

No.0026/ 863

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, 2017 of Thai Airways International Public Company Limited and its subsidiaries and separate financial statements for the year ended December 31, 2017 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 15, 2018

(Poungchomnad Jariyajinda)

Deputy Auditor General

(TRANSLATION)



(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, 2017, the consolidated and separate statements of profit or loss and other 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, including 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, as at December 31, 2017, 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 ethical requirements set out in the State Audit Standards issued by the State Audit Commission and the Federation of Accounting Professions' Code of Ethics for Professional Accountants that are relevant to the Office of the Auditor General of Thailand's audit

Office of the Auditor General of Thailand

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 the Office of the Auditor General of Thailand has obtained is sufficient and appropriate to provide a basis for the Office of the Auditor General of Thailand's 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 has the following key audit matters to communicate:

1. Aircrafts and Related Equipment

The carrying amount of the Group's aircraft and related equipment as at December 31, 2017 was THB 173,279.82 million, contributed to 61.71% of the Group's total assets and 60.62% of the Company's total assets. The aircraft and related equipment was presented in property, plant and equipment in amount of THB 164,997.38 million (refer to note 6.8 to the financial statements), and non-performing asset in amount of THB 8,282.44 million (refer to note 6.11 to the financial statements). Depreciation and impairment loss of aircraft and related equipment for the year 2017 was THB 18,080.30 million. Depreciation rates and the carrying amount of aircraft and related equipment are reviewed annually that the carrying amount of aircraft and related equipment does not exceed its recoverable amount, taking into consideration factors such as changes in fleet composition, current and forecast market values and technical factors which may affect the useful life expectancy of the assets. The Office of the Auditor General of Thailand has focused on the carrying amount of aircraft and related equipment as a key audit matter because management shall make significant judgement to determine assumptions and related factors in estimating useful lives and impairment of aircraft and related equipment, which is a process related to uncertainty. The use of different models, assumptions used in the calculation and the quality of the data may have a material impact on impairment loss or depreciation for the year.

The Office of the Auditor General of Thailand's key audit procedures include understanding and assessing the effectiveness of the key controls, including test of controls over the following:

1.1 The identification of circumstances which indicate that the aircraft and related equipment is likely to be impaired, and may have effect on consideration of depreciation rates and impairment;

1.2 The governance over the estimating useful lives and impairment of aircraft and related equipment by management that models, assumptions used in the calculation are still reasonable, including comparing models, assumptions used in the calculation with external sources or guidelines of the aviation industry;

1.3 The review and approval process that management have in place for the models, assumptions used in the calculation, outputs from such models, and recording the accounting transactions;

1.4 The accuracy, completeness and quality of data input to the estimation.

2. Passenger Revenue

When a flight booking is made, passenger revenue is initially deferred on the statement of financial position and is measured based on the sales price to the customer, net of commissions and discounts. Passenger revenue is recognized as revenue in the statement of profit or loss and other comprehensive income when transportation is provided. (refer to note 4.11 to the financial statements). The determination of the amount of revenue to be recognized for each flight requires complicated information technology systems and involves the high volume of transactions.

In addition, the timing of revenue recognition for unused tickets requires significant management's judgement due to the timeframe over which tickets can be utilized varying due to the large number of fare types. Management has determined the value of unused revenue documents that will not be utilized based on ticket validity and historical expiry trends. The Office of the Auditor General of Thailand has focused on passenger revenue as a key audit matter because effect of the complexity of the information technology systems and the significant level of judgement required by management on timing and accuracy of revenue recognition.

The Office of the Auditor General of Thailand's key audit procedures include:

2.1 Assessing the effectiveness of key controls over operational and financial processes surrounding the revenue system, and performing detailed end-to-end walkthroughs of the processes that affect the revenue recognition;

2.2 Evaluating management's processes and key controls regarding the fare pricing, performing tests of controls for the authorization of a sample of new or amended fares, and reviewing that the approved fares agreed to the financial information;

2.3 Performing substantive tests of journal entries and non-routine transactions posted into relevant revenue accounts;

2.4 Applying analytical procedures to each significant individual revenue stream by comparing revenue recognized in the statement of profit or loss and other comprehensive income against budget, prior year, and assessing the correlation to movements in passenger numbers;

2.5 Comparing a sample of revenue transactions from the financial information against the contract terms and conditions, the Company's accounting policies and related requirements of Thai financial reporting standards to ascertain whether they were accurately recorded in the revenue system;

2.6 Reviewing a sample of the terms and conditions attached to revenue documents by fare class, and evaluating management's judgements used to determine the timing of recognition of unused revenue documents;

2.7 Assessing the reasonableness of obtained data supporting historical expiry trend in respect of unused revenue documents, and comparing with actual events.

Emphasis of Matter

The Office of the Auditor General of Thailand draw attention to Note 5 to the financial statements, which describes the operation strategies of the year 2017 on Corporate Transformation Plan and the future action plan of Thai Airways International Public Company Limited, and note 6.12 to the financial statements, which describes the liquidity management that provides information about detailed financing activities and cash flows for the year 2017.

The Office of the Auditor General of Thailand's opinion is not modified 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. The annual report is expected to be 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, management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related 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 maintains 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 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 auditor's report of the Office of the Auditor General of Thailand 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 auditor's report of the Office of the Auditor General of Thailand. 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 communicates 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 of the Office of the Auditor General of Thailand 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) *Balloon Sirisingsongchai*

(Balloon Sirisingsongchai)

Director of Financial Audit Office No.4

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017

Unit : Baht

		CONSOLIDATED FINANCIAL STATEMENTS		SEPARATE FINANCIAL STATEMENTS	
	Notes	2017	2016	2017	2016
ASSETS					
Current Assets					
Cash and cash equivalents	6.1	15,229,686,324	13,389,710,774	14,022,787,581	11,925,036,967
Temporary investments		160,037,864	130,419,289	-	-
Trade receivables	6.2	11,704,953,905	10,358,261,388	11,560,770,758	10,444,175,323
Prepaid expenses and deposits		7,490,102,653	7,979,056,576	7,761,325,199	8,217,149,112
Inventories and supplies	6.3	4,999,847,400	4,986,775,103	4,968,165,680	4,961,626,437
Other current assets	6.4	11,730,122,163	10,208,355,227	18,450,827,464	14,987,088,746
Non-current assets held for sale	6.5	200,807,000	12,321,891,869	200,807,000	12,321,891,869
Total Current Assets		51,515,557,309	59,374,470,226	56,964,683,682	62,856,968,454
Non-Current Assets					
Investments in associates	6.6.1	3,394,945,236	3,890,765,534	1,459,106,581	1,083,520,500
Investments in subsidiaries	6.6.1	-	-	1,810,209,893	1,810,209,893
Other long-term investments	6.6.2	70,988,078	77,763,005	67,875,978	74,767,805
Property, plant and equipment	6.8	188,102,612,250	194,891,347,457	188,067,083,674	194,863,785,314
Intangible assets	6.9	432,497,804	709,855,682	418,673,523	673,082,159
Deferred tax assets	6.10.1	10,679,231,900	10,014,948,163	10,663,254,345	10,000,049,684
Other non-current assets	6.11	26,578,712,721	14,164,714,939	26,402,333,280	13,649,568,370
Total Non-Current Assets		229,258,987,989	223,749,394,780	228,888,537,274	222,154,983,725
Total Assets		280,774,545,298	283,123,865,006	285,853,220,956	285,011,952,179

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

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017

Unit : Baht

		CONSOLIDATED FINANCIAL STATEMENTS		SEPARATE FINANCIAL STATEMENTS	
	Notes	2017	2016	2017	2016
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities					
Trade payables		5,042,628,631	4,951,411,552	4,823,318,835	4,746,744,517
Accrued expenses		16,613,129,758	16,846,320,892	17,849,085,739	16,910,539,096
Current portion of long-term liabilities					
Long-term loans from financial institutions	6.13	4,813,179,873	8,305,108,457	4,813,179,873	8,305,108,458
Liabilities under finance leases	6.14	9,762,005,635	9,461,231,562	9,762,005,635	9,461,231,562
Debentures	6.15	10,250,000,000	5,200,000,000	10,250,000,000	5,200,000,000
Short-term loans from financial institutions		3,000,000,000	2,000,000,000	3,000,000,000	2,000,000,000
Short-term loans from related parties	6.7.1.1	4,270,136,000	5,400,375,000	4,270,136,000	5,400,375,000
Income tax payable		15,143,142	11,280,480	-	-
Other current liabilities					
Accrued dividends		54,664,936	54,836,876	54,573,136	54,653,276
Unearned transportation revenue		31,409,888,882	27,111,129,396	30,481,532,187	26,624,698,720
Others	6.16	7,625,258,914	8,179,071,068	9,165,007,131	9,768,399,457
Total Current Liabilities		92,856,035,771	87,520,765,283	94,468,838,536	88,471,750,086
Non-Current Liabilities					
Long-term liabilities					
Long-term loans from financial institutions		7,564,356,800	13,006,551,881	7,564,356,800	13,006,551,881
Long-term loans from related parties	6.7.1.2	15,102,668,302	14,620,533,660	15,102,668,302	14,620,533,660
Liabilities under finance leases	6.14	52,754,724,555	55,289,234,923	52,754,724,555	55,289,234,923
Debentures	6.15	51,850,000,000	54,100,000,000	51,850,000,000	54,100,000,000
Deferred tax liabilities	6.10.2	1,791,346,286	1,854,236,084	1,791,346,286	1,854,236,084
Staff pension fund	6.17	3,791,098,462	3,710,083,100	3,791,098,462	3,710,083,100
Employee benefit obligations	6.18	12,594,371,173	11,920,072,997	12,573,334,280	11,903,855,344
Long-term provisions	6.19	10,310,083,902	7,365,831,672	9,318,993,931	7,034,078,456
Other non-current liabilities		147,062,061	148,363,624	913,725,477	148,080,624
Total Non-Current Liabilities		155,905,711,541	162,014,907,941	155,660,248,093	161,666,654,072
Total Liabilities		248,761,747,312	249,535,673,224	250,129,086,629	250,138,404,158
Shareholders' Equity					
Share capital	6.21				
Authorized share capital					
2,698.90 million ordinary shares par value of Baht 10 each		26,989,009,500	26,989,009,500	26,989,009,500	26,989,009,500
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	6.22	2,691,275,568	2,691,275,568	2,691,275,568	2,691,275,568
Unappropriated		(24,239,600,441)	(22,167,172,423)	(20,426,549,388)	(20,794,927,497)
Other components of equity		6,086,373,086	5,604,235,654	6,086,372,669	5,604,164,472
Total Company Shareholders' Equity		31,911,083,691	33,501,374,277	35,724,134,327	34,873,548,021
Non-controlling interests		101,714,295	86,817,505	-	-
Total Shareholders' Equity		32,012,797,986	33,588,191,782	35,724,134,327	34,873,548,021
Total Liabilities and Shareholders' Equity		280,774,545,298	283,123,865,006	285,853,220,956	285,011,952,179

