



ANNUAL REPORT 2010

Thai Airways International Public Company Limited

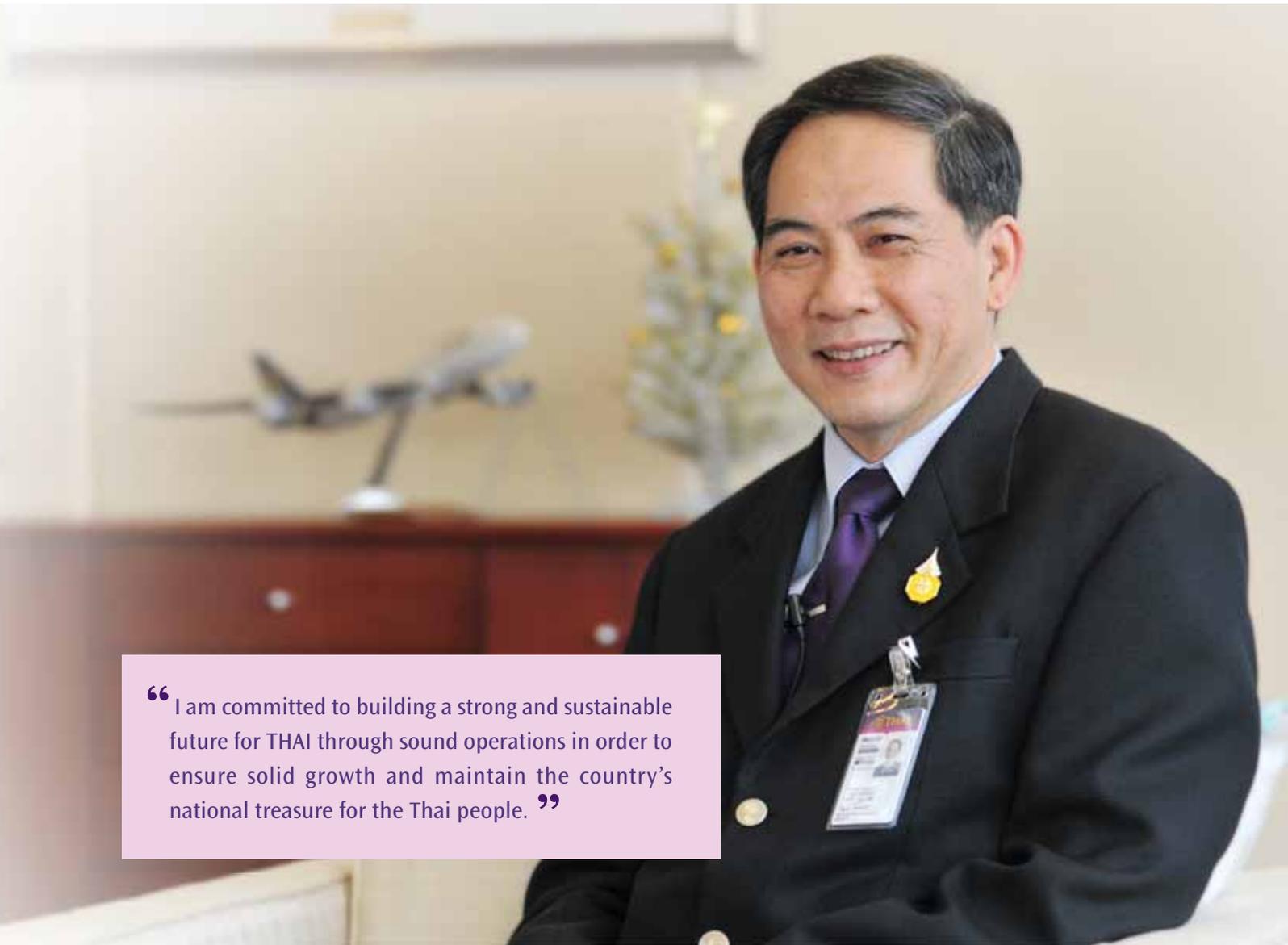


Five Decade of Pride

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Message from the Chairman



“ I am committed to building a strong and sustainable future for THAI through sound operations in order to ensure solid growth and maintain the country’s national treasure for the Thai people. ”

2010 proved to be another challenging year for the commercial airline industry. Despite the global economic uncertainty, natural disasters, increased competition especially from the rapid proliferation of low cost airlines, as well as domestic political unrest, THAI was able to successfully weather these challenges with unified support from both the management and employees. The implementation of effective operating and risk management strategies has been an essential factor in strengthening THAI's performance and development.

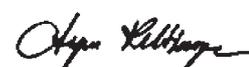
This year, THAI celebrated its 50th Anniversary while establishing the Company's long-term vision "Mission TG100" to reposition THAI at the forefront of the commercial airline industry placing special emphasis on customer oriented service, enhanced competitiveness and being dynamic. THAI assessed its competitive positioning and thus began to focus on strategies to improve products and services and to further enhance customer value at every customer touchpoint. The Company sought new business opportunities and took initiatives to expand the Company's horizon. Simplifying and acquiring the most appropriate aircraft fleet for THAI's future network is essential in order to become cost effective. Modernized information technology and advanced tools are imperative in this highly competitive industry. In parallel with other activities taking place, cost control remains at the heart of management strategy, but without any sacrifice in service quality.

To mitigate the potential impact of various risks, THAI mandated a robust and consistent approach to fuel hedging while being observant of other risks

that may impact on the Company's performance. Strengthening the Company's capital structure was another successful area of focus, bringing greater financial stability to the Company. Human resource development programs and improved operating procedures with special emphasis on loyalty and transparency in accordance with the Company's Good Corporate Governance were implemented. As the National Flag Carrier, THAI fully recognizes the importance of corporate social responsibility (CSR) in supporting its brand and maintaining confidence among all stakeholders.

It is with great pride that I am able to announce to shareholders that despite all the difficulties and challenges encountered in 2010, the Company's effective strategies coupled with the commitment and sacrifices made by every THAI employee, enabled THAI to accomplish its goals and achieve a strong financial performance. The growing confidence in the Company is reflected in THAI's share price that dropped to the lowest point of about 6.40 baht in early 2009 and reached a high of 57.75 baht in 2010.

I would like to take this opportunity on behalf of the Board of Directors to commend the employees of THAI for their dedication and cooperation and to thank customers, business partners, and all stakeholders, especially the Company's shareholders, for their confidence and unwavering support for THAI. Along with all members of the Board of Directors, I am committed to building a strong and sustainable future for THAI through sound operations in order to ensure solid growth and maintain the country's national treasure for the Thai people.



(Mr. Ampon Kittiampon)
Chairman

Message from the President



“ For half a century, THAI has earned numerous honors and commendations from leading organizations both within and outside Thailand and continues to receive global recognition for its unique service incorporating the Thai identity and graceful hospitality that is found nowhere else in the world.”



2010 marks a historic milestone in the history of THAI as we celebrate 50 successful years as the National Flag Carrier of the Kingdom of Thailand, while playing a key role in bringing Thailand to the world arena. For half a century, THAI has earned numerous honors and commendations from leading organizations both within and outside Thailand and continues to receive global recognition for its unique service incorporating the Thai identity and graceful hospitality that is found nowhere else in the world. This year, THAI achieved its goals set forth in the Company's five-year plan under "Mission TG100" with successful strategies for the various operating units resulting in a satisfactory financial performance. Despite domestic challenges and natural disasters overseas, THAI was able to maintain confidence among its creditors, shareholders and customers, while building stability and positioning itself among the world's leading carriers.

While the operating environment of the commercial airline industry remains in a constant state of flux and subjected to a broad range of risks, THAI's "Mission TG100" vision places special emphasis on three core values – being customer oriented, being competitive and being dynamic. In the past year, a change in strategic direction was undertaken with planning to provide a comprehensive air transport service to meet the needs of all customer groups, focusing in particular on the fast-growing low cost sector. This will enable THAI to expand its business reach and enhance operational competitiveness through a wider product range in anticipation of future regional open skies.

Improvements were made at every customer touch point in response to customers' demand as well as to further enhance the customer experience and overall satisfaction. These include the introduction of Web on Mobile service providing information via hand

held communication devices, and the automated information system (e-Service) enabling customers to purchase THAI tickets, perform online check-in, access flight and mileage program information to meet modern lifestyle expectations. Efforts were made to further enhance efficiency at customer call centers and increase the ticket distribution channels through THAI's website. As of December 2010, the proportion of revenue from internet passenger ticket sales to total passenger revenue ticket sales was 8.8 percent compared to 6.0 percent at year-end 2009. Service improvements at Suvarnabhumi Airport, including both ground services and food and beverage services at THAI's premium class lounges, have earned THAI recognition as the Best Ground Service and Best First Class Lounge by Skytrax. The arrival of baggage within 15 minutes after flight landing for First Class passengers was also a factor in the Skytrax award.

As for route network development to meet customer demand, in 2010 THAI launched direct service on the Bangkok - Haneda (Tokyo, Japan) and Bangkok - Johannesburg (South Africa) routes, and had Nok Air operate on routes to certain domestic destinations.

To further improve aircraft fleet efficiency, THAI will be acquiring 15 new aircraft comprising eight Boeing 777-300ER aircraft and seven Airbus A330-300 aircraft. These aircraft will be delivered to THAI's fleet between 2010 and 2014. In addition, three aircraft retrofit programs will also be undertaken for six Boeing 747-400 aircraft (no.7-12), eight Boeing 777-200 aircraft and six Boeing 747-400 aircraft (no. 13-18). The programs will be completed by 2013. Three additional Boeing 777-300ER aircraft have been leased since mid 2010. To enhance THAI's competitiveness in the area of cargo service, two Boeing 777-200LRF dedicated freighter aircraft were leased on a blocked-space basis from March 2010, to help increase cargo

capacity and revenue. Although THAI encountered problems when KOITO Industries failed to deliver economy class seats for five of THAI's brand new A330-300 aircraft, another seat supplier, ZIM FLUGSITZ GmbH, was commissioned to resolve the problem. A long-term fleet plan was also drafted to acquire modern and fuel efficient aircraft with the target of decreasing the average age of the fleet from 11.9 years in 2010 to 8.5 years in 2017.

Maintaining the highest standards of safety and customer service have always been THAI's top priorities therefore the on-going implementation of stringent cost-cutting measures will not affect these standards. The Company's mutual separation plan was implemented to reduce future personnel expenses. Proactive fuel management and fuel hedging have been exercised alongside the use of fuel surcharges to minimize the impact of the fluctuation in fuel cost which constitute the largest portion of THAI's operating expenses. Changes made to the procurement procedure have expedited the procurement process and enabled greater operational flexibility. THAI is the first Southeast Asian airline to sign a cooperation agreement with IATA implementing carbon offset programs for passengers. As part of the CSR campaign, two menus served on board THAI international flights have been labeled with carbon emissions stickers reflecting carbon emissions related to the production of the meal, allowing passengers the opportunity to help alleviate the problem of global warming.

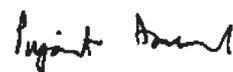
To increase management dynamism and flexibility, THAI has adopted a work performance evaluation system or KPI to ensure the distribution of power among top level executives. In display of the Company's dedication to a good part of the dynamism sought by the Company was through empowerment of employees to make decisions while accepting the related responsibilities by implementing clear KPIs to align the efforts of all employees towards a common goal. The "Whistle Blower" policy has been put in place as part of the Company's efforts towards ensuring Good Corporate Governance and to ensure the highest ethical standards. The financial statements of business

units have been separated from core operations to enhance responsibility and accountability in managing profitability with corresponding empowerment for decision making.

The capital restructuring plan in 2010 helped THAI regain its financial strength and stability through long-term borrowings with very attractive terms from leading financial institutions replacing short-term liabilities. Sufficient revolving credit lines have been established while the overwhelming success in raising additional capital has further strengthened the Company's overall financial position to support ongoing operations and sustain future growth. Through improved financial performance after the capital raising, THAI's net debt to equity ratio fell from over 3.0 times to 1.7 times. TRIS Rating Services raised THAI's overall rating to an A+ and THAI's share price peaked at 57.75 baht per share and was re-inducted into the MSCI Index.

Achievements and successes in the past year has seen the Company's overall customer satisfaction rating by Skytrax move up from 10th in the previous year to 9th place among global airlines. Despite the various obstacles and challenges faced by THAI, I can assure you that our Management and staff will continue to work diligently to execute tasks under the strategic plan to create attractive returns for shareholders and provide the greatest level of customer satisfaction to ensure long-term stability and competitiveness while continuing to proudly represent Thailand in the global arena as we look forward to THAI's 100th anniversary.

On behalf of the Management, I would like to take this opportunity to thank all our stakeholders, including customers, shareholders, business partners and employees for their continued and unwavering support for the Company over the years.



(Mr. Piyasvasti Amranand)
President



THAI's Awards & Accolades

- ✦ THAI won the prestigious Norwegian Grand Travel Award 2011 for 'Best Intercontinental Airline'. The 16th annual grand travel award ceremony was attended by leading travel agencies and key decision makers in the travel trade industry.
- ✦ THAI won Skytrax 2010 World Airline Award in the categories of 'Best Airport Services' and 'Best Airline Lounge – First Class'.
- ✦ THAI was ranked by SmartTravelAsia.com's '2010 Best in Travel Poll' as 2nd among the 10 top airlines worldwide in the category of 'Top 10 Airlines, Cabin Service' and 4th in the 'Top 10 Airlines, Business Class' category.
- ✦ THAI was awarded TTG Travel Awards under the categories of 'Best Airline – Business Class' and 'Best South-East Asian Airline' at the 21st Annual TTG Travel Awards 2010 Ceremony.
- ✦ THAI placed amongst the top 10 Best International Airlines in a poll conducted by Travel & Leisure Magazine, US edition.
- ✦ THAI won a State Enterprise Award 2010, under the category of 'Best Innovation,' organized by the State Enterprise Office, Ministry of Finance.
- ✦ THAI received the prestigious Suriyasathorn Award 2010 in two categories: Best General Notebook Calendar and Best Wall Calendar based on the theme 'A Journey of Silk Calendar 2010'.

Activities to Honor His Majesty the King

- ✦ THAI launched an energy conservation project at THAI's Head Office during 2 – 3 December 2010 to boost awareness and maximize energy conservation efforts.
- ✦ THAI and the Ministry of Transport organized an activity marking His Majesty's Birthday during 3-5 December 2010.
- ✦ THAI supported the sea conservation project to commemorate His Majesty the King's 60th Anniversary of Coronation as well as His Majesty's Birthday during the month of December 2010.
- ✦ THAI celebrated His Majesty the King's Birthday by serving a special Thai meal onboard all international flights during 4-6 December 2010.
- ✦ THAI held an ordination ceremony marking the auspicious date of December 5th and organized 'THAI's 50th Anniversary with Mass Ordination and Merit-Making in 9 Destinations' on THAI's domestic route network, in honor of His Majesty the King.
- ✦ THAI sponsored a light, sound and multimedia extravaganza event entitled 'The Golden Heritage of the Rattanakosin Era'. The event paid homage to former kings of the Chakri Dynasty and commemorated the auspicious occasions of His Majesty the King's 7th Cycle Birthday on December 5, 2011, Her Majesty the Queen's 80th Birthday on August 12, 2012, and His Royal Highness Crown Prince Maha Vajiralongkorn's 60th Birthday on July 28, 2012.
- ✦ THAI joined 'The Street of Kings, Ratchadamnoen Redbull Bangkok 2010' as one of the event sponsors by transporting Mark Webber, Red Bull Formula One Racing Champion team and racing car from London to Bangkok. The event was Thailand's first-ever exhibition of Formula One Driving on Ratchadamnoen Road, in celebration of His Majesty's 84th Birthday in 2011.

- ❖ THAI held an event called ‘Cooking with Moms’ at the THAI Catering Department, in celebration of Her Majesty Queen Sirikit’s Birthday and Mother’s Day.
- ❖ THAI celebrated Mother’s Day and Her Majesty Queen Sirikit’s Birthday by serving special authentic Thai dishes on outbound international routes departing from Bangkok, Thailand.
- ❖ THAI introduced a Mother’s Day special fare on THAI domestic routes marking Her Majesty Queen Sirikit’s Birthday throughout the month of August and September 2010.
- ❖ THAI held an alms-giving ceremony to 279 Buddhist monks in celebration of Her Majesty the Queen’s Birthday at Sanam Luang. The Ministry of Transport appointed THAI to lead in organizing the August 12th Queen’s Event at Suan Kularb Palace, Dusit Palace.
- ❖ THAI held a booth exhibit and participated in the “Puan Pung (Pa) 2010 and Suan Amporn Kaset Fair” on December 10, 2010 at Suan Kularb Palace, Dusit Palace.

Corporate Social Responsibility Activities

- ❖ His Majesty King Bhumibol Adulyadej graciously sponsored the Royal Kathin Ceremony (Buddhist robes offering ceremony) to THAI for presentation to the Buddhist monks at Thai Chetawan Temple in India.
- ❖ THAI operated a special Buddhist pilgrimage flight to Bodhgaya, India. The net proceeds received from this Buddhist Pilgrimage Flight were presented to His Majesty King Bhumibol Adulyadej and went towards His Royal Highness Crown Prince Maha Vajiralongkorn’s Scholarship Foundation and His Royal Highness Prince Dipangkorn Rasmijoti’s Fund for Disaster Victims.
- ❖ THAI and The Royal Thai Embassy in the United Kingdom held ‘Thailand @ Trafalgar Square 2010’ in London in celebration of the 50th Anniversary of His Majesty the King and Her Majesty the Queen’s royal visit to London.
- ❖ THAI donated THB 1 million to a Channel 9 program to help flood disaster victims. Another THB 0.5 million was raised from the concert “Restoration for Flood Victims” held at the Wachira Benchathat Garden (railway, Chatuchak Park).
- ❖ THAI sponsored air tickets to the Deaf Federation of Thailand.
- ❖ THAI commemorated its 50th Anniversary by launching its Pilot Doctors and Air Hostess Nurses Project, which brought together pilots and air crew who are certified physicians and registered nurses, the Company’s physicians, and volunteers to form a mobile medical unit to provide medical care at the THAI Border Patrol Police School in Sai Deaw, Klong Had in Sakaew province.
- ❖ THAI and the Asia-Pacific Development Center on Disability (APCD) supported the delivery of 30 wheelchairs from Bangkok to Islamabad for disabled people affected by the flood in Pakistan.
- ❖ THAI invited its Royal Orchid Plus customers to join in donating miles in support of The Chaipattana Foundation.
- ❖ THAI is the first airline in the world to introduce its signature inflight meals with carbon footprint labels on selected Thai signature dishes on board.
- ❖ THAI presented 100 scholarships to students at the Royal Kratin Ceremony 2010 at Wat Pa Pradu, Rayong province.
- ❖ THAI launched ‘Transporting Goodwill from Around the World,’ where wheelchairs are donated to the disabled.

- ✦ THAI operated special flights for Thai-Muslims to travel and join the Haj ceremony in Saudi Arabia.
- ✦ THAI continued to support the 'Miles for Merit' campaign by inviting Royal Orchid Plus members to donate miles in support of Buddhist and social causes.
- ✦ THAI launched the 4th 'Buddhist Pilgrimage to India and Nepal' Royal Orchid Holiday Tour organized by Eurng Luang during November 2009- March 2010.
- ✦ THAI conducted a humanitarian freighter flight, transporting 100 tons of rice donated from the Government of Thailand to the Republic of Haiti on February 1, 2010.
- ✦ THAI donated THB 640,275 to help natural disaster victims in Haiti, at a charity event held at the Government House on February 24, 2010.
- ✦ THAI transported 100 tons of rice to Haiti in support of those affected by natural disaster in Haiti.
- ✦ THAI President and Management assisted stranded passengers in Suvarnabhumi Airport due to air space closure from the volcano eruption in Iceland on April 22, 2010.
- ✦ The THAI Employees Association organized activities on Children's Day on January 9, 2010 for students at the THAI Border Patrol Police School, Klong Had, Sakaew province. The Company also awarded students with scholarships and donated rice towards Her Royal Highness Princess Chulabhorn Valayalaksana's lunch project.
- ✦ THAI set up donation centers to help victims affected by the natural disaster at Hat Yai and Samui which were transported by THAI Cargo to the affected areas.
- ✦ THAI employees volunteered in the 'Sayamindrathiraj Medical Institute' phone-in fund-raising program.
- ✦ THAI was represented by the THAI Employees' Association and the THAI Bicycle Club in a project where participants joined in bicycling, walking and running for charity on August 1, 2010.
- ✦ THAI cooperated with the Department of Environmental Quality Promotion, The National Innovation Agency (NIA), the Thai Plastic Industries Association, and SCG Chemical to launch the 'Use of Biological plastic bag at Puff & Pie' campaign.
- ✦ THAI organized the 'THAI Saves Energy and Supports Reforestation' project in Cha-am district, Phetchaburi province, on June 19, 2010.
- ✦ THAI organized the 4th 'Smart Energy Conservation Project' where THAI Management and employees jointly planted trees at the Head Office.
- ✦ THAI employees launched 'Tam Kan Pan Nong' to donate new years gifts for students at Wat Tumongju School in Sri-Sawat, Kanchanaburi province.
- ✦ THAI, in coordination with the Thai Pilot Association, participated in the 'I Believe I Can Fly' project.
- ✦ THAI welcomed students and teachers from THAI Border Patrol Police School in Sakaew province and students from Setsatian School for the Deaf under Royal Patronage to attend the 'THAI 50th Anniversary A Journey of Silk' exhibition at Siam Paragon.



Financial Highlights

	Consolidated		
	2010	2009	2008

Statement of Income

Total Revenue	(Million Baht)	184,270	163,875	202,606
Total Expense	(Million Baht)	161,581	150,030	220,720*
Profit (Loss) before Finance Costs and Income Tax Expense	(Million Baht)	22,689	13,845	(18,114)
Net Profit (Loss)	(Million Baht)	15,350	7,344	(21,379)

* Including reserved for potential damages arising from Antitrust and Competition Law as well as an impairment loss on aircraft value in the amount of THB 4,290 million and THB 4,426 million, respectively.

Balance Sheets

Total Assets	(Million Baht)	293,760	271,694	259,534
Total Liabilities	(Million Baht)	210,850	218,450	213,652
Shareholder's Equity	(Million Baht)	82,910	53,244	45,882

Shares

Issued and Paid-up Share Capital	(Million Shares)	2,182.77	1,698.90	1,698.90
Par Value	(Baht)	10.00	10.00	10.00
Earnings Per Share	(Baht)	8.39	4.32	(12.58)
Dividend Per Share	(Baht)	1.25	0.25	-

Financial Ratios

Net Profit to Total Revenues	(%)	8.3	4.5	(10.6)
Return on Total Assets	(%)	5.4	2.8	(7.9)
Return of Equity	(%)	22.5	14.8	(37.5)
Total Debt to Equity	(%)	2.5	4.1	4.7

Operations of The Company and Its Subsidiaries - The Policies of Associated Companies

Thai Airways International Public Company Limited is a state enterprise under the jurisdiction of the Ministry of Transport and is Thailand's national flag carrier flying domestic and international routes. The Aviation Business and Business Units related to air transport form the Company's core business.

Aviation Business

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

Operations of Business Units Related to Air Transport

Air transport supporting operations needs to be managed systematically to ensure timely departures and arrivals, flight safety, quick and convenient services to enhance passengers' trust and confidence in the Company. The Company's business units include:

Ground Customer Services

- ❖ Check-in services are comprised of ticket and travel document validation, advanced requirements checking, baggage tagging and recording and issuance of boarding-pass
- ❖ Special Services for VIP, first class, business class, premium and gold card members, elderly, passengers under 12 years old traveling alone and passengers with a disability
- ❖ Passenger Departure Services at boarding area, during transit and upon arrival
- ❖ Providing first class, business class passengers, premium and gold card members with access to First and Business Class Lounges while first and business class passengers have the privilege a access to THAI's Royal Orchid Spa
- ❖ Baggage services for missing, damaging, losses and pilferageing of luggage
- ❖ Load Control services include weight calculation planning, loading and unloading of passenger baggage, including cargo and mail
- ❖ Providing services for customer airlines' passengers in terms of check-in, departure, transit, arrival, lounge, baggage handling and other special services according to mutual agreement
- ❖ Special Services for Non-customer airlines' clients, such as Commercial Banks or Six-stars Resorts according to mutual agreement

Ground Support Equipment Services

1. Passenger and Crew Transport and Baggage Service
 - Transfer of passengers and crew between terminal and aircraft v.v.
 - Loading, unloading and transfer of passengers checked baggage between terminal and aircraft v.v.



2. Aircraft Services

- Aircraft towing tractor service
- Mobile ramp service for boarding and disembarking when aircraft parks at remote parking area
- Aircraft potable water service
- Aircraft toilet draining service
- Aircraft interior cleaning service
- Aircraft air conditioning unit and ground power unit services
- Aircraft hot air engine starter service
- Cargo transfer service between warehouse and aircraft v.v.

3. Maintenance Services

- Periodic maintenance checks of ground equipment and vehicles
- Container repair service in accordance with international best practices

❖ Cargo and Mail Commercial Services

- ❖ Cargo and mail reservation service
- ❖ Space control and load planning for cargo, mail and baggage
- ❖ Warehouse storage service
- ❖ Cargo and mail condition check, sorting and weighing service, transfer, loading and unloading 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 tracking service
- ❖ Transfer of electronic information to customer airlines and overseas stations
- ❖ Import and export statistics and data service
- ❖ Unit load device control service
- ❖ Provide tracking information on package and cargo delivery via the internet
- ❖ Perishable services area to ensure the quality and freshness of cargo
- ❖ Express Service Center

❖ Catering Services

- ❖ Food and beverage preparation for in-flight services for THAI and customer airlines
- ❖ Restaurant and snack bar operations at Chiang Mai, Chiang Rai, Phuket, and Krabi Airports
- ❖ “Yellow Orchid” restaurant operation at the Operation Center (OPC) building, Suvarnabhumi, and “Puff & Pie Cafeteria” at Rak Khun Tow Fai Building, Don Muang Airport
- ❖ Internal and external banquet services, as well as, the operation of 32 “Puff & Pie” bakery outlets (of which 24 locations are in Bangkok and 8 located in the provinces), state institutions and government agencies, including 5 at other privately owned locations

- ❖ Food and beverage preparation for meetings at the Company’s head office
- ❖ Snack box service for special occasions – religious ceremonies, meetings, and sporting events
- ❖ Food preparation at staff canteens at the head office, maintenance buildings, crew center and Operation (OPC) building at Suvarnabhumi Airport
- ❖ Cooking and bakery courses for the general public
- ❖ Food and beverage services at special catering events, such as the World Expo Aigi in Japan, China, and 50,000 take home meal boxes for Wat Pratomaki
- ❖ Preparation of fresh and frozen bakery for Gate Gourmet and Cosmo Enterprise Co., Ltd. in Japan
- ❖ Utilizing Rak Khun Tow Fai building, Don Muang Airport for generating additional income- Frozen Meal, Retort Pouch and Pre-Cut/Pre-cooked Vegetables
- ❖ Preparation and delivery of bakery for THAI franchisees “Puff & Pie Supreme Bakery Delight”

Technical Services

- ❖ Technical, line and light maintenance checks for aircraft in transit or on overnight stop at Don Muang, Suvarnabhumi Airport (24-hour service at Suvarnabhumi Airport) and at other domestic and overseas airports
- ❖ Heavy maintenance checks (C and D-check) for Boeing aircraft (B747, B777, B737), Airbus aircraft (A300-600, A330, A340) and ATR 72s which are manufactured by Areospace, France. These have been done at the Don Muang maintenance center in Bangkok and at the Utapao maintenance center in Rayong
- ❖ Passenger seat retrofitting and installation of new in-flight entertainment systems for Boeing 747-400, Boeing 777-200 and 777-300 aircraft. These were handled at the Don Muang maintenance center in Bangkok and at the Utapao maintenance center in Rayong
- ❖ Maintenance of General Electric engines, namely CF6-80 and CF6-50 series and other aircraft equipment
- ❖ Maintenance service for Nok Air Company Limited’s fleet, the fleet of the Police Aviation Division and major government agencies
- ❖ Standard calibration service provided for THAI and customers’ test, measurement and control equipment

Transport Support Activities

The goal of the Transport Support Services is to support the Company’s marketing efforts by providing customer convenience and enabling passengers to purchase additional services with ease. Such services include:

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



Results of Operations

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

	2010		2009		2008	
	MTHB	%	MTHB	%	MTHB	%
Passenger and excess baggage revenue :						
Regional	52,953	28.7	45,916	28.00	52,340	25.8
Intercontinental	52,954	28.7	50,146	30.60	63,896	31.5
Domestic	12,399	6.7	11,968	7.30	11,787	5.8
Non-scheduled	539	0.3	488	0.30	824	0.4
Insurance surcharges from passengers	1,925	1.0	2,403	1.50	2,466	1.2
Fuel surcharges from passengers	24,092	13.1	23,558	14.40	33,006	16.3
Total passenger and excess baggage revenue	144,862	78.6	134,479	82.10	164,319	81.1
Freight	27,391	14.9	18,525	11.30	25,841	12.8
Mail	839	0.5	823	0.50	913	0.5
Other activities	7,181	3.9	7,396	4.50	8,667	4.3
Operating revenue from subsidiaries	315	0.2	380	0.20	378	0.2
Total revenue from sales or revenues from services	-	-	22,951	14.01	25,127	12.4
Other income:						
Interest income	185	0.1	178	0.10	493	0.2
Others	3,497	1.9	2,094	1.30	1,994	1.0
Total other income	3,682	2.0	2,272	1.40	2,487	1.2
Total revenues	184,270	100.0	163,875	100.00	202,605	100.0

Changes in Business Operations

There were clear signs of economic recovery from various parts of the world in 2010, stimulating demand for air travel and air freight transport despite a disruption to flight operations in Europe from the volcano eruption. However, since the disruption lasted for only a short period of time, the event bore little impact on the air transport industry. Still, Thailand's aviation industry was further affected by political unrest domestically from April to May, causing a drop of not only domestic travel but also that of tourists travelling from abroad into the country.

Drastic measures were undertaken to mitigate negative impact from the shift in air travel demand by altering flight schedules on certain routes and through the change in aircraft type and size to meet passengers' travel demands while seeking opportunities to increase flight frequency in other destinations using Bangkok as a transit hub. A variety of marketing and promotional packages have been offered along with a variety of activities, which were organized in cooperation with the Tourism Authority of Thailand and other related public entities to promote domestic air travel and to rebuild confidence among foreign tourists. The rapid adjustment of strategy in response to the changing business environment together with the gradual ease of political tension have contributed to the overall improvement in the Company's operating performance in the ensuing period.



Core Business Operations

Aircraft Fleet

Aircraft Type	# of Aircraft	
	As of December 2010	As of December 2009
Boeing 747-400	18	18
Boeing 777-300	6	6
Boeing 777-200	8	8
Boeing 777-200ER	6	6
Boeing 737-400 ¹⁾	9	9
Boeing 777-300ER ³⁾	3	-
Airbus A340-600	6	6
Airbus A340-500	4	4
Airbus A330-300	15	15
Airbus A300-600	13	17
ATR 72 ²⁾	2	2
Total	90	91

Notes : ^{1) & 2)} Includes aircraft leased to Nok Air Co., Ltd. – 4 B737-400 aircraft and 2 ATRs

³⁾ Includes 3 Boeing 777-300ER aircraft under short-term lease from Jet Airways.

During 2010, THAI acquired 3 additional B777-300ER aircraft under short-term operating lease from Jet Airways used to serve THAI's European destinations while allowing THAI to retire 4 older Airbus 300-600 aircraft with age above 20 years.

Route Network Development

Ongoing development of THAI's route network in 2010 was to ensure effective competitiveness with Suvarnabhumi Airport in Bangkok as the connecting point for passengers traveling to countries in South Asia, Indochina, Khong River Basin and Southern China with direct flights from Bangkok. THAI also used Bangkok as its hub for transit passengers traveling from Europe and North America to destinations in Southeast Asia and Australia. Flight frequency and available seat were increased on routes that had high demand for air travel – Paris, Tokyo and Nagoya. Flights were either added or reduced to meet seasonal demand for certain destinations while flights were suspended on loss making routes. On certain domestic routes, THAI cooperated with Nok Air to carry passengers on both trunk and secondary routes depending on demand. Cooperation of Bangkok Airways was also sought to extend THAI's reach in Asia while cooperation with partner airlines around the world extends THAI's reach and increases options for passengers in choosing points of interest.

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

As of December 31, 2010, THAI's route network spans 72 destinations in 35 countries with 10 domestic points of interest.

Domestic Routes

To ensure smooth service for passengers, THAI continues to emphasize providing connectivity to key tourist destinations in Thailand. As for secondary cities, cooperation is sought from partner airlines to extend THAI's network domestically.

THAI's domestic route network spans 10 destinations with 346 weekly flights. To the north THAI serves Chiang Mai, Chiang Rai, Mae Hong Sorn; to the northeast – Udorn Thani, Ubol Ratchanthani, Khon Khaen; to the south – Phuket, Krabi, Hat Yai, Surat Thani, Samui Island along with the Chiang Mai – Phuket sector. In cooperation with Nok Air, between the 2 airlines services to Ubon Ratchathani have increased in flight frequency while the Chiang Mai – Mae Hong Son and Bangkok – Phitsanulok sectors have been given to Nok Air to fly on THAI.

Additional code sharing agreements with Nok Air are for flights to 2 other destinations in Thailand – Nakhorn Phanom and Buriram enabling THAI to provide its passengers smooth continuous flight connectivity to most of the renowned tourist spots in Thailand.





International Routes

THAI's 563 weekly international flights are comprised of 2 zones – regional and intercontinental flights. There are 413 weekly flights to 42 destinations in 19 countries within Asia Pacific and another 150 weekly long haul flights serving 20 destinations in 15 countries on various continents.

Asia Pacific Region

Changes in the route network have been according to THAI's overarching strategy to make Thailand the regional hub for air transport with a reach that spans 42 destinations. There are 5 zones served by THAI in the region – the north, the northeast, the west, Middle East and Indochina.

Northern Routes

The air travel volume is very heavy on the northern routes and has been and continues to be THAI's stronghold. THAI currently serves 16 destinations in 5 countries - Hong Kong, Tokyo, Osaka, Nagoya, Fukuoka, Taipei, Seoul, Manila, Beijing, Pusan, Shanghai, Guangzhou, Kunming, Xiamen and Chengdu with 184 weekly flights. Beginning October 31, 2010, THAI launched its service to a second destination in Tokyo, Hanaeda Airport and increased 3 weekly flights to Nagoya.



Southern Routes

Is a region with the highest concentration of service by 3 low cost carriers and is where THAI serves 5 destinations in 3 countries – Singapore, Kuala Lumpur, Penang, Denpasar and Jakarta with 67 weekly flights.

Western Routes

The volume of passengers traveling on the western routes is heavy and is experiencing a high rate of growth especially India. THAI serves 15 destinations in 6 countries – Delhi, Mumbai, Kolkata, Hyderabad, Bangaluru, Dhaka, Colombo, Kathmandu, Yangon, Chennai, Karachi, Islamabad, Lahore, Varanasvi and Gaya with 96 weekly flights.

Middle East

THAI currently serves 2 destination in 2 countries in the Middle East which are Muscat and Dubai with 10 weekly flights.

Indochina

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





North America

North America

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

In addition to the only destination served by THAI, cooperation has been signed with United Airlines a Star Alliance member to serve passengers from the Pacific route from Los Angeles to Chicago, San Francisco, New York, Denver, Dallas and Honolulu. Currently without any service to North America on the Atlantic route, THAI code shares with Lufthansa in providing air transport service to New York, Atlanta, Miami, Chicago and Washington D.C. from Frankfurt, Germany. Another 3 destinations in Canada namely Toronto, Montreal and Vancouver are being served by Air Canada through code share agreement bringing the total number of destinations served by THAI and its partners to 12 destinations in 2 countries of North America.

Europe

THAI serves 13 destinations in 11 European countries – London, Frankfurt, Paris, Rome, Copenhagen, Stockholm, Zurich, Munich, Athens, Milan, Madrid, Moscow and Oslo with 90 weekly flights. Starting July 1, 2010 another 3 weekly flights were added to Paris bringing the weekly flight to Paris to 10.

For other interesting destinations in Europe for which THAI does not serve, code share agreements with partner airlines have been signed to facilitate smooth transfer and service to another 53 destinations in 18 countries on the European continent.



Australia and New Zealand

The 5 destinations in the 2 countries served by THAI include Sydney, Melbourne, Brisbane and Perth in Australia and Auckland in New Zealand with 49 weekly flights. A code share agreement has been signed with Air New Zealand to span THAI's reach to another 7 tourist cities in 2 countries.

Africa

THAI re-launched services to Johannesburg, South Africa with 4 weekly flights which started June 1, 2010 to meet the growing travel demand and in time for the soccer world cup (FIFA 2010).



Cooperation with Star Alliance

To be more responsive to customers' needs as well as to meet the challenges posed by other alliances, Star Alliance moved ahead in drafting strategic business plans concentrating on improving existing products and services, instead of launching new ones. This strategy was a result of customer satisfaction surveys conducted on Star Alliance Gold card members who indicated a preference for more individualized services while ensuring a similar standard of service provided by all Star Alliance members across the membership. The overarching goal though for Star Alliance is to extend its global network coverage.

The focus was therefore placed on enhancing ability to provide through check-in, improving handling of event irregularities and in particular, enhancing Star Alliance Gold's privileges and recognition. In regards to facilitating sales the e-booking capability was launched by Star Alliance through the www.staralliance.com website. The Circle Fares package was offered followed by the "Book & Fly" promotion package which was part of the Round-the-World fare launched in July 2009. The e-channel provides and facilitates ease of booking for customers responding to the changing lifestyle and preference for flexibility and convenience in booking at one's leisure.

Since its launch in 1997, Star Alliance has invested heavily in development of high tech IT infrastructures enabling superb and efficient services while having flexibility for further development capabilities. Efficient joint-purchasing on various initiatives among Alliance members has warranted a great deal of attention to support cost-savings for its member carriers. The strategy implemented resulted in greater customer satisfaction and were also amiable to the member airlines.

To expand global network coverage and meeting the growing demand of air travel globally, Star Alliance has continuously sought means to grow while maintaining its effectiveness as a group. There were 2 new member airlines who joined the Alliance in May and June 2010 -TAM Airlines from Brazil and Aegean Airlines from Greece. Ethiopian Airlines and EypAir were the next 2 airlines named to be inducted into the Alliance to expand the group's reach into the African continent and the Middle East region.

