscious.
- An inauguration ceremony held for THAI Smile graciously presided over by H.R.H. Crown Prince and H.R.H. Prince Teepangkorn Rasmichoti on Monday July 30, 2012.
- THAI inaugurated its direct flight between Bangkok-Supporo served by its A330-300 aircraft on October 30, 2012 to better serve the growing Japanese tourism demand to Thailand.
- THAI inaugurated its first A380-800 commercial flight to Hong Kong on October 6, 2012.
- THAI launched its official LINE account as another way to communicate with customers.
- An inauguration ceremony was held for THAI's A380-800 and B777-300ER aircraft which was graciously presided over by H.R.H. Crown Prince along with the H.R.H. Princess Srirasmi and H.R.H. Prince Teepangkorn Rasmichoti.
- THAI and AEON launched the AEON Royal Orchid Plus Platinum credit card designed exclusively for frequent travelers.
- THAI's inaugural A380-800 flight to Frankfurt was on December 15, 2012.

THAI's Awards and Accolades

- THAI was awarded “the Best Intercontinental Airline” at the prestigious Norwegian Grand Travel Award 2011 for the 8th consecutive year.
- THAI received awards for “Outstanding Personnel” in team performance in the category of energy management in buildings and an “Outstanding Performance in Energy Conservation” in the category of inventive green building at the Thailand Energy Award 2011.
- THAI received awards for “the Best Establishment in Safety, Hygiene and Environment” and for “Professional Security Officer” at the national level for 2012.
- THAI received “CSRI Recognition 2012” award for the Most Improved CSR by the Stock of Exchange of Thailand.
- THAI was awarded the best in “the Effective Implementation of an Integrated Package” and was awarded for “the Project Development of Public Information Center” by the Office of the National Anti-Corruption Commission.
- “Sawasdee”, THAI’s in-flight magazine, received an award of Excellence in “The Best Feature on Asian Travel” at the Asian Publication Awards (APA) and also received the “Bronze Award for Design: Most Improved Publication, B2C” by the Custom Content Council.

Activities to Honor Their Majesties

- THAI hosted the scholarships for students from the H.R.H. Crown Prince’s Scholarship Foundation on a visit to the THAI Catering Department.
- THAI presented 150,000 Buddha image amulets, Phra Buddha Patima Suvarnabhumi Sirichoke (Por Por Ror), to the Thai Red Cross Society.
- THAI held a blood donation drive on the auspicious occasions of H.R.H. Crown Prince’s 60th birthday anniversary on July 28, 2012 and Her Majesty the Queen’s 80th birthday anniversary on August 12, 2012.
- THAI launched a special publication in celebration of the auspicious occasion of H.R.H. Crown Prince’s 60th birthday anniversary.
- THAI arranged a special Buddhist pilgrimage flight to Khon Kaen graciously piloted by H.R.H. Crown Prince Maha Vajiralongkorn to pay respects to the relics of the Buddha at Wiwek Dhamma Forest Temple and donated THB 51,230,000 to H.R.H. Crown Prince’s Scholarship Foundation.
- THAI presented the royal tributes as facilitated to Her Majesty the Queen, presented a meal to the congregation of monks and held a walk rally in celebration of the auspicious occasion of Her Majesty the Queen’s 80th birthday anniversary on August 12, 2012.
- THAI helped raise funds at a fair organized by Friends in Need (of “Pa”) Volunteers Foundation of the Thai Red Cross Society from November 23 to December 3, 2012 at Suan Kularb Palace.
- THAI presented the royal tributes as facilitated to His Majesty the King, employees were invited to attend and be in the grand public audience, a meal was presented to a congregation of monks and there was a walk rally held with Ministry of Transportation in celebration of the auspicious occasion of His Majesty the King’s birthday anniversary on December 5, 2012.

Corporate Social Responsibility Activities

Social Activities

- THAI offered souvenirs to the Secretariat of the Prime Minister for distribution on the Children's Day 2012.
- THAI arranged "Pan Fhan Wan Dek" consecutively for more than 10 years to offer scholarships to school children at THAI's Border Patrol Police Schools under royal patronage and provide initial medical treatment with the help of its employees in the project "Pilot Doctors and Air Hostess Nurses".
- THAI and Airbus Foundation by A380, A Goodwill Flight delivered and donated medical equipment to the Veterans General Hospital and donated EUR 50,000 or THB 2,000,000 to the Thai Red Cross Society.
- Under the "Pan Rak Chark Chao Karnbin Thai Mob Kamlang jai Dae Choomchon Chaikhob" event, THAI provided medicine, medical supplies, sporting equipment, electric appliances, health products and Dunkin Donuts to disaster victims in Narathiwat, Yala and Pattani through the Public Disaster Relief Center, the 3rd Infantry Regiment in Narathiwat.
- THAI continued its "Pan Rak Chark Karnbin Thai Soo Choomchon Chaikhob" by THAI employees, volunteers and revisited the southern border provinces to help children who have been orphaned from insurgency in the 3 southern provinces and donated THB 33,500 for schools and an orphaned child care center in Narathiwat.
- THAI donated profits from raffle ticket sales to support "Tobtan Sathaban Sangkhom Chuaikan Sang Acheep Kon Hoo Nuak Thai" held by Setsatian School Alumni under the Royal Patronage in celebration of the School's 7th anniversary.

Social Support Projects

- THAI Catering arranged "the 2nd Krua Karnbin Thai Hai Acheep" to host the 'snack' cooking class for 40 teachers and high school students of Payaloe Vithayakom School in Payao and offered 50 cookbooks from the THAI Catering's library to interested students for further study.
- THAI Catering arranged "the 3rd Krua Karnbin Thai Hai Acheep" hosting cooking class of 'Main Dish', Kao Man Kai (Hainan-style chicken with rice) and Kao Ka Mhoo (stewed pork leg with rice), for teachers and high school students of Rachaprachanukroh 33 School in Lopburi.
- THAI Catering arranged "the 4th Krua Karnbin Thai Hai Acheep" hosting a 'Bakery' class for teachers and high school students of Rachaprachanukroh 33 School in Lopburi.
- THAI waived excess baggage fees worth THB 441,025 in delivering wheelchairs and sport equipment to paralympic athletes of the Thai National Team in preparation for the 14th Paralympic Games in London.
- THAI sponsored air tickets for The Thai National Wheelchair Racing Team to attend the 2012 Swiss Wheelchair Series in Switzerland in search of their qualification to participate in the 2012 Paralympics Games in London.





Environmental projects

Environmental Projects

- THAI arranged the environmental and community rehabilitation project “THAI Plook Cheewit Hai Pandin” at Chao Sam Phraya National Museum in Ayutthaya with the help of the employees volunteer groups; The Police Support Unit, THAI Bicycle Club, Ayutthaya Bicycle Club and THAI Employee Volunteers, in support of CSR strategy to improve landscape by planting trees and aquatic plants in area of 20 rai and donating benches to the Museum.
- THAI, SCG Foundation and Nok Air jointly arranged the environment and community rehabilitation project “Rongrian Noo Soo Pai” at Don Mueang Temple School to construct fences, raise the floors, educate students in energy, environment, safety and offer water pumps to 1,800 students. There was a parallel activity “Naew Ruam Doo Lae Khu Klong” jointly arranged with Don Mueang District office to sort and collect garbage and release Effective Microorganisms balls into Premprachakorn Canal.
- THAI arranged the environmental and community rehabilitation project “THAI Plook Cheewit Hai Pandin” in Chiang Rai during December 7-9, 2012. Over 300 of THAI volunteers, villagers and students jointly constructed the check dam, fire break as well as tree planting and delivered fire distinguisher for the sustainable forestry resources conservation under the concept of “Travel Green”.

Financial Highlights

Consolidated

		2012	2011 (Restated)	2010 (Restated)
Statement of Income				
Total Revenue	(Million Baht)	213,530	194,342	184,270
Total Expense	(Million Baht)	206,426	202,259	167,613
Profit (Loss) before Income Tax Expense	(Million Baht)	7,104	(7,917)	16,657
Profit (Loss) attributable to owners of the parent	(Million Baht)	6,229	(10,197)	14,744
Net Profit (Loss)	(Million Baht)	6,510	(10,162)	14,792
Balance Sheets				
Total Assets	(Million Baht)	304,096	273,956	296,070
Total Liabilities	(Million Baht)	234,278	211,009	220,176
Shareholder's Equity	(Million Baht)	69,818	62,947	75,894
Shares				
Issued and Paid-up Share Capital	(Million Shares)	2,182.77	2,182.77	2,182.77
Par Value	(Baht)	10.00	10.00	10.00
Earnings (Loss) Per Share	(Baht)	2.85	(4.67)	8.06
Dividend Per Share	(Baht)	0.50	-	1.25
Financial Ratios				
Net Profit (Loss) to Total Revenues	(%)	3.0	(5.2)	8.0
Return on Total Assets ⁽¹⁾	(%)	2.3	(3.6)	5.2
Return of Equity ⁽²⁾	(%)	9.8	(14.6)	24.1
Interest bearing debt to Equity ⁽³⁾	(Times)	2.3	2.3	1.9

Remarks : (1) *Return on Total Assets = Net Profit / Average Total Assets*

(2) *Return on Equity = Net Profit / Average Shareholder's Equity*

(3) *Interest bearing debt to Equity = (short-term loan + long-term loan including current portion of long-term loan within 1 year) / Shareholder's Equity*



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 operating commercial flights domestically and internationally, and providing comprehensive air transport related services. The Company's operation is made up of its core airline business and business units supporting the core airline business.

Air Transport

Air Transport is THAI's main business which includes transport of passengers, cargo and mail on scheduled and chartered flights on THAI to domestic and international destinations.

Airline Related Businesses

The Company's business units are the crux supporting smooth operations of the air transport business working in sync to delivery the highest level of comfort, punctual and safe operations, and enhance overall customer confidence in THAI. THAI's airline related businesses includes:

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 services
- 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 service
- Unit load devices control service
- Provide tracking information on package and cargo delivery via the internet (Track and Trace)
- Perishable services area to ensure quality and freshness of cargo
- Express Service Center

Ground Customer Services

- Check-in services consist of ticket and travel document validation, issuance of boarding passes, checking for pre-requested as well as specific meal and/or special service requirements, together with luggage checking and weighing.
- Lounge service includes THAI's First Class Lounge, Royal Silk Class Lounges provided for First and Business Class passengers, and Royal Orchid Plus Platinum and Gold members along with THAI's Royal Orchid Spa provided for First and Business Class passengers.
- Baggage service involves tracing of missing luggage, repair or compensation for damaged or lost luggage along with luggage delivery in case of late luggage arrival.
- Load Control and Weight Balance service consists of weight calculation planning, load control, and the loading and unloading of passenger luggage as well as cargo and mail.
- Assistance provided for passengers with flight delays, particularly arranging alternate connecting flights to the final destination.
- Special Services are for VIP, First Class and Business Class passengers, Platinum and Gold card members along with passengers with special needs such as elderly passengers, passengers under 12 years of age traveling alone, passengers with disabilities, and passengers traveling with medical certificate.
- Non-Customer Airline services are rendered as per agreed terms for customers of banks and hotels including customer assistance, lounge service and other services.
- Customer Airline services involve passenger and baggage service, load control and weight balance services along with lounge and special services as per the agreement.

Ground Equipment Services

- Passenger and Crew Transport and Luggage Services
 - Transfer of passengers and crew between terminal and aircraft as well as loading, unloading, and transfer of passengers' baggage between the terminal and the 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
 - 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

Catering Services

- In-flight food and beverage service provided for THAI and customer airlines
- Food and beverage service provided for THAI and customer airlines' lounges and THAI's intra-organizational meetings
- In-flight food and beverage service provided for THAI and customer airlines along with restaurant and snack bar operations at Chiang Mai, Phuket, Chiang Rai, and Krabi Airports
- Runs and operates the "Yellow Orchid" restaurant at THAI's Operations Center Building, Suvarnabhumi Airport
- On and off premises banquet services
- 27 "Puff & Pie" bakery outlets of which 21 are located in Bangkok and another 6 located in other provinces, operated in state owned facilities and 2 of those in non state owned facilities
- Snack box and meal box services are rendered for special occasions, such as religious ceremonies, meetings, sport events, and exhibitions off premises.
- Food service as staff's welfare at THAI's staff canteens at the Head Office, Crew Center and Operations Center Building at Suvarnabhumi Airport
- Preparation of frozen bread and bakery products exported and distributed to local and overseas customers.
- Preparation and delivery of bread and bakery products distributed to 22 of THAI's "Puff & Pie Supreme Bakery Delight" shops operated by franchisees selected by THAI Catering Department
- Preparation and distribution of "Euang Luang" branded products including Retort Pouch and beverages - mixed fruit juice, tamarind tea and drinking water

Technical Services

- Technical, line and light maintenance services for aircraft in transit or on overnight stop at Suvarnabhumi Airport (24-hour service), Don Mueang Airport and other domestic and overseas airports
- Heavy maintenance service (C and D-check) for Boeing aircraft (B747, B777, B737), Airbus aircraft (A300-600, A310, A330, and A340) and ATR-72 manufactured by Aerospatiale from France performed at the Don Mueang Maintenance Center in Bangkok and the U-Tapao Maintenance Center in Rayong
- Cabin reconfiguration for B747-400, B777-200 and B777-300 aircraft undertaken at the Don Mueang Maintenance Center in Bangkok and at the U-Tapao Maintenance Center in Rayong
- Maintenance service for General Electric CF6-80 and CF6-50 series and Rolls-Royce Trent-800 series engines including other aircraft equipment at the Don Mueang Maintenance Center in Bangkok
- Maintenance service for aircraft of Thai and international customer airlines and aircraft belonging government agencies such as the Royal Thai Air Force and the Royal Thai Police Aviation Division
- Component and accessory repair service for THAI owned aircraft and those of customer airlines at the Don Mueang Maintenance Center in Bangkok
- Aircraft standard calibration and measurement service for complex electrical and mechanical test equipment of customer airlines, government agencies, state enterprises and local customers at the Don Mueang Maintenance Center in Bangkok
- Aircraft washing and polishing service for THAI's owned fleet and those of customer airlines at Suvarnabhumi Airport in Samutprakarn

Airline Business Support Services

Airline Business Support Services consist of Dispatch Services, Duty Free Sales on Board, and THAI Shops.

- Dispatch services involve flight planning and providing information about flight routes, weather conditions and related documents to ensure flight safety and the compliance with security standard practices for THAI flights and those of customer airlines.
- Duty free sales on board provided by King Power Marketing and Management Co., Ltd., the concessionaire of in-flight duty free sales, from December 1, 2011 to November 30, 2014.
- THAI SHOP is the Company's official merchandising store offering THAI branded souvenirs for purchase through its 6 branches at the Head Office, the Larn Luang Office, the Silom Office, the Chiang Mai Office, the Operation Center (OPC) at Suvarnabhumi Airport, and the Lak Si Office. THAI souvenirs are also available for purchase on the Company's website and other websites.

Results of Operations

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

	2012		2011		2010	
	MTHB	%	MTHB	%	MTHB	%
Passenger and excess baggage revenue:						
Regional	65,744	30.8	58,298	30.0	52,953	28.7
Intercontinental	53,878	25.2	56,013	28.8	52,954	28.7
Domestic	14,691	6.9	13,808	7.1	12,399	6.7
Non-scheduled	753	0.4	699	0.4	539	0.3
Insurance surcharges from passengers	1,562	0.7	1,670	0.9	1,925	1.0
Fuel surcharges from passengers	28,858	13.5	24,158	12.4	24,092	13.1
Total passenger and excess baggage revenue	165,486	77.5	154,646	79.6	144,862	78.5
Freight	25,840	12.1	27,245	14.0	27,391	14.9
Mail	907	0.4	847	0.4	839	0.5
Other activities	8,826	4.1	7,954	4.1	7,181	3.9
Operating revenue from subsidiaries	8,064	3.8	305	0.2	315	0.2
Total revenue from sales or services	209,123	97.9	190,997	98.3	180,588	98.0
Other income						
Interest income	497	0.2	711	0.4	185	0.1
Others	2,326	1.1	2,634	1.3	3,497	1.9
Profitability on business acquisition	1,584	0.8	-	-	-	-
Total other income	4,407	2.1	3,345	1.7	3,682	2.0
Total revenues	213,530	100.0	194,342	100.0	184,270	100.0

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Changes in Business Operations



Although in 2012, many factors, involving the global economic slowdown particularly in the European countries and the United States along with the fluctuation in foreign exchange rates, the high jet fuel price and natural disasters, have adversely affected the commercial airline business industry. The number of passengers travelling to Thailand has seen a significant increase over the past year. Despite the growth in demand for travel, THAI faced stiffer competition from Middle Eastern airlines and the burgeoning of low cost carriers in and around Asia.

THAI has made some adjustments to its strategies and operations to better suit market demand and continue to monitor them closely. The reduction of intercontinental flights while increasing Asia Pacific flights has been a conscientious effort to improve operating and financial performance. THAI has also adjusted its flight schedule on some routes along with the change of aircraft type and flight frequency to better meet passenger demand in each market. For marketing and sales, the Company's products and services have been improved and emphasizing quality and consistency as well as the Company's sales promotion after the severe flood in late 2011 leading to higher volume of passengers than the previous year in almost all the routes. The Company has tightened its control on expenses and has been very proactive in hedging its fuel needs against fluctuation in jet fuel price. As a result of these measures, the Company returned to profitability.

The Company has also launched "THAI Smile", a new business unit with the "Fly Smart with THAI Smile" concept providing trendy, friendly & worthy service targeting the new generation of travelers. Commencing on July 7, 2012, THAI Smile currently serves Macau with 14 weekly flights and also serves domestic routes from Bangkok to Surat Thani, Krabi, Chiang Mai and Phuket. THAI Smile also has a direct service from Chiang Mai to Phuket.

Core Business Operations

Aircraft Fleet

As of December 31, 2012, THAI's fleet has 95 aircraft consisting of 36 long-haul aircraft for inter-continental service including A380-800, B747-400, B777-200ER/300ER and A340-600 aircraft; 48 medium-range aircraft served regionally comprising B777-200/300, A330-300 and A300-600 aircraft; 9 narrow-body aircraft for short haul flights including B737-400 and 4 A320-200 aircrafts; and 2 B747-400F freighters.

Aircraft Type	Number of Aircraft	
	As of December 31, 2012	As of December 31, 2011
A380-800	3	-
B747-400	14	16
B777-200ER	6	6
A340-600	6	6
B777-300ER ¹⁾	7	5
B777-300	6	6
B777-200	8	8
A330-300	25	22
A300-600	9	11
B737-400 ²⁾	5	5
A320-200	4	-
B747-400 (Freighter)	2	-
A340-500	-	4
Total	95	89

Notes: 1) Includes 5 B777-300ER under short-term lease from Jet Airways
 2) Excludes aircraft leased to Nok Airlines Co., Ltd. which are 4 B737-400 and 2 ATR72

In 2012, THAI received its 3 of its new flagship A380-800 aircraft to replace B747-400 aircraft retrofitted into cargo freighters. Those new aircraft initially served on the Bangkok - Hong Kong, and Bangkok - Frankfurt routes. The Company also took delivery of 2 new B777-300ER aircraft used on the Bangkok-Seoul-Los Angeles route and 3 new A330-300 aircraft for serving regional routes to accommodate demand growth and increase its competitiveness. THAI also decommissioned 2 of its A300-600 aircraft that has served in THAI's fleet for over 20 years.

As part of THAI's aircraft acquisition plan, 4 narrow body aircraft A320-200 were delivered to THAI to be used in THAI Smile's fleet.



Route Network Development

In 2012, THAI focused on market development and route network expansion to enhance the Company's competitiveness using Suvarnabhumi Airport as its regional hub, providing more direct flights to Thailand, and focusing on increasing flight frequency as well as considering the launch of new destinations. To strengthen its route network and maintain its leading market position, THAI sought to strengthen its advantage through greater cooperation with Star Alliance members which will enable THAI to extend its route networks to serve customers of all target groups. Flight frequency was also adjusted to meet seasonal demand, cope with changes in travel demand and competition, and improve on network connectivity to maximize THAI's benefit from the regional economic integration of the ASEAN Economic Community (AEC).

To further facilitate domestic connectivity, THAI coordinated with Nok Air through a code share agreement enabling THAI to transfer transit passengers to Nok Air on routes between Chiang Mai-Mae Hong Son, Don Mueang-Phisanulok, and Don Mueang-Nakorn Phanom. "THAI Smile", a new business unit with the "Fly Smart with THAI Smile" concept providing trendy, friendly & worthy service targeting the new generation of travelers. Commencing on July 7, 2012, THAI Smile has served international route from Bangkok to Macau for 14 flights per week and domestic routes as the supplement and substitute to the Company's services in secondary routes.

THAI
A380
THE SMOOTHEST WAY TO FLY

A Whole
New Flying
Experience.



Pursuant to International Air Transport Association's (IATA) regulations, THAI has 2 seasonal schedules - summer and winter. The summer schedule starts on the last Sunday of the month of March and lasts through the last Saturday of October, whereas the winter schedule starts on the last Sunday of October and ends the last Saturday of March in each year. For each season, flight frequency, aircraft type and destinations to be served are pre-determined and may vary with the season depending on travel demand during such period.

As of December 31, 2012, THAI's route network spans 73 destinations in 34 countries worldwide with 10 domestic destinations (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 and secure its market share.

As of December 31, 2012, THAI's domestic route network spans 10 destinations from Bangkok with 308 flights weekly. Key northern cities served by THAI include Chiang Mai and Chiang Rai; the northeastern cities are Udon Thani, Ubon Ratchathani, and Khon Kean. For cities in the south, THAI serves Phuket, Krabi, Hat Yai, Surat Thani, and Samui island and operates a direct flight between Chiang Mai-Phuket. Service by THAI Smile from Bangkok to Chiang Mai, Phuket and Krabi supplements THAI's operation but THAI Smile has been mandated to take on the Bangkok-Surat sector for THAI.



International Routes

THAI's 616 weekly international flights span 2 geographical zones - regional and intercontinental with 472 weekly flights to 43 destinations in 19 countries and another 144 weekly intercontinental flights to 20 destinations in 15 countries. Details are as follows:

Asia Pacific Region

Changes has been made to THAI's route network in line with THAI's overarching strategy to make Thailand the regional aviation hub for air transport by providing services to 43 destinations in 19 countries. There are 5 geographical zones served within the region - the North, the South, the West, the Middle East and Indochina.

Northern Routes

Passenger traffic on northern routes remains heavy providing strong contribution to THAI's revenue. THAI has 234 weekly flights to 17 destinations in 5 countries including Hong Kong, Tokyo (Narita and Haneda), Osaka, Nagoya, Fukuoka, Taipei, Seoul, Manila, Beijing, Busan, Shanghai, Guangzhou, Kunming, Xiamen and Chengdu. Since October 30, 2012, THAI has been serving 3 weekly flights between Bangkok and Sapporo, which will be increased to 4-5 flights weekly in 2013.

Southern Routes

Intensity of competition is highest on southern routes with many low cost carriers such as Thai Air Asia, Jet Star Asia and Tiger Air all serve these key southern cities. To the south, THAI has 69 weekly flights connecting 5 destinations in 3 countries - Singapore, Kuala Lumpur, Penang, Denpasar and Jakarta.

Western Routes

There has been a high volume of passengers traveling on western routes with a high rate of growth especially India. While the competition remains intense due to the proliferation of the number of Indian based airlines, which all have aggressive growth strategies targeting services to Thailand. THAI has 103 weekly flights to 15 destinations in 6 countries - Delhi, Mumbai, Kolkata, Hyderabad, Bangalore, Dhaka, Colombo, Kathmandu, Yangon, Chennai, Karachi, Islamabad, Lahore, Varanasi and Gaya. As Myanmar has been a very rapid rate of growth of travelers to the country, THAI increased its flight frequency from 14 to 21 weekly flights to Yangon since August 16, 2012, while also increasing service to Columbo by another weekly flight bringing the total to 4 weekly flights since October 28, 2012.

The Middle East

The Middle East routes are under intense competition due to the entry of Middle East airlines with strong financial support who have been rapidly expanding their fleet and penetrating both traditional and non-traditional destinations. THAI has 10 weekly flights to 2 destinations in 2 countries including Dubai and Muscat.

Indochina

Air travel demand for this region remains robust. As for Indochina, it is considered to, among the most attractive routes but high competition from low cost carriers, poses a challenge for THAI. THAI has 56 weekly flights to 4 destinations in 3 countries including Vientiane, Phnom Penh, Hanoi and Ho Chi Minh City.

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 depends on connectivity to, its partners' network in the US and Canada. Due to the high cost of jet fuel in 2012, THAI no longer has direct flights to Los Angeles but Los Angeles is now being served via a single stop at Incheon Airport in Seoul, and served 4 flights weekly by the new B777-300ER aircraft since October 28, 2012.

THAI operates code share flights with Star Alliance partners to key cities beyond THAI's route network. On the Pacific route, THAI has code share flights with All Nippon Airways from Tokyo to Honolulu, Los Angeles, Chicago, New York, San Francisco, and Washington D.C. On the Atlantic route, code share flights are with Lufthansa on routes from Frankfurt to New York, Atlanta, Miami, Chicago, Dallas and Washington D.C., and operated with Air Canada to the cities of Toronto, Montreal and Vancouver in Canada. For the North America route, THAI and its partner airlines serve 12 destinations in 2 countries.

Europe

THAI has 92 weekly flights to 13 destinations in 11 European countries including London, Frankfurt, Paris, Rome, Copenhagen, Stockholm, Zurich, Munich, Athens, Milan, Madrid, Moscow and Oslo. Since December 15, 2012, THAI has been using its new A380 aircraft to partially serve on the 12 weekly Bangkok-Frankfurt flights.

For other destinations not served by THAI in Europe and the UK, code sharing agreements with partner airlines have been signed to facilitate smooth transfer and connecting service to another 46 destinations in 19 countries.

Australia and New Zealand

The 5 destinations served by THAI to the 2 countries include Sydney, Melbourne, Brisbane and Perth in Australia and Auckland in New Zealand with 45 weekly flights. A code sharing agreement has been signed with Air New Zealand to span THAI's reach to another 7 tourist cities in 2 countries including Hong Kong-Auckland route.

Africa

THAI provides 3 weekly flights to Johannesburg, South Africa.



Marketing

2012 was a challenging year for the Thai commercial aviation industry as we were recovering from severe flooding at the end of 2011, the ongoing European economic problems, the persistently high fuel price, and the intense competition from Middle East airlines, low cost airlines and new airlines. To cope with these factors, THAI adjusted from its production capacity by shifting away from European markets while emphasizing more on Asian markets, especially those with high potential for growth such as China and India.

Recovering from natural disasters domestically and abroad, the emergence of low cost airlines, the growing population of Asian middle-class, and regional economic strength contributed to higher travel demand for both business and pleasure in Asia than other regions.

It is expected that the intensity of competition in the commercial aviation industry both domestic and regional will multiply as we head to the regional economic integration of The ASEAN Economic Community in 2015. With Thailand being the most strategically located, it is likely that, Thailand will be considered as an ASEAN regional aviation hub.

Apart from the modernization of its fleet and adjusting flight frequency to more appropriately meet the demands of various markets, THAI is committed to being environmentally friendly by observing and executing international best practices most efficiently in every aspect of its operations as per the prevailing competitive environment. Putting THAI among the leading global airlines is marked by the arrival of its first A380-800 aircraft in September 2012. The aircraft is the largest commercial airliner in the market today into its fleet in September 2012 and THAI has configured it to seat 507 passengers, reflecting a more generous pitch and leg room. The first aircraft was used to serve Hong Kong and Singapore while the arrival of the second aircraft allowed THAI to extend its use on the Frankfurt route while the ensuing 3 A380s due to join THAI's fleet in 2013 will extend services to Tokyo and Paris, in that sequence. By using the latest and cost effective aircraft will allow THAI to improve its service while burning less fuel thus being more environmentally friendly.

To strengthen the Company's competitiveness and route network, THAI aims to extend its services to secondary routes. THAI launched its direct flights between Bangkok and Sapporo during the winter schedule, which is deemed to be a seasonal destination and therefore THAI will adjust its flight frequency and aircraft type to suit demand.

An important market niche which THAI recognizes that it needs to develop further to better compete and enhance its overall revenue is the need to acquire more corporate accounts. This entails greater focus on the needs and values for which corporate accounts expect to better tailor products and services while adding more value to retain such corporate accounts. Earning quality revenue is a key focus for THAI and as such, the use of its Revenue Management System - Origin and Destination (RMS - O&D) is no longer a leg based revenue management system but now is geared towards network based sales to enhance the Company's revenue generation while enabling THAI to be more competitive with its peers.

Fostering THAI's brand loyalty through the Company's Royal Orchid Plus frequent-flyer program, a new IT system has been installed to better facilitate customer service, provide flexibility enabling new services to be rendered to customers to better compete with other airlines and most importantly, growing revenue through cooperation with a larger number of business partners participating in the points accumulation program through THAI's various marketing campaigns. The purpose is to not only build customer loyalty but also strengthen THAI's branding.

As a founding member of the largest airline alliance in the world, THAI's passengers benefit from the extensive number of destinations all members of STAR Alliance serve with seamless connectivity. The network reach for the current 27 members spans 194 countries around the world. The latest member to join the alliance is Shenzhen Airlines further adding new destinations in Southern China to the already extensive list of interesting destinations around the world.

Technology has become an integral part in facilitating global travel through speed and range of travel related information available on the internet and changing the way service provided. THAI is moving rapidly to accommodate for the fast changing life style of people around the world by upgrading its booking engine to be more user friendly and provide a convenient and flexible booking channel. THAI is also revamping its THAI M Service which is a smart phone application to access various information and services provided by THAI. These services are geared to enhancing overall customer accessibility, enhance flexibility and convenience and will ultimately lead to a rise in overall revenue.



Cooperation with Star Alliance

In 2012, Star Alliance marked the network's 15th anniversary and the pride as the world's first, largest and strongest global airline alliance. From the date of its inception, with 5 founding member airlines - United Airlines, Lufthansa, Scandinavian Airlines System, Air Canada, and Thai Airways International, the Alliance then served 578 destinations in 106 countries with 1,600 flights per day. Star Alliance has since grown considerably, it currently has 27 member airlines and has a network reach of 1,329 airports in 194 countries with 21,900 flights per day.

In June and November, Star Alliance welcomed 3 key regional airlines, namely Columbian and El Salvadorian Avianca-TACA Airlines, Panamanian Copa Airlines, and the fourth largest Chinese airline, Shenzhen Airlines. These new members strengthen the Alliance's presence in the rapidly growing markets of Latin America and Asia, thereby cementing the Alliance's role of the leading global airline network offering passengers convenient worldwide reach and a smoother travel experience.

Since the first launch in 1997, one of the main strategies has been to provide seamless travel experience across Star Alliance's network. Star Alliance ensures passengers with the best products and valued services, in the meantime constantly initiates a range of exceptional services on the Alliance's network including Through Check-in, Priority Baggage Delivery, along with providing special services and extending benefits to all Star Alliance Gold Member Card holders throughout the network.

THAI has benefitted significantly in terms of competitiveness from being a member and cooperating with member airlines. It continues to be THAI's strategy to grow this cooperation and elevate the Alliances standard of service and to ensure that THAI remains at the forefront of global commercial airlines inspite of intense competition from Middle East airlines and burgeoning low cost carriers with their new products and services.

A STAR ALLIANCE MEMBER 



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, service from the heart is at the core of THAI's operating plan, business philosophy, and corporate image. It has become 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, leading to optimal satisfaction of passengers throughout their travel experience.

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

Improvements to in-flight services emphasize consistency of service standard rendered by cabin crew along with improved quality and presentation of in-flight food and variety of beverages offered - local dish, Thai dish, herbal beverage, and special menus for special occasions. Regarding product enhancements including seats, equipment and entertainment systems, THAI retrofitted 5 of its 12 B747-400 aircraft and 4 of its 8 B777-200 aircraft and expects all retrofit work to be completed by the second quarter of 2013.

In an effort to bring Thai Contemporary touch and charm to passengers around the globe, THAI hired Priestmangoode (U.K.) to redesign and improve on all amenities for THAI's new aircraft, such as pillows, blankets, furnished equipment and seat design with the aim to accommodate optimal space and comfort to ensure the highest level of satisfaction for passengers in all classes. These improvements are being installed in the new 20 A320-200 aircraft, 4 of which THAI took delivery in 2012; 12 B777-300ER aircraft, to be delivered beginning March 2013; 6 B787-8 aircraft, to begin delivery in 2014; while the interior livery and design are being done for the B787-9 and A350-900 aircraft to be delivered beginning 2014.

Equipments and Services

To continuously improve on its standard of service and better meet customers needs and enhance THAI's competitiveness in terms of customer comfort and satisfaction, THAI needed to upgrade its First, Business and Economy Class seats and ambiance by installing more spacious seats and providing the latest in personal on-demand entertainment units (songs and movies), adjusting aisles, reducing the number of seats in a row, and upgrading lavatories in the First and Business classes. Details of upgrades undertaken.

1. Passenger Seat and Entertainment System Improvements

The main objective of the improvements of aircraft equipments which includes passenger seats and entertainment systems for all seating class is to achieve the common standard in all aircraft within the fleet. To ensure the unsurpassed quality service, measures has been constantly put in place to enhance customers' convenience and comfort through the adjustment of aisles, reduction of the number of seats in a row, increase of cabin's usable spaces.

Passenger Seat Upgrading

In 2012 The Company complete its retrofit program of 4 B747-400 aircraft (Numbers 7-12) in addition to another two completed earlier in 2011 with the installation of personal screens and new on-demand in-flight entertainment system for every seat in economy class.

The retrofit program is still on track for 6 B747-400 (Number 13-18) with three of the six-aircraft retrofitted with new seats equipped with personal screens featuring on-demand in-flight entertainment system at the end of 2012 and the last three are expected to be complete by mid 2013. Of the 8 B777-200 aircraft to be retrofitted, the first four have been completed in 2012 while the remaining 4 will be completed mid-year 2013

Summary and progress of aircraft retrofit

<i>Aircraft Type</i>	<i>Number of Aircraft</i>	<i>Details</i>	<i>Status</i>	<i>Due Date</i>
B777-200	8	Economy Class Installation of personal screens and on-demand entertainment units	In Progress	Middle of 2013
B747-400 (No.13-18)	6	Improvement in all classes. Boeing 747-400 aircraft will be installed with personal screens and on-demand in-flight entertainment system. Some of them were already completed with the installation.	In Progress	Middle of 2013

Entertainment System Improvements

THAI has constantly developed and modernized its visual and audio entertainment systems of all aircraft on international flights, by means of the installation of personal screens, provided on-demand songs and movies, flight route maps, a variety of entertainment channels including games and Live text news, with the aim to build higher service quality together with assurance of common equipment standards.

- Developing software to support the increasing contents, such as e-Menu and e-shopping
- Procuring the latest portable AVOD Player to provide service for Business class passengers on A330-300 aircraft used for flights of over 4 hours, and procuring Digital Video Player on A330-300 aircraft which do not have on-demand entertainment service.

2. Installation of Business and Communication Devices

For THAI's 7 new A330-300 aircraft and 6 new A380-800 aircraft being delivered, passengers will have the ability to remain in contact with whomever they want or need on the ground using their personal mobile equipment. This includes voice and messaging (SMS/MMS) while passengers will also be able to connect to the world through the use of Wifi. For existing B747-400 and B777-300ER aircraft, passengers will only be able to keep in contact via voice and messaging (SMS/MMS) and GPRS.