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

(Usanee Sangsingkeo)

Executive Vice President, Corporate Strategy and Sustainable Development
Acting President

(Narongchai Wongthanavimok)

Executive Vice President, Finance and Accounting

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017

Unit : Baht

	<u>CONSOLIDATED FINANCIAL STATEMENTS</u>			<u>SEPARATE FINANCIAL STATEMENTS</u>	
	<u>Notes</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenue					
Revenue from Sales or Services					
Passenger and excess baggage		157,474,642,686	148,060,309,853	148,462,506,525	140,763,944,730
Freight		19,543,755,148	17,963,345,043	19,546,567,289	17,954,991,320
Mail		727,910,750	615,301,846	727,910,750	615,301,846
Other activities		12,110,671,871	11,673,542,694	13,741,948,197	13,092,261,363
Total Revenue from Sales or Services		189,856,980,455	178,312,499,436	182,478,932,761	172,426,499,259
Other Income					
Interest income		170,426,521	204,313,537	159,001,563	177,991,509
Gain (loss) on foreign currency exchange rates		(1,581,246,154)	684,970,854	(1,406,397,072)	691,942,292
Other income - Others	6.23	2,088,468,154	2,244,421,749	2,391,531,999	2,542,775,237
Total Other Income		677,648,521	3,133,706,140	1,144,136,490	3,412,709,038
Total Revenue		190,534,628,976	181,446,205,576	183,623,069,251	175,839,208,297
Expenses					
Fuel and oil		50,214,668,767	45,335,913,346	47,191,233,123	43,430,926,167
Employee benefits expense	6.24	29,702,304,701	29,568,433,554	29,126,283,668	29,071,181,741
Termination benefits - Mutual Separation Plan		-	427,122,345	-	427,122,345
Flight service expenses		22,353,433,918	20,817,778,532	21,298,670,145	20,187,150,836
Crew expenses		5,603,505,793	5,352,676,217	5,224,192,458	5,091,799,359
Aircraft repair and maintenance costs		17,796,784,451	16,986,636,235	16,245,210,843	14,982,573,579
Depreciation and amortization expenses		17,021,470,515	17,990,828,445	16,996,160,244	17,968,888,669
Lease of aircraft and spare parts		11,282,272,496	9,871,541,115	10,641,101,387	8,586,755,064
Inventories and supplies		9,008,767,018	8,150,778,440	8,560,236,644	7,811,569,276
Selling and advertising expenses		11,215,232,163	9,404,409,793	10,438,278,851	8,872,874,727
Insurance expenses		512,111,908	569,951,467	451,700,619	509,843,895
Impairment loss of assets		469,968,586	410,161,132	469,968,586	410,161,132
Impairment loss of aircraft	6.25	2,721,335,582	3,217,748,674	2,721,335,582	3,217,748,674
Other expenses	6.26	10,219,372,624	8,841,036,057	10,059,646,079	8,537,773,485
Loss on changes in ownership interest	6.36.2	429,092,766	-	-	-
Finance costs		4,717,217,641	5,339,160,850	4,717,217,641	5,339,160,850
Share of the loss of associates		162,036,346	579,446,279	-	-
Total Expenses		193,429,575,275	182,863,622,481	184,141,235,870	174,445,529,799
Profit (loss) before Income Tax Expense		(2,894,946,299)	(1,417,416,905)	(518,166,619)	1,393,678,498
Income tax revenue	6.27	822,898,858	1,464,238,106	846,687,728	1,487,902,283
Profit (loss) for the year		(2,072,047,441)	46,821,201	328,521,109	2,881,580,781
Other comprehensive income (loss)					
Items that will not be reclassified to profit or loss in subsequent periods					
Actuarial gain (loss) on employee benefits obligation		(163,910)	78,051,581	-	-
Income tax related to Actuarial gain (loss) on employee benefits obligation		32,782	(15,610,316)	-	-
Share of other comprehensive income (loss) from joint ventures and associates		(4,867,855)	(5,788,532)	-	-
Items that might be reclassified to profit or loss in subsequent periods					
Effective portion of gain on changes in fair value of cash flow hedges		652,581,496	718,215,797	652,581,496	718,215,797
Income tax related to Effective portion of gain on changes in fair value of cash flow hedges		(130,516,299)	(143,643,159)	(130,516,299)	(143,643,159)
Unrealized gain (loss) on remeasuring available-for-sale investments		(88,462)	88,984	-	-
Income tax related to unrealized gain (loss) on remeasuring available-for-sale investments		17,693	(17,798)	-	-
Other Comprehensive Income (loss) for the year - Net of Tax		516,995,445	631,296,557	522,065,197	574,572,638
Total Comprehensive Income (loss) for the year		(1,555,051,996)	678,117,758	850,586,306	3,456,153,419
Profit (Loss) Attributable to					
Owners of the Parent		(2,107,345,043)	15,139,579	328,521,109	2,881,580,781
Non-controlling interests		35,297,602	31,681,622	-	-
		(2,072,047,441)	46,821,201	328,521,109	2,881,580,781
Total Comprehensive Income (loss) Attributable to					
Owners of the Parent		(1,590,290,586)	645,426,711	850,586,306	3,456,153,419
Non-controlling interests		35,238,590	32,691,047	-	-
		(1,555,051,996)	678,117,758	850,586,306	3,456,153,419
Profit (loss) per Share	6.29				
Basic profit (loss) per share		(0.97)	0.01	0.15	1.32

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

(Usanee Sangsingkeo)

Executive Vice President, Corporate Strategy and Sustainable Development
Acting President

(Narongchai Wongthanavimok)

Executive Vice President, Finance and Accounting

(TRANSLATION)

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THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2017

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	Effective portion of gain (loss) on changes in fair value of cash flow hedges	Income tax related to Effective portion of gain (loss) on changes in fair value of cash flow hedges	Revaluation surplus on assets	Income tax related to Revaluation surplus on assets	Unrealized gain on remeasuring available-for-sale investment	Income tax related to unrealized gain on remeasuring available-for-sale investment	Total Other Components of Equity			
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 revaluation surplus on disposed assets	-	-	-	9,849,095	-	-	(12,311,369)	2,462,274	-	-	(9,849,095)	-	-	-
Add Other comprehensive income (loss) for the year 2016	-	-	-	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
Balance as at January 1, 2017	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
Changes in Shareholders' Equity														
Less Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	(20,250,000)	(20,250,000)
Less Dividends paid to cumulative preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	(91,800)	(91,800)
Add Profit (Loss) for the year 2017	-	-	-	(2,107,345,043)	-	-	-	-	-	-	-	(2,107,345,043)	35,297,602	(2,072,047,441)
Less Transfer revaluation surplus on disposed assets	-	-	-	39,857,000	-	-	(49,821,250)	9,964,250	-	-	(39,857,000)	-	-	-
Add Other comprehensive income (loss) for the year 2017	-	-	-	(4,939,975)	652,581,496	(130,516,299)	-	-	(88,456)	17,691	521,994,432	517,054,457	(59,012)	516,995,445
Balance as at December 31, 2017	21,827,719,170	25,545,316,308	2,691,275,568	(24,239,600,441)	(977,252,927)	195,450,586	8,585,218,762	(1,717,043,752)	521	(104)	6,086,373,086	31,911,083,691	101,714,295	32,012,797,986

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

(Usanee Sangsingkeo)

Executive Vice President, Corporate Strategy and Sustainable Development
Acting President

(Narongchai Wongthanavimok)

Executive Vice President, Finance and Accounting

(TRANSLATION)

-5-

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017

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 gain (loss) on changes in fair value of cash flow hedges	Income tax related to Effective portion of gain (loss) on 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, 2016	21,827,719,170	25,545,316,308	2,691,275,568	(23,686,357,373)	(2,348,050,220)	469,610,044	8,647,351,381	(1,729,470,276)	5,039,440,929	31,417,394,602
Changes in Shareholders' Equity										
Add Profit for the year 2016	-	-	-	2,881,580,781	-	-	-	-	-	2,881,580,781
Less Transfer revaluation surplus on disposed assets	-	-	-	9,849,095	-	-	(12,311,369)	2,462,274	(9,849,095)	-
Add 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	21,827,719,170	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
Balance as at January 1, 2017	21,827,719,170	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
Changes in Shareholders' Equity										
Add Profit for the year 2017	-	-	-	328,521,109	-	-	-	-	-	328,521,109
Less Transfer revaluation surplus on disposed assets	-	-	-	39,857,000	-	-	(49,821,250)	9,964,250	(39,857,000)	-
Add Other comprehensive income (loss) for the year 2017	-	-	-	-	652,581,496	(130,516,299)	-	-	522,065,197	522,065,197
Balance as at December 31, 2017	21,827,719,170	25,545,316,308	2,691,275,568	(20,426,549,388)	(977,252,927)	195,450,586	8,585,218,762	(1,717,043,752)	6,086,372,669	35,724,134,327

