

(TRANSLATION)

NO. 0025/0596

OFFICE OF THE AUDITOR GENERAL  
OF THAILAND

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This letter is given to confirm that the English version of the auditor's report together with the consolidated financial statements for the year ended December 31, 2015 of Thai Airways International Public Company Limited and its subsidiaries and separate financial statements for the year ended December 31, 2015 of Thai Airways International Public Company Limited was translated by Thai Airways International Public Company Limited. The Office of the Auditor General of Thailand has reviewed the aforementioned English version of the auditor's report and the consolidated and separate financial statements and found that it is in agreement, as to form and content, with the Thai version of the auditor's report and the consolidated and separate financial statements for the same period.

Given on March 4, 2016

(Signed)

*Pisit Leelavachiropas*

(Pisit Leelavachiropas)

Auditor General

(TRANSLATION)



## **AUDITOR'S REPORT**

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

The Office of the Auditor General of Thailand has audited the accompanying consolidated and separate financial statements of Thai Airways International Public Company Limited and its subsidiaries and of Thai Airways International Public Company Limited, respectively, which comprise the consolidated and separate statements of financial position as at December 31, 2015, and the consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in shareholders' equity, and consolidated and separate statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated and Separate Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

*Office of the Auditor General of Thailand*



## Opinion

In the Office of the Auditor General of Thailand's opinion, the consolidated and separate financial statements referred to above present fairly, in all material respects, the consolidated and separate financial position of Thai Airways International Public Company Limited and its subsidiaries and of Thai Airways International Public Company Limited, respectively, as at December 31, 2015 and their consolidated and separate financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

## Emphasis of Matters

The Office of the Auditor General of Thailand would like to draw attention to Note 5 to the financial statements regarding the going concern, which described the fund requirement plan and liquidity management plan of Thai Airways International Public Company Limited. The opinion of the Office of the Auditor General of Thailand is not qualified in respect of this matter.

(Signed) *Poungchomnad Jariyajinda*  
(Poungchomnad Jariyajinda)  
Deputy Auditor General

(Signed) *Nipaporn Panyanon*  
(Nipaporn Panyanon)  
Director of Audit Office No.4

**THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2015**

Unit : Baht

		CONSOLIDATED FINANCIAL STATEMENTS		SEPARATE FINANCIAL STATEMENTS	
	Notes	2015	2014	2015	2014
ASSETS					
Current Assets					
Cash and cash equivalents	7.1	20,781,350,721	23,346,551,299	18,875,817,868	22,605,700,442
Temporary investments		85,000,000	120,000,000	-	-
Trade receivables	7.2	11,695,702,825	12,693,156,288	10,906,776,494	12,421,448,355
Prepaid expenses and deposits		8,904,945,334	8,973,291,938	9,060,545,326	9,247,752,662
Inventories and supplies	7.3	5,920,786,454	6,394,407,798	5,902,724,322	6,390,435,351
Other current assets	7.4	7,989,028,240	7,931,830,092	16,176,770,720	11,118,182,978
Non-current assets held for sale	7.5	15,099,392,637	4,825,624,336	15,099,392,637	4,825,624,336
Total Current Assets		70,476,206,211	64,284,861,751	76,022,027,367	66,609,144,124
Non-Current Assets					
Investments in associates	7.6.1	4,739,377,563	4,771,142,799	1,083,520,500	1,083,520,500
Investments in subsidiaries	7.6.1	-	-	810,209,893	810,209,893
Other long-term investments	7.6.2	75,575,920	80,940,004	72,440,719	80,940,004
Property, plant and equipment	7.8	208,285,363,102	224,021,451,558	208,262,819,695	224,013,693,009
Intangible assets	7.9	1,031,333,707	1,263,035,882	993,493,107	1,233,074,265
Deferred tax assets	7.10.1	8,680,325,679	7,008,807,127	8,653,240,176	6,991,941,202
Other non-current assets	7.11	9,182,875,582	5,836,938,847	9,179,744,325	5,831,235,015
Total Non-Current Assets		231,994,851,553	242,982,316,217	229,055,468,415	240,044,613,888
Total Assets		302,471,057,764	307,267,177,968	305,077,495,782	306,653,758,012

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

## Unit : Baht

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

(Signed) ( Narongchai Wongthanavimok )  
Executive Vice President Finance and Accounting

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2015

Unit : Baht

		<u>CONSOLIDATED FINANCIAL STATEMENTS</u>		<u>SEPARATE FINANCIAL STATEMENTS</u>	
	<u>Notes</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<b>Revenues</b>					
<b>Revenues from Sales or Revenues from Services</b>					
Passenger and excess baggage		152,487,688,487	154,881,181,131	147,915,338,841	154,135,518,653
Freight		18,089,435,210	22,848,094,507	18,089,166,877	22,848,094,507
Mail		562,089,100	753,212,553	562,089,100	753,212,553
Other activities		11,588,144,224	9,885,122,984	12,375,582,617	10,040,759,899
<b>Total Revenues from Sales or Revenues from Services</b>		<b>182,727,357,021</b>	<b>188,367,611,175</b>	<b>178,942,177,435</b>	<b>187,777,585,612</b>
<b>Other Income</b>					
Interest income		331,925,784	279,968,103	320,659,030	268,615,608
Gains on foreign currency exchange		3,511,781,612	12,622,952,932	3,488,587,347	12,644,844,956
Other income - Others	7.22	6,020,259,832	2,618,814,433	6,381,725,448	3,120,492,132
<b>Total Other Income</b>		<b>9,863,967,228</b>	<b>15,521,735,468</b>	<b>10,190,971,825</b>	<b>16,033,952,696</b>
<b>Total Revenues</b>		<b>192,591,324,249</b>	<b>203,889,346,643</b>	<b>189,133,149,260</b>	<b>203,811,538,308</b>
<b>Expenses</b>					
Fuel and oil		63,242,833,143	79,231,321,984	61,794,040,481	78,101,938,927
Employee benefit expenses	7.23	30,678,620,518	31,274,209,959	30,248,536,927	31,123,370,184
Termination benefit - Mutual Separation Plan	7.24	3,381,266,844	-	3,381,266,844	-
Flight service expenses		20,474,091,602	21,624,911,990	20,034,488,655	21,326,425,139
Crew expenses		5,312,866,969	5,831,415,474	5,104,586,411	5,768,145,956
Aircraft maintenance and overhaul costs		10,310,630,041	14,683,624,297	9,652,336,586	14,308,385,268
Depreciation and amortisation expenses		19,132,779,761	20,534,528,787	19,117,961,142	20,530,221,460
Lease of aircraft and spare parts		8,949,988,818	6,592,623,020	7,658,995,572	8,211,687,583
Inventories and supplies		7,828,716,942	8,256,854,790	7,584,882,922	8,169,067,665
Selling and advertising expenses		9,499,174,198	8,920,303,698	9,110,107,043	8,800,452,822
Insurance expenses		613,989,442	492,742,174	577,639,909	477,957,195
Impairment loss of assets		281,315,202	146,248,635	281,315,202	146,248,635
Impairment loss of aircraft	7.25	11,876,432,369	6,196,331,961	11,876,432,369	6,196,331,961
Other expenses	7.26	9,359,059,811	10,845,617,496	9,051,104,538	10,682,459,841
Finance costs		5,897,739,737	6,073,282,906	5,897,739,737	6,073,282,906
Share of profit of associates		(131,877,881)	(77,276,813)	-	-
<b>Total Expenses</b>		<b>206,707,627,516</b>	<b>220,626,740,358</b>	<b>201,371,434,338</b>	<b>219,915,975,542</b>
<b>Loss before Income Tax Expense</b>		<b>(14,116,303,267)</b>	<b>(16,737,393,715)</b>	<b>(12,238,285,078)</b>	<b>(16,104,437,234)</b>
Income tax expense (income)	7.27	(1,069,374,783)	(1,164,836,464)	(1,075,235,656)	(1,208,436,049)
<b>Loss for the Year</b>		<b>(13,046,928,484)</b>	<b>(15,572,557,251)</b>	<b>(11,163,049,422)</b>	<b>(14,896,001,185)</b>
<b>Other Comprehensive Income</b>					
Items that will not be reclassified to profit or loss in subsequent periods					
Actuarial gains on employee benefit obligations		(400,682,710)		(400,682,710)	
Income tax related to Actuarial gains on employee benefit obligations		80,136,542		80,136,542	
Revaluation surplus on assets		8,647,351,381	-	8,647,351,381	
Share of other comprehensive income from joint ventures and associates		(10,391,031)			
Income tax related to Revaluation surplus on assets		(1,729,470,276)		(1,729,470,276)	
Items that will be reclassified to profit or loss in subsequent periods					
Effective portion of changes in fair value of cash flow hedges		(2,348,050,220)	-	(2,348,050,220)	
Income tax related to Effective portion of changes in fair value of cash flow hedges		469,610,044		469,610,044	
<b>Other Comprehensive Income for the Year - Net of Tax</b>		<b>4,708,503,730</b>		<b>4,718,894,761</b>	<b>-</b>
<b>Total Comprehensive Income for the Year</b>		<b>(8,338,424,754)</b>	<b>15,572,557,251</b>	<b>(6,444,154,661)</b>	<b>14,896,001,185</b>
<b>Profit (Loss) Attributable to</b>					
<b>Owners of the Parent</b>		<b>(13,067,671,941)</b>	<b>(15,611,620,793)</b>	<b>(11,163,049,422)</b>	<b>(14,896,001,185)</b>
Non-controlling interests		20,743,457	39,063,542		
		<b>(13,046,928,484)</b>	<b>(15,572,557,251)</b>	<b>(11,163,049,422)</b>	<b>(14,896,001,185)</b>
<b>Total Comprehensive Income Attributable to</b>					
<b>Owners of the Parent</b>		<b>(8,359,168,211)</b>	<b>(15,611,620,793)</b>	<b>(6,444,154,661)</b>	<b>(14,896,001,185)</b>
Non-controlling interests		20,743,457	39,063,542		
		<b>(8,338,424,754)</b>	<b>(15,572,557,251)</b>	<b>(6,444,154,661)</b>	<b>(14,896,001,185)</b>
<b>Loss per Share</b>	7.29				
Basic loss per share		(5.99)	(7.15)	(5.11)	(6.82)

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

(Signed)

(Charamporn Jotikasthira)  
President

(Signed)

(Narongchai Wongthanavimok)  
Executive Vice President Finance and Accounting

( TRANSLATION )

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**THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

Unit : Baht

	CONSOLIDATED FINANCIAL STATEMENTS											Non-controlling Interests	Total Shareholders' Equity
	Issued and Paid-up Share Capital	Premium on Ordinary Shares	Retained Earnings		Owners of the parent					Total Owners of the Parent			
					Other Components of Equity								
			Appropriated Legal reserve	Unappropriated	Effective portion of changes in fair value of cash flow hedges	Income tax related to Effective portion of changes in fair value of cash flow hedges	Revaluation surplus on assets	Income tax related to Revaluation surplus on assets	Total Other Components of Equity				
Balance as at January 1, 2014	21,827,719,170	25,548,223,951	2,691,275,568	5,717,014,126	-	-	-	-	-	55,784,232,815	89,094,864	55,873,327,679	
Reclassification													
Actuarial gains on employee benefit and income tax	-	-	-	1,045,411,398	-	-	-	-	-	1,045,411,398	-	1,045,411,398	
Changes in Shareholders' Equity													
Less Dividends paid	-	-	-	-	-	-	-	-	-	-	(47,250,005)	(47,250,005)	
Less Dividends paid to cumulative preferred shares	-	-	-	-	-	-	-	-	-	-	(91,800)	(91,800)	
Less Adjustment of share offering expense	-	(2,907,643)	-	-	-	-	-	-	-	(2,907,643)	-	(2,907,643)	
Add Total comprehensive income for the year 2014	-	-	-	(15,611,620,793)	-	-	-	-	-	(15,611,620,793)	39,063,542	(15,572,557,251)	
Balance as at December 31, 2014	21,827,719,170	25,545,316,308	2,691,275,568	(8,849,195,269)	-	-	-	-	-	41,215,115,777	80,816,601	41,295,932,378	
Balance as at January 1, 2015	21,827,719,170	25,545,316,308	2,691,275,568	(8,849,195,269)	-	-	-	-	-	41,215,115,777	80,816,601	41,295,932,378	
Changes in Shareholders' Equity													
Less Dividends paid	-	-	-	-	-	-	-	-	-	-	(31,725,000)	(31,725,000)	
Less Dividends paid to cumulative preferred shares	-	-	-	-	-	-	-	-	-	-	(91,800)	(91,800)	
Add Profit ( Loss ) for the year 2015	-	-	-	(13,067,671,941)	-	-	-	-	-	(13,067,671,941)	20,743,457	(13,046,928,484)	
Add Total Other comprehensive income for the year	-	-	-	(330,937,199)	(2,348,050,220)	469,610,044	8,647,351,381	(1,729,470,276)	5,039,440,929	4,708,503,730	-	4,708,503,730	
Balance as at December 31, 2015	21,827,719,170	25,545,316,308	2,691,275,568	(22,247,804,409)	(2,348,050,220)	469,610,044	8,647,351,381	(1,729,470,276)	5,039,440,929	32,855,947,566	69,743,258	32,925,690,824	

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

(Signed)

(Charamporn Jotikasthira)  
President

(Signed)

( Narongchai Wongthanavimok )  
Executive Vice President Finance and Accounting

( TRANSLATION )

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**THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

Unit : Baht

SEPARATE FINANCIAL STATEMENTS

	Issued and Paid-up Share Capital	Premium on Ordinary Shares	Retained Earnings		Other Components of Equity					Total Shareholders' Equity
			Appropriated Legal reserve	Unappropriated	Other Comprehensive Income					
					Effective portion of changes in fair value of cash flow hedges	Income Tax related to Effective portion of changes in fair value of cash flow hedges	Revaluation Surplus on assets	Income tax related to Revaluation Surplus on assets	Total Other Components of Equity	
Balance as at January 1, 2014	21,827,719,170	25,548,223,951	2,691,275,568	1,646,898,875	-	-	-	-	-	51,714,117,564
Reclassification										
Actuarial gains on employee benefit and income tax	-	-	-	1,046,340,527	-	-	-	-	-	1,046,340,527
Changes in Shareholders' Equity										
Less Adjustment of share offering expense	-	(2,907,643)	-	-	-	-	-	-	-	(2,907,643)
Add Total comprehensive income for the year 2014	-	-	-	(14,896,001,185)	-	-	-	-	-	(14,896,001,185)
Balance as at December 31, 2014	21,827,719,170	25,545,316,308	2,691,275,568	(12,202,761,783)	-	-	-	-	-	37,861,549,263
Balance as at January 1, 2015	21,827,719,170	25,545,316,308	2,691,275,568	(12,202,761,783)	-	-	-	-	-	37,861,549,263
Changes in Shareholders' Equity										
Add Profit ( Loss ) for the year 2015	-	-	-	(11,163,049,422)	-	-	-	-	-	(11,163,049,422)
Add Total Other comprehensive income for the year	-	-	-	(320,546,168)	(2,348,050,220)	469,610,044	8,647,351,381	(1,729,470,276)	5,039,440,929	4,718,894,761
Balance as at December 31, 2015	21,827,719,170	25,545,316,308	2,691,275,568	(23,686,357,373)	(2,348,050,220)	469,610,044	8,647,351,381	(1,729,470,276)	5,039,440,929	31,417,394,602