Star Alliance also has an edge over the competing alliances with the announcement of the joining of Avianca-TACA group from Colombia and El Salvador, and COPA Airlines from Panama in November 2010 furthering the Alliance's reach into Latin America. At year-end 2010, there were a total of 31 member carriers within Star Alliance with extensive network serving 1,292 airports in 188 countries with over 22,518 daily flights. This reconfirms Star Alliance's status as the largest alliance by far commanding the highest market share.

Marketing

With 2010 marking THAI's 50th Anniversary, numerous activities were undertaken internally and externally opening participation to customers, partner airlines, Company employees, stakeholders and the general public. The various activities were held to show THAI's appreciation to its customers for their ongoing patronage and their unwavering support. As the National Flag Carrier, Thai Airways International Plc. has won the hearts of many through its quality service with touches of Thai. Its legacy of quality service and goodwill of the Company has enabled it to overcome many adversities to celebrate its 50th anniversary. The employees of THAI will be working hard to uphold that legacy into the future in terms of the Company's air transport business and its responsibilities to the Country and society as a whole in regards to environmental concerns. To that end, the Company has very clear and distinct policies that are at par with international standards while placing great emphasis on regularly keeping employees updated and aware of environmental issues. In addition to making sure that the Company is being run efficiently, it has to also be run environmentally friendly to ensure a bright future for the Company.

The Company has undertaken proactive marketing initiatives over the past year to mitigate the impact of various uncontrollable factors and challenges THAI face and to ensure the Company's ongoing financial strength and stability. Among the challenges include the highly competitive environment within the commercial airline industry inclusive of the rapid expansion rate of low cost carriers and the competitive edge that Middle Eastern airlines possess. Other challenges include the impending global open skies, the global economic uncertainty, the fluctuation in fuel cost, the impact from global warming and natural disasters along with the domestic political uncertainty. Part of being proactive has been the use of flexible pricing to better capture the broadest range of customers and being able to react quickly to the changing conditions of the operating environment. The use of a customer revenue management system to optimize revenue generation while its analytical capability and accuracy in predicting travel demand helps the Company to improve revenue quality and to obtain the highest possible market share. Revenue quality is dependent on the ability to retain customers and the ability to grow market share or through customer acquisition. The Company's key customer groups are those that have the purchasing power or have high potential who are first and business class travelers including corporate clients to increase the number of passengers and revenue for the Company.

In addition to the reflecting strategy, the improvements to be made in the cabin, the additional capacity and flight frequency added, the Company also emphasized network sales reflecting THAI's position as a strong full service premium network airline. Synergy is also derived from being part of the world renowned 27 member Star Alliance in which THAI was among the first 5 members who formed the Alliance. Being part of the Alliance extends THAI's reach globally while partner airlines further extends that depth of reach within each region where THAI serves enhancing the ability to generate additional income and having a global network of agents selling THAI's air tickets.

New promotions have been launched to suit the needs and demands of target customer groups. Niche marketing especially such as homage trips or Royal Orchid Plus mileage donation for alms program launched since 2008 have been designed to stimulate travel demand during the low season.



A variety of specialized holiday packages were offered by Royal Orchid Holidays (ROH) for both domestic and international points of interest to suit the needs and the lifestyles of THAI's customers. In 2010, a total of 800 different travel packages were offered to 94 different cities in 32 countries. On THAI's 50th Anniversary, a special package was offered for passengers being part of the a special flight commemorating THAI's first international flight 50 years ago to Hong Kong.

Developing THAI's e-commerce capability has been a strategic initiative for the Company. THAI's website has been revamped to accommodate greater ease in completing booking transactions. The proliferation of internet access and penetration rate has paved the way for extending the channel in which ticket purchases can be made more quickly, efficiently and at the customers' personal convenience. Ticket purchases can be made through the www.thaiairways.com website and payment via credit card can be made in 24 different currencies in 34 countries. Additional payment channels have been made available domestically through the use of ATMs and bank branches extending payment points to over 5,000 country-wide, 24 hours a day. Additional banks were added to support ticket payment and a number of mobile information services were launched in 2010 to support customer needs 24 hours a day and SMS messaging services have also been introduced.

Constant improvement and upgrade of the management information system has been made to increase overall operating efficiency and effectiveness. The central data warehouse serves as the core information center storing important customer and other relevant data which can be used for analysis and support management in making quicker decisions based on pre-formatted data display output. Information technology developments are being made to improve the Company's financial performance, improve overall competitiveness and support future growth of the Company.

Customer Service

Product and service enhancements and quality improvements are constantly being made to better meet customers' needs and expectations under the Company's new policy geared towards a Customer Oriented culture. At the heart of providing unsurpassed quality service is derived from service from the Heart. That is where THAI has constantly emphasized training and re-training to instill the importance of service mindedness for all its front line employees with Touches of Thai. Such service standard needs to be applied consistently across the various touchpoints of the Magic Service Ring in order for the Company to achieve its vision of being the "First Choice Carrier with Touches of Thai."

Improvements to in-flight services has emphasized the consistency of service standard rendered by cabin crew along with the much improved quality and presentation of in-flight food and the quality and variety of beverage offered. To add a touch of authenticity, delicacies of respective countries have been added to the in-flight menu, including offering halal and Thai food. Special menus have also been created for special occasions. Great care is taken in choosing the finest of ingredients to prepare meals while also observing the highest international standard of safety and hygiene in the food preparation process. Plans for product improvements have also been drafted to upgrade the aircraft cabin interior with new seats and in-flight entertainment system.

Feedback on customer satisfaction is regularly sought and passengers can do so by filling the customer satisfaction form that is made available in 7 different languages - Thai, English, French, German, Japanese, Korean and Chinese. Such feedback encompasses all the various customer touchpoints while also seeking to understand customer needs, lifestyles and viewpoint to be used for review and assessment to further improve service quality, meet customers' needs, lifestyle and ultimately to meet the challenges of competitors in pursuit of unsurpassed service quality to be provided to THAI's customers.

Finance and Accounting

With the combined impact of the weak U.S. and European economies, the domestic political uncertainty and the volcano eruption in Iceland presented significant hurdles for the commercial airline industry and THAI during the course of 2010. THAI was on the road to recovery despite difficulties faced in 2009 and was able to return to profitability as a result of stringently adhering to the strategic turnaround initiatives to bring THAI back to financial health. For 2010, THAI drafted and executed a capital restructuring plan as a follow-up to the turnaround plan that would ensure long-term financial strength and stability and enabling the Company to navigate through the rapidly changing operating environment of the commercial airline industry. Activities undertaken with respect to the capital restructuring plan are as follows :

- ❖ Issued additional 483,870,967 shares at THB 31 per share through a public offering raising a total of THB 15,000 million on 24 September 2010.
- ❖ Sought 5-7 year borrowings from local financial institutions with a total credit line of THB 27,000 million. A draw down of THB 20,500 million was made in 2010 and another THB 6,500 million is expected in 2011.
- ❖ Sought revolving credit lines totaling THB 15,000 million for which a contract was signed with a local financial institution for a line of THB 5,500 million with contract duration of 3-7 years.

In planning to take delivery of 2 A330-300 aircraft in 2010 with the guarantee of the European Export Credit Agencies (ECA), a total loan amount of EUR 169.0 million was acquired and payment was also made in March 2010. However, the 2 most recently acquired A330-300 aircraft along with the 3 previous A330-300 aircraft delivered and paid for at the end of 2009 are still without economy class seats as Koito Industries, the seat manufacturer, has failed to meet the targeted deadline for delivery. THAI has sought a new seat supplier and the first of these aircraft will join THAI's fleet beginning March 2011.

Although long-term borrowings were acquired in 2010, the Company also made payment on its outstanding loans in the amount totaling THB 25,560.24 million reducing the net balance of long-term liabilities plus long-term financial lease obligations on aircraft (including the proportion of long-term debt that is due within 1 year) to THB 146,279.68 million at the end of 2010 as compared to the THB 154,899.87 million outstanding at the end of 2009. With the issuance of additional common shares, the Company's registered capital totaled THB 21,827.72 million as at year-end 2010, up from THB 16,989.01 million as of year-end 2009. The capital increase enabled the debt to equity ratio to drop from a high of 4.1 times at year-end 2009 to 2.5 times in 2010.



In regards to managing foreign exchange exposure, the Company tries to hedge this risk through means of a natural hedge. A sizeable amount of debt was raised in baht denomination to mitigate the impact of the highly volatile exchange rates. In 2010, no cross currency swap (CCS) contracts were undertaken therefore, the outstanding balance of the Company's debt in the 4 major currencies stood at USD : EUR : JPY : THB = 1 : 35 : 9 : 55 percent of the Company's total outstanding borrowings. To reduce the potential impact of interest rate exposure, 4 interest rate swap (IRS) contracts were undertaken in 2010 with a contract amount of EUR 268.33 million put the fixed to floating interest ratio at 46 : 54 as at the end of 2010.

THAI's credit rating announced by TRIS Rating Co., Ltd. on December 17, 2010 reflected a stronger confidence in the Company's financial stability from the successful round of capital raising and the much stronger financial performance attributable to the recovering global economy and the stringent cost control measures implemented by the Company, moving the rating up a notch to A+ from the previous rating of A. The rating also holds for the THB 8,000 million that THAI is about to launch in 2011 as part of the capital restructuring plan drafted in 2010.

In addition to preparing for the issuance of the THB 8,000 million in bond, THAI will need to find financing for the purchase of 2 A300-300 aircraft to be delivered towards the latter part of 2011. Proactive risk management still needs to be undertaken along with ensuring sufficient liquidity through active cash management. Ongoing efforts will be made to enhance the MIS capability to improve the quality and speed of decision making by management along with the preparation of the potential impact resulting from the impending changing accounting principles to ensure strength and stability of the Company's overall financial position.

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

Flight Operations

Safety by far is the number one concern for the Company in regards to flight operations as the Company's main purpose is to transport people and cargo to the desired location with the utmost ease and comfort, on time and observing the highest international standard of safety. These include the standards as set by the Department of Civil Aviation (DCA) of Thailand, the International Civil Aviation Organization (ICAO), the Joint Aviation Authorities (JAA), the Federal Aviation Administration (FAA) and the stringent reviews on THAI's flight operations safety by the International Air Transport Association (IATA).

Safety management starts from the initial stages of selecting people to join the ranks of the cockpit crew. Each candidate has to undergo an array of course work to ensure that the Company has prepared the best trained pilots to fly THAI's aircraft. The most modern in equipment is available to help train pilots to ensure their readiness in handling different situations. To help facilitate training beyond the classroom environment, e-Learning was used as a tool to refresh and enhance knowledge related to the latest in technological developments. The knowledge management system was also integrated into the training regiment to further facilitate learning experience through exchange of knowledge sharing.

Cabin safety is another area which THAI puts high priority in training. In addition to the Touches of Thai service experience, passengers are also able to get a sense of safety. THAI's cabin crew is routinely put through refresher courses for in-cabin safety re-emphasizing the importance of fostering a culture of safety in service to ensure consistent in-flight service excellence.

In addition to in-flight safety and the high standard of service, the Company places great emphasis on environmental impact awareness and the effective management of available resources to maximize benefit to the Company. To this end, the Company undertook a proactive stance on fuel management by optimizing fuel carry and fuel reserve to reduce fuel burn from excess weight during flight. Going a step further, the Company has taken initial steps to curb carbon emissions.

To achieve the Company's 5 year plan and "Mission TG100," steps were taken to enhance operational efficiency through procedural simplification to achieve lean operations by revamping procedural guidelines to improve output, increase operating efficiency and reduce cost.



To enhance the overall in-flight customer experience, the Cabin Attendant Pre-Flight Study and Briefing System was developed by THAI employees enabling cabin crew to access necessary flight related information from various databases via computer or mobile phone over a secure line to help them better prepare and better perform their in-flight duties from anywhere anytime.

The Cabin Attendant Pre-Flight Study and Briefing System won a prize for innovation at the 2009 Thailand ICT Awards under the Tourism and Hospitality category. THAI also won first prize at the 2009 Asia Pacific ICT Alliance Awards (APICTA) under the same category of Tourism and Hospitality. The latest prize received in 2010 was the Outstanding State Enterprise Award for Product Innovation.

The combined use of the latest in information technology and observing the highest safety standards, THAI is stepping up its pursuit of unsurpassed service quality with the highest level of in-flight safety. The ultimate goal is to maximize customer satisfaction and provide passengers with the sense of confidence that their safety is in good hands every time that passengers choose to fly with THAI and achieve the vision of being the “First Choice Carrier with Touches of Thai.”

In commemorating the Company’s 50th Anniversary, the Flight Operations Department was given the go ahead to launch the “IT Sparkling for 50th Anniversary 1960-2010” project where approval was given cooperate with Software Industry Promotion Agency (Public Organization) and The Association of Thai ICT Industry in developing software applications that can be applied to mobile phones that would enable THAI to provide passengers with information and entertainment via wireless format. An example of this software is the “Little Captain” game that was developed for the iPhone and iPad. Flight information, promotional packages and links to the “THAI m-Service” website are applications made accessible on the iPhone and BlackBerry. The “SMS Query 451-4455” and “TG SIM” are automated response systems designed to support queries via SMS. The “Call Genie 02-400-4000” system is a voice operated response system for queries. In addition to the above projects, the Mobile 2D Barcode Boarding Pass system enabling passengers to print their own boarding pass is soon to be ready for commercial launch.



Aviation Safety Security and Standards

As the National Flag Carrier, the primary concern for the Company is to ensure the highest international quality, aviation safety and security standards in effect while being aware of the environmental impact of undertaking business operations. THAI has on an ongoing basis continued to proactively enhance its service quality, safety standards, overall stability and aviation security to provide customers the highest level of confidence in regards to the Company's products and services. It is also imperative that all activities undertaken by the Company comply with all relevant guidelines, regulations, standards and laws.

Special attention is placed on ensuring the highest standard of aviation safety which encompasses 3 areas of the Company's operations – flight operations, aircraft maintenance and ground operations. Safety is strictly adhered in terms guidelines stipulated by the Thai Department of Civil Aviation, the Civil Aviation Board (CAB), the Federal Aviation Administration (FAA), the European Aviation Safety Agency (EASA) and other relevant governing bodies of the respective countries where THAI provides service.

Furthering safety standards, THAI also strictly adheres to IATA's Standard and Recommended Practices (SARP) requiring that each airline establish a Safety Management System (SMS) which specifically pertains to the areas of flight operations, ground operations and aircraft maintenance along with other relevant operating units. To ensure adherence and abidance with the above guidelines, the Company updated its THAI Safety and Quality Manual (TSQM), applicable for flight operations personnel and all other relevant operating units reflecting ongoing changes to safety standards.

The Emergency and Crisis Response Planning Department was established to draft emergency response procedures to potential crises which could cause the Company to cease operations. A Crisis Management Operations Center (CMOC) has also been established to coordinate all communications within the Company, during emergencies or crises.



The Management Safety and Quality Board (MSQB) made up of the Company's senior management, met twice in 2010 to oversee safety and quality standards and management. The Company Safety Committee (CS), the Aviation Security Committee (ASC) and the Quality Assurance Committee (QAC) made up of representatives from the various operating units met on a monthly basis to assess, review and determine the efficiency and effectiveness of measures undertaken in regards to safety and aviation security and make any necessary adjustments to improve the effectiveness in managing these risks.

In addition to safety, security is of top priority. Amendments have been made to the security handbook as changes in security measures are modified to be at par with international security standards. The assessment made in regards to the Company's security procedures at the Company's various operating premises have been more than satisfactory as reviewed by ICAO under their Universal Security Audit Program to take corrective measures in case of any deficiency. A security audit was also undertaken by the Transportation Security Administration (TSA) of the U.S. Department of Homeland Security and Office of the Transport Security (OTS) of Australia. In passing these stringent security audits, confidence can be had that the safety and security measures employed by the Company are of the latest in approach and meets international safety and security standards ensuring the highest level of personal safety for customers and related persons.

The Company also underwent IATA's Operational Safety Audit (IOSA) as part of their routine audit performed every 2 years. The audit was to assess adequacy of THAI's safety and security procedures as per IATA's guidelines. Audits performed by TSA and OST on THAI's aviation security procedures are done on an annual basis for many operating procedures and operating units. Audits were performed on the management aspect, the procedural aspect including equipment and facilities to facilitate convenience in enabling tasks to be executed in the given time period as stipulated by each standard. It is with the intention of providing customers with the highest level of safety in services rendered by THAI that a number of the Company's operating units have sought and earned ISO 9001 certification – Ground Services Department, THAI Catering, THAI Technical Department and THAI Cargo and Mail Services.

With employees being the heart of the organization's success, it is important to ensure that the work place is hygienic and safe. Employees' safety and health translates into the Company's ability to successfully produce quality output and enhance overall customer satisfaction. Clear statements have been made by the Company in regards to these measures and Safety, Hygiene and Environment Working Groups were established in various departments at all levels as per the law to carry out tasks relating to ensuring safety and hygiene in the work place.

In addition to the SMS that is currently employed, the Company will also be employing a Quality Management System (QMS) and an Environmental Management System (EMS). The Company will continue to actively track changes in standards, guidelines and innovations related to SMS, EMS and QMS to proactively update THAI's systems to ensure that the Company has the most robust means to protect itself from potential crises.

Certification for the various Departments with in the Company

Certificate	Department Function	Expiry Date
ISO 9001: 2008 (Quality Management System)	Cargo & Mail Commercial Department	June 2011
	Ground Equipment Services Department	December 2011
	Technical Department	March 2013
	General Administration Department	October 2012
	Personnel Development & Training Department	March 2012
	Information Technology Services Department	October 2011
	Catering Department	December 2013
ISO 9001:2000	Ground Customer Services Department	September 2011
ISO 14001:2004 (Environmental Management System)	Head Office, Crew Center, Larnluang Office, Operations Center at Suvarnabhumi Terminal, Ground Equipment Services Department	April 2013
	Technical Department	June 2013
	Catering Department	September 2012
	OHSAS 18001:2007 (Occupational Health and Safety Assessment Series)	Catering Department
IOSA (IATA Operational Safety Audit)	Thai Airways	March 2012
FAR Part 145 (Repair Station)	Technical Department (Suvarnabhumi Airport and Donmuang Airport)	October 2011
EASA Part 145 (Approved Maintenance Organization)	Technical Department	July 2011



Information Technology

THAI recognizes the important role Information Technology as a strategic tool to drive and ensure success in achieving the various corporate strategic plans building a strong financial base for sustained growth through enhanced customer satisfaction and improve operational efficiency. The Company has drafted for IT Transformation Management plan, Application Development and Infrastructure Implementation plan to modernize the backbone system that enables flexibility for additional modules to provide a comprehensive solution for the Company enhancing quality and efficiency in business processes that is highly secure. Therefore, strategic initiatives to be undertaken to provide the Company with the necessary flexibility, efficiency and effectiveness in providing unsurpassed quality service is among the more pressing areas the Company stands ready to invest in.

In 2010, e-Services improvements continue to be made to better serve customers by providing self - service accessibility from anywhere and anytime via all mobile devices e.g. mobile phone, smart phone and tablet through mobile browser m.thaiairways.com website i.e. Flight Information, Flight Scheduling, View Flight Booking, Booking tickets, informations on Royal Orchid Holidays packages, Royal Orchid Plus Statement of the 5 most recent activities and remaining mileage for ROP members, including Cargo Flight Schedule information. Cargo e-Tracking and Cargo Handling Charges. THAI customers can also inquire such particular information via SMS (SMS Broadcasting & Query) by calling 02-451-4455 as well. In addition, the Book and Pay service was improved to support online flight reservation and e-ticketing issuance via mobile service, expand e-ticketing payment service through ATMs of different banks, and implement self-check-in capability for international flights at Suvarnabhumi Airport. Going forward into 2011, customers can easily inquire about flight Information, flight schedules and Cargo e-Tracking via speech recognition with Thai language and SMS service via phone number 02-400-4000. This is another step forward for THAI in using modern technology to provide customers convenience and enhance overall customer satisfaction.

Besides the tour package information currently provided through THAI's website, THAI's has already launched the Royal Orchid Holidays website for customers to make tour reservations, make e-Payment and issue tour order vouchers (e-Vouchers) via the www.thaiairways.com website. The Royal Orchid Plus Member Profile Expansion system has been developed to store information about customers' lifestyles for marketing analysis, enabling Customer Relations Management (CRM) to better cater to customers' needs and ultimately retain customer loyalty to THAI while broadening the opportunity to generate additional revenue. THAI is also developing an Air Award website a worldwide system that is a value added service for ROP members living abroad to redeem rewards, make flight reservations and make payment in an array of currencies via credit card.

For Cargo and Mail services at www.thaicargo.com website, the e-Import Service has been enhanced for e-Payment and e-Manifest Tracking. E-Payment is another channel for freight forwarders or shipping companies to pay for terminal and storage charge of imported goods at the THAI Cargo Terminal which enables an automatic debit of such charges from bank accounts instead of making cash payment. While the e-Manifest Tracking system is to enhance the manifest process checked by a freight forwarder or a shipping company before all relevant import documents are submitted to the Customs Department. It expedites the customs clearance process and adds value to the Cargo Services Department. For flight crews

in the Flight Operations Department, the Air Crew system enables electronic management of pilot and cabin attendant schedules. The use of the electronic flight scheduling system (e-schedule) reduces the use of paper, saves cost and is more efficient by electronically notifying cockpit and cabin crew schedules which also supports the Travel Green concept. The Cabin Attendant Pre-Flight Study and Briefing System have enhanced to facilitate flight attendants in preparation for flights by providing important flight and passenger information via different mobile devices and enhancing the preparedness of the crew in providing unsurpassed in-flight quality services. Flight information can be accessed through the web on mobile and response to inquiries is distributed to cabin crews instantly through a secure and efficient process.

THAI recognizes the importance of Corporate Social Responsibility (CSR) and is the first airline in the Asia Pacific to offer customers the opportunity to offset carbon emissions through the THAI Voluntary Carbon Offset Program. After booking and completing payment for a THAI flight at www.thaiairways.com website, information about the amount of carbon emitted for the particular flight chosen will be displayed along with the cost to offset the carbon generated. Customers can contribute by making payment with credit card to offset this particular carbon footprint. The entire amount contributed by the customer will go into funding 3 officially approved renewable energy projects.

To improve cost identification and allocation in the IT Department, the IT Financial Management System (ITFM) was implemented to calculate the actual costs and expenses of IT services rendered to the various operating units within the Company and such expense is charged back to all functions within the organization. This is to facilitate THAI in establishing an effective IT financial management practice and to realize full value of IT investments and to be able to visualize the actual cost of IT services rendered to business units.

In 2010, THAI's Disaster Recovery Site (the Company's data back-up and recovery center) served to mitigate risks of a disruptions to operations by storing a large number of important applications necessary for normal operations, made revisions to the instruction manual and contingency plans and held an annual IT rehearsal of all data and application system recovery and archiving system to ensure continuous and uninterrupted operations or at least minimize overall disruption to the Company's operations. THAI also realizes that security of information technology is critical to ensuring uninterrupted operations therefore security is constantly being improved and updated. After the Corporate IT Security Working Group (CIS) drafted policies and security measures to protect its database in 2009, CIS issued standards and manual related to information technology security to serve as guidelines to ensure the safety of its database which is an invaluable asset to the Company.



Dramatic changes are expected to take place from 2011 onwards, with the plan to modernize the core IT system to support applications and other infrastructure systems. The Company will migrate from a mainframe-based core systems to a new and more efficient distributed system platform system to enable greater flexibility and be more adaptive to rapidly changing business needs and also to enhance customer satisfaction:

- ❖ Passenger Services System - THAI plans to transfer the Reservation, Inventory Control, Ticketing and Departure Control systems to the new and modernized platform. It is to support competitive business requirements, be responsive to customer needs with seamless services and ultimately increase THAI's operating efficiency.
- ❖ New Loyalty System - a new frequent flyer program under Royal Orchid Plus (ROP) is being considered to provide ROP members with quality services and also support the Company's marketing and sales efforts., The most important being the program to more efficiently manage campaigns is acquired.
- ❖ Global Tour Management System - a new Royal Orchid Holidays system (ROH) with flexibility to quickly create and customize a variety of attractive tour and hotel packages worldwide (ROH products) to suit travelers' preference. . The new system, it will increase value to THAI's products and services and leverage ROH direct sales targeting customers via internet channel and increasing overall revenue THAI.
- ❖ Commercial Data Warehouse - is to capture all relevant data - passenger reservation, flight information, fares etc. With the customer database, THAI will be able to improve the depth of analysis and in multiple dimensions to effectively support planning and decision making in areas of sales and marketing, flight planning as well as focus on personalized customer services.
- ❖ New Cargo IT System - to replace the current cargo system namely ORCHIDS, to support the cargo and mail operations, cargo reservation & sales, cargo revenue management & accounting. THAI expects the system to increase the cargo revenue, improve operating efficiency and competitiveness including assuring customer satisfaction.
- ❖ Corporate SAP is the new Finance & Accounting system - being developed as the core system to enable faster and more accurate financial reporting which is also linked to human resource management. It will integrate SAP to other current and future systems and data as part of the integrated Enterprise Resource Planning system (ERP) as well as improve on the Corporate Management System (MIS) to support the management planning and decision making.

To achieve the projects as described above, THAI needs to overhaul its IT infrastructure, improve IT process management and introduce new but relevant technology information such as :

- ❖ Application Integration Platform (ESB & ODS) - allows the interface with different applications/platforms by using standard and reusable technical architecture and structure. The first application to use this feature was the Passenger Services System.
- ❖ Cloud Computing - THAI is implementing the ability to support customer accessibility via internet with the variety of IT devices including new methodology in application development by enhancing Server Virtualization that is already implemented by THAI. The benefit is for quick response to business needs efficiently and securely while providing a greater range of channels for customers to access Company information.
- ❖ e-Collaboration systems - are support systems for staff communication, cooperation and knowledge management sharing within the Company to enhance efficiency, reduce cost and support Green IT environment i.e. e-Document Management system, Corporate Unified Communication and Collaboration - implementation of infrastructure and software application tools to support all the above.

Furthermore, THAI is developing many projects to in compliance with standard rules, regulations & security protocol to ensure the highest level of security and reliability to support internal and external users. For instance, the Public Key Infrastructure (PKI) System is designed to support digital signature for e-business transactions/processes. The Web Service Security is also to ensure secured accessibility from authorized users -staff, customers, and alliance partners through any network service provider.



Human Resource Management

At the heart of the Company's ongoing success is the strength of its human resource therefore a policy was set to foster knowledge and skills development and enhancement leading to greater proficiency and expertise in executing tasks and responsibilities of to the respective areas of operations. Knowledge and skill development are geared to serve the commercial, cargo, overseas station posts and ground equipment services. Areas of training encompass delivering quality service, hygiene awareness, safety and security, language skills, understanding of different cultures, management skills and behavioral sciences. Other less tangible areas of knowledge include fostering of the THAI culture, instilling morals and ethics, developing the right values and having integrity along with developing a bond with the Company in which all the above are to provide the necessary skills and mindset enabling the Company to achieve its strategies. New learning tools and equipment have been integrated using the latest in modern teaching approach forms part of the essentials for successful training. The harder part is ascertaining both the present and the future areas of knowledge and skill sets that need to be incorporated into the training and development sessions to support the current and future needs of the various operating units to ensure competitiveness and continuity in operations. Corporate knowledge management will also play a key role in enhancing the effectiveness of training sessions while also shortening the time needed to move up the competency scale.

To achieve the established corporate strategies of 2010, the Training and Development Department started its quest to develop the corporate knowledge management system by identifying by category and in sequence the most critical areas of knowledge necessary to sustain operations. The Department is in the process of determining the most appropriate and systematic approach to developing knowledge management. There is an ongoing effort to stimulate the development of on-line communities of front line employees to foster the culture of information sharing which is to form the basis in leading to the concept of a "learning corporation." Talent management is important to preparing successors for key positions within the organization and to that end, the Department has developed assessment criterion in determining suitable individuals to be included in the Candidate Pool List to undergo training and development under the Individual Development Plan (IDP). Individual talent is of importance in THAI's ongoing development but cooperation between operating units also play an integral part to the Company's success. To ensure communication and cooperation amongst the various operating units, a pilot project with guidelines on improving communication and cooperation is being launched for the Strategy and Business Development Department, the Finance and Accounting Department along with the Human Resource Development and General Management Departments.

Training is now geared towards developing capable persons with the necessary skill set and management knowhow to execute missions as set by the Company while fostering the THAI Spirit. An Executive Training program was undertaken for Senior Management emphasizing heads of business units in developing management skills and enhancing efficiency and providing outstanding service. The Caux Round Table (Thailand), an independent entity of international repute with expertise in developing strategic initiatives and tools in developing ethics within organizations in cooperation with SASIN Institute and Thammasat University held training sessions for employees of all levels on the Company's culture of THAI Spirit along with holding activities to foster a culture for value or value creation.

The culture of THAI Spirit has been included in the Company's Good Governance and Ethics Handbook as a guide for all employees to abide by in executing their duties.

As per THAI's Safety Training capability, the Department is among the top 8 out of the 49 nationwide registered with the Labor Department of the Labor Ministry designated trainer for safety personnel of the various private and public sector companies. The Department completed its first full term of providing safety training which began in 2007 and has been re-selected to continue safety training for a second 3 year term commencing April 2010. Safety training was rendered for the Company's own designated safety personnel and that of other private and public sector companies as per the laws governing the standard of safety, hygiene and environmental management dated B.E. 2549. Training sessions were held for staff level personnel along with management and safety committees on safety, hygiene and management of environment in the working place with a total of 448 people attending the training sessions. Training in cooperation with other external registered organizations has been held on basic fire fighting skills for 976 attendees.

The innovative approach to training brought to bear was the use of online learning or e-Learning that transcended learning beyond the classroom environment and broadened the reach and provided opportunities for a broader group of staff to access training without physical limitations while reducing related costs of holding an onsite or offsite training session or seminar. The e-Learning channel also forms the basis for developing a "learning organization." The core equipment enabling e-Learning has been installed and has been launched through the THAISphere/Training Center platform or can be accessed by a token. The number of employees that underwent training using the e-Learning channel in 2010 totaled 1,239 persons.

Ground Services

The overarching goal for THAI's Ground Services is to continue providing unsurpassed quality service for both THAI and customer airlines as outlined by the Company's strategy, policy and standard of service. To ensure greater synergy and coordinated effort in striving towards the same goals while ensuring consistent service standard, the Ground Services and the Ground Equipment Services Departments have been merged into one operating unit.

Ground Customer Services

Services rendered by the new Ground Services entity is underpinned by the Thai Touch, ease, expediency and quality of service supported by the latest in product and equipment of international standards.

At Suvarnabhumi Airport (SBIA), premium class passengers are treated to a curbside service by THAI's Curbside Service and are led to THAI's Royal First Check-in Lounge or THAI's Royal Orchid Premium Area for a personalized check-in service. Expediting the immigrations process, passengers are able to pass through a Fast Track Service - special immigrations section designated for premium class passengers. Special transport service is arranged for premium class passengers to the departure gate and upon arrival to SBIA. Post Flight Services is also available to facilitate any special needs of THAI's



passengers. A One-Stop-Service point in the arrival hall is to facilitate any special needs that passengers may have. With a minimal fee, a Meet and Assist Service is available for passenger, luggage and cargo, which is also a service offered to THAI's Customer Airlines at SBIA. The consistent ongoing improvement to ground services has earned THAI the Business Traveler Award for ground customer services and the Skytrax Best Airport Services at the 2010 World Airline Awards. This does not include the commendations from customer airlines and other organizations for the service commitment provided by THAI employees to help passengers that were stranded during the volcano eruption in October 2010.

The Royal Orchid Lounges provides comfort and amenities for THAI's first class, business class, Royal Orchid Plus Platinum Members and Royal Orchid Plus Gold members. Services include A-La-Carte restaurant concept dining with slumber rooms, family room and kids' room with free wi-fi internet service and computer stations. For relaxation, passengers can take a massage course at the Royal Orchid Spa lounge or enjoy the steam room. These amenities have earned THAI Skytrax's Best Airline Lounge Award – First Class for the second consecutive year and an acclamation for premier lounge services from Business Traveller Award.

New products and services are constantly being introduced to facilitate service and enhance customer experience. The ability to print one's own boarding pass, e-ticket and check-in on-line or mobile phones with WAP capability are some of the new features that have been offered to passengers to enhance expediency and overall customer satisfaction. Passengers are also able to make seat selection or changes as needed and points can also be accumulated by entering one's Royal Orchid Plus membership number through the mobile application. The updated information is shown on the mobile unit's screen. A further value added service to THAI's passengers who use the express train to travel to the airport is the soon to be launched off-site check-in service at the Bangkok City Air terminal (BCAT) starting January 2011.

The Ground Operation Control Center (GOCC) was established to centralize all communications, coordinate and ensure smooth operations with On-time Performance at the heart of its function while also overseeing aircraft rotation and facilitating passenger and baggage transfer between flights. The GOCC is also charged with the responsibility of finding solutions to problems in case of any operational or event irregularities with oversight on cost control and efficiency enhancement as part of their responsibility.

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

As THAI's ground equipment services and ground customer services continue to have talented and committed employees and staff to not only to perform their duties exemplarily and with creativity in developing value added services, THAI's ground services will continue to pursue its vision of being the First Choice Ground Customer Service Provider.

Ground Equipment Services

THAI is currently the largest provider of ground equipment services with 80 customer airlines trusting THAI to provide services for over 180,000 flights annually. Continued pursuit of service excellence is geared to ensure that THAI is the First Choice Ground Equipment Services provider for airlines flying into Thailand.

As a full air transport service airline, THAI supported by its Ground Equipment and Ground Customer Services along with THAI Cargo, THAI Maintenance and THAI Catering business units is able to provide customers a one-stop air transport service to its customers. The competitive edge derived from this synergy provides THAI unique competitiveness at Suvarnabhumi, Don Mueang and Utapao airports along with other destinations in Thailand where THAI currently provides service.

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

In ensuring the highest level of security, safety and hygiene in the work place, the Company adheres closely to the applicable laws, regulations and guidelines of the Department of Civil Aviation and that of the AOT Public Company Limited to prevent danger and the possibility of terrorism. The Company has in place numerous closed circuit televisions (CCTV) along with the use of a number of Access Control points with biometric security to ensure security in the working place.

Controlling operating costs remains the highest priority for the 2 departments with emphasis placed on controlling fuel consumption for ground equipment operations. Regular pre-emptive maintenance of equipment, the careful use of equipment and ensuring the appropriate use of equipment are some of the means to achieve overall cost savings on operations.



THAI Cargo and Mail Services

Cargo Services

The cargo transport business includes the transport of general air freight and the transport of time sensitive cargo – fresh produce, live animals, valuable goods, artifacts and hazardous material. Mail and package transport is basically geared towards transport of specialized items such as fresh products and items of value. These time sensitive and valuable items command higher prices for THAI. TGForce, TGFresh and TEC PER are the variety of services available from THAI while the premium service such as Express Cargo is readily sought for time sensitive and valuable products. Special promotional packages were launched targeting niche customer groups and ensuring connectivity for a seamless experience through close working relationship with partner airlines.

As of December 31, 2010 THAI Cargo routinely serves 76 destinations (not inclusive of Bangkok) with all of the destinations being part of the THAI's passenger route. The combined revenue of cargo and mail constitutes a total of 16.4% of the Company's total revenue.

Most of the cargo carried in 2010 was in the belly space of the THAI's passenger aircraft while the balance of the cargo was carried by 2 B777-200LRF that THAI signed block spaced agreement for a 2 year period and they have been in the fleet since March 2010. But the terms and conditions in the block space agreement is subject to change with ongoing discussions for more amiable terms.

The additional cargo space available as a result of the block space agreement, added flexibility to THAI's cargo and mail services and increased customers' confidence in THAI's ability to deliver their products in time. The added flexibility comes from the ability to go to destinations beyond THAI's current passenger service routes to destinations with strong air cargo service demand. Further extending THAI Cargo's reach is the reciprocating cooperation with partner airlines in transporting cargo and mail to points beyond THAI's service.

Warehouse, Mail and Commercial

THAI's warehouse, Cargo and Mail Commercial Services is the largest of at Suvarnabhumi Airport and provides services to 54 customer airlines as of December 31, 2010. Warehouse management is made of 2 main functions – general goods and time sensitive or high value goods. In 2010, THAI established a perishables zone to facilitate handling and warehousing of temperature sensitive products using temperature controlled containers from start to point of delivery. A new service offered by THAI is the “to-door” and “door-to-door” delivery of packages and parcels complete with customs services. The Cargo Contact Center (CCC) is a one-stop information service 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 package at the convenience and comfort of customers via www.thaicargo.com. Initiatives were also taken to expedite the transaction process, enhancing customer experience and reduce cost from inefficiencies and mistakes. The Cargo and Mail Commercial Services was also accredited with the ISO 9001:2008 certification and is now in the process of developing a software program that would link information between airlines to better facilitate transportation of, tracking and expediting delivery services for customers.

For the year 2010, a total of 631,133 tons of THAI's own cargo were handled through the Cargo and Mail Commercial services while another 460,177 tons were that of customer airlines whose contracts signed with THAI are for 2-3 years in duration.





Competition in the Air Cargo and Mail Transport Business

THAI competes head on with other airlines who either serves the same destinations as THAI does or provides similar cargo and mail transport services. Despite having 2 dedicated freighters in the fleet, THAI's competitors from Europe and Asia have much larger fleets of dedicated freighter aircraft and therefore a more extensive network of destinations served therefore income derived from cargo and mail services constitutes a smaller proportion for THAI's top line revenue.

There are specialized freight and mail delivery companies that have their own distribution centers, land door-to-door distribution capability and a wide distribution network. But because of limitations in rights to fly from the Thai authorities, these shipping, logistics and supply chain giants are hampered in their competitiveness against THAI in distribution logistics within Thailand. Despite the limitations, competition is on the rise but the proportion of domestic freight business constitutes a very small portion of THAI's overall income.