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

(Usanee Sangsingkeo)

Executive Vice President, Corporate Strategy and Sustainable Development
Acting President

(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, 2017

Unit : Baht

	CONSOLIDATED FINANCIAL STATEMENTS		SEPARATE FINANCIAL STATEMENTS		
	Note	2017	2016	2017	2016
Cash Flows from Operating Activities					
Loss before income tax expenses		(2,894,946,299)	(1,417,416,905)	(518,166,619)	1,393,678,498
Adjustment to reconcile profit (loss) before income tax expense to cash received (paid) from operating activities :					
Depreciation and amortization expenses		17,021,470,515	17,990,828,445	16,996,160,244	17,968,888,669
Aircraft lease fee		265,683,460	199,731,140	265,683,460	199,731,140
Dividends received		(1,445,845)	(472,274)	(301,605,257)	(282,824,492)
Share loss of investments in associates by equity method		162,036,346	579,446,279	-	-
Loss on changes in ownership interest		429,092,766	-	-	-
Interest income		(170,426,521)	(204,313,537)	(159,001,563)	(177,991,509)
Interest expenses		4,717,217,641	5,339,160,850	4,717,217,641	5,339,160,850
Loss on disposal of assets		72,252,718	40,335,750	61,856,830	40,335,750
Loss on sales of aircraft		49,720,687	69,256,925	49,720,687	69,256,925
Loss (Gain) on foreign currency exchange rates		1,062,717,626	(610,722,744)	1,044,342,014	(613,502,567)
Gain on remeasuring investment		(507,037)	(330,305)	-	-
Provision for employee benefits obligation		674,134,266	(518,910,700)	669,478,935	(536,215,345)
Provision for obsolete inventories and supplies		327,642,988	310,166,610	327,642,988	310,166,610
Doubtful accounts		59,842	(59,947,994)	371,231	(60,217,870)
Impairment loss of aircraft		2,721,335,582	3,217,748,674	2,721,335,582	3,217,748,674
Impairment loss of assets		469,968,586	410,161,132	469,968,586	410,161,132
Operating profits before changes in operating assets and liabilities		24,906,007,321	25,344,721,346	26,345,004,759	27,278,376,465
Decrease (increase) in operating assets :					
Trade receivables		(1,528,712,580)	1,461,368,172	(1,298,571,914)	615,822,512
Inventories and supplies		(340,715,286)	623,844,742	(334,182,230)	630,931,275
Prepaid expenses and deposits		(53,805,942)	557,850,762	(86,923,703)	472,099,388
Tax refund	a	253,663,119	102,810,706	253,663,119	102,810,706
Other current assets		(1,062,131,783)	(1,979,921,313)	(3,030,883,000)	1,481,074,205
Non-current assets held for sale		786,612,304	(1,145,813,326)	786,612,304	(1,145,813,326)
Maintenance Reserve		(2,953,488,770)	(4,815,659,622)	(3,270,948,897)	(4,483,906,405)
Other assets		(88,533,063)	(221,040,496)	(72,840,801)	(196,080,331)
Deferred charges		(2,371,268,826)	(477,657,008)	(2,408,226,948)	(361,321,646)
Increase (decrease) in operating liabilities :					
Trade payables		(700,759,110)	919,164,453	(715,659,606)	840,697,432
Accrued expenses and other current liabilities		(659,084,470)	(3,932,882,575)	460,884,691	(6,895,622,702)
Staff pension fund		65,818,918	(264,217,187)	65,818,918	(264,217,187)
Unearned transportation revenues		4,331,726,809	2,184,967,326	3,889,800,790	1,934,542,154
Other non-current liabilities		3,596,787,982	6,765,251,389	3,704,710,003	6,434,288,203
Proceeds from operations		24,182,116,623	25,122,787,369	24,288,257,485	26,443,680,743
Payment of income tax		(490,260,746)	(564,257,545)	(440,328,525)	(522,572,261)
Net Cash provided by Operating Activities		23,691,855,877	24,558,529,824	23,847,928,960	25,921,108,482

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, 2017

Unit : Baht

		CONSOLIDATED FINANCIAL STATEMENTS		SEPARATE FINANCIAL STATEMENTS	
	Notes	2017	2016	2017	2016
Cash Flows from Investing Activities					
Cash paid for acquisition of fixed assets	b	(3,590,188,349)	(5,663,038,902)	(3,569,798,997)	(5,645,983,640)
Cash paid for intangible assets		(27,920,714)	(34,481,222)	(27,540,923)	(25,645,048)
Proceeds from transferring the rights for advance payment of aircraft and aircraft equipment		-	-	-	-
		208,513,123	-	208,513,123	-
Cash received from sales of assets		258,310,049	1,464,450,042	258,264,254	1,464,450,042
Interest income		171,558,078	189,648,033	159,972,038	162,615,785
Dividends received		277,038,857	263,910,692	301,605,257	282,824,492
Investment increase		(374,040,379)	(1,837,420)	(373,923,479)	(1,001,977,420)
Temporary investment increase		(29,200,000)	(45,000,000)	-	-
Net Cash used in Investing Activities		(3,105,929,335)	(3,826,348,777)	(3,042,908,727)	(4,763,715,789)
Cash Flows from Financing Activities					
Proceeds from debentures		8,000,000,000	7,000,000,000	8,000,000,000	7,000,000,000
Proceeds from short-term loans		13,594,262,000	32,218,480,000	13,594,262,000	32,218,480,000
Proceeds from long-term loans		1,981,651,804	1,385,931,851	1,981,651,804	1,385,931,851
Cash paid for repayment of short-term loans		(13,484,245,000)	(39,479,085,000)	(13,484,245,000)	(39,479,085,000)
Cash paid for repayment of debentures		(5,200,000,000)	(4,300,000,000)	(5,200,000,000)	(4,300,000,000)
Cash paid for repayment of long-term loans		(19,307,009,057)	(20,111,373,426)	(19,307,009,057)	(20,111,373,426)
Cash paid for borrowings interest		(4,241,116,218)	(4,868,787,156)	(4,241,116,218)	(4,868,787,156)
Dividends paid		(80,140)	(74,867)	(80,140)	(74,867)
Dividends paid to non-controlling interests		(20,403,000)	(15,647,400)	-	-
Net Cash used in Financing Activities		(18,676,939,611)	(28,170,555,998)	(18,656,536,611)	(28,154,908,598)
Net increase (decrease) in cash and cash equivalents		1,908,986,931	(7,438,374,951)	2,148,483,622	(6,997,515,905)
Cash and cash equivalents at the beginning of the year		13,389,710,774	20,781,350,721	11,925,036,967	18,875,817,868
		15,298,697,705	13,342,975,770	14,073,520,589	11,878,301,963
Effects of changes in foreign currency exchange rates on cash on hand and at banks increase (decrease)		(69,011,381)	46,735,004	(50,733,008)	46,735,004
Cash and Cash Equivalents at the End of the year	c	15,229,686,324	13,389,710,774	14,022,787,581	11,925,036,967

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

(Usanee Sangsinkeo)

Executive Vice President, Corporate Strategy and Sustainable Development
Acting President

(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, 2017

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

	Unit : Million Baht
	<u>2017</u>
Proceeds from income tax refund for the year 2015	254.75
Adjustment of tax refund for the year 2016	(1.09)
	<u>253.66</u>
	<u>2016</u>
Proceeds from income tax refund for the year 2014	252.00
Adjustment of tax refund for the year 2015	(149.19)
	<u>102.81</u>

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

During the year 2017, the Company bought property, plant and equipment under finance leases in amount of THB 6,242.82 million, cash payment in amount of THB 3,590.19 million and outstanding balance in amount of THB 156.60 million, total cost amounted to THB 9,989.61 million.

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

Separate financial statements

During the year 2017, the Company bought property, plant and equipment under finance leases in amount of THB 6,242.82 million, cash payment in amount of THB 3,569.80 million and outstanding balance in amount of THB 156.60 million, total cost amounted to THB 9,969.22 million.

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

C. Cash and Cash Equivalents

	Unit : Million Baht			
	<u>Consolidated Financial Statements</u>		<u>Separate Financial Statements</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Cash on hand and at banks	15,298.70	13,342.97	14,073.52	11,878.30
Short-term investments	-	-	-	-
Cash and cash equivalents as previously reported	15,298.70	13,342.97	14,073.52	11,878.30
Effects of changes in foreign currency exchange rates	(69.01)	46.74	(50.73)	46.74
Cash and cash equivalents as reported	<u>15,229.69</u>	<u>13,389.71</u>	<u>14,022.79</u>	<u>11,925.04</u>

(Usanee Sangsingkeo)
 Executive Vice President, Corporate Strategy and Sustainable Development
 Acting President

(Narongchai Wongthanavimok)
 Executive Vice President, Finance and Accounting

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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, 2017, the Company had the routes network servicing to 62 destinations in 33 countries all over the world, whereas 4 destinations were 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), including 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	
			2017	2016
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 specialized 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. In addition, 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 (TSICs) AND THAI FINANCIAL REPORTING STANDARD INTERPRETATIONS (TFRICs) WHICH ARE NOT CURRENTLY EFFECTIVE ARE AS FOLLOWS:

The Financial Reporting Standards which are effective for annual periods beginning on or after January 1, 2018 :