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

(Signed)  
  
(Champangorn Jotikasthira)  
President

(Signed)  
  
( Narongchai Wongthanavimok )  
Executive Vice President Finance and Accounting



## THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

## STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2015

Unit : Baht

	<u>CONSOLIDATED FINANCIAL STATEMENTS</u>		<u>SEPARATE FINANCIAL STATEMENTS</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<u>Note</u>				
<b>Cash Flows from Operating Activities</b>				
Loss before income tax expenses	(14,116,303,267)	(16,737,393,715)	(12,238,285,078)	(16,104,437,234)
Adjustment to reconcile loss before income tax expense to cash received (paid) from operating activities :				
Depreciation and amortisation expenses	19,132,779,761	20,534,528,787	19,117,961,142	20,530,221,460
Aircraft lease fee	179,862,875	149,417,313	179,862,875	149,417,313
Dividends received	(619,028)	(578,785)	(192,646,114)	(346,820,352)
Share of profits of investments by equity method	(131,877,881)	(77,276,813)	-	-
Interest income	(331,925,784)	(279,968,103)	(320,659,030)	(268,615,608)
Interest expenses	5,897,739,737	6,073,282,906	5,897,739,737	6,073,282,906
Gains on sales of assets	(76,968,024)	(27,415,792)	(77,002,834)	(27,023,244)
Loss on sales of aircraft	69,941,260	688,434,938	69,941,260	688,434,938
Gains on reversal of current liabilities in prior period	(2,341,400)	-	-	-
Gains on foreign currency exchange	(2,317,282,893)	(10,365,248,297)	(2,291,857,674)	(10,386,356,549)
Employee benefit obligations	607,440,461	962,937,242	583,038,632	944,604,041
Provision for obsolete inventories and supplies	500,515,637	682,942,374	500,515,637	682,942,374
Doubtful accounts	(122,420,638)	293,635,222	(123,814,144)	290,248,654
Impairment loss of aircraft	11,876,432,369	6,196,331,961	11,876,432,369	6,196,331,961
Impairment loss of assets	281,315,202	146,248,635	281,315,202	146,248,635
Operating profits before changes in operating assets and liabilities	21,446,288,387	8,239,877,873	23,262,541,980	8,568,479,295
Decrease (increase) in operating assets :				
Trade receivables	1,020,044,763	310,185,813	1,538,148,051	548,221,184
Inventories and supplies	(26,894,294)	444,021,802	(12,804,608)	447,994,249
Prepaid expenses and deposits	832,239,970	(209,315,164)	951,100,701	(125,317,727)
Tax refund	246,995,391	259,528,595	246,995,391	259,528,595
Other current assets	(17,662,084)	1,315,077,036	(5,039,182,067)	(1,873,927,159)
Assets for sales	(46,047,514)	(2,327,359,628)	(46,047,514)	(2,327,359,628)
Other assets	(3,148,131,096)	278,780,241	(3,150,700,767)	278,794,137
Deferred charges	(938,187,742)	(1,352,677,207)	(938,187,742)	(1,352,677,207)
Increase (decrease) in operating liabilities :				
Trade payables	(1,950,035,890)	(1,606,417,392)	(2,099,774,575)	(1,596,516,663)
Accrued expenses and other current liabilities	(2,944,691)	(975,508,332)	1,376,175,348	1,408,612,196
Staff pension fund	(882,887,315)	(111,266,552)	(882,887,315)	(111,266,552)
Unearned transportation revenues	2,288,332,877	2,046,424,940	2,201,621,500	1,897,130,813
Other non-current liabilities	32,253,030	(2,403,776)	170,367,726	(137,639,668)
<b>Proceeds from operations</b>	18,853,363,792	6,308,948,249	17,577,366,109	5,884,055,865
Payment of income tax	(286,728,622)	(290,349,666)	(240,413,637)	(241,759,589)
<b>Net Cash provided by Operating Activities</b>	18,566,635,170	6,018,598,583	17,336,952,472	5,642,296,276

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

( TRANSLATION )

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**THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

Unit : Baht

		<u>CONSOLIDATED FINANCIAL STATEMENTS</u>		<u>SEPARATE FINANCIAL STATEMENTS</u>	
		<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	<u>Notes</u>				
<b>Cash Flows from Investing Activities</b>					
Cash paid for acquisition of fixed assets	B	(3,821,977,306)	(7,983,652,715)	(3,799,297,409)	(7,980,857,431)
Cash paid for intangible assets		(93,394,457)	(581,842,824)	(78,557,087)	(555,022,349)
Proceeds from transferring the rights for advance payment of aircraft and aircraft equipment		1,511,303,492	980,996,468	1,511,303,492	980,996,468
Proceeds from sales of assets		1,173,227,235	863,637,046	1,173,227,235	863,242,186
Interest income		306,620,398	281,577,613	295,407,433	270,396,164
Dividends received		153,871,114	289,011,555	192,646,114	346,820,351
Investment decrease (increase)		14,243,428	48,418,798	17,378,628	(351,581,202)
Temporary investment decrease (increase)		35,000,000	(20,000,000)	-	-
<b>Net Cash provided by ( used in) Investing Activities</b>		<b>(721,106,096)</b>	<b>(6,121,854,059)</b>	<b>(687,891,594)</b>	<b>(6,426,005,813)</b>
<b>Cash Flows from Financing Activities</b>					
Proceeds from debentures		15,000,000,000	7,200,000,000	15,000,000,000	7,200,000,000
Proceeds from short-term borrowings		26,864,550,000	49,923,830,000	26,864,550,000	49,923,830,000
Proceeds from long-term borrowings		6,394,735,465	10,403,755,433	6,394,735,465	10,403,755,433
Cash paid for repayment of short-term borrowings		(35,685,795,000)	(26,623,830,000)	(35,685,795,000)	(26,623,830,000)
Cash paid for repayment of debentures		(3,000,000,000)	(3,720,000,000)	(3,000,000,000)	(3,720,000,000)
Cash paid for repayment of long-term borrowings		(24,389,907,445)	(19,365,652,291)	(24,389,907,445)	(19,365,652,291)
Cash paid for borrowings interest		(5,989,435,254)	(5,571,741,777)	(5,989,435,254)	(5,571,741,777)
Dividends paid		(81,198)	(259,534)	(81,198)	(198,334)
Dividends paid to non-controlling interests		(31,786,200)	(47,280,604)	-	-
<b>Net Cash provided by (used in) Financing Activities</b>		<b>(20,837,719,632)</b>	<b>12,198,821,227</b>	<b>(20,805,933,432)</b>	<b>12,246,163,031</b>
Net increase (decrease) in cash and cash equivalents		(2,992,190,558)	12,095,565,751	(4,156,872,554)	11,462,453,494
Cash and cash equivalents at the beginning of the year		23,346,551,299	11,757,473,084	22,605,700,442	11,649,734,484
		20,354,360,741	23,853,038,835	18,448,827,888	23,112,187,978
Effect from changing in exchange rate on cash and cash at banks increase (decrease)		426,989,980	(506,487,536)	426,989,980	(506,487,536)
<b>Cash and Cash Equivalents at the End of the year</b>	C	<b>20,781,350,721</b>	<b>23,346,551,299</b>	<b>18,875,817,868</b>	<b>22,605,700,442</b>

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

(Signed)

(Charamporn Jotikasthira)  
President

(Signed)

(Narongchai Wongthanavimok )  
Executive Vice President Finance and Accounting

**THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

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

	<b><u>2015</u></b>
Proceeds from P.N.D.50 for the year 2013	257.34
Adjustment of tax refund for the year 2014	(10.34)
	<b><u>247.00</u></b>
	<b><u>2014</u></b>
Proceeds from P.N.D.50 for the year 2012	266.29
Adjustment of tax refund for the year 2013	(6.76)
	<b><u>259.53</u></b>

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

During the year 2015, the Company bought property, plant and equipment under finance leases amount of THB 12,796.77 million and cash payment amount of THB 3,821.98 million, total cost amount of THB 16,618.75 million.

During the year 2014, the Company bought property, plant and equipment under finance leases amount of THB 7,733.89 million and cash payment amount of THB 7,983.65 million, total cost amount of THB 15,717.54 million.

**Separate financial statements**

During the year 2015, the Company bought property, plant and equipment under finance leases amount of THB 12,796.77 million and cash payment amount of THB 3,799.30 million, total cost amount of THB 16,596.07 million.

During the year 2014, the Company bought property, plant and equipment under finance leases amount of THB 7,733.89 million and cash payment amount of THB 7,980.86 million, total cost amount of THB 15,714.75 million.

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

	<b><u>Consolidated Financial Statements</u></b>		<b><u>Separate Financial Statements</u></b>	
	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Cash on hand and outstanding bank balances	20,354.36	23,853.04	18,448.83	23,112.19
Short-term investments	-	-	-	-
Cash and cash equivalents as previously reported	20,354.36	23,853.04	18,448.83	23,112.19
Effect of exchange rate changes	426.99	(506.49)	426.99	(506.49)
<b>Cash and cash equivalents as reported</b>	<b><u>20,781.35</u></b>	<b><u>23,346.55</u></b>	<b><u>18,875.82</u></b>	<b><u>22,605.70</u></b>

(Signed)

(Charamporn Jotikasathira)  
President

(Signed)

( Narongchai Wongthanavimok )  
Executive Vice President Finance and Accounting

**THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**1. GENERAL INFORMATION**

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

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

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

As at December 31, 2015, the Company has the routes network servicing to 63 destinations in 30 countries all over the world, whereas 4 routes are domestic (excluding Bangkok).

**2. Basis of Financial Statement Preparation**

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

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

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

Company’s Name	Type of Business	Located Country	Percentage of Share Holding	
			<u>2015</u>	<u>2014</u>
<b>Held by the Company:</b>				
1. Thai-Amadeus Southeast Asia Company Limited	Information technology for travel services	Thailand	55%	55%
2. WingSpan Services Company Limited	Providing special personnel services to the Company	Thailand	49%	49%
3. Thai Flight Training Company Limited	Aviation training services	Thailand	49%	49%
4. Thai Smile Airways Company Limited	Air transportation services	Thailand	100%	100%
<b>Held by the Subsidiary of the Company</b>				
A subsidiary held by WingSpan Services Company Limited				
- Tour Eurng Luang Company Limited	Tourism Business	Thailand	49%	49%

Thai Smile Airways Co., Ltd. received the Airline Operator License (AOL), Airline Operator Certificate (AOC) as well as Airline Designator Code from IATA on January 10, March 31 and April 1, 2014, respectively. So, Thai Smile Airways Co., Ltd. commenced its business operations on April 10, 2014.

The subsidiaries are controlled by the Company, directly or indirectly, in determining the financial policies and operations of such subsidiaries. Significant accounting transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.

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

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

### 3. FINANCIAL REPORTING STANDARD BEING EFFECTIVE IN THE FUTURE

The Financial Reporting Standard which will be effective for the fiscal years beginning on or after January 1, 2016 :

#### Conceptual Framework for Financial Reporting (Revised 2015)

TAS No. 1 (Revised 2015)	Presentation of Financial Statements
TAS No. 2 (Revised 2015)	Inventories
TAS No. 7 (Revised 2015)	Statement of Cash Flows
TAS No. 8 (Revised 2015)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS No. 10 (Revised 2015)	Events After the Reporting Period
TAS No. 11 (Revised 2015)	Construction Contracts
TAS No. 12 (Revised 2015)	Income Taxes
TAS No. 16 (Revised 2015)	Property, Plant and Equipment
TAS No. 17 (Revised 2015)	Leases
TAS No. 18 (Revised 2015)	Revenue
TAS No. 19 (Revised 2015)	Employee Benefits
TAS No. 20 (Revised 2015)	Accounting for Government Grants and Disclosure of Government Assistance
TAS No. 21 (Revised 2015)	The Effects of Changes in Foreign Exchange Rate
TAS No. 23 (Revised 2015)	Borrowing Costs
TAS No. 24 (Revised 2015)	Related Party Disclosures
TAS No. 26 (Revised 2015)	Accounting and Reporting by Retirement Benefit Plans
TAS No. 27 (Revised 2015)	Separate Financial Statements
TAS No. 28 (Revised 2015)	Investments in Associates and Joint Venture
TAS No. 29 (Revised 2015)	Financial Reporting in Hyperinflationary Economies
TAS No. 33 (Revised 2015)	Earnings per Share
TAS No. 34 (Revised 2015)	Interim Financial Reporting
TAS No. 36 (Revised 2015)	Impairment of Assets
TAS No. 37 (Revised 2015)	Provisions, Contingent Liabilities and Contingent Assets
TAS No. 38 (Revised 2015)	Intangible Assets
TAS No. 40 (Revised 2015)	Investment Property
TFRS No. 2 (Revised 2015)	Share-Based Payments
TFRS No. 3 (Revised 2015)	Business Combinations
TFRS No. 4 (Revised 2015)	Insurance Contracts
TFRS No. 5 (Revised 2015)	Non - current Assets Held for Sale and Discontinued Operations
TFRS No. 8 (Revised 2015)	Operating Segments
TFRS No. 10 (Revised 2015)	Consolidated Financial Statements

TFRS No. 11 (Revised 2015)	Joint Arrangements
TFRS No. 12 (Revised 2015)	Disclosure of Interests in Other Entities
TFRS No. 13 (Revised 2015)	Fair Value Measurement
TSIC No. 10 (Revised 2015)	Government Assistance – No Specific Relation to Operating Activities
TSIC No. 15 (Revised 2015)	Operating Leases - Incentives
TSIC No. 25 (Revised 2015)	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders
TSIC No. 27 (Revised 2015)	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC No. 29 (Revised 2015)	Service Concession Arrangements : Disclosures
TSIC No. 31 (Revised 2015)	Revenue - Barter Transactions Involving Advertising Services
TSIC No. 32 (Revised 2015)	Intangible Assets – Web site Costs
TFRIC No. 1 (Revised 2015)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC No. 4 (Revised 2015)	Determining whether an Arrangement contains a Lease
TFRIC No. 5 (Revised 2015)	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC No. 7 (Revised 2015)	Applying the Restatement Approach under TAS 29 (Revised 2015) <i>Financial Reporting in Hyperinflationary Economies</i>
TFRIC No. 10 (Revised 2015)	Interim Financial Reporting and Impairment
TFRIC No. 12 (Revised 2015)	Service Concession Arrangements
TFRIC No. 13 (Revised 2015)	Customer Loyalty Programmes
TFRIC No. 14 (Revised 2015)	TAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TFRIC No. 15 (Revised 2015)	Agreements for the Construction of Real Estate
TFRIC No. 17 (Revised 2015)	Distributions of Non-cash Assets to Owners
TFRIC No. 18 (Revised 2015)	Transfers of Assets from Customers
TFRIC No. 21 (Revised 2015)	Levies

For adopting of Financial Reporting Standard, the management of the Company has assessed that the above standard has no material impact to the consolidated and the separate financial statements.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 4.1 Allowance for Doubtful Accounts

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

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

## **4.2 Inventories and Supplies**

Inventories and supplies at the year-end, consisting of aircraft spare parts, fuel and oil for aircraft, cabin supplies, goods for sales as well as stationery and office supplies, are stated

at the lower of moving average cost or net realizable value, except inventories in transit are stated at purchased date cost.