Finance and Accounting

With economic problems in the United States, the ongoing debt crisis in the European Union member countries, oil price fluctuation, uncertainties of economic conditions, natural disasters that may occur, and attempts to maintain a reserve fund in 2013 as well as to provide adequate financing for investments such as an advance installment payment for aircraft under the Company's aircraft acquisition program and the operation to improve in-flight products, the Company managed to issue its debentures as a debt instrument on private placement basis for institutional and large investors in 2012 at the amount of THB 11,500 million, offered in the first tranche No. 1/2555 for THB 3,000 million, the second tranche No. 2/2555 for THB 1,500 million, and the third tranche No. 3/2555 for THB 7,000 million Baht. The Company also sought additional revolving credit lines totaling THB 3,600 million in addition to its previous installment of THB 15,500 million. Its 3-7 year revolving credit lines contracts totaled THB 19,100 million.

In seeking funds to pay the acquisition of aircraft in 2012, the Company managed to seek long-term loans through finance lease agreements in Euro currency to pay three A330-300 Airbus aircraft with the aircraft used as collateral. The loans were already obtained and the Company took the delivery of three A330-300 on February 23, September 16, and October 19, respectively, and sought long-term loans through finance lease agreements to pay three A380-800 Airbus aircraft with the aircraft used as collateral with European Export Credit Agencies (ECAs)' collateral guarantee support. THAI's loans in Yen currency were transferred to its account for the delivery of the first and the second A380-800 Airbus aircraft on September 26 and November 28 and in Euro currency for the third A380-800 Airbus on December 20, 2012 respectively.

In addition to seeking additional loans, in 2012 the Company made principal payment on its outstanding long-term loans in the amount of THB 19,822 million, making the outstanding loans and debts under financial lease obligations on aircraft (including the portion of debt maturity within 1 year) to increase from THB 142,300 million as the end of 2011 to THB 158,685 million as of the end of 2012.

On managing the volatility of foreign exchange risk, the Company sought loans from the currencies offering net cash flow surplus to support debt payment on the principle of Natural Hedging. The Company also entered Cross Currency Swap (CCS) contracts for a portion of Baht-denominating debts to adjust more of its loan payment to be based on the currency of its cash flow surplus to avoid the fluctuation risk from interest rates. Its payment of floating rates Baht-denominating debts using THBFIX reference was made in fixed rate Yen-denominating debts at the amount of THB 1,000 million, as a new item in addition to its 2011 payment. Therefore, after the currency swap contracts as of December 31, 2012, the outstanding balance of the company's debt in the four major currencies USD:EUR:JPY:THB were in the ratio of 1 : 36 : 14 : 49. To manage the volatility of interest rates, the company entered Interest Rate Swap (IRS) contracts for its Baht-denominating debts by changing the floating interest rate of the debts to a fixed rate, applied to its three transactions with a total amount of THB 11,536 million. Following the operations, the company's debt ratio between a fixed interest rate and a floating interest rate was 50 : 50 as of December 31, 2012.

In 2012 the Company was installing SAP-DE or the Systems, Applications and Products in Data Processing for Financial and Accounting, and for Logistics under Corporate SAP Master Plan Phase I: Stabilize the Foundation, the installation of SAP-DE from the realization process, user acceptance test, end user training, and data cleansing and data migration were successful implemented. The system went live on September 1, 2012. Also, the Company improved its passenger revenue accounting solution or TOPRA by switching from its in-house development to purchasing REVERA solution from Accelya Kale Solutions Limited, provided on a hosted basis (Hosting Model). The operations on SAP and TOPRA were undertaken well without problems/major obstacles. The Company met deadlines for finance and accounting as scheduled.

Flight Operations

In 5 decades, safety and security in flight operations have been the Company's main concern as its number one mission is to provide air transport services to the desired destinations with the utmost comfort and punctuality while observing the highest international safety standards as stipulated by Department of Civil Aviation (DCA), the International Civil Aviation Organization (ICAO), the European Aviation Safety Agency (EASA), the Federal Aviation Administration (FAA) of the United States along with flight operations safety assessment by the International Air Transport Association (IATA).

THAI concentrates on selecting highly qualified people to join the ranks of the cockpit crew. Each candidate must undergo a range of tests involving knowledge, skill, behavior, aviation psychology and aptitude tests as well as an array of course work to ensure that the Company has selected and prepared the best trained pilots to operate THAI's aircraft. The most modern equipment is available for pilot training to ensure their readiness in handling different situations through training using flight simulators. To help facilitate training beyond the classroom environment, e-Learning tools were added to facilitate knowledge enhancement and refresher courses. Along with the use of advanced technology, the knowledge management portal has also been put in place to further facilitate the learning experience through exchange and sharing of knowledge. All measures taken to prepare and train the Company's cockpit crew have been to ensure the highest standard of safety for passengers under its "Safe and Warm" policy as well as service quality with Touches of Thai to achieve the First Choice Carrier.

Apart from the unequivocal passion for ensuring safety in flight operations, 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 in joining the Company, class and on the job training form part of the employees' knowledge and expertise training and development while understanding of cultural diversity and etiquette bears significant impact on employees'



understanding and viewpoint on service standards and protocols. 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 attend various training courses related to security systems, operating safety devices and equipment, both in theory and in simulated emergency environments on a regular basis. The In-flight Service Department consistently monitors, evaluates and assesses all its in-flight attendants of all class services to determine points for improvement and follow-up with necessary training as needed to achieve the standard and quality of service desired by THAI.

Under the Environmental and Corporate Social Responsibility (CSR) strategy, THAI with “Travel Green” concept has emphasized on raising environmental awareness and responsibility with the public in reducing carbon emissions into the atmosphere. THAI has also stimulated airlines in the region with the use of biofuel over fossil fuel in the aircraft, and supported the sustainable biofuel development for the aviation industry.

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 and applicable laws. THAI has proactively managed to improve operating standards and provide the highest level of confidence to all related parties 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. 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.

Aviation Safety, Security and Standards



For aviation security, THAI has strictly complied with the international security standard practices and the regulations of all relevant domestic and international organizations, as follows: the International Civil Aviation Organization (ICAO), the Department of Civil Aviation (DCA) of Thailand, the Transportation Security Administration (TSA), the Department of Homeland Security (DHS) of the United States, the Office of Transport Security (OTS) of Australia, regulations of the European Union (EU) and all countries within THAI's route network. The implementation of the Aviation Security Policy and the improvements in the security standard encompasses all activities including the aviation safety plan to determine the directions of all business units on such development which helps the Security Management System (SeMS) more efficiently and ensures the highest international aviation security standard. THAI has also joined the Aviation Security Network both domestically and regionally by which passengers can be assured of THAI's aviation safety security.

Apart from strict compliance with the security standard and aviation security, the Emergency Response standard is another area for which THAI closely adheres in terms of readiness in case of an emergency or a crisis. To ensure smooth ongoing operation during such emergency or crisis, the task of the Crisis Management Operations Center (CMOC), is to alert the management team and facilitate coordination between departments. A variety of response scenarios have been designed to handle a range of possible unforeseen events together with ongoing drills and close cooperation with alliance partners to ensure high certainty of business continuity in all circumstances.

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, the Company has strongly emphasized the hygienic and safe work place. General safety guidelines, thus, have been put in place while regular monitoring is undertaken to ensure efficiencies in business operation and compliance with the Company's policies and laws. The efforts are reflected through the certification of each unit of operation under the Occupational Health and Safety Management System (OHSMS), which ensure the Company's close adherence to international standards.

In addition, THAI has been promoting 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, as another means to provide the highest level of confidence to customers,



alliance partners, and all relevant parties, in regards to service quality and aviation safety standard. In 2012, the Aviation Security Week was held with the objective to emphasize the significance of aviation safety security to all employees and strengthen the cooperations in such matter with other organizations.

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 2012, THAI was assessed on safety security under the Universal Security Audit Program (USAP) undertaken by ICAO and passed 15 assessments undertaken by the Airports of Thailand Public Company Limited and international organizations located in countries which are in THAI's network routes, such as, the Aviation Security Authority of Spain, Belgium, Denmark and Taiwan, the Transportation Security Administration of the United States (TSA), the Office of Transport Security of Australia (OTS) and. THAI has also been certified for safety assessment by the IATA Operational Safety Audit (IOSA) since 2005 and has successfully achieved the recertification for the fourth consecutive time.

THAI has committed to strictly continue its missions to constantly upgrade the efficiencies of its operations in every process and area to ensure the highest security in all business units which will ultimately lead to long-standing trust and highest level of confidence of all customers.

Details of Certificate received by various Departments and Business Units

<i>Certificate</i>	<i>Department Function</i>	<i>Expiry Date</i>
IOSA (IATA Operational Safety Audit)	Corporate Certification	May 28, 2014
ISO 9001:2008 (Quality Management System)	General Administration Department	October 6, 2016
	Personnel Development & Training Department	May 1, 2013
	Technical Department	May 27, 2013
	Cargo & Mail Commercial Department	June 30, 2014
	Ground Services Business Unit	December 15, 2014
	Catering Department	March 8, 2014
ISO 14001:2004	General Administration Department (Head Office, Laksi Office, Larnluang Office, Operation Center at Suvarnabhumi Airport, Ground Customer Services at Suvarnabhumi Airport)	April 23, 2013
	Technical Department	June 9, 2013
	Catering Department	September 1, 2015
OHSAS 18001:2007 (Occupational Health and Safety Assessment Series)	Catering Department	August 3, 2014
HALAL	Catering Department	December 31, 2012 (Within recertification period)
HACCP	Catering Department	March 8, 2014
GMP	Catering Department	March 8, 2014
FAR Part 145 (FAA Repair Station)	Technical Department (Don Mueang Airport and Suvarnabhumi Airport)	October 31, 2014
	Technical Department (U-tapao Airport)	October 31, 2014
RSC Part 13 (THAI DCA Repair Station)	Technical Department (Suvarnabhumi Airport)	September, 2015
	Technical Department (Don Mueang Airport)	October, 2014
	Technical Department (U-tapao Airport)	September, 2015
EASA Part 145 (Approved Maintenance Organization)	Technical Department	June 23, 2014

Notes: The General Administration Office is planning to apply for the ISO 50001 (Energy Management System) certification during April-May 2013.

Technical Department

The Technical Department is committed to deliver uncompromised safety and the highest quality of maintenance services, and to ensure the highest level of safety for passengers and cargo on board of THAI aircrafts. With the intention to offer more valued and trusted services, THAI will keep up maintenance services with the highest standard of all aviation authorities' requirements and regulations. As a result, THAI has been and continues to be certified by major aviation authorities around the world including the Federal Aviation Administration (FAA), the 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. Moreover, the Technical Department has received ISO/IEC 17025 certification on calibration standards for measuring tools and equipment. Services rendered by the Technical Department include line, light and heavy maintenance, component & accessory repair, engine repair, calibration and staff training for THAI owned fleets and also those of other airlines.

In 2012, a total of 56,838 line maintenance services, and 632 light maintenance services were undertaken for THAI's owned fleet while a total of 60,623 line maintenance and 23 light maintenance services were performed for those of customer airlines.

For 2012, maintenance services performed for THAI's owned fleet include cabin reconfiguration for 5 of B747-400 aircrafts and 4 of B777-200 aircrafts, heavy maintenance for 64 aircrafts, and engine maintenance services for 19 of GE CF6-80C2B1F engines and 7 of RR Trent-800 engines. The Technical Department also provided an engine overhaul service for 1 of GE CF6-50C2 engine, and an engine disassembly on a GE (General Electric) CF6-50C2 for the customer aircraft. As well as calibration services for measuring tools and equipment of both THAI aircrafts and customer aircrafts were done at both Don Mueang and Suvarnabhumi Airports.

At Suvarnabhumi Airport, the THAI Technical Department offers a modern facility providing light maintenance services taking up 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 3 Airbus A380 aircrafts.

Maintenance facilities at Don Mueang Airport consist of 5 hangars dedicated to heavy maintenance services with a full support system that can house 7 aircraft simultaneously including 3 bays of wide-body B747, 3 bays of B777 or A330 or A300-600, and 1 bay of B737 size or A320. Total usable space at the Don Mueang Airport facilities is 170,000 square meters.



THAI also has the other maintenance center at U-Tapao airfield located on the east coast of Thailand with a total usable space of 179,080 square meters. The U-Tapao Maintenance Center will be able to conduct heavy maintenance with full support system on 3 aircraft simultaneously, being 2 wide-body aircrafts (B747, B777, A330 or A340) and 1 wide-body aircraft (B737 and A320).

With the size and number of hangar facilities along with the sophisticated equipment available in the workshops, THAI's Technical Department has the ability to provide a wide range of maintenance services for different types of aircrafts. THAI's technical capability is sufficiently advanced enabling the Department to modify a forward fuselage, a center fuselage and pylon for B747 aircraft, and 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 aircraft standard calibrations and measurement services for A300-600, A310, A320, A330, A340, B737, B747 and B777 aircrafts.

THAI's maintenance facilities and equipment enable the Department to virtually handle most of the technical and maintenance requirements of THAI aircrafts in terms of line, light and heavy maintenance, along with component and engine overhaul for THAI owned fleets. In some cases, THAI may also outsource certain services to a service provider certified by the manufacturer.

Contractual agreements for the services are based on IATA's guidelines while the rules, regulations and guidelines of the FAA, EASA, and JCAB are to strictly adhered in rendering of services to customer airlines. The Company's main customers consist of other airlines and 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.

For line and light maintenance services, major competitors including airlines and aircraft maintenance companies operate at Suvarnabhumi Airport while the competitors for heavy maintenance are based overseas.

The Technical Department is not only concerned with just maintenance per se but is also aware of the necessity for rendering the quality of service. The initiatives undertaken in 2012 to boost quality services are as follows:

1. Retrofitting all seats was completed in economy class cabin with personal screens (In-seat VDO) and new in-flight entertainment system for 2 of B747-400 aircrafts to create more value in products as well as services, and to offer passengers more comfortable.
2. Retrofitting all seats was completed in all classes of services with personal screens (In-seat VDO) and new in-flight entertainment system for 3 of B747-400 aircrafts to create more value in products together with services, and to offer passengers more comfortable.
3. Retrofitting all seats was completed in economy class cabin with personal screens (In-seat VDO) and new in-flight entertainment system for 4 of B777-200 aircrafts to create more value in products along with services, and to offer passengers more comfortable.

4. Improving aircraft washing and polishing process was projected to meet with the schedule. In fact, the aircraft washing and polishing not only contributes to the reduction of air friction, fuel consumption and atmospheric pollution but also brings out the shiny aircraft of THAI fleet, and increases the Company's income from the services providing for the aircraft of customer airlines at Suvarnabhumi Airport.
5. Improving aircraft engine compressor wash process was projected to meet with the schedule and help to reduce air friction, fuel consumption and atmospheric pollution.
6. Enabling engine overhaul was projected for the module change and test level of Rolls-Royce made Trent 700 Series planned to streamline the replacement of the old CF6-80C2B1F engines and to gain more income for service charges from Rolls-Royce. The master plan to be completed in 2013 included the establishment of a fully equipped workshop and the training of skilled mechanics for the state of the art-type engine maintenance.
7. Enabling repair/overhaul for Rolls-Royce Trent 800 engine's component (FWD & AFT mounts) was projected to reduce cost and time delay caused by sending out engine mount for overseas service, and to gain more income for the engine mount repair/overhaul service charges from customer airlines.
8. Collaborative Projects between THAI and Airbus were held to create aircraft maintenance training development and to expand aircraft maintenance technician training business across ASEAN, primarily in Myanmar and Laos. The projects aim to upgrade THAI's technician training to be as the same standard as that of Airbus certified by European Aviation Safety Agency (EASA) Part 147. In the meantime, Maintenance Training Organization Exposition (MTOE) has been drafted to seek for the European Aviation Safety Agency (EASA) approval.

Information Technology

THAI recognizes the importance of information technology as a strategic tool to facilitate the business operations while push forward on its strategic plans to achieve long-term success in strengthening its sustainable competitiveness, uplifting the standard of customer service, and improving the efficiency and effectiveness of its operations. The Company, therefore, focuses on the plan to improve the management of information technology system and modernize the IT and facilities at all levels of operations to achieve higher flexibility and security. The plan is included in the Company's main strategy to be instantly implemented

The development of information technology of the Company is reflected through several channels which provide customers more convenience in obtaining information regarding flight schedules, booking, checking-in, ticketing, Royal Orchid Plus mileage program and Royal Orchid Holidays packages as well as cargo shipment via electronic and mobile services connected to THAI's network.

To accommodate the increasing number of internet users, THAI has redirected its services through www.thaiairways.com which wide range of services are offered, for example preordering in-flight meals for customers traveling in Royal First and Royal Silk Class and departing from Bangkok to THAI's European destinations along with profiling lifestyles of Royal Orchid Plus members which can be easily updated by members. THAI also provides mobile service accessibility from anywhere and anytime via all mobile devices, such as mobile phones, smart phone, and tablets through mobile browser; m.thaiairways.com website. The services offered include



ticket payment through credit cards and online ticket issuing. Apart from the web site access, Customers can easily inquire any information, similar to that available on m.thaiairways.com, via phone number 0-2400-4000 with speech recognition in Thai language, via SMS (SMS Broadcasting & Query) number 4514455 and through Mobile Applications. The Mobile Applications, THAI m Service and THAI Touch, have been launched to support the access via some type of smartphones and tablets, that can be downloaded from the App Store. As well as this, THAI plans to launch its mobile application on other operating systems and upgrade the applications with new features similar to those available on www.thaiairways.com. As planned, Mobile Boarding Pass will be introduced for the service of domestic flights departing from Suvarnabhumi, Chiang Mai and Phuket Airports

To ensure smooth expedited operating functions and optimal benefit, operation systems in many departments have been continuously improved. For instance, Datalink Administration and Processing System have been installed to support A380 Datalink Applications for the Operation Department along with shifting some operational tasks to electronic bases such as training tools, reports and intra-office communications. For Human Resources Development, THAI has established the Knowledge management (KM) portal to gather insights and experiences embodied in individuals or embedded in the organization and is planning to consolidate all departments' body of knowledge in the near future so that the knowledge can be accessed, exchanged and shared within the Company, leading to improved performance and competitive advantages.

Apart from enhancing convenience to customers and its employees, THAI has a linkage between its system and other organizations to comply with standards, laws, business requirements and safety regulations with electronic contents by which THAI can share electronic data with governmental organizations and also track the company previous works.

THAI recognizes the importance of Corporate Social Responsibility (CSR) and promotes the reduction in paper usage by enhancing electronic supporting system including 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 security and business continuity. THAI stores its IT operations and data backup in a safe location and also prepares its second operation center to be used promptly by performing its IT system restoration drill at least once a year.

Since 2012, THAI has modernized its IT core system by replacing the mainframe-based core systems with Distributed System along with Cloud Computing, the modern and more efficient distributed platform, to enable greater flexibility and be more supportive to business developments, which include:

The launch of Corporate SAP (Finance & Accounting), the Systems Applications and Products in Data Processing, designed to expedite the Company's finance, accounting transactions and to provide support for the management of human resources. The finance and accounting module of the SAP consolidate all existing and future databases as the Integrated Enterprise Resource Planning (ERP) System as well as create the complete Corporate MIS System for the use of management's planning and decision making. In addition to the above, the ongoing initiatives are as follows:

- Passenger Services System made up of the transformation of reservation, inventory control, ticketing and check-in systems to the new and modernized platform which caters to customers' needs, which in turn rapidly adapts to industrial demands and improves THAI's operating efficiency.
- New Loyalty System through the Royal Orchid Plus (ROP), a frequent flyer mileage program will provide ROP members with quality services and also support the Company's marketing and sales efforts, leading to greater efficiency in the Campaigns Management.
- Global Tour Management System will build up and expand sales of THAI's Royal Orchid Holidays (ROH) packages via internet, and facilitate the creation of tours and hotel packages which can be tailored to travelers' preferences.
- Commercial Data Warehouse is the storage of all data related to passenger's travel information. With the customer database, THAI will be able to improve in-depth analysis of customer information in multiple dimensions for sales and marketing management and the alteration of more specific types of services.
- New Cargo IT systems are a new modernized IT system which will replace the existing ORCHIDS system in supporting 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.

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. Those significant infrastructures installed are as follows:

- Cloud Computing in the Infrastructure as a Services (IaaS) category supports all platforms along with the Company's Server Virtualization in promptly responding to business demand.
- Web Service Security ensures a secured network where users, employees, customers and business partners can access to the Company's network at anywhere and anytime. Along with the compliance to safe standards, laws and regulations, the network is reliable and can be trusted.
- Identity Management System is a set of technologies that can be used for staff identity management including the ability to centrally manage the provisioning and de-provisioning of identities, and consolidate the proliferation of identity stores.

In addition to the above, the ongoing initiatives are as follows:

- Application Integration Platform (Enterprise Services Bus & Online Data Store) facilitates the interface of different application/platforms by using a standard and compatible technical architecture. The first application to be interfaced is the Passenger Services System.
- Wireless LAN Full Function is the new WiFi Network service which will be compatible with various devices, faster, more efficient and more secure.
- The Public Key Infrastructure to authenticate digital signature in electronic transactions and secured the Company's information's access.
- The IT Infrastructure Surveillance Center, in relation to network, server storage and security, is set up and will be working on 24/7 basis to minimize the risk of service unavailable and ensure business continuity and efficiency.
- A new DR Site is designed to function in the situation where that the existing DR site is unavailable and to set up the protocol for IT system restoration and recovery.

- Systems under E-Collaboration category, including e-Document, Corporate Unified Communication and Collaboration, Knowledge Management aim to facilitate the sharing of information and services among the Company's staff to enhance efficiency, reduce cost and support a Green IT environment. Some of those systems are currently in the process of technical development to enable the accessibility of all THAI departments.

Human Resource Management

The Company realizes that people are the most important and valuable resource the Company has in driving the Company's operations to achieve its goal as a leading airline in service excellence and airline safety to ensure the highest customer impression and satisfaction which will differentiate THAI's competitive edge and ensure sustainable growth and loyalty. Therefore, the Company's a strategic plan is focused on optimization of human resource management and organizational structure in line with the direction of the future business the cost related to human resource will be flexible and competitive, adaptable to short-term and long-term plans. The goal is to introduce the modern human resource management approach which emphasizes developing people who are highly skilled, highly efficient and have strong capabilities.

After 2011, the Company introduced a New Job Classification System and adopted a new workforce management model: Modern Staffing to meet business needs and reduce personnel cost in the long run. In 2012 the Company's key strategic human resource management managed was to initiate the process of a Flat Organization by restructuring the Company to be Lean and Mean with Span of Control, resulting in a proper number of lines of command in relation to decentralization. The development of workforce's knowledge, skills and abilities were the key areas of focus to enhance performance and streamline operations by reducing chain of command and increased participation by employees. The development of succession planning was also emphasized and with a flat organization, development of skills and capabilities of employees will be heightened and the Company will have an organization structure suitable in the new era of competition.

The Company has undertaken several aspects of human resource training programs to enhance the performance of its workforce, for example:

Performance-based Culture. To create a work culture that focuses on performance-based results by enhancing accountability of staff of all levels and to work as a team in the same direction and linking such performance to remuneration to achieve the Company's goals. In 2012 the Company established Key Performance Indicators for employees who are division manager and up. It is expected that every employee will have KPIs by 2014.

Knowledge Management. To improve the knowledge management process in a systematic way resulting in an anticipation to lead to the creation of a corporate culture that embraces learning and sharing. The company recognizes the importance of individual learning leading to team learning by facilitating a systematic transfer of knowledge from THAI specialists who have acquired a wealth of knowledge and to transfer such knowledge to the next generation of employees. The purpose of such knowledge sharing is to enable THAI to become a learning organization, which will increase its competitiveness and ensure the Company's long-term success.

Employee Engagement. The Company has developed guidelines to enhance employee loyalty which in effect builds trust, cooperation and ultimately enhance work flow and quality.

Employee Development and Training. The Company has drafted guidelines and practices emphasizing developing workforce capacity to enhance expertise and work execution capabilities leading to maximum productivity. The preparation is also to cope with future business growth and changing operating environment. To meet the above objectives, training must be integrated with personnel development, career development, and must be in-line with organizational development. The Company has initiated a management talent program and experience-sharing by senior management in providing knowledge and advice. The Company's Personnel Development & Training Department is responsible for planning the curriculum and conducting training programs related to management for executives on issue of attitude, behavior, languages, cultures, specific technical skills, new knowledge developments and job rotation for versatility and growth in each employee's clear career path.

Cargo and Mail Services

In following the Company's philosophy of "Concentrate on delivering the best service to customers" for passenger services in commercial flights, the Company also intends to maintain efficient cargo, mail services and operating procedures to meet international quality standards. Along with speed and modern technology services, safety and hygiene, and service rendered with exotic 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

In addition to the Company's services in providing air cargo transportation, comprehensive handling, and mail, the services include the transport of specialized items such as fresh produce, live animals, valuable goods, artifacts, and hazardous material. THAI is geared towards a number of specialized services especially temperature controlled items, valuable items and time sensitive items, which command higher prices and cater for specific customer needs. Specialized services offered by THAI consist of TGForce for guaranteed airport-to-airport express cargo service, THAI PAC 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, TG Fresh (TGF) for perishable cargo shipment, and TG Kool (TGK) for unbroken temperature control management.

As of December 31, 2012, THAI Cargo and Mail Services routinely served 73 destinations (excluding Bangkok) in 34 countries as part of THAI's passenger route network. As well, THAI Cargo's freighters reached high priority routes on a regular basis, scheduled 4 flights weekly from Bangkok to 5 significant destinations namely Tokyo, Taipei, Delhi, Frankfurt and Sydney. The combined revenue of cargo and mail constitutes a total of 15% of the Company's total revenue in 2012.

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 enhancing customers' confidence in the long run. Meanwhile, the Company expands its customer base both global and key accounts sales agents with branches throughout the world and the ability to support the sale of the whole system (Global Deal) by marketing a Target Incentive Scheme & Corporate Account Rates. THAI also targets on business operators having the significant volume of cargo import and export within THAI Cargo's routes in order to create a sustainable long-term market from regular customers.

In addition, THAI has interline agreements with various airlines regarding standard of service rendered to partner airline's customers benchmarked under IATA's Interline Arrangements, which THAI is able to either lease space on partner airlines' aircraft or rent out its own space.

Service fees on cargo and mail are charged in local currency at the point of origin of the delivered goods. Pricing will vary upon various factors such as 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.

In the delivery of cargo and mail transport services, THAI competed head on with other airlines serving similar destinations and offering similar services, and several integrated courier companies offering door-to-door service through their own distribution centers and networks. Although the more competition arises out of liberalization of the aviation industry, other service providers are not significant competitors of THAI due to the air traffic concession in Thailand. The Company also experiences some competition in the domestic freight business but this market segment accounts for a very small part of THAI's overall freight and mail income.

Warehouse Services

As of December 21, 2012, THAI was the largest air cargo operator at Suvarnabhumi Airport providing services to 61 international customer airlines. Warehouse management is made up of 2 major functions namely general goods and special cared goods, such as fresh produce, live animals, valuable goods, artifacts and hazardous material,. From the beginning of 2010, THAI established a perishable zone with the cold storages to facilitate all perishable cargo consignments and transportation of temperature sensitive goods and products by using temperature controlled containers from the point of origin to the point of delivery. In addition, new services were offered by THAI, among other things, 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. Initiatives were also taken to expedite the transaction process and delivery period, enhance customer satisfactory and reduce operation cost and discrepancy. To ensure international quality standards, The Cargo and Mail Commercial Services Unit has also been accredited with the ISO 9001:2008 certification and is now in the process of developing a new cargo IT system to upgrade the service operations, and increase the Unit's competency and income management. The new IT system will be introduced in 2013.

For the year 2012, the Cargo and Mail Commercial services handled a total of 591,281 tons of air cargo via its own flights, while, as of January - November 2012, 453,518 tons of air cargo was those of customer airlines whose contracts mostly are for 2-3 year periods with payments denominated in THB or USD.

Ground Services

THAI Ground Services Unit is one of the Company's Business Units, consists of Ground Customer Services, starting from check-in process to aircraft boarding, and Ground Support Equipment Services, including passengers and crew transport, baggage services, aircraft services and maintenance services, aimed to provide passengers of THAI's and customer airlines with the commitment to optimal satisfaction.

The strategic management of THAI's service is directed to operate marketing, sales, customer relations and product development in relevant to ground services with cost effectiveness and efficient finance and accounting controls.

For the management of human resources, Training has been provided to the Company's personnel and those of the contractors relating to ground customer services and ground support equipment services along with the operating procedures provided in conformity with safety and security standards of the Department of Civil Aviation of Thailand, the International Civil Aviation Organization and air transport authorities at all destinations.

Advanced information technology has been introduced to enhance the efficiency of ground handling services and procurement, planning and controlling of materials.

To ensure the highest level of commitment on the THAI Ground Services and Ground Equipment Services Departments, THAI has been certified by international entities in regards to the quality and safety service standards. Certifications earned include:

- Quality Management System ISO9001:2008 certified by TUV NORD for Suvarnabhumi Airport, Chiang Mai International Airport, Phuket International Airport, Krabi International Airport with consistent ongoing monitoring and a certification renewal of every 3 years since 1999.
- Environmental Management System ISO 14001:2004 certified by BUREAU VERITAS for strong commitment in the environmental responsibility with consistent ongoing monitoring and a certification renewal of every 3 years since 2004.
- IATA Operational Safety Audit (IOSA) certified by the International Air Transportation Association (IATA) since 2000 with recertification every two years.
- Aviation Security Standard certified by Transportation Security Administration (TSA) under the Department of Homeland Security (DHS) of the United States of America for direct flights inbound/outbound since 2001 with a yearly assessment.
- Aviation Security Standard certified by the Australian Government Office of Transport Security (OTS) for any inbound/outbound flight since 2006 with yearly assessment.
- Repair Station Certificate in relation to Repair Station Operations Specifications for Unit Load Device (ULD) certified by Department of Civil Aviation, Thailand.

Ground Customer Services

In 2012 Services rendered by the Ground Customer Services are underpinned by unique Touch of Thai experience for all product offering and at all customer touch points that conforms to international standards and reflects the Department's emphasis on providing the highest standard of service to be among the leading airlines recognized for quality services at Suvarnabhumi Airport and regional airports.

Ground customer services provided for first class passengers on departure involve welcome and assisting with check-in process at Royal First Class check-in counter, fast track immigration control process, Royal First Class Lounge service, personal boarding call and gate transfer. While the services for those on arrival involve welcome and assisting at the aircraft exit, fast track immigration control process, baggage handling and outer terminal transfer. Special services are also available to facilitate THAI's passengers with special needs such as VIP, CIP, patient, elderly, unaccompanied minor (UM)/ young passenger (YP), mother with child, first-time passenger and Non-English speaker. As well, Flight Information Services over the counter provide for any inquiries including travel information and flight schedule of THAI and customer airlines, information about Royal Orchid Plus (ROP) and flight booking and changing. For Non-Airlines customer such as bank and corporate client, Meet and Assist Service is available upon request.

For business class passengers, ground customer services include Business Class check-in counter, access to Business Class Lounge, and separated immigration control and security checkpoint.

The services rendered to economy class passengers at Suvarnabhumi Airport and Makkasan Railway Station include domestic and international check-in counters, ticket and travel document checking, the issue of boarding pass and baggage checking. Passengers with online booking and non-credit card payment are able to perform their own online check-in, cancel and home boarding pass printing via internet. Alternatively, passenger can perform mobile check-in, receive mobile boarding pass and book the seat via some type of smart phone, as well as SMS check-in by texting short message via mobile phone. For baggage checking, passengers can bring their luggage to any baggage drop counters or arrange for pre check-in as a group at the Company's head office on Vibhavadi Rangsit Road.

Another service provided at the airports is check-in service for passenger in transit with THAI flight connection or other airlines flight connection domestically and internationally.

Gate Service is made up of boarding control, handling passenger on arrival and assist passengers with other processes including transit and immigration control.

THAI provides comfort and amenities for THAI's First and Silk class passengers, Royal Orchid Plus Platinum and Gold members, Non-Airline members and Customer Airline's passengers through Royal Orchid Lounges. At Suvarnabhumi Airport, Royal Orchid Lounge service is currently available at 8 locations including:

Royal First Lounge at Concourse D

The facilities include first class check-in, A-La-Carte restaurant offered electronic menu via iPad, private room, family room, slumber room, shower room and Wifi internet.

Royal Silk Lounge at Concourse D, C and E

The facilities include buffet bar with variety of food, snack and refreshment, wine/cocktail served during happy hour, family room, kid room, slumber room, shower room and Wifi internet.

Royal Orchid Spa at Concourse D

Spa treatments include Thai Traditional Massage and Sauna.

Royal Silk Lounge at Concourse A (Domestic)

The facilities include self-serviced snack and refreshment, and private room.

Ground customer service provided for passengers of 42 customer airlines involve check-in services, passenger transfer, assistance for passenger with special needs including wheel chair passenger, UM, YP and non-English speaker. As well, THAI is acting as an agent for customer airlines in coordinating with Thai authorities such as Immigration Department, Custom Department and the Airport Authority of Thailand (AOT) related to any irregularities and other matters. The aforementioned services are also available for customer airlines' schedule flight, non-schedule flight, extra flight and charter flight.

Additionally, the other ground customer services are available as stipulated by relevant laws, rules and regulations, as required by other airlines such as Advance Passenger Information System (APIS) or Advance Passenger Processes (APP) editing. The check-in system provided for customer airlines include 27 or more Native Check-in Systems or Departure Control System (TG DCS) along with Airlines Dedicated Team, Excess Baggage Collection and etc.

To ensure smooth operations with on-time performance, the Ground Operation Control Center (GOCC) is responsible for monitoring real time performance to all related activities of ground handling services, oversight on cost control and efficiency enhancement and finding solutions to problems in case of any operational irregularities. In the case of flight delay, the Service Delivery Support Unit will assist passengers on departure and in transit to reach the final destination comfortably and safely.

For THAI's ground customer services in overseas stations, the services can be divided into 3 types as follows:

- 1. Full Handling:** THAI obtains complete ground customer services including Airport Services Manager (ASM) from local ground handling agents such as Brussels (BRU) and Macau (MFM)
- 2. Partial Handling:** THAI obtains some of ground customer services as deemed appropriate from local ground handling agents at the station where THAI's staff and local staff are on duty with the supervision of ASM appointed by the Company
- 3. Self Handling:** The all ground customer services are provided by the Company's local staff such as Kathmandu (KTM) and Karachi (KHI)

At other destinations in Thailand, the ground customer services provided for passenger of THAI, THAI Smile and the customer airlines are as similar as those available at Suvarnabhumi Airport.

The ground operation control for THAI flights, those of the customer airlines and charter flights has been organized and planned to ensure highest level of safety and punctuation. Additionally, the on-site and off-site Liaison Units were established to support the authorities in dealing with crises and other situations such as the severe flood in late 2011 and the restoration of runway at Suvarnabhumi Airport during June-July 2012.

The load control handling and weight balancing provided for THAI flights and those of customer airlines have been operated in accordance with aircraft manufacturer' specifications for each type and related international standards and requirements. THAI has authorized the ramp safety coordinator to control and monitor safety in aircraft parking area and to prevent and reduce personal injury, property damage and any hazards to the aircraft.