TAS 1 (Revised 2017)	Presentation of Financial Statements
TAS 2 (Revised 2017)	Inventories
TAS 7 (Revised 2017)	Statement of Cash Flows
TAS 8 (Revised 2017)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (Revised 2017)	Events after the Reporting Period
TAS 11 (Revised 2017)	Construction Contracts
TAS 12 (Revised 2017)	Income Taxes
TAS 16 (Revised 2017)	Property, Plant and Equipment
TAS 17 (Revised 2017)	Leases
TAS 18 (Revised 2017)	Revenue
TAS 19 (Revised 2017)	Employee Benefits
TAS 20 (Revised 2017)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (Revised 2017)	The Effects of Changes in Foreign Exchange Rate
TAS 23 (Revised 2017)	Borrowing Costs
TAS 24 (Revised 2017)	Related Party Disclosures
TAS 26 (Revised 2017)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (Revised 2017)	Separate Financial Statements
TAS 28 (Revised 2017)	Investments in Associates and Joint Ventures
TAS 29 (Revised 2017)	Financial Reporting in Hyperinflationary Economies
TAS 33 (Revised 2017)	Earnings per Share
TAS 34 (Revised 2017)	Interim Financial Reporting
TAS 36 (Revised 2017)	Impairment of Assets
TAS 37 (Revised 2017)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (Revised 2017)	Intangible Assets
TAS 40 (Revised 2017)	Investment Property
TAS 41 (Revised 2017)	Agriculture
TFRS 2 (Revised 2017)	Share-Based Payments
TFRS 3 (Revised 2017)	Business Combinations
TFRS 4 (Revised 2017)	Insurance Contracts

TFRS 5 (Revised 2017)	Non - current Assets Held for Sale and Discontinued Operations
TFRS 6 (Revised 2017)	Exploration for and Evaluation of Mineral Resources
TFRS 8 (Revised 2017)	Operating Segments
TFRS 10 (Revised 2017)	Consolidated Financial Statements
TFRS 11 (Revised 2017)	Joint Arrangements
TFRS 12 (Revised 2017)	Disclosure of Interests in Other Entities
TFRS 13 (Revised 2017)	Fair Value Measurement
TSIC 10 (Revised 2017)	Government Assistance – No Specific Relation to Operating Activities
TSIC 15 (Revised 2017)	Operating Leases - Incentives
TSIC 25 (Revised 2017)	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders
TSIC 27 (Revised 2017)	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29 (Revised 2017)	Service Concession Arrangements : Disclosures
TSIC 31 (Revised 2017)	Revenue - Barter Transactions Involving Advertising Services
TSIC 32 (Revised 2017)	Intangible Assets – Web Site Costs
TFRIC 1 (Revised 2017)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4 (Revised 2017)	Determining whether an Arrangement contains a Lease
TFRIC 5 (Revised 2017)	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7 (Revised 2017)	Applying the Restatement Approach under TAS 29 (Revised 2017) <i>Financial Reporting in Hyperinflationary Economies</i>
TFRIC 10 (Revised 2017)	Interim Financial Reporting and Impairment
TFRIC 12 (Revised 2017)	Service Concession Arrangements
TFRIC 13 (Revised 2017)	Customer Loyalty Programmes
TFRIC 14 (Revised 2017)	TAS 19 (Revised 2017) – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TFRIC 15 (Revised 2017)	Agreements for the Construction of Real Estate
TFRIC 17 (Revised 2017)	Distributions of Non-cash Assets to Owners
TFRIC 18 (Revised 2017)	Transfers of Assets from Customers
TFRIC 20 (Revised 2017)	Stripping Costs in the Production Phase of a Surface Mine
TFRIC 21 (Revised 2017)	Levies

For adoption of Financial Reporting Standards, the management of the Company has assessed that the above standards have no material impact on the consolidated and separate financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Allowance for Doubtful Accounts

Trade receivables, excluding government agencies and state enterprises, are set aside 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 presented at the lower of moving average cost and net realizable value, except inventories in transit are presented at cost on the purchase date.

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

4.2.2 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.

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

4.3 Non-current Assets Held for Sale

Non-current assets held for sale are presented at the lower of carrying amount and fair value less costs to sell. Furthermore, the sale is highly probable and expected to qualify for recognition as a completed sale within one year from the date of classification.

Gains or losses on sale of assets are recognized as other income or expense by the date of the sale of assets.

4.4 Investments

4.4.1 Investments in subsidiary and associated companies are recorded by using the equity method in the consolidated financial statements, and using the cost method in the separate financial statements.

4.4.2 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.

4.4.3 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 statements of profit or loss and other comprehensive income.

4.5 Property, Plant and Equipment and Depreciation

4.5.1 Aircraft and aircraft under finance leases

4.5.1.1 Aircraft and aircraft under finance leases are presented at cost including engines and other flight equipment as well as cost of decoration incurred prior to the aircraft being placed into service, excluding passenger seats and the first estimated overhaul cost, and 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.

4.5.1.2 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.

4.5.1.3 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.

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

4.5.3 The land are presented at a revalued amount using market approach method, starting from accounting period year 2015 onward. The revaluation was done by the independent appraiser 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 are recognized in other comprehensive income and accumulated in equity. The Company has not a policy to pay dividend on revaluation surplus of assets.

4.5.4 Other fixed assets are presented 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.

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

4.5.6 Gain or loss on sale of aircraft is calculated from the difference between the net consideration from aircraft selling and the carrying amount of the aircraft, including D-check and passenger seats. Gain or loss on sale of other assets is calculated from the difference between the net consideration and the carrying amount of sold assets and recognized as revenue or expense in the statements of profit or loss and other comprehensive income.

4.6 Intangible Assets

Computer Software

Software license and related 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 computer software are recognized as expenses when incurred.

4.7 Non-performing Assets

Non-performing assets are presented at the lower of carrying amount and fair value less costs to sell and have been committed to a plan to sell but the sale cannot qualify for recognition as a completed sale within one year from the date of classification.

Losses on impairment are recognized in the statements of profit or loss and other comprehensive income.

4.8 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 appraisal expert has determined the recoverable amount of aircraft based on active market price announced by aircraft professional appraisers, and making adjustment for condition and lifetime of aircraft in accordance with aircraft appraisal standard procedures.

The Company recognizes an impairment loss in the statements of profit or loss and other comprehensive income when the carrying amount of the asset exceeds its recoverable amount. However, the Company reverses the impairment loss when there is an indicator that the impairment has no longer existed or amount of impairment has decreased.

4.9 Deferred Charges

4.9.1 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.

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

4.9.3 Buyer furnished equipment for aircraft under operating lease are amortized over the lease term.

4.10 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 presented at obligation to pay lease payments less aggregate repayments.

4.11 Revenue Recognition

4.11.1 Passenger and excess baggage revenue:

4.11.1.1 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.

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

4.11.2 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.

4.11.3 The Company has operated a frequent flyer program called “Royal Orchid Plus” since 1993. Members can 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, then weighted by all award redemption.

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 by using average other award value as a value per mile of the Royal Orchid Plus. The estimated cost is used to reduce passenger revenue and recorded liabilities under “unearned transportation revenue”. Revenue is recognized when members redeem awards.

4.11.3.1 Unredeemed awards are recognized as revenue after 3 years.

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

4.11.3.3 The Company sells mileage to its members in order to encourage redemptions and recognizes the difference between the sale price and fair value per mile as revenue.

4.11.4 Revenue from business units (i.e. aircraft maintenance services, ground customer services, ground support equipment services, and cargo and mail commercial services) is recognized when services are provided. Revenue from catering services is recognized when sales occur. Revenue from supporting activities such as sale on board and Thai shop is recognized when sales occur, but revenue from dispatch services is recognized when services are provided.

4.11.5 Other revenue is recognized on an accrual basis.

4.12 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.

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

4.14 Employee Benefits Obligation

Short – term employee benefits are recognized as expenses in the statements of profit or loss and other 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 are recognized in other comprehensive income.

4.15 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.

4.16 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 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.

4.17 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 have impact on the amounts of revenue, expenses, assets, liabilities as well as the disclosure of contingent assets and liabilities which may be differed from actual results.

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.

4.18 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 is recorded as interest expenses in the statements of profit or loss and other comprehensive income and the principal difference is recognized as gains or losses on foreign currency exchange in the statements of profit or loss and other comprehensive income. For the forward foreign exchange contracts, the Company recognizes in its financial statements at maturity. The arising difference will be recorded as gains or losses on foreign currency exchange in the statements of profit or loss and other comprehensive income.

In addition, the Company entered into fuel price hedging agreements in which premium and the difference of the fuel price arising from these agreements is recorded as expenses in the statements of profit or loss and other comprehensive income.

4.19 Cash Flow Hedge Accounting

When the Company uses financial instrument 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 to 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 presented in equity is recognized in profit or loss immediately.

5. CORPORATE TRANSFORMATION PLANS

In 2017, the Company had implemented its third phase of the transformation plan aiming at sustainable growth by focusing on developing competitive flight network, generating revenue from passenger and managing the company business unit (i.e. ground customer services, catering and cargo terminal handling services) in order to be more flexible, increase efficiencies and revenue generating as well as increasing efficiency of aircraft maintenance services operations with cost controlling, improving procurement optimization, expedition the sale of decommissioned aircraft and managing unused land and building, both in Thailand and abroad.

The operation of 2017 transformation plan would be a part of the Company's 5 – years strategic plan, consisting of 6 strategies as follows :

1. Develop a competitive flight network, increase profitability and reduce complexity of the fleet;
2. Increase competitiveness and revenue;
3. Excellent service ring building strategy;
4. Competitive cost and efficient operation strategy;
5. Corporate culture building to sustainability and human resources development to excellence strategy;
6. Portfolio management and new business development for sustainability.

In the future, the Company shall continue its third phase of the transformation plan “Sustainable Growth” which are included in the Company's Corporate Planning year 2018 – 2021 and cover all of the Company operations according to the project priorities. This is aimed to maximize efficiency of resources utilization and closely monitor the achievement of the Company's goals.