- Provision for obsolescence of aircraft spare parts is made at an annual rate of 10% of the year-end balance.

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

- Provision for obsolete and damaged inventories is made at the full amount.

## **4.3 Investments**

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

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

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

## **4.4 Property, Plant and Equipment and Depreciation**

### **4.4.1 Aircraft and aircraft under finance leases**

4.4.1.1 Aircraft and aircraft under finance leases are stated at cost, including where applicable (engines and other flight equipment), as well as cost of decoration incurred prior to the aircraft being placed into service but excluding passenger seats and the first estimated overhaul cost, less any concessions for the acquisition of aircraft. Depreciation is calculated on a straight-line basis over an estimated useful life of 20 years with a residual value of 10% of cost.

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

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

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

4.4.3 The Land are stated at a revalued amount using Market Approach method, starting from accounting period year 2015 onward. The revaluation has been done by the professional appraisal qualified by the Securities and Exchange Commission, Thailand (SEC). The revaluation shall be made every five years or shall be considered if there are any changes that affect the fair value of land significantly. The revaluation surplus was recognized in other comprehensive income and accumulated in equity. The Company does not has a policy to pay dividend on revaluation surplus of assets.

4.4.4 Other fixed assets are stated at cost on the acquisition date or on the date of completion of construction and depreciated on a straight-line basis over an estimated useful life of 3-30 years.

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

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

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

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

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

#### **4.6 Intangible Assets**

##### **Computer Software**

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

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



#### **4.7 Impairment of Assets**

Assets may be impaired whenever there is an indicator that the book value of the asset exceeds its recoverable amount. A recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. The Company's aircraft professional valuer has determined the recoverable amount of aircraft based on active market price announced by aircraft professional appraisers, and making adjustment for condition, age in accordance with aircraft assessment standard.

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

#### **4.8 Deferred Charges**

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

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

#### **4.9 Liabilities under Finance Leases**

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

#### **4.10 Revenue Recognition**

4.10.1 Passenger and excess baggage revenues:

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

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

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

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

4.10.3 The Company has operated a frequent flyer program called “Royal Orchid Plus” since 1993. Members exchange accumulated mileage for services. The Company calculates fair value rate per mile by average of air award redemption fair value and other award redemption fair value.

Both air award and other award redemption fair value calculate using the same concept. Air award redemption fair value calculates from dividing the average net collected fare in each zone by the number of miles redeemed for awards in that zone then weighted by each zonal redemption. Other award redemption fair value calculates the same way using average other award value as a value per mile of the Royal Orchid Plus. Then, the estimated cost is used to reduce passenger revenues and recorded liabilities under “unearned transportation revenues”. Revenues are recognized when numbers redeem awards.

4.10.3.1 Unredeemed awards are recognized as revenue after 3 years.

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

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

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

4.10.5 Other revenues are recognized on an accrual basis.

#### **4.11 Earnings per Share**

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

#### **4.12 Foreign Currency Transactions**

Foreign currency transactions incurred during the year are translated into Baht by exchange rates of the Bank of Thailand at transaction date using average buying and selling rate, starting from January 1, 2015 onward.

Assets and liabilities denominated in foreign currency at year-end are translated into Baht by the closing rate of the average buying and selling rates of commercial banks announced by the Bank of Thailand at the statements of financial position date, respectively. Gains or losses on currency exchange are recognized as income or expenses in the statements of comprehensive income.

#### **4.13 Employee Benefits**

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

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

#### **4.14 Staff Provident Fund**

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

#### **4.15 Deferred Tax**

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

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

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

#### **4.16 Accounting Estimates**

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

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

#### **4.17 Financial Instruments**

The Company uses financial instruments which are Interest Rate Swap (IRS) and Cross Currency Swap (CCS) to reduce the fluctuation risk from an interest rate and exchange rate by entering into a Swap Confirmation to exchange the principal amount and interest at maturity according to the contract. Each party will pay and receive the principal and/or interest in the agreeing currency and interest. The arising interest difference will be recorded as interest expenses in the statements of comprehensive income and the principal difference will be recognized as gains or losses on foreign currency exchange in the statement of comprehensive income. For the forward foreign exchange contracts, the Company will recognize in its financial statements at maturity. The arising difference will be recorded as gains or losses on foreign currency exchange in the statements of comprehensive income.

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

#### **4.18 Cash Flow Hedge Accounting**

When a financial instrument is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the financial instrument is recognized in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion is recognized immediately in profit or loss.

Effective portion of the hedges recognized in other comprehensive income is reclassified in profit and loss as forecasted transactions are recognized in profit and loss.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is recognized in profit or loss immediately.

## 5. GOING CONCERN

The Company took immediate steps to improve financial performance upon posting a loss in 2013 and the turnaround plan received approval from the Company's Board of Directors on August 5, 2014. At the core was the immediate push to enhance sales revenue and reduce costs to improve financial performance for the year 2014. Funding was also sought to ensure sufficient liquidity to support its ongoing operations. The ongoing transformation plan being implemented for the period 2015-2016 was approved by the Company's Board of Directors on December 22, 2014 and by the State Enterprise Policy Commission on January 26, 2015.

The launch of the 6 Transformation Plans began the first quarter of 2015 and activities undertaken as part of the transformation plan during the year 2015 include network rationalization by suspending service to weak markets and/or loss making routes; aircraft rationalization by reducing aircraft type to lower maintenance cost; enhancing commercial sales via strategic campaigns and diversifying channel of distribution while enhancing operational efficiency and lowering costs through launching of Mutual Separation Plan and Golden Handshake Program and reducing non-fuel cash cost; organization restructuring was also undertaken to enhance decision making process and establishing a more comprehensive approach to manage its business units. An assessment system has also been put in place to track progress of the transformation plan.

Despite the transformation plan, external factors including the weak global economy, the weak Thai economy and stiff competition especially on regional routes heavily served by low cost carriers with high frequency and the most recent unfortunate bombing that occurred downtown Bangkok, Ratchaprasong, has caused travel traffic on key routes including China, Japan, Hong Kong, South Korea and Singapore to drop by approximately 15-20%. Cost was kept in check and in-line with expectations, but was not significantly been decreased. Quick win initiatives have been initiated to further reduce costs, increase revenue and a more robust tracking program for senior management to achieve goals to ensure that the Company's financial performance is more in-line with the established target.

Liquidity management for the year 2015 was administered according to the Company's financing plan. This includes long-term aircraft financing for aircraft delivered in 2015, issuance of debentures in the total amount of THB 15,000 million, short-term financing obtained from the Ministry of Finance in the form of European Commercial Paper (ECP) program and management of revolving credit line. As a result, the Company was able to manage cash on hand for its normal operation throughout the year 2015. Cash flow projections for 2016 has been conservative with financing plan and management of revolving credit line, both committed and uncommitted, to ensure that the Company will be able to sustain its operation. With the continuous implementation of Transformation plan, the Company is confident that the operation result will be improved and will provide sufficient cash on hand for its normal operation, provided that there will be no uncontrollable circumstances.

## 6. POTENTIAL IMPACT FROM THE CIVIL AVIATION AUTHORITY OF THAILAND NOT PASSING ICAO'S SAFETY STANDARDS

On June 18 , 2015 , the Civil Aviation Organization, ICAO, reported on its WEB site about Significant Safety Concerns, SSC, for the Thai Department of Civil Aviation, DCA. The report said about the overall general safety concern under DCA supervision and did not impact to the Company's operation. Afterwards, US Federal Aviation Administration, FAA, had conducted International Aviation Safety Assessments (IASA) on the DCA and found deviation from the Convention on the International Civil Aviation. As a result, the FAA have downgraded Thailand's aviation safety rating from Category 1 to Category 2 disallowing Thai Carrier to increase its flight frequency on existing routes or prohibiting an establishment of new routes to the United State of America.

On December 10, 2015, the European Commission has updated the EU Air Safety List, the list of airlines that are subject to an operating ban or operational restrictions within the European Union. The update stated that "No air carriers from Thailand were added to the Air Safety List at this time", and also the Commission and the European Aviation Safety Agency (EASA) are willing to continue to work with the Thai authorities to enhance aviation safety in the country, and will closely monitor future developments. As a result, Thai carriers and Thai carriers with code share operations have been able to operating flights to 28 countries in the European Union. The Company would continue flying to European Countries as usual.

Besides, The Company has passed the European Aviation Safety Agency (EASA) Third Country Operator (TCO) Audit and received authorization for flight operations to countries in the European Union. The authorization has effective since December 15, 2015 onward. This is the first time for the European Union to grant TCO authorization to airlines outside of the European Union. TCO authorization is one of the requirements for Air Carriers outside the European Union needed to obtain the traffic rights or permit to fly to destinations in the EU from November 2016 onwards.

## 7. SUPPLEMENTARY INFORMATION

### 7.1 Cash and Cash Equivalents

	<u>Consolidated</u>		<u>Unit : Million Baht</u>	
	<u>Financial Statements</u>		<u>Separate</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Cash - Domestic	10.32	10.96	9.51	10.96
Cash - Abroad	24.95	14.51	24.95	14.51
Cash at Banks - Domestic	8,587.59	11,982.90	6,716.47	11,242.05
Cash at Banks - Abroad	<u>12,158.49</u>	<u>11,338.18</u>	<u>12,124.89</u>	<u>11,338.18</u>
<b>Total</b>	<b><u>20,781.35</u></b>	<b><u>23,346.55</u></b>	<b><u>18,875.82</u></b>	<b><u>22,605.70</u></b>

**7.2 Trade Receivables** aging analysis is as follows:

	<u>Consolidated</u>		<b>Unit : Million Baht</b>	
	<u>Financial Statements</u>		<u>Separate</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Aging Periods:				
Not over 6 months	11,429.69	12,425.82	10,641.45	12,156.81
Over 6 months to 1 year	160.60	334.55	160.58	328.69
Over 1 year to 2 years	319.46	252.65	313.47	252.65
Over 2 years	<u>941.13</u>	<u>849.27</u>	<u>916.40</u>	<u>823.23</u>
	12,850.88	13,862.29	12,031.90	13,561.38
<u>Less</u> Allowance for doubtful accounts	<u>(1,155.18)</u>	<u>(1,169.13)</u>	<u>(1,125.12)</u>	<u>(1,139.93)</u>
<b>Trade receivables - net</b>	<b><u>11,695.70</u></b>	<b><u>12,693.16</u></b>	<b><u>10,906.78</u></b>	<b><u>12,421.45</u></b>

**7.3 Inventories and Supplies**

	<b>Consolidated</b>		<b>Unit : Million Baht</b>	
	<b>Financial Statements</b>		<b>Separate</b>	
	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Aircraft spare parts	4,316.68	4,412.40	4,316.68	4,412.40
<u>Less</u> Allowance for obsolescence (10% of the year-end balance)	(431.67)	(441.24)	(431.67)	(441.24)
<b>Aircraft spare parts - Net</b>	<b><u>3,885.01</u></b>	<b><u>3,971.16</u></b>	<b><u>3,885.01</u></b>	<b><u>3,971.16</u></b>
<b>Vehicle spare parts and ground support equipments</b>	<b><u>322.35</u></b>	<b><u>318.82</u></b>	<b><u>322.35</u></b>	<b><u>318.82</u></b>
Slow moving aircraft spare parts and spare parts for sale	3,477.03	3,564.59	3,477.03	3,564.59
<u>Less</u> Allowance for obsolescence (33.33% of incurred balance during the period)	(2,979.30)	(2,500.87)	(2,979.30)	(2,500.87)
<b>Slow moving aircraft spare parts and spare parts for sale - Net</b>	<b><u>497.73</u></b>	<b><u>1,063.72</u></b>	<b><u>497.73</u></b>	<b><u>1,063.72</u></b>
Fuel and oil for aircraft	649.57	375.51	649.04	374.70
Goods for sales	214.61	176.96	209.85	176.30
Cabin supplies	182.52	217.92	170.98	216.68
Supplies and other consumables	20.69	26.92	20.69	25.66
Stationery and office supplies	94.38	93.92	93.14	93.92
Inventories and spare parts in transit	53.93	149.48	53.93	149.48
<b>Total inventories and supplies</b>	<b><u>1,215.70</u></b>	<b><u>1,040.71</u></b>	<b><u>1,197.63</u></b>	<b><u>1,036.74</u></b>
Obsolete and damaged inventories for disposal	39.78	31.75	39.78	31.75
<u>Less</u> Allowance for obsolescence (100%)	(39.78)	(31.75)	(39.78)	(31.75)
<b>Obsolete and damaged inventories for disposal - Net</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Total inventories and supplies - Net</b>	<b><u>5,920.79</u></b>	<b><u>6,394.41</u></b>	<b><u>5,902.72</u></b>	<b><u>6,390.44</u></b>
Total inventories and supplies at year-end	9,371.54	9,368.27	9,353.47	9,364.30
<u>Less</u> Total allowance for obsolete inventories and supplies	(3,450.75)	(2,973.86)	(3,450.75)	(2,973.86)
<b>Total inventories and supplies – Net</b>	<b><u>5,920.79</u></b>	<b><u>6,394.41</u></b>	<b><u>5,902.72</u></b>	<b><u>6,390.44</u></b>

**7.4 Other Current Assets**

	<b>Consolidated</b>		<b>Unit : Million Baht</b>	
	<b>Financial Statements</b>		<b>Separate</b>	
	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Tax refund	357.56	390.99	357.56	390.99
Cash and cash at bank of pension fund	4,278.64	4,883.18	4,278.64	4,883.18
Others	<u>3,352.83</u>	<u>2,657.66</u>	<u>11,540.57</u>	<u>5,844.01</u>
<b>Total</b>	<b><u>7,989.03</u></b>	<b><u>7,931.83</u></b>	<b><u>16,176.77</u></b>	<b><u>11,118.18</u></b>



**7.5 Non-current assets held for sale** Separate financial statements

As at January 1, 2015, non-current assets held for sale composed of 8 A300-600, 4 A340-500, 4 B737-400, 1 B747-400, 2 ATR 72 and 3 A330-300 aircraft, totaling of 22 aircraft amount of THB 4,791.04 million. As well as other fixed assets, amount of THB 34.59 million, which made a grand total of THB 4,825.63 million.

During the year 2015, non-current assets held for sale increased by THB 22,656.48 million which consisting of 6 A330-300, 6 A340-600 and 4 B747-400, totaling of 16 aircraft as well as other fixed assets increased by THB 566.72 million, the total increase in this period is THB 23,223.20 million.

