

(TRANSLATION)

No. 0025/0686

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, 2016 of Thai Airways International Public Company Limited and its subsidiaries and separate financial statements for the year ended December 31, 2016 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 16, 2017

(Signed)

Pisit Leelavachiropas
(Pisit Leelavachiropas)
Auditor General



(TRANSLATION)

AUDITOR'S REPORT**To: The Shareholders of Thai Airways International Public Company Limited****Opinion**

The Office of the Auditor General of Thailand has audited the accompanying consolidated financial statements of Thai Airways International Public Company Limited and its subsidiaries (the Group) and separate financial statements of Thai Airways International Public Company Limited (the Company), which comprise the consolidated and separate statements of financial position, as at December 31, 2016, the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, and a summary of significant accounting policies.

In the Office of the Auditor General of Thailand's opinion, the above mentioned consolidated and separate financial statements present fairly, in all material respects, the consolidated financial position of the Group and separate financial position of the Company, respectively, as at December 31, 2016, and their consolidated and separate financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

Basis for Opinion

The Office of the Auditor General of Thailand conducted the audit in accordance with Thai Standards on Auditing (TSAs). The Office of the Auditor General of Thailand's responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of the Office of the Auditor General of Thailand's report. The Office of the Auditor General of Thailand is independent of the Group and the Company in accordance with the State Audit Standards issued by the State Audit Commission and the Code of Ethics

Office of the Auditor General of Thailand

for Professional Accountants issued by the Federation of Accounting Professions under the Royal Patronage of His Majesty the King that are relevant to the Office of the Auditor General of Thailand's audit of the consolidated and separate financial statements, and has fulfilled other ethical responsibilities in accordance with these requirements. The Office of the Auditor General of Thailand believes that the audit evidence obtained is sufficient and appropriate to provide a basis for the Office of the Auditor General of Thailand's opinion.

Key Audit Matters

Key audit matters are those matters that, in the Office of the Auditor General of Thailand's professional judgment, were of most significance in the audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of the Office of the Auditor General of Thailand's audit of the consolidated and separate financial statements as a whole, and in forming the Office of the Auditor General of Thailand's opinion thereon, and the Office of the Auditor General of Thailand does not provide a separate opinion on these matters.

The Office of the Auditor General of Thailand identifies the followings as key audit matters:

1. Impairment of aircraft

Refer to note to the financial statement no. 7.5 "Non-current assets held for sale", no. 7.25 "Impairment loss of aircraft" and no. 4.5 Summary of significant accounting policy: "Non-Current asset classified as held for sale" for the relevant accounting policy.

According to TFRS it determines that the recognition of assets held for sale should be measured at the lower price between its carrying value and its fair value less cost to sell. Consequently, the Company has to perform the impairment assessment of the decommissioned aircraft under the aircraft management plan and review of impairment loss of such decommissioned aircraft and shows them as Non-current asset held for sale.

As the complexity of the revaluation of asset's condition for fair value assessment based on significant judgment applied under the assumptions that affect from global economy and aircraft secondhand market uncertainty, the Company performed impairment test of aircraft by internal staff conformed with the industry's principle of The International Society of Transport Aircraft Trading (ISTAT) and under the use of significant judgment in the assessment of major component of aircraft to adjust an aircraft value upon the information from the used aircraft price magazine. As a result, the
Office of the Auditor General of Thailand

valuation may inappropriate and unfairly disclosed. Therefore, the Office of the Auditor General of Thailand considers these as a key audit matter.

To address the matter, the Office of the Auditor General of Thailand performed the following;

The Office of the Auditor General of Thailand inquired to the executive about the appropriateness of assumptions used in determination of fair value of aircraft held for sale. The calculation test was performed by reviewing the major components of aircraft life time and compared the carrying value and fair value less cost to sell. The fair value of aircraft was based on market price quoted by a magazine which provides second hand aircraft value adjusted by the technical status and maintenance condition of aircraft conformed to the ISTAT practice. Also, it examined the aircraft decommission approval process and recognition of impairment loss by authorized person.

2. Fare Management System

In 2016, the Company implemented the new Fare Management System to manage their passenger selling price structure. It was the basis of passenger revenue recognition process. Since, the passenger selling price structures as well as the distribution channels were various and the consideration of its implementation risk for the first time usage including the determination of passenger revenue for each flight including sale commission and discount were complex, any error from Fare Management System would impact to the recognition of revenue and other relevant account balance.

The Office of the Auditor General of Thailand understands the guidebook of Fare Management System and performed test of control on fare input and processing of Fare Management System.

To address the accuracy of the output from Fare Management System, the Office of the Auditor General of Thailand tested the relevant IT general controls which include authorization for access to system and data file, program change security and test of system operation. The selected controls testing were performed to ensure that the controls were operated as they were designed and could prevent from unauthorized data amendment which could lead to an inaccurate of accounting record in regard with the passenger sale revenue.

The selected application controls were covering the fare approval process and input process of Fare Management System accompanied with the examination of accuracy of approved fair in system and

Office of the Auditor General of Thailand

ticket fare. Those controls were designed to identify any possible error of information and to ensure that the controls were operated effectively.

Emphasis of Matter

The Office of the Auditor General of Thailand would like to draw attention to Note 5 to the financial statements, which describes Corporate Transformation Plan on funding and liquidity plan of Thai Airways International Public Company Limited. In conclusion, the Office of the Auditor General of Thailand's opinion is not qualified in respect of these matters.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and separate financial statements and auditor's report thereon. Management expects that the annual report is made available to the Office of the Auditor General of Thailand after the date of this auditor's report.

The Office of the Auditor General of Thailand's opinion on the consolidated and separate financial statements does not cover the other information and the Office of the Auditor General of Thailand will not express any form of assurance conclusion thereon.

In connection with the audit of the consolidated and separate financial statements, the Office of the Auditor General of Thailand's responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or the Office of the Auditor General of Thailand's knowledge obtained in the audit, or otherwise appears to be materially misstated.

When the Office of the Auditor General of Thailand reads the annual report, if the Office of the Auditor General of Thailand concludes that there is a material misstatement therein, the Office of the Auditor General of Thailand is required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with TFRSs, 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.

In preparing the consolidated and separate financial statements, the management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing matters relates to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

The Office of the Auditor General of Thailand's objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes the Office of the Auditor General of Thailand's opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with TSAs, the Office of the Auditor General of Thailand exercises professional judgment and maintain professional skepticism throughout the audit. The Office of Auditor General of Thailand also:

- Identifies and assesses the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the Office of the Auditor General of Thailand's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtains an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Concludes on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If the Office of the Auditor General of Thailand concludes that a material uncertainty exists, the Office of the Auditor General of Thailand is required to draw attention in the Office of the Auditor General of Thailand auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify the Office of the Auditor General of Thailand's opinion. The Office of the Auditor General of Thailand's conclusions are based on the audit evidence obtained up to the date of the Office of the Auditor General of Thailand auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluates the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Office of the Auditor General of Thailand is responsible for the direction, supervision and performance of the group audit. The Office of the Auditor General of Thailand remains solely responsible for the Office of the Auditor General of Thailand's audit opinion.

The Office of the Auditor General of Thailand communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the Office of the Auditor General of Thailand identifies during the Office of the Auditor General of Thailand's audit.

The Office of the Auditor General of Thailand also provides those charged with governance with a statement that the Office of the Auditor General of Thailand has complied with the State Audit Standards and relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on the Office of the Auditor General of Thailand's independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, the Office of the Auditor General of Thailand determines those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. The Office of the Auditor General of Thailand describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the Office of the Auditor General of Thailand determines that a matter should not be communicated in the Office of the Auditor General of Thailand's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

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

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016

Unit : Baht

		CONSOLIDATED FINANCIAL STATEMENTS		SEPARATE FINANCIAL STATEMENTS	
	Notes	2016	2015	2016	2015
ASSETS					
Current Assets					
Cash and cash equivalents	7.1	13,389,710,774	20,781,350,721	11,925,036,967	18,875,817,868
Temporary investments		130,419,289	85,000,000	-	-
Trade receivables	7.2	10,358,261,388	11,695,702,825	10,444,175,323	10,906,776,494
Prepaid expenses and deposits		7,979,056,576	8,904,945,334	8,217,149,112	9,060,545,326
Inventories and supplies	7.3	4,986,775,103	5,920,786,454	4,961,626,437	5,902,724,322
Other current assets	7.4	10,208,355,227	7,989,028,240	14,987,088,746	16,176,770,720
Non-current assets held for sale	7.5	12,321,891,869	15,099,392,637	12,321,891,869	15,099,392,637
Total Current Assets		59,374,470,226	70,476,206,211	62,856,968,454	76,022,027,367
Non-Current Assets					
Investments in associates	7.6.1	3,890,765,534	4,739,377,563	1,083,520,500	1,083,520,500
Investments in subsidiaries	7.6.1	-	-	1,810,209,893	810,209,893
Other long-term investments	7.6.2	77,763,005	75,575,920	74,767,805	72,440,719
Property, plant and equipment	7.8	194,891,347,457	208,285,363,102	194,863,785,314	208,262,819,695
Intangible assets	7.9	709,855,682	1,031,333,707	673,082,159	993,493,107
Deferred tax assets	7.10.1	10,014,948,163	8,680,325,679	10,000,049,684	8,653,240,176
Other non-current assets	7.11	14,164,714,939	9,182,875,582	13,649,568,370	9,179,744,325
Total Non-Current Assets		223,749,394,780	231,994,851,553	222,154,983,725	229,055,468,415
Total Assets		283,123,865,006	302,471,057,764	285,011,952,179	305,077,495,782