6. SUPPLEMENTARY INFORMATION

6.1 Cash and Cash Equivalents

	Unit : Million Baht			
	<u>Consolidated</u>		<u>Separate</u>	
	<u>Financial Statements</u>		<u>Financial Statements</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Cash on hand - Domestic	12.68	10.61	12.04	9.97
Cash on hand - Abroad	24.74	26.27	24.74	26.27
Cash at banks - Domestic	4,561.61	6,770.25	3,357.48	5,374.54
Cash at banks - Abroad	<u>10,630.66</u>	<u>6,582.58</u>	<u>10,628.53</u>	<u>6,514.26</u>
Total	<u>15,229.69</u>	<u>13,389.71</u>	<u>14,022.79</u>	<u>11,925.04</u>

6.2 Trade Receivables

	<u>Consolidated</u>		Unit : Million Baht	
	<u>Financial Statements</u>		<u>Separate</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Aging Periods:				
Not over 6 months	11,493.11	9,922.07	11,349.57	10,007.96
Over 6 months to 1 year	101.57	175.24	101.57	175.22
Over 1 year to 2 years	138.17	98.48	138.03	98.45
Over 2 years	<u>965.57</u>	<u>1,096.24</u>	<u>935.05</u>	<u>1,065.99</u>
	12,698.42	11,292.03	12,524.22	11,347.62
<u>Less</u> Allowance for doubtful accounts	<u>(993.47)</u>	<u>(933.77)</u>	<u>(963.45)</u>	<u>(903.44)</u>
Trade receivables - net	<u>11,704.95</u>	<u>10,358.26</u>	<u>11,560.77</u>	<u>10,444.18</u>

Part of the outstanding overdue trade receivables belong to government agencies and state enterprises. The Company does not set aside the allowance for doubtful accounts for trade receivables of government agencies, while set aside the allowance for doubtful accounts for trade receivables of state enterprises when there is a significant indicator of uncollectible debt.

6.3 Inventories and Supplies

	Consolidated		Unit : Million Baht	
	Financial Statements		Separate	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Aircraft spare parts	3,279.93	3,244.29	3,279.93	3,244.29
<u>Less</u> Allowance for obsolescence (10% of the year-end balance)	(327.99)	(324.43)	(327.99)	(324.43)
Aircraft spare parts - Net	<u>2,951.94</u>	<u>2,919.86</u>	<u>2,951.94</u>	<u>2,919.86</u>
Vehicle spare parts and ground support equipments	<u>347.99</u>	<u>360.64</u>	<u>347.99</u>	<u>360.64</u>
Slow moving aircraft spare parts and spare parts for sale	4,511.94	4,459.99	4,511.94	4,459.99
<u>Less</u> Allowance for obsolescence (33.33% of incurred balance during the period)	(3,727.48)	(3,373.08)	(3,727.48)	(3,373.08)
Slow moving aircraft spare parts and spare parts for sale - Net	<u>784.46</u>	<u>1,086.91</u>	<u>784.46</u>	<u>1,086.91</u>
Fuel and oil for aircraft	366.84	127.06	365.74	126.03
Goods for sales	221.00	213.79	216.16	210.47
Cabin supplies	175.33	162.65	154.66	143.99
Supplies and other consumables	23.31	23.33	23.04	23.21
Stationery and office supplies	112.29	87.80	107.49	85.78
Inventories and spare parts in transit	16.69	4.74	16.69	4.74
Total inventories and supplies	<u>915.46</u>	<u>619.37</u>	<u>883.78</u>	<u>594.22</u>
Obsolete and damaged inventories for disposal	29.62	59.94	29.62	59.94
<u>Less</u> Allowance for obsolescence (100%)	(29.62)	(59.94)	(29.62)	(59.94)
Obsolete and damaged inventories for disposal - Net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total inventories and supplies - Net	<u>4,999.85</u>	<u>4,986.78</u>	<u>4,968.17</u>	<u>4,961.63</u>
Total inventories and supplies at year-end	9,084.94	8,744.23	9,053.26	8,719.08
<u>Less</u> Total allowance for obsolete inventories and supplies	(4,085.09)	(3,757.45)	(4,085.09)	(3,757.45)
Total inventories and supplies – Net	<u>4,999.85</u>	<u>4,986.78</u>	<u>4,968.17</u>	<u>4,961.63</u>

6.4 Other Current Assets

	Consolidated		Unit : Million Baht	
	Financial Statements		Separate	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Tax refund	952.98	762.13	952.98	762.13
Cash on hand and at banks of pension fund	3,942.10	3,908.30	3,942.10	3,908.30
Others	<u>6,835.04</u>	<u>5,537.93</u>	<u>13,555.75</u>	<u>10,316.66</u>
Total	<u>11,730.12</u>	<u>10,208.36</u>	<u>18,450.83</u>	<u>14,987.09</u>

6.5 Non-current assets held for sale**Unit : Million Baht**

	Aircraft	Engines	Land Revalued in year 2015	Other assets	Total
As at January 1, 2017	10,724.98	1,027.02	506.13	63.76	12,321.89
- Additions	-	-	23.92	-	23.92
- Disposals	(588.79)	(235.12)	(51.89)	(6.35)	(882.15)
- Transfer to non-performing assets	(10,136.19)	(791.90)	(277.35)	(57.41)	(11,262.85)
As at December 31, 2017	-	-	200.81	-	200.81

In 2016, the Company had a plan to sell decommissioned aircraft and had been proceeding its plan for seeking buyer with its expectation to complete the sale process within one year. With unfavorable market condition, the Company could not meet its plan by the expected time. For land and buildings, the Board of Directors approved the sales and the Company has been transferring ownership of the assets in the amount of THB 200.81 million. Hence, the remaining amount of THB 11,262.85 million was reclassified to non-performing assets.

6.6 Investments**Consolidated Financial Statements****Unit : Million Baht**

Name of Company	Percentage of Shareholding		Investments				Income on Investments	
			Cost Method		Equity Method			
	2017	2016	2017	2016	2017	2016	2017	2016
6.6.1 Investments in associated companies recorded by equity method								
Royal Orchid Hotel (Thailand) Public Company Limited (Fair value for the year 2017 amount of THB 838.13 million and for the year 2016 amount of THB 703.13 million)	24.00	24.00	225.00	225.00	278.46	268.53	30.18	30.46
Donmuang International Airport Hotel Company Limited	40.00	40.00	48.00	48.00	109.56	120.62	12.94	32.75
Bangkok Aviation Fuel Services Public Company Limited (Fair value for the year 2017 amount of THB 5,384.97 million and for the year 2016 amount of THB 4,175.51 million)	22.59	22.59	115.19	115.19	1,181.45	1,126.71	230.40	319.58
Phuket Air Catering Company Limited	30.00	30.00	30.00	30.00	325.13	316.70	63.93	62.90
Suvarnabhumi Airport Hotel Company Limited	30.00	30.00	305.33	305.33	246.02	201.09	44.93	26.37
Nok Airlines Public Company Limited and its subsidiaries (Fair value for the year 2017 amount of THB 1,684.33 million and for the year 2016 amount of THB 1,813.00 million)	21.80	39.20	735.59	360.00	<u>1,254.33</u>	<u>1,857.12</u>	<u>(978.38)</u>	<u>(1,057.29)</u>
Total investments recorded by equity method					<u>3,394.95</u>	<u>3,890.77</u>	<u>(596.00)</u>	<u>(585.23)</u>
6.6.2 Other long-term investments recorded by cost method								
Fuel Pipeline Transportation Limited	0.00026	0.00026	0.00934	0.00934			0.00004	0.0002
Aeronautical Radio of Thailand Limited	1.45	1.01	9.54	9.63			-	-
SITA Investment Certificate	-	-	26.22	30.07			-	-
Trade Siam Company Limited (paid 25% of authorized share capital)	3.50	3.50	1.75	1.75			0.42	0.25
SITA Information Networking Computing	-	-	29.73	32.60			-	-
Other Shares	-	-	2.74	2.70			1.02	0.21
Investment in Vayupak Fund	-	-	<u>1.00</u>	<u>1.00</u>			<u>0.006</u>	<u>0.006</u>
Total other long-term investments			<u>70.99</u>	<u>77.76</u>			<u>1.45</u>	<u>0.47</u>

Separate Financial Statements

Unit : Million Baht

Name of Company	Percentage of Shareholding		Investments		Dividend Income	
			Cost Method			
	2017	2016	2017	2016	2017	2016
6.6.1 Investments recorded by cost method						
Subsidiary Companies						
Thai-Amadeus Southeast Asia Company Limited	55.00	55.00	8.25	8.25	24.75	18.97
WingSpan 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>1,800.00</u>	<u>-</u>	<u>-</u>
Total			<u>1,810.21</u>	<u>1,810.21</u>	<u>24.75</u>	<u>18.97</u>
Associated Companies						
Royal Orchid Hotel (Thailand) Public Company Limited (Fair value for the year 2017 amount of THB 838.13 million and for the year 2016 amount of THB 703.13 million)	24.00	24.00	225.00	225.00	20.25	-
Donmuang International Airport Hotel Company Limited	40.00	40.00	48.00	48.00	24.00	24.00
Bangkok Aviation Fuel Services Public Company Limited (Fair value for the year 2017 amount of THB 5,384.97 million and for the year 2016 amount of THB 4,175.51 million)	22.59	22.59	115.19	115.19	175.66	194.38
Phuket Air Catering Company Limited	30.00	30.00	30.00	30.00	55.50	45.00
Suvarnabhumi Airport Hotel Company Limited	30.00	30.00	305.33	305.33	-	-
Nok Airlines Public Company Limited and its subsidiaries (Fair value for the year 2017 amount of THB 1,684.33 million and for the year 2016 amount of THB 1,813.00 million)	21.80	39.20	<u>735.59</u>	<u>360.00</u>	<u>-</u>	<u>-</u>
Total			<u>1,459.11</u>	<u>1,083.52</u>	<u>275.41</u>	<u>263.38</u>
Total investments recorded by cost method			<u>3,269.32</u>	<u>2,893.73</u>	<u>300.16</u>	<u>282.35</u>
6.6.2 Other long-term investments recorded by cost method						
Fuel Pipeline Transportation Limited	0.00026	0.00026	0.00934	0.00934	0.00004	0.0002
Aeronautical Radio of Thailand Limited	0.97	1.01	6.43	6.64	-	-
SITA Investment Certificate	-	-	26.22	30.07	-	-
TRADESIAM Company Limited (paid 25% of authorized share capital)	3.50	3.50	1.75	1.75	0.42	0.25
SITA Information Networking Computing	-	-	29.73	32.60	-	-
Other Shares	-	-	2.74	2.70	1.02	0.21
Investment in Vayupak Fund	-	-	<u>1.00</u>	<u>1.00</u>	<u>0.006</u>	<u>0.006</u>
Total other long-term investments			<u>67.88</u>	<u>74.77</u>	<u>1.45</u>	<u>0.47</u>

Control of the Subsidiaries

The Company holds more than 50 percent of total shares of the subsidiary or has power over the subsidiary. The Company is entitled to appoint board of directors who have voting rights and ability to direct the relevant activities of the subsidiary in accordance with the proportion of shareholding or the terms of shareholders' agreement. As a result, the Company holds the majority of voting rights in the board of directors' meeting.