During the year 2015, the Company has already transferred the eight title of aircraft, consisting of 7 A300-600 and 1 B747-400 aircraft amount of THB 1,054.63 million to the buyer, as well as sold out other fixed assets amount of THB 18.38 million, which made a grand total of THB 1,073.01 million.

During the year 2015, the Company recognized the impairment loss of aircraft and spare engines amount of THB 11,876.43 million.

As at December 31, 2015, non-current assets classified as held for sale composed of 1 A300-600, 4 A340-500, 6 A340-600, 4 B737-400, 4 B747-400, 2 ATR72, and 9 A330-300 aircraft, totaling of 30 aircraft in an aggregate of THB 14,904.65 million, as well as other fixed assets amount of THB 194.74 million, which made a grand total of THB 15,099.39 million.

## 7.6 Investments

### Consolidated Financial Statements

Unit : Million Baht

Unit : Million Baht

Name of Company	Percentage of Shareholding		Investments				Income on Investments	
			Cost Method		Equity Method			
	2015	2014	2015	2014	2015	2014	2015	2014
<b>7.6.1 Investments in associated companies recorded by equity method</b>								
Royal Orchid Hotel (Thailand) Public Company Limited (Fair value for the year 2015 amount of THB 720.00 million and for the year 2014 amount of THB 544.50 million)	24.00	24.00	225.00	225.00	238.07	231.06	7.02	(42.18)
Donmuang International Airport Hotel Company Limited	40.00	40.00	48.00	48.00	111.87	115.08	18.39	24.21
Bangkok Aviation Fuel Services Public Company Limited (Fair value for the year 2015 amount of THB 3,369.21 million and for the year 2014 amount of THB 3,599.58 million)	22.59	22.59	115.19	115.19	1,001.51	920.66	182.49	155.50
Phuket Air Catering Company Limited	30.00	30.00	30.00	30.00	298.80	292.05	36.75	75.91
Suvarnabhumi Airport Hotel Company Limited	30.00	30.00	305.33	305.33	174.72	155.15	19.57	24.64
Nok Airlines Public Company Limited (Fair value for the year 2015 amount of THB 1,666.00 million and for the year 2014 amount of THB 3,209.50 million)	39.20	39.20	360.00	360.00	<u>2,914.41</u>	<u>3,057.14</u>	<u>(142.73)</u>	<u>(160.80)</u>
<b>Total investments recorded by equity method</b>					<b><u>4,739.38</u></b>	<b><u>4,771.14</u></b>	<b><u>121.49</u></b>	<b><u>77.28</u></b>
<b>7.6.2 Other long-term investments recorded by cost method</b>								
Fuel Pipeline Transportation Limited	0.00026	0.00026	0.00067	0.00067			0.0001	-
Aeronautical Radio of Thailand Limited	0.43	1.42	5.96	9.37			-	-
SITA Investment Certificate	-	-	31.28	36.06			-	-
Trade Siam Company Limited (paid 25% of authorized share capital)	3.50	3.50	1.75	1.75			0.33	0.33
SITA Information Networking Computing	-	-	32.85	30.00			-	-
Other Shares	-	-	2.74	2.76			0.28	0.25
Investment in Debentures	-	-	-	-			-	-
Investment in Vayupak Fund	-	-	<u>1.00</u>	<u>1.00</u>			<u>0.01</u>	<u>0.0027</u>
<b>Total other long-term investments</b>			<b><u>75.58</u></b>	<b><u>80.94</u></b>			<b><u>-0.62</u></b>	<b><u>-0.58</u></b>

## Separate Financial Statements

Unit : Million Baht

Name of Company	Percentage of Shareholding		Investments		Dividend Income	
			Cost Method			
	2015	2014	2015	2014	2015	2014
<b>7.6.1 Investments recorded by cost method</b>						
<b>Subsidiary Companies</b>						
Thai-Amadeus Southeast Asia Company Limited	55.00	55.00	8.25	8.25	38.78	57.75
Wing Span Services Company Limited	49.00	49.00	0.98	0.98	-	0.06
Thai Flight Training Company Limited	49.00	49.00	0.98	0.98	-	-
Thai Smile Airways Company Limited	100.00	100.00	<u>800.00</u>	<u>800.00</u>	<u>-</u>	<u>-</u>
<b>Total</b>			<b><u>810.21</u></b>	<b><u>810.21</u></b>	<b><u>38.78</u></b>	<b><u>57.81</u></b>
<b>Associated Companies</b>						
Royal Orchid Hotel (Thailand) Public Company Limited (Fair value for the year 2015 amount of THB 720.00 million and for the year 2014 amount of THB 544.50 million)	24.00	24.00	225.00	225.00	-	13.50
Donmuang International Airport Hotel Company Limited	40.00	40.00	48.00	48.00	21.60	12.00
Bangkok Aviation Fuel Services Public Company Limited (Fair value for the year 2015 amount of THB 3,369.21 million and for the year 2014 amount of THB 3,599.58 million)	22.59	22.59	115.19	115.19	101.65	112.88
Phuket Air Catering Company Limited	30.00	30.00	30.00	30.00	30.00	30.00
Suvarnabhumi Airport Hotel Company Limited	30.00	30.00	305.33	305.33	-	-
Nok Airlines Public Company Limited (Fair value for the year 2015 amount of THB 1,666.00 million and for the year 2014 amount of THB 3,209.50 million)	39.20	39.20	<u>360.00</u>	<u>360.00</u>	<u>-</u>	<u>120.05</u>
<b>Total</b>			<b><u>1,083.52</u></b>	<b><u>1,083.52</u></b>	<b><u>153.25</u></b>	<b><u>288.43</u></b>
<b>Total investments recorded by cost method</b>			<b><u>1,893.73</u></b>	<b><u>1,893.73</u></b>	<b><u>192.03</u></b>	<b><u>346.24</u></b>
<b>7.6.2 Other long-term investments recorded by cost method</b>						
Fuel Pipeline Transportation Limited	0.00026	0.00026	0.00067	0.00067	0.0001	-
Aeronautical Radio of Thailand Limited	0.43	1.42	2.82	9.37	-	-
SITA Investment Certificate	-	-	31.28	36.06	-	-
TRADESIAM Company Limited (paid 25% of authorized share capital)	3.50	3.50	1.75	1.75	0.33	0.33
SITA Information Networking Computing	-	-	32.85	30.00	-	-
Other Shares	-	-	2.74	2.76	0.28	0.25
Investment in Vayupak Fund	-	-	<u>1.00</u>	<u>1.00</u>	<u>0.01</u>	<u>0.0027</u>
<b>Total other long-term investments</b>			<b><u>72.44</u></b>	<b><u>80.94</u></b>	<b><u>0.62</u></b>	<b><u>0.58</u></b>

**7.6.3 Financial Information Summary of Subsidiaries**

Unit : Million Baht				
Name of Company	Assets	Liabilities	Income	Gains (Losses)
<b><u>Subsidiary Companies</u></b>				
Thai-Amadeus Southeast Asia Company Limited	223.18	71.62	256.34	45.90
WingSpan Services Company Limited	436.46	326.28	914.54	(43.51)
Thai Flight Training Company Limited	26.43	2.75	46.45	17.43
Tour Eurng Luang Company Limited	10.80	8.30	1.28	(0.20)
Thai Smile Airways Company Limited	7,906.92	9,530.77	4,762.23	(1,843.26)

The Company used the financial statements of subsidiary and associated companies, some of which are unaudited by the CPA, as at December 31, 2015 to record the investment by equity method in the consolidated financial statement and by cost method in the separate financial statement.

**7.7 Significant Transactions with Related Parties****7.7.1 Related Transactions with Major Shareholders****7.7.1.1 Short-term borrowings from related parties**

Unit : Million Baht		
	2015	2014
Foreign borrowings via the Ministry of Finance	3,625.38	-
Government Saving Bank	7,000.00	7,000.00
Islamic Bank of Thailand	-	<u>3,000.00</u>
<b>Total</b>	<b><u>10,625.38</u></b>	<b><u>10,000.00</u></b>

**7.7.1.2 Long-term borrowings from related parties**

Unit : Million Baht		
	2015	2014
Foreign borrowings via the Ministry of Finance	15,258.20	15,471.25
Government Saving Bank	-	<u>568.00</u>
<b>Total</b>	<b><u>15,258.20</u></b>	<b><u>16,039.25</u></b>

**7.7.2 Related Transactions with Subsidiary Companies****7.7.2.1 Loans to Subsidiary**

Unit : Million Baht		
	2015	2014
WingSpan Services Company Limited	-	<u>20.00</u>
<b>Total</b>	<b><u>-</u></b>	<b><u>20.00</u></b>

## 7.7.2.2 Sales and Purchases

Unit : Million Baht				
	2015		2014	
	Sales	Purchases	Sales	Purchases
Thai-Amadeus Southeast Asia Company Limited	1.67	-	2.37	-
WingSpan Services Company Limited	4.13	860.06	6.59	863.52
Thai Flight Training Company Limited	9.03	-	18.18	0.12
Tour Eurng Luang Company Limited	49.46	0.05	50.72	21.65
Thai Smile Airways Company Limited	5,514.59	112.49	2,736.79	2,549.06

## 7.7.2.3 Account Receivables and Account Payables

Unit : Million Baht				
	2015		2014	
	Account Receivables	Account Payables	Account Receivables	Account Payables
Thai-Amadeus Southeast Asia Company Limited	0.11	0.16	0.14	0.16
WingSpan Services Company Limited	211.46	286.36	320.59	412.10
Thai Flight Training Company Limited	0.71	-	4.46	-
Tour Eurng Luang Company Limited	8.08	-	9.56	-
Thai Smile Airways Company Limited	8,104.09	5,015.93	2,825.91	2,549.06

Related account receivables and account payables of WingSpan Service Co., Ltd. have included prepaid and accrued expenses amount of THB 209.55 million and THB 283.83 million.

Related account receivables and account payables of Thai Smile Airways Co., Ltd. have included accrued income amount of THB 201.07 million and accrued expenses amount of THB 1,181.35 million.

## 7.7.2.4 Aircraft Lease Between Related Parties

The Company signed A320-200 aircraft sublease agreements with Thai Smile Airways Co., Ltd. for a period of 3 years for which such contracts can be extended for another 3 years. As at December 31, 2015, a total of such aircraft are 15 aircraft consisting of 10 of the A320-200 aircraft which were back to back operating leases while 5 were aircraft for which the Company acquired under finance leases and were quarterly subleased to Thai Smile Airways Co., Ltd.. On January 15, 2016, the Company signed sublease agreement for 1 more aircraft under operating leases with Thai Smile Airways Co., Ltd. .

**7.7.3 Related Transactions with Associated Companies****7.7.3.1 Sales and Purchases****Unit : Million Baht**

	<b>2015</b>		<b>2014</b>	
	<b>Sales</b>	<b>Purchases</b>	<b>Sales</b>	<b>Purchases</b>
Royal Orchid Hotel (Thailand) Public Company Limited	-	1.12	-	2.20
Donmuang International Airport Hotel Company Limited	-	0.15	-	0.06
Bangkok Aviation Fuel Services Public Company Limited	0.02	310.50	0.03	301.32
Phuket Air Catering Company Limited	1.60	19.06	1.29	26.70
Suvarnabhumi Airport Hotel Company Limited	-	23.43	-	21.04
Nok Airlines Public Company Limited	195.49	0.16	70.96	10.57

**7.7.3.2 Account Receivables and Account Payables****Unit : Million Baht**

	<b>2015</b>		<b>2014</b>	
	<b>Account Receivables</b>	<b>Account Payables</b>	<b>Account Receivables</b>	<b>Account Payables</b>
Royal Orchid Hotel (Thailand) Public Company Limited	-	0.02	-	0.01
Donmuang International Airport Hotel Company Limited	-	-	-	-
Bangkok Aviation Fuel Services Public Company Limited	-	36.15	-	30.96
Phuket Air Catering Company Limited	0.004	-	0.004	0.07
Suvarnabhumi Airport Hotel Company Limited	-	0.34	-	0.43
Nok Airlines Public Company Limited	73.22	0.03	46.56	0.08

The Company's pricing policy is to purchases goods and services at market price from related parties on normal commercial term as unrelated parties.

**7.7.4 Key Executives Separate financial statements****Unit : Million Baht**

	<b>2015</b>	<b>2014</b>
Remuneration for Management Executives	91.95	64.90
Remuneration for Board of Directors	<u>16.54</u>	<u>14.97</u>
<b>Total</b>	<b><u>108.49</u></b>	<b><u>79.87</u></b>

The Company's Executives are the same criteria as Note No. 7.23, employee benefits expenses.

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**7.8 Property, Plant and Equipment****Consolidated Financial Statements  
As at December 31, 2015**

Unit : Million Baht

	<b>Prepaid Aircraft and Spare Engines</b>	<b>Aircraft</b>	<b>Aircraft under Finance Leases</b>	<b>Aircraft Spare Parts</b>	<b>Work in Progress</b>	<b>Land</b>	<b>Buildings</b>	<b>Leasehold Buildings</b>	<b>Building Improvement</b>	<b>Other Plant and Equipment</b>	<b>Total</b>
<b>Cost</b>											
As at January 1, 2015	12,367.65	136,691.33	188,545.91	36,754.25	1,273.70	936.30	2,514.52	10,791.51	4,801.44	31,143.56	<b>425,820.17</b>
- Adjust/Transfers	(9,501.61)	(19,143.25)	(40,638.87)	15.20	-	-	-	0.26	(12.72)	58.34	<b>(69,222.65)</b>
- Revaluation Surplus	-	-	-	-	-	8,647.35	-	-	-	-	<b>8,647.35</b>
- Additions	2,625.20	42.47	17,846.70	928.38	(1,212.50)	-	-	13.72	39.29	979.70	<b>21,262.96</b>
- Disposals/Amortized	-	(44.30)	(643.00)	(1,257.04)	-	-	-	(0.26)	(35.16)	(457.53)	<b>(2,437.29)</b>
As at December 31, 2015	<b>5,491.24</b>	<b>117,546.25</b>	<b>165,110.74</b>	<b>36,440.79</b>	<b>61.20</b>	<b>9,583.65</b>	<b>2,514.52</b>	<b>10,805.23</b>	<b>4,792.85</b>	<b>31,724.07</b>	<b>384,070.54</b>
<b>Accumulated depreciation</b>											
As at January 1, 2015	-	85,369.19	53,935.09	23,563.13	-	-	2,410.50	5,784.11	4,398.91	26,337.79	<b>201,798.72</b>
- Depreciation	-	6,007.93	8,910.73	1,871.20	-	-	29.32	230.44	157.52	1,473.75	<b>18,680.89</b>
- Adjust/Transfers	-	(18,765.89)	(23,383.38)	(804.99)	-	-	-	0.26	(11.43)	61.00	<b>(42,904.43)</b>
- Disposals/Amortized	-	(44.30)	(603.07)	(653.69)	-	-	-	(0.26)	(34.85)	(453.83)	<b>(1,790.00)</b>
As at December 31, 2015	-	<b>72,566.93</b>	<b>38,859.37</b>	<b>23,975.65</b>	-	-	<b>2,439.82</b>	<b>6,014.55</b>	<b>4,510.15</b>	<b>27,418.71</b>	<b>175,785.18</b>
<b>Net book value</b>											
As at December 31, 2014	<b>12,367.65</b>	<b>51,322.14</b>	<b>134,610.82</b>	<b>13,191.12</b>	<b>1,273.70</b>	<b>936.30</b>	<b>104.02</b>	<b>5,007.40</b>	<b>402.53</b>	<b>4,805.77</b>	<b>224,021.45</b>
As at December 31, 2015	<b>5,491.24</b>	<b>44,979.32</b>	<b>126,251.37</b>	<b>12,465.14</b>	<b>61.20</b>	<b>9,583.65</b>	<b>74.70</b>	<b>4,790.68</b>	<b>282.70</b>	<b>4,305.36</b>	<b>208,285.36</b>