THAI Catering Services

THAI Catering is predominantly geared towards the production of meals for uplift for THAI flights and that of its 50 client airlines. Complementing its meal uplift business, THAI Catering operates a restaurant at the airport, snack bars in the airport terminal, has a chain of Puff & Pie bakery, provides off-site catering service and operates food services at the Company's various canteens. Of the 2 catering facilities that THAI has, the largest facility of 70,000 square meters is located in the duty free zone at Suvarnabhumi Airport geared towards serving international flights. The second facility of 40,200 square meters is situated at Don Mueang Airport producing meals mainly for domestic flights and serves as the preparation site for all of THAI Catering's on ground food businesses. At the various provincial stations, THAI Catering operates restaurants in Krabi, Chiang Mai and Phuket airports and also prepares meals for aircraft uplift for the various airlines that serve these destinations.

Like the core business, THAI Catering was subjected to the same operational difficulties with the still recovering Thai and global economies along with the domestic and overseas political unrest which required THAI Catering to take drastic actions to minimize impact of these various factors. Part of the cost reduction strategy entailed the shifting of man power to using a greater proportion of outsource staff and the rationalization of energy usage enabled THAI Catering to reduce energy related costs by THB 32 million. The use of Lean Management processes enabled the reduction in raw material waste by approximately THB 274 million. An internal reorganization was undertaken to improve overall cost management so as to be cost competitive with competitors. Total revenue earned in 2010 was THB 6,006 million, a 3.9% increase over the previous year. Clear strategic initiatives undertaken during 2010 enabled THAI Catering to remain the leader in providing meal preparation for customer airlines commanding 71% of the meal uplift market serving 58 different airlines on 66,712 flights and producing around 57,660 meals per day. Of that, 30,641 meals per day are for international flights, 8,351 meals per day for domestic flights and the balance of about 18,668 meals per day are for other airlines. Every meal prepared is done so in accordance with the Thai Ministry of Industry's guidelines observing dangerous, cleanliness and ensuring the highest standard of hygiene.

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



Technical and Maintenance Department

The Technical and Maintenance Department performs line, light and heavy maintenance services on aircraft, engines and avionics. The Department performs maintenance services for not only THAI's own fleet of aircraft but also that of customer airlines. The Department is FAA, EASA, JCAB and ISO 9001:2008 and 14001:2004 certified.

For 2010, a total of 33,322 line maintenance, 666 light maintenance and 67 heavy maintenance services were undertaken for THAI's aircraft while a total of 35,115 line maintenance services, 15 light maintenances and 16 heavy maintenances were performed for customer aircraft. For the Company, a total of 30 engine fixes were made for THAI's aircraft while 7 were done for customers' aircraft.

THAI's Technical and Maintenance Department is situated on 190,000 square meters of land boasting a 3 bay hangar of 24,300 square meters which is the largest facility in Southeast Asia that is able to park 3 A380-800 aircraft simultaneously supporting light maintenance services.

Maintenance facilities at Don Mueang Airport boasts of 5 hangars dedicated for heavy maintenance services and can house 6 aircraft simultaneously - 3 B747s and 2 B777 or A330 and 1 narrow body (only light maintenance for the small aircraft). Total usable space at the Don Mueang Airport facilities is 170,000 square meters.

THAI also has a hangar with 2 parking slots at the Utapao airfield, on the east coast of Thailand, that handles heavy maintenance services. The facility can house 1 large aircraft and 1 small aircraft simultaneously with a total usable space of 179,080 square meters.

With the size and member of hangar facilities along with the sophisticated equipment available in the shops, THAI's Technical and Maintenance Department has the ability to provide a wide range of maintenance services for customer's aircraft. The technical capability is to the point where structural body and nose section of a B747 can be modified and a cabin reconfiguration can be done for both B747 and B777 aircraft. Structural hydromechanical modifications, engine repairs, equipment repairs, radio and avionics repairs are among the capabilities of the Department. The Department is also able to provide calibration service test for A300-600, A310, A330, A340, B737, B747 and B777 aircraft.



THAI's maintenance facilities and equipment enables the Department to virtually handle most of the technical and maintenance requirements of THAI's aircraft in terms of structural fixes while the Department also has the technical expertise to perform maintenance on certain engine types. Maintenance work not able to be performed in-house is out jobbed to an external service provider. Contractual agreements are based on IATA's guidelines while the rules, regulations and guidelines of the FAA and EASA are strictly adhered in rendering services to customer airlines.

Among the main customers of THAI's Technical and Maintenance Department are airlines from North and South Asia along with aircraft from the Thai Air Force and Police Force. Airlines from North Asia and Europe along with Nok Air have been THAI's customers for heavy maintenance overhaul. THAI does face some competition in the area of technical and maintenance services by a number of other airlines both regional and from Europe but most of the competitors' facilities are based abroad.

The Technical and Maintenance Department is not only concerned with just maintenance per se but is also aware of the necessity quality in of service rendered. Among the initiatives undertaken in 2010 to add value include:

- 1 Project to improve the aircraft cabin interior to enhance customer value.
- 2 Project to improve aircraft painting process to enhance the ability to reduce paint thickness when painting an aircraft to reduce gross aircraft weight, reducing fuel consumption.



Environment and Social Responsibility

THAI would like to be known as an environmentally friendly airline where conscientious decisions are made bearing in mind the impact of each activity on the environment in all aspects of the Company's operations. The Company also understands the adverse impact that CO² emissions has on the environment and therefore has taken proactive decisions to mitigate the impact through active fuel management, undertake proactive maintenance of equipment and aircraft, use of light weight tools and equipment in serving passengers onboard, build a database for analytical and decision making purposes to reduce overall waste and weight to minimize fuel burn and thus reduce CO² emissions.

In its effort to be recognized as a green airline, THAI has over the past year undertaken various activities to benefit the environment. Customers were given the opportunity to participate in the effort to reduce CO² gas emission while THAI partnered with the public sector in a number of initiatives, investments in new and more efficient aircraft and aircraft related tools and equipment that are more environmentally friendly. Sponsoring and cooperating in initiatives to develop biofuel that would be more environmentally friendly is among the strategies that the Company is pursuing to improve on emissions.

Despite the fact that the commercial airlines' proportion of carbon emissions is only 2 percent of total global emissions, it still bears direct impact in contributing to the global warming. THAI has therefore taken a proactive role in fuel management and in determining the carbon footprint on THAI's signature dishes served on the aircraft. The carbon footprint related to preparing the signature dishes are clearly displayed for passengers to see which provides passengers the opportunity to make choices to minimize carbon emissions. From assessment, THAI was able to reduce carbon emissions by 972,000 tons in 2010 from the base year of 2005. THAI also supports the notion of trying to cut carbon emissions by 50% in 2010 as compared to 2005.

In anticipating the inevitable implementation of the EU Emission Trading Scheme (EU ETS) in 2013, THAI has taken initiatives to mitigate the potential adverse impact on its performance. By March 2011, the Company will be submitting its fuel consumption information for year 2010 and the planned fuel usage for 2011 to the EU. The information will be used as part of the benchmarking process to allocate carbon credit to THAI and other airlines. Other measures are also being studied to determine means to mitigate the impact while minimizing cost to the Company.

The services of PricewaterhouseCoopers (PWC) was sought to audit the integrity of the fuel consumption information that is to be submitted to the EU for 2010. Based on the submitted information, THAI along with other airlines will be given Free Allowance of CO² emissions but for emissions above and beyond the given free allowance requires airlines to find Certified Emission Reductions (CERs) and European Union Allowances (EUAs) to compensate for the excess amount.

THAI is the first among the Asia Pacific carriers to have taken the initiative to sign an agreement with IATA in a study to find a carbon offset scheme for passengers traveling on THAI to Europe. Through the www.thaiairways.com website, passengers purchasing tickets will be given information about the amount of carbon emission related to the passenger's trip into Europe along with the applicable fee to be charged from the passenger to be used in developing carbon offset programs and projects around the world.

THAI in conjunction with Airbus Industries is supporting the United Nations' "International Year of Biodiversity" and its importance in the impact of life in the future. To this end, THAI supports the use of bio-degradable plastic bags in its Puff and Pie Bakery business to reduce plastic waste products that is contributing to global warming.

With the active contribution from employees within the Company to minimize environmental impact from business operations, the Company received ISO 14001:2004 certification for many of the Company's operating facilities. This certification provides customers the confidence that the products and services rendered to customers on the ground and in the air is quality stamped with safety and environmentally friendly processes of which the "THAI Energy Conservation" campaign launched to increase employee awareness on energy savings is part of that environmentally friendly approach to providing quality service to customers. For employees of THAI to be aware of their responsibilities towards society, the Company's policy has been to integrate the notion of responsibility towards society through the concept of self sufficiency economy and applying it in the business realm. The knowledge acquired from experience in undertaking social responsible activities should be utilized in developing new products and developments that would maximize benefits to both the Company and society.

THAI supports and promotes products from Royal projects through THAI Catering and the medium for introducing Thailand's agricultural products to the world is by using these ingredients to prepare in-flight meals for THAI and customer airlines for which THAI has been doing for over 20 years.

A number of activities were launched as part of the Company's Corporate Social Responsibility (CSR) drive that is to bear long-term benefits for society as a whole. An example is be the reforestation drive in the Sirinthorn International Environmental National Park located in Cha Am of Petchburi province along with other activities to benefit society as follows :

1. Environmental Aspect

- Waste water treatment and recycling to reduce pollution and maximize use of natural resource
- Regular washing of aircraft to reduce drag and increase fuel burn efficiency
- Halon emission reduction project in fire fighting equipment



Subsidiaries and Affiliated Companies

Thai-Amadeus Southeast Asia Company Limited

Thai-Amadeus Southeast Asia Co., Ltd. (Thai-Amadeus) provides leading distribution and technology solutions serving the World's travel and tourism industry for travel related concerns including air travel reservation, hotel and car rental reservations and also issues air tickets and provides travel insurance. THAI is party to the joint venture launching Thai-Amadeus Southeast Asia Co., Ltd. with the purpose of complementing and supporting THAI's core operations of providing air travel service through ease of seat reservation. The company has issued and paid-up capital worth THB 15 million in which THAI has a shareholding of 55% in the company's paid-up capital totaling THB 8.25 million.

Net profit earned for the year ending December 31, 2010 by Thai-Amadeus Southeast Asia Co., Ltd. totaled THB 107.22 million.

Royal Orchid Hotel (Thailand) Public Company Limited

The Royal Orchid Hotel (Thailand) Plc. - THAI was among the founders of the Royal Orchid Sheraton Hotel, a premium hotel providing food and beverage service along with other services related to the hospitality industry. The purpose of this joint venture was for THAI to be able to provide its passengers with value added service and enable THAI to be competitive against other airlines by providing its passengers a comprehensive one stop service. The company has issued and paid-up capital worth 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 185.11 million.

Net profit earned for the year ending December 31, 2009 by Royal Orchid Hotel (Thailand) PCL. totaled THB 114.82 million.

Don Muang International Airport Hotel Company Limited

The Don Muang International Airport Hotel Company Limited runs a hotel and related services at called the Amari Don Muang Airport Hotel. The company has issued and paid-up capital of THB 120 million. THAI has a shareholding of 40% in this company's paid-up capital totaling THB 48 million. The amount of investment by THAI via equity method is THB 112.31 million. THAI jointly invested in the hotel venture with the purpose of providing passengers the convenience of using the hotel as a transit point and as the designated hotel in case of delays or any flight irregularities. Since moving to Suvarnabhumi Airport, the hotel has changed its strategy by focusing more in hosting group events, banquets and seminars.

Net loss for the year ending December 31, 2009 earned by Don Muang International Airport Hotel Co., Ltd. totaled THB 30.30 million.

Bangkok Aviation Fuel Services Public Company Limited (BAFS)

The Bangkok Aviation Fuel Services Public Company Limited provides storage service for aviation fuel and provides aircraft refueling service at both Don Muang Airport and Suvarnabhumi Airport. The company has issued and paid-up capital THB of 510 million. THAI has a shareholding of 22.59% in this company's paid-up capital totaling THB 115.19 million. The amount of investment by THAI via equity method is THB 659.83 million.

BAFS earned THB 490.36 million in net profit for the year ending December 31, 2009.



Phuket Air Catering Company Limited

Phuket Air Catering Co., Ltd. provides in-flight meal catering for various airlines on international flights from Phuket International Airport. THAI entered this joint venture to provide catering services for THAI's own flights at Phuket International Airport but the business has expanded to provide catering services for other airlines. The company has issued and paid-up capital of THB 100 million. THAI has a shareholding of 30% in this company's paid-up capital totaling THB 30 million. The amount of investment by THAI via equity method is THB 108.95 million.

Phuket Air Catering Co., Ltd. earned a net profit totaling THB 76.15 million for the year ending December 31, 2009.

Suvarnabhumi Airport Hotel Company Limited

The joint investment in the Suvarnabhumi Airport Hotel Co., Ltd. was made with the purpose of complementing THAI's travel services and to enable THAI to provide passengers with an overnight stay should it be a necessity. The hotel provides a complete range of hospitality services for not only THAI but also to the general public. The company has issued and paid-up capital of THB 1,017.78 million. THAI has a shareholding of 30% in this company's paid-up capital totaling THB 305.33 million. The amount of investment by THAI via equity method is THB 100.07 million.

As a recent start-up, the hotel is still incurring a slight loss of THB 209.91 million for the year ending September 30, 2009.

Nok Airlines Company Limited

THAI's budget carrier Nok Air was established to enhance THAI's network and also serve as a fighting brand to protect THAI's domestic and regional market share especially with the liberalization of the Thai aviation industry. The lower cost structure of Nok Air and through its competitive pricing appeals to a larger customer base and growing the overall demand for air travel. The company has issued and paid-up capital of THB 500 million. THAI has a shareholding of 39% in this company's paid-up capital totaling THB 195 million. The amount of investment by THAI via equity method is THB 34.72 million.

As of the year ending December 31, 2009 Nok Air earned a net profit totaling THB 339.65 million.

WingSpan Services Co., Ltd.

WingSpan Services Co., Ltd. (WingSpan), a subsidiary company was consolidated into THAI's 2010 financial disclosure. WingSpan was established and registered under the civil and commercial law of the Kingdom of Thailand on December 2, 2010 with an issued and paid-up capital of THB 2 million. WingSpan's purpose is to provide manpower-outsourcing services to the Company. Tasks requiring specific skills or customer service personnel and/or tasks where the Company has found that outside operators have failed to provide competent outsourcing service and/or tasks where age limit is an issue. WingSpan can help the Company resolve service quality issues and also reduce its personnel expense in the long run. The Company's investment is in WingSpan's common shares constituting 49% of WingSpan's seed capital while Phuket Air Catering Co., Ltd.'s investment is in WingSpan's cumulative preferred shares constituting 51% of WingSpan's seed capital bearing a 6% dividend from the investment. The shareholding structure ensures that the Company controls WingSpan's operations while providing WingSpan with operational flexibility as a private company.

Net loss for the year ending December 31, 2010 earned by WingSpan Services Co., Ltd. totaled THB 0.05 million.



Other than the above investments in subsidiaries and affiliates, other investments for which THAI holds less than 10% shareholding in the company's issued and paid-up capital include :

- ❖ Aeronautical Radio of Thailand Limited is a non-profit organization with the purpose of providing aerial surveillance at the various airports in Thailand THAI holds a 2.5% share
- ❖ Fuel Pipeline Transportation Limited stores and transports aviation fuel via underground pipes for which THAI holds a 8.35% share
- ❖ TradeSiam Company Limited runs an Electronic Data Interchange Center with THAI holding a 3.5% share
- ❖ The Syndicate of Thai Hotels and Tourists Enterprises Ltd. is the company that owns the land which has been leased for the development of the Grand Hyatt Erawan Hotel. THAI holds a 1.3% share
- ❖ Star Alliance Services GmbH development of air transport passengers, members of Star Alliance and a profit and more efficient THAI hold a 5.7% share



Compliance with the Official Information ACT, B.E. 2540

The laws of the current Constitution clearly states the right of the people to have access to general information, clarification and reasoning of actions or activities that may bear impact to the environment, health, hygiene, livelihood or to a person's wellbeing or community. A person also has the right to express his/her thoughts and can through the use of the Official Information Act, B.E. 2540 access information related to the undertakings by the Government. This is to ensure that the people have the right to express their thoughts and feelings to support the general public exercising their political rights unless the disclosure of such information will adversely affect the country or the specific benefits of the private sector. This Act is to provide impetus for the development of democracy and enable people to exercise their rights to the fullest. It also enables people to protect their personal rights on the one hand and enables people to learn to exercise their rights to access public information on the other.

To comply with the laws under the Constitution, the Company's management established a Public Information Center on November 16, 1998 to facilitate access to the Company's information by the general public. The Company has and continues to support and cooperate with the public sector in complying with The Official Information Act, B.E. 2540.

In 2010, THAI's actions to fulfill the spirit of the Information Act were as follows:

Providing Information and News to the General Public

A total of 8,923 information requests were made to the Company in 2010 which was an increase of 48.34% over the previous year. A total of 475 enquiries were requested in person at the Public Information Office at THAI's head office while another 8,448 requests were by electronic and by telephone. A satisfaction survey was conducted in 2010 for the comprehensiveness of information, helpfulness and knowledgeable of staff and the quality of facility provided to accommodate people's visits received a "Very Satisfied" response.

Information Provided via Electronic Form

Information of interest and benefits to the general public have been posted on the Company's website www.thaiair.com in the "About THAI" section which includes topics such as key investment projects, the Company's route network and general knowledge about the industry. From accumulated statistical data, the website had a total of 8,899,551 hits in 2010.

Information regarding procurement is also disclosed on the Company's website providing a complete summary of the outcome of the procurement process in compliance with Section 9 of the Information Act. Information is further facilitated to the general public through the THAI@INFO system used to assist in information filing and also for ease of search at THAI's Public Information Center.

Accolades

On the occasion of 13th anniversary of complying with the Official Information Act, B.E. 2540. In 2010, the Company's Public Information Center has been selected by the Official Information Commission (O.I.C) to receive Exemplary Model Award for outstanding cooperation with O.I.C. in complying with the Official Information Act B.E. 2540 from Mr. Abhisit Vejjajiva, Prime Minister at the Government House.

Cooperation with the Government Sector

- ❖ Participated in the assessment program by the Government in determining the level of understanding of compliance with the Information Act.
- ❖ Attended the “Electronic Transactions in the Public Sector and the Privacy of Personal Information seminar” held by the Ministry of Information Technology and Communications.

Enhancing Knowledge and Understanding Related to Abidance by the Information Act and Information Disclosure to Employees of the Company

Information disclosure related to the understanding of the Information Act especially in the areas of the Government's policies on information disclosure, various analysis resulting from studies on information disclosure and relevant laws and issues of interest in relation to the Information Act were readily accessible by the Company's employees.

Site Visits to the Public Information Center

Representatives from the public sector that visited THAI's Public Information Center in 2010 were :

- ❖ Visitation by representatives from the Office of Small and Medium Enterprises Promotion (SMEs) to THAI's Public Information Center was to see and internalize means to improve services at their information center to the general public.
- ❖ Visitation by the representatives from the Graduate school, Suan Dusit Rachapat University to the Company's Public Information Center was to have a blue print for which they can replicate to launch their own information center.

Commercial Airline Industry Outlook

Notwithstanding the fallout from the public debt problems of various European nations, inflationary pressures, fluctuation in exchange rates, political instability and natural disasters, strategies drafted and employed during 2010 were comprehensive but cautious and timely. Economic recovery led by China and India along with that of a number of developed economies have stimulated global trade, investment and import/export leading to increased demand for the transport industry resulting in strong financial performance for many of the transport related companies in 2010.

Facing a number of obstacles in 2010, THAI regularly reviewed its strategies in anticipation of potential changes in the operating environment. Areas of review spanned pricing strategies, improving cost efficiency and enhancing operating efficiency. Planning also included a number of crisis scenarios where the planning would enable THAI to rapidly adjust its operations to any sudden change in the operating environment. Regular reviews and assessments of implemented strategies have been undertaken in the respective areas of operations especially the use of technology to enhance customer service and operating efficiency. Fuel management and fuel hedging are the other areas of active vigilance to minimize operating cost while enhancing overall competitiveness. Route network development during 2010 was designed to strengthen Bangkok as THAI's strategic regional hub reflecting the strategic geographic location of Thailand.

Passenger Transport

Passenger transport outlook for 2011 as forecast by the International Air Transport Association (IATA) despite lower than the 8.2% growth experienced in 2010 is still an optimistic 5.2%. The growth rate in Asia, although high at 9%, is still expected to be lower than the 17.8% growth expected for air travel in the Middle East reflecting the strong economic growth anticipated for the region. Benefitting from the rapid economic growth of the Middle East are the Middle Eastern airlines with strong capital base rapidly expanding their fleet size. Making them that much more competitive is the number of new large sized aircraft joining the fleet and the rapid expansion of their route network to new regional destinations designed to make the Middle East the hub of global air travel.

Thailand's economy continued its recovery through 2010 benefitting the local air transport industry despite the various challenging events that took place during the year. The number of foreign passengers travelling during the first quarter of 2010 grew by 27.8% over the same period last year. Political challenges during the second quarter stress tested THAI's management performance while after the political rallies, the number of travelers rose by 12.5% over the same period the year before. Compared to 2009, the total number of foreign travelers to and from Thailand increased by 12.0% to 15.8 million persons and the figure forecast by the Tourism Authority of Thailand for 2011 is 16.4 million persons barring any unforeseen negative events.

In 2010 there were 99 airlines carrying a total of 33.5 million passengers or an 10.6% increase over the previous year to and from Thailand. Out of the total international passengers entering and leaving Thailand, 12.2 million was carried by THAI which was a slightly slower rate of growth than the year before of 10.2%. THAI commands the greatest market share of international passengers at 36.5% with the closest runners up commanding 6.6%, 3.7%, 3.0%, 2.4 and 2.4 market share, respectively.

Outlook for Air Freight Transport

IATA forecasts a much slower growth rate in the global air freight industry of 5.5% in 2011 as compared to the growth rate of 20.6% experienced in 2010. Asia saw a 24.0% growth in air freight business while Latin America experienced the highest growth rate of 29.1% in 2010.

The air freight business for Thailand reached 779,102 tons for the first eleven months of 2010, which was a 23.8% increase as compared to 2009. Imports constituted a total of 517,081 tons carried in 2010 which was a 28.1% increase over the previous year. THAI carried a total of 330,264 tons of inbound air freight which was a 30.0% increase over the year before while outbound air freight THAI carried a total of 273,074 tons which was a 30.5% increase over the previous year. Destinations with the highest regional air freight volume throughput for THAI were Hong Kong, Singapore, Taipei, Tokyo and Seoul. Frankfurt, Amsterdam, Sydney, London and Melbourne are destinations with the highest air cargo volume throughput for THAI's intercontinental destinations.

Domestic Competition

With the launch of low cost carriers in the domestic air transport industry since 2003, domestic competition has readily increased over the years. Despite there being growth in domestic air travel demand in 2010, competition continues to heat up resulting from competitively low air fares. The attractive ticket prices provide potential customers with an alternative means to travel. There are currently 6 different airlines serving the domestic market of which 3 are considered to be low cost airlines. In 2010, a total of 13.3 million people travelled in the domestic market of which THAI carried 5.3 million passengers or commanding a 39.8% market share.

International Competition

With the recovering regional economies in 2010 along with the Thai Government's open skies policy to stimulate travel to Thailand, there has been an explosion in the number of airlines flying into Thailand. THAI faces not only heightened competition from traditional carriers especially the Middle Eastern, Chinese and Indian airlines where their route expansion has been rapid, but also from the proliferation of low cost airlines and seasonal chartered flights. The toll of this rapid increase in the number of airlines serving Thailand and the sheer increase in the number of flights, the impact has been on the Company's overall market share. According to IATA, THAI is ranked 15th in the world and 4th in the region based on the number of passengers carried.

The Company is tirelessly pursuing improvement in quality service to enhance customer satisfaction and comfort with the introduction of new seats and in-flight equipment along with the addition of new aircraft into the fleet with the objective of enhancing THAI's long-term competitive position in an ever intensifying field of competition.



Risk Management and Risk Factors

Ongoing risk management is an integral part of THAI's operations which encompasses both internal and external risks. The Risk Management System was established since 2003 to provide confidence to shareholders and stakeholders alike that the Company has measures to mitigate risks and thus ensure stability of its operations. Members of the Risk Management Committee comprises of the Board Members from both public and private sector. The Risk Management Committee is charged with the responsibility of setting risk management policies and guidelines for effective risk management. The Committee is also charged with the oversight and enforcing the implementation and effectiveness of risk management in the various departments. Management and employees of all departments are required to identify, assess and prioritize relevant risks related to their own function and determine the degree of importance so as to be able to prioritize risk management and have comprehensive measures in place to mitigate the potential adverse impact on the Company's objectives to within acceptable levels. The risk control measures undertaken meet the standards set by the Committee of Sponsoring Organization of the Treadway Commission (COSO). Risk management activities undertaken by the Risk Management Department is reported to the management, the Risk Management Committee and the Company's Board of Directors on a quarterly basis. Management and employees of all departments are required to incorporate risk management into their routine operations.

Corporate level risk management measures were incorporated into the Company's corporate strategy to ensure the adherence and achievement of the Company's goals while mitigating the potential adverse impact of such risks caused by various uncertainties. The Company undertook to understand the relevance of each risk to the Company's performance and its cause. Impact analysis through the Portfolio View of Risk approach enabled the understanding of the overall risk impact on the Company as a whole while Key Risk Indicators were established as a warning system for the Company. The Risk Management Information System was enhanced with the ability to link with the internal control report.

Short-term and long-term risk factors control measures and risk mitigation guidelines have been incorporated in the Company's strategic plan. Training and workshops have been used to instill the risk awareness culture within the Company on an ongoing basis for management and employee of all levels within the organization.

Risk Factors of Significant Impact

1. Jet Fuel Price Increase

As jet fuel constituted 34.22% the Company's operating cost in 2010 as fuel costs continued to rise and is currently in a constant state of flux, the Company has put in effect a more active and comprehensive fuel management policy using both hedging and fuel surcharge to mitigate the adverse impact of rising jet fuel cost. The more robust hedging policy requires that the Company hedge at least 20% of its full year demand and no more than 80% of its full year demand. Each hedging contract is for approximately 3-5% of the monthly jet fuel volume demand and the contract duration is between 3-6 months. Further risk mitigation is the comprehensive fuel management program currently in effect combined with the use of an appropriate fuel surcharge policy. However, the fuel surcharge policy is very much dependent upon the prevailing competitive environment on each route. The benefit of a comprehensive and proactive fuel management program has been the ability of the Company to cover 102% of the fuel cost increase with the 2004 fuel cost as base year.

2. Foreign Currency Exchange Risk

As 75% of the Company's income is derived from 40 different foreign currencies while the Company's outstanding borrowings and most of the expenses incurred are from only 4 currencies USD, JPY, EUR and THB the Company mitigates its foreign currency exposure through natural hedging. The purpose is to ensure that there is a counter balance to the excess or mismatch in revenue and expense or the net operating cash flow through borrowings. At the same time, the Company also tries to decrease foreign currencies debt risk partially by relying on Thai baht borrowings which also reduces fluctuations in the Company's profitability caused by currency fluctuation. The services of a foreign exchange management expert has been sought to train THAI's employees and also to help enhance the program for FX risk management, enabling improved planning in seeking funding and establishing a robust means to manage FX risk through the use of appropriate financial tools. Cross currency swaps (CCS) have been undertaken during appropriate market conditions to mitigate such risk. As of 31 December 2010, the proportion of the Company's borrowings post CCS in USD : EUR : JPY : THB = 1 : 35 : 9 : 55 (excluding long-term commitment for aircraft on operating leases).

3. Interest Rate Risk

As borrowings have been obtained to fund operations, the Company is obliged to make interest payments on the outstanding borrowings for which some are floating rate based. As interest rates trend upwards, the Company's funding cost will also trend upwards. To curb that risk, the Company enters into interest rate swaps (IRS) switching float rate borrowings into fixed. For 2010, there were 4 such transactions undertaken worth a total of EURO 268.33 million. Post the IRS, the Company's proportion of fixed rate borrowings totaled 46% (excluding long-term commitment for aircraft on operating leases) with a 3.37% average cost of borrowings.

4. Risk from Aviation Emission

The European Union (EU) has issued guidelines for the Emissions Trading Scheme (ETS) which is to be put into effect in 2012 requires that all airlines flying into Europe must limit their CO₂ emissions to a similar level emitted during the base years from 2004 – 2006. Therefore, for airlines emitting CO₂ higher than the amount emitted during the base years, the said airlines would have to compensate for the excess CO₂ emitted through the Certified Emission Reduction (CER) program. The Company has submitted its planned fuel consumption the expected level of CO₂ emissions to the Deutsche Emissionhandelsstelle (DHSt) who is handling the Company's emissions trading in the EU.

In September 2010, the Company was the first regional airline to launch the Carbon Offset Program through cooperation with IATA in computing CO₂ emissions from passengers based on city pair stage length and then converted to monetary terms for which passengers can choose to make contribution to offset carbon emissions with the credit certified by the UN Executive Board. The project has put THAI at the forefront in environmental awareness and conservation.



Risk Factors Related to the Company's Business

1. Risk Related to the Travel Industry

The passenger air transport services and air cargo services constituting the Company's core business may be subjected to a slowdown in tourism travel, financial crisis abroad or from natural disasters along with the global economic and political uncertainties including that of Thailand. Understanding that these events bear impact on the number of tourists traveling to Thailand and thus THAI's business, vigilance is maintained on the various issues while measures have been put in place to mitigate the potential adverse impact, uphold the Company's image and provide confidence for THAI's passengers.

2. Risk from Operating an Aging Aircraft Fleet

The use of aging aircraft for service increases operating expense over time including maintenance expense, which could impact the Company's overall financial performance. As the process of acquiring new aircraft takes a lot of time and capital expenditure, a comprehensive effective maintenance plan has been specified as a control measure to maximize aircraft utilization with the appropriate level of maintenance to ensure sufficient aircraft available for the Company to meet the established flight schedule. The Aircraft Acquisition project is developed to cover the decommission of aging aircraft as well as the additional aircraft for growth. The project focuses on acquiring new generation aircraft which are less fuel consuming with lower maintenance cost as their airframe are built from composite materials

The delayed delivery of 5 new A330-300 aircraft as a result of Koito Industries being unable to deliver economy class seats to the Company has impacted the production capacity of the Company. An alternate seat supplier, ZIM FLUGSITZ, is at the last stages of critical design review while delivery is expected in February 2554. In addition, THAI signed operating leases for 3 of Jet Airways' B777-300ER aircraft to complement THAI's productivity.

3. Legal Risks

The Company is subject to legal risks encompassing antitrust cases in several jurisdiction such as the investigations in the United States, the European Community, Australia, New Zealand and South Korea. As of November 2010, charges againsts THAI by the Commission of the European Communities (EC) for colluding in setting cargo fuel surcharge with other airlines have been dropped without penalty.

The Company has put aside sufficient reserves against such claims since 2008 and as for year-end 2010, the reserve amount outstanding totaled THB 3,661 million.

THAI
50th
ANNIVERSARY
1960-2010



Five Decades of Pride --- Upholding Thai Values

Shareholders and Management Structure

Shareholders

The names of major shareholders, number shares held and percentage of shareholding as of the October 29, 2010 Share Register Book closure date as obtained for the event held by the SET “SET in the City”.

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.	178,058,120	8.16
3	VAYUPAK FUND 1 BY KRUNG THAI ASSET MANAGEMENT PCL.	178,058,120	8.16
4	THAI NVDR COMPANY LIMITED	92,132,520	4.22
5	GOVERNMENT SAVING BANK	52,724,226	2.42
6	THE BANK OF NEW YORK MELLON	29,474,558	1.35
7	SOMERS (U.K.) LIMITED	25,443,765	1.17
8	NORBAX INC., 13	24,738,566	1.13
9	HSBC (SINGAPORE) NOMINEES PTE LTD	21,970,876	1.00
10	STATE STREET BANK AND TRUST COMPANY	17,513,162	0.80
11	Shareholders	448,726,943	20.56
	To paid up Office	2,182,771,917	100.00
	Thai Shareholders ¹⁾	1,837,560,846	84.18
	Foreign Shareholders ¹⁾	345,211,071	15.82

Note : ¹⁾As at December 30, 2010

The Government held a 53.45% stake in the Company. Shareholding was through the Ministry of Finance and the Government Saving Bank, which is a state enterprise. With greater than 50% shareholding by the Government, THAI is subjected to the following Government guidelines:

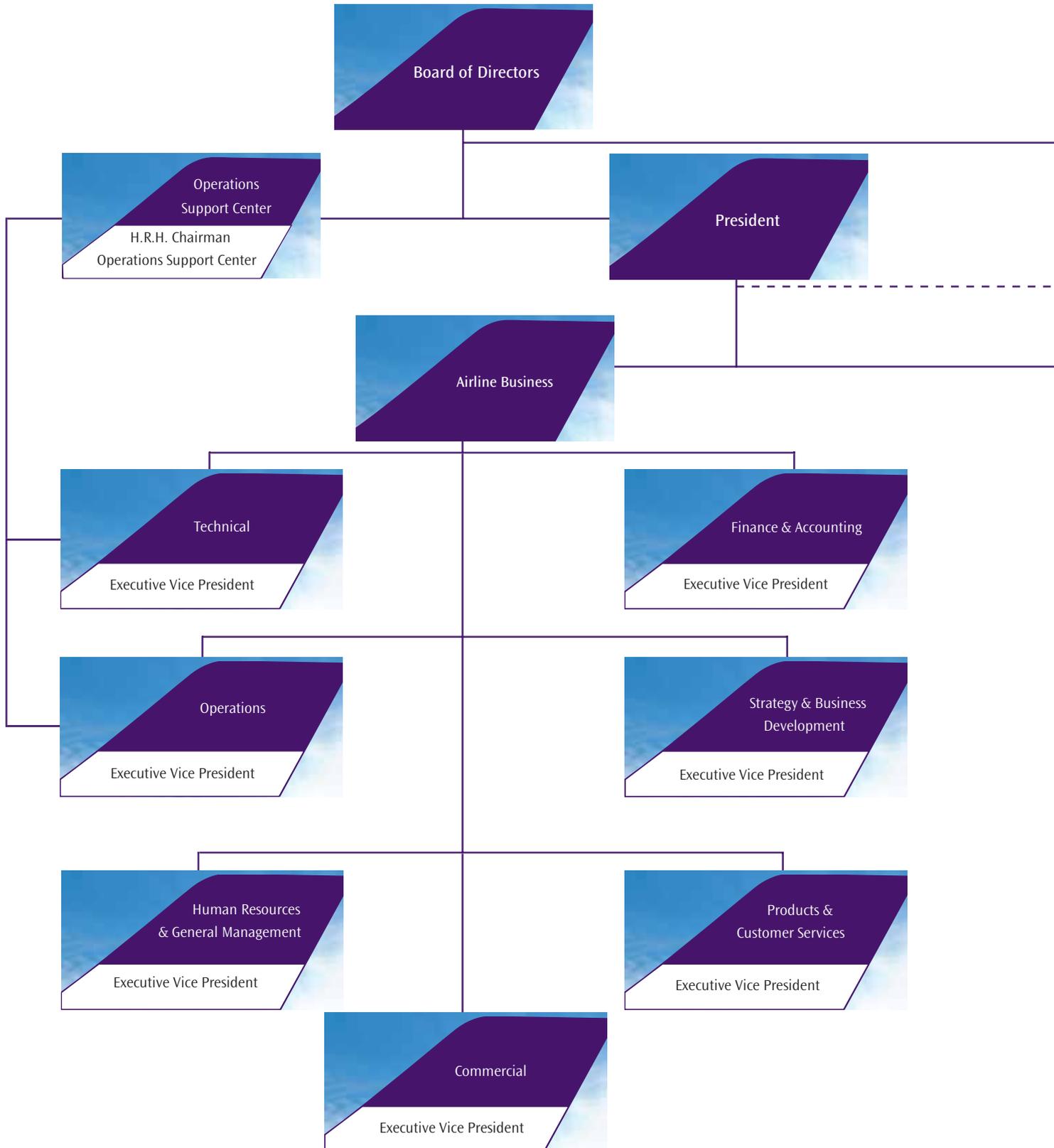
1. THAI must obtain approval from the cabinet for investments of significant value.
2. The Office of the Auditor General is responsible for auditing the Company's financial statement

Dividend Policy

THAI's dividend policy is to pay an annual dividend of not less than 25% of profit before consideration of gain/loss from foreign currency exchange on the Company's consolidated financial statements and is subject to consideration of future investment plans and other relevant factors.

The Companies Act B.E. 2535 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 Companies Act 2535 and Articles of Association requires that the Company set provisions of not less than 5% of its net income for the year in reserves less any retained loss until the reserve is at least 10% of the Company's registered capital.

Management Structure



Board of Directors

The Board of Directors has ultimate responsibility for the administration of The Company's affairs. The Company's 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. Not less than half of the Directors must reside in Thailand. At the Company's annual general meeting of shareholders, one-third of the 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, 2010 the Company's Board of Directors consist of the following members:

1. Mr. Ampon	Kittiampon	Chairman
2. Mr. Surachai	Tansitpong	1 st Vice Chairman and Independent Director
3. Mr. Sathit	Limpongpan	2 nd Vice Chairman
4. Mr. Chulasingh	Vasantasingh	Independent Director
5. Mr. Banyong	Pongpanich	Independent Director
6. Mr. Weerawong	Chittmitrapap	Independent Director
7. Mr. Pichai	Chunhavajira	Independent Director
8. ACM Satitpong	Sukvimol	Independent Director
9. Mr. Chaisak	Angkasuwan	Director
10. Mr. Areepong	Bhoocha-oom	Director
11. Mr. Kanit	Sangsubhan	Director
12. Mr. Apiporn	Pasawat	Director
13. Mr. Pravich	Rattanapian	Director
14. Mr. Varah	Sucharitakul	Director
15. Mr. Piyasvasti	Amranand	Director

Mr. Niruj Maneepun (Vice President Legal and Compliance) Secretary

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

Signatures of Mr. Ampon Kittiampon, Chairman of the Board of Director and either Mr. Chaisak Angkasuwan or Mr. Kanit Sangsubhan or Mr. Pravich Rattanapian or Mr. Apiporn Pasawat or Mr. Piyasvasti Amranand along with the Company seal are required for a binding contract. Signature of 3 of the following Board Members Mr. Chaisak Angkasuwan or Mr. Kanit Sangsubhan or Mr. Pravich Rattanapian or Mr. Apiporn Pasawat or Mr. Piyasvasti Amranand along with a Company seal constitutes 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 Ordinary 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 in part or in whole the proxy in which such appointed person is to act on behalf of the Company.