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 FINANCIAL POSITION

AS AT DECEMBER 31, 2016

Unit : Baht

		<u>CONSOLIDATED FINANCIAL STATEMENTS</u>		<u>SEPARATE FINANCIAL STATEMENTS</u>	
	<u>Notes</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities					
Trade payables		4,951,411,552	4,242,439,990	4,746,744,517	4,095,515,853
Accrued expenses		16,846,320,892	21,386,197,260	16,910,539,096	21,577,714,868
Current portion of long-term liabilities					
Long-term borrowings from financial institutions	7.12	8,305,108,457	8,240,705,325	8,305,108,458	8,240,705,325
Liabilities under finance leases	7.13	9,461,231,562	9,889,586,330	9,461,231,562	9,889,586,330
Debentures	7.14	5,200,000,000	4,300,000,000	5,200,000,000	4,300,000,000
Short-term borrowings from financial institutions		2,000,000,000	4,000,000,000	2,000,000,000	4,000,000,000
Short-term borrowings from related parties		5,400,375,000	10,625,380,000	5,400,375,000	10,625,380,000
Income tax payable		11,280,480	87,452	-	-
Other current liabilities					
Accrued dividends		54,836,876	54,881,143	54,653,276	54,728,143
Unearned transportation revenues		27,111,129,396	24,868,518,712	26,624,698,720	24,632,513,208
Others	7.15	8,179,071,068	8,415,014,030	9,768,399,457	12,799,438,374
Total Current Liabilities		87,520,765,283	96,022,810,242	88,471,750,086	100,215,582,101
Non-Current Liabilities					
Long-term liabilities					
Long-term borrowings from financial institutions	7.12	13,006,551,881	20,127,865,886	13,006,551,881	20,127,865,886
Long-term borrowings from related parties	7.12	14,620,533,660	15,258,204,263	14,620,533,660	15,258,204,263
Liabilities under finance leases	7.13	55,289,234,923	67,660,868,659	55,289,234,923	67,660,868,659
Debentures	7.14	54,100,000,000	52,300,000,000	54,100,000,000	52,300,000,000
Deferred tax liabilities	7.10.2	1,854,236,084	1,866,882,144	1,854,236,084	1,866,882,144
Staff pension fund	7.16	3,710,083,100	3,880,258,506	3,710,083,100	3,880,258,506
Employee benefit obligations	7.17	11,920,072,997	11,645,226,358	11,903,855,344	11,568,261,769
Long-term provisions	7.18	7,365,831,672	619,309,937	7,034,078,456	619,309,937
Other non-current liabilities		148,363,624	163,940,945	148,080,624	162,867,915
Total Non-Current Liabilities		162,014,907,941	173,522,556,698	161,666,654,072	173,444,519,079
Total Liabilities		249,535,673,224	269,545,366,940	250,138,404,158	273,660,101,180
Shareholders' Equity					
Share capital	7.20				
Authorized share capital					
2,698.90 million ordinary shares par value of Baht 10 each		26,989,009,500	26,989,009,500	26,989,009,500	26,989,009,500
Issued and paid-up share capital					
2,182.77 million ordinary shares par value of Baht 10 each		21,827,719,170	21,827,719,170	21,827,719,170	21,827,719,170
Premium on ordinary shares		25,545,316,308	25,545,316,308	25,545,316,308	25,545,316,308
Retained earnings					
Appropriated					
Legal reserve	7.21	2,691,275,568	2,691,275,568	2,691,275,568	2,691,275,568
Unappropriated		(22,167,172,423)	(22,247,804,409)	(20,794,927,497)	(23,686,357,373)
Other components of equity		5,604,235,654	5,039,440,929	5,604,164,472	5,039,440,929
Total Company Shareholders' Equity		33,501,374,277	32,855,947,566	34,873,548,021	31,417,394,602
Non-controlling interests		86,817,505	69,743,258	-	-
Total Shareholders' Equity		33,588,191,782	32,925,690,824	34,873,548,021	31,417,394,602
Total Liabilities and Shareholders' Equity		283,123,865,006	302,471,057,764	285,011,952,179	305,077,495,782

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

(Signed)

(Usanee Sangsingkeo)
Executive Vice President, Aviation Business Unit
and Acting Vice President

(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, 2016

Unit : Baht

	CONSOLIDATED FINANCIAL STATEMENTS			SEPARATE FINANCIAL STATEMENTS	
	Notes	2016	2015	2016	2015
Revenues					
Revenues from Sales or Revenues from Services					
Passenger and excess baggage		148,060,309,853	152,487,688,487	140,763,944,730	147,915,338,841
Freight		17,963,345,043	18,089,435,210	17,954,991,320	18,089,166,877
Mail		615,301,846	562,089,100	615,301,846	562,089,100
Other activities		11,673,542,694	11,588,144,224	13,092,261,363	12,375,582,617
Total Revenues from Sales or Revenues from Services		178,312,499,436	182,727,357,021	172,426,499,259	178,942,177,435
Other Income					
Interest income		204,313,537	331,925,784	177,991,509	320,659,030
Gain on foreign currency exchange		684,970,854	3,511,781,612	691,942,292	3,488,587,347
Other income - Others	7.22	2,244,421,749	6,020,259,832	2,542,775,237	6,381,725,448
Total Other Income		3,133,706,140	9,863,967,228	3,412,709,038	10,190,971,825
Total Revenues		181,446,205,576	192,591,324,249	175,839,208,297	189,133,149,260
Expenses					
Fuel and oil		45,335,913,346	63,242,833,143	43,430,926,167	61,794,040,481
Employee benefit expenses	7.23	29,568,433,554	30,678,620,518	29,071,181,741	30,248,536,927
Termination benefit - Mutual Separation Plan	7.24	427,122,345	3,381,266,844	427,122,345	3,381,266,844
Flight service expenses		20,817,778,532	20,474,091,602	20,187,150,836	20,034,488,655
Crew expenses		5,352,676,217	5,312,866,969	5,091,799,359	5,104,586,411
Aircraft maintenance and overhaul costs		16,986,636,235	10,310,630,041	14,982,573,579	9,652,336,586
Depreciation and amortisation expenses		17,990,828,445	19,132,779,761	17,968,888,669	19,117,961,142
Lease of aircraft and spare parts		9,871,541,115	8,949,988,818	8,586,755,064	7,658,995,572
Inventories and supplies		8,150,778,440	7,828,716,942	7,811,569,276	7,584,882,922
Selling and advertising expenses		9,404,409,793	9,499,174,198	8,872,874,727	9,110,107,043
Insurance expenses		569,951,467	613,989,442	509,843,895	577,639,909
Impairment loss of assets		410,161,132	281,315,202	410,161,132	281,315,202
Impairment loss of aircraft	7.25	3,217,748,674	11,876,432,369	3,217,748,674	11,876,432,369
Other expenses	7.26	8,841,036,057	9,359,059,811	8,537,773,485	9,051,104,538
Finance costs		5,339,160,850	5,897,739,737	5,339,160,850	5,897,739,737
Share of (profit) loss of associates		579,446,279	(131,877,881)	-	-
Total Expenses		182,863,622,481	206,707,627,516	174,445,529,799	201,371,434,338
Profit (loss) before Income Tax Expense		(1,417,416,905)	(14,116,303,267)	1,393,678,498	(12,238,285,078)
Tax income	7.27	(1,464,238,106)	(1,069,374,783)	(1,487,902,283)	(1,075,235,656)
Profit (loss) for the Year		46,821,201	(13,046,928,484)	2,881,580,781	(11,163,049,422)
Other Comprehensive Income (loss)					
Items that will not be reclassified to profit or loss in subsequent periods					
Actuarial gains on employee benefit obligations		78,051,581	(400,682,710)	-	(400,682,710)
Income tax related to Actuarial gains on employee benefit obligations		(15,610,316)	80,136,542	-	80,136,542
Share of other comprehensive income from joint ventures and associates		(5,788,532)	(10,391,031)	-	-
Revaluation surplus on assets		-	8,647,351,381	-	8,647,351,381
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		718,215,797	(2,348,050,220)	718,215,797	(2,348,050,220)
Income tax related to Effective portion of changes in fair value of cash flow hedges		(143,643,159)	469,610,044	(143,643,159)	469,610,044
Unrealized gain on available for sale investments		88,984	-	-	-
Income tax related to unrealized gain on available for sale investments		(17,798)	-	-	-
Other Comprehensive Income (loss) for the Year - Net of Tax		631,296,557	4,708,503,730	574,572,638	4,718,894,761
Total Comprehensive Income (loss) for the Year		678,117,758	(8,338,424,754)	3,456,153,419	(6,444,154,661)
Profit (Loss) Attributable to					
Owners of the Parent		15,139,579	(13,067,671,941)	2,881,580,781	(11,163,049,422)
Non-controlling interests		31,681,622	20,743,457	-	-
		46,821,201	(13,046,928,484)	2,881,580,781	(11,163,049,422)
Total Comprehensive Income (loss) Attributable to					
Owners of the Parent		645,426,711	(8,359,168,211)	3,456,153,419	(6,444,154,661)
Non-controlling interests		32,691,047	20,743,457	-	-
		678,117,758	(8,338,424,754)	3,456,153,419	(6,444,154,661)
Profit (loss) per Share					
Basic profit (loss) per share	7.29	0.01	(5.99)	1.32	(5.11)

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

(Signed)

(Usanee Sangsingkeo)
Executive Vice President, Aviation Business Unit
and Acting Vice President

(Signed)

(Naronchai Wongthanavimok)
Executive Vice President Finance and Accounting

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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, 2016

Unit : Baht

CONSOLIDATED FINANCIAL STATEMENTS														
	Issued and Paid-up Share Capital	Premium on Ordinary Shares	Retained Earnings		Owners of the parent							Total Owners of the Parent	Non-controlling Interests	Total Shareholders' Equity
					Other Components of 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	Unrealized gain on available for sale investment	Income tax related to unrealized gain on available for sale investment	Total Other Components of Equity			
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 (loss) 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
Balance as at January 1, 2016	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
Changes in Shareholders' Equity														
Less Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	(15,525,000)	(15,525,000)
Less Dividends paid to cumulative preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	(91,800)	(91,800)
Add Profit for the year 2016	-	-	-	15,139,579	-	-	-	-	-	-	-	15,139,579	31,681,622	46,821,201
Less Transfer of revaluation surplus on disposed assets	-	-	-	9,849,095	-	-	(12,311,369)	2,462,274	-	-	(9,849,095)	-	-	-
Add Total Other comprehensive income (loss) for the year	-	-	-	55,643,312	718,215,797	(143,643,159)	-	-	88,977	(17,795)	574,643,820	630,287,132	1,009,425	631,296,557
Balance as at December 31, 2016	21,827,719,170	25,545,316,308	2,691,275,568	(22,167,172,423)	(1,629,834,423)	325,966,885	8,635,040,012	(1,727,008,002)	88,977	(17,795)	5,604,235,654	33,501,374,277	86,817,505	33,588,191,782

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

(Signed)

(Usanee Sangsingkeo)

Executive Vice President, Aviation Bussiness Unit
and Acting Vice Presiden

(Signed)

(Narongchai Wongthanavimok)

Executive Vice President Finance and Accountin

(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, 2016

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, 2015	21,827,719,176	25,545,316,308	2,691,275,568	(12,202,761,783)	-	-	-	-	-	37,861,549,263
Changes in Shareholders' Equity										
Less Loss for the year 2015	-	-	-	(11,163,049,422)	-	-	-	-	-	(11,163,049,422)
Add Total Other comprehensive income (loss) for the year 2015	-	-	-	(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 30, 2015	21,827,719,176	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
Balance as at January 1, 2016	21,827,719,176	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
Changes in Shareholders' Equity										
Add Profit for the year 2016	-	-	-	2,881,580,781	-	-	-	-	-	2,881,580,781
Less Transfer of revaluation surplus on disposed assets	-	-	-	9,849,095	-	-	(12,311,369)	2,462,274	(9,849,095)	-
Add Total Other comprehensive income (loss) for the year 2016	-	-	-	-	718,215,797	(143,643,159)	-	-	574,572,638	574,572,638
Balance as at December 31, 2016	21,827,719,176	25,545,316,308	2,691,275,568	(20,794,927,497)	(1,629,834,423)	325,966,885	8,635,040,012	(1,727,008,002)	5,604,164,472	34,873,548,021

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

(Signed)

(Usanee Sangsingkeo)

Executive Vice President, Aviation Bussiness Unit
and Acting Vice 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, 2016