6.6.3 Financial Information Summary of Subsidiaries

Unit : Million Baht				
Name of Company	Assets	Liabilities	Income	Gains (Losses)
<u>Subsidiary Companies</u>				
Thai-Amadeus Southeast Asia Company Limited	325.92	103.32	299.46	78.10
WingSpan Services Company Limited	645.01	453.75	1,114.34	2.42
Thai Flight Training Company Limited	61.62	9.76	47.31	16.68
Tour Eurng Luang Company Limited	13.97	9.71	3.16	1.25
Thai Smile Airways Company Limited	5,748.16	10,053.68	10,182.16	(1,591.09)

Unit : Million Baht				
Name of Company	Assets	Liabilities	Income	Gains (Losses)
<u>Associated Companies</u>				
Royal Orchid Hotel (Thailand) Public Company Limited	1,142.87	234.78	899.05	125.75
Donmuang International Airport Hotel Company Limited	354.16	95.30	390.10	32.47
Bangkok Aviation Fuel Services Public Company Limited	12,414.40	4,844.68	3,640.21	1,007.22
Phuket Air Catering Company Limited	1,171.22	82.36	703.33	216.19
Suvarnabhumi Airport Hotel Company Limited	1,407.03	580.33	934.10	149.70
Nok Airlines Public Company Limited and its subsidiaries	7,330.15	6,639.14	20,376.71	(1,899.67)

Suvarnabhumi Airport Hotel Company Limited has a reporting period as at September 30, corresponds with a reporting period of Airport of Thailand Public Company Limited, a major shareholder of Suvarnabhumi Airport Hotel Company Limited.

6.7 Significant Transactions with Related Parties

6.7.1 Related Transactions with Major Shareholder

6.7.1.1 Short-term loans from related party

Unit : Million Baht		
	2017	2016
Foreign loans via the Ministry of Finance	4,270.14	5,400.38
Total	4,270.14	5,400.38

6.7.1.2 Long-term loans from related party

Unit : Million Baht

	2017	2016
Foreign loans via the Ministry of Finance	<u>15,102.67</u>	<u>14,620.53</u>
Total	<u>15,102.67</u>	<u>14,620.53</u>

6.7.2 Related Transactions with Subsidiary Companies

6.7.2.1 Loans to Subsidiary

Unit : Million Baht

	2017	2016
WingSpan Services Company Limited	<u>45.00</u>	<u>-</u>
Total	<u>45.00</u>	<u>-</u>

6.7.2.2 Sales and Purchases

Unit : Million Baht

	2017		2016	
	Sales	Purchases	Sales	Purchases
Thai-Amadeus Southeast Asia Company Limited	0.59	-	1.35	-
WingSpan Services Company Limited	49.63	910.54	2.72	950.70
Thai Flight Training Company Limited	12.75	0.82	13.85	-
Tour Eurng Luang Company Limited	59.02	0.09	30.01	0.06
Thai Smile Airways Company Limited	8,942.06	1,284.51	8,183.20	143.10

6.7.2.3 Account Receivables and Account Payables

Unit : Million Baht

	2017		2016	
	Account Receivables	Account Payables	Account Receivables	Account Payables
Thai-Amadeus Southeast Asia Company Limited	0.01	0.16	0.15	0.16
WingSpan Services Company Limited	393.18	427.69	250.62	277.68
Thai Flight Training Company Limited	0.10	0.18	1.17	-
Tour Eurng Luang Company Limited	0.45	0.004	1.16	-
Thai Smile Airways Company Limited	7,951.12	2,106.47	6,060.39	1,363.65

Related account receivables and account payables of WingSpan Service Co., Ltd. included prepaid and accrued expenses in the amount of THB 345.22 million and THB 427.56 million, respectively.

Related account receivables and account payables of Thai Smile Airways Co., Ltd. included accrued income and accrued expenses in the amount of THB 154.48 million and THB 2,106.46 million, respectively.

6.7.2.4 Aircraft Lease

The Company signed A320-200 aircraft sublease agreements with Thai Smile Airways Co., Ltd. As at December 31, 2017, a total of such aircraft were 20 aircraft consisting of 15 aircraft under operating lease agreement with monthly lease payment and 5 aircraft under finance lease agreement with quarterly lease payment. The sublease term shall continue for the entire term of the main lease agreement.

6.7.3 Related Transactions with Associated Companies

6.7.3.1 Sales and Purchases

	Unit : Million Baht			
	2017		2016	
	Sales	Purchases	Sales	Purchases
Royal Orchid Hotel (Thailand) Public Company Limited	0.13	2.90	-	2.22
Donmuang International Airport Hotel Company Limited	-	0.04	-	0.05
Bangkok Aviation Fuel Services Public Company Limited	0.08	338.02	0.02	386.12
Phuket Air Catering Company Limited	0.39	79.39	0.18	15.99
Suvarnabhumi Airport Hotel Company Limited	-	27.15	0.02	14.01
Nok Airlines Public Company Limited and its subsidiaries	142.64	0.06	127.66	0.09

6.7.3.2 Account Receivables and Account Payables

	Unit : Million Baht			
	2017		2016	
	Account Receivables	Account Payables	Account Receivables	Account Payables
Royal Orchid Hotel (Thailand) Public Company Limited	-	0.04	-	0.003
Donmuang International Airport Hotel Company Limited	-	-	-	-
Bangkok Aviation Fuel Services Public Company Limited	0.06	-	-	43.45
Phuket Air Catering Company Limited	0.03	7.95	0.02	5.05
Suvarnabhumi Airport Hotel Company Limited	-	0.30	-	0.80
Nok Airlines Public Company Limited and its subsidiaries	53.14	-	40.54	-

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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6.8 Property, Plant and Equipment**Consolidated Financial Statements
As at December 31, 2017****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, 2017	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
- Adjust/Transfers	(5,321.35)	5,233.07	(5,412.31)	(72.54)	(1,557.87)	(28.31)	(2.99)	3.93	(56.08)	(682.00)	(7,896.45)
- Additions	1,798.13	846.71	11,119.55	2,215.58	1,785.75	-	-	-	51.24	576.90	18,393.86
- Disposals/ Write off	-	(932.50)	(81.25)	(2,212.82)	-	-	(2.06)	-	(20.08)	(35.00)	(3,283.71)
As at December 31, 2017	6,123.73	131,482.17	162,019.28	33,222.04	599.09	9,035.06	2,119.19	10,809.16	4,769.11	31,195.61	391,374.44
Accumulated depreciation											
As at January 1, 2017	-	81,648.97	43,476.63	23,063.89	-	-	2,063.66	6,245.16	4,605.78	28,165.30	189,269.39
- Depreciation	-	5,690.64	8,161.70	1,439.35	-	-	13.91	230.51	96.12	912.17	16,544.40
- Adjust/Transfers	-	2,783.31	(2,757.72)	87.01	-	-	(2.99)	3.93	(56.09)	(677.06)	(619.61)
- Disposals/ Write off	-	(893.56)	(81.17)	(960.21)	-	-	(2.06)	-	(20.08)	(32.54)	(1,989.62)
- Allowance for impairment	-	67.27	-	-	-	-	-	-	-	-	67.27
As at December 31, 2017	-	89,296.63	48,799.44	23,630.04	-	-	2,072.52	6,479.60	4,625.73	28,367.87	203,271.83
Carrying amount											
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
As at December 31, 2017	6,123.73	42,185.54	113,219.84	9,592.00	599.09	9,035.06	46.67	4,329.56	143.38	2,827.74	188,102.61

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**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/ Write off	-	(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/ Write off	-	(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
Carrying amount											
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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**Separate Financial Statements
As at December 31, 2017**

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, 2017	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
- Adjust/Transfers	(5,321.35)	5,233.07	(5,412.31)	(72.54)	(1,557.87)	(28.31)	(2.99)	3.93	(56.08)	(682.00)	(7,896.45)
- Additions	1,798.13	846.71	11,119.55	2,215.58	1,774.13	-	-	-	50.23	568.27	18,372.60
- Disposals/ Write off	-	(932.50)	(81.25)	(2,212.82)	-	-	(2.06)	-	(20.08)	(10.74)	(3,259.45)
As at December 31, 2017	6,123.73	131,482.17	162,019.28	33,222.04	587.47	9,035.06	2,119.19	10,809.16	4,742.89	31,100.29	391,241.28
Accumulated depreciation											
As at January 1, 2017	-	81,648.97	43,476.63	23,063.89	-	-	2,063.66	6,245.16	4,596.38	28,066.10	189,160.79
- Depreciation	-	5,690.64	8,161.70	1,439.35	-	-	13.91	230.51	88.60	908.70	16,533.41
- Adjust/Transfers	-	2,783.31	(2,757.72)	87.01	-	-	(2.99)	3.93	(56.09)	(677.06)	(619.61)
- Disposals/ Write off	-	(893.56)	(81.17)	(960.21)	-	-	(2.06)	-	(20.08)	(10.58)	(1,967.66)
- Allowance for impairment	-	67.27	-	-	-	-	-	-	-	-	67.27
As at December 31, 2017	-	89,296.63	48,799.44	23,630.04	-	-	2,072.52	6,479.60	4,608.81	28,287.16	203,174.20
Carrying amount											
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
As at December 31, 2017	6,123.73	42,185.54	113,219.84	9,592.00	587.47	9,035.06	46.67	4,329.56	134.08	2,813.13	188,067.08

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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/ Write off	-	(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/ Write off	-	(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
Carrying amount											
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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As at December 31, 2017, there were 100 aircraft represented in the Company's fleet, consisting of 29 own aircraft, 35 aircraft under finance leases and 36 aircraft under operating leases.