The Company's Board of Directors met in total 18 times for 2010. 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 the following persons, on December 31, 2010 to the Audit Committee consisting of non-executive Board members:

1. Mr. Chulasingh	Vasantasingh	Chairman
2. Mr. Banyong	Pongpanich	Member
3. Mr. Weerawong	Chittmittrapap	Member
Mrs. Kesaree	Narongdej	Advisor to the Audit Committee
Mrs. Raweepon	Kuhiran	Advisor to the Audit Committee
Mrs. Suvakhon Nawongs (Vice President Office Of The Internal Audit) Secretary		

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

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

Audit Committee's Authority and Responsibilities

The Audit Committee helps audit the Company's financial statements and ensures sufficient and correct disclosure of financial information. Ensures the adequacy and efficiency of internal control measures and internal audit processes 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 dismissal of the head of the Audit Department. Ensuring the Company adheres to all Stock Exchange of Thailand rules and regulations and all other related legal guidelines as per the business of the Company. 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. Review all 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 and that the transactions maximize benefit. 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 but also the signature of the Chairman of the Audit Committee. Undertake other activities that may be prescribed by the Company's Board of Directors within the scope of the Audit Committee's function. 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 : Transactions that create conflict in benefits Corruption or something out of the ordinary or any fault or loophole in the internal audit process Breaking any of the legal guidelines, rules and regulations of the Stock Exchange of Thailand or any other related rules and regulations applicable to governing the Company's business.

The Committee met 12 times in 2010 and provide progress reports 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 SET and the Stock Exchange of Thailand MOF and is in line with international best practices, the Company's Board of Directors appointed the following persons, on December 31, 2010 to the Good Corporate Governance Committee along with appointing a Committee secretary:

1. Mr. Sathit	Limpongpan	Chairman
2. Mr. Areepong	Bhoocha-oom	Member
3. Mr. Kanit	Sangsubhan	Member
4. Mr. Weerawong	Chittmittrapap	Member
5. ACM Satitpong	Sukvimol	Member
6. Mr. Piyasvasti	Amranand	Member
7. Mr. Niruj	Maneepun	Member and Secretary

Good Corporate Governance Committee's Authority and Responsibilities

1. Reviewing 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. Determining corporate social responsibility plans and activities.
3. Establishing policy Corporate Social Responsibility (CSR) of the Company and consider criticize like the framework and activity by hold to one's principles sufficient economy philosophy follows royal thought or idea line.
4. Coordinate with the Company's Board of Directors and related sub-committees of the company get as think fit.
5. 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.
6. Other undertakings as may be designated by the Board of Directors

The Committee met 7 times in 2010 and provided progress reports to the Company's Board of Directors.

Independent Committee



To ensure that THAI meets the principles of good corporate governance as stipulated by the Ministry of Finance, the Stock Exchange of Thailand, the guidelines for which the Company is assessed on an annual basis and to be at par with internationally accepted standards, the Board of Directors appointed the following persons, on December 31, 2010 to the Independent Committee :

1. Mr. Surachai	Tansitpong	Member
2. Mr. Chulasingh	Vasantasingh	Member
3. Mr. Pichai	Chunhavajira	Member
4. Mr. Banyong	Pongpanich	Member
5. ACM Satitpong	Sukvimol	Member
6. Mr. Weerawong	Chittmittrapap	Member

The Scope and Limitations of Independent Directors are as follows:

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. 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 year. However, this restriction does not apply to Independent Directors having been a public servant or served a 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. 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 of 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 manager or an entity that has authority to govern or dictate the Company's direction or its subsidiary. Never have 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. 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. 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. 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. 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

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. There are no other factors that would prevent such person to provide an independent point of view related to the Company's operations.

Thai Airways International Plc. has stipulated the shareholding limits of an Independent Director in clause 2, is more stringent than the requirement by both the Securities and Exchange Commission and the Stock Exchange of Thailand where the maximum shareholding limit required by THAI is less than 0.5%.

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 such information regarding the Independent Director in the section on the appointment of independent directors ad part of the invitation for the shareholders' meeting. Business relationships or professions which would cause this candidate to nor meet the stipulated criteria. Reason and necessity for retaining or appointing such person as the Company's Independent Director. A comment by the Company's Board of Directors regarding the proposed candidate to be appointed as Independent Director.

Independent Committee's Authority and Responsibilities

Freely provide comments/suggestions and/or provide progress reports on undertakings as assigned by the Board of Directors to ensure that the Company has 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. The Committee has the authority to obtain documents and summon relevant persons to provide information in regards to assigned task(s) anda a execute other matters as assigned by the Board of Directors.

The duty of this Committee is to provides independent thoughts and comments while ensuring equal benefits for all shareholders.



Nomination, Remuneration and Human Resource Development Committee

Following the good corporate governance principles of both the Ministry of Finance and that of the Stock Exchange of Thailand and international best practices, the Company's Board of Directors appointed the following members, on December 31, 2010 to the Nomination, Remuneration and Human Resource Development Committee:

1. Mr. Surachai	Tansitpong	Chairman
2. ACM Satitpong	Sukvimol	Member
3. Mr. Chaisak	Angkasuwan	Member
4. Mr. Pichai	Chunhavajira	Member
5. Mr. Piyasvasti	Amranand	Member

Mr. Pandit Chanapai (Executive Vice President Human Resources and General Management Department) Secretary

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

1. The Committee is charged with the obligation to establish a selection and appointment process for the Company's Board Members along with the Company's senior management and means to develop the Company's human resource. Such process must be ethical and comply with the good corporate governance principles as stipulated by the 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 knowledge 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 should 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 Stock Exchange of Thailand while observing international best practices.
3. The Committee has the authority to obtain documents and summon relevant persons to provide information in regards to assigned task(s).
4. Execute other matters as assigned by the Board of Directors.
5. The Committee is charged with the authority encompassing the consideration of the appropriateness of each of the various positions of the Company's employees especially for senior management positions.
6. Conducting the review and selection process for prospective candidates for our Board of Directors and senior management.

The Committee met a total of 7 times in 2010 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 Stock Exchange of Thailand'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, on December 31, 2010 to the Risk Management Committee:

1. Mr. Pichai	Chunhavajira	Chairman
2. Mr. Areepong	Bhoocha-oom	Member
3. Mr. Banyong	Pongpanich	Member
4. Mr. Apiporn	Pasawat	Member
5. Mr. Piyasvasti	Amranand	Member

Mrs. Monticha Kruasuwan (Vice President Risk Management) Secretary

Risk Management Committee's Authority and Responsibilities

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

Committee met 7 times in 2010 and provided progress reports to the Company's Board of Directors.

The Executive Board

The Executive Board consisting of the persons below were appointed on December 31, 2010 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. Pravich	Rattanapian	Chairman
2. Mr. Kanit	Sangsubhan	Member
3. Mr. Chaisak	Angkasuwan	Member
4. Mr. Apiporn	Pasawat	Member
5. Mr. Varah	Sucharitakul	Member
6. Mr. Piyasvasti	Amranand	Member

Mr. Niruj Maneepun (Vice President Legal and Compliance) Secretary

The Executive Board's Authority and Responsibilities

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. Screen issues to be submitted for Board of Directors' consideration. Provide suggestions in regards to approach and measures to improve effectiveness and efficiency in the Company's operations.

Approve purchases within the budget approved by the Board of Directors, which complies with Board resolutions and the Company's charter as follows :

- ❖ Company's procurement policies
- ❖ Company's human resource management policies
- ❖ Company's financial guidelines

Has the authority to approve non-budgeted investments of more than THB 1 million and less than THB 50 million and must report such authorizations to the Board of Directors.

Has the authority to summon relevant staff and documents to clarify matters under consideration.

Has the authority to appoint sub-committees and working groups as deemed appropriate. Execute other matters as assigned by the Board of Directors. In case of necessity, the Executive Board may propose for the Board of Directors to approve hiring of consultants to perform tasks on the Company's behalf. 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 must meet at least once a month. The Chairman or a person appointed by the Chairman must designate the date, time and place for the Executive Board Meeting. In calling an Executive Board Meeting, the Chairman of the Executive Board or an appointed person by the Chairman must send a letter of invitation to attend the meeting at least 3 days ahead of the meeting date.

The Executive Board met of 19 times in 2010.

The Board of Directors also appointed various committees and sub-committees including the sub-committee overseeing the purchase of aviation fuel and the Legal sub-committee.

Thai Management Executives

As of December 31, 2010, the Company had 10 Senior Management positions : President - 1, Executive Vice President- 5, Acting Executive Vice President - 1 and Vice Presidents - 3, comprising :

1. Mr. Piyasvasti	Amranand	President
2. Mr. Kaweepan	Raungpaka	Executive Vice President Finance and Accounting Department
3. Flt. Lt. Montree	Jumrieng	Executive Vice President Technical Department
4. Mr. Pandit	Chanapai	Executive Vice President, Human Resource and General Management Department
5. Mr. Chokchai	Panyayong	Executive Vice President Strategy and Business Development Department
6. Sqn.Ldr. Asdavut	Watanangura	Executive Vice president Operations Department
7. Mr. Teerapol	Chotichanapibal	Acting Executive Vice President Commercial Department
8. Mr. Thongchai	Singhakul	Vice President Financial Accounting Department
9. Mr. Pichait	Riengvattanasuk	Vice President Corporate Finance Department
10. Mrs. Charita	Leelayudth	Vice President Management Accounting Budget Department

Note: "Management Executives" are as per the definition of "Management" denoted by the Securities and Exchange Commission

The President's Authority and Responsibilities

The President's authority and responsibilities as stipulated by the Company's guidelines include: Authority and duties stated in the "Policies of Thai Airways International PCL." under the General Administration Section 2007.

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.

Authority and duties under the Procurement Guideline – B.E. 2546 (Modified)

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.

- ❖ Contracts to hire consultant service-up to THB 100 million
- ❖ Contracts or transactions related to supplies procurement through tender or auction-up to THB 200 million
- ❖ Contracts or transactions related to supplies procurement through special process-up to THB 100 million
- ❖ Contracts or transactions related to procuring aviation fuel-up to THB 500 million
- ❖ Procurement of aviation fuel with better terms-up to THB 500 million
- ❖ Aircraft and/or passenger insurance-up to THB 500 million. Transaction value exceeding the President's authorized limit must be submitted to the Board of Directors for approval.
- ❖ Emergency procurement of aviation fuel-no pre-set limit but up to THB 500 million. Transaction value exceeding the President's authorized limit must be submitted to the Board of Directors for approval.

Authority and duties under the Company's Financial Authority and Duties B.E. 2549.

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.

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 Securities and Exchange Commission). 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

The Company's 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 decided 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 number 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 to 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 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 as 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 integrity of their credentials.

2.3 The Corporate Secretary must verify the credentials of persons to be considered to serve as a Board Member as per the process as stipulated by the Company.

2.4 The Selection Committee must screen and submit the names of qualified candidates to the Company's Board of Directors.

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

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

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

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



Appointment of other Committees

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

Management Executives

In appointing the Company's President, the Board of Directors must appoint a Nomination Committee comprising of 5 members from the Board of Directors and the Executive Vice President from the Corporate Secretariat. 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 candidate and submit for the Board to approve to fill each available position. For the Vice President level, the President is to select the most appropriate candidate and report to the Board of Directors before appointment.

Remuneration for Members of The Board of Directors

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 and received shareholder approval on April 28, 2010 from 2010.

Monetary Remuneration

- ❖ 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.
- ❖ 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 monthly maximum allowance paid is 10,000 baht no matter how many meetings are called.
- ❖ 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.
- ❖ The Board of Directors shall received annual bonus at 0.5% of dividend payment, under rules and regulations set by the Board of Directors.

The Board of Directors voluntarily agreed to temporarily reduce their remuneration by 25% starting May 1, 2010 through April 30, 2011.

Board member remuneration for the year ending December 31, 2010

Units : THB Million

	Number of Persons	Remuneration including allowance and bonus
Company's Board of Directors ¹⁾	18	14.07
Audit Committee ²⁾	4	0.87
Other Committees ³⁾	19	1.37

Note:

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

Remuneration for Management Executives

Monetary Remuneration

Compensation for Management Executives for the fiscal year ending December 31, 2010

Units : THB Million

	Number of Persons	Remuneration including allowance and bonus
Management Executives	11	54.07

Note: "Management Executives" of 11 persons, including retirements before December 31, 2010

Other Compensation

Ticket Benefits

Board of Directors

Ensuing recording the highest loss ever in the Company's history of operations in 2008, the Company's Board of Directors voluntarily reduced their air ticket benefits. Board members (including family members – father, mother, husband, wife and children) are now entitled to 10 free international round trip tickets and 10 free domestic round trip tickets per annum on the highest seat class available only for the duration of their tenure as a member of the Company's Board of Directors starting May 1, 2010.



Management Executives

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

In addition to their stipend, management executives are also entitled to benefits from either the provident fund or the pension fund as with other employees of the Company. Details are as follows :

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

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

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

Total contribution made to Management Executive's provident fund and pension fund for fiscal year 2010 ending December 31, 2010

Units : THB Million

	Number of Persons	Total Amount
Management Executive	11	2.08

Note: "Management Executives" of 11 persons, including retirements before December 31, 2010

Good Corporate Governance Committee Report

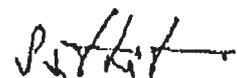
As the National Flag Carrier, Thai Airways International Plc. has taken to heart the importance of operating efficiency, transparency and auditability while emphasizing the highest level of operational safety and offering the best quality products and services to meet customers' needs and satisfaction. All the above is geared towards maximizing shareholder benefit while being in-line with standards of the commercial airline industry and to achieve the vision of being the "First Choice Carrier with Touches of Thai."

The Ethics Committee has and continues to emphasize the observance of Good Corporate Governance and Ethics Code by setting in policy and guideline for all employees to comply in ensuring long-term value creation for the Company, transparency, accountability for one's tasks and actions, equality, honesty, doing the right thing and ensuring maximum benefit to the Company.

The Ethics Committee drafted the Code of Ethical Standards and actively promotes conscientious adherence to the guidelines but above all, the Committee emphasizes the importance of upholding oneself to the highest ethical standards. Efforts to foster and maintain high ethical standards has earned the Company a rating of "Very Good" for the fifth consecutive year from the Thai Institute of Directors (IOD) for overall corporate ethics. An "Outstanding" rating was given to the Company for observing shareholders' rights, equitable treatment of shareholders and for information disclosure. Consistent effort put forth towards enhancing overall ethical standards at the Company has earned the Company a higher than the ratings earned two years prior.

The Company also understands the importance of being a good corporate citizen and its corporate social responsibilities. At the forefront of its efforts to contribute to society is the responsible management and use of aviation fuel. Efforts have also been made to improve the Company's operations to embrace a greener approach to running the business. Effort is put into making each and every flight more environmentally friendly and to help reduce carbon dioxide gas output for the airline industry as a whole. Efficient fuel management and enabling customers to have a choice in helping reduce global warming will go a long way to help reduce emission of greenhouse gas.

THAI's policy is to ensure the highest ethical standards and to have a role in contributing to society. It is also part of the Company's policy that members of the Board of Directors, management and employees are to observe and execute their duties with utmost fairness and transparency which can be audited to ensure stakeholders confidence. The above forms the most important stepping stone for the Company to ensure its long-term viability as a corporate citizen and to continue representing Thailand to the world.



(Mr. Sathit Limpongpan)
Chairman



Good Corporate Governance

As a publicly listed company, THAI understands the importance of having good corporate governance and diligently observes such principles in practice. To ensure comprehensiveness in observing such principles, the Company's Board of Directors appointed a Good Corporate Governance Committee and its various subcommittees, a Corporate Secretariat Department, an Investor Relations Department and a Risk Management Department with mandates to function and observe the principles of good corporate governance. The goal is to instill a culture of good corporate governance to enhance THAI's competitiveness leading to long-term sustainable growth and building shareholder value over time. For THAI's efforts in embracing principles of good corporate governance as per the guideline of the SET and that of the SEC, THAI was recognized in 2004 with a "Good" rating and was subsequently given a "Very Good" rating for 2005, 2006, 2008 and 2009. The rating done in 2004 was by Thai Rating and Information Services Company Limited (TRIS) and by the Thai Institute of Directors Association (IOD) for the remaining years.

The results of THAI's rating for the fifth consecutive year reflects the commitment of the Company's Board of Directors, management and employees towards good corporate governance. Providing equitable treatment to all stakeholders will serve well to ensure sustained growth in the longer term.

1. Policies on Good Corporate Governance

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

THAI's Good Corporate Governance Principle

- ❖ **Creation of Long-term Value** : The Company must promote and instill the Company's vision throughout the rungs of management down to employees and help employees realize that enhancing competency is key to the Company's long-term survival. Another key to achieving THAI's vision is the commitment and adherence to the principles of Good Corporate Governance. To ensure THAI of the most capable and knowledgeable employees, the process of nominating, appointment, transfer and commendations must be based on transparency and fairness.
- ❖ **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 Investor Relations Departments. Employees must perform their duties with integrity, must not take actions in their own interest and must not create a situation of having conflicts of interest. An employee may not undertake a post as a director, advisor or any other position at another Company that could cause a conflict of interest.
- ❖ **Responsibility** : Employees must devote themselves in performing their duties employing their knowledge, experience and to the best of their ability and using discretion in performing such duties with honesty and fairness. Employees must not seek benefit or interest for themselves or others. Employees must uphold the highest standard of responsibility in performing one's duties. Management must be responsive to the needs of shareholders, customers, business partners, employees and the Company's other stakeholders.
- ❖ **Accountability** : Management must attentively perform their duties to the best of their ability and must exercise care in the manner of a person having knowledge and experience including being ready to take responsibility for the outcomes of their actions and are able to explain their decisions and actions to the Company's Board of Directors, immediate supervisors, shareholders, customers, business partners and other stakeholders of the Company.
- ❖ **Equitable Treatment** : Management must ensure fairness and equitable treatment in conducting business operations towards stakeholders without discrimination based on race, nationality, religion, sex or other unfair reasons while ensuring fair treatment of competitors based on internationally accepted principles not fraudulently obtaining trade secrets or undertake corporate espionage activities. Management must provide a channel for which employees are able to file reports which may be beneficial to the Company if there has been observance of wrongdoing and a response should be provided within a given timeframe.



❖ Ethics

In performing their duties, employees must adhere to the following principles.

1. Uphold the democratic regime - To support and adhere to the democratic regime of which the King is the Head of State;
2. Maximize the Company's interests - To perform duties for the maximum benefit of the Company by neither seeking for benefit for themselves or engaging in transactions having conflicts of interest;
3. Uphold honesty - Perform work and duties responsibly and honestly.
4. Uphold righteousness - Perform one's duties correctly to the best of ability.
5. Uphold transparency - Be sure of integrity of information provided to colleagues, the general public, shareholders and other stakeholders.

As for the Company's Principles of Good Corporate Governance, the Company abides by the principles and guidelines of good corporate governance for state enterprises as stipulated by the Ministry of Finance. THAI also abides by the Stock Exchange of Thailand's Principles of Good Corporate Governance for Publicly Listed Companies B.E. 2549 and follows international best practices.

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

The Company's Ethics Committee appointed an Ethics Sub-Committee to oversee the drafting of strategy to foster the development of ethics for the Company's various operating units and ensure clarity of strategy, systematic and comprehensively implemented. The Ethics Sub-Committee is also tasked to support, disseminate and inculcate ethics for all to be aware, ensure understanding of and ensure abundance by all employees.

2. Shareholders : Rights and Equitable Treatment

Shareholders' Rights

THAI recognizes the importance of shareholders and their rights in order to earn their 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, receive a share in the Company's profits, receive sufficient and timely Company information, participate in the Annual General Shareholders' Meeting (AGM), give proxy to vote on shareholder's behalf, make inquiries during the AGM, have rights to submit issues for meeting agenda and also be able to nominate appropriate individuals for consideration to be appointed to the Company's Board of Directors.

Equitable Treatment of All Shareholders

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

3. Stakeholders' Rights

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

To achieve the Company's objectives, it is important to take into consideration the rights of each of the Company's stakeholders including shareholders, the Company's Board members its employees and external stakeholders including customers, business partners, creditors, competitors, regulatory bodies and other entities for which the Company interacts. THAI's internal and external interactions are founded on the basis of Corporate Social Responsibility (CSR). Written guidelines in the Thai Airways International Code of Conduct of 2002 lays the ground rules for which Board members, management and employees are expected to abide. The Good Corporate Governance Committee has revised Thai Airways International Code of Conduct to be more encompassing, more precise and better reflect the current operating environment. The revision process took into consideration constructive feedback from the Company's employees. Upon completion of the revision, each employee was given their own copy of the code of conduct and the contents were also distributed through THAI's print circular "TG Update", video TV and seminars were held to facilitate understanding of the importance of THAI's code of conduct. Stakeholder rights observed by the Company include:



Shareholders

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

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

Customers

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

- ❖ Adopt a positive attitude with emphasis placed on customer care and service, providing service with enthusiasm and courtesy, keeping customer's personal information confidential and ensure equitable treatment of all customers to provide unsurpassed service quality leaving passengers with an indelible experience.
- ❖ Study and understand customers' needs to develop products to suit their needs and to ensure the highest standard of service for each customer touch point. THAI's employees are encouraged to keep abreast of the latest in information and build experience through field work to gain expertise and efficiency. The expectation is for THAI's employees to use their experience to provide unsurpassed service quality and through customer satisfaction, customer retention is achieved.
- ❖ Establish a strong working relationship to build customer loyalty. It's products and services are to be of first rate but there must also be a system that quickly and satisfactorily handles customer complaints.

Business Partners, Creditors and Debtors

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

- ❖ Any money, gift or benefit worth more than 3,000 baht from any of the above parties is prohibited.
- ❖ The solicitation, acceptance, payment or offer for payment any benefit that is not considered to be transparent with a business partner and solicitation, acceptance, payment or offer for payment any benefit that is not considered to be transparent with creditors and/or debtors are prohibited.

- ❖ Should there be evidence of solicitation, acceptance, payment or offer for payment benefits of any sort that is not considered to be transparent, immediate action must be taken to rectify the situation in accordance with the stipulated procedure and based on fairness.
- ❖ Uphold and abide by the terms and conditions of contracts made with business partners and/or creditors in totality and should there be a chance for non-performance on any covenant, the respective business partner or creditor must be notified immediately to find means to resolve the problem.

Competitors

The Company's policy is to treat all competitors as per the international standards under relevant legal guidelines pertaining to competition where corporate espionage is not allowed and has the following provisions :

- ❖ Abide by the framework of fair competition.
- ❖ Avoid defamation of competitors through negative information or false accusations.
- ❖ Avoid illegal access of competitor's confidential information.

In Relation to Society and Community

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

4. Annual General Shareholders' Meeting (AGM)

The Company is required to call an annual general shareholders' meeting as per regulations and to be in accordance with the guidelines of the Stock Exchange of Thailand and that of 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 4/2010 held on February 26, 2010, a resolution was reached by the Company's Board of Directors to hold the second AGM for 2010. February 28, 2010, 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 2010. The venue for the AGM was held at the Makawanrangsarn Hall, third floor, at the Royal Thai Military Club on Vibhavadee Rangsit Road, Bangkok. A total of 2,861 shareholders and proxies attended the meeting representing a total of 1,417,064,764 shares which was more than one third ($\frac{1}{3}$) of the Company's paid-up capital constituting a quorum.



Prior to the AGM

To ensure abidance with the guidelines of good corporate governance and recognizing shareholders' rights, THAI enabled its shareholders to submit name(s) of qualified candidate(s) 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 2010. Applicable guidelines and qualifications for persons to be considered for Board membership was posted on the Company's website. A letter stipulating qualification of potential Board candidates signed by the Company Secretariat was submitted to the President of the Stock Exchange of Thailand.

Information Packet and Proxy Application Form

Along with the letter of invitation to attend the AGM, details of the various issues which were to be considered for approval were also included in the information packet in accordance with legal requirements, SET guidelines and the Company's own guidelines. Adequate information and details were provided to shareholders on each issue to ensure that shareholders have appropriate and sufficient information to make sound decisions. Clear identification was made for each issue as whether it was just "for your information", "for approval" or "for consideration". The Company also provided shareholders with the Board of Directors viewpoint on each issue for better insight. Included in the information packet were the minutes to the previous year's AGM, a copy of the previous fiscal year's annual report, copies of relevant information and a copy of a proxy along with detailed procedures to be observed.

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 14 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 at the Annual General Shareholders' Meeting

In 2010, Mr. Ampon Kittiampon, Chairman of the Board of Directors, presided over the Meeting as Chairman. Other Directors and Committee Members including management executives attending the AGM include:

Board of Directors and Committees:

1.	Mr. Ampon	Kittiampon	Chairman
2.	Mr. Sathit	Limpongpan	2 nd Vice Chairman and Chairman of Good Corporate Governance Committee
3.	Mr. Chaikasem	Nitisiri	3 rd Vice Chairman, Independent Director and Chairman of Audit Committee
4.	Mr. Weerawong	Chittmittrapap	Independent Director and Audit Committee and Member of Good Corporate Governance Committee
5.	Mr. Banyong	Pongpanich	Independent Director and Audit Committee and Member of Risk Management Committee
6.	Mr. Amornsak	Noparumpa	Independent Director and Member of Nomination, Remuneration and Human Resources Development Committee
7.	Mr. Pichai	Chunhavajira	Independent Director and Member of Nomination, Remuneration and Human Resources Development Committee, Chairman of Risk Management Committee
8.	Mr. Chaisak	Angkasuwan	Director, Member of Nomination, Remuneration and Human Resources Development Committee
9.	Mr. Areepong	Bhoocha-oom	Director, Member of Good Corporate Governance Committee and Risk Management Committee
10.	Mr. Kanit	Sangsubhan	Director, Member of Good Corporate Governance Committee
11.	Mr. Apiporn	Pasawat	Director, Member of Risk Management Committee
12.	Mr. Pravich	Rattanapian	Director
13.	Mr. Piyasvati	Amranand	Director, Member of Good Corporate Governance Committee Nomination, Remuneration and Human Resources Development Committee and Risk Management Committee

Management Executives

1.	Mr. Piyasvati	Amranand	President
2.	Flg.Off. Norahuch	Ployyai	Executive Vice President, Operations Department
3.	Mr. Kaweepon	Raungpaka	Executive Vice President, Finance and Accounting Department
4.	Mr. Pandit	Chanapai	Executive Vice President, Human Resources and General Management Department
5.	Flt.Lt. Montree	Jumrieng	Managing Director, Technical Department (Executive Vice President level)



6.	Mr. Pruet	Boobphakam	Executive Vice President, Commercial
7.	Mr. Chokchai	Panyayong	Executive Vice President, Strategy and Business Development
8.	Mr. Apichart	Danaivan	Vice President, Risk Management and Insurance Department
9.	Mrs. Suvakhon	Nawongs	Vice President, Office of the Internal Audit Department
10.	Mrs. Sunathee	Isvaphornchai	Vice President, Public and Corporate Communications Department
11.	Mr. Prakobkiat	Ninnad	Vice President, Petroleum and Corporate Insurance Department
12.	Mr. Sathok	Varasarin	Special Activities Advisor, Office of the President
13.	Mr. Pridi	Bunsue	Vice President, Alliance and Loyalty Management
14.	Mrs. Chuda	Danabhumi	Vice President, Personnel Management
15.	Mrs. Nareeluck	Wimooktanon	Vice President, VVIP/VIP Travel Planning and Coordination Department
16.	Mr. Raj	Tanta-Nanta	Vice President, Investor Relations Department
17.	Mr. Pichait	Riengvattanasuk	Vice President, Corporate Finance Department
18.	Mr. Teeratat	Pornpibul	Special Advisor, Office of the Executive Vice President, Operations
19.	Mr. Thongchai	Singhakul	Vice President, Financial Accounting Department
20.	Mr. Teerapol	Chotichanapibal	Vice President, Commercial Development and Support Department
21.	Flt.Lt. Sopit	Pokasoowan	Special Advisor, Office of the Executive Vice President, Strategy and Business Development
22.	Mr. Danuj	Bunnag	Vice President, Market Planning and Revenue Management Department
23.	Ms. Monthicha	Kruasuwan	Vice President, Personnel Development and Training Department
24.	Flt.Lt. Charatpong	Burutranaphan	Vice President, General Administration Department
25.	Flg.Off. Naruj	Komalajarjun	Special Advisor, Office of the Executive Vice President, Operations
26.	Mrs. Bhinkham	Rohitasthira	Vice President, In-Flight Service Department
27.	Mr. Pichai	Chunganuwad	Managing Director, Cargo and Mail Commercial Department
28.	Mr. Chailerk	Thipayachan	Special Advisor, Office of the President
29.	Sqn.Ldr. Asadavut	Watanangura	Vice President, Aviation Resources
30.	Mr. Smith	Pirunsarn	Managing Director, Catering Department
31.	Mr. Lek	Klinvibul	Managing Director, Ground Customer Service Department
32.	Mrs. Charita	Leelayudth	Vice President, Management Accounting and Budget Department
33.	2 nd Lt. Anussorn	Naksrichum	Managing Director, Ground Support and Equipment Services Department
34.	Flg.Off. Wuttichai	Saguanmoo	Vice President, Heavy Maintenance Department
35.	Flg.Off. Chalermpon	Intarawong	Vice President, Aircraft Maintenance Department

36. Flt.Lt. Yuthasit	Suwanloy	Vice President, Technical Support Department
37. Sqn.Ldr. Wiroj	Jutagasut	Vice President, Flight Operation Department
38. Flt.Lt. Artit	Nakeerack	Vice President, Operations Support Department
39. Sqn.Ldr. Chairit	Srinual	Vice President, Aviation Safety, Security and Standard Department
40. Mrs. Wasukarn	Visansawatdi	Vice President, Business Development and Special Service Department
41. Mr. Ruangyos	Pamon-Montri	Vice President, Sales and Distribution Department
42. Mrs. Jirawan	Chiasakul	Vice President, Information Technology Service Department
43. Mr. Woranate	Laprabang	Vice President, Corporate Strategy and Planning Department
44. Mr. Niruj	Maneepun	Vice President, Legal and Compliance, the Company Secretary Department

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

Prior to commencing the 2010 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 and management were on hand to provide comprehensive response to queries and/or comments 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.

Resolution Disclosure Post the Annual General Shareholders' Meeting

Resolutions reached at the AGM were disclosed the following business day to the general public via the Stock Exchange of Thailand'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 Stock Exchange of Thailand and other relevant government bodies within 14 days post the AGM. The minutes to the previous AGM has also been posted on the Company's web site <http://www.thaiairways.com>.

5. Leadership and Vision

THAI's Board of Directors is made up of knowledgeable and qualified persons of diverse backgrounds and experience including the areas of commercial airline industry, finance, accounting, legal, executives from the private sector and high ranking government officials representing the respective Ministries. Each Board member clearly understands their roles and responsibilities thus enabling the Board of Directors to function smoothly. Members of the

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

6. Conflicts of Interest

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

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

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

In addition, at each monthly Board of Directors' meeting and Management's meeting, the Company Secretariat prepares a summary of related party transactions and is submitted to the Board of Directors and management on a monthly basis.

7. Business Morals

The Company asserts its commitment to all its stakeholders and takes to heart concerns over environment and social issues and upholding national interests while conducting ongoing transparent, honest and ethical business in line with the principles of good corporate governance. The Company regards Thai Airways International's Code of Conduct to be very important as it is considered to be an element to THAI's ongoing success. Revisions were made to the "Thai Airways International Code of Conduct" handbook which was drafted and approved in 2002 to better reflect the changing operating environment and better serve as guiding principles for THAI employees of all levels to achieve THAI's vision and goals.

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

The Company holds at heart the responsibility towards all stakeholders including the environment, society and the country through its commitment to transparent operations, honesty and fairness within the legal framework and based on the principles of good corporate governance. Great emphasis is placed on the THAI Ethics Code as it is considered to be the key factor contributing to THAI's successes. Amendments were made to the THAI Ethics Code drafted since 2002 to better reflect the stipulations by section 279 of the Thai Constitution B.E. 2007 stipulating ethical standards for those holding a political post, serve as public servants or government official positions along with values as suggested by the General Auditors' Office to be observed. There must be a means and a robust process in place to efficiently enforce these standards while also stipulating the related penalties appropriate for each degree of seriousness for not observing the Ethics Code. The THAI Ethics Code is to be used in enforcing abidance by employees of all levels in conjunction with the announcement, rules and regulations, orders and procedural guidelines to abide by. Uphold pride and honor that justifies the trust bestowed while building the trust of customers and the general public and to ensure cooperation while being responsible in executing duties, having honesty and integrity, ensuring personal integrity and having empathy towards one another projecting a corporate image that commands reverence.

Significant effort has been put forth by the Company to promote personal ethics for THAI's employees through various activities involving participation by employees through the contribution to the re-drafting of the THAI Ethics Code. An example is a course on ethics for middle management at the Rama VI Institute. Operating procedures have been changed to better reflect principles of good corporate governance related to providing customer service and supporting functions. The latest in information technology was introduced as a management tool to increase operating efficiency to optimize benefits to all stakeholders including society and the nation.



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, 2010 the Company's Board of Directors consisted of 15 persons.

- ❖ Non-Executive Board Members - 8
- ❖ Independent Directors - 6
- ❖ Executive Directors - 1

Of the 15 Board members, 53.33% are Non-Executive Directors and 40.00% are Independent Directors, which is considered to be sufficient to have a built-in check and balance system. With the current composition of Board members, stakeholders can be rest assured that shareholders' interests are upheld with an adequate check and balance system. The Company's Board of Directors has the responsibility of ensuring that the Company's operations abide by the relevant rules and regulations, purpose and the Company's regulations including the resolutions reached at the AGM. Board members are expected to execute their responsibilities with honesty and due care in protecting shareholders' benefits. Each Board member has a fixed tenure as stipulated by the Company's regulations requiring that at least one third of the existing Board members retire based on the length of tenure at each AGM.

9. Evaluation of Board Members

The Company has drafted an evaluation form to evaluate Board Members in accordance with Good Corporate Governance guidelines. The evaluation form was approved by the Good Corporate Governance Committee for use in 2010 which comprises of 3 forms - Self-Assessment, Cross Evaluation and Board Evaluation.

The result of the overall evaluation was "Excellent", the average score for Board evaluation was 4.65, the Self-Assessment evaluation score averaged 4.73 and the Cross Evaluation score averaged 4.81.

10. Combined and Segregation of Positions

The Chairman of the Board of Directors does not hold a management position 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 2009, the Board and Management Executive remuneration has been disclosed in the Board and Management Executive Remuneration section.

12. Board of Directors Meetings

Board meetings have been scheduled ahead for the fiscal year with monthly meetings held on the second Wednesday of the month and special rounds of meetings are called as necessary. Both the agenda and details are provided for each Board member 7 days prior to each Board meeting. There is also a follow-up section in regards to resolutions reached at the previous Board meeting for which the Company Secretariat has been charged to provide progress reports. Prior to each Board meeting, an invitation along with supporting documents for the meeting agenda are submitted 7 days ahead of time for each Board member to review. For the year 2010, the Board convened 23 times with attendance details for each Board member provided in the Board of Director's Shareholding and Meeting Attendance.

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

13. Sub-Committees

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

14. Internal Control and Internal Audit

THAI has established a sufficiently robust internal control system for its operations. The procedures of regular monitoring and evaluation have been implemented to ensure stable operations in a changing environment and in line 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. The Company has developed an appropriate and sufficient control environment for effective internal control. Employees are able to perform their duties with full support from management. All Executives and Vice Presidents have committed on business objectives and KPI. Delegation of authority and responsibilities has been written in the form



of job descriptions which are accessible by relevant employees. Promotion and remuneration depends on the outcome of the semi-annual performance evaluation. The Company has defined its policy and procedures concerning integrity and ethics written in the Company Employee's Handbook and Good Corporate Governance and Ethics Code Handbook. Whistle Blower Policy has been initiated to provide employees the opportunity to suggest or formally lodge, as stated in the Regulations of Thai Airways International Public Company Limited in regards to Complaints dishonesty or non-compliance with the laws, rules, regulations, orders of the Company or Good Corporate Governance or Ethics in accordance with the Good Corporate Governance and Ethics Code B.E.2553.

2. Risk Management

The Company has a sufficient risk assessment process. Vision, mission, and objectives are defined in the corporate strategy and its implementation plan with the determined KPI and targets. Risk identification, assessment and analysis is performed on external and internal factors. Key Risk Indicator (KRI) of every corporate risk has been initiated as an Early Warning Mechanism. Moreover, risk management has been integrated with the Company's strategic plans. On a quarterly basis, each department is required to provide a risk management report as stated in the Risk Management Manual, which serves as a framework and a guideline in managing risk in the areas of business strategy, financial management, operations, and compliance. The Risk Management Department is responsible for regular monitoring of the progress made on action plans for both corporate and departmental risks. The corporate risk monitoring report is prepared by Risk Management Department and submitted to the Company's Executive Management Committee, the Risk Management Committee and the Board of Directors on a regular basis. To this end, the Risk Management Committee is tasked with the responsibility of approving the policy, supervise, and assess the overall efficiency and effectiveness of risk management on an ongoing basis.

In 2010, the Company was able to mitigate controllable corporate risks to acceptable levels. Examples of these risks include financial risks related to foreign currency exchange, interest rate fluctuations, liquidity and fuel price fluctuations. Details of risk management undertaken by the company are disclosed in the "Risk Management and Risk Factors" section.

3. Management Control Activities

Sufficient control activities are in place that is in-line with the Company's objectives and risk assessment results. The Company has defined its policies, procedure and regulations for significant activities in writing. Each employee has complied with the Company's policies, regulations, and manuals under supervision of his/her direct superior. Some of these regulations relate to the financial empowerment, human resource management and the procurement process. The Company provides segregation of duties and safeguards its assets. Company assets must be accounted for and must be physically checked on an annual basis. Management must also, on a regular basis, perform operations assessment to ensure financial integrity and ensure adherence to the various international standards set by IATA, ICAO and the Department of Civil Aviation. Moreover, internal control monitoring and auditing is undertaken by both the Internal Audit Department and a qualified accredited external entity.