Unit : Baht

	CONSOLIDATED FINANCIAL STATEMENTS		SEPARATE FINANCIAL STATEMENTS		
	Notes	2016	2015	2016	2015
Cash Flows from Operating Activities					
Profit (loss) before income tax expenses		(1,417,416,905)	(14,116,303,267)	1,393,678,498	(12,238,285,078)
Adjustment to reconcile profit (loss) before income tax expense to cash received (paid) from operating activities :					
Depreciation and amortisation expenses		17,990,828,445	19,132,779,761	17,968,888,669	19,117,961,142
Aircraft lease fee		199,731,140	179,862,875	199,731,140	179,862,875
Dividends received		(472,274)	(619,028)	(282,824,492)	(192,646,114)
Share of loss (profit) of investments by equity method		579,446,279	(131,877,881)	-	-
Interest income		(204,313,537)	(331,925,784)	(177,991,509)	(320,659,030)
Interest expenses		5,339,160,850	5,897,739,737	5,339,160,850	5,897,739,737
Loss (Gain) on sales of assets		40,335,750	(76,968,024)	40,335,750	(77,002,834)
Loss on sales of aircraft		69,256,925	69,941,260	69,256,925	69,941,260
Gain on reversal of current liabilities in prior period		-	(2,341,400)	-	-
Gain on foreign currency exchange		(610,722,744)	(2,317,282,893)	(613,502,567)	(2,291,857,674)
Gain on investment valuation		(330,305)	-	-	-
Employee benefit obligations		(518,910,700)	607,440,461	(536,215,345)	583,038,632
Provision for obsolete inventories and supplies		310,166,610	500,515,637	310,166,610	500,515,637
Doubtful accounts		(59,947,994)	(122,420,638)	(60,217,870)	(123,814,144)
Impairment loss of aircraft		3,217,748,674	11,876,432,369	3,217,748,674	11,876,432,369
Impairment loss of assets		410,161,132	281,315,202	410,161,132	281,315,202
Operating profits before changes in operating assets and liabilities		25,344,721,346	21,446,288,387	27,278,376,465	23,262,541,980
Decrease (increase) in operating assets :					
Trade receivables		1,461,368,172	1,020,044,763	615,822,512	1,538,148,051
Inventories and supplies		623,844,742	(26,894,294)	630,931,275	(12,804,608)
Prepaid expenses and deposits		557,850,762	832,239,970	472,099,388	951,100,701
Tax refund	a	102,810,706	246,995,391	102,810,706	246,995,391
Other current assets		(1,979,921,313)	(17,662,084)	1,481,074,205	(5,039,182,067)
Assets held for sales		(1,145,813,326)	(46,047,514)	(1,145,813,326)	(46,047,514)
Maintenance Reserve		(4,815,659,622)	(3,331,300,680)	(4,483,906,405)	(3,331,300,680)
Other assets		(221,040,496)	183,169,584	(196,080,331)	180,599,913
Deferred charges		(477,657,008)	(938,187,742)	(361,321,646)	(938,187,742)
Increase (decrease) in operating liabilities :					
Trade payables		919,164,453	(1,950,035,890)	840,697,432	(2,099,774,575)
Accrued expenses and other current liabilities		(3,932,882,575)	(2,944,691)	(6,895,622,702)	1,376,175,348
Staff pension fund		(264,217,187)	(882,887,315)	(264,217,187)	(882,887,315)
Unearned transportation revenues		2,184,967,326	2,288,332,877	1,934,542,154	2,201,621,500
Other non-current liabilities		6,765,251,389	32,253,030	6,434,288,203	170,367,726
Proceeds from operations		25,122,787,369	18,853,363,792	26,443,680,743	17,577,366,109
Payment of income tax		(564,257,545)	(286,728,622)	(522,572,261)	(240,413,637)
Net Cash provided by Operating Activities		24,558,529,824	18,566,635,170	25,921,108,482	17,336,952,472

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

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

Unit : Baht

		CONSOLIDATED FINANCIAL STATEMENTS		SEPARATE FINANCIAL STATEMENTS	
	Notes	2016	2015	2016	2015
Cash Flows from Investing Activities					
Cash paid for acquisition of fixed assets	b	(5,663,038,902)	(3,821,977,306)	(5,645,983,640)	(3,799,297,409)
Cash paid for intangible assets		(34,481,222)	(93,394,457)	(25,645,048)	(78,557,087)
Proceeds from transferring the rights for advance payment of aircraft and aircraft equipment		-	1,511,303,492	-	1,511,303,492
Proceeds from sales of assets		1,464,450,042	1,173,227,235	1,464,450,042	1,173,227,235
Interest income		189,648,033	306,620,398	162,615,785	295,407,433
Dividends received		263,910,692	153,871,114	282,824,492	192,646,114
Investment decrease (increase)		(1,837,420)	14,243,428	(1,001,977,420)	17,378,628
Temporary investment decrease (increase)		(45,000,000)	35,000,000	-	-
Net Cash used in Investing Activities		(3,826,348,777)	(721,106,096)	(4,763,715,789)	(687,891,594)
Cash Flows from Financing Activities					
Proceeds from debentures		7,000,000,000	15,000,000,000	7,000,000,000	15,000,000,000
Proceeds from short-term borrowings		32,218,480,000	26,864,550,000	32,218,480,000	26,864,550,000
Proceeds from long-term borrowings		1,385,931,851	6,394,735,465	1,385,931,851	6,394,735,465
Cash paid for repayment of short-term borrowings		(39,479,085,000)	(35,685,795,000)	(39,479,085,000)	(35,685,795,000)
Cash paid for repayment of debentures		(4,300,000,000)	(3,000,000,000)	(4,300,000,000)	(3,000,000,000)
Cash paid for repayment of long-term borrowings		(20,111,373,426)	(24,389,907,445)	(20,111,373,426)	(24,389,907,445)
Cash paid for borrowings interest		(4,868,787,156)	(5,989,435,254)	(4,868,787,156)	(5,989,435,254)
Dividends paid		(74,867)	(81,198)	(74,867)	(81,198)
Dividends paid to non-controlling interests		(15,647,400)	(31,786,200)	-	-
Net Cash used in Financing Activities		(28,170,555,998)	(20,837,719,632)	(28,154,908,598)	(20,805,933,432)
Net decrease in cash and cash equivalents		(7,438,374,951)	(2,992,190,558)	(6,997,515,905)	(4,156,872,554)
Cash and cash equivalents at the beginning of the year		20,781,350,721	23,346,551,299	18,875,817,868	22,605,700,442
		13,342,975,770	20,354,360,741	11,878,301,963	18,448,827,888
Effect from changing in exchange rate on cash and cash at banks increase		46,735,004	426,989,980	46,735,004	426,989,980
Cash and Cash Equivalents at the End of the year	c	13,389,710,774	20,781,350,721	11,925,036,967	18,875,817,868

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

(Signed)

(Usanee Sangsingkeo)
Executive Vice President, Aviation Bussiness Unit
and Acting Vice 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, 2016

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

	Unit : Million Baht
	<u>2016</u>
Proceeds from P.N.D.50 for the year 2014	252.00
Adjustment of tax refund for the year 2015	(149.19)
	<u>102.81</u>
	<u>2015</u>
Proceeds from P.N.D.50 for the year 2013	257.34
Adjustment of tax refund for the year 2014	(10.34)
	<u>247.00</u>

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

During the year 2016 , the Company bought property, plant and equipment under cash payment amount of THB 5,663.04 million, total cost amount of THB 6,910.04 million.

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.

Separate financial statements

During the year 2016 , the Company bought property, plant and equipment under cash payment amount of THB 5,645.98 million, total cost amount of THB 6,893.79 million.

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.

C. Cash and Cash Equivalents

	Unit : Million Baht			
	<u>Consolidated Financial Statements</u>		<u>Separate Financial Statements</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Cash on hand and outstanding bank balances	13,342.97	20,354.36	11,878.30	18,448.83
Short-term investments	-	-	-	-
Cash and cash equivalents as previously reported	13,342.97	20,354.36	11,878.30	18,448.83
Effect of exchange rate changes	46.74	426.99	46.74	426.99
Cash and cash equivalents as reported	<u>13,389.71</u>	<u>20,781.35</u>	<u>11,925.04</u>	<u>18,875.82</u>

(Signed)

(Signed)

(Usanee Sangsingkeo)

(Narongchai Wongthanavimok)

Executive Vice President, Aviation Business Unit
and Acting Vice President

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, 2016

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, 2016, the Company has the routes network servicing to 61 destinations in 32 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>2016</u>	<u>2015</u>
Held by the Company:				
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%
Held by the Subsidiary of the Company				
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. THAI ACCOUNTING STANDARDS (TASs), THAI FINANCIAL REPORTING STANDARDS (TFRSs), THAI ACCOUNTING STANDARD INTERPRETATIONS AND THAI FINANCIAL REPORTING STANDARD INTERPRETATIONS WHICH ARE NOT CURRENTLY EFFECTIVE ARE AS FOLLOWS:

The Financial Reporting Standard which will be effective for the fiscal years beginning on or after January 1, 2017 :

TAS No. 1 (Revised 2016)	Presentation of Financial Statements
TAS No. 2 (Revised 2016)	Inventories
TAS No. 7 (Revised 2016)	Statement of Cash Flows
TAS No. 8 (Revised 2016)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS No. 10 (Revised 2016)	Events After the Reporting Period
TAS No. 11 (Revised 2016)	Construction Contracts
TAS No. 12 (Revised 2016)	Income Taxes
TAS No. 16 (Revised 2016)	Property, Plant and Equipment
TAS No. 17 (Revised 2016)	Leases
TAS No. 18 (Revised 2016)	Revenue
TAS No. 19 (Revised 2016)	Employee Benefits
TAS No. 20 (Revised 2016)	Accounting for Government Grants and Disclosure of Government Assistance
TAS No. 21 (Revised 2016)	The Effects of Changes in Foreign Exchange Rate
TAS No. 23 (Revised 2016)	Borrowing Costs
TAS No. 24 (Revised 2016)	Related Party Disclosures
TAS No. 26 (Revised 2016)	Accounting and Reporting by Retirement Benefit Plans
TAS No. 27 (Revised 2016)	Separate Financial Statements
TAS No. 28 (Revised 2016)	Investments in Associates and Joint Venture
TAS No. 29 (Revised 2016)	Financial Reporting in Hyperinflationary Economies
TAS No. 33 (Revised 2016)	Earnings per Share
TAS No. 34 (Revised 2016)	Interim Financial Reporting
TAS No. 36 (Revised 2016)	Impairment of Assets
TAS No. 37 (Revised 2016)	Provisions, Contingent Liabilities and Contingent Assets
TAS No. 38 (Revised 2016)	Intangible Assets
TAS No. 40 (Revised 2016)	Investment Property
TAS No. 41 (Revised 2016)	Agriculture
TAS No. 104 (Revised 2016)	Accounting for Troubled Debt Restructuring
TAS No. 105 (Revised 2016)	Accounting for Investments in Debt and Equity Securities
TAS No. 107 (Revised 2016)	Financial Instruments Disclosure and Presentation
TFRS No. 2 (Revised 2016)	Share-Based Payments
TFRS No. 3 (Revised 2016)	Business Combinations
TFRS No. 4 (Revised 2016)	Insurance Contracts