As for the baggage handling, the missing and delay baggage report will be primarily traced by World Tracer system along with secondary tracing by Centralized Baggage Tracing Center. Then, the damaged and pilferage report will be initially investigated at the airport, and referred for thoroughly investigation.

In line with baggage handling, THAI also provides information and assistance in relevant to passenger's belonging left on board at the carousel service as well as porter of firearms as stipulated by the AOT's regulations on aviation safety and security.

Ground Support Equipment Services

THAI Ground Support Equipment Services Department provides aircraft ground handling service for THAI's own fleet and those of customer airlines with efficient working procedures and well organized communication channels and control systems to ensure quality, safety and on-time performance.

In maintaining the highest level of security, safety precautions have been imposed involving strict control on personnel and vehicle access to the premises as well as the use of close circuit television (CCTV) to monitor movement of persons and premise of its properties.

The Department also provides equipment-support and loading equipment services operated by skilled and experienced staff and equipment that has been well maintained to ensure efficient and timely service for THAI and customer airlines.

With modern ground-equipment and highly skilled personnel, the Department is able to render services for aircraft types including the A380.



Among other things, a clean and hygienic aircraft cabin is of great appeal to passengers and at the same time heightens customer satisfaction through consistent and strict adherence to safety guidelines. The British Secure Clean standard has been adopted in cabin cleaning along with the cleaning of 36 contact points where passengers are most likely to come into contact, aircraft sanitizing and air vent cleaning.

Passenger and crew ground transport between aircraft and terminals for THAI and customer airlines is delivered by experienced and skilled staff using vehicles that meet international standards such as passenger bus, passenger step vehicles and handicap hi-lift trucks.

Additionally, the Department has formulated operating and monitoring plan to maintain command and control for the import of maintenance equipment, issuance of the maintenance sheet, the inspection and delivery of daily used equipment, spare parts and materials storage, delivery of equipment and spare parts to the station, technician arrangement for station works and maintenance of mechanic tools and equipment.

Ground equipment engineering/maintenance services include electronic and mechanical components maintenance, metal work and painting for ground equipment and THAI's own aircraft, and unit loader device maintenance. As the airborne equipment, the Department's unit load device maintenance service has also been granted for the Repair Station by the Department of Civil Aviation, Thailand.

The safety and promptness services have been provided to THAI and customer airlines with a modern ground-equipment maintenance center and highly skilled engineering and technician teams as well as timely inspection and assessment of the ground-support equipment and vehicles in comply with international standards.

Catering Services

THAI Catering is predominantly geared towards the preparation of meals served on THAI flights and that of its customer airlines. It also operates restaurants and snack bars at the various 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 dedicated to serving international flights for THAI and over 60 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 business. At the various provincial stations, THAI Catering operates restaurants in Chiang Rai, Chiang Mai, Krabi, and Phuket airports and also prepares in-flight meals 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 Good Manufacturing Practice: THAI Catering employs a sophisticated system of Hazard Analysis and Critical Control Point to ensure the highest level of hygiene. In 2012, THAI Catering remained the leader in providing meal uplift services to 58 customer airlines commanding 71% of the meal uplift market on 73,512 flights and producing around 68,113 meals per day. Of that, 34,182 meals per day were for international flights, 13,708 meals per day for domestic flights and the balance of approximately 20,223 meals per day were for other airlines. The ongoing trust and confidence bestowed upon THAI Catering by its customer airlines puts it at the forefront of the meal up-lift market in Thailand.

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 recognition for 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 5 decades, THAI Catering has received a multitude of international awards and accolades. 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 in the same year. And for 2012, THAI was awarded the Excellent Catering Services by EVA Airways.

Although THAI Catering was inevitably affected from the global economic slowdown, high fuel-price environment and various natural disasters in 2012, with commitment and dedication of all employees, several strategic plans and procedures have been employed to ensure uninterrupted operations in the challenging operating environment. Investment deferment, operating cost reduction, rationalization of energy consumption and the use of lean management tools have been part of the Company's cost control measures along with an internal reorganization which was undertaken to improve cost efficiency and boost cost competitiveness of THAI Catering.

THAI Smile Business Unit

With intense competition in the aviation industry especially from the rapid growth of low cost airlines, THAI has established "THAI Smile", a new business unit of the Company to strengthen THAI's brand and market position. As THAI's strategic tool providing more cost effectiveness services, THAI Smile will provide the same service excellence and smooth connection with THAI for short routes across Thailand and the region.

THAI Smile is positioned as a light premium airlines, catering to the middle segment between THAI and low cost airlines by emphasizing the Unit's brand of trendiness, friendliness and worthiness. The Unit expects 30% its passengers while the rest to be, derived from connectivity from THAI flights while the balance is THAI Smile own customers.

Commencing July 2012, THAI Smile' fleet consists of 4 of narrow-body A320-200 with a range of 3,500 kilometers in distance or 4 hours in length, ideally suited for short-haul flights. The Unit will consider the frequency of flight service along with the plan to reach significant destinations in Asia particularly China, India and ASEAN, and aims to have 20 aircraft in the fleet by 2015.

Currently, THAI Smile serves 5 destinations with only one international destination, Macau while the other 4 destinations are within Thailand - Krabi, Surat Thani, Chiang Mai, and Phuket. With new delivery in 2013, THAI Smile's fleet will reach 10 enabling THAI Smile to expand its route network to cover major cities domestically and regionally.



Environment and Social Responsibilities

One of THAI's top missions is to achieve the goal of sustainable development under the concept of an environmentally friendly airline while being aware of its responsibilities towards society. The Company, thus, has been undertaking various activities in accordance with its established Environmental and Corporate Social Responsibility (CSR) strategy to continuously render positive impacts on the environment and society in all aspects of the Company's operations.

In line with the "Travel Green" concept which places great emphasis on how to effectively manage and enhance efficiency in using aviation fuel to reduce carbon emissions (CO₂) into the atmosphere, THAI has been undertaking periodic maintenance checks of all its aircraft engines along with the usage of modern technology for engine cleaning, including aircraft exterior cleaning equipment, with the objective to reduce air friction and fuel consumption. To help increasing its competitiveness in terms of cost control, in early 2012, the Company has adopted the new Eco-friendly innovation namely the Clear Core engine wash in the aircraft cleaning process, resulting in fuel cost reduction by 120 million Baht per year; and also welcomed the highly efficient B777-300ER coupled with A380-800 aircraft, considered as outstanding fuel saving aircraft, to join the fleet as well.

THAI has been placing importance on promoting the use of biofuels over fossil fuels through the "Sustainable Biofuels Development for Aviation Industry" project which is the cooperation among relevant domestic/international public and private organizations to boost awareness and to support the use of biofuels in Thailand's aviation industry. Furthermore, on March 20-21, 2012 the Company joining hands with its business partners held the workshop entitled "Thai Aviation and Environmental Workshop - Biofuels and Efficient Flight Operation" with the objective to share knowledge on technologies for biofuel production and air traffic adjusting, as means to optimize aircraft's fuel efficiencies.

To ensure energy conservation in all operating process, various measures have been continuously put in place, for instance: redesigning the office to fit perfectly to the concept of energy saving; raising awareness of employees of the significance of energy conservation and optimized energy consumption; adopting modern technologies to provide customers with quick access to various travel information including flight details, timetables, online ticketing, SMS check-in and 2D barcode check-in; lowering weight of equipment in cabins. Through strong commitment in the environmental responsibility, THAI has been accredited by ISO 14001:2004 Environmental Management System from the Bureau Veritas Certification since 2004; and was awarded for the Head Office as an Energy Controlling Building categories and an outstanding creative building to conserve energy in the "Green building" categories from Thailand Energy Awards 2011. It also received awards for the best Safety Hygiene and Environment in working place and for Professional Security Officer at the national level for 2012.

Over the year, with the aim of enhancing environmental awareness along with environmental responsibility among employees and all relevant parties, various activities to benefit the environment have been implemented under “THAI Plook Cheewit Hai Pandin”, the project comprised of a variety of volunteer activities, coordinated between THAI employees and local people, such as, the reforestation project at Ban Rong Bon in Chiang-Rai aiming to reduce the tendency of forest fire occurrence and prevent the smoke from becoming one of impediments of flight services.

In parallel with environmental activities, THAI has implemented various Corporate Social Responsibility (CSR) projects including education and sport promoting activities, transportation of consumer goods to provide humanitarian assistance to those affected by natural disasters in Thailand and other countries, and donations to disadvantaged people living in local areas. In addition, in 2012, the Company provided supports for public health and medical works by facilitating the Thai Red Cross Society’s transportation of blood to hospitals in remote areas and joined hand with the Airbus Foundation in holding donation activities and delivering medical tools to the Veterans General Hospital.

Furthermore, the Company’s CSR strategy has also targeted the areas of job creation and sport promoting activities, including “Krua Karnbin Thai Hai Acheep” project under which cooking workshops have been held to welcome participants in many local areas; sponsorship for the participation of the team of Thai national handicapped athletes in the London 2012 Paralympic Game and the team of Thai national wheelchair racers in the 2012 Swiss Wheelchair Series.

In order that all employees are fully aware of the role to be good state enterprises employees in the area of social responsibility, the Company has encouraged its employees to take part in many social contributions, including the THAI employees’ Bicycle Club’s project of cleaning up the Namrin Beach located in Rayong.

THAI is proud that every effort and contribution made in social and environmental responsibility has awarded the Company the CSRI Recognition 2012 Award for Most Improved CSR 2012 from the Corporate Social Responsibility Institute (CSRI) under the operation of the Stock Exchange of Thailand (SET). This has strongly approved the Company’s role that plays a part in social and environmental development.



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, 2012, Thai-Amadeus Southeast Asia Co., Ltd. earned a net profit of THB 102.76 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 435.18 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, 2012, Nok Air earned a net profit of THB 504.68 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, 2012, WingSpan earned a net profit of THB 35.05 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, 2012, THAI Flight Training Co., Ltd. earned a loss of THB 0.74 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, 2012, the Company generated a net profit of THB 0.42 million.

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 93.14 million.

As of December 31, 2012, Don Mueang International Airport Hotel Co., Ltd. generated a net profit of THB 0.59 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 114.52 million.

As of December 31, 2012, Phuket Air Catering Co., Ltd. earned a net profit of THB 224.48 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, 2012, Royal Orchid Hotel (Thailand) Public Company Limited generated a net profit of THB 618.75 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, 2012, BAFS earned a net profit of THB 713.71 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 116.69 million by way of the equity method.

As of September 30, 2012, Suvarnabhumi Airport Hotel Co., Ltd. generated a net profit of THB 15.68 million and for the period of 3 months ending December 31, 2012, the hotel reported a net profit of THB 10.06 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 2.0% 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

The current Constitution stipulates that, “A person shall have the right to receive and have access to public information in possession of a government agency, state agency, state enterprise or local government organization, unless the disclosure of such information shall affect the security of the state, public safety, interests of others which shall be protected, or personal data of other persons as provided by law.”

In compliance with the constitution, Thai Airways established the Public Information Center on November 16, 1998, which completed its anniversary 14 years in operation in 2012. Its objectives are to disseminate information and educate people about the Company’s operations. Such information are transparent and can be examined, for the public and private sector agencies to access. THAI has policies and practices for disclosure of information in compliance with the Official Information Act B.E. 2540 (1997) by adhering to the principle of “Disclosure is key, Non-disclosure is an exception.”

Information on Electronic Format

The Public Information Center has collected, stored, and managed information in a standard database system that enables efficient search to provide useful information for the public such as resolutions of important meetings, the Company’s structure, the Company’s development and aircraft in the fleet, for example. The data is made available via THAI’s website www.thaiairways.com under “THAI Company Information” by entering Company Profile “Public Information Center”. The number of people visiting THAI’s website in 2012 averaged 137,035 hits a month.

Awards & Accolades

In 1999, the Public Information Center was selected by the Ministry of Transport as an exemplary model in providing information to the general public under the Official Information Act B.E. 2540. In 2005, 2008, and 2010 the Company was awarded commemorative certificates by the Official Information Commission for its Public Information Center to facilitate information services for the public and serve as an exemplary model for its outstanding cooperation with the Official Information Commission in compliance with the Official Information Act B.E. 2540. In 2012 the Public Information Center was selected by the Ministry of Transport as an exemplary model and for which the Company signed a memorandum of understanding (MOU) to be part of a network in establishing information centers for various ministries and ministry-level agencies. At the National Counter Corruption Commission (NACC) held Good Governance Promotion Challenge for State Enterprise companies, THAI won an award for its Good Governance policies. The Public Information Center is proud to have been able to achieve the vision set out at its inception “to be a leading unit in providing information, being able to sufficiently meet information needs of its stakeholders, earning recognition and benefits the Company’s operations.”

Airline Industry Outlook

For 2012, there has been a continued global economic slowdown result from European public debt crisis and lessening of the United States economy leading to the revision of global economic growth rate by the International Monetary Fund (IMF) from 3.8% in the previous year to 3.3%. Because the economic activities worldwide are connected, emerging markets such as China and India, which relied heavily on the export to Europe and the United States, have also been affected. However, economic growths in China and India are still at the high level of 7.8% and 4.9% respectively for 2012. Due to the concern for European economic problems, economic slowdown, political instability in petroleum exporting countries and nuclear crisis between Iran and western countries, the fuel prices in global market are remain high, fluctuate and unpredictable. Volatility of jet fuel price, as a major factor contributed to heighten in operation cost, directly affected on the airlines' business performance. Among the negative factors, intense competition in the airline business lead to price competition, routes and fleet expansion, especially from the Middle East airlines and low cost airlines. In addition to cost improvements, clear and prudent strategic management is essential for the change in operating environment and competitive landscape to ensure long-term commercial viability of the airlines.



In order to cope with those challenges, THAI reviewed and revised its strategic plans to handle unforeseen incidents not only on the cost front but also taking proactive actions to mitigate volatility of jet fuel prices. 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 networks and flight schedules adjustments along with attractive marketing campaigns will help to boost travel demand. THAI has been consistently monitoring all strategies and implemented the use of e-services to improve its efficiency. The Company also has viable plans to tackle unforeseen events.

Air Passenger Transport

Passenger transport outlook for 2013 as forecast by the International Air Transportation Association (IATA) is expected to grow by 4.5% as compared to 6.0% in 2012. The growth rate in Asia is expected to be below 5.2% while the fastest growth is expected in Middle East with a growth rate of 15.4% reflecting the strong economic growth anticipated for the region as a result of constant regional economic growth and the market expansion of the Middle East airlines which plan to promote major cities in their region as global aviation hubs and span their route networks across the regions worldwide.

Due to the devastating flood in central Thailand and northern Bangkok during the last quarter of 2011, the number of passengers traveling to Thailand in the first quarter of 2012 has decline from 9.1% in the past year to 6%. After a number of measures to stimulate tourism in both the public and private sectors have boosted, the number of passengers traveling to Thailand has been increased with the growth rate of 13.2% during January-November 2012. THAI has continued upgrading its product, rapidly rationalized its flights, and reduced its flight frequencies to better cope with the change in operating environment and demands.

In January-November 2012, there were 104 airlines providing international flights to Thailand with a total of 38.5 million passengers or a 13.2% increase over the previous year. Out of the total international passengers entering and leaving Thailand, 12.5 million was carried by THAI or a 10.9% increase. THAI represented the greatest market share of international passengers at 32.5% with the closest runners up, namely Thai Air Asia, Cathay Pacific, Emirates, Air Asia and Korean Air representing 7.1%, 3.8%, 2.9%, 2.5% and 2.4% of market share, respectively.

Air Freight Transport

IATA forecasts a growth rate in the global air freight industry of 2.4% in 2013 as compared to 2012 which was declined by -1.9%. Asia air freight business growth rate declined at -6.2%, while Middle East experienced the highest growth rate of 14.8% in 2012.

In 2012, the international air freight business for Thailand has recovered with the total air freight transport volume of 1,234,160 tons which increased by 5.8% as compared to 2011. Exports produced the volume of 695,611 tons which increased by 3.5 % from last year. Imports constituted a total of 538,548 tons which increased by 9.1% from last year. THAI carried a total of 289,346 tons of outbound air freight representing 41.6% of market share which was a -2.9% decrease over the previous year, while THAI carried a total of 248,655 tons inbound air freight representing 46.2% of market share which was a 2.6% increase over the previous year. Destinations with the highest regional air freight volume for THAI include Hong Kong, Tokyo, Singapore, Taipei and Seoul. Whereas, Frankfurt, London, Amsterdam, Zurich and Paris are the destinations with the highest air cargo volume for THAI's intercontinental destinations.

Domestic Competition

For January-November 2012, Domestic market continues to grow with a more severe price competition and various marketing promotions to attract passengers. Currently, there are 10 airlines serving for domestic routes including THAI, Bangkok Airways, SGA Airline, Happy Air, Business Air, Kan Air, Solar Air, and the three are low cost airlines including Thai Air Asia, Nok Air and Orient THAI Airline. In 2012, 15.9 million passengers traveled domestically, an increase of 18.2% as compared to 2011. THAI represented the highest market share of 32.6% or equivalent to 5.2 million passengers. Thai AirAsia, Nok Air, Bangkok Airways, Orient THAI Airline, SGA Airline, Happy Air, Business Air, Kan Air and Solar Air represented market share of 25.7%, 21.8%, 14.2%, 4.7%, 0.9%, 0.1%, 0.1%, 0.04% and 0.04% respectively.

International Competition

Several airlines have adjusted their operation plans to meet the passengers' and seasonal demands. Particularly, Middle East airlines have tried to use various cities in their region as a connecting hub for intra-regional travelling and expand their routes by using large aircraft 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 very cautious 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 viable short-term and long-term measures being taken to reduce these risk. Training workshops have consistently been provided for management of all levels to attend and encourage the observance and instill risk management as part of the corporate culture.

The Company's Board of Directors has appointed the Risk Management Committee which comprise of 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, assessed and assigned risk priority and having established measures to prevent, control and manage corporate and departmental risk that is at a level that is acceptable. The risk control measures undertaken must also be in line with the Committee of Sponsoring Organization of the Treadway Commission (COSO) standards. Risk management activities performed by the Risk Management Department is reported to the Risk Management Committee and the Company's Board of Directors on a quarterly basis. The objectives of these policies are 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 out of uncertainty and to ensure adherence to strategies as established in 2012, risk management at corporate level has been integrated into the Company's strategic plans complete with analysis regarding the cause and the relation of such risk to the Company's operations. Key risk indicators have been integrated as an early warning tool while improvements have been made to enhance the effectiveness of risk management through the installation of the latest enterprise-wide risk management system that enables the link between risk management reports and other management systems within the Company.

Significant Risk Factors

Risk factors include risks associated with the airline industry and directly impacts the Company as follows:

Risks on the Aviation Industry

1. Risk Associated with Volatility of Jet Fuel Price

Jet fuel cost constituted 40% of the Company's operating expense in 2012 resulting from the consistently high jet fuel price. The Company, therefore, has taken a more proactive approach in regards to jet fuel price hedging to mitigate the effects of this fluctuation. The Company's risk management for jet fuel price has not been done for profit but as a buffer against the impact it has on its operating cost. For 2012, hedging contracts have been designed to cover the Company's budgeted fuel consumption. Meanwhile, the Company has also

been compensated from fuel surcharge determined by the condition of the market and the competition, the fluctuation of jet fuel price, market response to the surcharge and the change in the estimate cost. As well, the Company has undertaken measures to improve efficiency in fuel management and fuel stock management.

2. Risk Associated with Fluctuation of Foreign Exchange Rates

As 75% of the Company's revenue is derived from 40 different foreign currencies, the natural hedging approach has been used to mitigate the Company's foreign currency exposure by matching its expenses and revenues of the same denomination, determining the correlation between 4 major currencies, namely USD, EUR, JPY and THB, and other foreign currencies in exchanging its net operating cash flow into those major currencies, and avoiding the volatility of the profit / loss on foreign exchange in the financial statements through the combination of foreign currency borrowing and Thai baht borrowing. THAI has also been employed the VaR software program to determine funding strategies and establishing risk management guidelines through the use of financial tools, such as cross currency swaps (CCS) and forward, at certain period.

In 2012, the Company signed aircraft financing agreements for 3 A380-800 and 1 A330-300 aircraft denominated in JPY and EUR for which the Company has net cash surplus. Forward contracts have also been made for EUR/USD conversion to cover fuel expenses in USD linked THB denomination at the BOT rate referenced by the oil companies in their billing. As of December 31, 2012, THAI's borrowings after CCS in USD: EUR: JPY: THB = 1 : 36 : 14 : 49, respectively (excluding operating lease aircraft obligations).

Risk Factors Related to the Company's Business

1. Risk Associated with Competition in Airline Business

The commercial aviation industry is seeing growing competition resulting from the aggressive penetration of low cost carrier, newcomers, and more airlines joining network alliances, leading to greater competition on routes served by THAI. THAI has been closely monitoring the performance of peers including prevailing demand supply conditions and flight frequency. The outcome of a detailed market analysis reflects a story of highly competitive environment for the primary destinations currently served by THAI while the launch of THAI Smile is the approach taken to enhance the Company's regional competitiveness by operating on a different cost platform. Another approach to protecting THAI's competitive position is the consistent upgrading of its products and services and the extensive cooperation that THAI has with its partner airlines related to services and promotions.

With the Company's advantage of being a the full-service airline and cooperating with other network airlines, THAI is targeting service for passengers who need to transit Bangkok as a hub. To this end, THAI has improved its hub connectivity to facilitate efficient connecting times. To further strengthen THAI's position, new aircraft acquisitions will have similar standards of product offering as that of peers.

2. Risk Associated with External Crisis and Natural Disasters

THAI's core business of passenger and cargo transport services on domestic and international routes is highly dependent on the tourism industry. The risk that THAI faces is weakening tourism due to a range of external factors including natural disasters, terrorism, international conflicts and domestic political instability which bear a significant impact on the Company's business.

In recognizing the importance of being able to promptly respond to unforeseen incidents, THAI established the Crisis Management Operation Center (CMOC) to closely monitor the developments of key incidents that may bear impact on the Company's operations. Measures have been put in place to enable immediate actions to mitigate the severity of impact and ensure uninterrupted operations including Business Continuity Management (BCM). The BCM has been used in handling various situations with actual plans, instruction manual and drills to ensure that the Company will be able to carry on its business. These contingency plans provide passengers a greater peace of mind and a good image for the Company. In enhancing dynamism in the Company, a monthly assessment of financial performance along with significant information on local and international key factors which may impact on the Company's performance have been provided to the management to make decisions on strategic changes in response to the changing operating environment such as production adjustment for the decline in number of passengers.

3. Risk Associated with Quality and Efficiency of Human Resources

The Company emphasizes on improving staff's competency, productivity and loyalty. Along with enhancing staff with talent and multi-skill, a modern staffing strategy has been used to manage manpower in relation with the achieving target. Knowledge Management has been put in place for enabling organization learning, sharing of lessons learned, and creating performance-based culture along with the use of key performance indicators (KPIs) in term of performance-based compensations. New processes will also be formulated to enhance the Company efficiency and competitiveness.

4. Risk Associated with Product and Service Inconsistency

Product and service consistency are the keys to ensure customer satisfaction. Although THAI's products have improved with the addition of a new aircrafts, the retirement of older aircraft, the difference in standard ambience, seat and entertainment equipment has been our Achilles heel and has affected THAI's overall image and its service consistency. In 2012, THAI has retrofitted 5 B747-400 and 4 B777-200 aircrafts, and 3 B747-400 and 4 B777-200 aircrafts will be retrofitted in 2013. As for the case of immediate aircraft changing, procedures and protocols will be put in place to minimized negative impact on customers' satisfaction and expectation.

5. 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 the span of add-on modules that can be integrated to further facilitate customer service and expedite operations. Other limitation are 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

The names of major shareholders, number of shares held and percentage of shareholding as of March 13, 2012 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.	169,157,720	7.75
3	VAYUPAK FUND 1 BY KRUNG THAI ASSET MANAGEMENT PCL.	169,157,720	7.75
4	THAI NVDR COMPANY LIMITED	87,907,778	4.03
5	GOVERNMENT SAVING BANK FUND	46,409,885	2.13
6	STATE STREET BANK AND TRUST COMPANY	41,614,604	1.91
7	THE BANK OF NEW YORK MELLON-CGT TAXABLE	25,000,000	1.14
8	HSBC (SINGAPORE) NOMINEES PTE LTD	24,631,932	1.13
9	STATE STREET BANK EUROPE LIMITED	17,736,623	0.81
10	MR. EAM ARCHAVAKULTHEP	15,450,000	0.71
11	OTHER SHAREHOLDERS	471,774,594	21.61
Total Paid up Capital		2,182,771,917	100.00
Thai Shareholders		1,965,288,810	90.04
Foreign Shareholders		217,483,107	9.96

The Government holds a 53.16% 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.



Management Structure

The Company's management structure comprise of Board of Directors, the Committees, and Executive Officers as shown on the following organization chart.



Audit Committee

Office of the Internal Audit

Vice President

Business Unit

Ground Services

Managing Director
(Executive Vice President Level)

Cargo & Mail

Managing Director
(Vice President Level)

Catering

Managing Director
(Vice President Level)

THAI Smile

Managing Director
(Vice President Level)



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, 2012, the Company's Board of Directors consists of the following members:

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

Mrs. Suvimol Bualerd (Vice President, Corporate Secretariat Department) as Secretary

Authorized Directors to Sign on the Company's Behalf

Signatures of Mr. Ampon Kittiampon, Chairman and either one of Mr. Kanit Sangsubhan or Mr. Apiporn Pasawat or Mr. Sorajak Kasemsuvan 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. Sorajak Kasemsuvan 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 17 times for 2012.

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 and the Stock Exchange of Thailand 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, 2012 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 Stock Exchange of Thailand 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 Stock Exchange of Thailand 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 12 times in 2012 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 Ministry of Finance and the Stock Exchange of Thailand and is in line with international best practices.

The Company's Board of Directors appointed the following persons, as of December 31, 2012 to the Good Corporate Governance Committee :

- | | | |
|--|----------------|----------------------|
| 1. Mr. Dheerasak | Suwannayos | Chairman |
| 2. ACM. Satitpong | Sukvimol | Member |
| 3. Mr. Weerawong | Chittmittrapap | Member |
| 4. Pol.Gen. Pongsapat | Pongcharoen | Member |
| 5. President | | Member |
| 6. Executive Vice President, | | Member and Secretary |
| Human Resources and Compliance | | |
| 7. Vice President, Legal and Compliance Department | | 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

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, 2012 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. 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 THB 2 million 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 Ministry of Finance and the Stock Exchange of Thailand'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 2012, the Independent Directors performed their assigned duties and commented independently in order to retain the interests of all shareholders equally.

Nomination, Remuneration And Human Resources Development Committee

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

The Company's Board of Directors appointed the following members, as of December 31, 2012 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.	President		Member
6.	Executive Vice President, Human Resources Department		Secretary

Nomination, Remuneration and Human Resources 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 Ministry of Finance and the Stock Exchange of Thailand 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 4 times in 2012 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 Ministry of Finance 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, 2012 to the Risk Management Committee:

- | | | | |
|----|-----------------------------------|-----------------|-----------|
| 1. | Mr. Silapachai | Jarukasemratana | Chairman |
| 2. | Mr. Dheerasak | Suwannayos | Member |
| 3. | ACM. M.L. Suprija | Kamalasana | Member |
| 4. | President | | Member |
| 5. | Senior Executive Vice President | | Secretary |
| | Strategy and Business Development | | |

Mr. Pichai Chunhavajira, specialist on jet fuel price hedging, chairs Risk Management Committee

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.

Executive Board

As of December 31, 2012 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. Dheerasak | Suwannayos | Member |
| 3. | Mr. Voradej | Harnprasert | Member |
| 4. | Mr. Sutham | Siritipsakorn | Member |
| 5. | ACM. M.L. Suprija | Kamalasana | Member |
| 6. | Mr. Apiporn | Pasawat | Member |
| 7. | Mr. Sorajak | Kasemsuvan | Member |

Mrs. Suvimol Bualerd (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 THB 50 million 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.

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 16 times in 2012 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, 2012 to the Corporate Social Responsibility Committee:

1.	Mr. Apiporn	Pasawat	Chairman
2.	Mr. Chutinant	Bhirom Bhakdi	Member
3.	Mr. Weerawong	Chittmittrapap	Member
4.	Pol.Gen. Pongsapat	Pongcharoen	Member
5.	President		Member
6.	Senior Executive Vice President, Strategy and Business Development		Member
7.	Executive Vice President, Commercial		Member
8.	Executive Vice President, Human Resources and Compliance		Member
9.	Vice President, Corporate Communications		Member and Secretary

Along with Mr. Ampon Kittiampon as Advisor to the Committee

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. To consider the Company's budget for CSR activities involving donation, sponsorship for air tickets and other support, and oversee the budget usage.
6. To review and approve all the proposals relating to the budget usage for CSR activities.
7. Other undertaking as may be designated by the Board of Directors.

Legal Committee

To ensure greater completeness and effectiveness of the Company's legal affairs and its compliance with related rules and regulations, the Company's Order No. 142/2012 as of July 13, 2012, regarding the appointment of the Legal Committee was cancel, and the following members were appointed as the Legal Committee:

1. Mr. Chulasingh	Vasantasingh	Chairman
2. Mr. Weerawong	Chittmittrapap	Director
3. Mr. Sorajak	Kasemsuvan	Director
4. Mr. Achporn	Charuchinda	Director
5. Mr. Sarawut	Benjakul	Director
6. Mr. Khemchai	Chutiwong	Director
7. Mr. Amornsak	Noprampa	Director
8. Mr. Somkiat	Chayasriwong	Director
9. Mr. Niruj	Maneepun	Director
10. Mr. Bumpen	Suppasri	Secretary

Legal Committee's Authority and Responsibilities

1. To review legal related works including those involving rules and regulations as instructed by the Board of Directors, the Board's Members, and the President, or the cases considered as significant by the Executive Vice President of Human Resources and Compliance or will be brought before the Board of Directors.
2. To consider the consistency of the Company's approach and policy on the infringement of Antitrust Law or Competition Law in each region to maximize the Company's benefits and determine the policy to prevent the Company's operation on the infringement of those subjects.
3. To review the process of investigation, accusation, hearing and litigation with regards to the infringement of Antitrust Law or Competition Law as well as the probability of similar cases, and consider the engagement of legal consultants and counselors involving those matters in all regions.
4. To gather evidences, obtain and examine relevant documents for the infringement of Antitrust Law or Competition Law case including the authority to summon staff or employees for further inquiries. All relevant agencies shall be fully cooperated with the Committee, its members or designated persons.
5. To appoint a sub-committee and working group as deemed appropriate.
6. To summon documents and relevant persons as reference for consideration.
7. To perform other relevant undertakings or any tasks as assigned by the Company's Board of Directors.

The Meeting of the Legal Committee is held once a month or as scheduled by the Chairman of Legal Committee. The resolution of Legal Committee shall be submitted to the Board of Directors.



THAI Management Executives

As of December 31, 2012, the Company has 13 Senior Management positions : 1 President, 1 Senior Executive Vice President, 8 Executive Vice President, and 3 Vice President, comprising :

1.	Mr. Sorajak	Kasemsuvan	President
2.	Mr. Chokchai	Panyayong	Senior Executive Vice President, Strategy and Business Development
3.	Mr. Pandit	Chanapai	Managing Director, Ground Services Business Unit Executive Vice President Level
4.	Ft.Lt. Montree	Jumrieng	Executive Vice President, Technical Department
5.	Sgn.Ldr. Asdavut	Watanangura	Executive Vice President, Aviation Support for H.R.H. Chairman Operation Support Center
6.	Mr. Teerapol	Chotichanapibal	Executive Vice President, Product and Customer Services
7.	Mr. Danuj	Bunnag	Executive Vice President, Commercial
8.	Mr. Niruj	Maneepon	Executive Vice President, Human Resources and Compliance
9.	Mrs. Wasukarn	Visansawatdi	Executive Vice President, Finance and Accounting
10.	Lt. Athisak	Padchuenjai	Executive Vice President, Operations
11.	Mr. Raj	Tanta-Nanta	Vice President, Corporate Finance Department
12.	Mr. Thongchai	Singhakul	Vice President, Financial Accounting 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. 2555 (Amendment no.1 B.E. 2555)

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 materials within THB 300 million.
- Procurement of jet fuel within THB 500 million.
- Procurement of insurance with premium of up to THB 500 million.
- Procurement of equipment and other tools according to clause 13 along with the delivery of aircraft within THB 300 million.
- Contracts or transaction related to property management such as property rental within THB 300 million. There is no limit, however, on the authorization for urgent required spare engines and aircraft spare parts rent out due to customary practices in aviation business.
- Contracts or transaction related to advertising, promotion and publishing within THB 300 million.
- Material write-off for material on original cost per unit of not exceeding THB 50 million.
- Material disposal for material on original cost as received of not exceeding THB 300 million in total.

3. Authority and duties under the Company's Financial Authority and Duties B.E. 2552. (Amendment no.3 B.E. 2554)

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 Secretary to the Nomination Committee 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 in clause no.1 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 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 25, 2012. 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 members remuneration for the year 2012 ending December 31, 2012

Unit : Million Baht

<i>Committees</i>	<i>Number of Persons</i>	<i>Remuneration including allowance and bonus</i>
Company's Board of Directors	19	15.93 ¹⁾
Audit Committee ²⁾	3	1.08
Other Committees ³⁾	19	1.87

Note: 1) Remuneration include meeting allowance for Board of Directors and the sub Committees (excluding audit committee) from January 1, 2012 to December 31, 2012. The annual bonus paid for the tenure from January 1, 2011 to December 31, 2011.

2) The Board who has been appointed as audit committee.

3) External individuals who are not Board members and were appointed as committee, Sub committee or working group members.

Compensation for Management Executive for the year 2012 ending December 31, 2012

Unit : Million Baht

	<i>Number of Persons</i>	<i>Remuneration including allowance, bonus and welfare</i>
Management Executive	15	63.20

Note: "Management Executive" of 15 persons, including retirement before December 31, 2012

Other Compensation

Ticket Benefits

Board of Directors

According to the Company's guideline on ticket benefits for directors and former directors 2011, Board members are entitled to 10 free international round trip tickets and 10 free domestic round trip tickets per annum on Business class or the highest class (upon availability) only for the duration of their tenure as a member of the Company's Board of Directors. The amount of ticket benefits was approved by the annual general meeting of shareholders in 2011.

Management Executives

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

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 the year 2012 ending December 31, 2012

	<i>Number of Persons</i>	<i>Total Amount (Million Baht)</i>
Management Executive	13	3.3

Note: "Management Executive" of 13 persons, including retirement before December 31, 2012



Good Corporate Governance Committee Report

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 and follows international best practices. The Company's good corporate governance policies enhance the Company's core values in creation of maximum benefit to shareholders with fair, transparent and accountable management leading to sustainable growth and optimizing benefits to all stakeholders.

The Company has undertaken a review of its ethics and good corporate governance guidelines, guidelines on performance assessment and various business operating guidelines to assess the Company's overall status. A strength and weakness assessment was made on the Company's strategies, corporate culture, good governance and its core values to be used to draft policies and guidelines to drive its corporate governance.