From the total of aircraft represented in the Company's fleet, there were 2 own aircraft pledged as collateral with the carrying amount of THB 4,731.03 million and 35 aircraft under finance lease with carrying amount of THB 113,219.84 million, totaling 37 aircraft were pledged as collateral for liabilities. The ownership of these aircraft under finance lease will be transferred to the Company when the conditions, terms and payments are paid and fulfilled by the end of lease term.

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

In 2017, GE-90 ESN 907100 engine with cost and accumulated depreciation in the amount of THB 873.36 million and THB 213.18 million, respectively, was damaged during the transportation after maintenance service. The Company received the insurance compensation from insurer in the amount of THB 553.54 million which consisted of the compensation under insurance policy of THB 457.10 million and compensation on engine replacement of THB 96.44 million.

The measurement of the Company's domestic and abroad land had been changed from historical cost model of THB 899.86 million to revaluation model of THB 9,035.06 million, consisting of land in Bangkok, other provinces and abroad in amount of THB 8,007.24 million, THB 301.66 million and THB 726.16 million, respectively, which excluded land classified as non-current assets held for sale with the carrying amount of THB 200.81 million and land presented in other non-current assets with the carrying amount of THB 281.74 million. The revaluation was done in September 2015 by the appraiser qualified by the Securities and Exchange Commission, Thailand (SEC.).

Property, Plant and Equipment include the leasehold premises which 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 28, 2015 to September 27, 2018. The ownership of the buildings and component parts will be passed to the Ministry of Finance at the end of the lease term.

6.9 Intangible Assets**Unit : Million Baht**

	Consolidated Financial Statements	Separate Financial Statements
Cost		
As at January 1, 2017	3,556.61	3,493.26
- Adjust/Transfers	(1.54)	(0.55)
- Additions	27.40	26.91
- Disposals/ Write off	(37.52)	(13.35)
As at December 31, 2017	3,544.95	3,506.27
Accumulated amortization		
As at January 1, 2017	2,846.75	2,820.18
- Amortization	294.25	281.32
- Adjust/Transfers	(0.55)	(0.55)
- Disposals/ Write off	(28.00)	(13.35)
As at December 31, 2017	3,112.45	3,087.60
Carrying amount		
As at December 31, 2016	709.86	673.08
As at December 31, 2017	432.50	418.67

6.10 Deferred Tax Assets , Deferred Tax Liabilities

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 were as follows:

6.10.1 Deferred Tax Assets

	<u>Consolidated</u>		Unit : Million Baht	
	<u>Financial Statements</u>		<u>Separate</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Contribution to staff provident fund	41.95	44.71	41.95	44.71
Contribution to staff pension fund	173.20	167.98	173.20	167.98
Allowance for obsolete inventories	817.02	751.49	817.02	751.49
Allowance for doubtful accounts	268.23	279.21	264.01	274.98
Allowance for impairment of assets	4,607.25	4,316.20	4,607.25	4,316.20
Estimated accrual expenses	2,047.84	1,723.87	2,042.00	1,718.03
Intangible assets	7.70	19.92	7.70	19.92
Provisions for employee benefits	2,518.88	2,384.01	2,514.67	2,380.77
Effective portion of changes in fair value of cash flow hedges	195.45	325.97	195.45	325.97
Others	<u>1.71</u>	<u>1.59</u>	<u>-</u>	<u>-</u>
Total	<u>10,679.23</u>	<u>10,014.95</u>	<u>10,663.25</u>	<u>10,000.05</u>

6.10.2 Deferred Tax Liabilities

	<u>Consolidated</u>		Unit : Million Baht	
	<u>Financial Statements</u>		<u>Separate</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Intangible assets	74.30	127.23	74.30	127.23
Revaluation surplus	<u>1,717.05</u>	<u>1,727.01</u>	<u>1,717.05</u>	<u>1,727.01</u>
Total	<u>1,791.35</u>	<u>1,854.24</u>	<u>1,791.35</u>	<u>1,854.24</u>

Tax rate used for measuring deferred tax assets and liabilities was 20%.

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6.11 Other Non-Current Assets

	Unit : Million Baht			
	<u>Consolidated</u>		<u>Separate</u>	
	<u>Financial Statements</u>	<u>Financial Statements</u>	<u>Financial Statements</u>	<u>Financial Statements</u>
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Deferred charges	2,569.35	3,074.18	2,451.01	2,918.88
Deferred buyer furnished equipment for aircraft under operating lease	4,140.17	2,079.70	4,140.17	2,079.70
Maintenance reserve	10,388.15	8,244.32	10,373.86	7,912.57
Non-performing assets	8,626.03	-	8,626.03	-
Others	<u>855.01</u>	<u>766.51</u>	<u>811.26</u>	<u>738.42</u>
Total	<u>26,578.71</u>	<u>14,164.71</u>	<u>26,402.33</u>	<u>13,649.57</u>

Maintenance reserves is collected by lessor to accrue for the scheduled major maintenance events as specified by lease agreement.

Non-performing assets consisted of :

	Unit : Million Baht				
	Aircraft	Engines	Land Revalued in year 2015	Other assets	Total
As at January 1, 2017	-	-	-	-	-
- Additions	-	-	4.39	4.44	8.83
- Decommissioned Aircraft	110.82	-	-	-	110.82
- Aircraft return to service	(35.13)	-	-	-	(35.13)
- Transfer from Non-current assets held for sale	10,136.19	791.90	277.35	57.41	11,262.85
- Impairment	(2,514.02)	(207.32)	-	-	(2,721.34)
As at December 31, 2017	7,697.86	584.58	281.74	61.85	8,626.03

As at December 31, 2017, total non-performing assets in amount of THB 8,626.03 million consisted of 1 A300-600, 3 A340-500, 6 A340-600, 3 B737-400, 2 B747-400 and 6 A330-300, totaling 21 aircraft in amount of THB 7,697.86 million, spare engines in amount of THB 584.58 million, the Company's domestic and abroad land which had been revalued in 2015 in amount of THB 281.74 million, and other assets in amount of THB 61.85 million which mostly were spare parts of decommissioned aircraft.

6.12 Liquidity Management

In 2017, the Company acquired financing through short-term and long-term loans as follows:

1. Rolling over the financing loan from Ministry of Finance by issuing Euro Commercial Paper (ECP) in foreign currency, and draw down of its committed revolving credit line from domestic financial institution to roll over the short-term loan repayment at maturity and used as the Company's working capital;

2. Acquired long-term financing through finance leases for aircraft by using these aircraft as collateral;

3. Issued THB 8,000 million debentures in June 2017, to repay the debentures at maturity, repay loan with higher finance costs, and/or use as an investment in assets and the Company's working capital.

The Company's net cash used in financing activities amounted to THB 18,656.54 million due to short-term and long-term loans repayments which were lower than previous year as well as net cash used in investing activities amounted to THB 3,042.91 million which decreased from previous year due to less investment in property, plant and equipment. However, the Company's net cash provided by operating activities amounted to THB 23,847.93 million which decreased from previous year. As a result, cash and cash equivalents as at December 31, 2017 increased by THB 2,097.75 million from December 31, 2016.

6.13 Long-Term Loans Consolidated and Separate financial statements

<u>Currency</u>	<u>Loan Currency</u>		<u>Baht Equivalent (Million)</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
EUR	405,975,653	436,107,479	15,992.92	16,631.48
JPY	3,244,029,808	4,084,029,808	952.54	1,271.50
THB	10,534,736,842	18,029,210,526	<u>10,534.74</u>	<u>18,029.21</u>
Total long-term loans			27,480.20	35,932.19
<u>Less</u> Current portion of long-term loans			<u>4,813.18</u>	<u>8,305.11</u>
Net long-term loans			<u>22,667.02</u>	<u>27,627.08</u>

As at December 31, 2017, long-term loans of the Company consisted of the foreign loans in EUR currency borrowed via the Ministry of Finance in the amount of THB 15,102.67 million and domestic loans from the commercial banks in the amount of THB 12,377.53 million. The total long-term loans amounted to THB 27,480.20 million and has been transferred to a current portion of long-term loans in the amount of THB 4,813.18 million, the outstanding balance of long-term loans amounted to THB 22,667.02 million.