TFRS No. 5 (Revised 2016)	Non - current Assets Held for Sale and Discontinued Operations
TFRS No. 6 (Revised 2016)	Exploration for and Evaluation of Mineral Resources
TFRS No. 8 (Revised 2016)	Operating Segments
TFRS No. 10 (Revised 2016)	Consolidated Financial Statements
TFRS No. 11 (Revised 2016)	Joint Arrangements
TFRS No. 12 (Revised 2016)	Disclosure of Interests in Other Entities
TFRS No. 13 (Revised 2016)	Fair Value Measurement
TSIC No. 10 (Revised 2016)	Government Assistance – No Specific Relation to Operating Activities
TSIC No. 15 (Revised 2016)	Operating Leases - Incentives
TSIC No. 25 (Revised 2016)	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders
TSIC No. 27 (Revised 2016)	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC No. 29 (Revised 2016)	Service Concession Arrangements : Disclosures
TSIC No. 31 (Revised 2016)	Revenue - Barter Transactions Involving Advertising Services
TSIC No. 32 (Revised 2016)	Intangible Assets – Web site Costs
TFRIC No. 1 (Revised 2016)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC No. 4 (Revised 2016)	Determining whether an Arrangement contains a Lease
TFRIC No. 5 (Revised 2016)	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC No. 7 (Revised 2016)	Applying the Restatement Approach under TAS 29 (Revised 2016) <i>Financial Reporting in Hyperinflationary Economies</i>
TFRIC No. 10 (Revised 2016)	Interim Financial Reporting and Impairment
TFRIC No. 12 (Revised 2016)	Service Concession Arrangements
TFRIC No. 13 (Revised 2016)	Customer Loyalty Programmes
TFRIC No. 14 (Revised 2016)	TAS 19 (Revised 2016) – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TFRIC No. 15 (Revised 2016)	Agreements for the Construction of Real Estate
TFRIC No. 17 (Revised 2016)	Distributions of Non-cash Assets to Owners
TFRIC No. 18 (Revised 2016)	Transfers of Assets from Customers
TFRIC No. 20 (Revised 2016)	Stripping Costs in the Production Phase of a Surface Mine
TFRIC No. 21 (Revised 2016)	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:

Aging Periods:	Allowance for doubtful accounts (%)
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 Temporary 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 the statements of comprehensive income. 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 carrying amount 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 has considered to impair decommissioned aircraft and spare engine. 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 the statements of comprehensive income whenever the carrying amount 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

Short – term employee benefits are recognized as expenses in the statements of comprehensive income.

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. CORPORATE TRANSFORMATION PLANS

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.

For the year 2016, the Company has proceeded the transformation plan, dated February 4, 2016, in the second phase "Competitiveness Strength Building" comprising 4 strategies including proactive revenue boost, effective cost reduction, capability enhancement and service excellence provision. The strategies are supported by 20 implementation plans with clear scope, objective, responsible party and execution plan under the closely monitoring process. The Company has already implemented transformation plan such as Network Management System, Revenue Management System, Upgrading of Business Class meals and services, and Improving work process for better efficiency.

Liquidity management for the year 2016 includes long-term loan management by way of debenture issuance in the amount of THB 7,000 million. As for short-term loan, the Company has obtained a roll over from the Ministry of Finance in the form of Euro Commercial Paper (ECP) by pushing back the maturity date for another 180 days to allow for the sale of six A340-600 aircraft. Revolving credit line has been managed by returning Promissory Note that has matured and rolling over some that has not. As a result, the Company was able to manage cash on hand for its normal operation throughout the year 2016.

Cash flow projection for 2017 has been conservative with financing plan of funding for payments of aircraft that will be delivered during 2017, due loan, and management of revolving credit line, both committed and uncommitted. The Company is confident that a positive turnover with sufficient cash on hand will be the direct result of a continuously and strictly carried out Transformation Plan, provided that there will be no uncontrollable circumstances.

6. POTENTIAL IMPACT FROM THE CIVIL AVIATION AUTHORITY OF THAILAND (RENAMED DEPARTMENT OF AIRPORTS) NOT PASSING ICAO'S SAFETY STANDARDS

On June 18 , 2015 , the Civil Aviation Organization, ICAO, reported on it 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.

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.

According to the European Union Air Safety Committee (EU-ASC) meeting that held on December 8, 2016, stated that No air carriers from Thailand were added to the EU Air Safety List in its latest update. The Company would continue flying to European Countries as usual.

7. SUPPLEMENTARY INFORMATION

7.1 Cash and Cash Equivalents

	<u>Consolidated</u>		Unit : Million Baht	
	<u>Financial Statements</u>		<u>Separate</u>	
	<u>2016</u>	<u>2015</u>	<u>Financial Statements</u>	<u>2016</u> <u>2015</u>
Cash - Domestic	10.61	10.32	9.97	9.51
Cash - Abroad	26.27	24.95	26.27	24.95
Cash at Banks - Domestic	6,770.25	8,587.59	5,374.54	6,716.47
Cash at Banks - Abroad	<u>6,582.58</u>	<u>12,158.49</u>	<u>6,514.26</u>	<u>12,124.89</u>
Total	<u>13,389.71</u>	<u>20,781.35</u>	<u>11,925.04</u>	<u>18,875.82</u>

7.2 Trade Receivables

	<u>Consolidated</u>		Unit : Million Baht	
	<u>Financial Statements</u>		<u>Separate</u>	
	<u>2016</u>	<u>2015</u>	<u>Financial Statements</u>	<u>2016</u> <u>2015</u>
Aging Periods:				
Not over 6 months	9,922.07	11,429.69	10,007.96	10,641.45
Over 6 months to 1 year	175.24	160.60	175.22	160.58
Over 1 year to 2 years	98.48	319.46	98.45	313.47
Over 2 years	<u>1,096.24</u>	<u>941.13</u>	<u>1,065.99</u>	<u>916.40</u>
	11,292.03	12,850.88	11,347.62	12,031.90
<u>Less</u> Allowance for doubtful accounts	<u>(933.77)</u>	<u>(1,155.18)</u>	<u>(903.44)</u>	<u>(1,125.12)</u>
Trade receivables - net	<u>10,358.26</u>	<u>11,695.70</u>	<u>10,444.18</u>	<u>10,906.78</u>

7.3 Inventories and Supplies

	Consolidated		Unit : Million Baht	
	Financial Statements		Separate	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Aircraft spare parts	3,244.29	4,316.68	3,244.29	4,316.68
<u>Less</u> Allowance for obsolescence (10% of the year-end balance)	(324.43)	(431.67)	(324.43)	(431.67)
Aircraft spare parts - Net	<u>2,919.86</u>	<u>3,885.01</u>	<u>2,919.86</u>	<u>3,885.01</u>
Vehicle spare parts and ground support equipments	<u>360.64</u>	<u>322.35</u>	<u>360.64</u>	<u>322.35</u>
Slow moving aircraft spare parts and spare parts for sale	4,459.99	3,477.03	4,459.99	3,477.03
<u>Less</u> Allowance for obsolescence (33.33% of incurred balance during the period)	(3,373.08)	(2,979.30)	(3,373.08)	(2,979.30)
Slow moving aircraft spare parts and spare parts for sale - Net	<u>1,086.91</u>	<u>497.73</u>	<u>1,086.91</u>	<u>497.73</u>
Fuel and oil for aircraft	127.06	649.57	126.03	649.04
Goods for sales	213.79	214.61	210.47	209.85
Cabin supplies	162.65	182.52	143.99	170.98
Supplies and other consumables	23.33	20.69	23.21	20.69
Stationery and office supplies	87.80	94.38	85.78	93.14
Inventories and spare parts in transit	4.74	53.93	4.74	53.93
Total inventories and supplies	<u>619.37</u>	<u>1,215.70</u>	<u>594.22</u>	<u>1,197.63</u>
Obsolete and damaged inventories for disposal	59.94	39.78	59.94	39.78
<u>Less</u> Allowance for obsolescence (100%)	(59.94)	(39.78)	(59.94)	(39.78)
Obsolete and damaged inventories for disposal - Net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total inventories and supplies - Net	<u>4,986.78</u>	<u>5,920.79</u>	<u>4,961.63</u>	<u>5,902.72</u>
Total inventories and supplies at year-end	8,744.23	9,371.54	8,719.08	9,353.47
<u>Less</u> Total allowance for obsolete inventories and supplies	(3,757.45)	(3,450.75)	(3,757.45)	(3,450.75)
Total inventories and supplies – Net	<u>4,986.78</u>	<u>5,920.79</u>	<u>4,961.63</u>	<u>5,902.72</u>

7.4 Other Current Assets

	Consolidated		Unit : Million Baht	
	Financial Statements		Separate	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Tax refund	762.13	357.56	762.13	357.56
Cash and cash at bank of pension fund	3,908.30	4,278.64	3,908.30	4,278.64
Others	<u>5,537.93</u>	<u>3,352.83</u>	<u>10,316.66</u>	<u>11,540.57</u>
Total	<u>10,208.36</u>	<u>7,989.03</u>	<u>14,987.09</u>	<u>16,176.77</u>

7.5 Non-current assets held for sale Separate financial statements

As at January 1, 2016, non-current assets held for sale comprised 1 A300-600, 4 A340-500, 6 A340-600, 4 B737-400, 4 B747-400, 2 ATR 72 and 9 A330-300 aircraft, totaling 30 aircraft amount of THB 14,904.65 million. As well as spare engines amount of THB 128.81 million and other fixed assets amount of THB 65.93 million, which made a grand total of THB 15,099.39 million.

During the year 2016, the total increase of non-current assets held for sale is THB 1,732.01 million comprising spare engines amount of THB 1,224.75 million, and other fixed assets amount of THB 507.26 million which consist of land revaluation in year 2015 amount of THB 506.13 million (historical cost amount of THB 32.04 million) and other assets amount of THB 1.13 million.

During the year 2016, the Company has already transferred the title of 2 ATR72 amount of THB 64.96 million, 2 A330-300 amount of THB 500.80 million and 1 A340-500 amount of THB 721.40 million to the buyer, as well as sold out spare engines amount of THB 1.30 million and other fixed assets amount of THB 3.30 million, which made a grand total of THB 1,291.76 million.

During the year 2016, The Company recognized impairment of aircraft and spare engines amount of THB 2,892.51 million and THB 325.24 million, respectively, totaling THB 3,217.75 million. There is no additional decommissioned aircraft since December 31, 2015. Therefore, there are 25 decommissioned aircrafts in selling process.