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## (TRANSLATION)

## Consolidated Financial Statements

As at December 31, 2014

Unit : Million Baht

	Prepaid Aircraft and Spare Engines	Aircraft	Aircraft under Finance Leases	Aircraft Spare Parts	Work in Progress	Land	Buildings	Leasehold Buildings	Building Improvement	Other Plant and Equipment	Total
<b>Cost</b>											
As at January 1, 2014	17,986.26	157,455.89	169,334.64	34,878.89	1,112.72	935.74	2,513.10	10,791.51	4,663.51	30,657.47	<b>430,329.73</b>
- Adjust/Transfers	(8,469.14)	(20,527.98)	2,209.84	18.46	-	0.56	1.42	-	67.09	59.19	<b>(26,640.56)</b>
- Additions	2,850.53	410.19	17,193.61	2,488.30	160.98	-	-	-	160.45	1,272.52	<b>24,536.58</b>
- Disposals/Amortized	-	(646.77)	(192.18)	(631.40)	-	-	-	-	(89.61)	(845.62)	<b>(2,405.58)</b>
As at December 31, 2014	<b>12,367.65</b>	<b>136,691.33</b>	<b>188,545.91</b>	<b>36,754.25</b>	<b>1,273.70</b>	<b>936.30</b>	<b>2,514.52</b>	<b>10,791.51</b>	<b>4,801.44</b>	<b>31,143.56</b>	<b>425,820.17</b>
<b>Accumulated Depreciation</b>											
As at January 1, 2014	-	93,365.17	45,243.35	22,375.17	-	-	2,368.20	5,553.95	4,270.26	25,704.90	<b>198,881.00</b>
- Depreciation	-	7,467.08	8,883.92	1,976.97	-	-	40.88	230.16	151.16	1,393.52	<b>20,143.69</b>
- Adjust/Transfers	-	(14,830.44)	-	(316.93)	-	-	1.42	-	66.94	60.39	<b>(15,018.62)</b>
- Disposals/Amortized	-	(632.62)	(192.18)	(472.08)	-	-	-	-	(89.45)	(821.02)	<b>(2,207.35)</b>
As at December 31, 2014	<b>-</b>	<b>85,369.19</b>	<b>53,935.09</b>	<b>23,563.13</b>	<b>-</b>	<b>-</b>	<b>2,410.50</b>	<b>5,784.11</b>	<b>4,398.91</b>	<b>26,337.79</b>	<b>201,798.72</b>
<b>Net book value</b>											
As at December 31, 2013	<b>17,986.26</b>	<b>64,090.72</b>	<b>124,091.29</b>	<b>12,503.72</b>	<b>1,112.72</b>	<b>935.74</b>	<b>144.90</b>	<b>5,237.56</b>	<b>393.25</b>	<b>4,952.57</b>	<b>231,448.73</b>
As at December 31, 2014	<b>12,367.65</b>	<b>51,322.14</b>	<b>134,610.82</b>	<b>13,191.12</b>	<b>1,273.70</b>	<b>936.30</b>	<b>104.02</b>	<b>5,007.40</b>	<b>402.53</b>	<b>4,805.77</b>	<b>224,021.45</b>



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**Separate Financial Statements  
As at December 31, 2015**

Unit : Million Baht

	<b>Prepaid Aircraft and Spare Engines</b>	<b>Aircraft</b>	<b>Aircraft under Finance Leases</b>	<b>Aircraft Spare Parts</b>	<b>Work in Progress</b>	<b>Land</b>	<b>Buildings</b>	<b>Leasehold Buildings</b>	<b>Building Improvement</b>	<b>Other Plant and Equipment</b>	<b>Total</b>
<b>Cost</b>											
As at January 1, 2015	12,367.65	136,691.33	188,545.91	36,754.25	1,273.70	936.30	2,514.52	10,791.51	4,801.44	31,045.29	<b>425,721.90</b>
- Adjust/Transfers	(9,501.61)	(19,143.25)	(40,638.87)	15.20	-	-	-	0.26	(12.72)	58.34	<b>(69,222.65)</b>
- Revaluation Surplus	-	-	-	-	-	8,647.35	-	-	-	-	<b>8,647.35</b>
- Additions	2,625.20	42.47	17,846.70	928.38	(1,212.50)	-	-	13.72	25.62	969.60	<b>21,239.19</b>
- Disposals/Amortized	-	(44.30)	(643.00)	(1,257.04)	-	-	-	(0.26)	(35.16)	(455.40)	<b>(2,435.16)</b>
As at December 31, 2015	<b>5,491.24</b>	<b>117,546.25</b>	<b>165,110.74</b>	<b>36,440.79</b>	<b>61.20</b>	<b>9,583.65</b>	<b>2,514.52</b>	<b>10,805.23</b>	<b>4,779.18</b>	<b>31,617.83</b>	<b>383,950.63</b>
<b>Accumulated depreciation</b>											
As at January 1, 2015	-	85,369.19	53,935.09	23,563.13	-	-	2,410.50	5,784.11	4,398.91	26,247.28	<b>201,708.21</b>
- Depreciation	-	6,007.93	8,910.73	1,871.20	-	-	29.32	230.44	153.60	1,470.58	<b>18,673.80</b>
- Adjust/Transfers	-	(18,765.89)	(23,383.38)	(804.99)	-	-	-	0.26	(11.43)	61.00	<b>(42,904.43)</b>
- Disposals/Amortized	-	(44.30)	(603.07)	(653.69)	-	-	-	(0.26)	(34.85)	(453.60)	<b>(1,789.77)</b>
As at December 31, 2015	-	<b>72,566.93</b>	<b>38,859.37</b>	<b>23,975.65</b>	-	-	<b>2,439.82</b>	<b>6,014.55</b>	<b>4,506.23</b>	<b>27,325.26</b>	<b>175,687.81</b>
<b>Net book value</b>											
As at December 31, 2014	<b>12,367.65</b>	<b>51,322.14</b>	<b>134,610.82</b>	<b>13,191.12</b>	<b>1,273.70</b>	<b>936.30</b>	<b>104.02</b>	<b>5,007.40</b>	<b>402.53</b>	<b>4,798.01</b>	<b>224,013.69</b>
As at December 31, 2015	<b>5,491.24</b>	<b>44,979.32</b>	<b>126,251.37</b>	<b>12,465.14</b>	<b>61.20</b>	<b>9,583.65</b>	<b>74.70</b>	<b>4,790.68</b>	<b>272.95</b>	<b>4,292.57</b>	<b>208,262.82</b>

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**Separate Financial Statements  
As at December 31, 2014**

Unit : Million Baht

	<b>Prepaid Aircraft and Spare Engines</b>	<b>Aircraft</b>	<b>Aircraft under Finance Leases</b>	<b>Aircraft Spare Parts</b>	<b>Work in Progress</b>	<b>Land</b>	<b>Buildings</b>	<b>Leasehold Buildings</b>	<b>Building Improvement</b>	<b>Other Plant and Equipment</b>	<b>Total</b>
<b>Cost</b>											
As at January 1, 2014	17,986.26	157,455.89	169,334.64	34,878.89	1,112.72	935.74	2,513.10	10,791.51	4,663.51	30,467.53	<b>430,139.79</b>
- Adjust/Transfers	(8,469.14)	(20,527.98)	2,209.84	18.46	-	0.56	1.42	-	67.09	59.19	<b>(26,640.56)</b>
- Additions	2,850.53	410.19	17,193.61	2,488.30	160.98	-	-	-	160.45	1,268.52	<b>24,532.58</b>
- Disposals/Amortized	-	(646.77)	(192.18)	(631.40)	-	-	-	-	(89.61)	(749.95)	<b>(2,309.91)</b>
As at December 31, 2014	<b>12,367.65</b>	<b>136,691.33</b>	<b>188,545.91</b>	<b>36,754.25</b>	<b>1,273.70</b>	<b>936.30</b>	<b>2,514.52</b>	<b>10,791.51</b>	<b>4,801.44</b>	<b>31,045.29</b>	<b>425,721.90</b>
<b>Accumulated depreciation</b>											
As at January 1, 2014	-	93,365.17	45,243.35	22,375.17	-	-	2,368.20	5,553.95	4,270.26	25,522.88	<b>198,698.98</b>
- Depreciation	-	7,467.08	8,883.92	1,976.97	-	-	40.88	230.16	151.16	1,390.44	<b>20,140.61</b>
- Adjust/Transfers	-	(14,830.44)	-	(316.93)	-	-	1.42	-	66.94	60.39	<b>(15,018.62)</b>
- Disposals/Amortized	-	(632.62)	(192.18)	(472.08)	-	-	-	-	(89.45)	(726.43)	<b>(2,112.76)</b>
As at December 31, 2014	-	<b>85,369.19</b>	<b>53,935.09</b>	<b>23,563.13</b>	-	-	<b>2,410.50</b>	<b>5,784.11</b>	<b>4,398.91</b>	<b>26,247.28</b>	<b>201,708.21</b>
<b>Net book value</b>											
As at December 31, 2013	<b>17,986.26</b>	<b>64,090.72</b>	<b>124,091.29</b>	<b>12,503.72</b>	<b>1,112.72</b>	<b>935.74</b>	<b>144.90</b>	<b>5,237.56</b>	<b>393.25</b>	<b>4,944.65</b>	<b>231,440.81</b>
As at December 31, 2014	<b>12,367.65</b>	<b>51,322.14</b>	<b>134,610.82</b>	<b>13,191.12</b>	<b>1,273.70</b>	<b>936.30</b>	<b>104.02</b>	<b>5,007.40</b>	<b>402.53</b>	<b>4,798.01</b>	<b>224,013.69</b>

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In this fiscal year, there are 95 aircraft represented in the Company's fleet consisting of 26 own aircraft, 36 aircraft under finance leases, and 33 aircraft under operating leases which excluded 30 aircraft for sales with a carrying amount of THB 14,904.65 million.

The Company repaid the entire borrowings and terminated the finance leases for A340-600 No. 1-6 on June 29, July 27, July 6, August 28, September 9, and July 29, 2015, respectively.

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

The Company uses buildings and equipment that are now fully depreciated with historical cost of THB 54,349.94 million including the leasehold buildings amount of THB 3,924.94 million.

Leasehold buildings are leased from Airports of Thailand Public Company Limited at Suvarnabhumi Airport with a lease term of 30 years starting from September 28, 2006 to September 29, 2036 and at Donmuang Airport with a lease term of 3 years starting from September 27, 2009 to September 28, 2012. The title of the buildings and elements will be passed to the Ministry of Finance at the end of the lease term. On August 31, 2015, the Company has issued the letter of intent to Airports of Thailand Public Company Limited for such leasehold buildings at Donmuang Airport with a lease term of 3 years starting from September 28, 2015 to September 27, 2018, and the proposal is under the negotiation. In this regard, Airports of Thailand Public Company Limited has collected aforementioned rental at the same rate of previous agreement.

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

At present, the measurement of the Company's domestic and abroad land have been changed from cost model amount of THB 936.30 million to revaluation model amount of THB 9,583.65 million, consisting of land in Bangkok, provinces and abroad amount of THB 8,007.24 million, THB 394.89 million and THB 1,181.52 million, respectively. The revaluation has been done in September 2015 using the professional appraisal qualified by the Securities and Exchange Commission, Thailand (SEC.).

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

**7.9 Intangible Assets**

	<b>Unit : Million Baht</b>	
	<b>Consolidated Financial Statements</b>	<b>Separate Financial Statements</b>
<b>Cost</b>		
As at January 1, 2015	3,323.80	3,285.25
- Additions	192.63	177.46
As at December 31, 2015	3,516.43	3,462.71
<b>Accumulated amortization</b>		
As at January 1, 2015	2,060.76	2,052.18
- Amortization	424.34	417.04
As at December 31, 2015	2,485.10	2,469.22
<b>Net book value</b>		
As at December 31, 2014	<b>1,263.04</b>	<b>1,233.07</b>
As at December 31, 2015	<b>1,031.33</b>	<b>993.49</b>

**7.10 Deferred Tax Assets , Deferred Tax Liabilities**

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

	<b>Consolidated</b>		<b>Unit : Million Baht</b>	
	<b>Financial Statements</b>		<b>Separate</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Contribution to staff provident fund	52.16	68.90	52.16	68.90
Contribution to staff pension fund	232.98	431.03	232.98	431.03
Allowance for obsolete inventories	690.15	594.77	690.15	594.77
Allowance for doubtful accounts	295.88	329.56	291.64	325.31
Allowance for impairment in value of assets	3,970.13	2,561.08	3,970.13	2,561.08
Estimated accrual expenses	600.57	659.48	594.73	658.99
Intangible assets	38.19	60.59	38.19	60.59
Employee benefits obligation	2,329.05	2,301.78	2,313.65	2,291.27
Effective portion of changes in fair value of cash flow hedges	469.61	-	469.61	-
Others	1.61	1.62	-	-
<b>Total</b>	<b><u>8,680.33</u></b>	<b><u>7,008.81</u></b>	<b><u>8,653.24</u></b>	<b><u>6,991.94</u></b>

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## 7.10.2 Deferred Tax Liabilities

	<b>Consolidated</b>		<b>Unit : Million Baht</b>	
	<b>Financial Statements</b>		<b>Separate</b>	
	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Intangible assets	137.41	127.93	137.41	127.93
Revaluation surplus	<u>1,729.47</u>	<u>-</u>	<u>1,729.47</u>	<u>-</u>
<b>Total</b>	<b><u>1,866.88</u></b>	<b><u>127.93</u></b>	<b><u>1,866.88</u></b>	<b><u>127.93</u></b>

Tax rates used for measuring asset value and deferred tax are 20%.