4. Information and Communications

THAI has an adequate information and communications system to support management decisions. The Company website and THAISphere provides a comprehensive platform for information dispersion outside and within the

Company. For internal communication purpose, many departments have developed their own websites to better inform others of their operations. Other outside informations such as the IATA GAP, UNFCCC and Skytrax are also posted on the Company's website for acknowledgment. In the pipeline is the SAP system that is being implemented to enhance the Company's overall accounting and management decision support to ensure information integrity and expedited information availability. The intranet and internet Bulletin Web Board enables communication to be efficient, effective and timely for any announcement the Company makes. The web board also provides a channel through which employees can file complaints under the Whistle Blower Policy and also serves as a channel for customers, business partners or shareholders to express their suggestions and comments for which the company can use to improve its products and services.

5. Monitoring and Evaluation

A sufficient and suitable monitoring and evaluation system is in place within the Company as management at all levels understand their area of concern and regularly takes proactive actions to ensure adherence to determined plans. Regular department meetings are held to ensure that work is in line with established KPIs along with regular comparisons of achievement with set goals, milestones or budget. Thus, immediate action would be taken together with the post-monitoring. Every department undertakes a Control Self-Assessment (CSA) and prepares a report to the State Audit Commission, the Company's Board of Directors, and the Company's Audit Committee annually as per rule 6 of the Regulation of Audit Commission on Internal Control B.E.2544. A separate evaluation on the internal control system is performed by the Internal Audit Department. Likewise, external audit representatives from Bureau Veritas, IATA Operational Safety Audit (IOSA), the Department of Civil Aviation and the International Standardization and Organization (ISO) also play the important role as qualified external auditors. Management deems these audits to be of importance where remedial actions were taken as recommended by auditors.

It is of the Board of Directors' opinion that there are sufficient and appropriate internal control procedures to safeguard the Company's operations. The Board of Directors emphasizes the importance of good business conduct, auditable, strong risk management, robust internal audit controls and upholding good corporate governance and seeks to ongoing improvement to ensure financial health, long-term growth and sustainability with stakeholder support built on trust resulting from transparent financial and operational disclosure. Having the above aligns the operations of all the Company's operating units with the overarching strategic direction, policies, procedures and relevant rules and regulations ensuring the Company's interests, protecting the Company's assets and enhance monitoring and control over its subsidiaries and joint ventures.



15. Board of Directors' Report

The Board of Directors is responsible for preparing a summary of the Company's performance and discussing 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 discloses not only information relating to the Company's financial performance but also that of its operations to the Company's shareholders and stakeholders ensuring integrity of such information, transparency of disclosure and is regularly updated to foster trust in the Company.

Information disclosure along with replies to queries are done regularly and on demand basis for shareholders, investors, analysts, fund managers, Company employees and other relevant stakeholders. There are also regular information and news updates for all stakeholders both financial and non-financial in nature to keep everyone abreast of the Company's situation. Disclosure is by means of notice to the Stock Exchange of Thailand (SET) and on THAI's website www.thaiair.com. Investor relations activities undertaken during 2010 include :

Activity	Times per annum (2010)
Domestic Road Show	1 time
International Road Show	9 times
One on one corporate visits/teleconference	96 times
Phone calls and internet enquiries	3-5 times per day
Quarterly pre and post disclosure analyst briefings	8 times
Company visit (site visit)	1 time
Other special activities undertaken	2 times

Special activities undertaken in 2010 include the onsite display booth of THAI's information at The 4th Euromoney Thailand Investment Forum held during 6-7 July 2010 and participating in the SET in the City 2010, which was hosted by the Stock Exchange of Thailand (SET) during 18-21 November 2010. Significant interest was generated in the Company's information by shareholders and investors.

To foster the spirit of a model publicly listed Company, support was given to the Investor Relations Department in arranging meetings between senior management with shareholders, investors, analysts, fund managers and other stakeholders to provide all stakeholders the opportunity to clarify any concerns and learn about the Company's strategic directions. The purpose is to foster a strong working relationship between the Company and stakeholders built on trust. Furthering confidence building is the regular information update of the Department's website www.thaiair.com/about-thai/investor-relations/en/investor.html to ensure the most recent of information being made available to all stakeholders.

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 the requirement of the Board of Directors to establish a Corporate Secretariat to undertake actions on behalf of the Company or the Company's Board of Directors. Mr. Niruj Maneepun Vice President Legal & Compliance Department was appointed acting Corporate Secretary reporting directly to the President and also to serve as secretary to the Company's Board of Directors with the following divisions under management :

The Secretariat is charged with the following duties :

- ❖ Coordinate and manage the various activities of the Board of Directors to ensure compliance with laws and regulations and resolution of the AGMs
- ❖ Prepare and file Board of Directors registry
- ❖ Prepare and file complete Board of Directors appointments, Board of Director's Meeting documents, and Board of Directors' Meeting reports
- ❖ Prepare and file complete Shareholders' appointments, Shareholders' Meeting documents, and Shareholders' Meeting reports within the legal time limit
- ❖ Keeping a report on interest filed by a Director or an executive
- ❖ Prepare the minutes of the Board and Shareholders' meetings within a reasonable time
- ❖ Prepare and file all concerned Board meetings and AGM's documents and also coordinate with concerned parties
- ❖ Serve as consultant and secretary to the Board of Directors
- ❖ Serve as consultant and coordinator and serve as secretary for the various sub-committees that the Board has established
- ❖ Oversea good corporate governance issues
- ❖ Ensure legal compliance and compliance of the Company's internal guidelines
- ❖ Coordinate between legal advisor and the financial auditor
- ❖ Serve as a communications center and provide information to members of the Board, committees and external parties
- ❖ Provide advice to the Board regarding legal issues and the Company rules and regulations and ensure compliance with such rules and regulations. Report changes of amendments of such rules or regulations to the Board of Directors
- ❖ Direct, oversee, and is responsible for filling annual reports (Form 56-2) and copies of THAI's 2008 annual report (Form 56-1)

18. Policies on Insider Information

THAI strictly adheres to and abides by the guidelines of both the SET and the SEC as emphasis is placed on good corporate governance. An internal guideline was announced in 2005 that current Board members and those that have retired from office of less than 6 months are not allowed to buy or sell THAI shares during the period of 1 month prior to and 3 days post the disclosure of the Company's financial statements. The Company Secretariat is responsible for notifying both the Board of Directors and the Executive Management in regards to the blackout period for which THAI's shares cannot be traded. A monthly shareholding report is provided to both the Board of Directors and Executive Management summarizing changes in shareholding of THAI shares by persons stipulated by the SET, SEC and the Company's guidelines. Both the BoD 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 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.

More than 90% of 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. DCP Refresher Courses (Re - DCP)
4. the Audit Committee Program (ACP)
5. the Role of Chairman Program (RCP)
6. the Role of Compensation Committee (RCC) Program
7. the Finance for Non-Finance Director (FN) Program
8. the Understanding the Fundamental of Financial Statements (UFS) Program the Company Secretary Program (CSP), the Effective Minute Taking (EMT) course
9. the Financial Statement for Directors (FSD) and other courses which are offered by the SET and the Association of Publicly Listed Companies. The Board of Directors and management are given notice of available courses for which they can attend.

Board and Executive Management Training

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

Board of Directors			Position	Course Attended
1.	Mr. Ampon	Kittiampon	Chairman	- Director Certification Program (DCP 80 / 2006)
2.	Mr. Surachai	Tansitpong	1 st Vice Chairman and Independent Director	- Director Accreditation Program (DAP 73 / 2008)
3.	Mr. Sathit	Limpongpan	2 nd Vice Chairman	- Director Certification Program (DCP 28 / 2003) - The Role of Chairman Program (RCP 18 / 2008) - Audit Committee Program (ACP 22 / 2008)
4.	Mr. Chulasingh	Vasantasingh	Independent Director	- Audit Committee Program (ACP 17 / 2007) - Understanding the Fundamental of Financial Statements (UFS 1 / 2006) - Director Accreditation Program (DAP 35 / 2003) - Finance for Non-Finance Director (FND 7 / 2003) - Director Certificate Program (DCP Refresher 1 / 2008)
5.	Mr. Banyong	Pongpanich	Independent Director	- Director Accreditation Program (DAP 36 / 2005) The Role of Chairman Program (RCP 5 / 2001)
6.	Mr. Weerawong	Chittmittrapap	Independent Director	- Director Certification Program (DCP 2000)
7.	Mr. Pichai	Chunhavajira	Independent Director	- Director Accreditation Program (DAP 49 / 2005) - Director Certification Program (DCP 110 / 2008)
8.	ACM Satitpong	Sukvimol	Independent Director	-
9.	Mr. Chaisak	Angkasuwan	Director	- Director Accreditation Program (DAP 51 / 2006) - The Role of Chairman Program (RCP 13 / 2006) - Director Certification Program (DCP 129 / 2010)



Board of Directors			Position	Course Attended
10.	Mr. Areepong	Bhoocha-oom	Director	- Director Certification Program (DCP 3 / 2000, DCP Refresher DCP 2 / 2009)
11.	Mr. Kanit	Sangsubhan	Director	- Director Accreditation Program (DAP 21 / 2004)
12.	Mr. Apiporn	Pasawat	Director	- Director Accreditation Program (DAP 39 / 2005)
13.	Mr. Pravich	Rattanapian	Director	- Director Accreditation Program (DAP 8 / 2004)
14.	Mr. Varah	Sucharitaku	Director	- Director Certification Program (DCP 21 / 2002)
15.	Mr. Piyasvasti	Amranand	Director and President	- Director Accreditation Program (DAP 35 / 2005)
16.	Mr. Kaweepan	Raungpaka	Executive Vice President Finance and Accounting Department	- Director Accreditation Program (DAP 25 / 2004)
17.	Flt. Lt. Montree	Jumrieng	Executive Vice President Level Technical Department	-
18.	Mr. Pandit	chanapai	Executive Vice President Human Resource and General Management Department	- Director Certification Program (DCP 111 / 2008)
19.	Mr. Chokchai	Panyayong	Executive Vice President Strategy and Business Development Department	-
20.	Sqn. Ldr. Asdavut	Watanangura	Executive Vice President Operation Department	-
21.	Mr. Teerapol	Chotichanapibal	Acting Executive Vice President Commercial Department	-
22.	Mr. Thongchai	Singhakul	Vice President Financial Accounting Department	-
23.	Mr. Pichait	Riengvattanasuk	Vice President Corporate Finance Department	-
24.	Mrs. Charita	Leelayudth	Vice President Management Accounting and Budget Department	-

Orientation of New Directors

To conform to the principles of Good Corporate Governance in relation to the Board's responsibilities as per the Company's Corporate Governance Assessment Report & Recommendations of the Thai Institute of Directors Association (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. THAI's Director Handbook
2. Guideline for corporate Secretariat of State Enterprises
3. THAI's Ethics Handbook
4. Act of Standard Qualifications of Directors and Officials of State Enterprises B.E. 2518
5. Listed Company Directors Handbook No. 1-3
6. Good Corporate Governance Guidelines for State Enterprises 2001
7. Memorandum and Articles of Association
8. Summary of Key Guidelines of the Securities and Exchange Act. (4th edition) B.E. 2551
9. Principles of Good Corporate Governance - 2006
10. Recommendations on information disclosure for publicly listed companies
11. Latest copy of the Company's Annual Report

Audit Fee and Related Expenses

As a state enterprise, Thai Airways International Pcl. must comply with the Royal Decree and sections 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 2010, the audit fee was THB 2.90 million and other audit expenses were THB 1.32 million.

Other Factors Bearing Impact on Investment Decision

The current operating environment in the airline industry is one of fierce competition and faces a multitude of risks that bear direct impact on the financial performance and return on investment in the Company's shares. These risks include the growth rate of the global economy along with that of the domestic economic growth rate, high fuel price, fluctuation in the financial and monetary markets, direct competition from various other airlines along with international and domestic political competition.

Comprehensive, correct and effective decision making including the knowledge, capability, knowhow and experience of THAI's management and employees all have direct bearing on the Company's financial performance and thus shareholder value. It is therefore highly recommended that investors and stakeholders study and understand the business of the airline industry and other factors that bear impact on the airline industry and the Company's financial performance prior to making any investment decisions related to the Company's shares.





Five Decades of Pride --- As the National Flag Carrier

Board of Director's Shareholding and Meeting Attendance for the period December 31, 2010

Board of Director			Number of Shares	Number of Attendance/ Total Meeting (times)		Period of Time	
				Board of Directors	Audit Committee		
1.	Mr. Ampon	Kittiampon	Chairman	-	18/18	-	22 Apr 09 - Apr 11
2.	Mr. Surachai	Tansitpong	1 st Vice Chairman and Independent Director	-	14/18	-	22 Apr 09 - Apr 12
3.	Mr. Sathit	Limpongpan	2 nd Vice Chairman	-	12/18	-	18 Jun 09 - Apr 12
4.	Mr. Chulasingh	Vasantasingh	Independent Director	-	10/12	-	28 Apr 10 - Apr 13
			Audit Committee	-	7/7	-	
5.	Mr. Banyong	Pongpanich	Independent Director	-	15/18	-	22 Apr 09 - Apr 11
			Audit Committee	-	11/12	-	
6.	Mr. Weerawong	Chittmittrapap	Independent Director	-	15/18	-	28 Apr 10 - Apr 13
			Audit Committee	-	11/12	-	
7.	Mr. Pichai	Chunhavajira	Independent Director	-	14/18	-	22 Apr 09 - Apr 11
8.	ACM Satitpong	Sukvimol	Independent Director	-	9/18	-	22 Apr 09 - Apr 12
9.	Mr. Chaisak	Angkasuwan	Director	-	17/18	-	22 Apr 09 - Apr 12
10.	Mr. Areepong	Bhoocha-oom	Director	-	15/18	-	22 Apr 09 - Apr 12
11.	Mr. Kanit	Sangsubhan	Director	-	17/18	-	28 Apr 10 - Apr 13
12.	Mr. Apiporn	Pasawat	Director	-	18/18	-	28 Apr 10 - Apr 13
13.	Mr. Pravich	Rattanapian	Director	-	15/15	-	28 Apr 10 - Apr 13
14.	Mr. Varah	Sucharitakul	Director	-	4/4	-	8 Oct 10 - Apr 11
15.	Mr. Piyasvasti	Amranand	Director	-	18/18	-	26 Oct 09 - Apr 11
16.	Mr. Chaikasem	Nitisiri	Former Vice Chairman	-	6/6	-	27 Dec 07 - 28 Apr 10
			Former Audit Committee	-	4/4	-	
17.	Mr. Wallop	Bhukkanasut	Former Director	-	-	-	22 Apr 09 - 5 Jan 10
18.	Mr. Amornsuk	Noparumpa	Former Director	-	9/9	-	22 Apr 09 - 21 Jul 10
19.	Mr. Suparut	Kawatkul	Former Director	-	-	-	27 Dec 07 - 26 May 09
20.	Mr. Kobchai	Srivilast	Former Director	-	-	-	22 Apr 09 - 25 Sep 09
21.	Mr. Wisudhi	Srisuphan	Former Director	-	-	-	27 Dec 06 - 22 Apr 09
22.	Mr. Vichit	Suraphongchai	Former Director	-	-	-	9 Apr 08 - 12 Jan 10
23.	ACM Sukumpol	Suvannatat	Former Director	-	-	-	9 Apr 08 - 21 Apr 09
24.	Mr. Vikrom	Koompirochana	Former Director	-	-	-	9 Apr 08 - 21 Apr 09
25.	Mr. Visit	Limprana	Former Director	-	-	-	9 Apr 08 - 21 Apr 09
26.	Mr. Rangan	Saengsook	Former Director	-	-	-	9 Apr 08 - 1 Apr 09
27.	ADM Decha	Yoo-Prot	Former Director	-	-	-	9 Apr 08 - 22 Apr 09
28.	Pol.Gen. Vudhichai	Sriratanavudhi	Former Director	-	-	-	9 Apr 08 - 27 Mar 09

Note : Former Chairman and former Directors are members of THAI's Board of Directors who have resigned from their positions before December 31,2010



Remuneration for the Board of Directors for the period December 31, 2010

Board of Directors			Meeting Allowance Board of Directors	Meeting Allowance Sub-Committee (Baht) Meeting Allowance Audit Committee	Bonus Fiscal year 2009 (THB)	Total Remuneration (THB)
1.	Mr. Ampon Kittiampon	Chairman	787,500.00	-	117,480.16	904,980.16
2.	Mr. Surachai Tansitpong	1 st Vice Chairman and Independent Director	728,437.50	45,000.00	156,624.70	930,062.20
3.	Mr. Sathit Limpongpan	2 nd Vice Chairman	703,125.00	52,500.00	81,500.70	837,125.70
4.	Mr. Chulasingh Vasantasingh	Director Audit Committee	483,750.00	30,000.00 182,250.00	40,959.80	736,959.80
5.	Mr. Banyong Pongpanich	Independent Director Audit Committee	675,000.00	45,000.00 292,500.00	94,579.91	1,107,079.91
6.	Mr. Weerawong Chittmittrapap	Independent Director Audit Committee	675,000.00	75,000.00 292,500.00	94,579.91	1,137,079.91
7.	Mr. Pichai Chunhavajira	Independent Director	675,000.00	75,000.00	135,539.71	885,539.71
8.	ACM Satitpong Sukvimol	Independent Director	607,500.00	37,500.00	94,579.91	739,579.91
9.	Mr. Chaisak Angkasuwan	Director	720,000.00	165,000.00	94,579.91	979,579.91
10.	Mr. Areepong Bhoocha-oom	Director	697,500.00	105,000.00	94,579.91	897,079.91
11.	Mr. Kanit Sangsubhan	Director	720,000.00	150,000.00	94,579.91	964,579.91
12.	Mr. Apiporn Pasawat	Director	720,000.00	127,500.00	12,660.30	860,160.30
13.	Mr. Pravich Rattanapian	Director	650,625.00	120,000.00	-	770,625.00
14.	Mr. Varah Sucharitakul	Independent Director	149,032.26	15,000.00	-	164,032.26
15.	Mr. Piyasvast Amranand	Director	720,000.00	172,500.00	24,948.24	917,448.24
16.	Mr. Chaikasem Nitisiri	Former Vice Chairman Former Audit Committee	251,250.00	13,312.50 111,000.00	152,482.18	528,044.68
17.	Mr. Wallop Bhukkanasut	Former Director	4,838.71	-	94,579.91	99,418.62
18.	Mr. Amornsuk Noparumpa	Former Director	406,693.55	120,000.00	135,539.71	662,233.26
19.	Mr. Suparut Kawatkul	Former Director	-	-	57,669.54	57,669.54
20.	Mr. Kobchai Srivilast	Former Director	-	-	58,088.45	58,088.45
21.	Mr. Wisudhi Srisuphan	Former Director	-	-	40,959.80	40,959.80
22.	Mr. Vichit Suraphongchai	Former Director	-	-	40,959.80	40,959.80
23.	ACM Sukumpol Suvannatat	Former Director	-	-	40,959.80	40,959.80
24.	Mr. Vikrom Koompirochana	Former Director	-	-	40,959.80	40,959.80
25.	Mr. Visit Limprana	Former Director	-	-	40,959.80	40,959.80
26.	Mr. Rangsan Saengsook	Former Director	-	-	33,512.57	33,512.57
27.	ADM Decha Yoo-Prot	Former Director	-	-	40,959.80	40,959.80
28.	Pol.Gen. Vudhichai Sriratanavudhi	Former Director	-	-	31,650.76	31,650.76

Note : Former Chairman and former Directors are members of THAI's Board of Directors who have resigned from their positions before December 31, 2010

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, 2010	for the year ended December 31, 2009	
Government Saving Bank (GSB)	<ul style="list-style-type: none"> ■ GSB is controlled by the MOF, a major shareholder of THAI. 	<ol style="list-style-type: none"> 1. THAI borrowed loans from GSB as follows : <ul style="list-style-type: none"> ● Promissory Notes <ul style="list-style-type: none"> - Outstanding balance - Interest expense ● Long-term Loans <ul style="list-style-type: none"> - Outstanding balance - Interest expense 	0.00 8.33	500.00 38.63	The Pricing and terms of these transaction are on an arms' length basis and on commercial terms as unrelated parties as follows : 2. <u>Promissory Notes</u> : 1) Bare floating interest rate, 6-month fixed deposit +3% per annum, over terms of 10 years and due on June 15, 2010 2) Bare floating interest rate, 6-month fixed deposit +3% per annum, over terms of 10 years and due on August 15, 2010 3. <u>Outstanding Principals of Long-term Loans</u> : 1) Bare floating interest rate, MLR - 1.9% per annum, over terms of 5 years and due on July 9, 2014 2) Bare floating interest rate, THBFX + 0.65% per annum, over terms of 7 years and due on October 8, 2015 3) Bare floating interest rate, THBFX + 0.55% per annum, over terms of 7 years and due on October 13, 2015
Islamic Bank of Thailand (ISBT)	<ul style="list-style-type: none"> ■ ISBT is controlled by the MOF, a major shareholder of THAI. 	<ol style="list-style-type: none"> 2. THAI sold tickets, leased ATM area and line telephone to GSB <ul style="list-style-type: none"> - Aggregate amount - Outstanding balance 1. THAI borrowed loans from ISBT as follows : <ul style="list-style-type: none"> ● Long-term loans <ul style="list-style-type: none"> - Outstanding balance - Profit payment 2. THAI provided a personality training to ISBT's staff <ul style="list-style-type: none"> - Aggregate amount - Outstanding balance 	4.99 0.96	8,178.00 168.45	THAI sells and leases goods and services on an arms' length basis and on commercial terms as unrelated parties. The Pricing and terms of these transaction are on an arms' length basis and on commercial terms as unrelated parties as follows : - Floating profit rate, SPRL - 1.00% per annum - 5-year terms - Due on December 31, 2013 THAI sells 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, 2010	for the year ended December 31, 2009	
Bank for Agriculture and Agricultural Cooperative (BAAC)	<ul style="list-style-type: none"> BAAC is controlled by the MOF, a major shareholder of THAI. 	THAI sold tickets to BAAC <ul style="list-style-type: none"> - Aggregate amount - Outstanding balance 	13.92 0.04	0.75 0.00	THAI sells goods and services on an arms' length basis and on commercial terms as unrelated parties.
Thailand Post Company Limited	<ul style="list-style-type: none"> The MOF is a major shareholder of Thailand Post Co., Ltd. 	1. THAI purchased postal and related services from Thailand Post Co., Ltd. <ul style="list-style-type: none"> - Aggregate amount - Outstanding balance 	31.10 0.02	26.12 0.00	THAI purchases services at a market price on an arms' length basis and on commercial terms as unrelated parties.
Government Lottery Office (GLO)	<ul style="list-style-type: none"> The MOF is a major shareholder of GLO. 	2. THAI sold tickets to Thailand Post Co., Ltd. <ul style="list-style-type: none"> - Aggregate amount - Outstanding balance 	1.24 0.38	2.97 0.07	THAI sells goods and services on an arms' length basis and on commercial terms as unrelated parties.
PTT Public Company Limited (PTT)	<ul style="list-style-type: none"> The MOF, a major shareholder of THAI, is a major shareholder of PTT. Two of THAI's Directors, Mr. Ampon Kittiampon and Mr. Pichai Chunhavajira, are Directors of PTT. 	1. THAI purchased fuel and oil for its aircraft and vehicles from PTT <ul style="list-style-type: none"> - Aggregate amount - Outstanding balance 	13.86 0.94	0.89 0.89	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. One of THAI's Directors, Mr. Pichai Chunhavajira, is a Director of BCP. 	2. THAI sold tickets to PTT <ul style="list-style-type: none"> - Aggregate amount - Outstanding balance 	7,005.04 294.40	5,824.57 623.25	THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties.
		THAI purchased fuel and oil for its aircraft and vehicles from BCP <ul style="list-style-type: none"> - Aggregate amount - Outstanding balance 	60.31 15.78	15.13 3.86	THAI sells goods and services on an arms' length basis and on commercial terms as unrelated parties.
			13,820.46 1,846.12	10,576.78 2,116.49	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, 2010	for the year ended December 31, 2009	
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 <ul style="list-style-type: none"> - Aggregate amount 8.42 - Outstanding balance 0.07 	<ul style="list-style-type: none"> 10.21 0.73 	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 <ul style="list-style-type: none"> - Aggregate amount 2,707.98 - Outstanding balance 1,053.86 	<ul style="list-style-type: none"> 3,378.77 225.77 	THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties.	
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 of Thai-Amadeus Southeast Asia Co., Ltd. 	2. THAI sold tickets to AOT and received 2% income from collecting passenger service charges for AOT <ul style="list-style-type: none"> - Aggregate amount 54.87 - Outstanding balance 9.04 	<ul style="list-style-type: none"> 37.66 6.02 	THAI sells 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 ■ Three of THAI's Executives, Mr. Kaweeapan Raungpaka, Mr. Pandit Chanapai and Mr. Chokchai Panyayong, are Directors of WingSpan Service Co., Ltd. 	THAI sold tickets as well as leased office area, computers and office equipment to Thai-Amadeus Southeast Asia Co., Ltd. <ul style="list-style-type: none"> - Aggregate amount 2.99 - Outstanding balance 0.27 	<ul style="list-style-type: none"> 3.72 0.29 	THAI sells and leases goods and services on an arms' length basis and on commercial terms as unrelated parties.	
		No Transactions	0.00	0.00	-

Name of persons who may have conflicts of interest	Relationship	Type of Transaction	Value of Related Transactions (Million Baht)		Conditions/Pricing Policy
			for the year ended December 31, 2010	for the year ended December 31, 2009	
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. ■ Three of THAI's Executives, Mr. Kaweeapan Raungpaka, Mr. Pandit Chanapai and Flt. Lt. Montree Jumrieng, are Directors of Donmuang International Airport Hotel Co., Ltd. <p>Note: Mr. Pandit Chanapai replaced Mr. Kaweeapan Raungpaka as a director of Donmuang International Airport Hotel Co., Ltd. on April 21, 2010.</p>	THAI purchased accommodation services for its passengers from Donmuang International Airport Hotel Co., Ltd. <ul style="list-style-type: none"> - Aggregate amount 4.90 - Outstanding balance 0.03 	0.90	4.90 0.03	THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties.
Bangkok Aviation Fuel Services Public Company Limited (BAFS) (Associated Company)	<ul style="list-style-type: none"> ■ THAI holds 22.59% equity interest in BAFS. ■ Four of THAI's Executives, Flg. Off. Norahuch Ployyai, Mr. Chokchai Panyayong, Flt. Lt. Montree Jumrieng and Sqn. Ldr. Asdavut Watanangura, are Directors of BAFS. <p>Note: Sqn. Ldr. Asdavut Watanangura replaced Flg. Off. Norahuch Ployyai as a Director of BAFS on November 12, 2010.</p>	1. BAFS provides fuel services for THAI <ul style="list-style-type: none"> - Aggregate amount 361.58 - Outstanding balance 37.14 	368.70 37.15	361.58 37.14	THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties.
Royal Orchid Hotel (Thailand) Public Company Limited (ROH) (Associated Company)	<ul style="list-style-type: none"> ■ THAI holds 24% equity interest in ROH. ■ Three of THAI's Executives, Mr. Pandit Chanapai, Mr. Teerapol Chotchanapibal and Mr. Pruet Boobphakam, are Directors of ROH. <p>Note: Mr. Teerapol Chotchanapibal replaced Mr. Pruet Boobphakam as a Director of ROH on November 12, 2010.</p>	1. THAI purchased accommodation services for its passengers from ROH <ul style="list-style-type: none"> - Aggregate amount 7.07 - Outstanding balance 0.01 	0.02 0.00	0.03 0.01	THAI sells goods and services 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 0.22 - Outstanding balance 0.00 	0.22 0.00	0.20 0.00	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, 2010	for the year ended December 31, 2009	
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. Kaweepan Raungpaka, is a Chairman of PACCO. 	<p>1. THAI purchased food and catering services from PACCO</p> <ul style="list-style-type: none"> - Aggregate amount - Outstanding balance <p>2. THAI sold raw material and catering services to PACCO</p> <ul style="list-style-type: none"> - Aggregate amount - Outstanding balance 	<p>12.11</p> <p>2.93</p>	<p>3.57</p> <p>0.77</p>	<p>THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties.</p> <p>THAI sells goods and services on an arms' length basis and on commercial terms as unrelated parties.</p>
Suvarnabhumi Airport Hotel Company Limited (Associated Company)	<ul style="list-style-type: none"> ■ THAI holds 30% equity interest in Suvarnabhumi Airport Hotel Co., Ltd. ■ Two of THAI's Executives, Mr. Chokchai Panyayong and Mr. Pichait Riangvattanasuk, are Directors of Suvarnabhumi Airport Hotel Co., Ltd. <p>Note: Mr. Pichait Riangvattanasuk replaced Mr. Chokchai Panyayong as a Director of Suvarnabhumi Airport Hotel Co., Ltd. on February 3, 2010.</p>	<p>THAI purchased accommodation services for its passengers from Suvarnabhumi Airport Hotel Co., Ltd.</p> <ul style="list-style-type: none"> - Aggregate amount - Outstanding balance 	<p>30.95</p> <p>3.35</p>	<p>41.19</p> <p>0.00</p>	<p>THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties.</p>
Nok Airlines Company Limited (Associated Company)	<ul style="list-style-type: none"> ■ THAI holds 39% equity interest in Nok Airlines Co., Ltd. ■ Two of THAI's Directors, Mr. Weerawong Chittmittrapap and Mr. Wallop Bhukkanasut are Directors of Nok Airlines Co., Ltd. respectively. Five of THAI's Executives, Mr. Kaweepan Raungpaka, Mr. Chokchai Panyayong, Mr. Teerapol Chotchanapibal, Mr. Pruet Boobphakam and Mr. Pichait Riangvattanasuk, are Directors of Nok Airlines Co., Ltd. <p>Note: Mr. Kaweepan Raungpaka and Mr. Chokchai Panyayong replaced Mr. Wallop Bhukkanasut and Mr. Pichait Riangvattanasuk as Directors of Nok Airlines Co., Ltd. on March 3, 2010. Mr. Teerapol Chotchanapibal replaced Mr. Pruet Boobphakam as a Director of Nok Airlines Co., Ltd. On August 11, 2010.</p>	<p>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 - Outstanding balance 	<p>1,609.78</p> <p>69.30</p>	<p>921.67</p> <p>122.28</p>	<p>THAI sells and leases goods and services on an arms' length basis and on commercial terms as unrelated parties.</p>



Name of persons who may have conflicts of interest	Relationship	Type of Transaction	Value of Related Transactions (Million Baht)		Conditions/Pricing Policy
			for the year ended December 31, 2010	for the year ended December 31, 2009	
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 2.51% equity interest in AEROTHAI. ■ One of THAI's Directors, Mr. Chaisak Angkasuwan, is a Chairman and two of THAI's Executives, Sqn. Ldr. Asdavut Watanangura and Flt. Off. Norahuch Ployyai, are Directors of AEROTHAI. <p><u>Note:</u> Sqn. Ldr. Asdavut Watanangura replaced Flt. Off. Norahuch Ployyai as a Director of AEROTHAI on November 12, 2010</p>	<p>1. THAI purchased aeronautical navigation and leased equipment from AEROTHAI</p> <ul style="list-style-type: none"> - Aggregate amount 1,189.60 - Outstanding balance 100.61 <p>2. THAI sold tickets and provided transportation services to AEROTHAI</p> <ul style="list-style-type: none"> - Aggregate amount 1.69 - Outstanding balance 0.04 	<p>1,147.54</p> <p>95.12</p>	<p>THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties.</p> <p>THAI sells goods and services on an arms' length basis and on commercial terms as unrelated parties.</p>	
Bank of Thailand (BOT)	<ul style="list-style-type: none"> ■ One of THAI's Directors, Mr. Kanit Sangsubhan, is a Director of BOT. 	<p>THAI sold tickets to BOT</p> <ul style="list-style-type: none"> - Aggregate amount 20.28 - Outstanding balance 1.13 	<p>4.08</p> <p>2.55</p>	<p>THAI sells and leases goods and services on an arms' length basis and on commercial terms as unrelated parties.</p>	
Phatra Securities Public Company Limited (PHATRA)	<ul style="list-style-type: none"> ■ One of THAI's Directors, Mr. Banyong Pongpanich, is a Chairman of PHATRA. 	<p>THAI hired PHATRA as a financial advisor for recapitalization and acquire capital to THAI</p> <ul style="list-style-type: none"> - Aggregate amount 16.67 - Outstanding balance 0.00 	<p>0.00</p> <p>0.00</p>	<p>THAI hires advisor by issuing term of references (TOR) to select the financial advisor according to the procurement regulations on an arms' length basis and on commercial terms as unrelated parties.</p>	

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 367.13 million for the year ended December 31, 2010 with outstanding balance of THB 22.46 million as of December 31, 2010.

Management's Discussion and Analysis

For the Year Ending December 31, 2010

For Thai Airways International Public Company Limited and Its Subsidiaries

1. Operating Results

In 2010 the airline industry saw a fairly strong recovery since the fourth quarter of 2009 as the global economy started to recover. However, it was not smooth sailing the whole year through as there were events that bore negative impact on the commercial airline industry and thus the Company's operations. These include the volcano eruption in Iceland forcing closure of the European airspace for a period of time in April 2010 and the domestic political protest in April-May 2010. The political situation subsided heading into the third quarter of 2010. In taking rapid actions to mitigate the impact of these events, the Company's profitability was much higher than that of 2009.

A key to future stability for the Company was the need to strengthen its capital structure by ensuring sufficient liquidity, sufficient capital for investments, business operations and expansion along with meeting its future debt obligations while having sufficient liquidity to withstand economic and unforeseen events that could adversely impact the Company. The Company was able to successfully raise THB 15,000 million through a public offering, obtaining additional debt according to financing needs and acquire committed standby revolving credit lines. The ability to restructure its capital structure, the Company had sufficient liquidity that is in line with peers in the industry.

Results of operations are as follows:

Unit : Million Baht	2010	2009	Increase(decrease)	
			MTHB	%
Total revenues	184,270	163,875	+ 20,395	+ 12.4
Total costs *	175,853	158,935	+ 16,918	+ 10.6
Profits (Losses) before foreign currency exchange and tax	8,417	4,940	+ 3,477	+ 70.4
Gains (Losses) on foreign currency exchange	9,106	3,167	+ 5,939	+ 187.5
Profits (Losses) before income tax	17,523	8,107	+ 9,416	+ 116.1
Net profits (losses)	15,350	7,344	+ 8,006	+ 109.0
Net profits (losses) per share (Baht)	8.39	4.32	+ 4.07	+ 94.2
EBITDA	28,991	30,385	- 1,394	- 4.6
EBITDAR	33,322	31,917	+ 1,405	+ 4.4

* Excluding gains (losses) on foreign currency exchange but including share of profits (losses) from investments by the equity method and finance costs



The Company's total operating revenue amounted to THB 184,270 million, which was an increase of THB 20,395 million or 12.4% from last year. Total operating revenue increased in the amount of THB 18,985 million or 11.7% from last year. The Company's total expenses, excluding gains (losses) on foreign currency exchange but including share of profits (losses) of investments by the equity method and finance costs, amounted to THB 175,853 million, which was THB 16,918 million or 10.6% higher than last year. The reasons for the increase were 26.4% increase in average jet fuel price and the increase in production and traffic. In addition, the personnel expenses were higher than last year partially from the Company's manpower strategy by the implementation of Golden Handshake Program and Mutual Separation Plan. Nevertheless, these programs will lead to a more competitive personnel expenses in the long run. Moreover, the Company recorded gains on foreign currency exchange in the amount of THB 9,106 million, which was increased by THB 5,939 million or 187.5% from last year. The Company's profits before tax was THB 17,523 million, which increased by THB 9,416 million or 116.1% from last year. However, excluding gains (losses) on foreign currency exchange, the Company's profits before foreign currency exchange and tax was THB 8,417 million, which was THB 3,477 million or 70.4% higher than last year.

The Company's net profits was THB 15,350 million or 8.39 baht per share which was higher than that of THB 7,344 million or 4.32 baht per share gained in the same period last year. EBITDAR was THB 33,322 million, which increased by THB 1,405 million or 4.4% from last year.

The Company has changed its accounting policy for recording fixed assets by increasing the value of fixed assets from THB 3,000 to THB 20,000 and above per item effective from January 1, 2010 onwards. As a result, the Company's expenses for the period increased THB 21.5 million as compared to expenses booked in accordance with the previous accounting policy.

In additional, the Company consolidated the financial results of WingSpan Services Co., Ltd. (WingSpan), a subsidiary company into its 2010 financial disclosure. WingSpan was established and registered under the civil and commercial law of the Kingdom of Thailand on December 2, 2010 with an issued and paid-up share capital of THB 2 million. WingSpan's purpose is to provide manpower-outsourcing services to the Company. Tasks requiring specific skills or customer service personnel and/or tasks where the Company has found that outside operators have failed to provide competent outsourcing service and/or tasks where age limit is an issue. WingSpan can help the Company resolve service quality issues and also reduce its personnel expense in the long run. The Company's investment is in WingSpan's common shares constituting 49% of WingSpan's seed capital while Phuket Air Catering Co., Ltd.'s investment is in WingSpan's cumulative preferred shares constituting 51% of WingSpan's seed capital bearing a 6% dividend from the investment. The shareholding structure ensures that the Company controls WingSpan's operations while providing WingSpan with operational flexibility as a private company.

2. Performance analysis for the year 2010

2.1 Production and Traffic

		2010	2009	% Change
Production	(MATK)	11,516	10,499	+ 9.7%
Traffic	(MRTK)	7,997	6,908	+ 15.8%
Load Factor	(%)	69.4	65.8	+ 3.6
Passenger Production	(MASK)	75,600	72,031	+ 5.0%
Passenger Traffic	(MRPK)	55,676	52,593	+ 5.9%
Cabin Factor	(%)	73.6	73.0	+ 0.6
Freight Production	(MADTK)	4,708	4,016	+ 17.2%
Freight Traffic	(MRFTK)	2,895	2,092	+ 38.4%
Freight Load Factor	(%)	61.5	52.1	+ 9.4
No. of Passenger	(million persons)	18.17	18.48	- 1.7%
Flight Hours	(hours)	341,165	326,008	+ 4.6%
Average of Aircraft Utilization	(hour/aircraft/day)	11.4	11.2	+ 1.8%

The Company took the delivery of three Airbus A330-300 aircraft at the end of 2009 and another two aircraft in March 2010. Such aircraft are under preservation awaiting for the seat installation, which led to a deviation in the Company's performance from established plans. As a result, the Company leased three Boeing 777-300ER aircraft in order to supplement the Company's production capacity. Moreover, the Company reserved block space of two Boeing 777-200LRF aircraft in order to provide freight service. Consequently, the Company's total production (Available Ton - Kilometer : ATK) increased by 9.7% from last year. Total traffic (Revenue Ton - Kilometer : RTK) increased by 15.8%. Average load factor increased from 65.8% last year to 69.4%, passenger production (Available Seat - Kilometer : ASK) increased by 5% and passenger traffic (Revenue Passenger - Kilometer : RPK) increased 5.9% while cabin factor was 73.6%, slightly higher than 73.0% over the same period last year.