As at December 31, 2016, the total increase of non-current assets classified as held for sale is THB 12,321.89 million which consist of 1 A300-600, 3 A340-500, 6 A340-600, 4 B737-400, 4 B747-400 and 7 A330-300 aircraft, totaling 25 aircrafts in an aggregate of THB 10,724.98 million, spare engines amount of THB 1,027.02 million, as well as other fixed assets amount of THB 569.89 million which consist of land revaluation in year 2015 amount of THB 506.13 million (historical cost amount of THB 32.04 million) and other assets amount of THB 63.76 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			
	2016	2015	2016	2015	2016	2015	2016	2015
7.6.1 Investments in associated companies recorded by equity method								
Royal Orchid Hotel (Thailand) Public Company Limited (Fair value for the year 2016 amount of THB 703.13 million and for the year 2015 amount of THB 720.00 million)	24.00	24.00	225.00	225.00	268.53	238.07	30.46	7.02
Donmuang International Airport Hotel Company Limited	40.00	40.00	48.00	48.00	120.62	111.87	32.75	18.39
Bangkok Aviation Fuel Services Public Company Limited (Fair value for the year 2016 amount of THB 4,175.51 million and for the year 2015 amount of THB 3,369.21 million)	22.59	22.59	115.19	115.19	1,126.71	1,001.51	319.58	182.49
Phuket Air Catering Company Limited	30.00	30.00	30.00	30.00	316.70	298.80	62.90	36.75
Suvarnabhumi Airport Hotel Company Limited	30.00	30.00	305.33	305.33	201.09	174.72	26.37	19.57
Nok Airlines Public Company Limited (Fair value for the year 2016 amount of THB 1,813.00 million and for the year 2015 amount of THB 1,666.00 million)	39.20	39.20	360.00	360.00	<u>1,857.12</u>	<u>2,914.41</u>	<u>(1,057.29)</u>	<u>(142.73)</u>
Total investments recorded by equity method					<u>3,890.77</u>	<u>4,739.38</u>	<u>(585.23)</u>	<u>121.49</u>
7.6.2 Other long-term investments recorded by cost method								
Fuel Pipeline Transportation Limited	0.00026	0.00026	0.00934	0.00067			0.0002	0.0001
Aeronautical Radio of Thailand Limited	1.01	0.43	9.63	5.96			-	-
SITA Investment Certificate	-	-	30.07	31.28			-	-
Trade Siam Company Limited (paid 25% of authorized share capital)	3.50	3.50	1.75	1.75			0.25	0.33
SITA Information Networking Computing	-	-	32.60	32.85			-	-
Other Shares	-	-	2.70	2.74			0.21	0.28
Investment in Vayupak Fund	-	-	<u>1.00</u>	<u>1.00</u>			<u>0.006</u>	<u>0.01</u>
Total other long-term investments			<u>77.76</u>	<u>75.58</u>			<u>0.47</u>	<u>0.62</u>

Separate Financial Statements

Unit : Million Baht

Name of Company	Percentage of Shareholding		Investments		Dividend Income	
			Cost Method			
	2016	2015	2016	2015	2016	2015
7.6.1 Investments recorded by cost method						
Subsidiary Companies						
Thai-Amadeus Southeast Asia Company Limited	55.00	55.00	8.25	8.25	18.97	38.78
Wing Span Services Company Limited	49.00	49.00	0.98	0.98	-	-
Thai Flight Training Company Limited	49.00	49.00	0.98	0.98	-	-
Thai Smile Airways Company Limited	100.00	100.00	<u>1,800.00</u>	<u>800.00</u>	<u>-</u>	<u>-</u>
Total			<u>1,810.21</u>	<u>810.21</u>	<u>18.97</u>	<u>38.78</u>
Associated Companies						
Royal Orchid Hotel (Thailand) Public Company Limited (Fair value for the year 2016 amount of THB 703.13 million and for the year 2015 amount of THB 720.00 million)	24.00	24.00	225.00	225.00	-	-
Donmuang International Airport Hotel Company Limited	40.00	40.00	48.00	48.00	24.00	21.60
Bangkok Aviation Fuel Services Public Company Limited (Fair value for the year 2016 amount of THB 4,175.51 million and for the year 2015 amount of THB 3,369.21 million)	22.59	22.59	115.19	115.19	194.38	101.65
Phuket Air Catering Company Limited	30.00	30.00	30.00	30.00	45.00	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 2016 amount of THB 1,813.00 million and for the year 2015 amount of THB 1,666.00 million)	39.20	39.20	<u>360.00</u>	<u>360.00</u>	<u>-</u>	<u>-</u>
Total			<u>1,083.52</u>	<u>1,083.52</u>	<u>263.38</u>	<u>153.25</u>
Total investments recorded by cost method			<u>2,893.73</u>	<u>1,893.73</u>	<u>282.35</u>	<u>192.03</u>
7.6.2 Other long-term investments recorded by cost method						
Fuel Pipeline Transportation Limited	0.00026	0.00026	0.00934	0.00067	0.0002	0.0001
Aeronautical Radio of Thailand Limited	1.01	0.43	6.64	2.82	-	-
SITA Investment Certificate	-	-	30.07	31.28	-	-
TRADESIAM Company Limited (paid 25% of authorized share capital)	3.50	3.50	1.75	1.75	0.25	0.33
SITA Information Networking Computing	-	-	32.60	32.85	-	-
Other Shares	-	-	2.70	2.74	0.21	0.28
Investment in Vayupak Fund	-	-	<u>1.00</u>	<u>1.00</u>	<u>0.006</u>	<u>0.01</u>
Total other long-term investments			<u>74.77</u>	<u>72.44</u>	<u>0.47</u>	<u>0.62</u>

7.6.3 Financial Information Summary of Subsidiaries

Unit : Million Baht				
Name of Company	Assets	Liabilities	Income	Gains (Losses)
Subsidiary Companies				
Thai-Amadeus Southeast Asia Company Limited	270.20	80.72	270.34	72.43
WingSpan Services Company Limited	538.51	349.62	1,105.82	79.35
Thai Flight Training Company Limited	38.53	3.29	37.60	11.62
Tour Eurng Luang Company Limited	7.26	4.19	2.19	0.60
Thai Smile Airways Company Limited	4,451.65	7,149.33	7,531.54	(2,064.30)

The Company used the financial statements of subsidiary and associated companies, some of which are unaudited by the CPA, as at December 31, 2016 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		
	2016	2015
Foreign borrowings via the Ministry of Finance	5,400.38	3,625.38
Government Saving Bank	-	<u>7,000.00</u>
Total	<u>5,400.38</u>	<u>10,625.38</u>

7.7.1.2 Long-term borrowings from related parties

Unit : Million Baht		
	2016	2015
Foreign borrowings via the Ministry of Finance	<u>14,620.53</u>	<u>15,258.20</u>
Total	<u>14,620.53</u>	<u>15,258.20</u>

7.7.2 Related Transactions with Subsidiary Companies**7.7.2.1 Sales and Purchases**

Unit : Million Baht				
	2016		2015	
	Sales	Purchases	Sales	Purchases
Thai-Amadeus Southeast Asia Company Limited	1.35	-	1.67	-
WingSpan Services Company Limited	2.72	950.70	4.13	860.06
Thai Flight Training Company Limited	13.85	-	9.03	-
Tour Eurng Luang Company Limited	30.01	0.06	49.46	0.05
Thai Smile Airways Company Limited	8,183.20	143.10	5,514.59	112.49

7.7.2.2 Account Receivables and Account Payables

Unit : Million Baht

	2016		2015	
	Account Receivables	Account Payables	Account Receivables	Account Payables
Thai-Amadeus Southeast Asia Company Limited	0.15	0.16	0.11	0.16
WingSpan Services Company Limited	250.62	277.68	211.46	286.36
Thai Flight Training Company Limited	1.17	-	0.71	-
Tour Eurng Luang Company Limited	1.16	-	8.08	-
Thai Smile Airways Company Limited	6,060.39	1,363.65	8,104.09	5,015.93

Related account receivables and account payables of WingSpan Service Co., Ltd. have included prepaid and accrued expenses amount of THB 249.04 million and THB 264.15 million.

Related account receivables and account payables of Thai Smile Airways Co., Ltd. have included accrued income amount of THB 161.75 million and accrued expenses amount of THB 1,207.14 million.

7.7.2.3 Aircraft Lease Between Related Parties

The Company signed A320-200 aircraft sublease agreements with Thai Smile Airways Co., Ltd. As at December 31, 2016, a total of such aircraft are 20 aircraft consisting of 15 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.. The sublease term shall continue for the entire term of the head lease agreement.

7.7.3 Related Transactions with Associated Companies

7.7.3.1 Sales and Purchases

Unit : Million Baht

	2016		2015	
	Sales	Purchases	Sales	Purchases
Royal Orchid Hotel (Thailand) Public Company Limited	-	2.22	-	1.12
Donmuang International Airport Hotel Company Limited	-	0.05	-	0.15
Bangkok Aviation Fuel Services Public Company Limited	0.02	386.12	0.02	310.50
Phuket Air Catering Company Limited	0.18	15.99	1.60	19.06
Suvarnabhumi Airport Hotel Company Limited	0.02	14.01	-	23.43
Nok Airlines Public Company Limited	127.66	0.09	195.49	0.16

7.7.3.2 Account Receivables and Account Payables

Unit : Million Baht

	2016		2015	
	Account Receivables	Account Payables	Account Receivables	Account Payables
Royal Orchid Hotel (Thailand) Public Company Limited	-	0.003	-	0.02
Donmuang International Airport Hotel Company Limited	-	-	-	-
Bangkok Aviation Fuel Services Public Company Limited	-	43.45	-	36.15
Phuket Air Catering Company Limited	0.02	5.05	0.004	-
Suvarnabhumi Airport Hotel Company Limited	-	0.80	-	0.34
Nok Airlines Public Company Limited	40.54	-	73.22	0.03

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

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7.8 Property, Plant and Equipment**Consolidated Financial Statements
As at December 31, 2016****Unit : Million Baht**

	Prepaid Aircraft and Spare Engines	Aircraft	Aircraft under Finance Leases	Aircraft Spare Parts	Work in Progress	Land	Buildings	Leasehold Buildings	Building Improvement	Other Plant and Equipment	Total
Cost											
As at January 1, 2016	5,491.24	117,546.25	165,110.74	36,440.79	61.20	9,583.65	2,514.52	10,805.23	4,792.85	31,724.07	384,070.54
- Adjust/Transfers	-	8,701.22	(8,701.22)	(2,744.55)	(222.59)	(506.13)	(386.91)	-	(12.66)	(21.71)	(3,894.55)
- Additions	4,155.71	502.12	239.21	1,205.58	532.60	-	-	-	52.56	222.26	6,910.04
- Disposals/Amortized	-	(414.70)	(255.44)	(1,610.00)	-	(14.15)	(3.37)	-	(38.72)	(588.91)	(2,925.29)
As at December 31, 2016	9,646.95	126,334.89	156,393.29	33,291.82	371.21	9,063.37	2,124.24	10,805.23	4,794.03	31,335.71	384,160.74
Accumulated depreciation											
As at January 1, 2016	-	72,566.93	38,859.37	23,975.65	-	-	2,439.82	6,014.55	4,510.15	27,418.71	175,785.18
- Depreciation	-	5,922.19	8,371.14	1,601.32	-	-	14.12	230.61	131.97	1,292.70	17,564.05
- Adjust/Transfers	-	3,550.08	(3,550.08)	(1,537.67)	-	-	(386.91)	-	0.47	(14.30)	(1,938.41)
- Disposals/Amortized	-	(390.23)	(203.80)	(975.41)	-	-	(3.37)	-	(36.81)	(531.81)	(2,141.43)
As at December 31, 2016	-	81,648.97	43,476.63	23,063.89	-	-	2,063.66	6,245.16	4,605.78	28,165.30	189,269.39
Net book value											
As at December 31, 2015	5,491.24	44,979.32	126,251.37	12,465.14	61.20	9,583.65	74.70	4,790.68	282.70	4,305.36	208,285.36
As at December 31, 2016	9,646.95	44,685.92	112,916.66	10,227.93	371.21	9,063.37	60.58	4,560.07	188.25	3,170.41	194,891.35

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Consolidated Financial Statements
As at December 31, 2015

Unit : Million Baht

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

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**Separate Financial Statements
As at December 31, 2016**