The Company's Good Corporate Governance Committee understands and recognizes the importance of having good corporate governance. Anticipating potential adverse scenarios that may be faced by the Company, the Committee has put in place guidelines integrating good corporate governance into daily management decision making to ensure adherence to drafted policies, purposes and ultimately achieving drafted corporate strategies. The purpose of the above is to ensure that THAI will be at the forefront in its industry. To achieve the above purposes, good corporate governance guidelines were applied in the following areas :

- **Human resources** - training, orientation, nomination, selection, appointment, rotation, promotion, responsibilities, monitoring and assessment
- **Overall management of the Company** - review of procedures, revision of guidelines and principles such as the Company's Board members and executives best practices, ensuring transparency in business operations, information disclosure, enhancing morals, ethics and looking out for stakeholder benefits.
- **Revision of related laws, rules and regulations** - to enable flexibility and reflects the current operating environment.
- **Environment and Social Responsibilities** - The Corporate Social Responsibility Committee is responsible for observance of social and environmental issues on a regular basis. The Committee is also responsible for setting clear guidelines and policies on responsibilities towards society reflecting THAI's commitment towards the environment under the concept of Green Innovation.

For THAI's efforts in embracing principle of good corporate governance, THAI was assessed and subsequently awarded and recognized by independent third parties such as the THAI Institute of Directors (IOD) with a "Very Good" grading for the 6th consecutive year for good corporate governance and received an "Excellent" rating for 2012. The company was also awarded an NACC Integrity Awards 2012, given by the office of the National Anti-Corruption Commission. This award is given in recognition to the Company's good governance promotion plan in the category of public company for 2012, and "Outstanding" award for efficient integrated materials management project and a "Good" award for information center development project.

The assessment and recognition of the Company's good corporate governance policies along with the awards and achievements reflect the commitment by the Company's Board of Directors, the management executives and employees in running the business with transparency, accountability and fairness to all stakeholders contributing to sustained growth and bringing long-term benefits to the country.



(Mr. Dheerasak Suwannayos)
Chairman

Good Corporate Governance

As a state enterprise listed in the Stock Exchange of Thailand, THAI has committed to comply with the principles of good corporate governance and implement the principles in the Company's best practices including disclosure, transparency and social responsibility. The Company has also applied the principles of accountability and equitable treatment in to its operations. Accordingly, authority, responsibilities and independence of the Company's Board of Directors are clearly stated, efficient audit and risk management systems and transparency information disclosure are in place to ensure the best interest of the stakeholders.

By considering international trend and movement, the Company's Board of Directors has suggested the Good Corporate Governance Committee in adjusting the good corporate governance policies to be more suitable for constantly-changed social and economic affairs. Consequently, the policies have been inform and strictly observed by the Company's employees, and the policies compliance has also been monitored and assessed on regular basis.

For THAI's efforts in embracing principles of good corporate governance, THAI was assessed and subsequently awarded and recognized by independent entities including a "very good" rating consecutively since 2006 and an "excellent" rating for 2012, a plaque of "outstanding" on state enterprise's good governance promotion plan in the category of public company for 2012, an "outstanding" award for efficient integrated materials management project and a "good" award for information center development project.

1. Policies on Good Corporate Governance

THAI understands the importance of having good corporate governance and diligently observes such principles in practice. The company, therefore, instill a culture of good corporate governance into the Board members, the executives and employees to enhance THAI's competitiveness leading to long-term sustainable.

The Company's Board of Directors has approved key business plan in accordance with the principles of good corporate governance and set a business management oversight framework covered 4 major areas includes:

Government Sector, Society and Community

- Conserve and promote positive impacts on environment in the Company's operations
- Emphasize and raise the awareness on environment and social responsibility to all departments of the Company
- Promote and support the Company's operations and services in accordance with environment and social responsibility and relevant environmental legislation and regulations

Customers and Stakeholders

- Emphasize on providing of excellent services to customers and stakeholders
- Enable customers and stakeholders to lodge their comments through various channels
- Promote and encourage innovations and technology enhancements in services improvement and upgrade.

- Enhance service delivery toward customer's satisfaction as well as handle service liability with justified remedy.
- Commit to fairness and equality of the Company's business competition

Organization

- Create precautions and monitoring process to prevent any conflict of interests in all transactions, and regularly review such process
- Promote, cultivate and stimulate the awareness on unethical practice exposure as part of the Company's cultures, emphasize on the consequences of non-compliance to morals, ethics and good governance
- Establish preventive mechanisms and procedures in handling unanticipated incidents such as public negative impact on the Company's products, services and operations, and predicting public concerned effects on its products, services and operations
- Strictly emphasize on making the disclosure of information with accuracy and clarity, and continue on improving and updating repository of information
- Promote and establish risk management system concerning efficiency and effectiveness in all activities, and internal audit and control system concerning accuracy of the report and observance of relevant rules and regulations.

Employees

- Emphasize, support and promote the development of human resources, organizational bound and systematic and uninterrupted succession plan
- Commit to create pleasant working environment to motivate the employees and provide the employees with skill and competency improvement for the efficiency of the Company's operations
- Encourage and support learning activities and knowledge management to improve operational standard
- Respect privacy and personal right of the employees, and avoid the disclosure and criticism of the employee's personal information leading to negative impact on the person and the Company's image
- Monitor the employees in performing their works with integrity and transparency in order to prevent any conflict of interests and generate highest benefit to the Company
- Provide fair and equitable treatment to the employees at all level, and provide them with the channels to notify matters involving unfair treatments of their superiors.

THAI's Good Corporate Governance Principle

- **Creation of Long Term Value:** The Company must promote and instill such vision in the employees 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. The acceptance of property or any other benefit on the ethical basis in the performing of duties of the employees must be subject to the criteria specified by the National Anti-Corruption Commission.

- **Responsibility:** Employees must devote themselves in performing their duties with knowledge and experience to the best of their ability by placing importance to the responsiveness to the need of shareholders, customers, business partners and employees, and use their discretion in performing such duties with honesty and fairness. Employees must avoid any action which conflicts with the Company's interest nor take the opportunity, nor use the information receiving as a result of being the Company's employees to seek for interest for themselves or others while the Executives must promote and instill the consciousness of high responsibility in performing the duties in the subordinates.
- **Accountability:** Employees must attentively perform their duties to the best of their ability and must exercise due 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:** Employees must perform their duties with fairness by equally providing the treatment to the stakeholders without any discrimination due to the difference of their races, nationalities, religions, sexes or other unfair reasons, and treat the business competitors to be in line with the international principle under the scope of relevant laws, nor infringe the secret, nor to fraudulently know the trade secret of its competitors. The Executives must provide the channels for the employees to be able to notify the matter which indicates the illegality or violation of the Company's regulations and to take care of their complaints to be responded within the appropriate time.

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 to 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 has been operating its business on the basis of integrity, transparency and ethics with continued awareness of the importance of good corporate governance principles as well as international best practice by taking into consideration the stakeholders and all the related parties so as to create confidence and reliability in the operation for sustainable growth.

THAI, in its role as the national carrier, has seriously and continuously conducted its business operation with corporate social responsibility (CSR) in accordance with international environmental standards by rendering positive impacts on the environment and society. To ensure the compliance with the Constitution of the Kingdom of Thailand B.E. 2550, the Company's Good Corporate Governance and Ethics Code was issued as the written guideline for the executives and employees at all levels as follows:

The Country

THAI shall operate its business with transparency and accountability; accordingly, this will help THAI to grow sustainably and to be beneficial to the country, and will do no harm to the country.

The Society and Public

THAI shall operate its business by taking the natural resource, environment and public interest into consideration, shall instill the consciousness for society and public responsibility to the Company's staff as well as support, promote or participate in the activities which are beneficial to society and community as appropriate.

The Shareholders

THAI shall operate its business for continuously and sustainably generate good yield for the Shareholders and will provide the equitable treatment to all shareholders.

The Customers

THAI shall render the quality services, emphasize on the customers' safety and convenience, and shall seek for the method to better meet the needs of the customers leading to optimal satisfaction.

The Business Partners, Creditors and Debtors

THAI shall cause the Business Partners, Creditors and Debtors to be confident that they will be equally and fairly treated based upon the business relationship and fair yield between both parties. THAI shall also avoid any situation which may cause the conflict of interest.

4. Annual General Shareholders' Meeting

The Company have to prepare the annual general shareholders' meeting as required in accordance with the guidelines of the Stock Exchange of Thailand 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 Annual General Shareholders' Meeting Checklist was used in preparation of holding the Annual General Shareholders' Meeting (AGM), which is the basis for which publicly listed companies will be rated by the Thai Investors Association and the Securities and Exchange Commission (SEC) to enhance the quality of AGM. Areas of evaluation include the following:

Date, Time and Place to hold the Annual General Shareholders' Meeting

At the Board of Directors' meeting 3/2012 held on February 24, 2012, a resolution was reached by the Company's Board of Directors to hold the second AGM for 2012. April 25, 2012, 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 2012. The venue for the AGM was held the Miracle Grand Ballroom, fourth floor, at The Miracle Grand Convention Hotel on Vibhavadee Rangsit Road, Bangkok. A total of 4,601 shareholders and proxies attended the meeting representing a total of 1,739,379,275 shares which was more than one third of the Company's paid-up capital constituting a quorum.

Prior to the AGM

Annual General Meeting of Shareholders for the year 2012, 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 for both AGMs. The time frame allowing submission of names of candidates for the first period was from October to December 2011. 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 Stock Exchange of Thailand

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 Stock Exchange of Thailand (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 Annual General Shareholders'

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 2012, 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 and Independent Director
2.	Mr. Areepong Bhoocha-oom	Vice Chairman and Chairman of the Nomination, Remuneration and Human Resources Development Committee
3.	Mr. Kanit Sangsubhan	Independent Director, Member of the Nomination, Remuneration and Human Resources Development Committee and Chairman of the Executive Board
4.	Mr. Apiporn Pasawat	Independent Director, Chairman of the Corporate Social Responsibility Committee, Member of the Nomination, Remuneration and Human Resources Development Committee
5.	Pol. Gen. Preophan Dhamapong	Director and Chairman of the Good Corporate Governance Committee
6.	Mr. Silpachai Jarukasemratana	Director and Chairman of the Risk Management Committee
7.	Mr. Dheerasak Suwannayos	Director, Member of the Risk Management Committee and Member of the Good Corporate Governance Committee
8.	ACM. M.L. Suprija Kamalasana	Director and Member of the Risk Management Committee
9.	Mr. Chutinant Bhirom Bhakdi	Director, Member of the Audit Committee and Member of the Corporate Social Responsibility Committee
10.	Mr. Pradit Sintavanarong	Director
11.	Mr. Voradej Harnprasert	Director
12.	Mr. Piyasvasti Amranand	Director, Member of the Good Corporate Governance Committee, Member of the Nomination, Remuneration and Human Resources Development Committee, Member of the Risk Management Committee and Member of the Corporate Social Responsibility Committee

Management Executives:

1. Mr. Piyasvasti	Amranand	President
2. Mr. Pandit	Chanapai	Executive Vice President, Commercial
3. Flt.Lt. Montree	Jumrieng	Executive Vice President, Technical
4. Mr. Chokchai	Panyayong	Executive Vice President, Strategy and Business Development
5. Sqn.Ldr. Asdavut	Watanangura	Executive Vice President, Operation
6. Mr. Teerapol	Chotichanapibal	Executive Vice President, Products and Customer Services
7. Mr. Danuj	Bunnag	Managing Director, Ground Services Business Unit
8. Mr. Niruj	Maneepon	Executive Vice President, Corporate Secretariat, acting as the Company Secretary to the Meeting
9. Mr. Sathok	Varasarin	Executive Vice President, Human Resources
10. Mrs. Wasukarn	Visansawatdi	Executive Vice President, Finance and Accounting
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. Mr. Raj	Tanta-Nanta	Vice President, Corporate Finance
16. Mr. Pichait	Riengvattanasuk	Vice President, Risk Management
17. Mr. Thongchai	Singhakul	Vice President, Financial Accounting
18. Mrs. Bhinkham	Rohitasthira	Vice President, In-Flight Service Department
19. Mr. Pichai	Chunganuwad	Managing Director, Cargo and Mail Commercial
20. Mr. Chailerk	Thippayachan	Vice President, Office of the President
21. Mr. Lek	Klinvibul	Vice President, Ground Customer Services
22. Mrs. Charita	Leelayudth	Vice President, Management Accounting and Budget
23. 2 nd Lt. Anussorn	Naksrichum	Vice President, Ground Equipment Services
24. Flg.Off. Wuttichai	Saguanmoo	Vice President, Heavy Maintenance
25. Mr. Woranate	Laprabang	Managing Director, THAI Smile Business Unit
26. Lt. Athisak	Padchuenjai	Vice President, Flight Operation
27. Mr. Dullayapong	Sukhanusas	Vice President, Alliance and Loyalty Management
28. Flt.Lt. Kanok	Thongpurk	Vice President, Human Resources Management
29. Mr. Chalongchai	Hiranyalekha	Vice President, Market Planning and Revenue Management
30. Flg.Off. Suraphon	Israngura Na Ayuthya	Managing Director, Catering
31. Mr. Bumpen	Suppasri	Vice President, Legal and Compliance Department
32. Miss Jirapan	Siripraiwan	Vice President, Business Development and Special Project
33. Mr. Saroj	Yuttatrai	Vice President, Information Technology Service Department
34. Mrs. Duanpen	Teekakul	Vice President, Corporate Strategy and Planning Department



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

Prior to commencing the 2012 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 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

Vision is simply the first step in the goal setting and planning process. The leader's fine vision should not only be realistic and consistent with the core value of the organization but also challenging. While mission statements are used to guide the organization in its day-to-day operations and lead the organization to sustainably success, the leader also needs to communicate with the stakeholders relating to their benefits.

The visions of the Company's Board of Directors have been constantly evolved in order to provide a sense of direction in the long term. The Board, therefore, has worked collectively with the stakeholders in considering the Company's useful core identity and value and creating practical visions. The Board also ensures that all activities undertaken by the Company are in compliance with all legal and regulatory guidelines to maximize efficiency and effectiveness for the Company.

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 in 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 the 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 Corporate Secretarial Office 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

Business morals have been considered as a contributing factor to the Company's path of success by enhancing its recognition and credibility. THAI has conducted its business in concrete, tangible and continuous manner by encouraging the executives and employees at all levels to comply with the principles of good corporate governance, accordingly, the THAI's Good Corporate Governance and Ethics Code as well as the notifications, rules and regulations, orders and guidelines must be strictly observed in order to uphold the pride and honor that justifies the trust bestowed while building the trust of customers and the public.

In line with the Company's business operation, THAI also encourage a positive impact through its activities on the social and environmental support projects, such as donations for disaster relief and reforestation, along with the participation of the Company's executives and employees determining to create sustainable social development.

THAI's ethics principles are as follows:

Ethics

1. To adhere to the democratic regime by supporting and adhering to the democratic regime of which the King is the Head of State
2. To adhere to the Company's interest by performing duties for the maximum benefit of the Company by neither seeking for benefit for themselves nor having the conflict of interest
3. To adhere to the honesty by not allow to have dishonesty in the work under their duties and responsibility
4. To adhere to the righteousness by not allow to have illegal act in the work under their duties and responsibility
5. To adhere to the transparency by not distorting any fact in any manner in giving information to their colleagues, people, shareholders and other stakeholders

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, 2012 the Company's Board of Directors consisted of 15 persons.

- 9 Non-Executive Board members
- 5 Independent Directors
- 1 Executive Director

Of the 15 Board members, 60% are Non-Executive Directors and 33.33% 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 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 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 hold Independent Director within the Company 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 Ministry of Finance'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 2012, the Board and Management Executive remuneration has been disclosed in the Board and Management Executive Remuneration section.

12. Board of Directors Meetings

The 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 of the 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 of the Board member to review. For the year 2012, the Board convened 17 times with attendance details for each of the Board member provided in the Board of Director's Shareholding and Meeting Attendance. The Company Secretariat prepares minutes to each of the 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

THAI has established an adequate and appropriate control environment with factors related to the internal control environment, which supports the internal control effectively. The control environment is relevant to the Company's internal control policy. THAI has provided corporate governance and ethics code manuals for its staff to follow, set a policy on disclosure of a conflict of interest for senior executives, undertaken the framework of policy on recruitment and appointment of staff in accordance with THAI's rules and regulations on human resource management, prepared, revised, and updated job descriptions of the executives and employees for accuracy on a regular basis. The staff's promotion and salary rates are based on a job evaluation assessed every six months. THAI has adopted key performance indicators (KPI) to be specified in job description and performance management guidelines for the department manager level and above to achieve their performance goals. In addition, THAI has prepared incentives for employees to perform at full capacity, planned and revised effective manpower, and improved operation manuals for better management and better internal control. THAI has also promoted a culture 'THAI Spirit' and encourages employees to be trained to develop and enhance their skills, ethics, and morality in performing their duties. Some operation units, however, are still in the process of internal restructuring to match the aspects of jobs and modified operation processes. Because many of the

operation units lack executives and workforce equipped with specific knowledge, skills, and expertise; THAI, as a result, has continued to improve the allocation of appropriate manager resources by planning the capacity of workforce in each age range to meet the needs of each field of expertise and further developed personnel at all levels throughout the organization. THAI has also reorganized its corporate structure to enhance the sustainable management of the organization.

2. Risk Management

THAI has set adequate risk assessment, specified objectives, vision, and mission in its strategic plans and strategic management by assigning Strategies Success Measures (SSM) for each plan, identified, assessed, and analyzed the internal and external risks, and prepared the Key Risk Indicator (KRI) to use as an early warning tool for all corporate risks. In addition, the risk management is used in KPI for the level of the Vice President position and above. All departments are required to set their own risk assessment and conduct a report on the risk assessment in a quarterly basis as indicated in the risk assessment manual used as the framework and guidelines of the company to manage risks. The Risk Management Department has monitored the progress of the action plans to continuously and consistently control risks and conducted a report on the progress of the corporate risk management to Policy Management Committee, Risk Management Committee and the Board of Directors on a regular basis. The Risk Management Committee is responsible for supervising and providing advice on risk management.

3. Oversight of Management

THAI has adequate control activities relating to its objectives and results of its risk assessment policy and practice. The Company has policies, operation manuals and rules for key control activities in writing, held individuals accountable under the supervision of their head and line of command such as regulations governing financial authority, regulations governing the human resource, and regulations governing the procurement, for example. Some departments, however, are in the process of improving their operation manuals to comply with the new structure and the new aspects of work. The operation manuals are improved on a regular basis; key operations are divided clearly. Valuable assets maintenance is undertaken with assets being counted by the Company's assets registration unit on an annual basis. The management conducts operation review regularly and in pursuit of international standards required by IATA, ICAO, the Department of Civil Aviation and various ISO certificates. THAI's performance is monitored and reviewed by both THAI's Office of the Internal Audit and related external entities.

4. Information and Communication

THAI has an adequate information and communication system for management and the decision of the management, websites, the THAI Sphere intranet portal, and a comprehensive platform for internal information and data dissemination. Many departments create webpages to communicate information related to their operations and receive external information from other organizations such as government policies, customer survey results, airline ranking survey results by different organizations, economic and political circumstances, aviation industry, technology and scientific advancement on communication information and transport, for example. THAI has supported the development of information systems such as SAP system which is employed to improve the performance to meet the strategic plans has been in the process of developing Data Warehouse to provide and consolidated information for study, analysis, and performance in the same database. THAI also has adequate, reliable, and timely internal and external communication systems, used the Internet for internal meetings, delivering commands, announcements, and bulletin such as THAI's Today, as well as Management Talk to delivery key messages from the top management to staff throughout THAI via Intranet,

mobile phone SMS and social media network channels. In addition, THAI opens an opportunity for employees to access information and knowledge via a knowledge based intranet system, which is timely and efficient to operations. Also, THAI opens for internal complaints under the Whistle Blower Policy and external complaints such as business counterparts or shareholders via various media to improve the internal management of the organization to be more efficient.

5. Monitoring and Evaluation

THAI has adequate and appropriate internal control to keep the management of all levels informed and aware of their responsibilities to take proactive actions on operations and results as planned. The management holds internal departmental meetings to ensure their operation and results achieve their KPIs, prepares work reports and compares them to their target or budget plans and propose to the management to improve and revise for better results on a regular basis. Every department conducts internal control assessment and prepares reports annually on internal control as required by the State Audit Commission's Rule 6. In addition, THAI monitors and evaluates internal control by internal audit officers who operates under an independent unit reporting directly to the Audit Committee. THAI also has external auditors from other organizations such as Bureau Veritas, IATA Operational Safety Audit (IOSA), the Department of Civil Aviation and the International Organization for Standardization (ISO), etc. The management considers that it is important to make improvement on the recommendation of the auditors.

THAI considers the importance of focusing on transparency and accountability in operations and supports an effective and independent internal auditing system. Therefore, THAI has its Internal Audit Department report directly to the Board of Directors. The Board of Directors has assigned the Internal Auditing Committee to control the internal auditing to allow the Internal Audit Department to work independently and fairly, capable of adding value, improving the Company's operations to achieve its objectives via its evaluation and improvement of the effectiveness of risk management, internal control, and systematic and orderly supervision to ensure that THAI's operations are effective and efficient, the spending and investment are cost-effective, the conduct of financial statements is reliable, timely, adequate enough for disclosure in prescribed forms, the maintenance of its property and the interests of THAI are well-taken without being lost or damaged. This includes damage due to corruption and misconduct. The Internal Audit Department also focuses on each operation's pursuit of THAI's policy, rules and regulations, and related laws and ensures that the operations have been improved and the Company's investment in subsidiaries and other joint-ventures have been monitored and evaluated. The Internal Audit Department also advises the management on improving internal control for greater efficiency and effectiveness.

The Internal Audit Department monitors the process of the Company's operations, including information technology as required by its audit plan approved by the Audit Committee. The Internal Audit Department adopts Risk-Based Audit to create its internal audit plan and ensures that the plan complies with the Company's strategy. In addition, the Internal Audit Department conducts ad hoc audits as approved by the Audit Committee. The Internal Audit Department submits quarterly reports to assigned executives, the Company's President, and the Audit Committee. In case of finding or suspicion about damages with significant implications on the Company's operations, the head of the Internal Audit Department will report them to President and the Audit Committee immediately.

The Board of Directors considers that the Company's internal control system is adequate for 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

The company has good relations with investors, shareholders and stakeholders. By providing information such as financial information, performance of the company and direction of the management company directly for all stakeholders to be transparent and timely and available to answer questions about the company to build confidence in the performance of the company.

The main target groups, including shareholders, investors, institutional, individual, analysts, fund managers, employees and other stakeholders will receive information on the company's consistent, equitable manner through its financial reporting and other reports associated with the company's stock.

In 2012 The Company's Investor Relations Department held key activities as follows:

<i>Activities</i>	<i>Times</i>
Domestic and international road shows	6 times/year
Conferences/Teleconferences with the management	40 times/year
Inquiries via phones and emails	3-5 cases/day
Quarterly pre and post disclosure analyst briefings	4 times/year
Company visit (Site visit)	4 times/year
Other special activities undertaken	2 times/year

In 2012, the Company cooperated with the Stock Exchange of Thailand and securities companies in holding special activities with lectures providing knowledge and Q&A sessions, which were well received by the Company's shareholders, stock analysts, and investors. The activities included SET in the City 2012 held by the Stock Exchange of Thailand, Transportation Day, Thailand Focus 2012, and Corporate Day held by securities companies in the country.

In addition to the activities, the Company also held other activities on a regular basis to open opportunities for target groups to meet the top management. The Company's executives demonstrated their vision and policy of the Company and answered questions which helped build trust for the target groups. Also, the Company developed and updated its Investor Relations website to be easy to search via http://www.thaiairways.co.th/about-thai/investor-relations/th/investor_th.html. Update information is made available via emails. People interested in the Company can also sign up for the email updates.



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. Since November 13, 2012, Mrs. Suvimol Bualerd, Vice President, Office of the Secretariat, has been appointed as the Company's Secretariat, and also to serve as a secretary to the Company's Board of Directors under the supervision of the Company's President.

The Corporate Secretariat is charged with the following duties:

- Coordinate and manage the various activities of the Board of Directors to ensure the 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 frame
- 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 the Company's compliance to rules and regulations involving listed company
- Coordinate between legal advisor and the financial auditor
- Serve as a repository of the Company's information to Board members 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 the changes or 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)
- Provide advice to the Company's Board members and management executives regarding rules and regulations of the SEC and the SET and ensure compliance with such rules and regulations
- Oversee the consultation and service provided to the Company's shareholder relating to shareholders register and organize the AGM in accordance with corporate laws and principles of good corporate governance

18. Policies on Insider Information

THAI strictly adheres to and abides by the guidelines of both the SET and the SEC as the emphasis is placed on good corporate governance. An internal guideline was announced in 2004 that current Board members and those 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, the 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 Securities Exchange of Thailand, The Office of the Securities and Exchange Commission (SEC) and The Association of Publicly Listed Companies.

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 Course (Re-DCP)
4. The Audit Committee Program (ACP)
5. The Role of the Chairman Program (RCP)
6. The Finance for Non-Finance Director (FND)
7. The Understanding the Fundamental of Financial Statements (UFS)
8. The Financial Statements for Directors (FSD)
9. The Executive Director Course (EDC)

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, 2012, 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 of the Audit Committee	- Audit Committee Program (ACP 17/2007) - Director Certification Program (DCP 35/2003) - DCP Refresher Course (Re-DCP 1/2008) - Finance for Non-Finance Director (FND 7/2003) - Financial Institutions Governance Program - Financial Institutions Governance Program (FGP 4/2012)
Mr. Areepong Bhoocha-oom	Vice Chairman	- Director Certification Program (DCP 3/2000) - DCP Refresher Course (Re-DCP 2/2009)
Mr. Apiporn Pasawat	Independent Director	- Director Accreditation Program (DAP 39/2005)
ACM. Satitpong Sukvimol	Independent Director	-
Mr. Kanit Sangsubhan	Independent Director	- Director Accreditation Program (DAP 21/2004)
Mr. Weerawong Chittmittrapap	Independent Director, Member of the Audit Committee	- Director Certification Program (DCP 0/2000) - The Executive Director Course
Mr. Dheerasak Suwannayos	Director	- Director Accreditation Program (DAP 26/2004)
ACM. M.L. Suprija Kamalasana	Director	- Director Accreditation Program (DAP 54/2006)
Mr. Silpachai Jarukasemratana	Director	-
Mr. Chutinant Bhirom Bhakdi	Director, Member of the Audit Committee	- Audit Committee Program (ACP 38/2012) - Director Certification Program (DCP 49/2004) - Role of the Chairman Program (RCP 11/2005)
Mr. Voradej Harnprasert	Director	-
Pol.Gen.Pongsapat Pongcharoen	Director	- Audit Committee Program (ACP 26/2009) - Director Certification Program (DCP 107/2008)
Mr. Sutham Siritipsakorn	Director	- Director Accreditation Program (DAP 63/2007)
Mr. Sorajak Kasemsuvan	Director, President	- Director Accreditation Program (DAP 22/2004)

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 2006
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 2012, the audit fee was THB 2.90 million and other audit expenses were THB 1.95 million.

Other Factors Bearing Impact on Investment Decision

The current situation in the airline industry sees intensifying competition by rival airlines, low-cost airlines, and airlines from the Middle-East. In addition, there are other risk factors concerning with the airline business and directly affecting the performance and return on investment. They are, for example, the volatility of fuel prices and domestic and foreign economies around the world, monetary and capital markets, problems from political circumstances at home and abroad, natural disasters, and epidemics.

Careful, correct, and timely decision on investment and the knowledge, skills, experiences, and capabilities from all levels of the Company's management are integral to the performance and operating results of the Company, which will directly affect the benefits of its shareholders. The Company recommends investors and interested persons study and understand thoroughly the Company's information in details and other factors that may cause impacts on the Company's performance.



Board of Director's Shareholding and Meeting Attendance for the period December 31, 2012

Board of Directors			Number of Shares	Number of Attendance/ Total Meeting (times)	Period of Time
1. Mr. Ampon Kittiampon	Kittiampon	Chairman and Independent Director	-	17/17	27 Apr 11 - Apr 14
2. Mr. Chulasingh Vasantasingh	Vasantasingh	Vice Chairman, Independent Director and Chairman of the Audit Committee	-	15/17 11/12	28 Apr 10 - Apr 13
3. Mr. Areepong Bhoocha-oom	Bhoocha-oom	Vice Chairman	-	13/17	25 Apr 12 - Apr 15
4. Mr. Kanit Sangsubhan	Sangsubhan	Independent Director	-	17/17	28 Apr 10 - Apr 13
5. Mr.Pradit Sintavanarong	Sintavanarong	Former Director	-	13/17	12 Oct 11 - 24 Oct 12
6. Pol. Gen. Preophan Dhamapong	Dhamapong	Former Director	-	8/17	25 Apr 12 - 1 Oct 12
7. Mr. Weerawong Chittmittrapap	Chittmittrapap	Independent Director Audit Committee	-	16/17 9/12	28 Apr 10 - Apr 13
8. ACM. Satitpong Sukvimol	Sukvimol	Director	-	2/17	25 Apr 12 - Apr 15
9. ACM. M.L. Suprija Kamalasana	Kamalasana	Director	-	17/17	25 Apr 12 - Apr 15
10. Mr. Apiporn Pasawat	Pasawat	Independent Director		15/17	28 Apr 10 - Apr 13
11. Mr. Dheerasak Suwannayos	Suwannayos	Director	-	15/17	27 Apr 11 - Apr 14
12. Mr. Voradej Harnprasert	Harnprasert	Director	-	13/17	11 Nov 11 - 1 Jan 13
13. Mr. Chutinant Bhirom Bhakdi	Bhirom Bhakdi	Director Audit Committee	- -	15/17 10/12	11 Nov 11 - Apr 14
14. Mr. Piyasvasti Amranand	Amranand	Former Director		8/17	27 Apr 11 - 21 Jun 12
15. Mr. Silpachai Jarukasemratana	Jarukasemratana	Director	-	14/17	25 Apr 12 - Apr 15
16. Pol. Gen. Pongsapat Pongcharoen	Pongcharoen	Director	-	2/17	13 Nov 12 - Apr 15
17. Mr. Sutham Siritipsakorn	Siritipsakorn	Director	-	2/17	13 Nov 12 - Apr 14
18. Mr. Sorajak Kasemsuvan	Kasemsuvan	Director	-	3/17	13 Nov 12 - Apr 14

Note: Former directors are members of the Board of Directors who were retired from office before December 31, 2012.

Remuneration for the Board of Directors for the period December 31, 2012

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	1,050,000.00	10,000.00	-	1,060,000.00
2. Mr. Chulasingh Vasantasingh	Vasantasingh	Vice Chairman and Independent Director	1,005,000.00	70,000.00	-	1,075,000.00
		Chairman of the Audit Committee	-	360,000.00	-	360,000.00
3. Mr. Areepong Bhoocha-oom	Bhoocha-oom	Vice Chairman	891,250.00	110,000.00	-	1,001,250.00
		Former Director	80,000.00	-	-	80,000.00
4. Mr. Kanit Sangsubhan	Sangsubhan	Independent Director	960,000.00	240,000.00	-	1,200,000.00
5. Mr. Chutinant Bhirom Bhakdi	Bhirom Bhakdi	Director	960,000.00	50,000.00	-	1,010,000.00
		Audit Committee	-	360,000.00	-	360,000.00
6. Mr. Dheerasak Suwannayos	Suwannayos	Director	960,000.00	210,000.00	-	1,170,000.00
7. Pol. Gen. Pongsapat Pongcharoen	Pongcharoen	Director	140,000.00	10,000.00	-	150,000.00
8. Mr. Voradej Harnprasert	Harnprasert	Director	930,000.00	150,000.00	-	1,080,000.00
9. Mr. Weerawong Chittmittrapap	Chittmittrapap	Director	930,000.00	110,000.00	-	1,040,000.00
		Audit Committee	-	360,000.00	-	360,000.00
10. ACM. Satitpong Sukvimol	Sukvimol	Director	660,000.00	-	-	660,000.00
11. Mr. Sutham Siritipsakorn	Siritipsakorn	Director	140,000.00	30,000.00	-	170,000.00
12. ACM. M.L. Suprija Kamalasana	Kamalasana	Director	960,000.00	150,000.00	-	1,110,000.00
13. Mr. Apiporn Pasawat	Pasawat	Director	960,000.00	260,000.00	-	1,220,000.00
14. Mr. Silpachai Jarukasemratana	Jarukasemratana	Director	869,354.84	140,000.00	-	1,009,354.84
15. Mr. Sorajak Kasemsuvan	Kasemsuvan	Director	140,000.00	40,000.00	-	180,000.00
16. Mr. Piyasvasti Amranand	Amranand	Former Director	-	-	-	-
17. Mr. Pradit Sintavanarong	Sintavanarong	Former Director	787,096.78	170,000.00	-	957,096.78
18. Pol. Gen. Preophan Dhamapong	Dhamapong	Former Vice Chairman	271,250.00	20,000.00	-	291,250.00
		Former Director	370,000.00	-	-	370,000.00
19. Mr. Pravich Rattanapian	Rattanapian	Former Director	-	20,000.00	-	20,000.00

Note: 1) Former Chairman, Former Vice Chairman and Former Directors were members of the Board of Directors retired before December 31, 2012.
2) Mr. Piyasvasti Amranand has no intention of receiving all the remuneration and meeting allowance for 2012.
3) Mr. Pravich Rattanapian resigned from the Board on October 7, 2011 and received the 2011 meeting allowance for Sub-Committee.
4) Due to the Company's performance in 2011, no bonus paid.



Related Parties Transactions

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, 2012.