## 7.11 Other Non-Current Assets

	<b>Consolidated</b>		<b>Unit : Million Baht</b>	
	<b>Financial Statements</b>		<b>Separate</b>	
	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Deferred charges	5,306.10	5,108.29	5,306.10	5,108.29
Others	<u>3,876.77</u>	<u>728.65</u>	<u>3,873.64</u>	<u>722.94</u>
<b>Total</b>	<b><u>9,182.87</u></b>	<b><u>5,836.94</u></b>	<b><u>9,179.74</u></b>	<b><u>5,831.23</u></b>

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

## 7.12 Long-Term Borrowings Consolidated and separate financial statements

<b>Currency</b>	<b>Loan Currency</b>		<b>Baht Equivalent (Million)</b>	
	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
EUR	466,239,306	496,371,133	18,556.09	20,031.15
THB	25,070,684,211	31,894,157,895	<u>25,070.69</u>	<u>31,894.16</u>
Total long-term borrowings			43,626.78	51,925.31
<u>Less</u> Current portion of long-term borrowings			<u>8,240.71</u>	<u>8,039.45</u>
<b>Net long-term borrowings</b>			<b><u>35,386.07</u></b>	<b><u>43,885.86</u></b>

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As at December 31, 2015, long-term borrowings of the Company consist of the foreign loans borrowed via the Ministry of Finance amount of THB 15,258.20 million and local loans from the commercial banks as well as Government Saving Bank amount of THB 28,368.58 million. The total of long-term borrowings amounted to THB 43,626.78 million and have been transferred to be a current portion of long-term borrowing amount of THB 8,240.71 million, leaving the balance of long-term borrowings amount of THB 35,386.07 million.

**7.13 Liabilities under Finance leases** Consolidated and separate financial statements

Unit : Million Baht

Liabilities under Finance Leases	2015		2014	
	Book Value	Present Value	Book Value	Present Value
Within 1 year	9,889.59	9,428.53	10,638.03	10,092.05
More than 1 year – 5 years	34,836.01	29,715.59	34,499.85	29,021.27
More than 5 years	<u>32,824.86</u>	<u>22,287.71</u>	<u>26,888.97</u>	<u>17,481.22</u>
<b>Total</b>	<b><u>77,550.46</u></b>	<b><u>61,431.83</u></b>	<b><u>72,026.85</u></b>	<b><u>56,594.54</u></b>

The Company has exercised purchase options at the end of term financial lease of aircraft, with 14 foreign and domestic financial institutions, which presented the value regarding to the accounting policy described in Note 4.9. For the fiscal year 2015, the outstanding balance of obligations under finance leases for 36 aircraft is THB 84,031.40 million with maturities ranging from 2015 to 2028. After deducting interest expenses due amount of THB 6,480.94 million, the principal balance of obligations under the Company's finance leases is THB 77,550.46 million. As at December 31, 2015, the amount of THB 9,889.59 million has been transferred to a current portion of finance lease, leaving the balance of long-term liabilities under finance lease amount of THB 67,660.87 million.

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## 7.14 Debentures

Unit : Million Baht

Issuing								Redemption					Balance as at December 31, 2015
Resolutions of Shareholders' Meeting /No./Date	Amount Issued	Time Issued	Year Issued	Due Date	Age (Year)	Interest Rate Paid Every 6 Months (Percentage)	Amount	2015	2016	2017	2018	2019	
Extraordinary/1/2003 September 2, 2003	40,000	3 (Tranche3)	2005	May 12, 2015	10	5.19	3,000.00	May 12					-
							3,000.00						
Ordinary /2005 December 23, 2005	60,000	1 (Tranche3)	2009	January 20, 2016	7	5.60	300.00						300.00
		1 (Tranche4)	2009	January 20, 2019	10	6.00	3,600.00						3,600.00
							3,900.00						
Ordinary /2010 April 28, 2010	40,000	1 (Tranche1)	2011	May 13, 2018	7	Year 1-3 4% Year 4-6 4.5% Year 7 5.25%	1,555.00						1,555.00
		1 (Tranche2)	2011	May 13, 2021	10	Year 1-4 4.25% Year 5-8 4.75% Year 9-10 5.35%	833.00						833.00
		1 (Tranche3)	2011	May 13, 2016	5	3.91	2,000.00						2,000.00
		1 (Tranche4)	2011	May 13, 2018	7	4.36	1,445.00						1,445.00
		1 (Tranche5)	2011	May 13, 2021	10	4.62	2,167.00						2,167.00
							8,000.00						
		2	2011	December 28, 2016	5	4.30	2,000.00						2,000.00
							2,000.00						
		1 (Tranche1)	2012	February 16, 2019	7	4.41	1,000.00						1,000.00
		1 (Tranche2)	2012	February 16, 2022	10	4.75	2,000.00						2,000.00
							3,000.00						

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**Unit : Million Baht**[illegible]

\* The Company has entered into Cross Currency Swap for swapping THB debentures amount of THB 3,200 million to EUR currency amount of EUR 71.24 million with the interest rate of 2.92%, 3.79% and 4.46% per annum, respectively.



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Unit : Million Baht

Issuing								Redemption					Balance as at December 31, 2015
Resolutions of Shareholders' Meeting /No./Date	Amount Issued	Time Issued	Year Issued	Due Date	Age (Year)	Interest Rate Paid Every 6 Months (Percentage)	Amount	2014	2015	2016	2017	2018	
NO. 2/2014 December 26, 2014	7,000	Tranche 1	2014	December 26, 2019	5	4.46	1,230.00						1,230.00
		Tranche 2	2014	December 26, 2021	7	4.76	1,340.00						1,340.00
		Tranche 3	2014	December 26, 2024	10	4.98	1,430.00						1,430.00
							4,000.00						
During the year 2015 NO. 1/2015 April 30, 2015	7,000	Tranche 1	2015	April 30, 2017	2	3.75	1,200.00						1,200.00
		Tranche 2	2015	April 30, 2020	5	4.32	1,500.00						1,500.00
		Tranche 3	2015	April 30, 2022	7	4.62	2,000.00						2,000.00
		Tranche 4	2015	April 30, 2025	10	4.92	2,300.00						2,300.00
							7,000.00						
NO. 2/2015 September 30, 2015	8,000	Tranche 1	2015	September 30, 2018	3	3.46	1,000.00						1,000.00
		Tranche 2	2015	September 30, 2020	5	4.14	1,500.00						1,500.00
		Tranche 3	2015	September 30, 2022	7	4.44	2,500.00						2,500.00
		Tranche 4	2015	September 30, 2025	10	4.74	3,000.00						3,000.00
							8,000.00						
<b>Total</b>													<b>56,600.00</b>

As at December 31, 2015, the balance of debentures was THB 56,600 million, which the amount of THB 4,300 million was transferred to be a current portion of long-term liabilities, leaving the balance of long-term liabilities amount of THB 52,300.00 million.

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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).

**7.15 Other Current Liabilities - Others**

	<b>Consolidated</b>		<b>Unit : Million Baht</b>	
	<b>Financial Statements</b>		<b>Separate</b>	
	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Payable - airport fees	3,965.09	4,641.41	3,965.09	4,641.41
Deferred revenue	77.31	100.56	76.74	100.06
Tax payables	418.07	213.76	416.47	211.82
Payable - fringe benefits (field office staff)	554.93	498.90	554.93	498.90
Deposit received	1,300.21	1,268.73	1,292.15	1,260.63
Payable - employee	1.89	2.29	1.89	2.29
Accrued income	191.66	-	191.66	-
Payable - collected assets	368.14	792.63	368.14	792.63
Other payables	<u>1,537.71</u>	<u>1,173.64</u>	<u>5,932.37</u>	<u>1,041.42</u>
<b>Total</b>	<b><u>8,415.01</u></b>	<b><u>8,691.92</u></b>	<b><u>12,799.44</u></b>	<b><u>8,549.16</u></b>

**7.16 Staff Pension Fund Consolidated and Separate Financial Statements**

The Company has established a staff pension fund, contributing 10% of employee salaries to the fund each month. The fund's assets, liabilities and balance are presented in the Company's statements of financial position. Interest and expenses arising from fund operations are recognized as income and expenses of the Company. The details are as follows:

	<b>Unit : Million Baht</b>	
	<b><u>2015</u></b>	<b><u>2014</u></b>
Current assets	4,278.64	4,883.18
Others	<u>55.14</u>	<u>73.87</u>
Total	<u>4,333.78</u>	<u>4,957.05</u>
Other current liabilities	453.52	193.90
Pension fund	<u>3,880.26</u>	<u>4,763.15</u>
<b>Total</b>	<b><u>4,333.78</u></b>	<b><u>4,957.05</u></b>

As at December 31, 2015, the fund balance was THB 3,880.26 million and was 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 125.93 million, which came from contributions at a rate equivalent to 10% of employee salaries in the amount of THB 197.25 million less the amount to match the Company's obligation of THB 71.32 million.)

**7.17 Employee Benefits Obligation** Separate financial statements

Employee benefits obligations are classified into 5 projects as follows:

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

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

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

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

7.17.5 Post-Retirement Long Service Awards (Air ticket) is provided to the employees who have been working with the Company for 15 years will get rewards for 1 free confirmed ticket on the Company's routes, and every next 5 years from the latest reward if continue working with the Company. The employees can accumulate and use these awards whenever they desire.

**Principal actuarial assumptions :**

Discount rate	3.2%
Price inflation	3.0%
Average salary increase rates	
Domestic staff	3.0% - 7.0%
Oversea staff	5.0%
Staff turnover rate	
Domestic staff	0.0% - 2.0%
Oversea staff	0.0% - 9.0%
Medical cost inflation	6.0%
Mortality rate	TMO08 (Thailand mortality rate table, year 2008)

**Changes in Present Value of the Employee Benefits Obligation**

	<b>Consolidated</b>		<b>Unit : Million Baht</b>	
	<b>Financial Statements</b>		<b>Separate</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Beginning Balance – Employee Benefits Obligation	11,508.91	10,545.97	11,456.35	10,511.75
Current service cost	502.38	498.87	479.94	481.54
Interest cost	472.08	451.03	470.11	450.02
Benefits paid	(1,238.82)	13.04	(1,238.82)	13.04
Actuarial loss (gain)	<u>400.68</u>	<u>-</u>	<u>400.68</u>	<u>-</u>
<b>Ending Balance - Employee Benefits Obligation</b>	<b><u>11,645.23</u></b>	<b><u>11,508.91</u></b>	<b><u>11,568.26</u></b>	<b><u>11,456.35</u></b>

Actuarial gains and losses incur due to the changes in present value of the employee benefits obligation and other long-term benefits, which is an effect from the change of principal actuarial assumptions. For the fiscal year 2015, the actuarial assumptions has been changed on discount rates from 4.4% to 3.2%, therefore there is an effect on other comprehensive income.

**7.18 Long-Term Provision**

Changes in the present value of long-term provision

	<b>Consolidated</b>		<b>Unit : Million Baht</b>	
	<b>Financial Statements</b>		<b>Separate</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Long-term provision at the beginning balance	412.96	488.52	410.52	486.08
Long-term provision for the period	<u>206.35</u>	<u>(75.56)</u>	<u>208.79</u>	<u>(75.56)</u>
Long-term provision at the ending balance	<b><u>619.31</u></b>	<b><u>412.96</u></b>	<b><u>619.31</u></b>	<b><u>410.52</u></b>

Long-term provision as at December 31, 2015 (Separate financial statements) consist of:

7.18.1 The Case which the court has rendered a judgment ordering the Company to pay for severance pay to its employees in the amount of THB 10.93 million. At present, the case is under the Supreme Court's consideration.

7.18.2 The Court of First Instance and the Court of Appeal has rendered a judgment ordering the Company to pay for damages, return cash guarantee or fines in the amount of THB 55.95 million. At present, the case is under the Supreme Court's consideration.

7.18.3 The Company had estimated damages and fines and had acknowledged such damages and fines in the financial statement of 2008 in the amount of THB 4,290.17 million. The Company had decreased an amount of the reserve with respect to damages and fines to THB 1,783.19 million, THB 1,042.05 million, THB 695.76 million, THB 372.11 million and THB 75.86 million in the financial statement of 2010, 2011, 2012, 2013 and 2014, respectively. In 2015, the Company has increased an amount of the reserve for damages and fines totaling THB 30.46 million, leaving the balance of THB 351.66 million.

7.18.4 The Board of Directors meeting no. 11/2558 dated November 11, 2015 has resolved the Company to reserve USD 6.77 million as a compensation in respect of the 1 year early termination of Aircraft operating Lease Agreements for 2 A330-300 (TEJ, TEL) to Aercaip at the begin of 2017. This payment is for the early termination fee in the amount of USD 3 million or approximately THB 108.76 million and Retrofit Koito Seat fee in the amount of USD 2.54 million or approximately THB 92.01 million totaling THB 200.77 million.

In addition, this meeting estimated the aircraft rental fee in the amount of USD 1.23 million or approximately THB 44.66 million.

7.18.5 At the Company's Board of Directors Meeting No.10/2011 dated August 19, 2011, the meeting resolved to apply the local currency of each foreign country which the Company has the obligation to pay in the future for the accounting record instead of applying the Baht currency by applying the current exchange rate of Bank of Thailand at the end of the fiscal year.

Correspondingly, the Department of Legal Affairs and Business Administration has set the estimation guidelines as follows:

1. The above estimated damages and fines are based on the progress and direction of the cases which have become more apparent and the Company also considers the possibility that the Company may be alleged by each authority of the country that conducted investigation against the Company and the lowest fine rates that may be used in case the courts rule or sentence that the Company has committed guiltiness as alleged or claimed. In addition, the Company adjusted the foreign currency exchange rate to be in line with the current rates.

2. The above estimated damages and fines amounts are made in respect of the investigations made by the competent authority in each country including the initial estimate of the compensation in the Civil Class Action cases in the United States of America, though the disputed amount of claims has not yet been set and the plaintiffs still have to prove the damages.

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

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

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

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

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

#### **7.19 Dividend Payment** Separate financial statements

According to the Resolution of the 2015 Annual General Shareholders' Meeting held on April 24, 2015 approved the Company to abstain from dividend payment for 2014 operating result ended December 31, 2014.

#### **7.20 Share Capital**

As at December 31, 2015, 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.

#### **7.21 Legal Reserve**

As at December 31, 2015, the Company's legal reserve balance was THB 2,691.27 million.

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**7.22 Other Income - Others**

	Unit : Million Baht			
	Consolidated Financial Statements		Separate Financial Statements	
	2015	2014	2015	2014
Gains on sales of assets	76.97	27.02	77.00	27.02
Dividends from associated and subsidiary companies	-	-	192.65	346.82
Revenue from other services of Aircraft Maintenance Department	641.91	485.08	641.91	485.08
Compensation revenue from the delay delivery of aircraft	-	7.86	-	7.86
Compensation revenue from KOITO Co., Ltd.	3,967.60	-	3,967.60	-
Other fine revenues	171.55	147.78	171.55	147.78
Insurance compensation from the flood disaster	208.05	164.70	208.05	164.70
Insurance compensation from other cases	144.85	727.06	144.85	727.06
Revenue from Royal Orchid Lounge service	117.46	100.95	117.46	100.95
Revenue from service to Thai Smile Airways passenger	188.43	125.19	188.43	125.19
Revenue from in- flight Internet Service	1.79	5.62	1.79	5.62
Others	501.65	827.55	670.43	982.41
<b>Total</b>	<b>6,020.26</b>	<b>2,618.81</b>	<b>6,381.72</b>	<b>3,120.49</b>

**7.23 Employee Benefits Expenses**

	Unit : Million Baht			
	Consolidated Financial Statements		Separate Financial Statements	
	2015	2014	2015	2014
Personnel expenses	29,953.65	30,223.55	29,557.01	30,098.90
Employee benefits	608.09	962.94	583.04	944.60
Executive remuneration	97.51	70.13	91.95	64.90
Board of directors remuneration	19.37	17.59	16.54	14.97
<b>Total</b>	<b>30,678.62</b>	<b>31,274.21</b>	<b>30,248.54</b>	<b>31,123.37</b>

Managements refer to the Company's Board of Directors, Chief Executives, persons in the next four executive levels below the chief executives, and in similar position, including accounting or finance department managers or above according to Securities and Exchange Mandate.