2.2 Revenues

Total revenues for the year 2010 was THB 184,270 million, an increase of THB 20,395 million or 12.4% from last year. Details are as follows:

Unit : Million Baht	2010	2009	Increase(decrease)		
			MTHB	%	
Passenger and excess baggage revenue					
Regional	52,953	45,916	+ 7,037	+	15.3
Intercontinental	52,954	50,146	+ 2,808	+	5.6
Domestic	12,399	11,968	+ 431	+	3.6
Non-schedule flight	539	488	+ 51	+	10.5
Passenger insurance surcharge	1,925	2,403	- 478	-	19.9
Passenger fuel surcharge	24,092	23,558	+ 534	+	2.3
Total passenger and excess baggage revenue	144,862	134,479	+ 10,383	+	7.7
Freight and mail revenue	28,230	19,348	+ 8,882	+	45.9
Total revenue from transportation activities	173,092	153,827	+ 19,265	+	12.5
Revenue from other activities	7,496	7,776	- 280	-	3.6
Total operating revenue	180,588	161,603	+ 18,985	+	11.7
Interest income	185	178	+ 7	+	3.9
Other incomes	3,497	2,094	+ 1,403	+	67.0
Total revenues	184,270	163,875	+ 20,395	+	12.4

Total operating revenue was THB 180,588 million, an increase of THB 18,985 million or 11.7% from the same period last year.

✦ Revenue from transportation activities amounted to THB 173,092 million, an increase of THB 19,265 million or 12.5% from last year. Details are as follows:

Passenger and excess baggage revenue

Passenger and excess baggage revenue totaled THB 144,862 million, an increase of THB 10,383 million or 7.7%. The main reasons are the increase in travel demand resulting from the global economic recovery since the fourth quarter of year 2009 to year 2010. This is despite the impact of the volcano eruption in Iceland in April 2009 affecting travel from Europe to Thailand and the domestic political protest in April and May 2010, which led to many governments of various countries warning and prohibiting their citizens from travelling to Thailand. However, the Company implemented promotion strategy to reduce the impact and increase demand during the protest and low season period. As a result, RPKs increased 5.9%. Average passenger yield (including fuel and insurance surcharge) increased from 2.50 baht/RPK in year 2009 to 2.57 baht/RPK or 2.8% resulting from higher travel demand and average fuel surcharge rate levied reflecting higher fuel price, although the yield was partially weakened by a stronger Baht.

As of April 1, 2010 the Company partially changed its pricing strategy for sale of domestic tickets and price of some international routes where the fuel and applicable insurance surcharge were quoted as part of the full fare ticket. The Company recognizes these tickets in full fare and does not separately recognize such surcharges as was the case in 2009.

Passenger and excess baggage revenues classified by flight regions

✦ Regional passenger and excess baggage revenues amounted to THB 52,953 million, which was an increase of THB 7,037 million or 15.3% due to increase in travel demand from the global economic recovery. Moreover, the Company launched sale promotion during low season period. Although, the Company revenue was partly affected from the domestic political protest and the impact of volcano eruption in Iceland, there was increased production both increasing flight frequency and aircraft capacity. The increases were specifically for sectors between Bangkok to China, Hongkong, Japan, Singapore and Malaysia in order to better serve increase in travel demand. As a result, ASKs increased by 992 million seat-kilometers or 3.5% and RPKs increased by 1,864 million passenger-kilometers or 9.5% while cabin factor was 73.5% higher than 69.5% over the same period last year.

✦ Intercontinental passenger and excess baggage revenues amounted to THB 52,954 million, which was an increase of THB 2,808 million or 5.6% partly resulting from the global economic recovery. The Company increased its flight frequency in 2010 as opposed to the capacity reduction during the 2009 economic downturn. Flight frequency was increased to high demand route as well as re-launching 4 weekly direct flights from Bangkok to Johannesburg, South Africa since June 2, 2010. As a result, ASKs increased by 3,003 million seat-kilometers or 7.8% and RPKs increased by 1,970 million passenger-kilometers or 6.8% while cabin factor was 74.3% which slightly lower than 74.9% over last year.

✦ Domestic passenger and excess baggage revenues amounted to THB 12,399 million, which was an increase of THB 431 million or 3.6% primarily due to the Company including fuel surcharge and insurance surcharge in the ticket price in this year. However, the Company has adjusted its domestic route since March 1, 2010, in cooperation

Other income

Other income amounted to THB 3,497 million, which increased by THB 1,403 million or 67.0% primarily resulting from the Company recognized compensation for the delay in aircraft delivery, which was THB 723 million higher than the compensation recognized in last year. In addition, revenue from passenger airport fees, which were not been billed to the Company over 3 year, was THB 816 million higher than last year.

2.3 Expenses

Total expenses amounted to THB 166,747 million, which was THB 10,979 million or 7.0% higher than the same period last year. A summary of operating expenses is as follows:

Unit : Million Baht	2010	2009	Increase(decrease)	
			MTHB	%
Fuel and oil	56,519	47,015	+ 9,504	+ 20.2
Personnel	33,526	26,191	+ 7,335	+ 28.0
Management benefit expenses	74	61	+ 13	+ 21.3
Flight service expenses	19,064	17,692	+ 1,372	+ 7.8
Cockpit and cabin crew expenses	5,093	5,243	- 150	- 2.9
Aircraft maintenance and overhaul costs	9,675	10,321	- 646	- 6.3
Depreciation and amortization	20,236	21,023	- 787	- 3.7
Lease of aircraft and spare parts	4,331	1,532	+ 2,799	+ 182.7
Inventories and supplies	9,045	8,496	+ 549	+ 6.5
Sales and advertising cost	6,103	6,221	- 118	- 1.9
Insurance	675	760	- 85	- 11.2
Damages arising from antitrust/competition law	(1,783)	-	- 1,783	-
Impairment of assets	489	529	- 40	- 7.6
Other expenses	7,898	8,104	- 206	- 2.5
Finance costs	5,166	5,738	- 572	- 10.0
Share of loss (profit) from investments by the equity method	(258)	9	- 267	
Loss (gains) on foreign currency exchange	(9,106)	(3,167)	- 5,939	- 187.5
Total Expenses	166,747	155,768	+ 10,979	+ 7.0



Significant changes of expenses for the year 2010 included:

Fuel and oil expense amounted to THB 56,519 million, was THB 9,504 million or 20.2% higher than last year. The main reasons were an increase in average jet fuel price by 26.4% from last year and an increase in fuel consumption by 6.2% from production expansion whereas the US dollar is weakened against Thai baht partially offset the rise in fuel cost. Moreover, the Company was compensated on fuel hedging contracts in the amount of THB 598 million.

Personnel expenses amounted to THB 33,526 million, which was an increase of THB 7,335 million or 28.0% from last year. The main reasons were the compensation expenses in the amount of THB 2,263 million, which was a one-time payment to employees participating in the Company's Golden Handshake Program and Mutual Separation Plan. Those two schemes reflect the Company's manpower strategy to have suitable personnel structure, increase competitiveness, having suitable number of staff to support the future corporate operations and reducing personnel cost in the long run. The voluntary early retirement of employees will bear no impact on the Company's operations. The early retirement of 600 employees through the mutual separate plan took effect in 2010 while another 28 were to become effective in 2011. Moreover, personnel cost rose in 2010 from an increase in annual benefit paid to employees.

Flight service expenses amounted to THB 19,064 million was an increase of THB 1,372 million or 7.8% from last year. The increase was mainly the result of the increase in the Company's total production and rise in the cargo handling expenses in lines with the Block Space agreement.

Aircraft maintenance and overhaul costs amounted to THB 9,675 million, a decrease of THB 646 million or 6.3% from last year, which was mainly from a decrease in overhaul expense due to fewer scheduled overhaul in 2010.

Lease of aircraft and spare parts expenses were THB 4,331 million, an increase of THB 2,799 million or 182.7%, which was due to the Company had leased two Boeing 777-200LRF aircraft since March 2010 for freight service and three Boeing 777-300ER aircraft since end of May 2010 for passenger service.

Damages arising from antitrust and competition law In 2008, the Company put aside a THB 4,290 million the reserve against charges for violating antitrust and competition law. However, on November 2010, the European Commission dropped its charges due to not having sufficient evidence. As a result, the Company was able to reverse that reserve by THB 1,783 million and the remaining reserve balance is THB 2,507 million.

Gain on foreign currency exchange amounted to THB 9,106 million, which was an increase of THB 5,939 million or 187.5% mostly due to the translation of the Company's outstanding EURO currency loans into Baht term at the end of the period.

Share of gain (loss) from investment by equity method increase from a loss of THB 9 million in year 2009 to a gain of THB 258 million in year 2010 by recognizing the share of Nok Air Company Limited' profits in the amount of THB 235 million.

2.4 Income tax expenses

The Company's income tax expenses amounted to THB 2,125 million, which was an increase of THB 1,434

million or 207.5%. The primary reason was an increase in the profits that were subject to taxation at the prevailing rates.

2.5 Net profit attributable to equity holders of the parent

The Company's net profit attributable to equity holders of the parent increased from THB 7,344 million in 2009 to THB 15,350 million in year 2010 or 109.0% and a rise in net profit margin from 4.54% in 2009 to 8.50% in 2010.

3. Financial Position

3.1 Assets

As of December 31, 2010, the Company's total assets were THB 293,760 million, an increase of THB 22,066 million or 8.1% from as at December 31, 2009.

	December 31, 2010		December 31, 2009	
	MTHB	% of total assets	MTHB	% of total assets
Current assets	78,301	26.7	47,288	17.4
Property, plant and equipment				
Aircraft	65,615	22.3	62,252	22.9
Aircraft under finance leases	115,425	39.3	124,330	45.8
Aircraft spare parts	10,822	3.7	10,445	3.8
Land, buildings and improvements	7,988	2.7	8,588	3.2
Other plant and equipment	6,269	2.1	7,890	2.9
Property, plant and equipment-net	206,119	70.1	213,505	78.6
Other non-current assets	9,340	3.2	10,901	4.0
Total Assets	293,760	100.0	271,694	100.0

Current Assets

Current assets were THB 78,301 million or accounted for 26.7% of total assets, an increase of THB 31,013 million or 65.6% from as of December 31, 2009. Primarily as a result of:

- ✦ Cash and cash equivalents as of December 31, 2010 amounting to THB 37,680 million which increased by THB 23,380 million from as of December 31, 2009. In this regard, the Company reserved more cash on hand to reach the Airlines standard according to the strengthening financial strategic plan.

- ✦ Prepaid expenses and deposits increased by THB 4,627 million primarily resulting from security deposit in the amount of THB 4,418 million for the eight operating leased Boeing 777-300ER aircraft for which the Company will take delivery in 2012-2013.

Property, plant and equipment-net

Property, plant and equipment-net were THB 206,119 million or represented 70.1% of total assets, which decreased by THB 7,386 million or 3.5% from as of December 31, 2009, primarily resulting from accumulated depreciation costs, partially offset by the acquisition of two Airbus A330-300 aircraft and advance payment of seven Airbus A330-300 aircraft.



Other non-current assets

Other non-current assets were THB 9,340 million or represented 3.2% of total assets, which decreased by THB 1,561 million or 14.3% from as of December 31, 2009, primarily resulting from a decrease in deferred income tax assets of THB 959 million. This decrease was from the reduction in provision for damages and fines arising from the antitrust and competition law. In addition, there was a THB 608 million decrease in assets pending sale, arising from selling two Airbus A300-600 aircraft.

3.2 Liabilities

The Company's total liabilities as of December 31, 2010 totaled THB 210,850 million, which was a decrease of THB 7,600 million or 3.5% from as of December 31, 2009. These comprise of:

	December 31, 2010		December 31, 2009	
	MTHB	% of total liabilities	MTHB	% of total liabilities
Current liabilities (excluding current portion of long-term loans)	57,581	27.3	54,961	25.2
Long-term loans				
Debentures	29,335	13.9	40,290	18.4
Liabilities under financial leases	64,327	30.5	79,341	36.3
Long term loan from others	52,618	25.0	35,269	16.2
Total long-term loans	146,280	69.4	154,900	70.9
Other non-current liabilities	6,989	3.3	8,589	3.9
Total liabilities	210,850	100.0	218,450	100.0

Current liability (excluding current portion of long-term loans)

Current liability (excluding current portion of long-term loans) totaled THB 57,581 million, representing 27.3% of total liabilities, which increased from December 31, 2009 by THB 2,620 million or 4.8%. The main reason were the increase in accrued expenses, which related to personnel welfare fees and early-retirement programs.

Long-term loans

Long-term loans as of December 31, 2010 totaled THB 146,280 million (included current portion of long-term loans amounting to THB 23,155 million) or represented 69.4% of total liabilities, which was a decrease of THB 8,620 million from December 31, 2009. The decrease was mainly from the repayment of liabilities under financial leases and debentures.

The details of long-term loans are in the notes to the financial statement number 6.11, 6.12, 6.13 and 6.30.

Other non-current liabilities

Other non-current liabilities as of December 31, 2010 totaled THB 6,989 million or represented 3.3% of total liabilities, which was a decrease of THB 1,600 million or 18.6% from December 31, 2009. The decrease mainly came from a decrease in long-term provisions in the amount of THB 1,323 million, which was from the reduction in provision for damages and fines from the antitrust and competition charges. In addition, the staff pension fund decreased in the amount of THB 338 million from payment made to employees participating in the early-retirement programs.

3.3 Shareholders' Equity

As of December 31, 2010, the Company's shareholders' equity amounted to THB 82,910 million, an increase of THB 29,666 million from December 31, 2009. The main reasons were from:

- ✦ The issuance of 483.9 million ordinary shares increased the Company's issued and paid-up shares capital by THB 4,839 million from THB 16,989 million to THB 21,828 million. Premium on share capital was 21 baht per share or THB 10,160 million, minus the THB 251 million in fees related to the issuance of ordinary shares. Therefore the net increase in premium on share capital totaled THB 9,910 million.
- ✦ Unappropriated retained earning increased by THB 14,155 million from the profits earned in 2010.

4. Liquidity

Cash and cash equivalents as of December 31, 2010 amounted to THB 37,680 million, an increase of THB 23,380 million or 163.5 from as of December 31, 2009, from the strengthened financial position mentioned above. Some part of this cash was invested in short-term investment to reduced interest burden.

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

Unit : Million Baht	2010	2009
Net cash from operating activities	28,268	28,523
Net cash used in investing activities	(8,872)	(14,472)
Net cash from (used) in financing activities	3,979	(7,085)
Increase (decrease) in cash and cash equivalents	23,375	6,966

4.1 Net cash from operating activities

Net cash from operating activities for fiscal year end December 31, 2010 amounted to THB 28,268 million, decreased by THB 255 million or 0.9%, although the Company's operating profits before changes in operating assets and liabilities increased by THB 1,951 million. The reason of that reduction was the increase in Company's operating assets in the amount of THB 7,324 million coming from the increase in prepaid expenses and deposits and also trade accounts receivable, while the increase in Company's operating liabilities in the amount of THB 5,118 million primarily coming from the increase in accrued expenses and other current liabilities as well as unearned transportation revenues.

4.2 Net cash used in investing activities

Net cash used in investing activities for year 2010 amounted to THB 8,872 million, which decreased by THB 5,600 million or 38.7%. These primarily comprised of the use of cash in the acquisition of two Airbus A330-300 aircraft, which the Company took delivery in March 2010 along with an advance payment of seven Airbus A330-300 aircraft, which the Company will acquire in the year 2011-2013.

4.3 Net cash from (used in) financing activities

Net cash from financing activities for year 2010 amounted to THB 3,979 million whereas net cash used in financing activities for year 2009 amounted to THB 7,085 million. The net cash from financing activities for this year consisted of:

- ❖ Cash received from ordinary shares issuing of THB 14,748 million
- ❖ Net cash received from long-term loans in the amount of THB 8,110 million
- ❖ Repayment of debentures, totaling THB 10,955 million
- ❖ Repayment of short-term loans, amounting to THB 1,116 million
- ❖ Repayment of promissory notes, payment of loan interest and dividend payment, aggregating THB 6,810 million.

5. Capital Expenditures

The Company's capital expenditures for year 2010 totaled THB 13,608 million, which decreased by THB 15,720 million or 53.6% from last year. Capital expenditures for year 2010 consisted of payment for the acquisition of new aircraft in which delivery was taken of two aircraft in 2010 and another seven will be taken in 2011-2013 as well as payment for acquisition of rotatable aircraft spare part totaling THB 13,235 million.

Unit : Million Baht	2010	2009
Aircraft and aircraft spare parts	13,235	28,634
Non-Aircraft	373	694
Total	13,608	29,328

6. Financial Ratios

		2010	2009
Liquidity Ratio			
Current Ratio ¹⁾	(times)	2.46	1.58
Profitability Ratio			
Operating Profit Margin	(%)	4.85	5.79
Net Profit Margin	(%)	8.50	4.54
Return on Equity	(%)	22.55	14.82
Efficiency Ratio			
Return on Total Assets	(%)	5.43	2.76
Financial Policy Ratio			
Interest Bearing Debt to Equity	(times)	1.76	2.93
Interest Coverage Ratio ²⁾	(times)	5.61	5.30
Debt Service Coverage Ratio (DSCR) ³⁾	(times)	0.89	1.13

- Note :**
- 1) *Current Ratio = Current Assets / Current Liabilities (Excluding Current Portion of Long-Term Liabilities and Unearned Transportation Revenues)*
 - 2) *Interest Coverage Ratio = EBITDA / Interest Expense*
 - 3) *Debt Service Coverage Ratio = EBITDAR / (Long-term loan Repayment+Interest Expense+Lease of Aircraft and Spare Parts)*

Detail of significant accounting policies, privileges received under investment promotion, market risk and contractual obligations are in the note to the financial statements number 3, 6.24, 6.30 and 6.32, respectively.



 THAI
50th
ANNIVERSARY
1960-2010



Five Decades of Pride --- Representing Thailand Around the World

Business Direction and Corporate Strategy

THAI's vision is to be the 'First Choice Carrier with Touches of Thai' through providing service quality beyond customer expectations and fostering a strong relationship between the Company and its customers through providing consistently smooth and memorable experience service with Touches of Thai at every customer touch point.

THAI continued to execute its strategy, which is a rolling implementation of the immediate turnaround plan undertaken in 2009. Various development programs under taken in 2010 were to strengthen the Company's structural foundation, enhance competitiveness in an ever more intense business environment and ensure sustainable growth. To achieve these objectives, the core values of THAI have been developed with the emphasis on being responsive to customers' needs or being customer oriented, being competitive and being dynamic. The rigorous effort to pursue these core values has reflected in the increase in customer loyalty using THAI's service, resulting in the improved operating performance and the increased confidence of THAI's stakeholders.

Success from pursuance of the corporate strategy has resulted in changes in various aspects:

1. Among the most important achievements is the determination of THAI's strategic position as a "Premium Service Network Airline" providing full air transport services and cooperating closely with THAI's associated company, Nok Air Co., Ltd. THAI's budget carrier. Nok Air's route network is to an extent strategically coordinated with that of THAI to enable greater synergy from connectivity. Nok Air provides air transport services within the country serving major and certain secondary routes as appropriate at a more competitive price than that of THAI. The 3 routes where THAI strategically coordinated with Nok Air include the transfer of Bangkok - Phitsanulok and Chiang Mai - Mae Hong Son routes to Nok Air and Bangkok - Ubon Ratchathani where THAI still maintains 1 daily flight. THAI is also currently in the process of launching a low cost airline to capture the growing low cost market through a joint venture with seasoned low cost operator to serve regional and some domestic markets.
2. A growth strategy for the Company was through increasing flight frequency to promising routes such as Paris, Oslo, Moscow, Nagoya and Fukuoka, while new sectors include Bangkok - Haneda and Bangkok - Gaya - Varanasri. A number of less performing routes were also suspended, which include Manila - Osaka, Hong Kong - Taipei and Bangkok - Kuwait. Fleet development has also been implemented to ensure not only an adequate number of aircraft to suit the needs of THAI's route network but also the appropriate aircraft type to meet the demand profile of each market. To be delivered between 2011 and 2013 are 15 new aircraft as approved by the Company's Board of Directors of which 7 are Airbus A330-300 aircraft to serve the regional market and to be acquired through financial lease and another 8 are Boeing B777-300ER aircraft to serve intercontinental destinations, which will be acquired through operating lease.



3. Implementation of product and service improvements is in accordance with the Company's strategic plan to meet the needs of the various customer groups with the objective of providing maximum customer satisfaction. Actions taken to improve service at every customer touch point are through quick-win activities, which took less time to implement but yielded immediate results. Major achievements include Call Center and call service improvement and the improvement of food quality and range of beverage in the premium class lounges at Suvarnabhumi Airport to differentiate THAI's services. In-flight food quality and presentation has been improved while the variety in menu has also been diversified. Specialty menus have been prepared by THAI's renowned chefs for special occasions, self service check-in kiosks and speedier baggage claim have been provided to facilitate customer satisfaction. THAI has also begun its retrofit program on its seat and in-seat entertainment systems for existing aircraft to be competitive with its peers. These include the installation of a new entertainment system for 6 of its B747-400 aircraft in economy class, the retrofit of seats and entertainment system for all classes in 6 of B747-400 aircraft and the installation of the new entertainment system in the economy class for 8 of its B777-200 aircraft fleet.
4. Financial strengthening was undertaken to enable the company to sustain growth in the long-term and have sufficient cash on hand to meet its short-term obligations. Capital restructuring and maintaining sufficient liquidity were to ensure smooth operations in a highly volatile market. In 2010, the Company raised THB 15,000 million in new capital through a public offering along with the acquisition of debt and standby credit lines as planned. The Company was able to achieve its objectives in 2010, which has brought greater financial stability and added liquidity to ensure smooth operations in to the future.

Five-Year Financial Review

		Year 2010	Year 2009	Year 2008	Year 2007	Year 2006
Number of Aircraft		90	91	89	90	87
Flight Hours	(Block Hours)	341,165	326,008	342,175	356,604	324,366
Available Ton-Kilometers	(Million)	11,516	10,499	10,938	11,521	10,269
Revenue Ton-Kilometers	(Million)	7,997	6,908	7,458	8,100	7,001
Load Factor	(%)	69.4	65.8	68.2	70.3	68.2
Number of Passengers	(000)	18,165	18,477	18,710	19,884	18,574
Available Seat-Kilometers	(Million)	75,600	72,031	75,391	78,032	71,594
Revenue Passenger-Kilometers	(Million)	55,676	52,593	56,377	61,615	53,989
Cabin Factor	(%)	73.6	73.0	74.8	79.0	75.4
Available Dead Load Ton-Kilometers	(Million)	4,708	4,016	4,152	4,498	3,780
Revenue Freight Ton-Kilometers	(Million)	2,895	2,092	2,292	2,456	2,048
Freight Load Factor	(%)	61.5	52.1	55.2	54.6	54.2
Number of Personnel	(People)	25,884	27,002	27,193	27,285	26,488
Profit(losses) before Tax	(Million Baht)	17,523	8,107	(23,600)	6,338	12,822

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 Directors' 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 the integrity, the sufficiency of relevant and transparent disclosure of information, which best reflects the Company's financial status, protect against fraud and undertaking of abnormal activities while observing generally accepted accounting principles. Appropriate accounting principles have been applied on a consistent basis and due consideration has been given in preparing the Company's consolidated financial statements, the Company's own financial statements along with the ensuing notes to the financial statements as disclosed in the 2010 annual report.

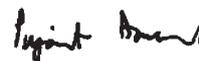
To enhance stakeholder trust, the Board appointed an Audit Committee comprising of Independent Directors with qualifications as stipulated by the guidelines of the Stock Exchange of Thailand to ensure that the Company provides sufficient, transparent, correct and appropriate financial disclosure along 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 2010 financial statements ending December 31, 2010 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 of the Board of Directors



(Mr. Piyasavasti Amranand)

President

Summary of the 2010 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 acts as the committee chairman, Mr. Banyong Pongpanich and Mr. Weerawong Chittmittrapap act 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.

The Audit Committee has performed its duties and responsibilities as entrusted by the Board of Directors and as set forth in the Charter of the Audit Committee which is in line with the best practice guidelines defined by the Stock Exchange of Thailand.

During the year 2010, 12 meetings were organized between the Audit Committee, the external auditors, the internal auditors and the company's executive managements. Important issues and the committee's opinions were reported to the Board of Directors for acknowledgements or considerations for appropriate actions. The audit committee's meeting attendance records can be referred to in the Good Corporate Governance section. Summary of significant audit committee's activities during the year 2010 are as follows:

1. The Audit Committee together the finance and accounting division managements and the external auditors has jointly reviewed company's quarterly financial reports and the annual 2010 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. Moreover, one meeting session alone between the audit committee and the auditors without company's management was organized.

2. The Audit Committee has assessed the sufficiency and efficiency of company's internal audit systems through benchmarking of the external auditors' findings and the audit reports issued by the Office of the Internal Audit. Significant matters were addressed to the Board of Directors for further considerations and appropriate actions to insure company's good corporate governance and enhance improvements of an internal control. In addition, the internal control self-assessment results were evaluated in accordance with the State Audit Commission's internal audit guidelines of B.E. 2544. The Risk and mitigation measures reports from management were also examined.



3. The Audit Committee has overseen the company's internal audit activities through reviews and approvals of the long term audit plan for year 2011-2013, the annual audit plan and the amendments to audit plan in conjunctions with changes of risk environments and the appropriateness to resources of the Office of the Internal Audit where the audit performances were monitored on quarterly basis. The committee also reviewed and approved the changes to internal audit charter, audit manual and the annual training programs of the Office of the Internal Audit. In addition, assessment of the performance of the head of internal audit and approvals of appointments of managements from director level and above within the Office of the Internal Audit were also under the committee's duties.

4. The Audit Committee has reviewed company's compliances with Securities and Exchange laws, regulations of the Stock Exchange of Thailand, and other relevant laws through joint discussions with company's managements involved and examinations corporate secretary's reports on each individual company's division operations to reassure that the laws and regulations were appropriately adhered.

5. The Audit Committee has reviewed and gave opinion on the company's connected transactions to ensure 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 and that the transactions were completely disclosed and auditable as in accordance with the guidelines of Stock Exchange of Thailand.

6. The Audit Committee has collated and evaluated the self-assessment results as stipulated in the Charter of the Audit Committee, 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. Moreover, the assessment was performed on the committee themselves both as a group and as an individual where 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. The Audit Committee has proposed consideration of The Auditor General as the company's 2011 external auditor to the Board of Directors and for further seeking concurrences in the share's holder meeting.

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 has in place sufficient and efficient internal control and internal audit systems. The company's transactions enlisted are appropriate and completed and the company abides by relevant laws and regulations without any significant violations.



(Mr. Chulasingh Vasantasingh)

Chairman of Audit Committee

February 23, 2011



NO. 0022/0439

Office of the Auditor General of Thailand
Rama VI Road, Phayathai,
Bangkok 10400, Thailand
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Fax : 0 2618 5783
E-mail : audit2@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, 2010 and 2009 of Thai Airways International Public Company Limited and its subsidiaries and the Company's financial statements for the years ended December 31, 2010 and 2009 of Thai Airways International Public Company Limited were translated by Thai Airways International Public Company Limited. The Office of the Auditor General of Thailand reviewed the aforementioned translated Auditor's Report and financial statements and found that there were no substantial differences of content from those of the Thai version.

Given on March 7, 2011

(Pisit Leelavachiropas)

Deputy Auditor General
Acting Auditor General

AUDITOR'S REPORT

TO : THE SHAREHOLDERS OF THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED

The Office of the Auditor General of Thailand has audited the accompanying consolidated balance sheets of Thai Airways International Public Company Limited and its subsidiaries and the balance sheets of Thai Airways International Public Company Limited as at December 31, 2010 and 2009, and the related consolidated and the Company's statements of income, changes in shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. The responsibility of the Office of the Auditor General of Thailand is to express an opinion on these financial statements based on the audits.

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

In the opinion of the Office of the Auditor General of Thailand, the consolidated and the Company's financial statements referred to above present fairly, in all material respects, the financial position of Thai Airways International Public Company Limited and its subsidiaries and of the Thai Airways International Public Company Limited as at December 31, 2010 and 2009, and the results of operations, the changes in shareholders' equity, and the cash flows for the years then ended in accordance with generally accepted accounting principles.

Without qualifying an opinion on these financial statements, the Office of the Auditor General of Thailand would like to draw attention to Note 6.31 to the financial statements with regard to Airbus A330-300 Delivery, the Company took the delivery of 5 Airbus A330-300 aircraft under finance leases which economy class seats have not been installed. The Company may have to repay the loan if the economy class seats have not been installed on the aircraft by the due date.

(Signed) Pongchomnad Jariyajinda
(Pongchomnad Jariyajinda)
 Inspector General

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

Office of the Auditor General
 February 23, 2011

BALANCE SHEETS

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
AS AT DECEMBER 31, 2010 AND 2009

Units : Baht

	Notes	CONSOLIDATED		THE COMPANY	
		2010	2009	2010	2009
ASSETS					
Current Assets					
Cash and cash equivalents	6.1	37,679,682,021	14,299,680,924	37,601,476,433	14,064,775,967
Temporary investments		549,631,092	350,000,000	-	-
Trade accounts receivable, net	6.2	17,026,522,846	15,307,562,527	16,997,958,124	15,229,390,710
Inventories and supplies, net	6.3	6,967,672,684	6,197,959,528	6,967,672,684	6,197,959,528
Prepaid expenses and deposits		9,086,820,600	4,460,219,285	9,080,884,481	4,454,258,206
Other current assets	6.4	6,991,111,837	6,672,942,805	6,963,643,648	6,636,287,703
Total Current Assets		78,301,441,080	47,288,365,069	77,611,635,370	46,582,672,114
Non-Current Assets					
Investment in associates	6.5.1	1,400,993,771	1,240,961,713	918,520,500	723,520,500
Investment in subsidiaries	6.5.1	-	-	9,229,930	8,250,000
Other long-term investments	6.5.2	78,868,075	86,413,463	78,868,075	86,413,463
Property, plant and equipment, net	6.7	206,118,498,576	213,505,196,888	206,106,106,106	213,483,314,774
Intangible assets, net	6.8	552,355,100	651,908,453	547,622,540	646,822,436
Assets for sales		274,996,800	883,280,235	274,996,800	883,280,235
Deferred income tax assets	6.9	4,771,824,914	5,730,814,300	4,759,030,425	5,718,494,474
Other non-current assets	6.10	2,261,025,826	2,307,147,036	2,260,652,011	2,306,773,221
Total Non-Current Assets		215,458,563,062	224,405,722,088	214,955,026,387	223,856,869,103
Total Assets		293,760,004,142	271,694,087,157	292,566,661,757	270,439,541,217

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



BALANCE SHEETS

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
AS AT DECEMBER 31, 2010 AND 2009

Units : Baht

	Notes	CONSOLIDATED		THE COMPANY	
		2010	2009	2010	2009
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities					
Trade accounts payable		6,438,803,086	6,584,444,469	6,429,968,646	6,579,114,979
Current portion of long-term liabilities					
Debtentures	6.13	11,487,920,000	10,955,290,000	11,487,920,000	10,955,290,000
Long-term loans from related parties	6.11	2,072,000,000	2,072,000,000	2,072,000,000	2,072,000,000
Long-term loans from others	6.11	-	400,000,000	-	400,000,000
Liabilities under finance leases	6.12	9,595,026,378	11,312,930,437	9,595,026,378	11,312,930,437
Promissory notes from related parties		-	500,000,000	-	500,000,000
Promissory notes from others		-	250,000,000	-	250,000,000
Short-term loans from related parties		-	1,116,109,440	-	1,116,109,440
Short-term provisions		-	458,200,000	-	458,200,000
Other current liabilities					
Accrued expenses		18,897,692,862	13,629,235,002	18,869,584,115	13,607,050,871
Accrued dividends		72,007,719	70,615,864	72,007,719	70,615,864
Accrued income taxes		16,398,775	32,134,145	-	-
Unearned transportation revenues		25,804,443,193	24,950,135,646	25,804,443,193	24,950,135,646
Deferred income	6.14	509,417,156	1,979,762,723	509,417,156	1,979,762,723
Others	6.15	5,841,986,865	6,140,671,214	5,819,769,875	6,116,204,661
Total Current Liabilities		80,735,696,034	80,451,528,940	80,660,137,082	80,367,414,621
Non-Current Liabilities					
Long-term liabilities					
Debtentures	6.13	17,846,790,000	29,334,710,000	17,846,790,000	29,334,710,000
Long-term loans from related parties	6.11	7,245,852,000	9,446,672,000	7,245,852,000	9,446,672,000
Long-term loans from others	6.11	43,300,000,000	22,600,000,000	43,300,000,000	22,600,000,000
Liabilities under finance leases	6.12	54,732,093,240	68,028,272,475	54,732,093,240	68,028,272,475
Staff pension fund	6.27	4,371,134,750	4,708,607,486	4,371,134,750	4,708,607,486
Long-term provisions	6.16	2,556,971,979	3,880,336,949	2,555,351,979	3,880,336,949
Other non-current liabilities		61,310,000	-	61,310,000	-
Total Non-Current Liabilities		130,114,151,969	137,998,598,910	130,112,531,969	137,998,598,910
Total Liabilities		210,849,848,003	218,450,127,850	210,772,669,051	218,366,013,531
Shareholders' Equity					
Share capital	6.18				
Authorized share capital					
2,698.90 million ordinary shares par value of Baht 10 each		26,989,009,500	-	26,989,009,500	-
1,700.00 million ordinary shares par value of Baht 10 each		-	17,000,000,000	-	17,000,000,000
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	-
1,698.90 million ordinary shares par value of Baht 10 each		-	16,989,009,500	-	16,989,009,500
Premium on ordinary shares		25,548,223,951	15,637,625,278	25,548,223,951	15,637,625,278
Retained earnings					
Appropriated					
Legal reserve	6.19	2,469,792,865	1,700,000,000	2,469,792,865	1,700,000,000
Unappropriated		32,774,965,739	18,619,766,346	31,948,256,720	17,746,892,908
Total Company Shareholders' Equity		82,620,701,725	52,946,401,124	81,793,992,706	52,073,527,686
Minority Interests					
		289,454,414	297,558,183	-	-
Total Shareholders' Equity		82,910,156,139	53,243,959,307	81,793,992,706	52,073,527,686
Total Liabilities and Shareholders' Equity		293,760,004,142	271,694,087,157	292,566,661,757	270,439,541,217

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

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

(Signed) **Kaweepan Raungpaka**
(Kaweepan Raungpaka)
Executive Vice President
Finance and Accounting

STATEMENTS OF INCOME

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

For the years ended December 31, 2010 and 2009

Units : Baht

	Notes	CONSOLIDATED		THE COMPANY	
		2010	2009	2010	2009
Revenues					
Revenues from Sales or Revenues from Services					
Passenger and excess baggage		144,862,179,813	134,479,296,254	144,862,179,813	134,479,296,254
Freight		27,391,294,840	18,525,307,811	27,391,294,840	18,525,307,811
Mail		838,688,162	822,754,186	838,688,162	822,754,186
Other activities		7,496,520,151	7,775,384,234	7,181,174,045	7,395,296,568
Total Revenues from Sales or Revenues from Services		180,588,682,966	161,602,742,485	180,273,336,860	161,222,654,819
Other Income					
Interest income		185,028,027	178,067,252	175,552,112	164,924,864
Others	6.21	3,496,673,812	2,093,717,478	3,666,122,646	2,248,356,186
Total Other Income		3,681,701,839	2,271,784,730	3,841,674,758	2,413,281,050
Total Revenues		184,270,384,805	163,874,527,215	184,115,011,618	163,635,935,869
Expenses					
Fuel and oil		56,518,905,218	47,014,753,162	56,518,905,218	47,014,753,162
Personnel		33,526,208,877	26,191,239,889	33,487,600,235	26,135,364,671
Management benefit expenses	6.20	73,843,803	60,916,443	72,362,095	59,401,478
Flight service expenses		19,064,241,405	17,691,615,362	19,064,241,405	17,691,615,362
Crew expenses		5,092,478,171	5,243,530,868	5,092,478,171	5,243,530,868
Aircraft maintenance and overhaul costs		9,674,696,586	10,320,750,374	9,674,696,586	10,320,750,374
Depreciation and amortisation expenses		20,236,478,167	21,023,460,156	20,224,771,922	21,008,481,119
Lease of aircraft and spare parts		4,330,692,346	1,531,697,470	4,330,692,346	1,531,697,470
Inventories and supplies		9,045,666,940	8,496,583,764	9,045,666,940	8,496,583,764
Selling and advertising expenses		6,103,389,350	6,221,182,125	6,060,948,019	6,177,708,638
Insurance expenses		675,150,146	760,064,787	675,150,146	760,064,787
Impairment losses of assets		489,179,972	529,056,765	489,179,972	529,056,765
Reversal of impairment losses of investment		-	-	(195,000,000)	-
Other expenses	6.22	6,114,815,945	8,103,657,883	6,049,676,146	8,056,875,218
Gains on foreign currency exchange		(9,106,263,666)	(3,167,360,443)	(9,114,515,204)	(3,166,632,320)
Total Expenses		161,839,483,260	150,021,148,605	161,476,853,997	149,859,251,356
Share of losses (profits) of investments by the equity method		(257,921,577)	8,562,792	-	-
Profits before Finance Costs and Income Tax Expenses		22,688,823,122	13,844,815,818	22,638,157,621	13,776,684,513
Finance costs		5,165,714,842	5,737,562,830	5,165,714,842	5,737,562,830
Profits before Income Tax Expenses		17,523,108,280	8,107,252,988	17,472,442,779	8,039,121,683
Net tax expenses	6.23	2,125,164,252	691,425,974	2,076,585,493	621,712,450
Net profits		15,397,944,028	7,415,827,014	15,395,857,286	7,417,409,233
Profits Attributable to:					
Equity holders of the parent		15,349,692,867	7,343,578,865	15,395,857,286	7,417,409,233
Minority interests		48,251,161	72,248,149	-	-
		15,397,944,028	7,415,827,014	15,395,857,286	7,417,409,233
Basic Earnings per Share					
Net profits (losses) per share	6.25	8.39	4.32	8.41	4.37