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, 2012	for the year ended December 31, 2011	
Ministry of Finance (MOF)	<ul style="list-style-type: none"> ■ The MOF is a major shareholder of THAI with 51.03% equity interest. ■ One of THAI's Directors, Mr. Areepong Bhoocha-oom, is a Permanent Secretary of MOF. 	Loans via the MOF are as follows :			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"> - Interest rate 7.07% per annum - 20- year terms - Due on September 30, 2013
		<ul style="list-style-type: none"> ● Long-term Loans <ul style="list-style-type: none"> - Outstanding balance - Interest expense 	1,225.26 90.67	1,273.28 87.06	
		<ul style="list-style-type: none"> ● THAI leased the lands from the Treasury Department : <ul style="list-style-type: none"> - Rayong Province - Khon Kaen Province - Udon Thani Province - Surat Thani Province - Krabi Province 	4.58	4.41	THAI purchases 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, 2012	for the year ended December 31, 2011	
Government Saving Bank (GSB)	<p>■ GSB is controlled by the MOF, a major shareholder of THAI.</p> <p>■ One of THAI's Director, Mr. Sutham Siritipsakorn, is a Director of GSB.</p> <p><u>Note</u> : Mr. Sutham Siritipsakorn is a Director of THAI on November 13, 2012.</p>	<p>1. THAI borrowed loans from GSB as follows :</p> <ul style="list-style-type: none"> ● Long-term Loans <ul style="list-style-type: none"> - Outstanding balance - Interest expense 	<p>3,462.00</p> <p>279.58</p>	<p>5,034.00</p> <p>222.41</p>	<p>The Pricing and terms of these transaction are on an arms' length basis and on commercial terms as unrelated parties as follows :</p> <p>- <u>Long-term Loans</u> : 3 Outstanding of Long-term Loans</p> <p>1) Bare floating interest rate, MLR - 1.9% per annum, over terms of 5 years and due on July 9, 2014</p> <p>2) Bare floating interest rate, THBFIX + 0.65% per annum, over terms of 7 years and due on October 8, 2015</p> <p>3) Bare floating interest rate, THBFIX + 0.55% per annum, over terms of 7 years and due on October 13, 2015</p>
		<p>2. THAI entered into the Committed revolving credit line with GSB, not more than THB 7,000 million.</p> <ul style="list-style-type: none"> - Commitment fee 	<p>17.31</p>	<p>13.71</p>	<p>The Pricing and terms of these transaction are on an arms' length basis and on commercial terms as unrelated parties as follows :</p> <p><u>Committed revolving Credit Line</u></p> <ul style="list-style-type: none"> - not over 7-year terms from the agreement date - Bare floating interest rate, FDR (Fixed Deposit Rate) + 1.9% per annum or 2.375% per annum if THAI is not a state enterprise - Commitment fee at the rate of 0.25% per annum of not drawdown amount. <p>At present, THAI has not drawn any such committed revolving credit line but paid the commitment fee.</p>
		<p>3. THAI sold tickets, leased ATM area and line telephone to GSB</p> <ul style="list-style-type: none"> - Aggregate amount - Outstanding balance 	<p>1.51</p> <p>0.37</p>	<p>7.14</p> <p>1.05</p>	<p>THAI sells and leases goods and services on an arms' length basis and on commercial terms as unrelated parties.</p>
Islamic Bank of Thailand (ISBT)	<p>■ ISBT is controlled by the MOF, a major shareholder of THAI.</p> <p>■ One of THAI's Directors, Mr. Dheerasak Suwannayos, is a Managing Director of ISBT.</p> <p><u>Note</u> : Mr. Dheerasak Suwannayos retired from his position at ISBT on July 4, 2012.</p>	<p>THAI borrowed loans from ISBT as follows :</p> <ul style="list-style-type: none"> ● Long-term loans <ul style="list-style-type: none"> - Outstanding balance - Profit payment 	<p>500.00</p> <p>55.04</p>	<p>1,000.00</p> <p>80.41</p>	<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"> - Floating profit rate, SPRL - 1.00% per annum - 5-year terms - Due on December 31, 2013

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, 2012	for the year ended December 31, 2011	
Export - Import Bank of Thailand (EXIM)	■ EXIM is controlled by the MOF, a major shareholder of THAI.	2. THAI entered into the Committed revolving credit line with EXIM amount of THB 3,600 million. - Commitment fee	0.91	0.00	The Pricing and terms of these transaction are on an arms' length basis and on commercial terms as unrelated parties as follows : <u>Committed revolving Credit Line</u> - 5 year terms, July 20, 2012 to July 20, 2017 - Bare floating interest rate, THBFIX 3 + 2.25% per annum. - Front - End Fee at the rate of 0.20% of drawdown amount. - Commitment fee at the rate of 0.10% for annum. - THAI agreed to pay prepayment fee at the rate of 2% of any partial prepayment will be paid. At present, THAI has not drawn any such committed revolving credit line but paid the commitment fee.
Thailand Post Company Limited	■ The MOF, a major shareholder of THAI, is a major shareholder of Thailand Post Co., Ltd.	1. THAI purchased postal and related services from Thailand Post Co., Ltd. - Aggregate amount - Outstanding balance	14.68 0.50	15.78 0.00	THAI purchases services at a market price on an arms' length basis and on commercial terms as unrelated parties.
		2. THAI sold tickets to Thailand Post Co., Ltd. - Aggregate amount - Outstanding balance	2.45 0.85	0.79 0.16	THAI sells goods and services on an arms' length basis and on commercial terms as unrelated parties.
Tourism Authority of Thailand (TAT)	■ The MOF, a major shareholder of THAI, is a major shareholder of TAT.	1. THAI pays 5% of commission to TAT for selling THAI's tickets - Aggregate amount - Outstanding balance	1.19 0.77	0.00 0.00	THAI sells and leases goods and services on an arms' length basis and on commercial terms as unrelated parties.
		2. THAI sold tickets and leased the Trang office to TAT - Aggregate amount - Outstanding balance	164.47 32.33	56.89 6.28	THAI sells 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, 2012	for the year ended December 31, 2011	
PTT Public Company Limited (PTT)	<ul style="list-style-type: none"> The MOF, a major shareholder of THAI, is a major shareholder of PTT. One of THAI's Directors, Mr. Chulasingsh Vasantasingh is a Director of PTT. 	1. THAI purchased fuel and oil for its aircraft and vehicles from PTT - Aggregate amount - Outstanding balance	8,515.46 33.82	9,481.92 443.69	THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties.
		2. THAI sold tickets to PTT - Aggregate amount - Outstanding balance	383.92 51.47	160.69 18.69	THAI sells goods and services on an arms' length basis and on commercial terms as unrelated parties.
Bangchak Petroleum Public Company Limited (BCP)	<ul style="list-style-type: none"> The MOF, a major shareholder of THAI, is an indirect major shareholder of BCP. 	THAI purchased fuel and oil for its aircraft and vehicles from BCP - Aggregate amount - Outstanding balance	18,466.25 845.10	18,965.57 2,733.30	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)	<ul style="list-style-type: none"> One of THAI's Directors. Mr. Weerawong Chittmittrapap, is a Director of BJC. 	THAI purchased consumable goods from BJC - Aggregate amount - Outstanding balance	13.70 1.73	12.11 3.19	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)	<ul style="list-style-type: none"> The MOF, a major shareholder of THAI, is a major shareholder of AOT. 	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	5,765.09 240.51	5,016.17 277.61	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	80.86 13.58	65.74 21.71	THAI sells 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, 2012	for the year ended December 31, 2011	
District Cooling system and Power Plant Company Limited (DCAP)	<ul style="list-style-type: none"> The MOF, a major shareholder of THAI, is a major shareholder of DCAP. Electricity Generating Authority of Thailand (EGAT) is a major shareholders of DCAP. 	THAI bought steam and chilled water from DCAP <ul style="list-style-type: none"> - Aggregate amount - Outstanding balance 	117.48 11.91	30.86 11.09	THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties.
Civil Aviation Training Center (CATC)	<ul style="list-style-type: none"> The MOF, a major shareholder of THAI, is a major shareholder of CATC. One of THAI's Executives, Lt. Athisak Padchuenjai, is a Director of CATC. 	1. CATC provided civil aviation training to THAI's pilots <ul style="list-style-type: none"> - Aggregate amount - Outstanding balance 	22.29 0.00	10.43 0.00	THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties.
		2. THAI sold tickets to CATC <ul style="list-style-type: none"> - Aggregate amount - Outstanding balance 	0.11 0.00	0.07 0.00	THAI sells goods and services on an arms' length basis and on commercial terms as unrelated parties.
Department of Civil Aviation (DCA)	<ul style="list-style-type: none"> One of THAI's Directors, Mr. Voradej Harnprasert, is a Director General of DCA. 	1. THAI leased the offices in district airports and bought apron services from DCA <ul style="list-style-type: none"> - Aggregate amount - Outstanding balance 	30.01 0.00	10.59 10.00	THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties.
		2. THAI sold tickets to CATC <ul style="list-style-type: none"> - Aggregate amount - Outstanding balance 	0.21 0.11	0.56 0.04	THAI sells goods and services on an arms' length basis and on commercial terms as unrelated parties.
Government Pharmaceutical Organization. (GPO)	<ul style="list-style-type: none"> The MOF, a major shareholder of THAI, is a major shareholder of GPO. 	1. THAI bought pharmaceutical products and medical supplies from GPO <ul style="list-style-type: none"> - Aggregate amount - Outstanding balance 	0.12 0.00	0.15 0.00	THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties.
		2. THAI sold tickets to GPO <ul style="list-style-type: none"> - Aggregate amount - Outstanding balance 	12.57 0.44	1.69 0.42	THAI sells 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, 2012	for the year ended December 31, 2011	
Thai-Amadeus Southeast Asia Company Limited (Subsidiary Company)	<ul style="list-style-type: none"> THAI is a major shareholder with 55% equity interest. 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><u>Note</u> : Mr. Niruj Maneepun is a Chairman instead of Mr. Kanit Sangsubhan resigned from Thai-Amadeus Southeast Asia Co., Ltd. On March 16, 2012.</p>	1. Thai-Amadeus Southeast Asia Co., Ltd. invested in THAI's bonds - Bonds	0.00	50.78	The Pricing and terms of these transaction are on an arms' length basis and on commercial terms as unrelated parties as follows : - Interest rate 5.04% per annum - 1.7 years to maturity - Due on November 22, 2012
		2. THAI received a deposit for renting offices at Hat Yai and Phuket from Thai-Amadeus Southeast Asia Co., Ltd. - Outstanding balance	0.13	0.13	THAI sells and leases goods and services on an arms' length basis and on commercial terms as unrelated parties.
		3. THAI sold tickets as well as leased office area, computers and office equipment to Thai-Amadeus Southeast Asia Co., Ltd. - Aggregate amount - Outstanding balance	2.51 0.37	3.04 0.32	THAI sells and leases goods and services on an arms' length basis and on commercial terms as unrelated parties.
WingSpan Services Company Limited (Subsidiary Company)	<ul style="list-style-type: none"> THAI is a major shareholder with 49% equity interest. Four of THAI's Executives, Mr. Chokchai Panyayong, is a Chairman, Mrs. Wasukarn Visansawatdi, Mr. Danuj Bunnag, and Mr. Niruj Maneepun are Directors of WingSpan Service Co., Ltd. 	1. THAI purchased outsource staff service from WingSpan Service Co., Ltd. - Aggregate amount - Outstanding balance	515.02 0.01	67.38 2.53	THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties.
		2. THAI leased office area and equipment to WingSpan Services Co., Ltd. - Aggregate amount - Outstanding balance	21.30 169.13	0.36 0.00	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, 2012	for the year ended December 31, 2011	
Thai Flight Training Company Limited (TFTA) (Subsidiary Company)	<p>■ THAI is a major shareholder with 49% equity interest.</p> <p>■ Four of THAI's Executives, Sqn. Ldr. Asdavut Watanangura is a Chairman, Mr. Chokchai Panyayong, Mrs. Wasukarn Visansawatdi, and Mr. Thongchai Singhakul are Directors of TFTA.</p> <p><u>Note:</u> Mr. Thongchai Singhakul is a Director instead of Mrs. Wasukarn Visansawatdi resigned from TFTA on February 20, 2012 and Mr. Chokchai Panyayong resigned from TFTA according to THAI's Board Resolution No. 4/2555 held on March 16, 2012.</p>	<p>THAI provided training equipment and leased office area as well as equipment to TFTA</p> <ul style="list-style-type: none"> - Aggregate amount 13.44 - Outstanding balance 6.48 		<p>5.88</p> <p>0.00</p>	THAI sells and leases goods and services on an arms' length basis and on commercial terms as unrelated parties.
Nok Airlines Company Limited (Subsidiary Company)	<p>■ THAI holds 49% equity interest in Nok Airlines Co., Ltd.</p> <p>■ Two of THAI's Directors, Mr. Apiporn Pasawat and Mr. Weerawong Chittmittrapap, are a Chairman and Director of Nok Airlines Co., Ltd., respectively. Four of THAI's Executives, Mr. Piyasvasti Amranand, Mr. Chokchai Panyayong, Mr. Teerapol Chotichanapibal and Mr. Niruj Maneepun, are Directors of Nok Airlines Co., Ltd.</p> <p><u>Note:</u> Mr. Niruj Maneepun is a Director of Nok Airlines Co., Ltd. Instead of Mr. Piyasvasti Amranand according to THAI's Board Resolution No.10/2555 held on July 27, 2012.</p>	<p>1. THAI paid for equipment and ground services at Ubon Ratchathani as well as engineer licence to Nok Airlines Co., Ltd.</p> <ul style="list-style-type: none"> - Aggregate amount 8.39 - Outstanding balance 0.57 		<p>0.00</p> <p>0.00</p>	THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties.
		<p>2. THAI has been leasing out aircraft and providing aviation operation services to Nok Airlines Co., Ltd.</p> <ul style="list-style-type: none"> - Aggregate amount 532.88 - Outstanding balance 75.05 		<p>815.90</p> <p>110.73</p>	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, 2012	for the year ended December 31, 2011	
Tour Eurng Luang Company Limited (Subsidiary Company)	<ul style="list-style-type: none"> THAI holds 49% equity interest in Tour Eurng Luang Co., Ltd. Two of THAI's Executive, Mr. Pandi Chanapai and Mr. Niruj Maneepun, are Directors of Tour Eurng Luang Co., Ltd. 	1. THAI paid a commission to Tour Eurng Luang for selling its products. - Aggregate amount - Outstanding balance	0.50 0.00	0.00 0.00	THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties.
		2. THAI sold Tour Eurng Luang to Tour Eurng Luang Co., Ltd. - Aggregate amount - Outstanding balance	10.01 0.96	0.00 0.00	THAI sells and leases goods and services on an arms' length basis and on commercial terms as unrelated parties.
Donmuang International Airport Hotel Company Limited (Associated Company)	<ul style="list-style-type: none"> THAI holds 40% equity interest in Donmuang International Airport Hotel Co., Ltd. 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. <p><u>Note</u> : Flt.Lt. Montree Jumrieng resigned from Donmuang International Airport Hotel Co., Ltd. according to THAI's Board Resolution No. 4/2555 held on March 16, 2012.</p>	THAI purchased accommodation services for its passengers from Donmuang International Airport Hotel Co., Ltd. - Aggregate amount - Outstanding balance	0.00 0.00	0.41 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, 2012	for the year ended December 31, 2011	
Bangkok Aviation Fuel Services Public Company Limited (BAFS) (Associated Company)	<ul style="list-style-type: none"> THAI holds 22.59% equity interest in BAFS. Two of THAI's Executives, Mr. Chokchai Panyayong and Flt. Lt. Montree Jumrieng, are Directors of BAFS. <p><u>Note</u> : Mr. Chokchai Panyayong resigned from BAFS according to THAI's Board Resolution No. 4/2555 held on March 16, 2012.</p>	1. BAFS provides fuel services for THAI <ul style="list-style-type: none"> - Aggregate amount - Outstanding balance 	316.41 0.00	394.03 36.36	THAI purchases goods at a market price on an arm's length basis and on commercial terms as unrelated parties.
		2. THAI provided transportations and catering services to BAFS <ul style="list-style-type: none"> - Aggregate amount - Outstanding balance 	0.05 0.04	0.03 0.00	THAI sells goods and services 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"> THAI holds 24% equity interest in ROH. Two of THAI's Executives, Mr. Pandit Chanapai and Mr. Teerapol Chotichanapibal, are Directors of ROH. 	1. THAI purchased accommodation services for its passengers from ROH <ul style="list-style-type: none"> - Aggregate amount - Outstanding balance 	2.63 0.00	4.47 0.03	THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties.
		2. THAI sold advertising in ROH Brochure to ROH <ul style="list-style-type: none"> - Aggregate amount - Outstanding balance 	0.15 0.00	0.15 0.00	THAI sells goods and services 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"> THAI holds 30% equity interest in PACCO. One of THAI's Executives, Mr. Sathok Varasarin is a Chairman of PACCO. <p><u>Note</u> : Mr. Sathok Varasarin retired from THAI on September 30, 2012.</p>	1. THAI purchased food and catering services from PACCO <ul style="list-style-type: none"> - Aggregate amount - Outstanding balance 	15.55 0.00	11.01 3.20	THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties.
		2. THAI sold raw material and catering services to PACCO <ul style="list-style-type: none"> - Aggregate amount - Outstanding balance 	3.45 0.01	3.36 0.88	THAI sells 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, 2012	for the year ended December 31, 2011	
Suvarnabhumi Airport Hotel Company Limited (Associated Company)	<ul style="list-style-type: none"> THAI holds 30% equity interest in Suvarnabhumi Airport Hotel Co., Ltd. One of THAI's Executives, Mrs. Wasukarn Visansawatdi, is a Director of Suvarnabhumi Airport Hotel Co., Ltd. 	1. THAI purchased accommodation services for its passengers from Suvarnabhumi Airport Hotel Co., Ltd. - Aggregate amount - Outstanding balance	19.76 0.11	28.39 0.45	THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties.
		2. THAI sold tickets to Suvarnabhumi Airport Hotel Co., Ltd. - Aggregate amount - Outstanding balance	0.02 0.00	0.02 0.00	THAI sells goods and services on an arms' length basis and on commercial terms as unrelated parties.
Aeronautical Radio of Thailand Limited (AEROTHAI) (Related Company and Joint Venture Company)	<ul style="list-style-type: none"> The MOF, a major shareholder of THAI, is a major shareholder of AEROTHAI. THAI holds 2.00% equity interest in AEROTHAI. One of THAI's Executives, Sqn. Ldr. Asdavut Watanangura, is a Director of AEROTHAI. 	1. THAI purchased aeronautical navigation and leased equipment from AEROTHAI - Aggregate amount - Outstanding balance	1,377.22 10.33	1,224.70 101.89	THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties.
		2. THAI sold tickets and provided transportation services to AEROTHAI - Aggregate amount - Outstanding balance	6.63 0.83	3.94 0.47	THAI sells goods and services on an arms' length basis and on commercial terms as unrelated parties.

THAI has related party transactions for utiliting expenses, consisting of electricity, water and telephone charges, which related to those government agencies and/or state enterprises providing such utilities amount of THB 217.33 million for the year ended December 31, 2012 with outstanding balance of THB 3.31 million as of December 31, 2012.



Necessity and reasonableness of related parties transactions

Having scrutinized items on related parties transactions during 2012, 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, 2012

For Thai Airways International Public Company Limited and Its Subsidiary

The consolidated financial statements for year ending December 31, 2012 compared to the same period last year, this year's 2012's financial information includes an additional subsidiary, Nok Airlines Co., Ltd. (Nok Air) which THAI purchased an additional 5 million shares representing an additional 10 percent stake of Nok Air's issued and paid-up capital on November 29, 2011, increasing THAI's total shareholding to 49 percent. Nok's financial statements have been consolidated into THAI's financial statements based on THAI having controlling power over Nok through THAI's representation on Nok's Board of Directors.

1. Executive summary

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

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

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



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

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

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

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

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

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

1) Excluding gains (losses) on foreign currency exchange

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

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

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

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

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

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



3. Performance analysis for the year 2012

Production and Traffic (Thai Airways International PCL.)

		2012	2011	% Change	
Production	(MATK)	12,023	11,987	+	0.3%
Traffic	(MRTK)	8,229	7,836	+	5.0%
Load Factor	(%)	68.4	65.4	+	3.0
Passenger Production	(MASK)	79,231	78,533	+	0.9%
Passenger Traffic	(MRPK)	60,679	55,267	+	9.8%
Cabin Factor	(%)	76.6	70.4	+	6.2
Freight Production	(MADTK)	4,892	4,919	-	0.5%
Freight Traffic	(MRFTK)	2,653	2,766	-	4.1%
Freight Load Factor	(%)	54.2	56.2	-	2.0
No. of Passenger	(Million persons)	20.62	18.39	+	12.1%
Flight Hours	(Hours)	364,536	355,815	+	2.5%
Average of Aircraft Utilization	(Hour/Aircraft/Day)	11.5	11.9	-	3.4%

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

THAI performed rescheduling of flights strategy principally intended to provide the appropriate flight schedule to match the market demand and seasonality as well as respond faster to any change in competition and/or situation. Consequently, passenger traffic (Revenue Passenger - Kilometers: RPK) increased by 9.8% in almost all routes except North America. Passenger production (Available Seat - Kilometers: ASK) increased by 0.9% due to the expanding Regional routes but reducing intercontinental routes. Consequently, the average cabin factor was 76.6% higher than the 70.4% average cabin factor achieved during last year.

On the freight services side, THAI returned the last of block-spaced freighter aircraft in February 2012 and re-launched its freighter services with its own 2 freighter aircraft converted from passenger aircraft in April and May, respectively. Unfortunately, business has been adversely affected by the dramatic world economic slowdown and resulting heightened competition among air cargo transport companies. To respond to the crisis, THAI had to reduce freight production of a freighter aircraft in September which made lower both freight production (Available Dead Load Ton-Kilometers: ADTK) and freight traffic (Revenue Freight Ton-Kilometers: RFTK) by 0.5% and 4.1%, consecutively, compared to the same period last year. Average freight load factor achieved was 54.2% lower than the 56.2% average achieved last year.

Revenues of Thai Airways International PCL. and its subsidiaries

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

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

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

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

■ Passenger and excess baggage revenue

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

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

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

Passenger and excess baggage revenue classified by flight regions

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

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

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

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

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

■ Freight and mail revenue

Freight and mail revenue amounted to THB 26,764 million for THAI, which was a decrease of THB 1,328 million or 4.7%. Freight and mail revenue for THAI decreased by THB 1,346 million or 4.8%. Average freight yield (including fuel and insurance surcharge) was 9.78 THB/RFTK, decreased from 9.89 THB/RFTK or 1.1% from last year due to global economic crisis, the more competition among maritime transporters, and the growth of land transport sector which usurped THAI's market shares. As a result, freight traffic (Revenue Freight Ton-Kilometers: RFTK) decreased by 113 million ton-kilometers or 4.1% while freight production (Available Dead Load Ton-Kilometers:ADTK) decreased by 27 million ton-kilometers or 0.5%. Average freight load factor was 54.2% lower than last year where recorded 56.2%.

Other activities revenue

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

Interest income

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

Other income

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

Gains on assets transferred as consideration by the acquiring entity

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

Expenses for Thai Airways International PCL. and its subsidiaries

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

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

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

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

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

- Fuel and oil expense for Nok Air amounted to THB 2,276 million.

Employee benefits expenses (including Nok Air) consisting of personnel expense, employee benefits expense, management benefits expense and board of directors benefits expense amounted to THB 32,087 million, which was an increase of THB 1,078 million or 3.5% over last year mainly due to

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

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

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

- Flight service expenses for THAI increased by THB 265 million due to the increase in the number of flights.
- Flight service expenses for Nok Air amounted to THB 628 million.

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

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

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

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

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

- Lease of aircraft and spare parts expenses for THAI decreased by THB 1,746 million due to the return of the 2 leased freighter aircraft one in August 2011 and another one in February 2012 even though THAI leased additional 6 aircraft which consisted of 2 Boeing B777-300ER, in August 2011 and November 2012, and 4 Airbus A320-200 aircraft.

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

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

- Selling and advertising expenses for THAI increased by THB 651 million due to the higher reservation expenses being amplified by the greater number of passengers over last year.
- Selling and advertising expenses for Nok Air amounted to THB 295 million.

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

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

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



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

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

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

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

Share of profits of associates amounted to THB 363 million, improved by THB 179 million compared to last year due to recognizing the share of Royal Orchid Hotel (Thailand) PCL's profit, amount of THB 149 million increased from last year where recognized as expense, amount of THB 71 million, Bangkok Aviation Fuel Services PCL's profit, amount of THB 161 million which increased by THB 52 million. Nok Air's profit has been consolidated into THAI's consolidated financial statements in 2012 while last year, such profit was recognized as a share of profits of associates.

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

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

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

Net profit (loss)

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

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

Assets

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

	Consolidated				The Company			
	December 31, 2012		December 31, 2011		December 31, 2012		December 31, 2011	
	MTHB	% of Total Assets	MTHB	% of Total Assets	MTHB	% of Total Assets	MTHB	% of Total Assets
Current assets	71,611	23.5	58,805	21.5	69,357	23.2	58,310	21.4
Property, plant and equipment								
Prepaid aircraft and spare engine	17,617	5.8	21,279	7.8	17,617	5.9	21,279	7.8
Aircraft	51,661	17.0	46,104	16.8	51,661	17.3	46,104	16.9
Aircraft under finance leases	122,707	40.4	112,051	40.9	122,707	41.0	112,051	41.1
Aircraft spare parts	12,506	4.1	10,367	3.8	12,506	4.2	10,367	3.8
Work in process	2,488	0.8	2,838	1.0	2,488	0.8	2,838	1.0
Land, building and improvements	7,020	2.3	7,463	2.7	7,020	2.3	7,463	2.7
Other plant and equipment	4,569	1.5	4,893	1.8	4,479	1.5	4,885	1.8
Property, plant and equipment-net	218,568	71.9	204,995	74.8	218,478	73.0	204,987	75.1
Other non-current assets	13,917	4.6	10,156	3.7	11,521	3.8	9,503	3.5
Total Assets	304,096	100.0	273,956	100.0	299,356	100.0	272,800	100.0

Current assets were THB 71,611 million or accounted for 23.5% of total assets, an increase of THB 12,806 million or 21.8% from as of December 31, 2011. The main reason were

- Cash and cash equivalents (included cash and cash equivalents of Nok Air, amount of THB 246 million) as of December 31, 2012 totaled to THB 20,048 million which increased by THB 3,382 million from as of December 31, 2011.
- Temporary investments as of December 31, 2012 totaled THB 1,710 million, an increase of THB 1,291 million on a consolidated basis where Nok Air invested THB 1,410 million in bill of exchange.
- Other current assets as of December 31, 2012 totaled THB 9,949 million, an increase of THB 2,829 million from as of December 31, 2011. Other current assets for THAI increased THB 2,622 million mainly from reimbursement of damages claims from insurance amounted to THB 365 million, input tax refund which was THB 592 million higher than last year and accrued income from fuel hedging which was THB 284 million higher than last year. Other current assets of Nok Air totaled THB 330 million.
- Non-current assets classified as held for sale as of December 31, 2012 totaled THB 7,430 million, an increase of THB 7,168 million from as of December 31, 2011 due to the decommission of 8 aircraft for pending sales which are 2 Airbus A300-600 aircraft and 3 Airbus A340-500 aircraft, and 3 Boeing B737-400 aircraft which were leased by Nok Air and their contracts were terminated, respectively.

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

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

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

- Prepaid aircraft and spare engines decreased by THB 3,662 million due to a portion transfer of aircraft and spare engine prepayments to be aircraft under finance leases. However, THAI made advance payments for aircraft and furnished equipment of Airbus A330-300 aircraft, Airbus A380-800 aircraft, Boeing B777-300ER aircraft and Airbus A350-900XWB and spare engines, expected to be delivered during 2013-2017.

Other non-current assets totaled THB 13,917 million or represented 4.6% of total assets, which increased THB 3,761 million or 37.0% from as of December 31, 2011 resulting from the increase of deferred charges from loan guarantee premiums for purchasing of Airbus A380-800 and Airbus A330-300 aircraft.

Liabilities of Thai Airways International PCL. and its Subsidiaries

Total liabilities as of December 31, 2012 totaled THB 234,278 million, which was an increase of THB 23,269 million or 11.0% from as of December 31, 2011. These comprise of:

	<i>Consolidated</i>				<i>The Company</i>			
	<i>December 31, 2012</i>		<i>December 31, 2011</i>		<i>December 31, 2012</i>		<i>December 31, 2011</i>	
	<i>MTHB</i>	<i>% of Total Liabilities</i>	<i>MTHB</i>	<i>% of Total Liabilities</i>	<i>MTHB</i>	<i>% of Total Liabilities</i>	<i>MTHB</i>	<i>% of Total Liabilities</i>
Current liabilities (excluding current Portion of long-term liabilities)	58,739	25.1	51,803	24.6	57,688	24.7	51,738	24.5
Long-term liabilities								
Debtentures	34,677	14.8	27,797	13.2	34,677	14.9	27,847	13.2
Liabilities under financial leases	71,550	30.5	57,895	27.4	71,550	30.7	57,895	27.5
Long term borrowings	52,459	22.4	56,607	26.8	52,459	22.5	56,607	26.8
Total long-term liabilities	158,686	67.7	142,299	67.4	158,686	68.1	142,349	67.5
Employee benefits obligation	11,082	4.7	10,632	5.0	10,971	4.7	10,627	5.0
Other non-current liabilities	5,771	2.5	6,275	3.0	5,767	2.5	6,272	3.0
Total Liabilities	234,278	100.0	211,009	100.0	233,112	100.0	210,986	100.0

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

Long-term liabilities as of December 31, 2012 totaled THB 158,686 million (included the current portion of long-term liabilities amounting to THB 23,944 million) or represented 67.7% of total liabilities, which was an increase of THB 16,387 million from December 31, 2011 primarily due to liabilities under finance leases of 6 new aircraft and new debentures issuance, totaling THB 11,500 million, for working capital, for asset investment and for loan repayment bearing higher cost of capital. In addition to making payments on borrowings and maturing debentures, THAI also made prepayments on loans totaling THB 1,138 million.

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

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

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

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

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

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

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

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

Net cash from operating activities

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

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

Net cash used in investing activities

Net cash used in investing activities for 2012 amounted to THB 14,764 million. The majority of net cash used for investing activities in acquisition of fix assets totaled THB 18,388 million consisted of advance payments that were made for aircraft and engines, furnished equipment, rotatable spare parts procurement and the cost of designing products and parts for cabin reconfiguration program of Boeing B747-400 and B777-200 aircraft. These amount deducted by cash received from transferring the rights for advanced payments of aircraft: Airbus A330-300 and Airbus A380-800 aircraft, amounted to THB 2,959 million, and cash received from other investment, amounted to THB 665 million.

Net cash used in financing activities

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

6. Capital Expenditures

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

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

7. Financial Ratios

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

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

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

3) *Net Profit Margin = Net Profit / Operating Revenue*

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

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

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

7) *Interest Coverage Ratio = EBITDA / Interest Expense*

Details of significant contractual obligations are in the note to the financial statements number 5.37



Business Direction and Corporate Strategy

As for the Company's "the First Choice Carrier with Touches of Thai" vision, service excellence and consistency have been the heart of THAI's quality service for the past five decades. THAI has aimed at creating a long lasting relationship between the Company and its customers with the objective to deliver quality service excellence and consistency beyond expectation at every customer touch point.

For 2012, the Company has continued to execute its strategic business plans on emphasizing products enhancement and services improvement which meets international standards, as well as controlling operational expenses and increase efficiency in business operation. The Company has also emphasized on enhancing overall competitiveness and flexible operation, ensuring sustainable growth and responding to the needs of customers. With all the efforts, the Company should be able to provide customer with greater satisfaction and gain more confidence from investors and stakeholders.

A number of distinct successful changes achieved through the implementation of THAI's 2012-2018 strategic initiatives include:

1. Developing THAI's business units. As for airline business, THAI Smile has been established and recognized as the regional airlines in strengthening THAI's domestic routes and secondary regional routes. The first THAI Smile flight was operated on Bangkok-Macau route on July 7, 2012. In aviation business, 2 B 747-400 aircraft of THAI fleet have been converted and used as freighters in April and May 2012 respectively. THAI also adjusted its business units strategies, for instance, business direction for THAI Maintenance and THAI Catering have been formulated and will be implemented. The Company also seeks other related sustainable business opportunities which could enhance the Company's overall revenue and competitiveness.
2. Developing route networks, THAI aims on providing more direct flights to Bangkok, increasing the flights frequency as well as considering the launch of new service destinations in order to promote Suvarnabhumi Airport as Asia Pacific aviation hub. As for 2012/2013 winter schedule, THAI has launched the direct flights between Bangkok and Sapporo, and increased flights frequency in Bangkok-Busan and Bangkok- Kunming routes. For domestic routes, the service has been provided by THAI Smile in some routes, such as Bangkok-Surat Thani. Additionally, THAI aircraft fleet has been improved and adjusted in terms of size and type to better meet travel demands for different areas. In 2012, THAI received 4 new types of aircraft in total of 12 aircraft involving 3 A380-800, 2 B777-300ER, 3 A330-300 and THAI Smile's 4 A320 aircraft.

3. Improving products and services and monitoring service quality, consistency and synchronization to create smooth and impressive travel experience for customers. Such improvement includes iPad provided for premium class in short-haul 3-4 hours flights with no personal inflight entertainment, new changes in child meal box and travel kit, improve food quality and inflight food presentation, increase menu changing and offer special dishes designed by distinguished chefs. As for IT enhanced services, hi speed internet has been upgraded in Royal Orchid Lounges along with mobile 2D-barcode boarding pass via MMS, mobile check-in via smart phone and shorten time for baggage handling. A number of existing aircraft have undergone seat and in-flight entertainment system retrofit programs to improve competitiveness in THAI's products. In 2012, the installation of personal screens and on-demand entertainment units was undertaken to passenger seats of all classes of 5 B747-400 aircraft and in economy class of 4 B777-200 aircraft.
4. Strengthening the Company's financial position to support its long-term investment plans and ensuring sustainable growth and sufficient cash flow in order to repay its liabilities on an ongoing basis. In 2012, the Company has signed financial agreements with financial institutions related to financial support for aircraft acquisition, and issued debentures totaling THB 11,500 million which were offered to high net worth institutions and individuals. In doing so, THAI has strengthened its capital structure with sufficient liquidity to sustain growth and prepare for upcoming operations.

Five-Year Financial Review

		Year 2012	Year 2011	Year 2010	Year 2009	Year 2008
Number of Aircraft	(Aircraft)	95	89	90	91	89
Flight Hours	(Block Hours)	364,536	355,815	341,165	326,008	342,175
Available Ton-Kilometers	(Million)	12,023	11,987	11,516	10,499	10,937
Revenue Ton-Kilometers	(Million)	8,230	7,836	7,997	6,908	7,458
Load Factor	(%)	68.4	65.4	69.4	65.8	68.2
Number of Passengers	(000)	20,615	18,398	18,165	18,477	18,710
Available Seat-Kilometers	(Million)	79,231	78,533	75,600	72,031	75,391
Revenue Passenger-Kilometers	(Million)	60,679	55,267	55,676	52,593	56,377
Cabin Factor	(%)	76.6	70.4	73.6	73.0	74.8
Available Dead Load Ton-Kilometers	(Million)	4,892	4,919	4,708	4,016	4,152
Revenue Freight Ton-Kilometers	(Million)	2,653	2,766	2,895	2,092	2,292
Freight Load Factor	(%)	54.2	56.2	61.5	52.1	55.2
Number of Personnel	(People)	25,412	25,848	25,884	27,002	27,193
Profit (losses) before Tax	(Million Baht)	7,104	(7,917)	16,657	8,107	(23,600)

Definition of Aviation Terms

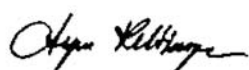
- **Available Ton-Kilometers (ATK)** Capacity offered for sale expressed as aircraft payload multiplied by flown kilometers.
- **Revenue Ton-Kilometers (RTK)** Capacity sold expressed as tons of load carried multiplied by flown kilometers.
- **Load Factor** Revenue ton-kilometers expressed as percentage 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 2012 financial report is within the integrity, 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 2012 financial statements ending December 31, 2012 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. Sorajak Kasemsuvan)
President

Summary of the 2012 Annual Activities of the Audit Committee

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. Chulasingh 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 year 2012, 12 meetings were organized between the Audit Committee, external auditors, internal auditors and the company's executive managements. One exclusive session was held with the external auditors and another one with the company's managements where relevant executives were invited for clarifications and discussions as per appropriate agenda. The audit committee's meeting attendance records during 2012 can be referred to in the Good Corporate Governance section. To this, the Audit Committee has reported important issues and the committee's opinions to the Board of Directors as deemed appropriate. Significant audit committee's activities during the year 2012 are summarized herein as follows:

1. Financial Statement Audit: The Audit Committee together with the finance and accounting division managements and the external auditors have jointly reviewed company's quarterly financial reports and the annual 2012 financial statement, as well as the support explanations and analysis of company's financial status and performance. The auditors' comments on completeness and disclosure adequacy of the financial statements, recommendations on significant adjustments and the observations from both auditors and managements were contemplated to reassure that the financial statement was prepared in conformity with acceptable standards and the information were sufficiently disclosed and in timely manner.