Moreover, the Directors of the Company obtain the ticket benefits. For the year 2015, they did not issue the tickets for themselves and their related parties but for the year 2014, they issued the tickets for themselves and their related parties amount of 153 tickets with the value of THB 13.41 million, calculating from the full fare tickets in those traveling classes.

#### **7.24 Termination benefit – Mutual Separation Plan and Golden Handshake**

At the Company's Board of Director meeting No. 6/2558 dated June 15, 2015 approved the Mutual Separation Plan and Golden Handshake. There are 1,401 employees have been authorized to join the plan in 4 periods of time, which are July 1, 2015, October 1, 2015, December 1, 2015 and March 1, 2016. The Company has to pay the benefit according such plans amount of THB 857.13 million, 1,111.56 million, 946.80 million and 465.77 million, respectively, in an aggregate of THB 3,381.26 million. The Company recognized the mentioned amount of Termination benefit in the statements of comprehensive income for the year ended December 31, 2015.

#### **7.25 Impairment Loss of Aircraft Separate Financial Statements**

The Company has non-current assets classified as held for sale (according to Notes 7.5) which composed of 1 A300-600, 4 A340-500, 6 A340-600, 4 B737-400, 4 B747-400, 2 ATR72 and 9 A330-300 aircraft, totaling 30 aircraft and 11 spare engines of such aircraft. When comparing the net book value with the fair value less cost to sell, it appears that the fair value less cost to sell is lower than the net book value amount of THB 11,488.24 million. As well as the impairment losses of spare engines, amount of THB 388.19 million, which made a grand total of THB 11,876.43 million. Therefore, the Company recognized the impairment losses of such aircraft in the statements of comprehensive income for the year 2015.



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**7.26 Other Expenses**

	Unit : Million Baht			
	Consolidated		Separate	
	Financial Statements		Financial Statements	
	2015	2014	2015	2014
Rentals and utilities	2,718.82	2,880.95	2,718.82	2,880.95
Office supplies	161.96	182.62	161.96	182.62
Repair of building and equipment	538.02	690.84	538.02	690.84
Outsource services	1,515.17	1,295.81	1,515.17	1,295.81
Consultant and service fees	571.79	580.26	571.79	580.26
Legal fee for Antitrust/ Competition Law	28.62	59.61	28.62	59.61
Computer service expenses	555.63	547.98	555.63	547.98
Rental of communication devices and office equipment	219.10	378.20	219.10	378.20
Travelling and transportation expenses	512.35	580.23	512.35	580.23
Concession fees	388.67	398.41	388.67	398.41
Passenger claim expenses	253.34	229.02	253.34	229.02
Damages from flood disaster	7.66	69.96	7.66	69.96
Obsolete inventories and supplies expenses	500.52	682.94	500.52	682.94
Service cargo expenses	105.86	144.06	105.86	144.06
Joint venture expenses in STAR Alliance	46.51	112.97	46.51	112.97
Company business and municipal taxes	174.06	176.16	174.06	176.16
Bad debts and provision for bad debts	(122.42)	293.64	(123.81)	290.25
Service fee for IT HOSTING system	98.58	25.37	98.58	25.37
Fine and interest expenses	283.03	38.82	283.03	38.82
Others	801.79	1,477.78	495.22	1,318.00
<b>Total</b>	<b>9,359.06</b>	<b>10,845.62</b>	<b>9,051.10</b>	<b>10,682.46</b>

Legal fee for Antitrust/Competition Law is a contingent liability that the Company has to set the reserve for damages and fines with respect to Antitrust laws allegation. In the fiscal year 2015, the Company has increased the provision for such damages and fines according to Note 7.18.3.

**7.27 Income Tax Expense (Income)**

	Unit : Million Baht			
	Consolidated		Separate	
	Financial Statements		Financial Statements	
	2015	2014	2015	2014
Tax expense from taxable profit for the period	42.92	80.21	26.84	32.93
Add(less): deferred tax asset/ liability from temporary different increase/ decrease	(1,112.29)	(1,245.05)	(1,102.08)	(1,241.37)
<b>Net tax expenses (income)</b>	<b>(1,069.37)</b>	<b>(1,164.84)</b>	<b>(1,075.24)</b>	<b>(1,208.44)</b>

**7.28 Investment Promotion**

The Company received the investment promotion certificates for air transportation operation of aircraft, consisting of passenger and cargo transportation activities, according to the investment promotion certificates as follows :

<b>Investment Promotion Certificates No.</b>	<b>Investment Promotion Certificates Date</b>
1214(2)/2009	March 13, 2009
1874(2)/2009	November 19, 2009
1446(2)/2011	April 21, 2011
1178(2)/2012	February 10, 2012
1627(2)/2012	May 22, 2012
2576(2)/2012	October 22, 2012
2577(2)/2012	October 22, 2012
1220(2)/2013	February 13, 2013
1221(2)/2013	February 13, 2013
1590(2)/2013	May 1, 2013
2357(2)/2013	September 27, 2013
2358(2)/2013	September 27, 2013
2360(2)/2013	September 27, 2013
2362(2)/2013	September 27, 2013
2363(2)/2013	September 27, 2013
2364(2)/2013	September 27, 2013
2365(2)/2013	September 27, 2013
2366(2)/2013	September 27, 2013
2367(2)/2013	September 27, 2013

Under the condition, the Company will receive a privilege for exemption from corporate income tax for the net profit, which operated by such aircraft starting from the date of first revenues derived from the promoted activities, up to 8 years.

Revenues from sales or services classified to the promoted and non-promoted activities for the year ended December 31, 2015 and 2014 are as follows:

	<b>Unit : Million Baht</b>	
	<b>Separate Financial Statements</b>	
	<b>2015</b>	<b>2014</b>
<b>Revenues from sales or services</b>		
Promoted activities	89,361.60	77,083.69
Non-promoted activities	89,580.58	110,693.90
<b>Total revenues from sales or services</b>	<b>178,942.18</b>	<b>187,777.59</b>

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**7.29 Earnings (Loss) Per Share**

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

Unit : Million Baht/Million Shares

	<b>Consolidated Financial Statements</b>		<b>Separate Financial Statements</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Profit (loss) attributable to owners of the parent</b>	<b>(13,067.67)</b>	<b>(15,611.62)</b>	<b>(11,163.05)</b>	<b>(14,896.00)</b>
Number of issued ordinary shares as at January 1	2,182.77	2,182.77	2,182.77	2,182.77
<b>Number of weighted average ordinary shares</b>	<b><u>2,182.77</u></b>	<b><u>2,182.77</u></b>	<b><u>2,182.77</u></b>	<b><u>2,182.77</u></b>
<b>Basic earnings (loss) per share (THB)</b>	<b><u>(5.99)</u></b>	<b><u>(7.15)</u></b>	<b><u>(5.11)</u></b>	<b><u>(6.82)</u></b>

**7.30 Financial Information by Segment** Consolidated financial statements

## 7.30.1 Business segments

**Statements of Income**  
**For the year ended December 31, 2015**

Unit : Million Baht

	<u><b>Air Transportation</b></u>		<u><b>Business Units</b></u>		<u><b>Other Activities</b></u>		<u><b>Total</b></u>	
	<u><b>2015</b></u>	<u><b>2014</b></u>	<u><b>2015</b></u>	<u><b>2014</b></u>	<u><b>2015</b></u>	<u><b>2014</b></u>	<u><b>2015</b></u>	<u><b>2014</b></u>
External Revenues	171,139.21	178,482.49	8,871.28	7,697.14	2,716.86	2,187.98	182,727.35	188,367.61
Inter - segment revenues	-	-	8,753.76	8,686.84	4,159.39	5,356.44	12,913.15	14,043.28
Interest income	320.66	268.62	-	-	11.27	11.35	331.93	279.97
Finance costs	<u>(5,897.74)</u>	<u>(6,073.28)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,897.74)</u>	<u>(6,073.28)</u>
Finance costs - net	<u>(5,577.08)</u>	<u>(5,804.66)</u>	<u>-</u>	<u>-</u>	<u>11.27</u>	<u>11.35</u>	<u>(5,565.81)</u>	<u>(5,793.31)</u>
Depreciation and amortization expenses	(17,313.50)	(18,952.55)	(799.41)	(772.72)	(1,019.87)	(809.26)	(19,132.78)	(20,534.53)
Fuel and oil	(61,794.04)	(78,101.94)	-	-	(1,448.79)	(1,129.38)	(63,242.83)	(79,231.32)
Employee benefits expenses	(21,812.33)	(18,420.05)	(7,045.38)	(7,679.56)	(5,202.17)	(5,174.60)	(34,059.88)	(31,274.21)
Tax income (expenses)	1,075.23	1,208.44	-	-	(5.86)	(43.60)	1,069.37	1,164.84
Profit on investment in associates	131.88	77.28	-	-	-	-	131.88	77.28
Gain (loss) on foreign currency exchange	3,488.59	12,644.84	-	-	23.19	(21.89)	3,511.78	12,622.95
Impairment loss of aircraft	(12,157.75)	(6,342.58)	-	-	-	-	(12,157.75)	(6,342.58)
Gain (loss) by segments	(12,475.19)	(18,380.60)	3,662.27	1,646.34	(5,303.38)	(3.13)	(14,116.30)	(16,737.39)

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**Assets and Liabilities**  
**As at December 31, 2015**

	<u>Air Transportation</u>		<u>Business Units</u>		<u>Other Activities</u>		<u>Unit : Million Baht</u> <u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current assets	56,563.55	54,615.59	638.56	603.99	8,571.54	4,999.65	65,773.65	60,219.23
Investments	4,810.79	4,851.06	-	-	4.16	1.02	4,814.95	4,852.08
Property, plant and equipment	198,914.36	215,510.01	6,081.91	4,802.08	3,289.09	3,709.36	208,285.36	224,021.45
Other non-current assets	18,818.36	14,041.80	0.41	1.54	75.77	65.45	18,894.54	14,108.79
Non-allocated assets	-	-	-	-	-	-	<u>4,702.56</u>	<u>4,065.63</u>
<b>Total assets</b>							<b><u>302,471.06</u></b>	<b><u>307,267.18</u></b>
Current liabilities	85,001.33	96,252.69	238.80	234.67	9,884.47	4,403.09	95,124.60	100,890.45
Non-current liabilities	173,444.52	163,805.62	-	-	78.04	56.52	173,522.56	163,862.14
Non-allocated liabilities	-	-	-	-	-	-	<u>898.21</u>	<u>1,218.66</u>
<b>Total Liabilities</b>							<b><u>269,545.37</u></b>	<b><u>265,971.25</u></b>

The Company has 3 reported segments, consisting of air transportation activities segment, business units segment, and other activities segment. Air transportation activities segment composed of passenger, freight, and mail services. The business units segments related directly to transportation activities, which include cargo and mail commercial, ground customer services, ground support equipment services, and catering services. Other activities segment are transportation supporting activities, which include dispatch services, sales on board, THAI shop, technical services and operation of subsidiaries.

Total gain (loss) before income tax by segments was derived from revenues net of costs and operating expenses.

The Company records inter-segment revenue transfers at market price charged to its unaffiliated customer net of discount, for ground customer services segment recorded at cost net of discount, and for other activities segment and technical services recorded at budget cost. Those transferred transaction will be eliminated in consolidated financial statements.

Segment assets are the assets used for the operation or related to such activity.

Segment liabilities are the liabilities used for the operation or related to such activity.

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## 7.30.2 Geographical Segments

Unit : Million Baht

	Domestic Revenues			Foreign Revenues					Charter Revenues and Others	Other Income			Total
	Transportation	Business Unit	Others	Regional Asia	Europe	North Pacific	Australia & New Zealand	Africa		Interest Income	Others Income	Gain (loss) on Foreign Currency Exchange	
<u>For the year</u>													
<b>Jan-Dec 2015</b>	11,608.79	8,871.28	2,716.86	92,082.11	48,076.09	2,148.16	16,247.27	55.81	920.98	331.93	6,020.26	3,511.78	<b>192,591.32</b>
<b>Jan-Dec 2014</b>	10,127.77	7,697.14	2,187.98	90,381.98	54,880.47	2,770.42	17,164.07	1,150.14	2,007.64	279.97	2,618.82	12,622.95	<b>203,889.35</b>

**7.31 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 1,230.30 million for this fiscal year.

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

**7.32 Contingent Liabilities**

7.32.1 The Company has contingent liabilities, not presented in the financial statement, as follows:

	<b>Unit : Million Baht</b>	
	<b><u>2015</u></b>	<b><u>2014</u></b>
Letters of guarantee issued by banks - Domestic	30.36	37.24
Letters of guarantee issued by banks - Abroad	314.58	357.37
The Company as defendant in		
Labor dispute cases	1,356.00	1,321.01
Damage claims cases	<u>512.64</u>	<u>2,247.42</u>
<b>Total</b>	<b><u>2,213.58</u></b>	<b><u>3,963.04</u></b>

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

1. The case where British Airways, which is a defendant in Cargo Civil Class Action Case in the UK, issued a cross claim against the Company:

On February 4, 2014, the Company has received a notice from an English lawyer representing British Airways informed that British Airways, who is the defendant in the Cargo Civil Class Action Case in the UK and being claimed for damages arisen from fuel and security surcharges fixing during 1999-2007 under such case, has issued a cross claim against 18 airlines, including the Company on November 28, 2013. The Company is not the main party to the proceedings. The case is currently undergoing the court procedures.

2. The Cargo Civil Case filed against the Company in the Republic of Korea:

The Company has been informed by the branch office in the Republic of Korea on January 22, 2014 that LG Group Companies, including LG Chemical, LG Electronics, LG Display and LG Life Science, have filed a civil lawsuit against 12 airlines, including the Company, on November 27, 2013 in order to claim damages arisen from the conduct of conspiracy to fix fuel and security surcharges during 2003-2007. LG Group Companies have asserted the amount of claim at KRW 404,000,000 with interest or approximately THB 12.28 million and reserved their rights to amend the Complaint to increase the amount of claim if they can prove their claims to the court later on. The case is currently undergoing the court procedures.