Unit : Million Baht

	Prepaid Aircraft and Spare Engines	Aircraft	Aircraft under Finance Leases	Aircraft Spare Parts	Work in Progress	Land	Buildings	Leasehold Buildings	Building Improvement	Other Plant and Equipment	Total
Cost											
As at January 1, 2016	5,491.24	117,546.25	165,110.74	36,440.79	61.20	9,583.65	2,514.52	10,805.23	4,779.18	31,617.83	383,950.63
- Adjust/Transfers	-	8,701.22	(8,701.22)	(2,744.55)	(222.59)	(506.13)	(386.91)	-	(12.66)	(21.71)	(3,894.55)
- Additions	4,155.71	502.12	239.21	1,205.58	532.60	-	-	-	41.02	217.55	6,893.79
- Disposals/Amortized	-	(414.70)	(255.44)	(1,610.00)	-	(14.15)	(3.37)	-	(38.72)	(588.91)	(2,925.29)
As at December 31, 2016	9,646.95	126,334.89	156,393.29	33,291.82	371.21	9,063.37	2,124.24	10,805.23	4,768.82	31,224.76	384,024.58
Accumulated depreciation											
As at January 1, 2016	-	72,566.93	38,859.37	23,975.65	-	-	2,439.82	6,014.55	4,506.23	27,325.26	175,687.81
- Depreciation	-	5,922.19	8,371.14	1,601.32	-	-	14.12	230.61	131.97	1,292.70	17,564.05
- Adjust/Transfers	-	3,550.08	(3,550.08)	(1,537.67)	-	-	(386.91)	-	(5.01)	(20.05)	(1,949.64)
- Disposals/Amortized	-	(390.23)	(203.80)	(975.41)	-	-	(3.37)	-	(36.81)	(531.81)	(2,141.43)
As at December 31, 2016	-	81,648.97	43,476.63	23,063.89	-	-	2,063.66	6,245.16	4,596.38	28,066.10	189,160.79
Net book value											
As at December 31, 2015	5,491.24	44,979.32	126,251.37	12,465.14	61.20	9,583.65	74.70	4,790.68	272.95	4,292.57	208,262.82
As at December 31, 2016	9,646.95	44,685.92	112,916.66	10,227.93	371.21	9,063.37	60.58	4,560.07	172.44	3,158.66	194,863.79

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

Unit : Million Baht

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

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In this fiscal year, there are 96 aircraft represented in the Company's fleet consisting of 28 own aircraft, 34 aircraft under finance leases, and 34 aircraft under operating leases which excluded 25 aircraft held for sales with a carrying amount of THB 10,724.98 million.

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

The Company uses buildings and equipment that are now fully depreciated with historical cost of THB 70,557.97 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 10, 2012, the Company had 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, 2012 to September 27, 2015. 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.

In the year 2015, the measurement of the Company's domestic and abroad land have been changed from historical 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.).

In the year 2016, the Company has sold out domestic land for THB 14.15 million comprising land in Trang Province amount of THB 3.66 million (the historical cost amount of THB 0.88 million), and land in Suratthani Province amount of THB 10.49 million (the historical cost amount of THB 0.96 million).

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

	Unit : Million Baht	
	Consolidated Financial Statements	Separate Financial Statements
Cost		
As at January 1, 2016	3,516.43	3,462.71
- Additions	40.18	30.55
As at December 31, 2016	3,556.61	3,493.26
Accumulated amortization		
As at January 1, 2016	2,485.10	2,469.22
- Amortization	361.65	350.96
As at December 31, 2016	2,846.75	2,820.18
Net book value		
As at December 31, 2015	1,031.33	993.49
As at December 31, 2016	709.86	673.08

7.10 Deferred Tax Assets , Deferred Tax Liabilities

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

	Consolidated		Unit : Million Baht	
	Financial Statements		Separate	
	2016	2015	2016	2015
Contribution to staff provident fund	44.71	52.16	44.71	52.16
Contribution to staff pension fund	167.98	232.98	167.98	232.98
Allowance for obsolete inventories	751.49	690.15	751.49	690.15
Allowance for doubtful accounts	279.21	295.88	274.98	291.64
Allowance for impairment in value of assets	4,316.20	3,970.13	4,316.20	3,970.13
Estimated accrual expenses	1,723.87	600.57	1,718.03	594.73
Intangible assets	19.92	38.19	19.92	38.19
Employee benefits obligation	2,384.01	2,329.05	2,380.77	2,313.65
Effective portion of changes in fair value of cash flow hedges	325.97	469.61	325.97	469.61
Others	1.59	1.61	-	-
Total	<u>10,014.95</u>	<u>8,680.33</u>	<u>10,000.05</u>	<u>8,653.24</u>

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7.10.2 Deferred Tax Liabilities

	Consolidated		Unit : Million Baht	
	Financial Statements		Separate	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Intangible assets	127.23	137.41	127.23	137.41
Revaluation surplus	<u>1,727.01</u>	<u>1,729.47</u>	<u>1,727.01</u>	<u>1,729.47</u>
Total	<u>1,854.24</u>	<u>1,866.88</u>	<u>1,854.24</u>	<u>1,866.88</u>

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

7.11 Other Non-Current Assets

	Consolidated		Unit : Million Baht	
	Financial Statements		Separate	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Deferred charges	5,153.88	5,306.10	4,998.58	5,306.10
Maintenance Reserve	8,244.32	3,331.30	7,912.57	3,331.30
Others	<u>766.51</u>	<u>545.47</u>	<u>738.42</u>	<u>542.34</u>
Total	<u>14,164.71</u>	<u>9,182.87</u>	<u>13,649.57</u>	<u>9,179.74</u>

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.

Maintenance reserves deposit is placed to lessor by lessee to ensure lessor the aircraft maintenance requirement as specified by lease agreement.

7.12 Long-Term Borrowings Consolidated and Separate financial statements

<u>Currency</u>	<u>Loan Currency</u>		<u>Baht Equivalent (Million)</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
EUR	436,107,479	466,239,306	16,631.48	18,556.09
JPY	4,084,029,808	-	1,271.50	-
THB	18,029,210,526	25,070,684,211	<u>18,029.21</u>	<u>25,070.69</u>
Total long-term borrowings			35,932.19	43,626.78
<u>Less</u> Current portion of long-term borrowings			<u>8,305.11</u>	<u>8,240.71</u>
Net long-term borrowings			<u>27,627.08</u>	<u>35,386.07</u>

As at December 31, 2016, long-term borrowings of the Company consist of the foreign loans in EUR currency borrowed via the Ministry of Finance amount of THB 14,620.53 million acquired through Export- Import Bank of Thailand, JPY currency loan for A330-300 (TEN, TEO) prepayment amount of THB 1,271.50 million and local loans from the commercial banks amount of THB 20,040.16 million. The total of long-term borrowings amounted to THB 35,932.19 million and have been transferred to be a current portion of long-term borrowing amount of THB 8,305.11 million, leaving the balance of long-term borrowings amount of THB 27,627.08 million.

7.13 Liabilities under Finance leases Consolidated and Separate financial statements

Unit : Million Baht

Liabilities under Finance Leases	2016		2015	
	Carrying Value	Present Value	Carrying Value	Present Value
Within 1 year	9,461.23	8,969.69	9,889.59	9,428.53
More than 1 year – 5 years	29,582.78	24,782.47	34,836.01	29,715.59
More than 5 years	<u>25,706.46</u>	<u>17,080.46</u>	<u>32,824.86</u>	<u>22,287.71</u>
Total	<u>64,750.47</u>	<u>50,832.62</u>	<u>77,550.46</u>	<u>61,431.83</u>

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 2016, the outstanding balance of obligations under finance leases for 34 aircraft is THB 69,890.14 million with maturities ranging from 2017 to 2028. After deducting interest expenses due amount of THB 5,139.67 million, the principal balance of obligations under the Company's finance leases is THB 64,750.47 million. As at December 31, 2016, the amount of THB 9,461.23 million has been transferred to a current portion of finance lease, leaving the balance of long-term liabilities under finance lease amount of THB 55,289.24 million.

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7.14 Debentures

Unit : Million Baht

Issuing								Redemption					Balance as at December 31, 2016					
Resolutions of Shareholders’ Meeting /No./Date	Amount Issued	Time Issued	Year Issued	Due Date	Age (Year)	Interest Rate Paid Every 6 Months (Percentage)	Amount	2016	2017	2018	2019	2020						
Ordinary /2005 December 23, 2005	60,000	1 (Tranche3)	2009	January 20, 2016	7	5.60	300.00	Jan 20					-					
		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	May 13					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	-				
			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						Dec 28					-
							2,000.00											
		1 (Tranche1)	2012	February 16, 2019	7	4.41	1,000.00						1,000.00					
		1 (Tranche2)	2012	February 16, 2022	10	4.75	2,000.00						2,000.00					
							3,000.00											
		2	2012	March 23, 2024	12	4.98	1,500.00											1,500.00
							1,500.00											
		3 (Tranche1)	2012	October 11, 2017	5	4.51	4,000.00						4,000.00					
		3 (Tranche2)	2012	October 11, 2019	7	4.70	1,500.00						1,500.00					
3 (Tranche3)	2012	October 11, 2022	10	4.90	1,500.00	1,500.00												
					7,000.00													

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Unit : Million Baht

Issuing								Redemption					Balance as at December 31, 2016
Resolutions of Shareholders' Meeting /No./Date	Amount Issued	Time Issued	Year Issued	Due Date	Age (Year)	Interest Rate Paid Every 6 Months (Percentage)	Amount	2016	2017	2018	2019	2020	
During the year 2013		1	2013	May 16, 2018	5	4.18	5,000.00						5,000.00
May 16, 2013							5,000.00						
August 30, 2013		2											
		2 (Tranche 1)	2013	August 30, 2018	5	4.58	1,250.00						1,250.00
		2 (Tranche 2)	2013	August 30, 2020	7	4.88	1,250.00						1,250.00
		2 (Tranche 3)	2013	August 30, 2023	10	5.16	1,500.00						1,500.00
							4,000.00						
During the year 2014													
NO. 1/2014													
February 07, 2014		Tranche 1	2014	February 07, 2019	5	4.71	1,200.00						1,200.00
		Tranche 2	2014	February 07, 2021	7	5.14	1,000.00						1,000.00
		Tranche 3	2014	February 07, 2024	10	5.58	1,000.00						1,000.00
							* 3,200.00						
NO. 2/2014													
December 26, 2014		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						

* 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, 2016
Resolutions of Shareholders' Meeting /No./Date	Amount Issued	Time Issued	Year Issued	Due Date	Age (Year)	Interest Rate Paid Every 6 Months (Percentage)	Amount	2016	2017	2018	2019	2020	
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						
During the year 2016 NO. 1/2016 December 23, 2016	7,000	Tranche 1	2016	December 23, 2019	3	2.97	500.00						500.00
		Tranche 2	2016	December 23, 2021	5	3.45	500.00						500.00
		Tranche 3	2016	December 23, 2023	7	3.66	1,000.00						1,000.00
		Tranche 4	2016	December 23, 2026	10	4.35	3,000.00						3,000.00
		Tranche 5	2016	December 23, 2028	12	4.66	2,000.00						2,000.00
							7,000.00						
Total													59,300.00