To this, no violations to the law Under Section 89/25 of the Securities and Stock Exchange of Thailand (No. 4) Act 2551 were observed during reviews and audits or reported so in findings by the external auditors.

2. The audit of adequacies and effectiveness of internal audit and risk management systems: The Audit Committee has reviewed and monitored the adequacy and effectiveness of internal control system through overseeing management's corresponding actions and clarifications to the external audit observations of annual 2012 financial statement, internal audit findings and reports from company's managements.

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

To this, the Audit Committee has made recommendations to account for the key performance indicators set forth by the Office of Internal Audit which include the Audit Rating and Implementation of the internal audit recommendation as ones of performance measurement of the related managements. The objective of such recommendation was aimed to raise company executives' awareness of the importance of good governance and internal control system.

3. Monitoring of Internal Audit activities: The Audit Committee has reviewed and approved the audit plan from the Office of Internal Audit and endorsed on adjustments in the plan in order to ensure that the plan was well aligned with the changes in risk environments 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.

The Audit Committee has provided supports to the Office of Internal Audit in approving budget for the course on Internal Audit Certification Program (IACP) organized by Federation of Accounting professions as the company's in-house training program. The program was hosted for internal audit staffs in order to encourage pursuance of professional certifications in the field of internal audit profession where 70 percent of all staffs participated in the program have passed the examination and obtained the certificates successfully.

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

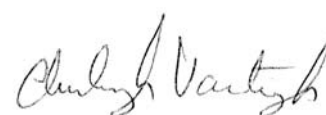
4. Legal Compliance Audit: The audit committee has jointly discussed with relevant company's managements and acknowledged reports from the Human Resources & Compliance Department which served to monitor and ensure that each individual company's division operations were within compliance of applicable laws and regulations.

5. Audit of connected transactions: The Audit Committee has reviewed and provided opinions on the company's connected transactions in accordance with the guidelines of 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 in state enterprise defined by the Ministry of Finance (2012 edition), where the assessment was performed on the committee themselves both as a group and as an individual. The assessment deduced that the committee had prudently and independently performed their duties and in line with the guidelines, practices and the Audit Committee's Charter.

7. Proposal of an appointment of External Auditor: The Audit Committee has proposed consideration to the Board of Directors and thereafter seeking concurrences from the shareholders' meeting for an appointment of The Auditor General as the company's 2013 rightful external auditor.

Through contemplations of various company's performance reports and deliberations with executive managements, external and internal auditors, the Audit Committee has concluded that the company's financial statement is accurate in the respects of the generally accepted accounting principles with adequate disclosure of complete and trustworthy information. The company's connected transactions enlisted are appropriate and sufficiently disclosed. The company has in place sufficient and efficient internal control and internal audit systems. The company abides by relevant laws and regulations without any significant violations.



(Mr. Chulasingh Vasantasingh)

Chairman of Audit Committee

February 15, 2013





NO. 0024/0580

Office Of The Auditor General Of Thailand,
Rama VI Road, Phayathai,
Bangkok 10400, Thailand
Tel : 66 2271 8053 ; Fax : 66 2618 5788
E-mail : audit4@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, 2012 of Thai Airways International Public Company Limited and its subsidiaries and the separate financial statements for the years ended December 31, 2012 of Thai Airways International Public Company Limited were translated by the Thai Airways International Public Company Limited. The Office of the Auditor General of Thailand 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 6, 2013

(Pornchai Jumroonpanichkul)

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 and separate financial statements of Thai Airways International Public Company Limited and its subsidiaries and of Thai Airways International Public Company Limited, respectively, which comprise the consolidated and separate statements of financial position as at December 31, 2012, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in shareholders' equity, and the consolidated and separate statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated and separate financial statements

Management is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with Thai Financial Reporting Standard, and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud and error.

Auditor's Responsibility

The Office of the Auditor General of Thailand's responsibility is to express an opinion on these consolidated and separate financial statements based on the audit. The Office of the Auditor General of Thailand conducted the audit in accordance with Thai Standards on Auditing. Those Standards require that the Office of the Auditor General of Thailand comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The Office of the Auditor General of Thailand believes that the audit evidence the Office of the Auditor General of Thailand has obtained is sufficient and appropriate to provide a basis for the Office of the Auditor General of Thailand's audit opinion.

Opinion

In the Office of the Auditor General of Thailand's opinion, the consolidated and separate financial statements referred to above present fairly, in all material respects, the consolidated and separate financial position of Thai Airways International Public Company Limited and its subsidiaries and of Thai Airways International Public Company Limited, respectively, as at December 31, 2012 and the consolidated and separate financial performance and the consolidated and separate cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

(Signed) **Siripong Veerasaengpong**
(Siripong Veerasaengpong)
Deputy Auditor General

(Signed) **Roongnapa Charoenkunwiwat**
(Roongnapa Charoenkunwiwat)
Director of Financial Audit Office No.4

Office of the Auditor General
February 27, 2013

Financial Statements

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2012

Unit : Baht

		CONSOLIDATED FINANCIAL STATEMENTS			SEPARATE FINANCIAL STATEMENTS		
		2012	2011 (Restated)	2010 (Restated)	2012	2011 (Restated)	2010 (Restated)
Notes							
ASSETS							
Current Assets							
Cash and cash equivalents	5.1	20,048,374,724	16,666,025,016	37,679,682,021	19,741,670,550	16,629,940,922	37,601,476,433
Temporary investments		1,709,730,474	419,005,881	549,631,092	-	-	-
Trade receivables	5.2	15,738,200,618	16,160,427,253	16,538,223,522	15,679,356,299	16,135,407,891	16,509,658,800
Prepaid expenses and deposits		8,951,772,089	10,467,893,729	9,086,820,600	9,012,036,532	10,482,589,799	9,080,884,481
Inventories and supplies	5.3	7,783,943,974	7,710,007,103	6,967,672,684	7,780,199,730	7,710,007,103	6,967,672,684
Other current assets	5.4	9,948,745,997	7,120,368,409	6,991,111,837	9,713,193,240	7,090,660,788	6,963,643,648
Non-current assets classified as held for sale	5.13	7,430,210,409	261,631,778	274,996,800	7,430,210,409	261,631,778	274,996,800
Total Current Assets		71,610,978,285	58,805,359,169	78,088,138,556	69,356,666,760	58,310,238,281	77,398,332,846
Non-Current Assets							
Investments in associates	5.6.1	1,429,610,889	1,629,966,047	1,400,993,771	723,520,500	1,083,520,500	918,520,500
Investments in subsidiaries	5.6.1	-	-	-	370,209,900	10,209,900	9,229,930
Other long-term investments	5.6.2	130,160,178	179,041,214	78,868,075	74,585,128	79,889,058	78,868,075
Property, plant and equipment	5.8	218,567,945,045	204,994,677,040	206,118,498,576	218,477,941,563	204,987,311,294	206,106,106,106
Goodwill		1,390,549,247	-	-	-	-	-
Intangible assets	5.9	1,337,499,242	623,739,745	552,355,100	772,954,356	617,255,122	547,622,540
Deferred tax assets	5.10	4,966,453,549	5,409,447,315	7,569,631,669	4,939,492,971	5,398,556,488	7,555,783,585
Other non-current assets	5.12	4,662,685,173	2,314,170,825	2,261,025,826	4,640,196,663	2,312,892,713	2,260,652,011
Total Non-Current Assets		232,484,903,323	215,151,042,186	217,981,373,017	229,998,901,081	214,489,635,075	217,476,782,747
Total Assets		304,095,881,608	273,956,401,355	296,069,511,573	299,355,567,841	272,799,873,356	294,875,115,593

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



STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2012

Unit : Baht

		CONSOLIDATED FINANCIAL STATEMENTS			SEPARATE FINANCIAL STATEMENTS		
		2012	2011 (Restated)	2010 (Restated)	2012	2011 (Restated)	2010 (Restated)
Notes							
LIABILITIES AND SHAREHOLDERS' EQUITY							
Current Liabilities							
Trade payables		4,621,570,981	7,362,821,704	6,438,803,086	4,287,281,811	7,354,684,963	6,429,968,646
Accrued expenses		18,726,829,882	13,958,939,401	18,897,692,862	18,497,737,175	13,940,060,094	18,869,584,115
Current portion of long-term liabilities							
Long-term borrowings from related parties	5.14	3,297,264,000	2,072,000,000	2,072,000,000	3,297,264,000	2,072,000,000	2,072,000,000
Long-term borrowings from other parties	5.14	8,151,368,421	2,028,000,000	-	8,151,368,421	2,028,000,000	-
Liabilities under finance leases	5.15	9,938,493,819	10,102,499,455	9,595,026,378	9,938,493,819	10,102,499,455	9,595,026,378
Debentures	5.16	2,556,790,000	4,670,000,000	11,487,920,000	2,556,790,000	4,670,000,000	11,487,920,000
Current income tax payable		16,956,305	14,507,725	16,398,775	-	-	-
Other current liabilities							
Accrued dividends		51,794,664	52,032,037	72,007,719	51,692,971	51,960,945	72,007,719
Unearned transportation revenues		23,789,156,859	24,760,701,984	25,804,443,193	23,380,604,242	24,760,701,984	25,804,443,193
Deferred income		-	-	509,417,156	-	-	509,417,156
Others	5.17	11,532,444,154	5,653,845,282	5,841,986,865	11,470,031,663	5,629,595,110	5,819,769,875
Total Current Liabilities		82,682,669,085	70,675,347,588	80,735,696,034	81,631,264,102	70,609,502,551	80,660,137,082
Non-Current Liabilities							
Long-term liabilities							
Long-term borrowings from related parties	5.14	1,890,000,000	5,235,276,000	7,245,852,000	1,890,000,000	5,235,276,000	7,245,852,000
Long-term borrowings from other parties	5.14	39,120,631,579	47,272,000,000	43,300,000,000	39,120,631,579	47,272,000,000	43,300,000,000
Liabilities under finance leases	5.15	61,610,827,672	47,793,179,638	54,732,093,240	61,610,827,672	47,793,179,638	54,732,093,240
Debentures	5.16	32,120,000,000	23,126,790,000	17,846,790,000	32,120,000,000	23,176,790,000	17,846,790,000
Deferred tax liabilities	5.11	83,351,796	55,761,979	-	83,351,796	55,761,979	-
Staff pension fund	5.31	4,670,104,407	4,561,205,013	4,371,134,750	4,670,104,407	4,561,205,013	4,371,134,750
Employee benefits obligation	5.19	11,082,178,755	10,631,622,487	9,326,022,519	10,970,895,026	10,627,153,071	9,322,510,535
Long-term provisions	5.18	831,594,427	1,526,616,686	2,556,971,979	829,190,752	1,524,216,756	2,555,351,979
Other non-current liabilities		186,085,924	131,684,668	61,310,000	185,856,512	130,996,430	61,310,000
Total Non-Current Liabilities		151,594,774,560	140,334,136,471	139,440,174,488	151,480,857,744	140,376,578,887	139,435,042,504
Total Liabilities		234,277,443,645	211,009,484,059	220,175,870,522	233,112,121,846	210,986,081,438	220,095,179,586
Shareholders' Equity							
Share capital	5.21						
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	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	21,827,719,170	21,827,719,170
Premium on ordinary shares		25,548,223,951	25,548,223,951	25,548,223,951	25,548,223,951	25,548,223,951	25,548,223,951
Retained earnings							
Appropriated							
Legal reserve	5.22	2,691,275,568	2,469,792,865	2,469,792,865	2,691,275,568	2,469,792,865	2,469,792,865
Unappropriated		18,852,734,438	12,834,908,054	25,759,556,926	16,176,227,306	11,968,055,932	24,934,200,021
Total Company Shareholders' Equity		68,919,953,127	62,680,644,040	75,605,292,912	66,243,445,995	61,813,791,918	74,779,936,007
Non-controlling Interests		898,484,836	266,273,256	288,348,139	-	-	-
Total Shareholders' Equity		69,818,437,963	62,946,917,296	75,893,641,051	66,243,445,995	61,813,791,918	74,779,936,007
Total Liabilities and Shareholders' Equity		304,095,881,608	273,956,401,355	296,069,511,573	299,355,567,841	272,799,873,356	294,875,115,593

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

(Signed) Sorajak Kasemsuvan
(Sorajak Kasemsuvan)
President

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2012

Unit : Baht

Notes	CONSOLIDATED FINANCIAL STATEMENTS		SEPARATE FINANCIAL STATEMENTS	
	2012	2011	2012	2011
Revenues				
Revenues from Sales or Revenues from Services				
Passenger and excess baggage	173,458,421,392	154,646,038,064	165,485,878,390	154,646,038,064
Freight	25,856,434,138	27,245,224,586	25,838,723,744	27,245,224,586
Mail	906,912,641	846,773,123	906,912,641	846,773,123
Other activities	8,900,740,869	8,259,156,208	8,826,571,593	7,953,888,559
Total Revenues from Sales or Revenues from Services	209,122,509,040	190,997,191,981	201,058,086,368	190,691,924,332
Other Income				
Interest income	496,588,347	710,591,930	442,687,520	696,064,855
Other income - Others 5.24	2,326,261,513	2,634,025,739	2,753,902,024	2,825,207,874
Profitability on business acquisition	1,584,397,482	-	-	-
Total Other Income	4,407,247,342	3,344,617,669	3,196,589,544	3,521,272,729
Total Revenues	213,529,756,382	194,341,809,650	204,254,675,912	194,213,197,061
Expenses				
Fuel and oil	80,178,542,248	76,388,558,174	77,480,576,480	76,388,558,174
Employee benefits expenses 5.23	32,086,696,769	31,009,093,407	31,543,539,495	30,964,018,415
Flight service expenses	21,321,411,821	20,427,965,628	20,693,196,467	20,427,965,628
Crew expenses	5,707,044,146	5,485,141,957	5,546,598,602	5,485,141,957
Aircraft maintenance and overhaul costs	12,600,010,809	11,698,186,020	11,288,227,430	11,698,186,020
Depreciation and amortisation expenses	20,523,682,320	19,989,063,832	20,424,026,088	19,977,881,694
Lease of aircraft and spare parts	4,552,173,807	5,429,503,645	3,683,317,045	5,429,503,645
Inventories and supplies	9,530,335,512	9,042,071,447	9,415,467,950	9,042,071,447
Selling and advertising expenses	6,833,250,736	5,885,165,605	6,466,595,641	5,816,205,759
Insurance expenses	892,691,125	732,966,634	760,285,940	732,966,634
Impairment loss of assets	589,772,919	939,895,341	589,772,919	939,895,341
Impairment loss of aircraft 5.26	181,143,438	180,909,303	181,143,438	180,909,303
Other expenses 5.25	9,169,444,038	7,148,903,461	8,593,446,506	7,079,838,343
Losses (gains) on foreign currency exchange	(3,212,965,948)	2,428,181,168	(3,207,273,109)	2,430,282,274
Finance costs	5,836,287,785	5,655,587,760	5,838,536,325	5,657,410,445
Loss on debentures redemption	-	1,427,287	-	-
Share of profit of associates	(363,432,320)	(183,736,042)	-	-
Total Expenses	206,426,089,205	202,258,884,627	199,297,457,217	202,250,835,079
Profit (loss) before income tax expense	7,103,667,177	(7,917,074,977)	4,957,218,695	(8,037,638,018)
Income tax expense 5.27	593,442,669	2,245,036,998	527,564,618	2,200,830,323
Profit (loss) for the year	6,510,224,508	(10,162,111,975)	4,429,654,077	(10,238,468,341)
Other comprehensive income	-	-	-	-
Total comprehensive income (expense) for the year	6,510,224,508	(10,162,111,975)	4,429,654,077	(10,238,468,341)
	-	-	-	-
Profit (loss) attributable to:				
Owners of the parent	6,228,972,723	(10,196,973,124)	4,429,654,077	(10,238,468,341)
Non-controlling interests	281,251,785	34,861,149	-	-
	6,510,224,508	(10,162,111,975)	4,429,654,077	(10,238,468,341)
Total comprehensive income (expense) attributable to:				
Owners of the parent	6,228,972,723	(10,196,973,124)	4,429,654,077	(10,238,468,341)
Non-controlling interests	281,251,785	34,861,149	-	-
	6,510,224,508	(10,162,111,975)	4,429,654,077	(10,238,468,341)
Earnings (loss) per share 5.29				
Basic earnings (loss) per share	2.85	(4.67)	2.03	(4.69)

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

(Signed) Sorajak Kasemsuvan
(Sorajak Kasemsuvan)
President

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



STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2012

Unit : Baht

CONSOLIDATED FINANCIAL STATEMENTS						
	<i>Owners of the parent</i>				<i>Non-controlling Interests</i>	<i>Total Shareholders' Equity</i>
	<i>Issued and Paid-up Capital</i>	<i>Premium on Ordinary Shares</i>	<i>Retained Earnings</i>	<i>Total Owners of the parent</i>		
Balance as at January 1, 2011 before Adjustment	21,827,719,170	25,548,223,951	35,244,758,604	82,620,701,725	289,454,414	82,910,156,139
<u>Less</u> The effect of changes in accounting policy	-	-	(6,527,109,489)	(6,527,109,489)	(1,106,275)	(6,528,215,764)
<u>Less</u> Accumulation from accounting error correction	-	-	(488,299,324)	(488,299,324)	-	(488,299,324)
Balance after Adjustment	21,827,719,170	25,548,223,951	28,229,349,791	75,605,292,912	288,348,139	75,893,641,051
Changes in Shareholders' Equity						
<u>Less</u> Dividends paid	-	-	(2,728,464,896)	(2,728,464,896)	(57,375,000)	(2,785,839,896)
<u>Add</u> Dividend returned	-	-	789,148	789,148	-	789,148
<u>Less</u> Dividends paid to cumulative preferred shares	-	-	-	-	(71,092)	(71,092)
<u>Add</u> Issued and paid-up ordinary shares - subsidiaries	-	-	-	-	60	60
<u>Add</u> Issued and paid-up preferred shares - subsidiaries	-	-	-	-	510,000	510,000
<u>Add</u> Total comprehensive income (expense) for the year 2011	-	-	(10,196,973,124)	(10,196,973,124)	34,861,149	(10,162,111,975)
Balance as at December 31, 2011	21,827,719,170	25,548,223,951	15,304,700,919	62,680,644,040	266,273,256	62,946,917,296
<u>Add</u> The effect of business acquisition	-	-	-	-	683,605,026	683,605,026
<u>Add</u> Accumulation from accounting error correction	-	-	10,336,364	10,336,364	13,586,573	23,922,937
Balance after Adjustment	21,827,719,170	25,548,223,951	15,315,037,283	62,690,980,404	963,464,855	63,654,445,259
Changes in Shareholders' Equity for the year 2012						
<u>Less</u> Dividends paid to preferred shares	-	-	-	-	(91,800)	(91,800)
<u>Less</u> Dividends paid	-	-	-	-	(346,140,004)	(346,140,004)
<u>Add</u> Total comprehensive income for the year 2012	-	-	6,228,972,723	6,228,972,723	281,251,785	6,510,224,508
Balance as at December 31, 2012	21,827,719,170	25,548,223,951	21,544,010,006	68,919,953,127	898,484,836	69,818,437,963

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

(Signed) *Sorajak Kasemsuvan*
(Sorajak Kasemsuvan)
President

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2012

Unit : Baht

SEPARATE FINANCIAL STATEMENTS				
	Issued and Paid-up Capital	Premium on Ordinary Shares	Retained Earnings	Total Shareholders' Equity
Balance as at January 1, 2011 before Adjustment	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	-	-	(6,525,757,375)	(6,525,757,375)
<u>Less</u> Accumulation from accounting error correction	-	-	(488,299,324)	(488,299,324)
Balance after Adjustment	21,827,719,170	25,548,223,951	27,403,992,886	74,779,936,007
Changes in Shareholders' Equity				
<u>Less</u> Dividends paid	-	-	(2,728,464,896)	(2,728,464,896)
<u>Add</u> Dividends returned	-	-	789,148	789,148
<u>Less</u> Total comprehensive expense for the year 2011	-	-	(10,238,468,341)	(10,238,468,341)
Balance as at December 31, 2011	21,827,719,170	25,548,223,951	14,437,848,797	61,813,791,918
Changes in Shareholders' Equity for the year 2012				
<u>Add</u> Total comprehensive income for the year 2012	-	-	4,429,654,077	4,429,654,077
Balance as at December 31, 2012	21,827,719,170	25,548,223,951	18,867,502,874	66,243,445,995

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

(Signed) *Sorajak Kasemsuvan*
(Sorajak Kasemsuvan)
President

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



STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2012

Unit : Baht

Notes	CONSOLIDATED FINANCIAL STATEMENTS		SEPARATE FINANCIAL STATEMENTS	
	2012	2011	2012	2011
Cash Flows from Operating Activities				
Profits (losses) before income tax expenses	7,103,667,177	(7,917,074,977)	4,957,218,696	(8,037,638,018)
Adjustment to reconcile profit before tax to cash provided by (paid from) operating activities :				
Depreciation and amortisation expenses	20,523,682,320	19,989,063,832	20,424,026,088	19,977,881,694
Aircraft lease amortization	11,148,901	-	11,148,901	-
Dividends received	(288,750)	(98,000)	(466,382,501)	(189,986,765)
Share of profits of investments by equity method	(363,432,320)	(183,736,042)	-	-
Profitability on business acquisition	(1,584,397,482)	-	-	-
Interest income	(496,588,347)	(710,591,930)	(442,687,520)	(696,064,855)
Interest expenses	5,836,287,785	5,655,587,760	5,838,536,325	5,657,410,445
Gains on sales of assets	(132,934,659)	(9,961,177)	(133,874,978)	(9,961,177)
Other non-current liabilities	-	779,930	-	-
Loss (gain) on foreign currency exchange	(1,975,226,719)	1,430,932,281	(1,981,728,561)	1,430,754,039
Employee benefits obligation	377,007,166	1,305,599,968	343,741,955	1,304,642,536
Provision for obsolete inventories and supplies	365,155,393	87,982,108	365,155,393	87,982,108
Doubtful accounts	258,087,455	56,272,429	257,922,073	56,298,513
Impairment loss of aircraft	181,143,438	180,909,303	181,143,438	180,909,303
Impairment loss of assets	589,772,919	939,895,341	589,772,919	939,895,341
Operating profits before changes in operating assets and liabilities	30,693,084,277	20,825,560,826	29,943,992,228	20,702,123,164
Decrease (increase) in operating assets :				
Trade receivables	208,450,437	459,850,730	221,021,277	456,449,156
Inventories and supplies	(434,635,774)	(942,837,773)	(435,348,020)	(942,837,773)
Prepaid expenses and deposits	1,351,717,019	(860,553,052)	1,180,803,847	(881,185,241)
Tax refund	A 57,610,199	192,977,393	57,610,199	192,977,393
Other current assets	(2,224,428,380)	110,313,613	(2,248,439,481)	109,344,521
Deferred tax income	-	38,375,858	-	38,375,858
Assets for sales	(302,350,067)	3,163,998	(302,350,067)	3,163,998
Other assets	(571,757,504)	51,975,533	(570,153,327)	52,879,830
Deferred charges	(2,065,788,839)	(407,994,056)	(2,065,788,839)	(407,994,056)
Increase (decrease) in operating liabilities :				
Trade payables	(4,247,685,559)	(2,775,025,683)	(4,252,069,719)	(2,772,255,538)
Accrued expenses and other current liabilities	10,533,631,336	(4,888,550,157)	10,574,802,269	(4,878,839,330)
Deferred income	-	(509,417,156)	-	(509,417,156)
Staff pension fund	108,899,394	190,070,263	108,899,394	190,070,263
Unearned transportation revenues	(1,047,200,771)	(927,854,273)	(1,177,992,934)	(927,854,273)
Other non-current liabilities	(562,440,128)	(1,109,717,473)	(562,443,872)	(1,109,717,473)
Cash received from operations	31,497,105,640	9,450,338,591	30,472,542,955	9,315,283,343
Payment of income tax	(334,407,984)	(283,641,408)	(248,918,942)	(240,500,940)
Net Cash from Operating Activities	31,162,697,656	9,166,697,183	30,223,624,013	9,074,782,403

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 YEAR ENDED DECEMBER 31, 2012

Unit : Baht

Notes	CONSOLIDATED FINANCIAL STATEMENTS		SEPARATE FINANCIAL STATEMENTS	
	2012	2011	2012	2011
Cash Flows from Investing Activities				
Cash received from operational assistance subsidy	-	69,686,430	-	69,686,430
Cash paid for acquisition of fixed assets B	(18,388,039,756)	(12,336,018,601)	(18,335,651,905)	(12,332,724,504)
Cash paid for intangible assets	(208,711,542)	(292,020,009)	(197,496,265)	(290,158,940)
Cash received from transferring the rights for advance payment of aircraft and aircraft equipment	2,959,189,106	584,610,525	2,959,189,106	584,610,525
Cash received from sales of assets	183,206,186	285,163,764	182,657,698	285,163,764
Interest income	532,178,435	665,619,895	481,036,021	654,985,655
Dividend received	98,489,359	119,861,765	466,382,501	189,986,765
Investment decrease (increase)	101,633,768	(260,789,804)	3,272,721	(162,741,311)
Cash received (paid) from temporary investment	(238,906,111)	133,969,660	-	-
Cash received from investment in subsidiaries	197,098,689	-	-	-
Net Cash used in Investing Activities	(14,763,861,866)	(11,029,916,375)	(14,440,610,123)	(11,001,191,616)
Cash Flows from Financing Activities				
Cash received from debentures	11,500,000,000	10,000,000,000	11,500,000,000	10,000,000,000
Cash received from long-term borrowings	1,871,814,789	8,799,805,348	1,871,814,789	8,799,805,348
Cash received from issuing ordinary shares	-	60	-	-
Cash received from preferred shares	-	510,000	-	-
Cash paid for repayment of debentures	(4,670,000,000)	(11,537,920,000)	(4,670,000,000)	(11,487,920,000)
Cash paid for repayment of long-term borrowings	(15,152,014,411)	(17,925,554,448)	(15,152,014,411)	(17,925,554,448)
Cash paid for borrowings interest	(5,628,842,431)	(5,769,782,243)	(5,630,108,587)	(5,771,335,668)
Dividends paid	(267,974)	(2,747,722,522)	(267,974)	(2,747,722,522)
Dividends paid for non-controlling interests	(346,226,858)	(57,375,000)	-	-
Net Cash used in Financing Activities	(12,425,536,885)	(19,238,038,805)	(12,080,576,183)	(19,132,727,290)
Increase (decrease) in cash and cash equivalents	3,973,298,905	(21,101,257,997)	3,702,437,707	(21,059,136,503)
Effect from changing in exchange rate on cash and cash equivalents increase (decrease)	(590,949,197)	87,600,992	(590,708,079)	87,600,992
Cash and cash equivalents at the beginning of the periods	16,666,025,016	37,679,682,021	16,629,940,922	37,601,476,433
Cash and Cash Equivalents at the End of the Periods C	20,048,374,724	16,666,025,016	19,741,670,550	16,629,940,922

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

(Signed) **Sorajak Kasemsuvan**
(Sorajak Kasemsuvan)
President

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



STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2012

*Note to Statements of Cash Flows***A. Tax Refund - Consolidated and Separate Financial Statements***Unit : Million Baht*

	2012
Proceeds from P.N.D.50 for the year 2010	61.15
Adjustment of tax refund for the year 2011	(3.54)
	57.61
	2011
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)
	192.98

B. Property, Plant and Equipment*Consolidated financial statements*

During the year 2012, the Company bought property, plant and equipment under finance leases amount of THB 22,187.80 million and cash payment amount of THB 18,388.04 million, total cost amount of THB 40,575.84 million.

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.

Separate financial statements

During the year 2012, the Company bought property, plant and equipment under finance leases amount of THB 22,187.80 million and cash payment amount of THB 18,335.65 million, total cost amount of THB 40,523.45 million.

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.

C. Cash and Cash Equivalents*Unit : Million Baht*

	<i>Consolidated Financial Statements</i>		<i>Separate Financial Statements</i>	
	2012	2011	2012	2011
Cash on hand and outstanding bank balances	20,639.32	10,778.43	20,332.38	10,742.34
Short-term investments	-	5,800.00	-	5,800.00
Cash and cash equivalents as previously reported	20,639.32	16,578.43	20,332.38	16,542.34
Effect of exchange rate changes	(590.95)	87.60	(590.71)	87.60
Cash and cash equivalents as reported	20,048.37	16,666.03	19,741.67	16,629.94

(Signed) *Sorajak Kasemsuvan*
(Sorajak Kasemsuvan)
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 YEAR ENDED DECEMBER 31, 2012

1. General Information And Basis Of Financial Statement Preparation

1.1 General Information

Thai Airways International Public Company Limited (“the Company”) is incorporated as a public limited company in Thailand and is listed on the Stock Exchange of Thailand. The address of its incorporated and registered office is as follow:

The head office of the Company is located at 89 Vibhavadee Rungsit Road, Chom Phon, Chatuchak, Bangkok, Thailand

The Company’s principal activity is the operation of airline business and business units which concern directly with transportation.

As at December 31, 2012, the Company has the routes servicing to 73 destinations in 34 countries all over the world, whereas 10 routes are domestic (excluding Bangkok).

1.2 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).

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	
			2012	2011
Held by the Company:				
1. Thai-Amadeus Southeast Asia Company Limited	Information technology Company for travel services	Thailand	55%	55%
2. WingSpan Services Company Limited	Providing special personnel services to the Company	Thailand	49%	49%
3. Thai Flight Training Company Limited	Aviation training services	Thailand	49%	49%
4. Nok Airlines Company Limited	Air transportation services	Thailand	49%	49%
Held by a subsidiary of the Company				
A subsidiary held by WingSpan Services Company Limited				
- Tour Eurng Luang Company Limited	Tourism Business	Thailand	49%	49%



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. New Accounting Standards Issued During The Years But Not Yet Effective

The Federation of Accounting Professions (FAP) issued the following new/revised accounting standards and financial reporting standards which are still ineffective as follows:

- 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
TFRS 8	Operating Segments
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 Entity or its Shareholders

- effective for fiscal years beginning on or after January 1, 2014.

IFRIC 4	Determining whether an Arrangements contains a Lease
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes
SIC 29	Service Concession Arrangements : Disclosures

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. Effects From Accounting Error Correction

The Company has changed the accounting system and caused the adjustment in the previous years of losses on foreign currency exchange and trade receivables for the comparison. Such adjustments resulted in decreasing of retained earnings and trade receivables beginning balance for the year 2011 and 2010 in the amount of THB 488.30 million and THB 381.84 million, respectively. Also, the net profit for the year ended December 31, 2010 decreased in the amount of THB 106.46 million. As a result, earnings per share for the 2010 decreased by THB 0.06, in both consolidated financial statement and separate financial statement.

4. Summary of Significant Accounting Policies

4.1 Allowance for Doubtful Accounts

Trade receivables, 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 receivables as a criteria at the following rates:

<i>Aging Periods:</i>	<i>Allowance for doubtful accounts (%)</i>
over 6 months to 1 year	50
over 1 year to 2 years	75
over 2 years	100

4.2 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.

4.3 Investments

4.3.1 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.

4.3.2 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.

4.3.3 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.



4.4 Property, Plant and Equipment and Depreciation

4.4.1 Aircraft and aircraft under finance leases

4.4.1.1 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.

4.4.1.2 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.

4.4.1.3 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.

4.4.2 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.

4.4.3 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 3-30 years.

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

4.4.5 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.

4.5 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.

4.6 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.

4.7 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.

4.8 Deferred Charges

4.8.1 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.

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

4.9 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.

4.10 Revenue Recognition

4.10.1 Passenger and excess baggage revenues:

4.10.1.1 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.

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

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

4.10.2 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.

4.10.3 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.



4.10.3.1 Unredeemed awards are recognized as revenue after 3 years.

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

4.10.3.3 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.

4.10.4 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.

4.10.5 Other revenues are recognized on an accrual basis.

4.11 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.

4.12 Foreign Currency Transactions

Foreign currency transactions incurred during the year are translated into Baht by exchange rates of the Bank of Thailand at transaction date.

Assets and liabilities denominated in foreign currency at year-end are translated into Baht by the closing rate of 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 the statements of comprehensive income.

4.13 Employee Benefits

The Company's obligation concerning post-employment benefits under the defined benefit plans and other long-term benefits are recognized in the financial statements using the Projected Unit Credit Method based on calculations by a qualified actuary.

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

4.14 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 separate statements of financial position. 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 recognized as expenses of the Company.

4.15 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 and liability and its carrying amount in the statements 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. The Company reviews the carrying amount of deferred tax assets at the end of each reporting period, and will reduce to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of all or part of the deferred tax assets to be utilized.

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

4.16 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 revenues, expenses, assets, liabilities as well as the disclosure of contingent assets and liabilities which may be differed from the actualities.

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

4.17 Financial Instruments

The Company uses 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 difference will be recorded as interest expenses in the statements of comprehensive income. For the forward foreign exchange contracts, the Company will recognize in its financial statements at maturity. The arising difference will be recorded as gain or loss on foreign currency exchange in the statements of comprehensive income.

In addition, the Company also entered into fuel price hedging agreement in which premium and the difference of the fuel price arising from this agreement will be recorded as expenses in the statements of comprehensive income.