3. Regarding the case where British Airways, Lufthansa and KLM-AF, who are the defendants in the Cargo Civil Class Action case in the Netherlands, requested that the court give them leave to implead the Company.

In the early July 2015, the Company received the writs of summons from British Airways, Lufthansa and KLM-AF. Moreover, British Airways, Lufthansa and KLM-AF have served the writs of summons to the Company and more than other 20 airlines for the case where the plaintiff filed a lawsuit against Koninklijke Luchtvaart Maatschappij N.V., Martin Air Holland N.V., Société Air France S.A. (collectively referred to as “KLM-AF”), Deutsche Lufthansa and Lufthansa Cargo A.G. (collectively referred to as “Lufthansa”), Singapore Airlines and Singapore Airlines Cargo (collectively referred to as “Singapore Airlines”) and British Airways as defendants since December 24, 2013 alleging surcharges fixing among such airlines. On June 25, 2014, such airlines requested that the court give them leave to implead other airlines involving in surcharges fixing arrangement. After that, on March 25, 2015, the court granted permission according to such airlines’ request. However, the Company was not filed a lawsuit against as the defendant in the main case and currently the Company is preparing to attend the first hearing.

### **7.33 Actions Taken in Relation to Entering to Block Space Agreement With Southern Air Inc. (SAI)**

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

On June 12, 2014, Southern Air Inc.,(SAI) filed civil law suit case against the Company claiming damages for the breach of the Block Space Agreement.

At present, the Company has entered into settlement agreement with Southern Air Inc., (SAI) amounting to USD 2 million in order to settle the civil and bankruptcy case. The court has already approved the settlement between the Company and Southern Air Inc., (SAI) and the Company has already made a payment according to settlement agreement. The lawsuit is now concluded.

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

On May 11, 2015 , the English Court has rendered a judgment ordering Koito to make a payment to the Company totaling USD 82,732,284 , EUR 19,857,165 and THB 4,640,417 or totaling in USD 105 million (Exchange Rate on May 11, 2015: USD 1 = 33.52 Baht and 1 Euro = 37.63 Baht) together with interest and partial litigation costs. Koito has already made the partial payment according to the judgment in the amount of USD 60 million and the litigation cost in the amount of GBP 2,436,415.90.

After that, the Board of Directors meeting no. 11/2558 held on November 11, 2015 has approved the settlement between the Company and Koito in the amount of USD 52.5 million as proposed by Koito. In this regard, all cases and claims the Company has or will have against Koito regarding the seats put or agreed to be put the company airplanes by Koito up to now including English case, will be deemed to be settled as soon as possible. The amount of USD 60 million and the litigation cost GBP 2,436,415.90 which has been already paid by Koito to the Company in the English Court proceeding, shall be deemed as the integral part of the settlement.

On 25 and 27 November 2015, Koito remitted the money totaling USD 52.5 million to the Company's account according to the Settlement Agreement. This shall be deemed as settlement by Koito in accordance with the Settlement Agreement.

#### **7.35 Cash Flow Hedge**

In 2015, The Company uses foreign currency borrowings to manage the variability in future cash flows on forecasted foreign currency revenue. Gains or losses on exchange differences arising from the translation, as a resulting from the different from rate at designate date or drawdown rate (which one occur later) until the reporting date rate, arising on the effective portion of the hedges are deferred in other component of equity in equity and reclassified to profit or loss in the same period or periods during the hedged item affects profit or loss.

For the year ended December 31, 2015, the Company recognized in profit and loss THB 156.10 million from application of hedge accounting to foreign currency borrowings and forecasted future foreign currency revenue.

As at December 31, 2015, the time periods in which cash flows of hedged items are expected to occur and affect profit or loss are as follows:



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**Consolidated and Company only**

Year 2015

Unit : Million Baht

	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Total
Forecast receivable cash flows	6,726.34	16,596.81	111,597.41	437,921.13	572,841.69

As at 31 December 2015, the amount deferred in other component of equity in relation to effective cash flow hedges is THB 2,348.05 million. This amount is expected to be recognized in profit or loss over the period of forecast future foreign currency revenues as referred to in the table above.

**7.36 Disclosure of Financial Instruments** Separate financial statements

## 7.36.1 Interest rate risk

Interest rate risk in financial statements arises from changes in market interest rates which have an effect on the Company's operating results at present and in the future.

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

2015

Unit : Million Baht

Financial Liabilities	Weighted Average Interest Rate	Outstanding Balances Floating Interest Rates			Outstanding Balances Fixed Interest Rates			Total
		Less than 1 year	1 to 5 years	Over 5 years	Less than 1 year	1 to 5 years	Over 5 years	
By currency								
USD	2.45	1,152.75	4,653.75	7,722.98	3,625.38	-	-	17,154.86
JPY	1.24	1,272.97	5,208.42	4,879.09	-	-	-	11,360.48
EUR	1.42	7,411.23	24,763.28	20,117.51	1,199.23	4,643.72	12,713.14	70,848.11
THB	4.23	14,094.11	17,578.23	766.82	8,300.00	28,230.00	24,070.00	93,039.16
<b>Total</b>		<b>23,931.06</b>	<b>52,203.68</b>	<b>33,486.40</b>	<b>13,124.61</b>	<b>32,873.72</b>	<b>36,783.14</b>	<b>192,402.61</b>

2014

Unit : Million Baht

Financial Liabilities	Weighted Average Interest Rate	Outstanding Balances Floating Interest Rates			Outstanding Balances Fixed Interest Rates			Total
		Less than 1 year	1 to 5 years	Over 5 years	Less than 1 year	1 to 5 years	Over 5 years	
By currency								
USD	2.18	165.74	700.64	1,385.32	-	-	-	2,251.70
JPY	1.17	1,675.61	4,023.06	4,156.90	-	-	-	9,855.57
EUR	1.59	7,797.69	27,973.04	21,346.75	2,214.96	6,437.35	14,180.95	79,950.74
THB	4.30	30,123.47	21,366.07	3,704.62	3,000.00	26,080.00	15,520.00	99,794.16
<b>Total</b>		<b>39,762.51</b>	<b>54,062.81</b>	<b>30,593.59</b>	<b>5,214.96</b>	<b>32,517.35</b>	<b>29,700.95</b>	<b>191,852.17</b>

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For Interest Rate Risk Management policy, the Company applies a derivative financial instrument, Interest Rate Swap (IRS), to swap the floating interest rates which show high tendency to increase to fixed. As at December 31, 2015, the portion of the Company's debt after swap with floating to fixed interest rate is 48 : 52.

At the moment, the Company has the total of 9 IRS transactions, swapping debt with floating interest rate to fixed interest rate. Five of these transactions are in EUR and four transactions in THB. As at December 31, 2015, IRS transactions' total notional amount was THB 9,192.10 million of which interest exchange payments are done monthly and quarterly. The one transactions in EUR currency will expire in 2017 and the other four transactions in EUR currency will expire in 2018. One transaction in THB currency will expire in 2016 and three transactions in THB currency will expire in 2017.

7.36.2 Foreign Currency Exchange Rate Risk

The Company generates revenues in THB and more than 50 currencies, mainly in USD, THB, EUR and JPY while incurring liabilities mainly in 4 major currencies : USD, EUR, THB and JPY as well as expenses mainly in USD and THB. Fluctuations in exchange rates affect on long-term liabilities and operating expenses denominated in foreign currencies. Therefore, the Company has adopted "Natural Hedging" strategy to manage this risk by increasing the matching of currency between the revenues and expenses and to arrange for loan and restructure loan to coincide with net operating cash flow, and at the same time, to decrease foreign currency debt risk partially by relying on Thai baht loan in order to decrease the fluctuation of gain or loss from foreign exchange in the financial statements. In addition, the Company has a policy to enter into Cross Currency Swap (CCS) when the financial market benefits to the Company. As at December 31, 2014, the proportion of the Company's debts after swap in each currency i.e. USD : EUR : JPY : THB = 8 : 44 : 13 : 35. Gradually, the Company also used hedging strategy named Forward Contracts, by providing various degrees of participation in favorable currency exchange rate movement to hedge the future obligation that has underlying exposures.

At present, the Company has 17 CCS transactions. These debt swaps are 9 transactions of THB currency to EUR currency with fixed interest rate, 5 transactions of THB currency to JPY currency with fixed interest rate, 2 transactions of THB currency to JPY currency with floating interest rate, and 1 transaction of EUR currency to JPY currency with fixed interest rate. The notional amount as of December,31 2015 is equivalent to THB 20,992.39 million of which payments, both principle and interest are done monthly, quarterly and every 6 months. These CCS transactions will terminate between the year 2017 and 2024.

Unit : Million Baht

Foreign Currency Liabilities						
Currency	2015			2014		
	<u>Due within 1 year</u>	<u>Due 1 to 5 years</u>	<u>Due over 5 years</u>	<u>Due within 1 year</u>	<u>Due 1 to 5 years</u>	<u>Due over 5 years</u>
USD	4,778.13	4,653.75	7,722.98	165.74	700.64	1,385.32
JPY	1,272.97	5,208.42	4,879.09	1,675.61	4,023.06	4,156.90
EUR	8,610.46	29,407.00	32,830.65	10,012.65	34,410.39	35,527.70

### 7.36.3 Fuel Price Risk

Fuel price fluctuation depends on supply and demand of global economic situation and political uncertainty worldwide. Fuel price has direct impact on the Company's operating result as fuel plays vital factor in airline industry. The Company has implemented jet fuel price hedging in order to reduce the risk of fuel price volatility, to protect the value of the Company for shareholders and all concerned and is not to be treated as a profit-marking venture.

This was in accordance with the Company's policy, specifying that fuel hedging be conducted on a regular basis at not lower than 20 percent and not more than 80 percent of annual fuel consumption. 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 2015, the Company's hedge portion account to 78 percent of its annual fuel consumption and as at December 31, 2015, the Company still has an obligation from fuel price hedging until December 2016 in portion account to 44 percent of total fuel consumption.

### 7.36.4 Fair Value of Financial Instruments

Fair value is the amount for which the buyer and the seller agree to exchange an asset, or settle a liability, while both parties are knowledgeable, willing, independent with the freedom to bargain.

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

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

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

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

Financial derivative transaction is a fair value derived from value adjustment of contract between the Company and the bank with market price as at the report release date to more currently reflect the value of the contract.

**7.37 Contractual Obligations****7.37.1 Obligation to Purchase Aircraft**

The Company has a payment obligation to purchase 4 A350 - 900XWB aircraft amount of THB 18,826.16 million, expected to take delivery during the year 2017-2018 which consisted of:

<b>Unit : Million Baht</b>	
<b>Obligation</b>	<b>Over 1 year – 5 years</b>
Purchase of aircraft	18,826.16

**7.37.2 Leases and Obligations of Aircraft**

The Company has obligations from entering into operating leases for 43 aircraft amount of USD 4,371.70 million or approximately to THB 158,490.85 million consisting of 15 A320-200, 2 A330-300, 8 A350-900, 2 B777-200, 8 B777-300ER, 6 B787-8, and 2 B787-9 aircraft. As at December 31, 2015, there are 33 aircraft which have been already taken the delivery. In addition, there are the 10 aircraft which have not been taken deliver yet. Also, there are 2, 11 and 30 aircraft which the lease will expire in 2016, 2017 - 2020 and 2021 - 2030, respectively.

Lease obligation for 43 aircraft operating leases can be classified as follows:

<b>Unit : Million Baht</b>			
<b>Obligation</b>	<b>Within 1 year</b>	<b>Over 1 year – 5 years</b>	<b>Over 5 years</b>
Rent	10,119.42	56,278.99	92,092.44

**7.38 Damages from the Flood Disaster**

On October 26, 2011, the flood reached Don Muang Airport and Head Quarter causing the damages to the Company's assets which the insurance will cover for such damages.

The Company has recorded the damages from flood disaster, which consisted of two Airbus A300-600 aircraft, consumable parts and supplies of Technical Department, tool repairment of Technical Department and raw material of Catering. As at December 31, 2015, the Company received the insurance compensation amount of THB 1,967.07 million. The Company recognized the insurance compensation from the flood disaster as an income amount of THB 1,967.07 million. Such compensation has been recognized in the statements of comprehensive income for the year 2011, 2012, 2013, 2014 and 2015 at the amount of THB 175 million, THB 284.23 million, THB 1,135.09 million THB 164.70 million and THB 208.05 million, respectively. However, all the damaged assets which are covered by the insurance policy are under claiming process with the insurance company.

### **7.39 Damages from the Aircraft Flights TG679**

On September 8, 2013, Flight TG697 (Aircraft Type Airbus A330-300/Registration HS-TEF) skidded off run-way after landing at Suvarnabhumi International Airport. Eighty passengers were reported injury and there was no fatality in this incident. Aircraft sustained severe damage. The aircraft is insured with the Agreed Value of USD 32.45 million or approximately to THB 1,014.01 million.

In this cases, the Company's Aviation Insurers are fully aware of the matter and already appointed Lawyers and Loss Adjusters to coordinate and work with THAI in respect of claims, litigation and settlement for passengers. The Team appointed by Insurers shall also make assessment for the damage of the aircraft under these cases. On September 18, 2013, the Company received the first interim payment from Insurers in the amount of USD 250,000 or approximately to THB 7.92 million.

At the present, the Company and Insurers' Loss Adjusters work together on the assessment for costs and expenses related to the repair of the aircraft. The manufacturer of the aircraft, Airbus Industries, is also engaged for "Full Repair Assessment" and it comes to the conclusion that the repair costs and expenses is higher than the insured value of the aircraft. Therefore, this case is considered to be "Constructive Total Loss (CTL)" under terms and conditions of the Company's aviation insurance policy. As the consequence of the above, the Company already received an insurance compensation in related to the damage of the aircraft from Insurers in the total amount of USD 33.54 million or approximately THB 1,087.28 million consisting of the full insured value of the aircraft agreed under the Insurance Policy at USD 32.45 million plus additional costs of working and inflight entertainment in the total amount of USD 1.09 million.

Till date, the Company has received more than 30 claims from Thai and Chinese passengers including claims from Airport Authority of Thailand Public Company Limited. All claims are being handled by the Company with close coordination with the lawyers appointed by aviation insurers. Costs and expenses in this respect will be absorbed by aviation insurers.

### **7.40 Events after the Reporting Period**

7.40.1 The Company has planned to request for the Roll-over of Euro Commercial Paper (ECP) loan within February 2016 from the Ministry of Finance.

7.40.2 The Company has planned to enter into Cross Currency Swap (CCS) and/or Interest Rate Swap (IRS) of Bangkok Bank (Public) Company Limited's loan. The swaps, not to exceed THB 6,244 million in total, are expected to be carried out during the third and fourth quarters of 2016 according to the approval of the Company Board of Directors on August 4, 2014. In order to coincide with the accounting policy that is currently being fine-tuned, the Company has requested to push back the swap transactions until no later than December 2016. The executions of swap will, however, depend on the financial market's condition at the time.

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**7.41 Approval of Financial Statements**

These financial statements were approved by the Audit Committee, the Authorized Board of Directors, on February 26, 2016.

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