As at December 31, 2016, the balance of debentures was THB 59,300 million, which the amount of THB 5,200 million was transferred to be a current portion of long-term liabilities, leaving the balance of long-term liabilities amount of THB 54,100.00 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

	Consolidated		Unit : Million Baht	
	Financial Statements		Separate	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Payable - airport fees	5,400.97	3,965.09	5,400.97	3,965.09
Deferred revenue	4.60	77.31	4.14	76.74
Tax payables	549.36	418.07	547.42	416.47
Payable - fringe benefits (field office staff)	576.24	554.93	576.24	554.93
Deposit received	1,238.41	1,300.21	1,230.38	1,292.15
Payable - employee	5.25	1.89	5.25	1.89
Accrued income	-	191.66	-	191.66
Payable - collected assets	133.24	368.14	133.24	368.14
Other payables	<u>271.00</u>	<u>1,537.71</u>	<u>1,870.76</u>	<u>5,932.37</u>
Total	<u>8,179.07</u>	<u>8,415.01</u>	<u>9,768.40</u>	<u>12,799.44</u>

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:

	Unit : Million Baht	
	<u>2016</u>	<u>2015</u>
Current assets	3,908.30	4,278.64
Others	<u>22.08</u>	<u>55.14</u>
Total	<u>3,930.38</u>	<u>4,333.78</u>
Other current liabilities	220.30	453.52
Pension fund	<u>3,710.08</u>	<u>3,880.26</u>
Total	<u>3,930.38</u>	<u>4,333.78</u>

As at December 31, 2016, the fund balance was THB 3,710.08 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 95.36 million, which came from contributions at a rate equivalent to 10% of employee salaries in the amount of THB 164.99 million less the amount to match the Company's obligation of THB 69.63 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)

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Actuarial assumption analysis of discount rate used in determining the present value of employment benefits obligation under the defined benefit plan and other long-term benefits are as follows:

Unit : Million Baht

Increase (decrease) in present value of the obligation

	<u>Increase 1%</u>	<u>Decrease 1%</u>
Discount rate	(1,428.59)	1,769.99

Changes in Present Value of the Employee Benefits Obligation

	<u>Consolidated</u> <u>Financial Statements</u>		<u>Unit : Million Baht</u> <u>Separate</u> <u>Financial Statements</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Beginning Balance – Employee Benefits Obligation	11,645.23	11,508.91	11,568.26	11,456.35
Current service cost	543.27	502.38	527.45	479.94
Interest cost	362.60	472.08	359.91	470.11
Benefits paid	(552.98)	(1,238.82)	(551.77)	(1,238.82)
Actuarial loss (gain)	<u>(78.05)</u>	<u>400.68</u>	<u>-</u>	<u>400.68</u>
Ending Balance - Employee Benefits Obligation	<u>11,920.07</u>	<u>11,645.23</u>	<u>11,903.85</u>	<u>11,568.26</u>

Actuarial gains and losses incur due to the changes in present value of the employee benefits obligation under the defined benefit plan and other long-term benefits, which is an effect from the change of principal actuarial assumptions. For the fiscal year 2016, the actuarial assumptions remain unchanged, therefore there is no an effect on other comprehensive income.

7.18 Long-Term Provision

Changes in the present value of long-term provision

	<u>Consolidated</u> <u>Financial Statements</u>		<u>Unit : Million Baht</u> <u>Separate</u> <u>Financial Statements</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Long-term provision at the beginning balance	619.31	412.96	619.31	410.52
Long-term provision for the period	<u>6,746.52</u>	<u>206.35</u>	<u>6,414.77</u>	<u>208.79</u>
Long-term provision at the ending balance	<u>7,365.83</u>	<u>619.31</u>	<u>7,034.08</u>	<u>619.31</u>

Long-term provision as at December 31, 2016 (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 4.66 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 14.62 million. At present, the case is under the Supreme Court's consideration.

7.18.3 The Board of Directors meeting no. 11/2558 dated November 11, 2015 has resolved the Company to reserve money as a compensation in respect of the 1 year early termination of Aircraft operating Lease Agreements for 2 A330-300 (TEJ, TEL) to AerCap at the begin of 2017. This payment is for the early termination fee in the amount of USD 3 million or approximately THB 108.01 million and Retrofit Koito Seat fee in the amount of USD 2.54 million or approximately THB 91.37 million totaling THB 199.38 million.

7.18.4 The Company recognized long term provision for future repair and maintenance of aircraft as of 31 December 2016 amounting to THB 6,815.42 million. This represented the obligation under operating lease as to major overhaul of aircrafts, engines, and other major components over the leasing periods and the obligation to restore aircraft conditions at the end of the lease period. The measurement of the provision based on the assumptions of flight hours, flight cycles, maintenance schedules and period of operating lease. The estimated overhaul costs were recorded over the period that the aircrafts have been used which comprised aircraft restoration costs (D-Check) and other major components restoration costs of THB 3,702.61 million, engine restoration costs of THB 3,026.31 million and return conditions cost of THB 86.5 million.

7.19 Dividend Payment Separate financial statements

According to the Resolution of the 2016 Annual General Shareholders' Meeting held on April 22, 2016 approved the Company to abstain from dividend payment for 2015 operating result.

7.20 Share Capital

As at December 31, 2016, the Company has authorized ordinary shares amount of 2,698.90 million shares at par value THB 10 each for an aggregate of THB 26,989.00 million, issued and paid-up ordinary shares amount of THB 21,827.72 million.

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7.21 Legal Reserve

As at December 31, 2016, the Company's legal reserve balance was THB 2,691.27 million.

7.22 Other Income - Others

	Unit : Million Baht			
	Consolidated Financial Statements		Separate Financial Statements	
	2016	2015	2016	2015
Gains on sales of assets	-	76.97	-	77.00
Dividends from subsidiary, associated and other companies	-	-	282.82	192.65
Revenue from other services of Aircraft Maintenance Department	723.33	641.91	723.33	641.91
Compensation revenue from the delay delivery of aircraft	23.48	-	23.48	-
Compensation revenue from KOITO Co., Ltd.	-	3,967.59	-	3,967.59
Other fine revenues	334.79	171.56	334.79	171.56
Insurance compensation from the flood disaster	-	208.05	-	208.05
Insurance compensation from other cases	355.11	144.86	355.11	144.86
Revenue from Royal Orchid Lounge service	119.43	110.70	119.43	110.70
Revenue from service to Thai Smile Airways passenger	-	-	79.24	195.71
Others	688.28	698.62	624.58	671.70
Total	2,244.42	6,020.26	2,542.78	6,381.73

7.23 Employee Benefits Expenses

	Unit : Million Baht			
	Consolidated Financial Statements		Separate Financial Statements	
	2016	2015	2016	2015
Personnel expenses	29,112.09	29,953.65	28,642.33	29,557.01
Employee benefits	354.11	608.09	335.59	583.04
Executive remuneration	82.87	97.51	76.60	91.95
Board of directors remuneration	19.36	19.37	16.66	16.54
Total	29,568.43	30,678.62	29,071.18	30,248.54

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.

7.24 Termination benefit – Mutual Separation Plan and Golden Handshake

According to the Board of Director meeting No. 4/2559 held on April 20, 2016 approved the Mutual Separation Plan for the year 2016. There are 280 employees have been authorized to join the plan in 2 periods, which are June 1, 2016 and July 1, 2016. The Company has to pay the benefit according such plans amount of THB 13.54 million and 413.58 million, respectively, in an aggregate of THB 427.12 million. The Company recognized the mentioned amount of Termination benefit in the statements of comprehensive income for the year ended December 31, 2016.

7.25 Impairment Loss of Aircraft Separate Financial Statements

The Company has compared the net carrying value of decommissioned aircraft with the fair value less cost to sell, it appears that the fair value less cost to sell is lower than the net carrying value. Therefore, the Company recognized the impairment losses of aircraft in the statements of comprehensive income for the year 2016 amount of THB 3,217.75 million, which consist of 4 A340-500, 6 A340-600, 3 B737-400 and 4 B747-400, totaling 17 aircraft in an aggregate of THB 2,892.51 million, as well as the impairment losses of 17 spare engines amount of THB 325.24 million.

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7.26 Other Expenses**Unit : Million Baht**

	Consolidated Financial Statements		Separate Financial Statements	
	2016	2015	2016	2015
Rentals and utilities	2,614.61	2,718.82	2,614.61	2,718.82
Office supplies	178.25	161.96	178.25	161.96
Repair of building and equipment	562.25	538.02	562.25	538.02
Outsource services	1,672.84	1,515.17	1,672.84	1,515.17
Consultant and service fees	497.92	571.79	497.92	571.79
Legal fee for Antitrust/ Competition Law	26.64	28.62	26.64	28.62
Computer service expenses	584.62	555.63	584.62	555.63
Rental of communication devices and office equipment	231.52	219.10	231.52	219.10
Travelling and transportation expenses	557.86	512.35	557.86	512.35
Concession fees	406.38	388.67	406.38	388.67
Passenger claim expenses	220.25	253.34	220.25	253.34
Obsolete inventories and supplies expenses	310.17	500.52	310.17	500.52
Service cargo expenses	99.64	105.86	99.64	105.86
Joint venture expenses in Star Alliance	70.88	46.51	70.88	46.51
Company business and municipal taxes	89.81	174.06	89.81	174.06
Bad debts and provision for bad debts	(59.94)	(122.42)	(60.22)	(123.81)
Service fee for T Hosting system	76.49	98.58	76.49	98.58
Fine and interest expenses	19.56	283.03	19.56	283.03
Others	681.29	809.45	378.30	502.88
Total	8,841.04	9,359.06	8,537.77	9,051.10

7.27 Income Tax Expense (Income)**Unit : Million Baht**

	Consolidated Financial Statements		Separate Financial Statements	
	2016	2015	2016	2015
Tax expense from taxable profit for the period	42.30	42.92	15.20	26.84
<u>Add(less):</u> deferred tax asset/ liability from temporary different increase/ decrease	(1,506.54)	(1,112.29)	(1,503.10)	(1,102.08)
Net tax expenses (income)	(1,464.24)	(1,069.37)	(1,487.90)	(1,075.24)

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 :

Investment Promotion Certificates No.	Investment Promotion Certificates Date
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, 2016 and 2015 are as follows:

	Unit : Million Baht	
	Separate Financial Statements	
	2016	2015
Revenues from sales or services		
Promoted activities	92,564.11	89,361.60
Non-promoted activities	79,862.39	89,580.58
Total revenues from sales or services	172,426.50	178,942.18

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

	Consolidated Financial Statements		Separate Financial Statements	
	2016	2015	2016	2015
Profit (loss) attributable to owners of the parent	15.14	(13,067.67)	2,881.58	(11,163.05)
Number of issued ordinary shares as at January 1	2,182.77	2,182.77	2,182.77	2,182.77
Number of weighted average ordinary shares	<u>2,182.77</u>	<u>2,182.77</u>	<u>2,182.77</u>	<u>2,182.77</u>
Basic earnings (loss) per share (THB)	<u>0.01</u>	<u>(5.99)</u>	<u>1.32</u>	<u>(5.11)</u>

7.30 Operating Segments**Segments Information**

The Company determines reportable segments based on the nature of the products and services provided, which the management has considered the organization structure in relation to commercial airline operation.