5. SUPPLEMENTARY INFORMATION

5.1 Cash and Cash Equivalents

Unit : Million Baht

	Consolidated Financial Statements		Separate Financial Statements	
	2012	2011	2012	2011
Cash - Domestic	22.29	26.81	22.29	26.81
Cash - Abroad	30.63	26.29	30.63	26.29
Cash at Banks - Domestic	4,024.28	10,751.44	3,717.58	10,715.35
Cash at Banks - Abroad	15,971.17	5,861.49	15,971.17	5,861.49
Total	20,048.37	16,666.03	19,741.67	16,629.94

5.2 Trade Receivables aging analysis is as follows:

Unit : Million Baht

	Consolidated Financial Statements		Separate Financial Statements	
	2012	2011	2012	2011
Aging Periods:				
Not over 6 months	15,525.06	16,146.70	15,466.22	16,121.68
Over 6 months to 1 year	397.86	48.32	397.86	48.31
Over 1 year to 2 years	156.67	61.77	156.66	61.75
Over 2 years	1,451.27	1,548.05	1,426.04	1,519.32
	17,530.86	17,804.84	17,446.78	17,751.06
<u>Less</u> Allowance for doubtful accounts	(1,792.66)	(1,644.41)	(1,767.42)	(1,615.65)
Trade receivables - net	15,738.20	16,160.43	15,679.36	16,135.41

5.3 Inventories and Supplies

Unit : Million Baht

	Consolidated Financial Statements		Separate Financial Statements	
	2012	2011	2012	2011
Aircraft spare parts	5,358.98	5,827.21	5,358.98	5,827.21
Less Allowance for obsolescence (10% of the year-end balance)	(535.90)	(582.72)	(535.90)	(582.72)
Less Allowance for spare part damages from flood disaster	(7.83)	(112.52)	(7.83)	(112.52)
Aircraft spare parts - Net	4,815.25	5,131.97	4,815.25	5,131.97
Vehicle spare parts and ground support equipments	299.41	283.34	299.41	283.34
Slow moving aircraft spare parts and spare parts for sale	2,799.31	2,624.45	2,799.31	2,624.45
Less Allowance for obsolescence (33.33% of incurred balance during the period)	(1,317.21)	(1,431.03)	(1,317.21)	(1,431.03)
Slow moving aircraft spare parts and spare parts for sale - Net	1,482.10	1,193.42	1,482.10	1,193.42
Fuel and oil for aircraft	576.06	568.04	576.06	568.04
Goods for sales	255.32	210.09	251.58	210.09
Cabin supplies	219.80	164.78	219.80	164.78
Supplies and other consumables	23.38	19.38	23.38	19.38
Stationery and office supplies	87.26	85.74	87.26	85.74
Inventories and spare parts in transit	25.36	53.25	25.36	53.25
Total inventories and supplies	1,187.18	1,101.28	1,183.44	1,101.28
Obsolete and damaged inventories for disposal	13.72	11.31	13.72	11.31
Less Allowance for obsolescence (100%)	(13.72)	(11.31)	(13.72)	(11.31)
Obsolete and damaged inventories for disposal - Net	-	-	-	-
Total inventories and supplies - Net	7,783.94	7,710.01	7,780.20	7,710.01
Total inventories and supplies at year-end	9,658.60	9,847.59	9,654.86	9,847.59
Less Total allowance for obsolete inventories and supplies	(1,866.83)	(2,025.06)	(1,866.83)	(2,025.06)
Less Allowance for spare part damages from flood disaster	(7.83)	(112.52)	(7.83)	(112.52)
Total inventories and supplies - Net	7,783.94	7,710.01	7,780.20	7,710.01

5.4 Other Current Assets

Unit : Million Baht

	Consolidated Financial Statements		Separate Financial Statements	
	2012	2011	2012	2011
Tax refund	474.73	324.33	474.73	324.33
Cash and cash at bank of pension fund	4,648.65	4,434.59	4,648.65	4,434.59
Others	4,825.36	2,361.45	4,589.81	2,331.74
Total	9,948.74	7,120.37	9,713.19	7,090.66



5.5 The Acquisition of Nok Airlines Company Limited Shares

On October 14, 2011, the Company's Board of Directors Meeting passed a resolution to acquire 5 million ordinary shares of Nok Airlines Company Limited from Krung Thai Bank Public Company Limited or 10% of issued and paid-up capital totaling of THB 165 million. On November 29, 2011, the Company acquired such shares which increased the percent interest in Nok Airlines Company Limited from 39% to 49%.

On December 22, 2011, Board of Directors of Nok Airlines Company Limited appointed the Company's director to be a director of Nok Airlines Company Limited, increasing director's seats from 4 to 5 in Nok Airlines Company Limited. Thus, the Company had obtained control of Nok Airlines Company Limited since then.

On July 27, 2012, the Company's Board of Directors for strategic planning meeting No.1/2012 passed a resolution to appoint Mr. Niruj Maneepan as a director of Nok Airlines Company Limited to replace Mr. Piyasvasti Amranand.

The Company has appraised the net asset value as at December 31, 2011 and details of the net assets acquired as at January 1, 2012 are as follows:

	<i>Unit : Million Baht</i>
The consideration transferred	165.00
Fair value of previously held investment	1,895.40
Total	2,060.40
Assets and liabilities arising from business acquisition	
Cash and cash equivalents	197.10
Temporary investments	1,050.00
Trade receivables	328.52
Inventories	4.65
Other current assets	276.64
Long-term investments	4.47
Equipment - net	70.59
Intangible assets	607.21
Deferred tax assets	26.64
Other non-current assets	19.60
Trade payables and other payables	(1,000.46)
Other current liabilities	(144.42)
Non-current liabilities	(73.50)
Total acquisition-date fair value of net identifiable assets	1,367.04
Less fair value of non-controlling interest	(697.19)
Goodwill	1,390.55
Total	2,060.40

As at December 31, 2012, the Company appraised the fair value of the acquired assets and liabilities and remained goodwill of THB 1,390.55 million.

On January 7, 2013, the Annual General Shareholders' Meeting No. 1/2556 of Nok Airlines Company Limited approved the transformation from Company Limited to Public Company Limited and appointed 12 Board of Directors for which the Company holds 5 seats. The present Board of Directors of Nok Airlines Company Limited (The Company holds 5 from totaling 9 seats of Board of Directors) was terminated on January 18, 2013 by the time that Nok Airlines Company Limited has registered to be the Public Company Limited.

5.6 Investments

Consolidated Financial Statements

Unit : Million Baht

Company	Percentage of Shareholding		Investments				Income on investments	
	2012	2011	Cost method		Equity method		2012	2011
			2012	2011	2012	2011		
5.6.1 Investments in associated companies recognized by equity method								
Royal Orchid Hotel (Thailand)								
Public Company Limited	24	24	225.00	225.00	262.21	113.71	148.50	(71.40)
(Fair value for the year 2012 amount of THB 416.25 million and for the year 2011 amount of THB 495.00 million)								
Donmuang International Airport								
Hotel Company Limited	40	40	48.00	48.00	93.14	92.90	0.24	(19.40)
Bangkok Aviation Fuel Services								
Public Company Limited	22.6	22.6	115.19	115.19	782.45	698.42	161.21	108.85
(Fair value for the year 2012 amount of THB 2,372.84 million and for the year 2011 amount of THB 1,313.13 million)								
Phuket Air Catering Company Limited	30	30	30.00	30.00	175.12	144.53	51.60	46.07
Suvarnabhumi Airport Hotel Company Limited	30	30	305.33	305.33	116.69	114.80	1.88	14.07
Nok Airlines Company Limited	-	49	-	360.00	-	465.61	-	104.89
Total investments recognized by equity method					1,429.61	1,629.97	363.43	183.74
5.6.2 Other long-term investments recognized by cost method								
Fuel Pipeline Transportation Limited	8.4	8.4	133.00	133.00			-	-
Aeronautical Radio of Thailand Limited	2.0	2.3	13.19	15.36			-	-
SITA Investment Certificate	-	-	29.00	31.14			-	-
Trade Siam Company Limited	3.5	3.5	1.75	1.75			-	-
(paid 25% of authorized share capital)								
SITA Information Networking Computing	-	-	27.87	28.85			-	-
Other Shares	-	-	2.78	2.79			0.29	0.10
Investment in debentures	-	-	50.29	99.15			-	-
Other long-term investments	-	-	5.28	-			-	-
Less Allowance for impairment of investment in								
Fuel Pipeline Transportation Limited			(133.00)	(133.00)			-	-
Total other long-term investments			130.16	179.04			0.29	0.10



Separate Financial Statements

Unit : Million Baht

Company	Percentage of Shareholding		Investments		Dividend Income	
			Cost method			
	2012	2011	2012	2011	2012	2011
5.6.1 Investments recognized by cost method						
Subsidiary Companies						
Thai-Amadeus Southeast Asia Company Limited	55	55	8.25	8.25	165.00	70.12
Wing Span Services Company Limited	49	49	0.98	0.98	0.06	-
Thai Flight Training Company Limited	49	49	0.98	0.98	-	-
Nok Airlines Company Limited	49	-	360.00	-	202.86	-
Total			370.21	10.21	367.92	70.12
Associated Companies						
Royal Orchid Hotel (Thailand)						
Public Company Limited	24	24	225.00	225.00	-	-
(Fair value for the year 2012 amount of THB 416.25 million and for the year 2011 amount of THB 495.00 million)						
Donmuang International Airport Hotel Company Limited	40	40	48.00	48.00	-	-
Bangkok Aviation Fuel Services Public Company Limited	22.6	22.6	115.19	115.19	77.17	70.27
(fair value for the year 2012 amount of THB 2,372.91 million and for the year 2011 amount of THB 1,313.13 million)						
Phuket Air Catering Company Limited	30	30	30.00	30.00	21.00	10.50
Suvarnabhumi Airport Hotel Company Limited	30	30	305.33	305.33		
Nok Airlines Company Limited	-	49	-	360.00	-	39.00
Total			723.52	1,083.52	98.17	119.77
Total investments recognized by the cost method			1,093.73	1,093.73	466.09	189.89
5.6.2 Other long-term investments						
recognized by cost method						
Fuel Pipeline Transportation Limited	8.4	8.4	133.00	133.00	-	-
Aeronautical Radio of Thailand Limited	2.0	2.3	13.19	15.36	-	-
SITA Investment Certificate			29.00	31.14	-	-
Trade Siam Company Limited	3.5	3.5	1.75	1.75	-	-
(paid 25% of authorized share capital)						
SITA Information Networking Computing	-	-	27.87	28.85	-	-
Other Shares	-	-	2.78	2.79	0.29	0.10
Less Allowance for impairment of investment in						
Fuel Pipeline Transportation Limited			(133.00)	(133.00)	-	-
Total other long-term investments			74.59	79.89	0.29	0.10

5.6.3 Financial Information Summary of Subsidiary and Associated Companies

Unit : Million Baht

Company	Assets	Liabilities	Revenues	Gains (Losses)
Subsidiary Companies				
Thai-Amadeus Southeast Asia Company Limited	472.01	80.92	336.22	102.76
WingSpan Services Company Limited	239.19	197.37	486.68	35.05
Thai Flight Training Company Limited	11.81	9.58	27.19	(0.74)
Nok Airlines Company Limited	2,252.03	1,363.90	8,259.56	504.68
Tour Eurng Luang Company Limited	12.40	11.12	1.24	0.42
Associated Companies				
Royal Orchid Hotel (Thailand) Public Company Limited	1,844.32	751.78	1,579.67	618.75
Donmuang International Airport Hotel Company Limited	324.94	92.09	227.52	0.59
Bangkok Aviation Fuel Services Public Company Limited	6,276.04	2,812.33	2,144.49	713.71
Phuket Air Catering Company Limited	701.19	117.45	550.56	224.48
Suvarnabhumi Airport Hotel Company Limited	1,725.84	1,336.88	778.95	6.29

The Company used the audited financial statements of subsidiaries and unaudited financial statements of associated companies as at December 31, 2012 to record investments by equity method in the consolidated financial statements and by cost method in the separate financial statements.

5.7 Related Parties Transactions

5.7.1 Intercompany Transactions with Major Shareholders

5.7.1.1 Long-term borrowings from related parties

Unit : Million Baht

	2012	2011
Foreign borrowings via the Ministry of Finance	1,225.26	1,273.28
Government Saving Bank	3,462.00	5,034.00
Islamic Bank of Thailand	500.00	1,000.00
Total	5,187.26	7,307.28

5.7.2 Intercompany Transactions with Subsidiary Companies

5.7.2.1 Debentures and Investments in Debentures

Unit : Million Baht

	2012	2011
Thai-Amadeus Southeast Asia Company Limited	-	50.78
Total	-	50.78



5.7.2.2 Loans to Subsidiary

Unit : Million Baht

	2012	2011
WingSpan Services Company Limited	20.00	-
Total	20.00	-

5.7.2.3 Sales and Purchases

Unit : Million Baht

	2012		2011	
	Sales	Purchases	Sales	Purchases
Thai-Amadeus Southeast Asia Company Limited	2.51	-	3.04	-
WingSpan Services Company Limited	21.30	515.02	0.36	67.38
Thai Flight Training Company Limited	13.44	-	5.88	-
Nok Airlines Company Limited	532.88	8.39	-	-
Tour Eurng Luang Company Limited	10.01	0.50	-	-

5.7.2.4 Accounts Receivable and Accounts Payable

Unit : Million Baht

	2012		2011	
	Accounts Receivable	Accounts Payable	Accounts Receivable	Accounts Payable
Thai-Amadeus Southeast Asia Company Limited	0.37	0.13	0.32	-
WingSpan Services Company Limited	169.13	0.01	-	2.53
Thai Flight Training Company Limited	6.48	-	-	-
Nok Airlines Company Limited	75.05	0.57	-	-
Tour Eurng Luang Company Limited	0.96	-	-	-

5.7.3 Intercompany Transactions with Associated Companies

5.7.3.1 Sales and Purchases

Unit : Million Baht

	2012		2011	
	Sales	Purchases	Sales	Purchases
Royal Orchid Hotel (Thailand) Public Company Limited	0.15	2.63	0.15	4.47
Donmuang International Airport Hotel Company Limited	-	-	-	0.41
Bangkok Aviation Fuel Services Public Company Limited	0.05	316.41	0.03	394.03
Phuket Air Catering Company Limited	3.45	15.55	3.36	11.01
Suvarnabhumi Airport Hotel Company Limited	0.02	19.76	0.02	28.39
Nok Airlines Company Limited	-	-	815.90	-

5.7.3.2 Accounts Receivable and Accounts Payable

Unit : Million Baht

	2012		2011	
	Accounts Receivable	Accounts Payable	Accounts Receivable	Accounts Payable
Royal Orchid Hotel (Thailand) Public Company Limited	-	-	-	0.03
Donmuang International Airport Hotel Company Limited	-	-	-	-
Bangkok Aviation Fuel Services Public Company Limited	0.04	-	-	36.36
Phuket Air Catering Company Limited	0.01	-	0.88	3.20
Suvarnabhumi Airport Hotel Company Limited	-	0.11	-	0.45
Nok Airlines Company Limited	-	-	110.73	-

The Company purchases goods and services at 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 2011-2012.



5.8 Property, Plant and Equipment

Consolidated Financial Statements
As at December 31, 2012

Unit : Million Baht

	Prepaid Aircraft and Spare Engines	Aircraft	Aircraft under finance leases	Aircraft spare parts	Work In Progress	Land	Buildings	Leasehold Buildings	Building Improvement	Other plant and equipment	Total
Cost											
As at January 1, 2012	21,278.98	143,581.91	165,320.53	29,096.59	2,838.21	938.41	2,524.30	10,793.20	4,639.84	29,502.55	410,514.52
- Business Acquisition	-	-	-	-	-	-	-	-	-	221.66	221.66
- Adjust/Transfers	(8,009.14)	11,702.70	(32,857.60)	(208.20)	-	(0.85)	(1.69)	(4.19)	(67.83)	49.09	(29,397.71)
- Additions	4,347.17	4,031.59	34,421.32	5,008.07	(349.97)	-	-	-	31.24	711.39	48,200.81
- Disposals	-	(2,116.62)	(305.53)	(852.78)	-	(1.82)	(9.51)	(0.10)	(53.08)	(700.27)	(4,039.71)
As at December 31, 2012	17,617.01	157,199.58	166,578.72	33,043.68	2,488.24	935.74	2,513.10	10,788.91	4,550.17	29,784.42	425,499.57
Impairment Allowance	-	950.40	3,475.19	-	-	-	-	-	-	-	4,425.59
Accumulated depreciation											
As at January 1, 2012	-	96,527.20	49,794.73	18,730.03	-	-	2,266.38	5,098.03	4,067.88	24,610.01	201,094.26
- Business Acquisition	-	-	-	-	-	-	-	-	-	151.08	151.08
- Depreciation	-	6,750.88	9,514.89	1,940.54	-	-	67.36	230.07	173.27	1,380.36	20,057.37
- Adjust/Transfers	-	3,421.02	(18,611.11)	429.18	-	-	(1.69)	(4.19)	(69.23)	(249.69)	(15,085.71)
- Disposals	-	(2,110.78)	(301.50)	(562.22)	-	-	(8.05)	(0.10)	(51.75)	(687.31)	(3,721.71)
Provision for flood damages	-	-	-	-	-	-	-	-	-	10.75	10.75
As at December 31, 2012	-	105,538.72	43,872.20	20,537.53	-	-	2,324.00	5,323.81	4,120.17	25,215.20	206,931.63
Net book value											
As at December 31, 2011	21,278.98	46,104.31	112,050.61	10,366.56	2,838.21	938.41	257.92	5,695.17	571.96	4,892.54	204,994.67
As at December 31, 2012	17,617.01	51,660.86	122,706.52	12,506.15	2,488.24	935.74	189.10	5,465.10	430.00	4,569.22	218,567.94

Consolidated Financial Statements
As at December 31, 2011

Unit : Million Baht

	Prepaid Aircraft and Spare Engines	Aircraft	Aircraft under finance leases	Aircraft spare parts	Work In Progress	Land	Buildings	Leasehold Buildings	Building Improvement	Other plant and equipment	Total
Cost											
As at January 1, 2011	17,982.74	141,437.22	163,441.09	27,718.15	310.68	938.41	2,524.69	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	938.41	2,524.30	10,793.20	4,639.84	29,502.55	410,514.52
Impairment Allowance	-	950.40	3,475.19	-	-	-	-	-	-	-	4,425.59
Accumulated depreciation											
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)
Provision for flood damages	-	-	-	-	-	-	-	-	-	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
Net book value											
As at December 31, 2010	17,982.74	48,588.12	115,620.58	9,593.38	310.68	938.41	325.66	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	938.41	257.92	5,695.17	571.96	4,892.54	204,994.67



*Separate Financial Statements
As at December 31, 2012*

Unit : Million Baht

	<i>Prepaid Aircraft and Spare Engines</i>	<i>Aircraft</i>	<i>Aircraft under finance leases</i>	<i>Aircraft spare parts</i>	<i>Work In Progress</i>	<i>Land</i>	<i>Buildings</i>	<i>Leasehold Buildings</i>	<i>Building Improvement</i>	<i>Other plant and equipment</i>	<i>Total</i>
Cost											
As at January 1, 2012	21,278.98	143,581.91	165,320.53	29,096.59	2,838.21	938.41	2,524.30	10,793.20	4,639.84	29,284.28	410,296.25
- Adjust/Transfers	(8,009.14)	11,702.70	(32,857.60)	(208.20)	-	(0.85)	(1.69)	(4.19)	(67.83)	49.09	(29,397.71)
- Additions	4,347.17	4,031.59	34,421.32	5,008.07	(349.97)	-	-	-	31.24	655.19	48,144.61
- Disposals	-	(2,116.62)	(305.53)	(852.78)	-	(1.82)	(9.51)	(0.10)	(53.08)	(660.27)	(3,999.71)
As at December 31, 2012	17,617.01	157,199.58	166,578.72	33,043.68	2,488.24	935.74	2,513.10	10,788.91	4,550.17	29,328.29	425,043.44
Impairment Allowance	-	950.40	3,475.19	-	-	-	-	-	-	-	4,425.59
Accumulated depreciation											
As at January 1, 2012	-	96,527.20	49,794.73	18,730.03	-	-	2,266.38	5,098.03	4,067.88	24,399.10	200,883.35
- Depreciation	-	6,750.88	9,514.89	1,940.54	-	-	67.36	230.07	173.27	1,338.66	20,015.67
- Adjust/Transfers	-	3,421.02	(18,611.11)	429.18	-	-	(1.69)	(4.19)	(69.23)	(249.69)	(15,085.71)
- Disposals	-	(2,110.78)	(301.50)	(562.22)	-	-	(8.05)	(0.10)	(51.75)	(649.75)	(3,684.15)
Provision for flood damages	-	-	-	-	-	-	-	-	-	10.75	10.75
As at December 31, 2012	-	105,538.72	43,872.20	20,537.53	-	-	2,324.00	5,323.81	4,120.17	24,849.07	206,565.50
Net book value											
As at December 31, 2011	21,278.98	46,104.31	112,050.61	10,366.56	2,838.21	938.41	257.92	5,695.17	571.96	4,885.18	204,987.31
As at December 31, 2012	17,617.01	51,660.86	122,706.52	12,506.15	2,488.24	935.74	189.10	5,465.10	430.00	4,479.22	218,477.94

*Separate Financial Statements
As at December 31, 2011*

Unit : Million Baht

	<i>Prepaid Aircraft and Spare Engines</i>	<i>Aircraft</i>	<i>Aircraft under finance leases</i>	<i>Aircraft spare parts</i>	<i>Work In Progress</i>	<i>Land</i>	<i>Buildings</i>	<i>Leasehold Buildings</i>	<i>Building Improvement</i>	<i>Other plant and equipment</i>	<i>Total</i>
Cost											
As at January 1, 2011	17,982.74	141,437.22	163,441.09	27,718.15	310.68	938.41	2,524.69	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	938.41	2,524.30	10,793.20	4,639.84	29,284.28	410,296.25
Impairment Allowance	-	950.40	3,475.19	-	-	-	-	-	-	-	4,425.59
Accumulated depreciation											
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)
Provision for flood damages	-	-	-	-	-	-	-	-	-	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
Net book value											
As at December 31, 2010	17,982.74	48,588.12	115,620.58	9,593.38	310.68	938.41	325.66	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	938.41	257.92	5,695.17	571.96	4,885.18	204,987.31

In this period, there are 101 aircraft represented in the Company's fleet consisting of 51 own aircraft, 32 aircraft under finance leases, and 18 aircraft under operating leases which excluded 10 aircraft for sales, with a carrying amount of THB 7,414.19 million. Moreover, the engine for sales, CF6-80C2 engine with a carrying amount of THB 3.75 million, is in the process of follow-up payment from TPA Co., Ltd., the purchaser of such engine.

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 74,232.55 million including the leasehold buildings amount of THB 3,924.94 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 the buildings and elements will be passed to The Ministry of Finance at the end of the lease term. On August 10, 2012 the Company has issued the letter of interest to Airports of Thailand Public Company Limited for such leasehold buildings with a lease term of 3 years starting from September 28, 2012 to September 27, 2015, and the proposal is under the negotiation.

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 4,199.13 million consisting of land in Bangkok amount of THB 3,981.10 million and land in provinces amount of THB 218.03 million.

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

On March 30, 2012, the Company took the delivery of one B747-400 aircraft for cargo, and one more aircraft on May 4, 2012, which has been modified from passenger aircraft, totaling of 2 aircraft.

5.9 Intangible Assets

Unit : Million Baht

	Consolidated Financial Statements	Separate Financial Statements
Cost		
As at January 1, 2012	1,855.16	1,844.93
- Business acquisition	671.31	-
- Additions	412.93	404.09
As at December 31, 2012	2,939.40	2,249.02
Accumulated amortisation		
As at January 1, 2012	1,231.42	1,227.67
- Business acquisition	108.17	-
- Amortisation	262.31	248.40
As at December 31, 2012	1,601.90	1,476.07
Net book value		
As at December 31, 2011	623.74	617.26
As at December 31, 2012	1,337.50	772.95

5.10 Deferred Tax Assets

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

Unit : Million Baht

	Consolidated Financial Statements		Separate Financial Statements	
	2012	2011	2012	2011
Contribution to staff provident fund	79.92	85.75	79.92	85.75
Contribution to staff pension fund	466.18	475.91	466.18	475.91
Allowance for obsolete inventories	373.36	421.24	373.36	421.24
Allowance for doubtful accounts	409.23	371.79	404.18	365.17
Allowance for impairment in value of assets	808.89	849.56	808.89	849.56
Estimated accrual expenses	509.03	890.18	502.33	889.63
Loss on foreign currency exchange	-	77.03	-	77.03
Intangible assets	102.78	101.42	102.78	101.42
Employee benefits obligation	2,207.18	2,126.75	2,194.18	2,125.77
Others	9.88	9.82	7.67	7.08
Total	4,966.45	5,409.45	4,939.49	5,398.56

5.11 Deferred Tax Liabilities

Unit : Million Baht

	Consolidated Financial Statements		Separate Financial Statements	
	2012	2011	2012	2011
Intangible assets	83.35	55.76	83.35	55.76

Tax rates used for measuring asset value and deferred tax income are 30% for the year 2011, 23% for the year 2012 and 20% for the year 2013 and forward.

5.12 Other Non-Current Assets

Unit : Million Baht

	Consolidated Financial Statements		Separate Financial Statements	
	2012	2011	2012	2011
Deferred charges	3,771.50	2,030.72	3,771.50	2,030.72
Others	891.19	283.45	868.70	282.17
Total	4,662.69	2,314.17	4,640.20	2,312.89

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.



5.13 Non-current assets classified as held for sale Separate financial statements

Non-current assets classified as held for sale composed of 4 A300-600, 3 A340-500 and 3 B737-400 aircraft totaling of THB 7,414.19 million, 4 spare engines and 1 spare part totaling of THB 14.92 million, and other fixed assets totaling of THB 1.10 million, which made grand total of THB 7,430.21 million.

5.14 Long-Term Borrowings Consolidated and separate financial statements

Currency	Loan Currency		Baht Equivalent (Million)	
	2012	2011	2012	2011
USD	40,000,000	40,000,000	1,225.26	1,273.28
THB	51,234,000,000	55,334,000,000	51,234.00	55,334.00
Total long-term borrowings			52,459.26	56,607.28
Less Current portion of				
long-term borrowings			11,448.63	4,100.00
Net long-term borrowings			41,010.63	52,507.28

At the year-end, long-term loans of the Company consisted of the foreign loans borrowed via the Ministry of Finance amount of THB 1,225.26 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 51,234.00 million. The total of long-term loans amounted to THB 52,459.26 million. As at December 31, 2012, such long-term loans have been transferred to be a current portion of long-term loans amount of THB 11,448.63 million, remained the balance of long-term loans amount of THB 41,010.63 million.

5.15 Liabilities under Finance leases Consolidated and separate financial statements

Liabilities under Finance Leases	Unit : Million Baht			
	2012		2011	
	Book Value	Present Value	Book Value	Present Value
Within 1 year	9,938.49	9,531.50	10,102.50	10,102.50
More than 1 year - 5 years	37,004.30	32,070.78	30,604.37	27,651.68
More than 5 years	24,606.53	17,388.96	17,188.81	13,151.93
Total	71,549.32	58,991.24	57,895.68	50,906.11

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. For the fiscal year 2012, the outstanding balance of obligations under finance leases for 35 aircraft is THB 76,401.21 million with maturities ranging from 2013 to 2027. After deducting interest expenses due amount of THB 4,851.89 million, the principal balance of obligations under the Company's finance leases is THB 71,549.32 million. As at December 31, 2012, the amount of THB 9,938.49 million has been transferred to a current portion of finance lease, leaving the balance of long-term liabilities under finance lease amount of THB 61,610.83 million.

5.16 Debentures

Unit : Million Baht

Issuing								Redemption					Balance as at December 31, 2012
Resolutions of Shareholders' Meeting /No./Date	Amount Issued	Time Issued	Year Issued	Due Date	Age (Year)	Interest rate Paid every 6 months (Percentage)	Amount	2008	2009	2010	2011	2012	
Extraordinary/1/2003	40,000	1 (Tranche1)	2003	October 8, 2008	5	3.00	5,500.00	October 8					-
September 2, 2003		1 (Tranche2)	2003	October 8, 2010	7	3.70	4,500.00			October 8			-
							10,000.00						
		2 (Tranche1)	2004	October 20, 2009	5	4.65	7,500.00		October 20				-
		2 (Tranche2)	2004	October 20, 2011	7	5.20	4,500.00				October 20		-
		2 (Tranche3)	2004	October 20, 2014	10	5.80	3,000.00						3,000.00
							15,000.00						
		3 (Tranche1)	2005	May 12, 2008	3	3.82	6,000.00	May 12					-
		3 (Tranche2)	2005	May 12, 2011	6	4.67	6,000.00				May 12		-
		3 (Tranche3)	2005	May 12, 2015	10	5.19	3,000.00						3,000.00
							15,000.00						
Ordinary /2005	60,000	1 (Tranche1)	2007	November 22, 2010	3	4.51	3,000.00			November 22			-
December 23, 2005		1 (Tranche2)	2007	November 22, 2012	5	5.04	4,500.00					November 22	-
							7,500.00						
		1 (Tranche1)	2008	April 2, 2010	1.5	4.77	3,455.29			April 2			-
		1 (Tranche2)	2008	October 2, 2011	3	5.05	987.92				October 2		-
		1 (Tranche3)	2008	October 2, 2013	5	5.50	2,556.79						2,556.79
							7,000.00						
		1 (Tranche1)	2009	January 20, 2012	3	5.30	170.00					January 20	-
		1 (Tranche2)	2009	January 20, 2014	5	5.45	720.00						720.00
		1 (Tranche3)	2009	January 20, 2016	7	5.60	300.00						300.00
		1 (Tranche4)	2009	January 20, 2019	10	6.00	3,600.00						3,600.00
							4,790.00						

Unit : Million Baht

Issuing								Redemption					Balance as at December 31, 2012
Resolutions of Shareholders' Meeting /No./Date	Amount Issued	Time Issued	Year Issued	Due Date	Age (Year)	Interest rate Paid every 6 months (Percentage)	Amount		2009	2010	2011	2012	
Ordinary /2010 April 28, 2010	40,000	1 (Tranche1)	2011	May 13, 2018	7	Year 1-3 4% Year 4-6 4.5% Year 7 5.25%	1,555.00						1,555.00
		1 (Tranche2)	2011	May 13, 2021	10	Year 1-4 4.25% Year 5-8 4.75% Year 9-10 5.35%	833.00						833.00
		1 (Tranche3)	2011	May 13, 2016	5	3.91	2,000.00						2,000.00
		1 (Tranche4)	2011	May 13, 2018	7	4.36	1,445.00						1,445.00
		1 (Tranche5)	2011	May 13, 2021	10	4.62	2,167.00						2,167.00
							8,000.00						
		2	2011	December 28, 2016	5	4.30	2,000.00						2,000.00
							2,000.00						
		1 (Tranche1)	2012	February 16, 2019	7	4.41	1,000.00						1,000.00
		1 (Tranche2)	2012	February 16, 2022	10	4.75	2,000.00						2,000.00
							3,000.00						
		2	2012	March 23, 2024	12	4.98	1,500.00						1,500.00
							1,500.00						
		3 (Tranche1)	2012	October 11, 2017	5	4.51	4,000.00						4,000.00
		3 (Tranche2)	2012	October 11, 2019	7	4.70	1,500.00						1,500.00
		3 (Tranche3)	2012	October 11, 2022	10	4.90	1,500.00						1,500.00
							7,000.00						
Total													34,676.79

As at December 31, 2012, the balance of debentures was THB 34,676.79 million which the amount of THB 2,556.79 million was transferred to be a current portion of long-term liabilities, leaving the balance of long-term liabilities amount of THB 32,120.00 million.

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).

5.17 Other Current Liabilities - Others

	Unit : Million Baht			
	Consolidated Financial Statements		Separate Financial Statements	
	2012	2011	2012	2011
Airport fees	5,096.81	2,169.24	5,076.14	2,169.24
Deferred revenue	4.39	2.51	4.13	2.23
Tax payables	403.50	698.82	380.41	697.04
Fringe benefits-field office staff	606.39	658.06	606.39	658.06
Cash received from insurance company	1,047.58	-	1,047.58	-
Deposit received	1,461.86	878.20	1,450.82	866.28
Other payables	2,911.91	1,247.02	2,904.56	1,236.75
Total	11,532.44	5,653.85	11,470.03	5,629.60

5.18 Long-Term Provision Separate financial statements

Changes in present value of long-term provision

	Unit : Million Baht	
	2012	2011
Long-term provision beginning balance	1,524.22	2,555.35
Long-term provision for the period	(695.03)	(1,031.13)
Long-term provision ending balance	829.19	1,524.22

Long-term provision as at December 31, 2012 consisted of:

5.18.1 The Court of First Instance has rendered a judgment ordering the Company to pay for damages claimed by employees in the amount of THB 19.85 million. At present, the Company has filed an appeal to the Court of Appeal.

5.18.2 The Court of First Instance has rendered a judgment ordering the Company to pay for damages arising from suspending the purchase of wine from Ming Yerng International Company which claimed against the Company in the amount of THB 27.63 million. At present, the case is under the Court of Appeal's consideration.

5.18.3 The case which the court rendered a judgment ordering the Company to pay for debt of 2009 in the amount of THB 2.09 million is currently under the Supreme Court's consideration.

5.18.4 The Court of First Instance has rendered a judgment ordering the Company to pay for THB 3.22 million to its employees. At present, the case is currently under the Supreme Court's consideration.

5.18.5 The Court of First Instance has rendered a judgment ordering the Company to pay for damages to other companies in the amount of THB 1.03 million. At present, the case is currently under the Court of Appeal's consideration.



5.18.6 The Department of Civil Dispute Settlement and Arbitration has made a decision ordering the Company to be liable for half of damages totaling THB 5.47 million to the Royal Thai Police.

5.18.7 The Court of First Instance has rendered a judgment ordering the Company to pay for damages to other companies in the amount of THB 0.49 million. At present, the case is currently under the Court of Appeal's consideration.

5.18.8 The Court of First Instance has rendered a judgment ordering the Company to pay for damages to other companies in the amount of THB 0.24 million.

5.18.9 For the fiscal year 2008, the Company had set the reserve of 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. On December 31, 2008, the Company transferred the amount of THB 458.20 million as short-term provisions and remained the amount of THB 3,831.97 million as long-term provisions. For the fiscal year 2011, the Company had decreased the total amount of such short-term provisions and decreased such long-term provisions totaling amount of THB 1,783.19 million, and remained the amount of THB 2,506.98 million as long-term provisions as of December 31, 2011. For the fiscal year 2012, the Company had decreased the estimated reserve of damages and fines in the amount of THB 1,042.05 million, and remained the amount of THB 1,464.93 million as long-term provision as of December 31, 2011. For the fiscal year 2012, the Company had decreased such estimated reserve of damages and fines in the amount of THB 695.76 million, and remained the amount of THB 769.17 million as the reserve of damages and fines.

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 Baht.
2. To decrease the amount of reserve for the antitrust case in the United States of America and Korea since the Company has already made a payment for the fine totaling 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 estimated damages and fines are based on the progress and direction of the cases which have become more apparent and the Company also considers the possibility that the Company may be alleged by each authority of the country that conducted investigation against the Company and 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 Company adjusted the foreign currency exchange rate to be in line with the current rates.
2. The above estimated damages and fine amounts are made in respect of the investigations made by the competent authority in each country including the initial estimate of the compensation in the Civil Class Action cases in the United States of America, though the disputed amount of claims has not yet been set 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.

5.19 Employee Benefits Obligation Separate financial statements

Employee benefits obligations are classified into 5 projects as follows:

5.19.1 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.

5.19.2 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.

5.19.3 Encashment of Unutilized Holiday Leaves is paid to the employees who have outstanding holiday leaves, which can be accumulated not more than 3 consecutive years.

5.19.4 Long Service Awards (Pin/Ring) will be rewarded to the employees who have been working with the Company for 15, 25 and 35 years.

5.19.5 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	
	2012	2011	2012	2011
Beginning Balance - Employee Benefits Obligation	10,631.62	9,326.02	10,627.15	9,322.51
Adjustment of Employee benefits obligation for subsidiaries	73.69	-	-	-
Current service cost	502.74	487.80	482.81	486.99
Interest cost	411.23	384.95	408.39	384.80
Benefits paid during the year	(264.31)	(469.45)	(260.62)	(469.45)
Actuarial loss (gain)	(272.79)	902.30	(286.83)	902.30
Ending Balance - Employee Benefits Obligation	11,082.18	10,631.62	10,970.90	10,627.15



5.20 Dividend Paid Separate financial statements

The resolution of the 2012 Annual General Shareholders' Meeting held on April 25, 2012 approved a dividend payment from the Company's operation for the year 2011.

5.21 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, 2012 and 2011, 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.

5.22 Legal Reserve

As at December 31, 2012, the Company's legal reserve balance was THB 2,691.27 million, which composed of the carrying balance of the previous year totaling of THB 2,469.79 million and increased reserve for the fiscal year 2012 amount of THB 221.48 million (5% of net profit for the year) according to the Public Limited Company Act.