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

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

(Signed) **Kaweepan Raungpaka**
(Kaweepan Raungpaka)
Executive Vice President
Finance and Accounting



STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

For the years ended December 31, 2010 and 2009

CONSOLIDATED							Units : Baht
	Notes	Equity holders of the parent				Minority Interests	Total
		Share Capital issued and fully paid	Premium on ordinary shares	Retained Earnings	Total Equity holders of the parent		
Balance as at January 1, 2009		16,989,009,500	15,637,625,278	12,976,187,481	45,602,822,259	279,310,034	45,882,132,293
<u>Add</u> Net profits		-	-	7,343,578,865	7,343,578,865	72,248,149	7,415,827,014
<u>Less</u> Dividends paid		-	-	-	-	54,000,000	54,000,000
Balance as at December 31, 2009		16,989,009,500	15,637,625,278	20,319,766,346	52,946,401,124	297,558,183	53,243,959,307
Balance as at January 1, 2010		16,989,009,500	15,637,625,278	20,319,766,346	52,946,401,124	297,558,183	53,243,959,307
<u>Add</u> Net profits		-	-	15,349,692,867	15,349,692,867	48,251,161	15,397,944,028
<u>Less</u> Dividends paid	6.17	-	-	424,725,237	424,725,237	57,375,000	482,100,237
<u>Add</u> Dividends return		-	-	24,628	24,628	-	24,628
<u>Add</u> Issued and paid-up share capital		4,838,709,670	-	-	4,838,709,670	1,020,070	4,839,729,740
<u>Add</u> Premium on ordinary shares		-	10,161,290,307	-	10,161,290,307	-	10,161,290,307
<u>Less</u> Share offering expenses		-	250,691,634	-	250,691,634	-	250,691,634
Balance as at December 31, 2010		21,827,719,170	25,548,223,951	35,244,758,604	82,620,701,725	289,454,414	82,910,156,139

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

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

(Signed) **Kaweepan Raungpaka**
(Kaweepan Raungpaka)
Executive Vice President
Finance and Accounting

THE COMPANY					Units : Baht
	Notes	Share Capital issued and fully paid	Premium on ordinary shares	Retained Earnings	Total
Balance as at January 1, 2009		16,989,009,500	15,637,625,278	12,029,483,675	44,656,118,453
<u>Add</u> Net profits		-	-	7,417,409,233	7,417,409,233
Balance as at December 31, 2009		16,989,009,500	15,637,625,278	19,446,892,908	52,073,527,686
Balance as at January 1, 2010		16,989,009,500	15,637,625,278	19,446,892,908	52,073,527,686
<u>Add</u> Net profits		-	-	15,395,857,286	15,395,857,286
<u>Less</u> Dividends paid	6.17	-	-	424,725,237	424,725,237
<u>Add</u> Dividends return		-	-	24,628	24,628
<u>Add</u> Issued and paid-up share capital		4,838,709,670	-	-	4,838,709,670
<u>Add</u> Premium on ordinary shares		-	10,161,290,307	-	10,161,290,307
<u>Less</u> Share offering expenses		-	250,691,634	-	250,691,634
Balance as at December 31, 2010		21,827,719,170	25,548,223,951	34,418,049,585	81,793,992,706

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

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

(Signed) **Kaweepan Raungpaka**
(Kaweepan Raungpaka)
Executive Vice President
Finance and Accounting

STATEMENTS OF CASH FLOWS

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

For the years ended December 31, 2010 and 2009

Units : Baht

	Notes	CONSOLIDATED		THE COMPANY	
		2010	2009	2010	2009
Cash Flows from Operating Activities					
Profits before income tax expenses		17,523,108,280	8,107,252,988	17,472,442,779	8,039,121,683
Adjustment to reconcile net profit to cash					
provided by (paid from) operating activities :					
Depreciation and amortisation expenses		20,236,478,167	21,023,460,156	20,224,771,922	21,008,481,119
Dividends income		(105,000)	(323,750)	(168,119,520)	(153,894,620)
Share of losses (profits) of investments by equity method		(257,921,577)	8,562,792	-	-
Interest income		(185,028,027)	(178,067,252)	(175,552,112)	(164,924,864)
Interest expenses		5,165,714,842	5,737,562,830	5,165,714,842	5,737,562,830
Gains on sales of assets		(93,913,342)	(232,341,422)	(93,913,342)	(232,332,616)
Losses on sales of aircrafts		148,464,856	-	148,464,856	-
Other non - current liabilities		1,620,000	-	-	-
Gains on foreign currency exchange		(8,231,569,446)	(2,567,607,827)	(8,231,449,732)	(2,569,404,476)
Provision for obsolete inventories and supplies		(5,864,415)	97,819,585	(5,864,415)	97,819,585
Doubtful accounts		(58,104,978)	255,241,729	(57,891,791)	273,091,984
Impairment losses of assets		489,179,972	529,056,765	489,179,972	529,056,765
Reversal of impairment losses of investment		-	-	(195,000,000)	-
Operating profits before changes in operating assets					
and liabilities		34,732,059,332	32,780,616,594	34,572,783,459	32,564,577,390
Decrease (increase) in operating assets :					
Trade accounts receivable		(1,860,354,166)	478,405,815	(1,910,237,178)	505,254,113
Inventories and supplies		(763,848,741)	483,509,627	(763,848,741)	483,509,627
Prepaid expenses and deposits		(4,850,356,383)	108,156,797	(4,850,381,343)	107,996,640
Tax refund	A	(6,460,094)	278,860,964	(6,460,094)	278,860,964
Other current assets		(331,076,245)	124,154,985	(339,504,049)	125,922,104
Assets for sales		508,609,865	(883,280,235)	508,609,865	(883,280,235)
Other assets		24,642,739	(170,251,942)	24,642,739	(170,225,396)
Deferred charges		(258,706,810)	(632,607,120)	(258,706,810)	(632,607,120)
Increase (decrease) in operating liabilities :					
Trade accounts payable		(136,433,674)	24,446,928	(139,995,611)	24,951,829
Accrued expenses and other current liabilities		5,082,051,140	(757,902,517)	5,078,376,088	(759,955,981)
Deferred income		(1,460,945,567)	1,979,762,723	(1,460,945,567)	1,979,762,723
Staff pension fund		(337,472,736)	(69,371,197)	(337,472,736)	(69,371,197)
Unearned transportation revenues		473,087,269	(4,958,756,541)	473,087,269	(4,958,756,541)
Other non - current liabilities		(1,324,984,970)	5,929,771	(1,324,984,970)	6,017,079
Payment of income tax		(1,222,185,214)	(268,640,774)	(1,157,396,421)	(202,250,609)
Net Cash from Operating Activities		28,267,625,745	28,523,033,878	28,107,565,900	28,400,405,390

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



STATEMENTS OF CASH FLOWS

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

For the years ended December 31, 2010 and 2009

Units : Baht

	Notes	CONSOLIDATED		THE COMPANY	
		2010	2009	2010	2009
Cash Flows from Investing Activities					
Cash received from operational assistance subsidy		61,310,000	-	61,310,000	-
Cash paid for acquisition of fixed assets	B	(9,580,587,175)	(16,428,357,384)	(9,579,055,127)	(16,425,049,973)
Cash paid for intangible assets		(103,200,695)	(98,319,577)	(102,869,598)	(96,936,257)
Cash received from transferring the rights for advance payment of aircraft and aircraft equipment		318,985,741	1,296,065,254	318,985,741	1,296,065,254
Cash received from sales of assets		374,968,984	255,500,126	374,968,984	255,490,547
Interest income		158,296,837	236,491,362	147,723,351	221,556,223
Dividends income		97,994,520	87,894,620	168,119,520	153,894,620
Investments decrease (increase)		128,222	(1,542,612)	(851,708)	(1,542,612)
Temporary investments decrease (increase)		(199,969,555)	180,000,000	-	-
Net Cash Used in Investing Activities		(8,872,073,121)	(14,472,268,211)	(8,611,668,837)	(14,596,522,198)
Cash Flows from Financing Activities					
Cash received from debentures		-	4,790,000,000	-	4,790,000,000
Cash received from long-term loans		21,965,338,178	34,243,919,797	21,965,338,178	34,243,919,797
Cash received from issuing ordinary shares		4,838,709,740	-	4,838,709,670	-
Cash received from issuing preferred shares		1,020,000	-	-	-
Cash received from premium on ordinary shares		9,910,598,674	-	9,910,598,674	-
Cash paid for repayment of short-term loans		(1,116,109,440)	(20,323,361,410)	(1,116,109,440)	(20,323,361,410)
Cash paid for repayment of debentures		(10,955,290,000)	(7,500,000,000)	(10,955,290,000)	(7,500,000,000)
Cash paid for repayment of long-term loans		(13,854,951,591)	(11,759,831,128)	(13,854,951,591)	(11,759,831,128)
Cash paid for repayment of promissory notes		(750,000,000)	(1,050,000,000)	(750,000,000)	(1,050,000,000)
Cash paid for loan interest		(5,579,165,794)	(5,430,628,932)	(5,579,165,794)	(5,430,628,932)
Dividends paid		(423,308,755)	(637,378)	(423,308,755)	(637,378)
Dividends paid to minority interests		(57,375,000)	(54,000,000)	-	-
Net Cash used in Financing Activities		3,979,466,012	(7,084,539,051)	4,035,820,942	(7,030,539,051)
Increase (decrease) in cash and cash equivalents		23,375,018,636	6,966,226,616	23,531,718,005	6,773,344,141
Effect from changing in exchange rate on cash and cash equivalents increase (decrease)		4,982,461	(112,062,087)	4,982,461	(112,062,087)
Cash and cash equivalents at the beginning of the periods		14,299,680,924	7,445,516,395	14,064,775,967	7,403,493,913
Cash and Cash Equivalents at the End of the Periods	C	37,679,682,021	14,299,680,924	37,601,476,433	14,064,775,967

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

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

(Signed) **Kaweepan Raungpaka**
(Kaweepan Raungpaka)
Executive Vice President
Finance and Accounting

STATEMENTS OF CASH FLOWS

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

For the years ended December 31, 2010 and 2009

Note to Statement of Cash Flows

A. Tax Refund - Consolidated and the Company

Units : Million Baht	
2010	
Adjustment of tax refund for the year 2009	(6.46)
	(6.46)
2009	
Proceeds from P.N.D 50 for the year 2008	266.25
Adjustment of tax refund for the year 2008	12.61
	278.86

B. Property, Plant and Equipment

Consolidated

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

During the year 2009, the Company bought property, plant and equipment under finance leases amount of THB 12,899.96 million and cash payment amount of THB 16,428.36 million, total cost amount of THB 29,328.32 million.

The Company

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

During the year 2009, the Company bought property, plant and equipment under finance leases amount of THB 12,899.96 million and cash payment amount of THB 16,425.05 million, total cost amount of THB 29,325.01 million.

C. Cash and Cash Equivalents

	Units : Million Baht			
	Consolidated		The Company	
	2010	2009	2010	2009
Cash on hand and Outstanding bank balances	28,474.70	14,411.74	28,396.50	14,176.84
Short-term investments	9,200.00	-	9,200.00	-
Cash and cash equivalents as previously reported	37,674.70	14,411.74	37,596.50	14,176.84
Effect of exchange rate changes	4.98	(112.06)	4.98	(112.06)
Cash and cash equivalents as reported	37,679.68	14,299.68	37,601.48	14,064.78

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

(Signed) **Kaweepan Raungpaka**
(Kaweepan Raungpaka)
Executive Vice President
Finance and Accounting

NOTES TO THE FINANCIAL STATEMENTS

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

For the years ended December 31, 2010 and 2009

1. BASIS OF FINANCIAL STATEMENTS PREPARATION

The consolidated and the Company 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, Thai-Amadeus Southeast Asia Company Limited, in which the Company holds equity interests of 55%, as well as Wing Span Services Company Limited, in which the Company holds equity interests of 49% of ordinary shares controlling by the Company. Significant transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.

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.

2. NEW AND REVISED THAI ACCOUNTING STANDARDS (TAS) AND THAI FINANCIAL REPORTING STANDARDS (TFRS)

During the year 2010, the Federation of Accounting Professions (FAP) announced the revised Thai Accounting Standards, Thai Financial Reporting Standards in which there are a renumbering of New Accounting Standards, which are effective for financial statements having accounting periods beginning on or after January 1, 2011 and January 1, 2013 (except for the Accounting Framework which is immediately effective) and were not early adopted by the Company are as follows:

- Effective for accounting periods on or after January 1, 2011 onwards:

Accounting Framework (revised 2009)

TAS 1 (revised 2009)

Presentation of Financial Statements

TAS 2 (revised 2009)

Inventories

TAS 7 (revised 2009)

Statements of Cash Flow

TAS 8 (revised 2009)

Accounting Policies, Changes in Accounting Estimates and Errors

TAS 10 (revised 2009)

Events After the Reporting Period

TAS 11 (revised 2009)

Construction Contracts

TAS 16 (revised 2009)

Property, Plant and Equipment

TAS 17 (revised 2009)

Leases

TAS 18 (revised 2009)

Revenue

TAS 19

Employee Benefits

TAS 23 (revised 2009)

Borrowing Costs

TAS 24 (revised 2009)	Related Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (revised 2009)	Investments in Associates
TAS 29	Financial Reporting in Hyperinflationary Economics
TAS 31 (revised 2009)	Interests in Joint Ventures
TAS 33 (revised 2009)	Earnings Per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2009)	Intangible Assets
TAS 40 (revised 2009)	Investment Property
TFRS 2	Share-Based Payments
TFRS 3 (revised 2009)	Business Combinations
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6	Exploration for and Evaluation of Mineral Resources
TFRIC 15	Agreements for the Construction of Real Estate
- Effective for accounting periods on or after January 1, 2013 onwards:	
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 Rate

The management of the Company has assessed and expected that the above standards have no material impact on the consolidated and the Company's financial statements. This excludes TAS 19, Employee Benefit, for which the management is still evaluating an impact to the financial statements in which it is initially adopted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Allowance for Doubtful Accounts

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

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



3.2 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.

3.3 Investments

3.3.1 Investments in subsidiary and associated companies are recorded by the equity method in the consolidated financial statements but by cost method in the Company's financial statements.

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

3.3.3 Current investments in marketable equity securities are recorded at market value at the year-end. Gain or loss on change in value of trading securities is recognised in the income statement. For available-for-sale securities, the Company recognises gain or loss on change in value as an unrealised gain or loss under shareholders' equity.

3.4 Property, Plant and Equipment and Depreciation

3.4.1 Aircraft and aircraft under finance leases

3.4.1.1 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.

3.4.1.2 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.

3.4.1.3 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.

3.4.2 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.

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

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

3.4.5 Gain or loss on sale of aircraft is calculated from the difference between the sale price and the net book value 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 sale price and net book value of sold assets and recognized as revenue or expense in the income statement.

3.5 Assets for Sales

Assets for sales are stated at the lower net book value or appraisal value.

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.

3.6 Intangible Assets

Computer programmes

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 recognised as an intangible asset and amortised 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.

3.7 Impairment of Assets

Assets may be impaired whenever there is an indicator that the carrying amount of the asset exceeds its recoverable amount. A recoverable amount is the higher of an asset's net selling price and its value in use.

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

3.8 Deferred Charges

3.8.1 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.

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

3.9 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.

3.10 Revenue Recognition

3.10.1 Passenger and excess baggage revenues:

3.10.1.1 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.

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



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

3.10.2 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.

3.10.3 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 recognised when members redeem awards.

3.10.3.1 Unredeemed awards are recognized as revenue after 3 years.

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

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

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

3.10.5 Other revenues are recognised on an accrual basis.

3.11 Basic Earnings Per Share

Basic earnings per share is calculated by dividing net profit for the year by the weighted average number of ordinary shares outstanding during the period.

3.12 Foreign Currency Transactions

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

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

3.13 Staff Provident Fund

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

3.14 Deferred Income Tax

The Company’s tax expenses are calculated in accordance with the Revenue Code of Thailand. The deferred income tax is calculated from temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

3.15 Accounting Estimates

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

3.16 Financial Instruments

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

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

4. EFFECT OF CHANGE IN ACCOUNTING ESTIMATES

The Company has changed its accounting policy for recording fixed assets by increasing a value of fixed asset per unit from THB 3,000 to THB 20,000 and up which became effective from January 1, 2010 onwards, in order to present the proper values of fixed assets in its financial statements. As a result, the Company’s expenses increased in the year ended December 31, 2010 amount of THB 21.51 million as compared with the previous accounting policy.



5. CONSIDERATION OF AIRCRAFT IMPAIRMENT

In the fiscal year 2008 ended December 31, 2008, the Company recorded the aircraft impairment losses of 4 Airbus A340-500 aircraft amount of THB 4,425.59 million according to the Resolution of Board of Directors which approved the Company to decommission and sell such aircraft. At present, the Company cannot sell those aircraft therefore they have been taken into the Company's fleet and will be retrofitted for the best benefit. To conform to the TAS 36 "Impairment of Assets", the Company has reviewed its aircraft impairment in this fiscal year ended December 31, 2010 by company the net book value and appraisal value of such A340-500 aircraft. It appears that there is no material in price difference. Therefore, the Company do not record the additional impairment losses of such aircraft.

6. SUPPLEMENTARY INFORMATION

6.1 Cash and Cash Equivalents

	Units : Million Baht			
	Consolidated		The Company	
	2010	2009	2010	2009
Cash - Domestic	133.01	32.32	133.01	32.32
Cash - Abroad	18.59	25.20	18.59	25.20
Bank Deposits - Domestic	22,984.35	2,681.25	22,906.15	2,446.35
Bank Deposits - Abroad	14,543.73	11,560.91	14,543.73	11,560.91
Total	37,679.68	14,299.68	37,601.48	14,064.78

6.2 Trade Accounts Receivable - Net

Trade accounts receivable are classified according to their stages of delinquency, as expressed in the schedule below.

	Units : Million Baht			
	Consolidated		The Company	
	2010	2009	2010	2009
Period overdue				
Not over 6 months	17,008.81	15,259.04	16,980.24	15,180.76
Over 6 months to 1 year	89.86	84.36	89.85	84.82
Over 1 year to 2 years	91.53	224.10	91.61	223.62
Over 2 years	1,456.66	1,421.79	1,427.82	1,392.93
	18,646.86	16,989.29	18,589.52	16,882.13
<u>Less</u> Allowance for doubtful accounts	(1,620.34)	(1,681.73)	(1,591.56)	(1,652.74)
Trade accounts receivable - net	17,026.52	15,307.56	16,997.96	15,229.39

6.3 Inventories and Supplies - Net

Units : Million Baht

	Consolidated		The Company	
	2010	2009	2010	2009
Aircraft spare parts	6,285.86	5,528.14	6,285.86	5,528.14
<u>Less</u> Provision for obsolescence (10% of the year-end balance)	(628.59)	(552.81)	(628.59)	(552.81)
Aircraft spare parts - Net	5,657.27	4,975.33	5,657.27	4,975.33
Vehicle spare parts and ground support equipments	260.24	278.35	260.24	278.35
Slow moving aircraft spare parts and spare parts for sale	1,301.49	1,451.71	1,301.49	1,451.71
<u>Less</u> Provision for obsolescence (33.33% of incurred balance during the period)	(1,292.18)	(1,392.85)	(1,292.18)	(1,392.85)
Slow moving aircraft spare parts and spare parts for sale - Net	9.31	58.86	9.31	58.86
Fuel and oil for aircraft	484.11	200.84	484.11	200.84
Goods for sales	191.07	181.99	191.07	181.99
Cabin supplies	201.99	310.20	201.99	310.20
Supplies and other consumables	20.91	20.61	20.91	20.61
Stationery and office supplies	93.18	106.49	93.18	106.49
Inventories and spare parts in transit	49.59	65.29	49.59	65.29
Total inventories and supplies	1,040.85	885.42	1,040.85	885.42
Obsolete and damaged inventories for disposal	23.33	36.79	23.33	36.79
<u>Less</u> Provision for obsolescence (100%)	(23.33)	(36.79)	(23.33)	(36.79)
Obsolete and damaged inventories for disposal - Net	-	-	-	-
Total inventories and supplies - Net	6,967.67	6,197.96	6,967.67	6,197.96
Total inventories and supplies at year-end	8,911.77	8,180.41	8,911.77	8,180.41
<u>Less</u> Total provision for obsolete inventories and supplies	(1,944.10)	(1,982.45)	(1,944.10)	(1,982.45)
Total inventories and supplies - Net	6,967.67	6,197.96	6,967.67	6,197.96

6.4 Other Current Assets

Units : Million Baht

	Consolidated		The Company	
	2010	2009	2010	2009
Tax refund	265.59	218.85	265.59	218.85
Cash and bank deposits of pension fund	4,650.13	3,346.11	4,650.13	3,346.11
Others	2,075.39	3,107.98	2,047.92	3,071.33
Total	6,991.11	6,672.94	6,963.64	6,636.29



6.5 Investments

Consolidated

Units : Million Baht

Name of Company	Percentage of Shareholding		Investments				Income on investments	
	2010	2009	Cost method		Equity method		2010	2009
			2010	2009	2010	2009		
6.5.1 Investments using the equity method								
Royal Orchid Hotel (Thailand) Public Company Limited (Market value for the year 2010 amount of THB 562.50 million and the year 2009 amount of THB 697.50 million)	24	24	225.00	225.00	185.11	248.14	(63.03)	(34.11)
Donmuang International Airport Hotel Company Limited	40	40	48.00	48.00	112.31	158.48	(12.57)	(14.56)
Bangkok Aviation Fuel Services Public Company Limited (Market value for the year 2010 amount of THB 1,232.50 million and the year 2009 amount of THB 921.49 million)	22.6	22.6	115.19	115.19	659.83	615.87	99.25	76.93
Phuket Air Catering Company Limited	30	30	30.00	30.00	108.95	88.50	29.45	26.15
Suvarnabhumi Airport Hotel Company Limited	30	30	305.33	305.33	100.07	129.97	(29.90)	(62.97)
Nok Airlines Company Limited	39	39	195.00	195.00	234.72	-	234.72	-
<u>Less</u> Allowance for impairment of Nok Airlines Company Limited			-	(195.00)	-	-	-	-
Total investments using the equity Method					1,400.99	1,240.96	257.92	(8.56)
6.5.2 Other long-term investments								
stated at cost								
Fuel Pipeline Transportation Limited	8.4	8.4	133.00	133.00			-	-
Aeronautical Radio of Thailand Limited	2.5	2.7	16.58	18.01			-	-
SITA Investment Certificate	-	-	30.34	33.32			-	-
Trade Siam Company Limited (paid 25% of authorized share capital)	3.5	3.5	1.75	1.75			-	-
SITA Information Networking Computing	-	-	27.44	30.37			-	-
Other Shares	-	-	2.76	2.96			0.11	0.32
<u>Less</u> Allowance for impairment of Fuel Pipeline Transportation Limited			(133.00)	(133.00)			-	-
Total other long-term investments			78.87	86.41			0.11	0.32

The Company

Units : Million Baht

Name of Company	Percentage of Shareholding		Investments Cost method		Dividend Income	
	2010	2009	2010	2009	2010	2009
	6.5.1 Investments using the cost method					
Subsidiary Companies						
Thai-Amadeus Southeast Asia Company Limited						
	55	55	8.25	8.25	70.12	66.00
Wing Span Services Company Limited						
	49	-	0.98	-	-	-
Total			9.23	8.25	70.12	66.00
Associated Companies						
Royal Orchid Hotel (Thailand) Public Company Limited						
	24	24	225.00	225.00	18.00	18.00
(Market value for the year 2010 amount of THB 562.50 million and the year 2009 amount of THB 697.50 million)						
Donmuang International Airport Hotel Company Limited						
	40	40	48.00	48.00	33.60	16.80
Bangkok Aviation Fuel Services Public Company Limited						
	22.6	22.6	115.19	115.19	55.29	43.77
(Market value for the year 2010 amount of THB 1,232.50 million and for the year 2009 amount of THB 921.49 million)						
Phuket Air Catering Company Limited						
	30	30	30.00	30.00	9.00	9.00
Suvarnabhumi Airport Hotel Company Limited						
	30	30	305.33	305.33	-	-
Nok Airlines Company Limited						
	39	39	195.00	195.00	-	-
<u>Less</u> Allowance for impairment of Nok Airlines Company Limited						
			-	(195.00)	-	-
Total			918.52	723.52	97.89	87.57
Total investments using the cost method			927.75	731.77	168.01	153.57
6.5.2 Other long-term investments stated at cost						
Fuel Pipeline Transportation Limited						
	8.4	8.4	133.00	133.00	-	-
Aeronautical Radio of Thailand Limited						
	2.5	2.7	16.58	18.01	-	-
SITA Investment Certificate						
	-	-	30.34	33.32	-	-
TRADESIAM Company Limited (paid 25% of authorized share capital)						
	3.5	3.5	1.75	1.75	-	-
SITA Information Networking Computing						
	-	-	27.44	30.37	-	-
Other Shares						
	-	-	2.76	2.96	0.11	0.32
<u>Less</u> Allowance for impairment of Fuel Pipeline Transportation Limited						
			(133.00)	(133.00)	-	-
Total other long-term investments			78.87	86.41	0.11	0.32



6.5.3 Financial Data Summary of Subsidiary and Associated Companies

Units : Million Baht

Name of Company	Assets	Liabilities	Income	Gains (Losses)
Subsidiary Companies				
Thai-Amadeus Southeast Asia Company Limited	718.41	77.44	317.41	107.22
Wing Span Services Company Limited	1.96	0.01	-	(0.05)
Associated Companies				
Royal Orchid Hotel (Thailand) Public Company Limited	1,643.92	872.64	442.84	(230.08)
Donmuang International Airport Hotel Company Limited	330.32	49.55	132.32	(26.58)
Bangkok Aviation Fuel Services Public Company Limited	5,377.84	2,456.93	1,301.29	402.14
Phuket Air Catering Company Limited	376.40	13.22	256.08	85.44
Suvarnabhumi Airport Hotel Company Limited	1,860.19	1,526.62	661.47	(99.67)
Nok Airlines Company Limited	1,165.61	563.76	2,991.80	466.67

The Company used the financial statements of associated companies as at September 30, 2010 to record the investment by equity method in the consolidated financial statement and by cost method in the Company's financial statement. Because the associated companies cannot submit their financial statements to the Company in time for accounting closing. This is no material impact to the Company.

6.6 Related Parties The Company

6.6.1 Major Shareholders

6.6.1.1 Short-term loans from related party

Units : Million Baht

	2010	2009
Foreign loans via the Ministry of Finance	-	1,116.11

6.6.1.2 Long-term loans from related parties

Units : Million Baht

	2010	2009
Foreign loans via the Ministry of Finance	1,211.85	1,340.67
Government Saving Bank	6,606.00	8,178.00
Islamic Bank of Thailand	1,500.00	2,000.00
Total	9,317.85	11,518.67

6.6.1.3 Promissory notes from related party

Units : Million Baht

	2010	2009
Government Saving Bank	-	500.00

6.6.2 Subsidiary Company

Units : Million Baht

	2010		2009	
	Sales	Purchase	Sales	Purchase
Thai-Amadeus Southeast Asia Company Limited	2.99	-	3.72	-

Units : Million Baht

	2010		2009	
	Account Receivables	Account Payables	Account Receivables	Account Payables
Thai-Amadeus Southeast Asia Company Limited	0.27	-	0.29	-

6.6.3 Associated Companies

Units : Million Baht

	2010		2009	
	Sales	Purchase	Sales	Purchase
Royal Orchid Hotel (Thailand) Public Company Limited	0.22	3.58	0.20	7.06
Donmuang International Airport Hotel Company Limited	-	0.90	-	4.90
Bangkok Aviation Fuel Services Public Company Limited	0.02	368.70	0.03	361.58
Phuket Air Catering Company Limited	2.99	12.11	3.07	3.57
Suvarnabhumi Airport Hotel Company Limited	-	30.95	-	41.20
Nok Airlines Company Limited	1,609.78	-	921.67	-

Units : Million Baht

	2010		2009	
	Account Receivables	Account Payables	Account Rceivables	Account Payables
Royal Orchid Hotel (Thailand) Public Company Limited	-	0.01	-	-
Donmuang International Airport Hotel Company Limited	-	-	-	0.03
Bangkok Aviation Fuel Services Public Company Limited	-	37.15	0.01	37.14
Phuket Air Catering Company Limited	0.26	2.93	0.22	0.77
Suvarnabhumi Airport Hotel Company Limited	-	3.35	-	-
Nok Airlines Company Limited	69.30	-	122.28	-



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

6.7 Property, Plant and Equipment – Net

Consolidated

Units : Million Baht

	Aircraft	Aircraft under finance leases	Aircraft spare parts	Land, buildings and Improvements	Other plant and equipment	Total
Cost						
As at January 1, 2010	141,512.15	171,315.11	31,100.48	18,861.34	29,594.62	392,383.70
- Adjust/Transfers	15,938.78	(12,707.09)	(17.93)	18.83	113.41	3,346.00
- Additions	4,724.59	5,150.49	3,327.00	81.26	195.72	13,479.06
- Disposals	(3,711.65)	(512.84)	(5,462.62)	(59.34)	(348.72)	(10,095.17)
As at December 31, 2010	158,463.87	163,245.67	28,946.93	18,902.09	29,555.03	399,113.59
Impairment Allowance	950.40	3,475.19	-	-	-	4,425.59
Accumulated depreciation						
As at January 1, 2010	78,309.40	43,509.96	20,655.57	10,273.49	21,704.50	174,452.92
- Depreciation	7,045.71	8,485.93	1,759.62	691.59	1,884.64	19,867.49
- Adjust/Transfers	9,847.88	(7,137.72)	279.37	-	34.32	3,023.85
- Disposals	(3,304.29)	(512.84)	(4,569.79)	(50.43)	(337.41)	(8,774.76)
As at December 31, 2010	92,849.10	47,820.52	18,124.77	10,914.65	23,286.05	192,995.09
Net book value						
As at December 31, 2009	62,252.35	124,329.96	10,444.91	8,587.85	7,890.12	213,505.19
As at December 31, 2010	65,614.77	115,425.15	10,822.16	7,987.44	6,268.98	206,118.50

The Company

Units : Million Baht

	Aircraft	Aircraft under finance leases	Aircraft spare parts	Land, buildings and Improvements	Other plant and equipment	Total
Cost						
As at January 1, 2010	141,512.15	171,315.11	31,100.48	18,861.34	29,382.57	392,171.65
- Adjust/Transfers	15,938.78	(12,707.09)	(17.93)	18.83	113.41	3,346.00
- Additions	4,724.59	5,150.49	3,327.00	81.26	194.19	13,477.53
- Disposals	(3,711.65)	(512.84)	(5,462.62)	(59.34)	(348.72)	(10,095.17)
As at December 31, 2010	158,463.87	163,245.67	28,946.93	18,902.09	29,341.45	398,900.01
Impairment Allowance	950.40	3,475.19	-	-	-	4,425.59
Accumulated depreciation						
As at January 1, 2010	78,309.40	43,509.96	20,655.57	10,273.49	21,514.33	174,262.75
- Depreciation	7,045.71	8,485.93	1,759.62	691.59	1,873.62	19,856.47
- Adjust/Transfers	9,847.88	(7,137.72)	279.37	-	34.32	3,023.85
- Disposals	(3,304.29)	(512.84)	(4,569.79)	(50.43)	(337.41)	(8,774.76)
As at December 31, 2010	92,849.10	47,820.52	18,124.77	10,914.65	23,084.86	192,793.90
Net book value						
As at December 31, 2009	62,252.35	124,329.96	10,444.91	8,587.85	7,868.24	213,483.31
As at December 31, 2010	65,614.77	115,425.15	10,822.16	7,987.44	6,256.59	206,106.11

In this fiscal year, there are 95 aircraft represent in the Company's fleet consisting of 54 own aircraft, 31 aircraft under finance leases according to Note to financial statement No. 6.31, and 10 aircraft under operating leases (including 3 B777-300ER aircraft leased from JET AIRWAYS).

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

Other plants and equipment-net amounted to THB 6,268.98 million (consolidated) and THB 6,256.59 million (the Company).

The Company uses buildings and equipment that are now fully depreciated with historical cost of THB 50,999.41 million including the leasehold buildings amount of THB 3,918.75 million.

Finance leased assets are aircraft under finance leases which the purchase contracts are made in USD currency but the finance leases are made in EUR, JPY and USD currencies.

In this year, the finance leased assets increased amount of THB 4,027.20 million.



6.8 Intangible Assets-net

	Units : Million Baht	
	Consolidated	The Company
Cost		
As at January 1, 2010	1,308.14	1,301.42
- Additions	194.65	194.32
As at December 31, 2010	1,502.79	1,495.74
Accumulated amortisation		
As at January 1, 2010	656.23	654.60
- Amortisation	294.20	293.52
As at December 31, 2010	950.43	948.12
Net book value		
As at December 31, 2009	651.91	646.82
As at December 31, 2010	552.36	547.62

6.9 Deferred Income Tax Assets

	Units : Million Baht			
	Consolidated		The Company	
	2010	2009	2010	2009
Contribution to staff pension fund	820.92	964.30	820.92	964.30
Allowance for obsolete inventories	583.23	594.74	583.23	594.74
Allowance for doubtful accounts	542.05	560.62	533.42	551.92
Allowance for impairment in value of assets	1,341.82	1,645.15	1,341.82	1,645.15
Estimated accrual expenses	1,326.71	1,795.93	1,326.23	1,795.93
Frequent flyer program (ROP)	-	13.11	-	13.11
Loss on foreign currency exchange	134.11	134.31	134.11	134.31
Others	22.98	22.65	19.30	19.03
Total	4,771.82	5,730.81	4,759.03	5,718.49

6.10 Other Non-Current Assets

	Units : Million Baht			
	Consolidated		The Company	
	2010	2009	2010	2009
Deferred charges	1,918.80	1,940.15	1,918.80	1,940.15
Others	342.23	367.00	341.85	366.62
Total	2,261.03	2,307.15	2,260.65	2,306.77

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

6.11 Long-term Loans Consolidated and the Company

Currency	Loan Currency		Baht Equivalent (Million)	
	2010	2009	2010	2009
USD	40,000,000	40,000,000	1,211.85	1,340.67
THB	51,406,000,000	33,178,000,000	51,406.00	33,178.00
Total Long-term loans			52,617.85	34,518.67
<u>Less</u> Current portion of long-term loans			2,072.00	2,472.00
Net Long-term loans			50,545.85	32,046.67

At the year-end, long-term loans of the Company consisted of the foreign loans borrowed via the Ministry of Finance amount of THB 1,211.85 million and loans from the commercial banks and Government Saving Bank amount of THB 51,406.00 million. The total of long-term loans amounted to THB 52,617.85 million. As at December 31, 2010, such long-term loans have been transferred to a current portion of long-term loans amount of THB 2,072.00 million, leaving the balance of long-term loans amount of THB 50,545.85 million.

6.12 Liabilities Under Finance leases Consolidated and the Company

Currency	Loan Currency		Baht Equivalent (Million)	
	2010	2009	2010	2009
JPY	36,785,991,071	46,115,845,299	13,765.98	16,860.37
USD	25,249,036	88,520,604	764.95	2,966.92
EUR	1,237,283,018	1,236,565,258	49,796.18	59,513.91
Total liabilities under finance leases			64,327.11	79,341.20
<u>Less</u> Current portion of finance leases			9,595.02	11,312.93
Net Liabilities under finance leases			54,732.09	68,028.27

The Company has exercised purchase options at the end of term finance leases of aircraft, presented the value regarding to the accounting policy described in Note 3.9, with 8 foreign financial institutions. As at December 31, 2010, the outstanding balance of obligations under finance leases for 31 aircraft are THB 69,774.51 million with maturities ranging from 2010 to 2022. After deducting interest expenses due amount of THB 5,447.40 million, the principal balance of obligations under the Company's finance leases is THB 64,327.11 million. As at December 31, 2010, the amount of THB 9,595.02 million has been transferred to a current portion of financial lease, leaving the balance of long-term liabilities under financial lease amount of THB 54,732.09 million.



6.13 Debentures

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

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

As at December 31, 2010, the balance of debentures was THB 29,334.71 million which the amount of THB 11,487.92 million was transferred to a current portion of long-term liabilities, leaving the balance of long-term liabilities amount of THB 17,846.79 million. The details are as follows:

Units : Million Baht

	Tenor (Year)	Interest Rate Pay every 6 months (%)	Amount (MTHB)	Redemption date
The second	7	5.20	4,500.00	October 20, 2011
	10	5.80	3,000.00	October 20, 2014
			7,500.00	
The third	6	4.67	6,000.00	May 12, 2011
	10	5.19	3,000.00	May 12, 2015
			9,000.00	
The 1/2550	5	5.04	4,500.00	November 22, 2012
The 1/2551	3	5.05	987.92	October 2, 2011
	5	5.50	2,556.79	October 2, 2013
			3,544.71	
The 1/2552	3	5.30	170.00	January 20, 2012
	5	5.45	720.00	January 20, 2014
	7	5.60	300.00	January 20, 2016
	10	6.00	3,600.00	January 20, 2019
			4,790.00	
The balance as at December 31, 2010			29,334.71	

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

6.14 Deferred Income

Deferred income is the A380-800 delay compensation arising from the delay delivery of 6 A380-800 aircraft aside from penalty in the agreement. The deferred income is recognised as revenue according to the former delivery period until the next delivery period of such aircraft. For the year ended December 31, 2010, the amount of the THB 1,460.95 million was recognised as revenue, leaving the balance of deferred income amount of THB 509.42 million.



6.15 Other Current Liabilities - Others

	Units : Million Baht			
	Consolidated		The Company	
	2010	2009	2010	2009
Airport fees	2,258.59	2,909.20	2,258.59	2,909.20
Deferred revenue	2.54	3.16	2.41	3.03
Taxes payable	783.74	805.28	782.01	805.02
Fringe benefits-field office staff	574.54	539.46	574.54	539.46
Other accounts payable	2,222.58	1,883.57	2,202.22	1,859.49
Total	5,841.99	6,140.67	5,819.77	6,116.20

6.16 Long-Term Provision

6.16.1 The Court of First Instance has sentenced the Company to pay compensatory damages claimed by the employees in the amount of THB 15.35 million. At present, the Company has appealed the case to the Court of Appeal.