The Company has 3 reportable 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

Measurement Criteria

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 recorded at budget cost. Those transferred transaction will be eliminated in consolidated financial statements.

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

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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7.30.1 Financial Information by Segment Consolidated financial statements

Statements of Income
For the year ended December 31, 2016

Unit : Million Baht

	<u>Air Transportation</u>		<u>Business Units</u>		<u>Other Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
External Revenues	166,638.96	171,139.21	9,493.09	8,871.28	2,180.45	2,716.86	178,312.50	182,727.35
Inter - segment revenues (expenses)	(13,781.44)	(12,913.15)	8,991.60	8,753.76	4,789.84	4,159.39	-	-
Interest income	177.99	320.66	-	-	26.32	11.27	204.31	331.93
Gain (loss) on foreign currency exchange	691.94	3,488.59	-	-	(6.97)	23.19	684.97	3,511.78
Other income	<u>2,238.79</u>	<u>6,143.96</u>	<u>30.72</u>	<u>36.84</u>	<u>(25.09)</u>	<u>(160.54)</u>	<u>2,244.42</u>	<u>6,020.26</u>
Total Revenue	<u>155,966.24</u>	<u>168,179.27</u>	<u>18,515.41</u>	<u>17,661.88</u>	<u>6,964.55</u>	<u>6,750.17</u>	<u>181,446.20</u>	<u>192,591.32</u>
Fuel and oil	(43,430.92)	(61,794.04)	-	-	(1,904.99)	(1,448.79)	(45,335.91)	(63,242.83)
Employee benefits expenses	(17,497.03)	(21,812.33)	(7,145.91)	(7,045.38)	(5,352.61)	(5,202.17)	(29,995.55)	(34,059.88)
Flight service expenses	(20,140.75)	(19,965.70)	(46.40)	(68.79)	(630.63)	(439.60)	(20,817.78)	(20,474.09)
Depreciation and amortization expenses	(16,232.63)	(17,313.50)	(730.34)	(799.41)	(1,027.86)	(1,019.87)	(17,990.83)	(19,132.78)
Impairment loss of assets and aircraft	(3,627.91)	(12,157.75)	-	-	-	-	(3,627.91)	(12,157.75)
Other expenses	(47,232.15)	(41,845.28)	(6,379.57)	(6,086.03)	(5,565.31)	(3,943.12)	(59,177.03)	(51,874.43)
Finance costs	(5,339.16)	(5,897.74)	-	-	-	-	(5,339.16)	(5,897.74)
Share of profit (loss) on investment in associates	<u>(510.27)</u>	<u>131.88</u>	<u>-</u>	<u>-</u>	<u>(69.18)</u>	<u>-</u>	<u>(579.45)</u>	<u>131.88</u>
Total Expenses	<u>(154,010.82)</u>	<u>(180,654.46)</u>	<u>(14,302.22)</u>	<u>(13,999.61)</u>	<u>(14,550.58)</u>	<u>(12,053.55)</u>	<u>(182,863.62)</u>	<u>(206,707.62)</u>
Profit (loss) before Income Tax Expense	<u>1,955.42</u>	<u>(12,475.19)</u>	<u>4,213.19</u>	<u>3,662.27</u>	<u>(7,586.03)</u>	<u>(5,303.38)</u>	<u>(1,417.42)</u>	<u>(14,116.30)</u>
Tax Income (expense)	<u>1,487.90</u>	<u>1,075.23</u>	<u>-</u>	<u>-</u>	<u>(23.66)</u>	<u>(5.86)</u>	<u>1,464.24</u>	<u>1,069.37</u>
Gain (loss) by segments	<u>3,443.32</u>	<u>(11,399.96)</u>	<u>4,213.19</u>	<u>3,662.27</u>	<u>(7,609.69)</u>	<u>(5,309.24)</u>	<u>46.82</u>	<u>(13,046.93)</u>

Assets and Liabilities
As at December 31, 2016

Unit : Million Baht

	<u>Air Transportation</u>		<u>Business Units</u>		<u>Other Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current assets	48,594.54	56,563.55	668.73	638.56	4,764.94	8,571.54	54,028.21	65,773.65
Investments	3,964.51	4,810.79	-	-	4.02	4.16	3,968.53	4,814.95
Property, plant and equipment	186,605.78	198,914.36	5,410.34	6,081.91	2,875.23	3,289.09	194,891.35	208,285.36
Other non-current assets	24,318.95	18,818.36	0.07	0.41	570.50	75.77	24,889.52	18,894.54
Non-allocated assets	-	-	-	-	-	-	<u>5,346.26</u>	<u>4,702.56</u>
Total assets							<u>283,123.87</u>	<u>302,471.06</u>
Current liabilities	78,489.43	85,001.33	327.72	238.80	7,512.99	9,884.47	86,330.14	95,124.60
Non-current liabilities	161,666.66	173,444.52	-	-	348.25	78.04	162,014.91	173,522.56
Non-allocated liabilities	-	-	-	-	-	-	<u>1,190.62</u>	<u>898.21</u>
Total Liabilities							<u>249,535.67</u>	<u>269,545.37</u>

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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>													
Jan-Dec 2016	13,797.02	9,493.09	2,180.45	89,124.33	47,106.44	0.26	16,243.65	0.16	367.10	204.31	2,244.42	684.97	181,446.20
Jan-Dec 2015	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	192,591.32

7.31 Staff Provident Fund

The Company contributes to the provident fund at the rate of 9% of a salary for members having not more than 20 years of services and 10% of a salary for members having more than 20 years of services, representing amount of THB 1,158.57 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:

	Unit : Million Baht	
	<u>2016</u>	<u>2015</u>
Letters of guarantee issued by banks - Domestic	49.96	30.36
Letters of guarantee issued by banks - Abroad	451.70	314.58
The Company as defendant in		
Labor dispute cases	1,399.91	1,356.00
Damage claims cases	<u>460.30</u>	<u>512.64</u>
Total	<u>2,361.87</u>	<u>2,213.58</u>

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. The case is currently undergoing the court procedures. 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 Cash Flow Hedge

In 2016, 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, 2016, the Company recognized loss THB 578.04 million from application of hedge accounting to foreign currency borrowings and forecasted future foreign currency revenue.

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As at December 31, 2016, the time periods in which cash flows of hedged items are expected to occur and affect profit or loss are as follows:

Consolidated and Separate financial statements**Year 2016****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	6,185.21	15,046.59	99,723.19	349,444.76	470,399.75

As at 31 December 2016, the amount deferred in other component of equity in relation to effective cash flow hedges is THB 1,629.83 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.

7.34 Disclosure of Financial Instruments Separate financial statements**7.34.1 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.

Year 2016**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	2.64	1,149.00	4,638.87	6,503.07	5,400.38	-	-	17,691.32
JPY	1.00	1,292.95	5,255.61	3,861.50	-	-	-	10,410.06
EUR	1.40	7,228.17	20,487.72	15,289.25	1,149.11	4,519.89	10,962.48	59,636.62
THB	4.36	9,547.11	10,745.29	52.64	5,200.00	29,370.00	24,730.00	79,645.04
Total		19,217.23	41,127.49	25,706.46	11,749.49	33,889.89	35,692.48	167,383.04

Year 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
Total		23,931.06	52,203.68	33,486.40	13,124.61	32,873.72	36,783.14	192,402.61

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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, 2016, the portion of the Company's debt after swap with floating to fixed interest rate is 38 : 62.

At the moment, the Company has the total of 8 IRS transactions, swapping debt with floating interest rate to fixed interest rate. Five of these transactions are in EUR and three transactions in THB. As at December 31, 2016, IRS transactions' total notional amount was THB 4,788.46 million of which interest exchange payments are done monthly and quarterly. The one transactions in EUR currency will expire in 2017, the other four transactions in EUR currency will expire in 2018, and three transactions in THB currency will expire in 2017.

7.34.2 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, 2016, the proportion of the Company's debts after swap in each currency i.e. USD : EUR : JPY : CHF : THB = 0 : 39 : 19 : 8 : 34. 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 25 CCS transactions. These debt swaps are 5 transactions of THB currency to EUR currency with fixed interest rate, 12 transactions of THB currency to JPY currency with fixed interest rate, 2 transactions of THB currency to JPY currency with floating interest rate, 2 transactions of EUR currency to JPY currency with fixed interest rate, and 4 transactions of USD currency to CHF currency. The notional amount as of December,31 2016 is equivalent to THB 36,376.18 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 2028.

Unit : Million Baht

Foreign Currency Liabilities						
Currency	2016			2015		
	<u>Due within 1 year</u>	<u>1 to 5 years</u>	<u>Due over 5 years</u>	<u>Due within 1 year</u>	<u>1 to 5 years</u>	<u>Due over 5 years</u>
USD	6,549.38	4,638.87	6,503.07	4,778.13	4,653.75	7,722.98
JPY	1,292.95	5,255.61	3,861.50	1,272.97	5,208.42	4,879.09
EUR	8,377.28	25,007.61	26,251.73	8,610.46	29,407.00	32,830.65

7.34.3 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 2016, the Company's hedge portion account to 57 percent of its annual fuel consumption and as at December 31, 2016, the Company still has an obligation from fuel price hedging until December 2017 in portion account to 46 percent of total fuel consumption.

7.34.4 Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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 carrying value net of allowance of impairment. Investments in marketable equity securities are stated at fair value.

Trade receivables are stated at carrying 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.

7.35 Contractual Obligations

7.35.1 Obligation to Purchase Aircraft

The Company has a payment obligation to purchase 4 A350 - 900XWB aircraft amount of THB 15,361.54 million, expected to take delivery during the year 2017-2018 which consisted of:

Obligation	Unit : Million Baht	
	Within 1 year	Over 1 year – 5 years
Purchase of aircraft	7,187.89	8,173.65

7.35.2 Leases and Obligations of Aircraft

The Company has obligations from entering into operating leases for 42 aircraft amount of USD 4,150.49 million or approximately to THB 149,428.04 million consisting of 15 A320-200, 2 A330-300, 8 A350-900, 1 B777-200, 8 B777-300ER, 6 B787-8, and 2 B787-9 aircraft. As at December 31, 2016, there are 34 aircraft which have been already taken the delivery, and there are 8 aircraft which have not been taken deliver yet. The Company has returned 1 aircraft under operating leases to lessor in 2016. Also, there are 3, 9 and 30 aircraft which the lease will expire in 2017, 2018 - 2021 and 2022 - 2030, respectively.

Lease obligation for 42 aircraft operating leases can be classified as follows:

Obligation	Unit : Million Baht		
	Within 1 year	Over 1 year – 5 years	Over 5 years
Rent	11,896.79	59,112.12	78,419.13

7.36 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, 2016, 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.

7.37 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 the Company 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.

Now, The Company has already paid compensation to all injured passengers and could settle all claim cases. The total claim compensation in relation to this incident is THB 11.07 million.

7.38 Events after the Reporting Period

7.38.1 The Company has returned 1 B777-200 aircraft under operating leases to lessor on January 12, 2017.

7.38.2 The Company has planned to request for the Roll-over of Euro Commercial Paper (ECP) loan within the first quarter of 2017 from the Ministry of Finance.

7.39 Approval of Financial Statements

These financial statements were approved by the Audit Committee, the Authorized Board of Directors, on February 23, 2017.