5.23 Employee Benefits Expenses

<i>Unit : Million Baht</i>				
	<i>Consolidated Financial Statements</i>		<i>Separate Financial Statements</i>	
	2012	2011	2012	2011
Personnel expenses	31,616.12	29,584.81	31,117.34	29,542.36
Employee benefits	377.01	1,305.60	343.74	1,304.64
Executive remuneration	70.58	88.85	66.48	88.76
Board of directors remuneration	22.99	29.83	15.98	28.26
Total	32,086.70	31,009.09	31,543.54	30,964.02

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 Securities and Exchange Mandate.

Moreover, the directors of the Company obtain the ticket benefits. For the year 2012 and 2011, they issued the tickets for themselves and their related parties amount of 240 and 220 tickets with the value of THB 24.90 million and THB 23.49 million, respectively, calculating from the full fare tickets in those traveling classes.

5.24 Other Income - Others

Unit : Million Baht

	Consolidated Financial Statements		Separate Financial Statements	
	2012	2011	2012	2011
Gains on sales of assets	133.88	9.96	133.88	9.96
Dividends from associated and subsidiary companies	-	-	466.09	189.89
Revenue from other services of Aircraft Maintenance Department	425.26	393.57	425.26	393.57
Revenue from airport fees collected from passengers	313.27	793.65	313.27	793.65
Compensation revenue from the delay delivery of aircraft	649.39	509.42	649.39	509.42
Insurance compensation from the flood disaster	284.23	175.00	284.23	175.00
Others	520.23	752.43	481.78	753.72
Total	2,326.26	2,634.03	2,753.90	2,825.21

5.25 Other Expenses

Unit : Million Baht

	Consolidated Financial Statements		Separate Financial Statements	
	2012	2011	2012	2011
Rentals and public utilities	2,688.22	2,708.79	2,688.22	2,708.79
Office supplies	216.34	224.41	216.34	224.41
Repair of building and equipment	615.54	575.29	615.54	575.29
Outsource wages	1,096.82	997.40	1,096.82	997.40
Consultant and service fees	473.43	546.51	473.43	546.51
Legal fee for Antitrust / Competition Law	(167.12)	(826.32)	(167.12)	(826.32)
Computer rent and maintenance expenses	386.12	393.41	386.12	393.41
Travelling and transportation expenses	623.24	656.24	623.24	656.24
Concession fees	351.05	350.93	351.05	350.93
Passenger claim expenses	246.85	186.62	246.85	186.62
Damages from flood disaster	284.23	175.00	284.23	175.00
Others	2,354.72	1,160.62	1,778.73	1,091.56
Total	9,169.44	7,148.90	8,593.45	7,079.84

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 2012, the Company has decreased the provision for such damages and fines (according to Note 4.18.9)



5.26 Impairment Loss of Aircraft

As the Company has phased out 2 A300-600 aircraft from the fleet in March 2012 and are under the selling process, when comparing the net book value with the fair value less cost to sell, it appears that the fair value less cost to sell is lower than the net book value, therefore, the Company recognized the impairment loss of such aircraft amount of THB 181.14 million. Moreover, the Company has phased out 3 A340-500 aircraft from the fleet in June 2012, but when comparing the net book value with the appraisal value of such aircraft, it appears that there is no significant difference therefore no impairment loss of such aircraft has been recognized.

5.27 Income Tax Expense

Unit : Million Baht

	Consolidated Financial Statements		Separate Financial Statements	
	2012	2011	2012	2011
Tax expense from taxable net profit for the period	97.04	41.25	40.91	-
<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 assets / liabilities from temporary				
differences increase/ decrease	496.40	(191.14)	486.65	(190.79)
Net tax expense	593.44	2,245.04	527.56	2,200.83

Tax credits are derived from net losses for the fiscal year ended December 31, 2011 as stated in P.N.D. 50 amount of THB 8,723.73 million. For the fiscal year ended December 31, 2012, the Company did not adopt tax benefits balance of THB 8,723.73 million which can be adopted until the fiscal year ended December 31, 2016.

5.28 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, 1178(2)/2555, 1627(2)/2555, 2006(2)/2555, 2576(2)/2555 and 2577(2)/2555 received on March 13, 2009, November 19, 2009, April 21, 2011, February 10, 2012, May 22, 2012, July 31, 2012, October 22, 2012, and October 22, 2012, respectively. Under the condition, the Company will receive 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 services classified to the promoted and non-promoted activities for the year ended December 31, 2012 and 2011 are as follows:

Revenues from sales or services classified to the promoted and non-promoted activities for the year ended December 31, 2012 and 2011 are as follows:

Unit : Million Baht

	<i>Separate Financial Statements</i>	
	2012	2011
Revenues from sales or services		
Promoted activities	30,189.88	16,929.74
Non-promoted activities	170,868.21	173,762.18
Total revenues from sales or services	201,058.09	190,691.92

5.29 Earnings (Loss) Per Share

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

Unit : Million Baht/Million Shares

	<i>Consolidated Financial Statements</i>		<i>Separate Financial Statements</i>	
	2012	2011	2012	2011
Profits (losses) attributable to owners of the parent	6,228.97	(10,196.97)	4,429.65	(10,238.47)
Number of issued ordinary shares as at January 1	2,182.77	2,182.77	2,182.77	2,182.77
Number of weighted average ordinary shares	2,182.77	2,182.77	2,182.77	2,182.77
Basic earnings (loss) per share (THB)	2.85	(4.67)	2.03	(4.69)



5.30 Financial Information by Segment Consolidated financial statements

5.30.1 Business segments

Statements of Income

For the years ended December 31, 2012 and 2011

Unit : Million Baht

	Revenues		Inter - Segment Revenues		Total Revenues		Segment Results	
	2012	2011	2012	2011	2012	2011	2012	2011
Air transportation	200,221.77	182,738.04	-	-	200,221.77	182,738.04	10,622.95	(2,660.87)
Business Units	6,709.08	6,222.70	9,970.65	10,112.43	16,679.73	16,335.13	(1,881.72)	1,853.62
Other activities	2,191.66	2,036.45	5,231.60	5,205.91	7,423.26	7,242.36	(2,422.31)	(869.66)
Eliminations	-	-	(15,202.25)	(15,318.34)	(15,202.25)	(15,318.34)	-	-
Operating profits (losses)							6,318.92	(1,676.91)
Loss on debentures redemption							-	(1.43)
Share of profits of associates							363.43	183.74
Finance costs - net							(5,339.70)	(4,944.99)
Gains (losses) on foreign currency exchange							3,212.96	(2,428.18)
Other income - net							963.65	950.70
Profitability on business acquisition							1,584.40	-
Non-controlling interests							(281.25)	(34.86)
Net tax expenses							(593.44)	(2,245.04)
Net profit (loss) attributable to owners of the parent							6,228.97	(10,196.97)

Assets and Liabilities

As at December 31, 2012 and 2011

Unit : Million Baht

	Current Assets		Non-Current Assets		Total Assets	
	2012	2011	2012	2011	2012	2011
Air transportation	64,109.59	55,185.97	223,341.92	206,086.81	287,451.51	261,272.78
Business Units	847.53	599.48	5,827.65	6,544.93	6,675.18	7,144.41
Other activities	2,838.45	709.31	3,315.33	2,519.30	6,153.78	3,228.61
Non-allocated assets	3,815.41	2,310.60	-	-	3,815.41	2,310.60
Total	71,610.98	58,805.36	232,484.90	215,151.04	304,095.88	273,956.40

Unit : Million Baht

	Current Liabilities		Non-Current Liabilities		Total Liabilities	
	2012	2011	2012	2011	2012	2011
Air transportation	78,837.98	69,466.92	151,479.04	140,302.56	230,317.02	209,769.48
Business Units	609.52	645.19	1.08	14.59	610.60	659.78
Other activities	1,598.35	195.98	114.65	16.99	1,713.00	212.97
Non-allocated liabilities	1,636.82	367.26	-	-	1,636.82	367.26
Total	82,682.67	70,675.35	151,594.77	140,334.14	234,277.44	211,009.49

Segment operating results in each activity derive from total revenues less 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 less discount. As for the Technical Department, the inter-segment revenue transfers is recorded at cost plus. Those transfers are eliminated in preparing consolidated financial statement.

5.30.2 Geographical Segment Revenues

Unit : Million Baht

	2012	2011
Domestic Revenues		
Transportation	23,203.19	14,278.28
Business units	6,709.08	6,222.70
Other activities	2,191.66	2,036.45
Total domestic revenues	32,103.93	22,537.43
Foreign Transportation Revenues		
Regional Asia	75,357.86	68,279.53
Europe	39,087.60	41,940.20
North Pacific	2,623.17	3,539.77
Australia & New Zealand	18,551.83	17,211.46
Africa	1,074.59	1,154.62
Total foreign transportation revenues	136,695.05	132,125.58
Charter revenues and others	9,903.55	10,506.08
Insurance surcharge from passengers	1,561.94	1,669.66
Fuel surcharge from passengers	28,858.04	24,158.44
Interest income	496.59	710.59
Other income	2,326.26	2,634.03
Profitability on business acquisition	1,584.40	-
Total	213,529.76	194,341.81

5.31 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:

Unit : Million Baht

	2012	2011
Current assets	4,652.26	4,511.18
Others	69.24	65.92
Total	4,721.50	4,577.10
Other current liabilities	51.39	15.89
Pension fund	4,670.11	4,561.21
Total	4,721.50	4,577.10



As at December 31, 2012, the fund balance was THB 4,670.11 million, equal to the Company's obligation to its staff under the fund. (The total Company contribution to the fund in this accounting periods was THB 162.19 million, which comes from contributions at a rate equivalent to 10% of employee salaries in the amount of THB 222.68 million less the amount to match the Company's obligation of THB 60.49 million.)

5.32 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 1,203.88 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).

5.33 Contingent Liabilities

5.33.1 The Company has contingent liabilities, not presented in the financial statements, as follows:

	<i>Unit : Million Baht</i>	
	2012	2011
Letters of guarantee issued by banks - Domestic	220.85	30.96
Letters of guarantee issued by banks - Abroad	399.09	397.19
The Company as defendant in		
Labor dispute cases	1,410.71	1,343.33
Damage claims cases	2,537.81	2,597.98
Total	4,568.46	4,369.46

5.33.2 There are antitrust cases and other cases which have been filed, alleged and conducted a criminal investigation against the Company as follows:

1. Regarding an investigation conducted by the United States' Department of Justice (DOJ), it can be divided into 2 cases.

1.1 Cargo US DOJ Investigation: The Company was unofficially informed that DOJ has already terminated the investigation.

1.2 Passenger US DOJ Investigation: DOJ had started to investigate the Company by sending summon for documents to the Company. It is now in the process of 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 and when it will occur.

2. 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 and expenses has not yet been specified by the ACCC in the lawsuit.

At present, the Company has already entered into a settlement with ACCC in order to pay a fine in the amount of AUD 7.5 million or approximately THB 240.50 million including the legal fees of ACCC in the amount of AUD 0.5 million or approximately THB 16.03 million, the total amount is AUD 8 million or approximately THB 256.53 million. On December 14, 2012, the court rendered a judgment as per the settlement agreed between the Company and ACCC. The Company can pay the fine by 7 installments within 3 years period. On December 28, 2012, the Company has paid for the fine of the first installment in the amount of AUD 1.1 million or approximately THB 35.79 million and paid for the legal fees of ACCC in the amount of AUD 0.5 million or approximately THB 16.27 million. The total amount is THB 52.06 million.

3. On the subject of an investigation by the Korean 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 but dropped the criminal charges against the Company and the relevant staff. The Company has appealed the KFTC Commissioners' decision to the competent court. Then, the appeal of the Company for both ex Korea route and ex Hong Kong route was dismissed i.e. the Company shall pay for the fine totaling an amount of KRW 2,198.00 million for ex Korea route and an amount of KRW 679.00 million for ex Hong Kong route. The Company has already appealed to the Supreme Court and the case is currently undergoing the Supreme Court procedures.

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 impose a fine and expenses to the Company according to the law. However, these fine and expenses remained unspecified at the time of filing the lawsuit. At present, the case is currently undergoing the court procedures.

5. For the case where lawsuits were filed against the Company at the Superior Court of Los Angeles and the San Francisco County Superior Court alleging that the Company had violated the Antitrust law of the United States by committing fares and surcharges fixing conspiracy. Presently, the Judicial Panel on Multi-district Litigation has ordered to combine the cases to be considered by the court at San Francisco as a single case, however, the disputed amount of claims has not yet been determined until the court makes a final decision that the Company is guilty. The case is currently undergoing the court procedures.



5.34 Actions Taken in Relation to Entering into Block Space Agreement with Southern Air Inc. (SAI)

Since Southern Air Inc. (SAI) has filed an application for the rehabilitation (Chapter 11) with the bankruptcy court in Delaware, the United States of America, on November 28, 2012, the Company filed a debt repayment application in the case where Southern Air Inc. (SAI) requested for the rehabilitation by assigning SKADDEN, ARPS, SLATE, MEAGHER & FLOM to be a local lawyer of the Company. The case is currently undergoing the court's consideration.

5.35 Actions Taken in Relation to Claiming for Damages Arising from the Delay of KOITO Economy Class Seats Delivery

On December 9, 2011, Macfarlanes LLP, the Company's lawyer, filed a lawsuit against Koito Industries Limited and Asia Fleet Services (s) Pte., Ltd. at the court in England for breaching of general terms agreements (economy class seats) for Airbus A330-300 and A380-800 and Boeing B777-300 aircraft. At present, Koito Industries Limited (KI Holding Limited) has already filed its defence and counter claim. The case is currently undergoing the court's consideration.

5.36 Disclosure of Financial Instruments Separate financial statements

5.36.1 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.

2012

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	
By currency								
USD	7.07	-	-	-	1,225.26	-	-	1,225.26
JPY	1.15	2,637.29	6,881.77	7,988.01	-	-	-	17,507.07
EUR	1.54	6,017.78	24,974.50	16,617.00	1,283.43	5,149.55	-	54,042.26
THB	4.62	8,823.37	33,680.89	4,054.74	3,956.79	18,295.00	17,100.00	85,910.79
Total		17,478.44	65,537.16	28,659.75	6,465.48	23,444.55	17,100.00	158,685.38

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	
By currency								
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
Total		12,607.36	60,406.78	27,428.69	6,265.14	24,892.45	10,749.33	142,349.75

For Interest Rate Risk Management policy, 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, 2012, the portion of the Company's debt after swap with floating to fixed interest rate is 50 : 50.

At the moment, the Company has the total of 14 IRS transactions, swapping debt with floating interest rate to fixed interest rate. Two of these transactions are in JPY currency, nine transactions in EUR, and the remaining three transactions in THB. As at December 31, 2012, IRS transactions' total notional amount was THB 27,528.72 million of which interest exchange payments are done monthly and 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. One transaction in THB currency will expire in 2016 and two transactions in THB currency will expire in 2017.

5.36.2 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 Hedging" 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, 2012, the proportion of the Company's debts after swap in each currency i.e. USD : EUR : JPY : THB is 1 : 36 : 14 : 49. 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 five CCS transactions, swapping debt in THB currency with floating interest rate to JPY currency with fixed interest rate. As at December 31, 2012, the five CCS transactions' total notional amount was JPY 11,548.82 million or equivalent to THB 4,680.75 million of which exchange payments, both principal and interest, are done quarterly. The two CCS transactions will terminate in 2015 and the other three transactions will terminate in 2017.

Foreign Currency Liabilities

Unit : Million Baht

Currency	2012			2011		
	Due within 1 year	Due 1 to 5 years	Due over 5 years	Due within 1 year	Due 1 to 5 years	Due over 5 years
USD	1,225.26	-	-	-	1,273.28	-
JPY	2,637.29	6,881.77	7,988.01	3,759.07	5,169.06	2,372.97
EUR	7,301.21	30,124.05	16,617.00	6,343.43	25,435.31	14,815.84



5.36.3 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 the Company for shareholders and all concerned 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, which is under approval authority of Fuel Price Risk Management Committee. If fuel hedging is conducted more than 80 percent or lower than 20 percent of annual fuel consumption, it will have been approved by the Company's Board of Directors. 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 84 percent of its annual fuel consumption. As at December 31, 2012, the Company still has an obligation from fuel price hedging until December 2013 amount of 12,180,000 barrels of Jet fuel whereby the average lowest and the highest jet fuel prices are at USD 106.50 per barrel and USD 117.00 per barrel.

5.36.4 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 payables, 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 receivables are stated at net book value net of allowances for doubtful accounts.

5.37 Contractual Obligations

5.37.1 Obligation to Purchase Aircraft

The Company has a payment obligation to purchase 3 A380-800, 2 A330-300, 5 A320-200, 4 A350-900XWB, and 6 B777-300ER aircraft amount of THB 78,056.96 million, expected to take delivery during the year 2013-2017 which consisted of:

Unit : Million Baht

<i>Obligation</i>	<i>Within 1 year</i>	<i>Over 1 year - 5 years</i>
Purchase of aircraft	21,919.28	56,137.68

5.37.2 Leases and Obligations of Aircraft

The Company has obligations from entering into operating leases for 42 aircraft amount of USD 4,837.73 million or approximately to THB 148,893.32 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 24 aircraft which have not been scheduled delivery yet. The Company entered into the operating lease of 6 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 7.23 million or approximately to THB 222.37 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 in 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	4,513.15	30,554.93	113,602.87
Commitment Fee	222.37	-	-
Total	4,735.52	30,554.93	113,602.87

5.38 Estimated Damages from the Flood Disaster

5.38.1 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, which consisted of two Airbus A300-600 aircraft phased out from the fleet as aircraft for sales, consumable parts and supplies of Technical Department, tool repairment of Technical Department and raw material of Catering. On January 18, 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 156.81 million on January 27, January 31, 2012 and February 13, 2012, respectively. The Company received more compensation amount of THB 10 million, USD 24.81 million or approximately THB 757.99 million, and THB 0.21 million on March 16, March 28, 2012 and May 17, 2012, respectively. Moreover, the Company received more compensation amount of THB 50 million, USD 0.19 million or approximately THB 6.02 million, THB 13 million, THB 2 million, and THB 1.55 million on July 10, July 30, 2012, August 10, 2012, October 22, 2012 and November 9, 2012, respectively. The Company recognized the insurance compensation from the flood disaster of THB 459.23 million. Such compensation has been recognized in the statements of comprehensive income for the year 2011 and 2012 at the amount of THB 175 million and THB 284.23 million, respectively. However, all the damaged assets which are covered by the insurance policy are under claiming process with the insurance company.



5.38.2 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 the support until February 29, 2012. The estimate such grant amounted to THB 400.00 million. The Company has already recognized such amount as expenses in the statements of comprehensive income for the year 2011. And for the year 2012, the Company has gradually paid THB 209.42 million to the qualified staffs according to the Company's regulations. The Company also decreased the supporting amount of THB 190.58 million. Meanwhile, The Company terminated the support on October 15, 2012 according to the Board of Directors Meeting held on October 5, 2012.

5.39 Events after the Reporting Period

5.39.1 One A330-300 aircraft is delivered on January 16, 2013. Such aircraft is under finance lease with aircraft guaranteed with the lease term of 15 years.

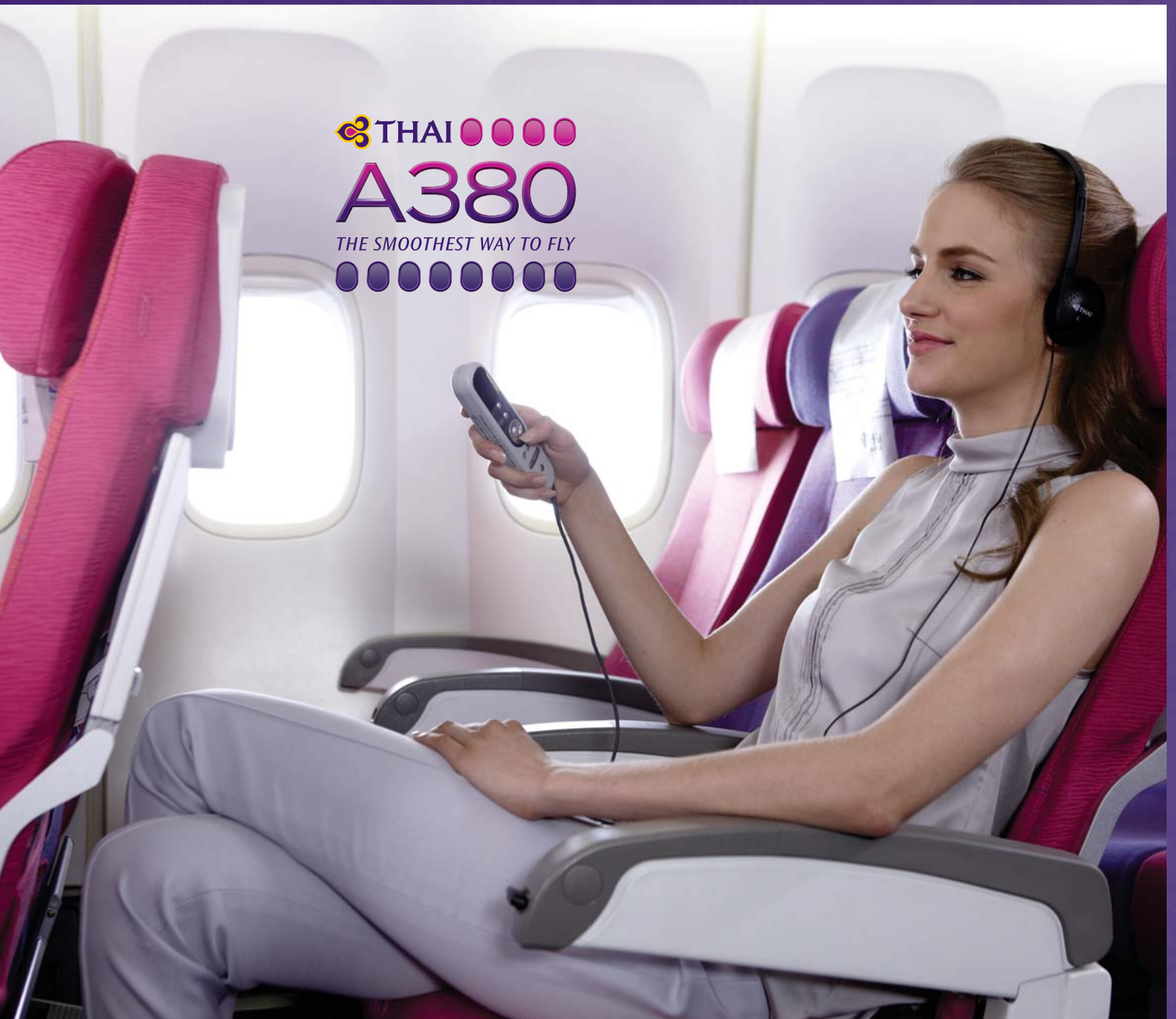
5.39.2 A320-200 No.5 aircraft is delivered on January 17, 2013. Such aircraft is under operating lease with the lease term of 12 years.

5.39.3 On February 13, 2013, the Company received the 9th investment promotion certificate No.1220(2)/2556 for investing in 2 A330-300 aircraft, the 10th investment promotion certificate No.1221(2)/2556 for investing in 3 A380-800 aircraft, and the 11th investment promotion certificate No.1222(2)/2556 for investing in 2 A320-200 aircraft.

5.40 Approval of Financial Statements

These financial statements were approved by the Audit Committee, the Authorized Board of Directors, on February 27, 2013.

THAI 
A380
THE SMOOTHEST WAY TO FLY

A Whole
New Flying
Experience.

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) 2356-1111

Ordinary Shares

As of December 31, 2012, 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>Type of Business</i>	<i>Type of Shares</i>	<i>Paid-up Authorized Shares (Million Baht)</i>	<i>Equity Ratio</i>
Thai-Amadeus Southeast Asia Company Limited The Offices at Central World, 999/9 Unit 3406-3412, 34 th Floor, Rama 1 Rd., Patumwan, Bangkok 10330 Tel: 66(0)-2207-9090 Fax: 66(0)-2207-9191	Online Ticketing Services to Agents and Other Travel Services	Ordinary	15.00	55.00%
Nok Airlines Company Limited 183, 17 Floor. Rajanakarn Building, South Sathorn Rd., Yannawa, Sathorn Bangkok 10120 Tel: 66(0)-2627-2000 Fax: 66(0)-2286-9830	Air Transportation Services	Ordinary	500.00	49.00% (with controlling authority)
WingSpan Services Company Limited 89 Vibhavadi-Rangsit Rd., Jompol, Chatuchak, 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 Company Limited 89 Vibhavadi-Rangsit Rd., Jompol, Chatuchak, Bangkok 10900 Tel: 66(0)-2545-3330 Fax: 66(0)-2545-3992	Aviation Training Service	Ordinary	2.00	49.00% (with controlling authority)

<i>Company Name</i>	<i>Type of Business</i>	<i>Type of Shares</i>	<i>Paid-up Authorized Shares (Million Baht)</i>	<i>Equity Ratio</i>
Tour Eurng Luang Co.,Ltd. 89 Vibhavadi-Rangsit Rd., Jompol, Chatuchak, Bangkok 10900 Tel: 0-2356-2888 Fax: 0-2288-7158	Tourism services and related-tourism activities	Ordinary	1.00	49.00% of shares held via WingSpan (with controlling authority)
Don Mueang International Airport Hotel Company Limited 333 Moo 10, Chert Wudthakas Rd., 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 Company Limited 10/3 Moo 6, Sanambin Rd., Tambon Mai khao, 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) Public Company Limited 2 Captain Bush Lane, Charoen Krung Rd., 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 Rd., 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 Company Limited 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, 2012



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

Debenture Holders' Representative 1/2004

: THANACHART BANK PLC.
: Securities and Custodian Services Department
: Basement, Glas Haus Building, Sukhumvit 25
: North Klongtoey, Wattana, Bangkok 10110
: Tel.66 (0) 2207-4900 Ext. 1300 - 1308

Debenture Registrar 1/2004 Debenture Holders'

: THE SIAM COMMERCIAL BANK PLC.
Corporate Trust Operations Division
Building 2, Fl.3, 1060 New Phetchaburi Road,
Makkasan, Rajthewi Bangkok 10400
Tel. 66 (0) 2256-2323-27 Fax. 66 (0) 2256-2405

Representative 1/2005

: CIMB THAI BANK PLC.
44 Langsuan Road, Lumpini, Pathumwan Bangkok 10330
Tel. 66 (0) 2626-7507 Fax. 66 (0) 2626-7542

Debenture Registrar 1/2005 Debenture Holders'

: TMB BANK PLC.
Securities Operation and Investment Banking
3000 Phaholyothin Road
Chompon, Chatuchak Bangkok10900
Tel. 66 (0) 2299-1321, 66 (0) 2299-1536 Fax. 66 (0) 2242-3270

Representative 1/2007

: TMB BANK PLC.
Securities Operation and Investment Banking
3000 Phaholyothin Road
Chompon, Chatuchak Bangkok10900
Tel. 66 (0) 2299-2465, 66 (0) 2299-1887 Fax. 66 (0) 2242-3208

**Debenture Registrar 1/2007
Debenture Holders'**

: TMB BANK PLC.
Securities Operation and Investment Banking
3000 Phaholyothin Road
Chompon, Chatuchak Bangkok10900
Tel. 66 (0) 2299-1321, 66 (0) 2299-1536 Fax. 66 (0) 2242-3270

Representative 1/2008

: TMB BANK PLC.
Securities Operation and Investment Banking
3000 Phaholyothin Road
Chompon, Chatuchak Bangkok10900
Tel. 66 (0) 2299-2465, 66 (0) 2299-1887 Fax. 66 (0) 2242-3208

**Debenture Registrar 1/2008
Debenture Holders'**

: TMB BANK PLC.
Securities Operation and Investment Banking
3000 Phaholyothin Road
Chompon, Chatuchak Bangkok10900
Tel. 66 (0) 2299-1321, 66 (0) 2299-1536 Fax. 66 (0) 2242-3270

**Representative 1/2011
and 2/2011**

: CIMB THAI BANK PLC.
44 Langsuan Road, Lumpini, Pathumwan
Bangkok 10330
Tel. 66 (0) 2626-7507 Fax. 66 (0) 2626-7542

**Debenture Registrar 1/2011
2/2011, and 2/2012**

: CIMB THAI BANK PLC.
44 Langsuan Road, Lumpini, Pathumwan
Bangkok 10330
Tel. 66 (0) 2626-7507 Fax. 66 (0) 2657-3333

Debenture Registrar 3/2012

: BANK OF AYUDYA PLC.
1222 Rama III Road, Bang Phongphang
Yan Nawa Bangkok 10120
Tel. 66 (0) 2296-3341 Fax. 66 (0) 2683-1297

Auditor

: 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

Experience

- 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

Experience

- 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

Experience

- Director 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

Experience

- Independent Directors, 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. Chutinant Bhirom Bhakdi
Director

Education

- Bachelor's Degree in Economics, Boston University, Massachusetts, USA

Experience

- Bangkok Senator
- Member of the Constituent Assembly, Chairman of the Committee on Public Relations and Dissemination

Present Positions

- Executive Vice President, Director, Boonrawd Brewery Co., Ltd.
- Managing Director, Boonrawd Trading International Co., Ltd.
- Vice Chairman of Executive Committee, Director, Bangkok Glass Industry Co., Ltd.
- Chairman of Board of Director, Bangkok Visypak Co., Ltd. And Petpak Co., Ltd.
- President, Paralympic Committee of Thailand

Mr. Dheerasak Suwannayos
Director

Education

- M.A. (Economics), University of Karachi, Karachi, Pakistan

Experience

- President, Islamic Bank of Thailand
- Chairman, Board of Directors, Krung Thai Asset Management Co., Ltd.
- Air Transport, Thai Airways International Public Company Limited
- Member, Board of Directors of MCOT Public Company Limited

Present Positions

- Member, Sub - committee to consider announcements regarding securities Issuances and offering, Securities and Exchange Commission
- Advisor, Sheikhul Islamm Office

Pol. Gen. Pongsapat Pongcharoen
Director

Education

- Ph.D. in Criminal Justice Sam Houston State University

Experience

- Office of Advisor (Level 10) Royal Thai Police
- Assistant Commissioner - General of the Royal Thai Police

Present Positions

- Deputy Commission - General of the Royal Thai Police
- Secretary - General office of the Narcotics Control Board
- Independent Director, Metropolitan Electricity Authority



Mr. Voradej Harnprasert

Director

Education

- M.A (Economics), Middle Tennessee State University

Experience

- Principal Adviser on Air Transport Economics
- Inspector - General

Present Positions

- Director General, Department of Civil Aviation
- Chairman of the Board of Directors, Aeronautical Radio of Thailand Ltd.

Mr. Weerawong Chittmittrapap

Independent Director

Education

- LL.M. University of Pennsylvania, USA

Experience

- Executive Partner, White and Case (Thailand) Co., Ltd.
- Director, NOBLE Development PCL.

Present Positions

- Chairman, Weerawong, Chinnavat and Peangpanor Co., Ltd.
- Audit Committee, Berli Jucker PCL.
- Director, Minor International PCL.

ACM. Satitpong Sukvimol

Director

Education

- BA Chiang Mai University

Experience

- 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

- National Defence College

Experience

- President of Advisory Board Royal Thai Armed Forces Headquarters
- 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

- Retired Officer



Mr. Sutham Siritipsakorn

Director

Education

- Bachelor of Architecture, First Class Honour Chulalongkorn University

Experience

- Board of Directors National Housing Authority
- Board of Directors MCOT Public Company Limited

Present Positions

- Managing Directors Sutham Architects And Associates Co., Ltd.
- Board of Directors Government Saving Bank
- Town and Country Planning Committee Directors
- Board of Commissioners The State Railway 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

Experience

- Deputy Director General
- Chief Inspector General
- Director General

Present Positions

- Deputy Permanent Secretary

MR. Apiporn Pasawat

Independent Director

Education

- MS (Chemical Eng.) MBA (Production) University of Wisconsin, USA

Experience

- Advisor, The Siam Cement PCL.
- President, Cementhai Chemical Co., Ltd.
- Director, The Aromatics (Thailand) PCL.

Present Positions

- Chairman of The Board of Directors, Nok Airlines Co., Ltd.
- Chairman of The Executive Committee and Director, Linde (Thailand) PCL.
- Director, Thai Plastic and Chemicals PCL.

Mr. Sorajak Kasemsuvan

Director

Education

- Ph.D. in International Law London School of Economics, University of London, UK

Experience

- Chairman, MCOT Public Company Limited
- Advisor to Deputy Minister of Education
- President, Stamford International University
- Executive Director, International Institute for Trade and Development (ITD)

Present Positions

- Independent Director, Electricity Generating PCL.
- Vice-Chairman, Saranrom Institute of Foreign Affairs Foundation



Management Team



Mr. Sorajak Kasemsuvan

President

Education

- Ph.D. in International Law London School of Economics, University of London, UK

Experience

- Chairman, MCOT Public Company Limited.
- Advisor to Deputy Minister of Education
- President, Stamford International University
- Executive Director, International Institute for Trade and Development (ITD)



Mr. Chokchai Panyayong

**Senior Executive Vice President
Strategy & Business Development**

Education

- Master of Engineering, Civil Engineering, University of Detroit, USA

Experiences

- Executive Vice President, Strategy and Business Development Department
- Vice President, Business Development and Special Project Department
- Vice President, Suvarnabhumi Project



Mr. Pandit Chanapai

**Managing Director Ground Services
Business Unit**

Education

- Master of Arts, International Relations, The University of Connecticut, USA

Experiences

- Executive Vice President, Commercial
- Executive Vice President, Human Resources and General Management
- Executive Vice President, Commercial



**Flight Lieutenant
Montree Jumrieng**

**Executive Vice President,
Technical Department**

Education

- Bachelor of Science, Mechanical Engineering, Royal Thai Air Force Academy

Experiences

- Managing Director, Technical Department
- Executive Vice President, Human Resources and General Management
- Vice President, Human Resources Management Department



**Squadron Leader
Asdavut Watanangura**

**Executive Vice President Operations
Support for H.R.H. Chairman
Operation Support Center**

Education

- Diplom Prufung Bauingenieurwesen (Master Degree Level), Civil Engineering Hochschule Der Bundeswehr Muenchen, Federal Republic of Germany

Experiences

- Executive Vice President, Operations Department
- Executive Vice President, Aviation Safety, Security, Standards and Resources Development
- Vice President, Aviation Resources Development Department
- Director, Flight Deck Crew Training Department



Mr. Teerapol Chotichanapibal

**Executive Vice President,
Products and Customer Services**

Education

- Master of Science, Operations Research, University of Southamton, UK

Experiences

- Vice President, Commercial Development And Support Department
- Managing Director, Catering Department
- Vice President, Sales & Distribution Department



Mr. Danuj Bunnag

Executive Vice President Commercial

Education

- Master of Construction Management, Construction Management, Washington University at St. Louis, USA

Experiences

- Managing Director, Ground Services Business Unit
- Vice President, Marketing Planning and Revenue Management Department

Mr. Niruj Maneepun

Executive Vice President Human Resources and Compliance

Education

- Master of Laws, (LL.M.) Temple University, Philadelphia Pennsylvania, USA

Experiences

- Executive Vice President, Corporate Secretariat Department
- Vice President, Legal and Compliance Department

Mrs. Wasukarn Visansawatdi

Executive Vice President, Finance and Accounting

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
- Director, Fund Department

Lieutenant Athisak Padchuenjai

Executive Vice President, Operations

Education

- Bachelor of Engineering, Survey Engineering, Chulachomklao Royal Military Academy

Experiences

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