6.16.2 The Court of First Instance has sentenced the Company to pay compensatory damages for the cancellation the purchase of wines claimed by Ming Yeng International Co., Ltd. in the amount of THB 27.63 million. The Company's lawyer is going to appeal the case.

6.16.3 In the year 2009, the case where the courts awarded the Company to pay its liabilities amount of THB 2.17 million, which is now under the consideration of the Supreme Court.

6.16.4 The court of first instance has ordered the Company to compensate employees in the amount of THB 3.22 million. The case is now under the consideration of the Supreme Court.

6.16.5 In the fiscal year 2008, the Company has set up the reserve for damages and fines for the Antitrust and Competition cases and investigations in the amount of THB 4,290.17 million. As at December 31, 2008, the amount was transferred to short-term provision in the amount of THB 458.20 million, leaving the balance of long-term provision amount of THB 3,831.97 million. And in the fiscal year 2010, the Company has adjusted reduction in all short-term provision and long-term provision total amount of THB 1,783.19 million. As at December 31, 2010, the outstanding balance of long-term provision is THB 2,506.98 million. The provision is calculated by approximation from the estimated damages and fines figured by the lawyers in each region taking into account the facts that the lawyers are aware of and in according with the following criteria:

1. The above estimated damages and fines are calculated from 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.
2. The above such estimated fine amounts are the estimate of fine figured by the competent authority of each countries which have carried out an investigation and litigation including the initial estimate of the compensation in the Civil Class Actions of both Cargo and Passenger cases in the United States. Both civil cases have not yet been determined the amount of claim and the plaintiffs still have the legal obligations to prove the actual damages.
3. The sentence or decision on the cases shall 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 are 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 turn over amount of such locations which shall be base for calculation of fine or damages is unaware then.

4.2 The determination of fine and damages is up to the discretion of the deciding body. Other facts of the cases may need to be considered by such deciding body.

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

6.17 Dividends Payment the Company

According to the Resolution of the 2010 Annual General Shareholders' Meeting held on April 28, 2010 approved the Company to pay the dividend for the year 2009 operating result to the shareholders of 1,698.90 million shares at THB 0.25 per share amounting to THB 424.73 million. The Company paid the dividends amount of THB 424.70 million because there are 98,512 nominee shares having no rights to receive the dividend amount of THB 0.03 million.

6.18 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, totalling to THB 10.99 million and to increase in the registered share 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 share capital.

On June 3, 2010, the Company has registered 1,000 million additional ordinary shares at par value of THB 10 each, totalling 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 (excluding the Ministry of Finance) 221.83 million shares, and retail investors 15.11 million shares. So, the Company already received the amount of ordinary shares issuance on September 24, 2010.

As at December 31, 2010, the Company has authorized ordinary shares amount of 2,698.90 million shares at par value THB 10 each for an aggregate of THB 26,989.01 million, issued and paid-up ordinary shares amount of THB 21,827.72 million.

6.19 Legal Reserve

As at December 31, 2009, the Company's legal reserve balance was THB 1,700 million. The Company provided the additional legal reserve in the fiscal year 2010 amount of THB 769.79 million, or 5% of net profit for the year according to the Public Company Act. Therefore, the total legal reserve balance as at December 31, 2010 amounted to THB 2,469.79 million.



6.20 Management Benefit Expenses

Managements refer to the Company's Board of Directors, chief executive, persons in the next four executive levels below the chief executive, and in similar position, and accounting or finance department managers or above according to the regulation of the Stock Exchange of Thailand.

	Units : Million Baht			
	Consolidated		The Company	
	2010	2009	2010	2009
Board of Directors' benefit expenses	15.98	14.68	14.50	13.16
Executives' benefit expenses	57.86	46.24	57.86	46.24
Total	73.84	60.92	72.36	59.40

Moreover, the Directors of the Company obtain the ticket benefits. In the year 2010 and 2009, they issued the tickets for themselves and their related parties amount of 179 and 206 tickets with the value of THB 24.37 million and 23.80 million, respectively, calculating from the full fare tickets in those traveling classes.

6.21 Others

Text	Units : Million Baht			
	Consolidated		The Company	
	2010	2009	2010	2009
Gains on sales of assets	93.91	232.34	93.91	232.34
Dividends from subsidiary and associated companies	-	-	168.01	153.57
Revenue from other services of Aircraft	281.73	330.98	281.73	330.98
Maintenance Department				
Revenue from airport fees collected from passengers	1,068.79	247.24	1,068.79	247.24
Compensation revenue from the delay delivery of aircraft	1,460.95	738.04	1,460.95	738.04
Others	591.29	545.12	592.73	546.19
Total	3,496.67	2,093.72	3,666.12	2,248.36

6.22 Other Expenses

Text	Units : Million Baht			
	Consolidated		The Company	
	2010	2009	2010	2009
Rentals and utilities	2,728.73	2,881.24	2,728.73	2,881.24
Office supplies	230.38	220.11	230.38	220.11
Repair of building and equipment	511.54	453.40	511.54	453.40
Outsource services	926.21	1,077.01	926.21	1,077.01
Consultant and service fees	524.59	426.75	524.59	426.75
Legal fee for Antitrust/ Competition Law	(1,596.91)	90.13	(1,596.91)	90.13
Computer service expenses	404.92	378.61	404.92	378.61
Travelling and transportation expenses	577.54	562.07	577.54	562.07
Concession fees	276.29	233.36	276.29	233.36
Passenger claim expenses	279.54	236.79	279.54	236.79
Others	1,251.99	1,544.19	1,186.85	1,497.41
Total	6,114.82	8,103.66	6,049.68	8,056.88

The cost of legal proceeding for the protection of the antitrust is the potential damages, which the Company had reserved the costs of damages and fine arisen from the antitrust infringement in the fiscal year 2008 amounting to THB 4,290.17 Million. In the fiscal year 2010, the Company has nevertheless deducted such reserved cost for potential damages in the amount of THB 1,783.19 Million. In addition, it must be noted that the Company has already recorded the cost of the professional lawyer for the case that the Company was sued, alleged and administrative costs, in the total of THB 186.28 Million. Consequently, the cost of legal proceeding for the protection of the antitrust can be decreased in the total of THB 1,596.91 Million (See the remark of financial budget in 6.29.2)

6.23 Net Tax Expenses

Text	Units : Million Baht			
	Consolidated		The Company	
	2010	2009	2010	2009
Tax expense (income) from taxable profit for the period	1,166.17	16.47	1,117.12	(47.87)
Add(less) : deferred tax asset/ liability from temporary				
different increase/ decrease	958.99	674.96	959.47	669.58
Net tax expenses	2,125.16	691.43	2,076.59	621.71

Tax credit arising from net losses which incurred in the fiscal year ended December 31, 2008 in accordance with P.N.D. 50 amounted to THB 15,722.63 million. In the fiscal year ended December 31, 2009, the Company exercised its tax benefit amount of THB 6,301.78 million, leaving the balance of unexercised tax credit amount of THB 9,420.85 million which, the Company exercised such the whole amount of tax benefit in the fiscal year ended December 31, 2010.



6.24 Investment Promotion

The Company received two 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 and 1874(2)/2552 received on March 13 and November 19, 2010, respectively. Under the condition, the Company will give a privilege for exemption from corporate income tax for the net profit, which operated by such aircraft starting from the date of first revenues derived from the promoted activities, up to 8 years

Revenues from sales and revenues from services separated from the promoted and non-promoted activities for the year ended December 31, 2010 and 2009 are as follows:

Text	Units : Million Baht	
	The Company	
	2010	2009
Revenues from sales and revenues from services		
Promoted activities	6,559.07	-
Non-promoted activities	173,714.27	161,222.65
Total revenues from sales and revenues from services	180,273.34	161,222.65

6.25 Earnings Per Share Consolidated and the Company

Basic earnings per share is calculated by dividing net profit for the period by the weighted average number of ordinary shares outstanding during the periods.

Text	Units : Million Baht/Million Shares			
	Consolidated		The Company	
	2010	2009	2010	2009
Profits (losses) attributable to Equity holders of the parent	15,349.69	7,343.58	15,395.86	7,417.41
Number of ordinary shares in issued as at January 1, 2010	1,698.90	1,698.90	1,698.90	1,698.90
An effect from issued share capital on September 24, 2010	131.24	-	131.24	-
Number of weighted average ordinary shares	1,830.14	1,698.90	1,830.14	1,698.90
Basic earnings per share (THB)	8.39	4.32	8.41	4.37

6.26 Financial Information by Segment Consolidated

6.26.1 Business Segments

Statements of Income

For the years ended December 31, 2010 and 2009

Units : Million Baht

	Revenues		Inter - Segment Revenues		Total Revenues		Segment Results	
	2010	2009	2010	2009	2010	2009	2010	2009
Air transportation	173,092.16	153,827.36	-	-	173,092.16	153,827.36	12,338.65	8,828.44
Business Units	6,448.83	6,820.86	14,716.98	13,820.02	21,165.81	20,640.88	(2,142.14)	163.57
Other activities	1,047.69	954.52	340.41	355.06	1,388.10	1,309.58	343.49	415.83
Eliminations	-	-	(15,057.39)	(14,175.08)	-	-	-	-
Operating profits							10,540.00	9,407.84
Share of profits (losses) of investments by the equity method							257.92	(8.56)
Finance costs							(4,980.69)	(5,559.50)
Gains on foreign currency exchange							9,106.26	3,167.36
Other income							2,599.61	1,100.11
Minority interests							(48.25)	(72.25)
Net tax expenses							(2,125.16)	(691.42)
Net profits							15,349.69	7,343.58

Assets and Liabilities

As At December 31, 2010 and 2009

Units : Million Baht

	Current Assets		Non-Current Assets		Total Assets	
	2010	2009	2010	2009	2010	2009
Air transportation	74,382.06	43,935.57	205,763.65	213,270.15	280,145.71	257,205.72
Business Units	860.43	550.72	9,664.62	11,095.91	10,525.05	11,646.63
Other activities	690.08	705.99	30.29	39.66	720.37	745.65
Non-allocated assets	2,368.87	2,096.09	-	-	2,368.87	2,096.09
Total	78,301.44	47,288.37	215,458.56	224,405.72	293,760.00	271,694.09

Units : Million Baht

	Current Liabilities		Non-Current Liabilities		Total Liabilities	
	2010	2009	2010	2009	2010	2009
Air transportation	79,101.24	79,131.05	130,068.83	137,947.66	209,170.07	217,078.71
Business Units	1,225.34	957.91	43.70	50.94	1,269.04	1,008.85
Other activities	75.83	84.41	1.62	-	77.45	84.41
Non-allocated liabilities	333.29	278.16	-	-	333.29	278.16
Total	80,735.70	80,451.53	130,114.15	137,998.60	210,849.85	218,450.13

Segment results derive from segment revenues net of segment costs and operating expenses excluding interest expenses, gains (losses) on foreign currency exchange, other expenses, and income taxes.

Segment current and non-current assets are those operating assets that are employed by a segment in its operating activities.



Segment current and non-current liabilities are those operating liabilities that result from the operating activities of a segment.

The Company records inter-segment revenue transfers at market price charged to its unaffiliated customer net of discount. As for the Technical Department, the inter-segment revenue is recorded at cost plus. Those transfers are eliminated in consolidation.

6.26.2 Geographical Segments

	Units : Million Baht	
	2010	2009
Domestic Revenues		
Transportation	12,843.85	12,346.48
Business units	6,448.83	6,820.87
Other activities	1,047.69	954.52
Total domestic revenues	20,340.37	20,121.87
Foreign Transportation Revenues		
Regional Asia	63,467.62	54,194.31
Europe	42,493.38	40,548.81
North Pacific	3,612.94	2,347.40
Australia & New Zealand	14,767.63	13,831.45
Africa	726.90	45.70
Total foreign transportation revenues	125,068.47	110,967.67
Charter revenues and others	9,161.77	4,552.42
Insurance surcharge from passengers	1,925.32	2,403.13
Fuel surcharge from passengers	24,092.75	23,557.65
Interest income	185.03	178.07
Other income	3,496.67	2,093.72
Total	184,270.38	163,874.53

6.27 Staff Pension Fund Consolidated and the Company

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 balance sheet. Interest and expenses arising from fund operations are recognised as income and expenses of the Company. The details are as follows:

	Units : Million Baht	
	2010	2009
Current assets	4,761.11	4,727.32
Others	31.37	22.13
Total	4,792.48	4,749.45
Other current liabilities	421.34	40.84
Pension fund	4,371.14	4,708.61
Total	4,792.48	4,749.45

As at December 31, 2010, the fund balance was THB 4,371.14 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 261.54 million, consisting of contributions at a rate equivalent to 10% of employee salaries in the amount of THB 231.78 million and the amounts to match the Company's obligation of THB 29.76 million.

6.28 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 1,112.24 million in this fiscal year.

The Company's provident fund is managed by Kasikorn Asset Management Company Limited and Krungthai Asset Management Public Company Limited which are permitted by the Securities and Exchange Commission, Thailand (SEC).

6.29 Contingent Liabilities

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

	Units : Million Baht	
	2010	2009
Letters of guarantee issued by banks – Domestic	132.48	135.91
Letters of guarantee issued by banks – Abroad	203.63	225.60
The Company as defendant in		
Labor dispute cases	1,751.71	1,667.80
Damage claims cases	2,308.62	2,661.19
Total	4,396.44	4,690.50

6.29.2 The Company has been sued, alleged and investigated in the violation of the antitrust law and also other cases that has a criminal sanction. This will be succinctly elucidated in following details.

1. The Company still has the competition law infringement. A group of 35 cargo shippers have brought an action against the Company before the Civil Court of New York alleging that the Company jointly with other 38 airlines fixed fuel surcharge, war risk surcharge and other fees in violation of the Sherman Antitrust Act of 1890 and the Clayton Antitrust Act of 1914 and European Union laws causing damages to them. They sought the court's order for compensation by the Company.

2. A group of passengers has brought actions against the Company before the Civil Court in Los Angeles and San Francisco totally 19 cases alleging that conspiracy among 12 airlines to fix, maintain, and /or stabilize prices for long haul passenger transpacific flights to and from the United States (Price Fixing in respect of Transpacific carriers) in violation of the Sherman Antitrust Act of 1890 and the Clayton Antitrust Act of 1914. The Judicial Panel on Multi-district Litigation has ordered to combine the 19 cases to be considered by the court at San Francisco as a single case. In both cases (at the Civil Court of New York and at San Francisco) are civil class action where at the time of complaints, the Plaintiffs have not determined the amount of compensation and shall request to the courts later.



In addition, the case as stated in 1 and 2 is the proceeding of Civil Class Action. The Company has retained the expert law firms and has joined the Joint Defense Group. The cases are now being considered by the courts. The damages in both cases are yet to be determined until the Company would have been found guilty. In case that the courts rule that the Company is guilty, the courts shall determine the damages and compensations and penalty which, under the law, could be up to 3 times of the damages proven by the Plaintiffs. At present, the amount of the compensatory damages in the US. cases cannot be determined. Currently, during the process of gathering and filing the evidences according to the process of discovery.

3. The Company received the Statement of Objections from the Commission of the European Communities alleging that the Company and other 27 airlines infringed the Treaty establishing the European Community (the EC Treaty) by coordinating pricing behavior in the provision of air freight services on a global basis with respect to the fuel surcharge, the security surcharge, the war surcharge, freight rates and the payment of commission to forwarders on surcharges causing damages to air freight shippers. The law sets forth penalty provisions in a fine of 30% of the turnover of freight service transport to and from and within EU in the preceding business year before decision times the number of years of infringement but not exceed 10% of the total worldwide turnover of a company in the preceding business year before decision. The Company has retained an expert law firm to take charges of the case. At present, the Company is not aware of the amount of the fine as to which turnover shall be calculated. The case is now being considered by the Commission. In case that the Commission considers that the Company is guilty, the Company shall be fined in what amount, and from which turnover, are yet to be determined. And the Commission of the European Communities made a decision to abrogate such allegation on November 9, 2010. The Company was therefore not be lawfully enforced to pay a fine.

4. The case where the New Zealand Commerce Commission (NZCC) has filed suit against the Company and other 13 airlines before the court at Auckland alleging that the Company jointly with other airlines fixed the fuel surcharge and security surcharge in violation of Commerce Act of New Zealand and requests the court to order to fine the Company according to the law, at the time of the suit was filed, the NZCC has not specified the amount of fine and compensation. The matters will be considered and judged by the court. At present, the company has submitted the answers to the court. Currently in the court trial.

5. The investigation cases by the US. Department of Justice (DOJ) are now in the process of investigation, and subpoenas requiring for documents have been served to the Company. The Company has retained local lawyer to coordinate with the DOJ. The Company is not aware as to whether allegation is being sought.

6. The Company was investigated by the Australian Competition and Consumer Commission (ACCC) on October 28, 2009. The ACCC has filed suit against the Company alleging that the Company is in violation of the Trade Practices Act 1974. At the time of the filing, no fine nor compensation was requested yet. At present, the company has submitted the answers to the court. Currently in the process of discovery.

7. The case where the Company was investigated by Republic of Korea Fair Trade Commission (KFTC) on October 29, 2009, the Company received the Examiner's reports alleged that the Company was in violation of antitrust law. Such reports also suggested KFTC to bring a criminal action against the Company and its relevant employees to be responsible for having involved in the determination of the extra fees. The Company then received the official decision of the KFTC Commissioners on November 30, 2010. By such decision the Company was consequently imposed a fine amounting to KRW 2.203 Million which is equivalent to THB 57.50 Million (Currency Exchange: 0.0261 Won = 1 Bath). Such amount can be divided into the amount of KRW 2.198 Million, which is equivalent to THB 57.37 Million and the amount

of KRW 5 Million which is equivalent to THB 0.13 Million for the destinations Ex-Korea and Ex-Hong Kong respectively. KFTC would not bring a criminal action against the Company and its employees. On January 20, 2011 KFTC then issued the Examiner's Report ordering alteration of the amount of fine on Ex-Hong Kong route to be KRW 679 million. Consequently, the total amount of fine is KRW 2,877 million. Nevertheless, the Company has already appealed the KFTC Commissioners' decision to the competent court.

The legal fees for the claimed and alleged cases and the coordination costs have been recorded as expenses for the fiscal year ended December 31, 2010 in the amount of THB 186.28 million. And for the potential damage costs, the Company has set a reserve for such costs in the fiscal year 2008 in the total amount of THB 4,290.17 million. The Company has nevertheless decided to deduct the reserved costs for the potential damages in the amount of THB 1,783.19 Million in the fiscal year 2010. Such totally reserved costs have consequently remained only at the amount of THB 2,506.98 Million.

6.29.3 The Company was sued by CEAT for the use of Website Thaiairways.com in America and the Company has been requested to provide compensations for the costs of legal proceeding. The Company is now providing necessary information to the lawyer retained by AMADEUS to represent the Company in legal proceeding.

6.30 Disclosure of Financial Instruments The Company

6.30.1 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 in the present and the future.

The following tables show weighted average interest rates and the amount of financial liabilities.

2010

Units : Million Baht

Financial Liabilities	Weighted Average Interest Rate	Outstanding Balances Floating Interest Rates			Outstanding Balances Fixed Interest Rates			Total
		Less than 1 year	1 to 5 years	over 5 years	Less than 1 year	1 to 5 years	over 5 years	
		USD	4.46	764.95	-	-	-	
JPY	1.28	3,511.34	7,753.22	2,501.42	-	-	-	13,765.98
EUR	1.88	4,108.32	17,822.12	19,074.41	1,210.42	5,112.87	2,468.05	49,796.19
THB	3.88	2,072.00	31,122.53	13,211.47	11,487.92	18,946.79	3,900.00	80,740.71
Total		10,456.61	56,697.87	34,787.30	12,698.34	25,271.51	6,368.05	146,279.68

2009

Units : Million Baht

Financial Liabilities	Weighted Average Interest Rate	Outstanding Balances Floating Interest Rates			Outstanding Balances Fixed Interest Rates			Total
		Less than 1 year	1 to 5 years	over 5 years	Less than 1 year	1 to 5 years	over 5 years	
		USD	4.31	862.15	846.27	-	2,374.62	
JPY	1.32	3,411.08	9,753.05	3,696.24	-	-	-	16,860.37
EUR	1.57	4,364.82	18,876.44	24,343.21	1,416.37	5,982.83	4,530.24	59,513.91
THB	4.77	3,222.00	25,138.00	568.00	12,255.29	27,434.71	6,900.00	75,518.00
Total		11,860.05	54,613.76	28,607.45	16,046.28	34,758.21	11,430.24	157,315.99

For Interest Rate Risk Management, The Company applies a derivative financial instrument, Interest Rate Swap (IRS), to swap the floating interest rates which show high tendency to increase to fixed. As at December 31, 2010, the portion of the Company's debt after swap with floating to fixed interest rate is 54 : 46.

At the moment, the Company has the total of 10 IRS transactions, swapping debt with floating interest rate to 1 with fixed interest rate. 2 of these transactions are in JPY currency, the remaining 8 in EUR. As at December 31, 2010, IRS transactions' total notional amount was THB 21,737.46 millions of which interest exchange payments are done quarterly. The 2 transactions in JPY currency will expire in 2013, the 4 transactions in EUR currency will expire in 2017 and the 4 transactions in EUR currency will expire in 2018.

6.30.2 Foreign Currency Exchange Rate Risk

The Company generates revenues in more than 40 currencies, mainly in USD, THB, EUR and JPY while incurring liabilities mainly in 4 major currencies : EUR, THB, JPY and USD as well as expenses mainly in USD and THB. Fluctuations in exchange rates affect on long-term liabilities and operating expenses denominated in foreign currencies. Therefore, The Company has adopted "Natural Hedge" strategy to manage this risk by increasing the matching of currency between the revenue 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 statement. 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, 2010, the proportion of the Company's debts after swap in each currency i.e. USD : EUR : JPY : THB is 1 : 35 : 9 : 55. Gradually, the Company also used hedging strategy named Forward Contracts, by providing various degrees of participation in favorable exchange rate movement to hedge our future obligation that has underlying exposures.

At present, the Company has 2 CCS transactions, swapping debt in USD currency with floating interest rate to EUR currency with fixed rate. As at December 31, 2010, the two CCS transactions' total notional amount was THB 764.95 millions of which exchange payments, both principal and interest, are done quarterly. The two CCS transactions will expire in 2011.

Currency	Foreign Currency Liabilities			Units : Million Baht		
	2009			2010		
	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	764.95	1,211.85	-	3,236.77	2,186.94	-
JPY	3,511.34	7,753.22	2,501.42	3,411.08	9,753.05	3,696.24
EUR	5,318.74	22,934.99	21,542.46	5,781.19	24,859.27	28,873.45

6.30.3 Fuel Price Risk

Fuel price fluctuation depends on supply and demand of global economic situation and political uncertainty worldwide. Fuel price has 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 shareholder 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 50 percent of annual fuel consumption, whereby the tenor of each contract would be for a period of not more than 18 months. The Company selected a financial tool that was suitable for the market situation by establishing the lowest and highest prices of jet fuel, whereby the Company would incur the difference in USD currency, should the price of jet fuel falls below the lowest price. On the contrary, the Company would be compensated should the price of jet fuel rises higher than the highest price. In this fiscal year, the Company's hedge portion account to 58.0 percent of its annual fuel consumption. As at December 31, 2010, the Company still has are obligation from full hedging until June 2010 amount of 3.48 million barrels of Jet fuel whereby the average lowest and the highest jet fuel prices are at USD 78 per barrel and USD 101 per barrel, respectively.

6.30.4 Fair Value of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing, independent parties with the freedom to bargain.

The methods and assumptions that the Company uses to estimate the fair value of assets and liabilities are as follows:

Cash and cash equivalents, trade accounts payable, loans, and accrued expenses are stated at the carrying value.

Investments in related companies not having market prices are stated at cost net of allowance of impairment. As for the investments in related companies having market prices are stated at closed market price of the Stock Exchange of Thailand.

Other investments are stated at net book value net of allowance of impairment. Investments in marketable equity securities are stated at market value.

Trade accounts receivable are stated at net book value net of allowances for doubtful accounts.

6.31 Airbus A330-300 Delivery

On December 23, 2009 and March 29, 2010, the Company took delivery of 3 and 2 Airbus A330-300, totalling 5 aircraft under financial leases. The aircraft have not been in the Company's fleet to operate for commercial purpose yet because the economy class seats for such aircraft have not been installed. The aircraft are under preservation awaiting for the seat installation in Bordeaux in France. Koito Industries Limited informed the Company that the economy class seats cannot be delivered within September 20, 2010. On August 3, 2010, the Company has sent the Notice of Termination of General Terms Agreement with Koito. Also, the Company already assigned The Legal and Compliance Department to retain the specialized attorney to claim damage from Koito for the late delivery of economy seats.



On July 2, 2010, the Company has entered into an agreement with another seat manufacturer namely Zim Flugsitz GmbH to produce and deliver the economy class seats for such 5 Airbus A330-300 aircraft. It is expected that the first aircraft will be delivery on March 2011.

Under the ECA Loan Agreement for the 5 aircraft, the Company shall mandatory prepay the outstanding amount of the loan if the economy class seats have not been installed on the aircraft by October 22, 2011, the date that the Company got a written approval from a Bank Representative and ECA Facility Agent to extend the Economy Seat Installation Long-Stop Date for such 5 aircraft whilst the Aircraft Preservation Agreement between the Company and Airbus S.A.S has been extended until October 22, 2011. As for the obligation expenses such as seat installation expenses, storage and maintenance of aircraft in flight ready expenses, and monthly survey and parking fee, the Company has already recorded those expenses amount of THB 115.18 million.

6.32 Contractual Obligations

6.32.1 Obligation to Purchase Aircraft

The Company has a payment obligation to purchase 6 A380-800 aircraft and 7 A330-300 aircraft amount of THB 51,862.26 million, expected to take delivery during the year 2011-2013.

6.32.2 Leases and obligations of aircraft

The Company has obligations from entering into operating leases amount of USD 1,601.75 million or approximately to THB 48,527.13 million (exchange rate USD 1 : THB 30.2963) consisting of 2 A330-300, 3 B737-400, 2 B777-200 aircraft and 11 B777-300ER aircraft, including 8 Boeing 777-300ER aircraft which are not in the Company fleet. The Company has entered into the Predelivery Commitment Agreement and Aircraft Lease Agreement with BOC Aviation Pte.Ltd. (BOCA) on October 22, 2010. The 8 Boeing 777-300ER will be delivered in 2012 and 2013. For aircraft under operating leases, the leases will be expired during 2013-2025.

6.32.3 Lease and obligation of Cargo Block Space

The Company has an obligation of cargo block space which is determined a minimum block hour amount of USD 76.48 million or approximately to THB 2,317.06 million per block space for 2 aircraft. The lease will be expired in the year 2012.

6.33 Events After the Balance Sheet

6.33.1 On January 18, 2011, one Airbus A300-600 was delivered to T.P. Aviation Company Ltd. which the Company already received the money. Another Airbus A300-600 aircraft is on the delivery process.

6.33.2 With respect to the Board of Directors' resolution dated on December 17, 2010 approved the Company to revise the covenant provision regarding the shareholding ratio of the Ministry of Finance and/or Government Agencies in the financing agreements in accordance with the policy of the Ministry of Finance, the Company has completed the shareholding covenant amendment of the A340-600 No. 6's financing agreement and prepaid the loan at the amount of EUR 30 million or approximately THB 1,268.46 million on January 31, 2011.

6.34 Approval of Financial Statements

These financial statements were approved by the Audit Committee, the Authorized Board of Directors, on February 23, 2011.

General Information

Company Name	Thai Airways International Public Company Limited
Business	Aviation transportation services and other related services
Head Office	89 Vibhavadi Rangsit Road, Jompol, Jatujak, Bangkok 10900
Registration Number	0107537001757
Home Page	www.thaairways.com
Telephone	66 (0) 2545-1000, 66 (0) 2695-1000
THAI Contact Center	66 (0) 2545-3000

Ordinary Shares

As of December 31, 2010 the Company has :

Registered capital: 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: 2,182,771,917 shares with a par value of 10 baht per share or a total of 21,827,719,170 baht

Affiliated Companies in Which The Company's Shareholding Exceeds 10%

Company Names	Business Type	Share Type	Paid-up Authorized Shares (Million Baht)	Percent of Interest
Thai-Amadeus Southeast Asia Company Limited The Offices at Central World 999/9 Unit 3406-3412, 34 th Floor, Rama 1 Road, Pathumwan, Pathumwan, to Agents Bangkok 10330 Thailand Tel. 66 (0) 2207-9090 Fax. 66 (0) 2207-9191	Online Ticketing Services and Other Travel Services	Ordinary	15.00	55.0
Donmuang International Airport Hotel Company Limited 333 Moo 10, Chert Wudthakas Road, Don Muang, Bangkok 10210 Tel. 66 (0) 2566-1020-1 Fax. 66 (0) 2566-1941	Hotel and Restaurant	Ordinary	120.00	40.0
Phuket Air Catering Company Limited 10/3 Moo 6, Sanambin Road, Tambon Mai Khoa, Amphur 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	30.0
Royal Orchid Hotel (Thailand) Public Company Limited 2 Captain Bush Lane, Charoen Krung Road, Bangrak, Bangrak, Bangkok 10500 Tel. 66 (0) 2266-0123 Fax. 66 (0) 2236-6656	Hotel and Restaurant	Ordinary	937.50	24.0
Bangkok Aviation Fuel Services Public Company Limited 171/2 Moo 10, Vibhavadi Rangsit Road, and Sikan, Don Muang, Bangkok 10210 Tel. 66 (0) 2565-3811-8 Fax. 66 (0) 2565-3825	Aviation Fuel Services, 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	30.0
Nok Air Company Limited 183 Rajanakarn Building, 17 th Floor, Services South Sathorn Road, Yannawa, Sathorn, Bangkok 10120 Tel. 66 (0) 2627-2000 Fax. 66 (0) 2286-9830	Aviation Transport Services	Ordinary	500.00	39.0
WingSpan Services Company Limited 89 Vibhavadi Rangsit Road, Jompol, Jatujak, Bangkok 10900 Tel. 66(0) 2545-1267, Fax. 66(0) 2545-1535	Aviation Transport Services	Human Resources Management	2.00	49.0

Note: As at December 31, 2010



Board of Directors



Mr. Ampon Kittiampon

Chairman

Education

- Ph.D. (Applied Economics)
Clemson University,
South Carolina, USA

Experience

- Deputy Permanent Secretary,
Ministry of Agriculture and
Cooperatives
- Secretary General, Office of
the National Economic and
Social Development Board

Present Positions

- Secretary General, The Secretariat of
the Cabinet
- Member, Monetary Policy Committee
- Independent Director,
PTT PCL.
- Director, The Aromatics and
Refining PCL.



Mr. Surachai Tansitpong

1st Vice Chairman and
Independent Director

Education

- MPA National Institute of
Development Administration

Experience

- Permanent Secretary,
Ministry of Transport
- Deputy Permanent Secretary,
Ministry of Transport
- Director General,
Department of Rural Roads



Mr. Sathit Limpongpan

2nd Vice Chairman

Education

- Ph. D. (Development Administration),
National Institute of Development
Administration

Experience

- Permanent Secretary,
Ministry of Finance
- Deputy Permanent Secretary,
Ministry of Finance
- Director General, Thai Customs
Department

Present Positions

- Chairman, Krung Thai Bank PCL.





Mr. Chulasingh Vasantasingh

Independent Director

Education

- MCL (Comparative Law) University of Illinois, USA

Experience

- Deputy Attorney General
- Inspector Attorney General
- Director General, Department of the Legal counsel of the Attorney General

Present Positions

- Attorney General
- Independent Director PTT Exploration and Production PCL.
- Independent Director, Krung Thai Bank PCL.
- Director, The Thai Bar

Mr. Banyong Pongpanich

Independent Director

Education

- MBA (Finance) Sasin Graduate Institute of Business Administration

Experience

- Independent Director, The Erawan Group Co., Ltd.
- Director, Don Muang Tollway PCL.
- Independent Director, Phatra Insurance PCL.

Present Positions

- Chairman, Phatra Securities PCL.
- Member of Advisor Council, Sasin Graduate Institute of Business Administration,
- Director, Mae Fahluang Foundation

Mr. Weerawong Chittmittrapap

Independent Director

Education

- LL.M. University of Pennsylvania, USA

Experience

- Director, Nutrix PCL.
- Director and Audit Committee, ITV PCL.
- Executive Partner, White and Case (Thailand) Co., Ltd.

Present Positions

- President, Weerawong, Chinavat and Peangpanor Co., Ltd.
- Director, Berli Jucker PCL.
- Director, Siam Food PCL.

Mr. Pichai Chunhavajira

Independent Director

Education

- MBA (Finance) Indiana University of Pennsylvania, USA

Experience

- Chief Financial Officer, PTT PCL.
- Senior Executive Vice President, Corporate Finance and Accounting, PTT PCL.
- Acting President, The Bangchak Petroleum PCL.

Present Positions

- Director, PTT Exploration and Production PCL.
- Chairman, Thaioil PCL.
- Director, PTT PCL.



ACM Satitpong Sukvimol

Independent Director

Education

- BA Chiang Mai University

Experience

- Private Secretary to His Royal Highness Crown Prince Maha Vajiralongkom
- Court Office, The Bureau of the Royal Household, The Kingdom of Thailand (level 10)

Mr. Chaisak Angkasuwan

Director

Education

- MPA National Institute of Development Administration

Experience

- Director, Airports of Thailand PCL.
- Director, Tourism Authority of Thailand
- Deputy Permanent Secretary, Ministry of Transport

Mr. Areepong Bhoocha-oom

Director

Education

- Ph.D. (Finance) University of Mississippi, USA

Experience

- Director General, The Excise Department
- Director General, State Enterprise Policy Office (SEPO)
- Director, Airports of Thailand PCL.
- Director, Bangkok Insurance PCL.

Present Positions

- Permanent Secretary, Ministry of Finance
- Chairman, TOT PCL.

Mr. Kanit Sangsubhan

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. Apiporn Pasawat

Director

Education

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

Experience

- Director, Thai Olefins PCL.
- Director, Thai Aromatics
(Thailand) PCL.
- President, Cementhai
Chemicals Co., Ltd.

Present Positions

- Advisor, The Siam Cement
PCL.
- Chairman, Executive
Committee and Director, Thai
Plastic and Chemicals PCL.
- Chairman Executive
Committee and Director,
Thai Industrial Gases PCL.

Mr. Pravich Rattanapian

Director

Education

- Ph.D. (Education)
Pennsylvania State University,
USA

Experience

- Minister of Science and
Technology
- Deputy Minister of Commerce
- Thailand Trade Representative

Present Positions

- Chairman, Rattana
Bundit University, Thailand
- National Commissioner on
Higher Education

Mr. Varah Sucharitakul

Director

Education

- MBA University of New
Hampshire, USA

Experience

- Managing Director, Finansia
Securities Limited
- Director, Finansia Credit
Limited
- Director, Bangkok First
Investment & Trust PCL.

Present Positions

- Executive Director, Finansia
PCL.
- Director, Finansia Syrus
Securities PCL.

Mr. Piyasvasti Amranand

Director

Education

- Ph.D. (Economics) London
School of Economics, UK

Experience

- Chairman, the Advisory
Panel to the CEO,
Kasikornbank PCL.
- Minister of Energy
- Secretary General,
The National Energy Policy
Office

Present Positions

- Chairman, Energy for
Environment Foundation
- Member, the Council,
Thailand Environment
Institute
- Member, the Council of
Trustee, Thailand
Development Research
Institute

Management Team



Mr. Piyasvasti Amranand

President

Education

- Ph.D. (Economics) London School of Economics, UK

Experience

- Chairman , the Advisory Panel to the CEO, Kasikornbank PCL.
- Minister of Energy
- Secretary General, the National Energy Policy Office



Mr. Kaweepan Raungpaka

Executive Vice President
Finance and Accounting Department

Education

- MBA Central Missouri State University, USA

Experience

- Executive Vice President Office of the President
- Executive Vice President Human Resource Development and Management Department
- Executive Vice President Finance and Accounting Department
- Vice President Corporate Finance Department



Flt.Lt. Montree Jumrieng

Executive Vice President
Technical Department

Education

- BS (Mechanical Engineering) Royal Thai Air Force Academy

Experience

- Executive Vice President Human Resource and General Management Department
- Vice President Personal management Department
- Director Pilot Administration Department





Mr. Pandit Chanapai

Executive Vice President
Human Resource and
General Management
Department

Education

- MA (International Relations) Connecticut University, USA

Experience

- Executive Vice President Commercial Department
- Vice President Commercial Development and Support Department
- Director The Americas and East Asia Region

Mr. Chokchai Panyayong

Executive Vice President
Strategy and Business
Development Department

Education

- MS (Civil Engineering) University Detroit, USA

Experience

- Vice President Business Development and Special Projects Department
- Vice President Human Resource Development and Management Department
- Vice President Business Development and Special Project at Suvarnabhumi Airport including asset management.

Sqn. Ldr. Asdavut Watanangura

Executive Vice President
Operation Department

Education

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

Experience

- Vice President Aviation Resources Development
- Director Flight Deck Crew Training Department

Mr. Teerapol Chotichanapibal

Acting Executive Vice President
Commercial Department

Education

- MS (Operations Research) University of Southampton, UK

Experience

- Vice President, Commercial Development and Support Department
- Managing Director, Catering Department
- Vice President, Commercial Development and Support Department and also Acting Director, Brand Management and Commercial Communications Department

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THAI AIRWAYS INTERNATIONAL PCL
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C/O MR CB SINGH
GF, HOTEL THE ROYAL RESIDENCY
DUMUHAN ROAD, BODHGAYA
DISTT GAYA, BIHAR, REPUBLIC OF INDIA

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STOAA : MR. SOMCHAI SUKKHASANTIKUL
DROTTNINGGATAN 33 , BOX 1118
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KYAUKTADA 11182, YANGON
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BAHNHOFSTRASSE 67 / SIHLSTRASSE 1
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AMPHURE MUANG, CHIANGRAI 57000
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KRABI INTERNATIONAL AIRPORT
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PATTAYA CITY, CHOLBURI 20150

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