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6.14 Liabilities under Finance Leases Consolidated and Separate financial statements

Unit : Million Baht

Liabilities under Finance Leases	2017		2016	
	Carrying Value	Present Value	Carrying Value	Present Value
Within 1 year	9,762.01	9,211.18	9,461.23	8,969.69
More than 1 year – 5 years	29,669.03	24,374.47	29,582.78	24,782.47
More than 5 years	<u>23,085.69</u>	<u>14,961.20</u>	<u>25,706.46</u>	<u>17,080.46</u>
Total	<u>62,516.73</u>	<u>48,546.85</u>	<u>64,750.47</u>	<u>50,832.62</u>

The Company contracted lease agreement equipped with purchase options with 15 foreign and domestic financial institutions, which presented the value regarding to the accounting policy described in Note 4.10. For the year 2017, the outstanding balance of obligations under finance leases for 35 aircraft was THB 67,825.03 million with maturities ranging from 2018 to 2029. After deducting interest expense due in the amount of THB 5,308.30 million, the principal balance of obligations under the Company's finance leases was THB 62,516.73 million. As at December 31, 2017, the amount of THB 9,762.01 million had been transferred to a current portion of finance lease, the outstanding balance of long-term liabilities under finance lease amounted to THB 52,754.72 million.

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Unit : Million Baht

Issuing								Redemption					Balance as at December 31, 2017
Resolutions of Shareholders’ Meeting /No./Date	Amount Issued	Time Issued	Year Issued	Due Date	Age (Year)	Interest Rate Paid Every 6 Months (Percentage)	Amount	2017	2018	2019	2020	2021	
Ordinary /2005 December 23, 2005	60,000	1 (Tranche4)	2009	January 20, 2019	10	6.00	3,600.00	Oct 11					3,600.00
							3,600.00						
Ordinary /2010 April 28, 2010	40,000	1 (Tranche1)	2011	May 13, 2018	7	Year 1-3 4% Year 4-6 4.5% Year 7 5.25%	1,555.00						1,555.00
		1 (Tranche2)	2011	May 13, 2021	10	Year 1-4 4.25% Year 5-8 4.75% Year 9-10 5.35%	833.00						833.00
		1 (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
							6,000.00						
		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						-
		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						
During the year 2013													
May 16, 2013		1	2013	May 16, 2018	5	4.18	5,000.00						5,000.00
							5,000.00						

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Unit : Million Baht[illegible]

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Unit : Million Baht

Issuing								Redemption					Balance as at December 31, 2017
Resolutions of Shareholders' Meeting /No./Date	Amount Issued	Time Issued	Year Issued	Due Date	Age (Year)	Interest Rate Paid Every 6 Months (Percentage)	Amount	2017	2018	2019	2020	2021	
During the year 2015 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						
During the year 2017 NO. 1/2017 June 23, 2017	8,000	Tranche 1	2017	June 23, 2020	3	2.74	1,000.00						1,000.00
		Tranche 2	2017	June 23, 2022	5	3.06	1,000.00						1,000.00
		Tranche 3	2017	June 23, 2024	7	3.57	1,000.00						1,000.00
		Tranche 4	2017	June 23, 2027	10	4.04	3,000.00						3,000.00
		Tranche 5	2017	June 23, 2032	15	4.68	2,000.00						2,000.00
							8,000.00						
Total													62,100.00

As at December 31, 2017, the balance of debentures was THB 62,100 million, which the amount of THB 10,250 million was transferred to be a current portion of long-term liabilities, leaving the balance of long-term liabilities amount of THB 51,850.00 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).

6.16 Other Current Liabilities - Others

	Consolidated		Unit : Million Baht	
	Financial Statements		Separate	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Payable - airport fees	5,402.25	5,400.97	5,402.25	5,400.97
Deferred revenue	4.41	4.60	4.14	4.14
Tax payables	551.04	549.36	549.03	547.42
Payable - fringe benefits (field office staff)	569.16	576.24	569.16	576.24
Deposit received	950.23	1,238.41	941.69	1,230.38
Payable - employee	7.16	5.25	7.16	5.25
Payable - collected assets	-	133.24	-	133.24
Other payables	<u>141.01</u>	<u>271.00</u>	<u>1,691.58</u>	<u>1,870.76</u>
Total	<u>7,625.26</u>	<u>8,179.07</u>	<u>9,165.01</u>	<u>9,768.40</u>

6.17 Staff Pension Fund Consolidated and Separate financial statements

The Company has established a staff pension fund, contributing to the fund on a monthly basis at a rate of 10% of employee salaries. 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>2017</u>	<u>2016</u>
Current assets	3,942.10	3,908.30
Others	<u>22.70</u>	<u>22.08</u>
Total	<u>3,964.80</u>	<u>3,930.38</u>
Other current liabilities	173.70	220.30
Pension fund	<u>3,791.10</u>	<u>3,710.08</u>
Total	<u>3,964.80</u>	<u>3,930.38</u>

As at December 31, 2017, the fund balance was THB 3,791.10 million and was equal to the Company's obligation to its staff under the fund. (The total Company's contribution to the staff pension fund in this period was THB 200.60 million, consisting of contribution at a rate equivalent to 10% of employee salaries in the amount of THB 159.52 million and the shortfall of available fund against its obligation in the amount of THB 41.08 million.)

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6.18 Employee Benefits Obligation Separate financial statements

Employee benefits obligation are classified into 5 projects as follows:

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

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

6.18.3 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.

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

6.18.5 Post-Retirement Long Service Awards (Air ticket) is provided to the employees who have been working with the Company for 15 years 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.

Changes in present value of employee benefits obligation

	<u>Consolidated</u>		Unit : Million Baht	
	<u>Financial Statements</u>		<u>Separate</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Beginning Balance - Employee benefits obligation	11,920.07	11,645.23	11,903.86	11,568.26
Current service cost	520.04	543.27	515.76	527.45
Interest cost	379.05	362.60	378.66	359.91
Benefits paid	(224.95)	(552.98)	(224.95)	(551.77)
Actuarial losses (gains)	0.16	(78.05)	-	-
Ending Balance - Employee benefits obligation	<u>12,594.37</u>	<u>11,920.07</u>	<u>12,573.33</u>	<u>11,903.85</u>

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Principal actuarial assumptions :

	<u>2017</u>	<u>2016</u>
Discount rate	3.2%	3.2%
Price inflation	3.0%	3.0%
Average salary increase rates	3.0% - 7.0%	3.0% - 7.0%
Staff turnover rate	0.0% - 9.0%	0.0% - 9.0%
Medical cost inflation	6.0%	6.0%
Mortality rate	TMO17	TMO08

Sensitivity analysis :

The actuarial assumptions of the employee benefits obligation is sensitive to the possible change on assumptions used for calculation such as economic and demographic assumptions under the defined benefit plan. The change in each assumption occurs separately.

Changes in Present Value of the Employee benefits obligation increase (decrease) as at December 31, 2017

	Unit : Million Baht	
	<u>Increase in assumption 1%</u>	<u>Decrease in assumption 1%</u>
Discount rate	(1,501.17)	1,861.28
Average salary increase rates	971.77	(856.12)
Medical cost inflation	793.83	(606.20)

6.19 Long-Term Provision

Changes in the present value of long-term provision

	<u>Consolidated</u>		Unit : Million Baht	
	<u>Financial Statements</u>		<u>Separate</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Long-term provision at the beginning balance	7,365.83	619.31	7,034.08	619.31
Long-term provision for the period	<u>2,944.25</u>	<u>6,746.52</u>	<u>2,284.91</u>	<u>6,414.77</u>
Long-term provision at the ending balance	<u>10,310.08</u>	<u>7,365.83</u>	<u>9,318.99</u>	<u>7,034.08</u>

Long-term provision as at December 31, 2017 (Separate financial statements) consisted of:

6.19.1 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 0.06 million. At present, the case is under the Supreme Court's consideration.

6.19.2 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.

6.19.3 The Company recognized long term provision for future repair and maintenance cost of aircraft as of December 31, 2017 in the amount of THB 9,304.31 million. This represented the obligation under operating lease as to major maintenance cost 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 maintenance costs were recorded over the period that the aircraft have been used which comprised aircraft restoration costs (D-Check) and other major components restoration costs of THB 4,540.16 million, engine restoration costs of THB 4,653.68 million (engines under operating leases of THB 3,783.25 million and under finance leases of THB 870.43 million) and return conditions cost of THB 110.47 million.

6.20 Dividend Payment Separate financial statements

According to the Resolution of the 2017 Annual General Shareholders' Meeting held on April 21, 2017 approved the Company to abstain from dividend payment for 2016 operating result.

6.21 Share Capital

As at December 31, 2017, the Company has authorized ordinary shares in 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 in amount of THB 21,827.72 million.

6.22 Legal Reserve

As at December 31, 2017, the Company's legal reserve balance was THB 2,691.27 million.

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6.23 Other Income - Others

	Unit : Million Baht			
	Consolidated Financial Statements		Separate Financial Statements	
	2017	2016	2017	2016
Dividends from subsidiary, associated and other companies	-	-	301.61	282.82
Revenue from other services of Aircraft Maintenance Department	705.73	723.33	705.73	723.33
Compensation revenue from the delay delivery of aircraft	446.56	23.48	446.56	23.48
Other fine revenue	199.64	375.86	199.64	375.86
Insurance compensation from the flood disaster	101.56	-	101.56	-
Insurance compensation from other cases	-	355.11	-	355.11
Revenue from Royal Orchid Lounge service	102.33	119.43	102.33	119.43
Revenue from service to Thai Smile Airways	-	-	66.74	79.24
Revenue from management services at Suvarnabhumi Airport	68.74	31.70	68.74	31.70
Revenue from services to Other Air Carriers passenger at Suvarnabhumi Airport	78.31	77.09	78.31	77.09
Revenue from in- flight Internet service	9.16	9.70	9.16	9.70
Others	376.44	528.72	311.15	465.02
Total	2,088.47	2,244.42	2,391.53	2,542.78

6.24 Employee Benefits Expenses

	Unit : Million Baht			
	Consolidated Financial Statements		Separate Financial Statements	
	2017	2016	2017	2016
Personnel expenses	28,932.51	29,112.09	28,370.61	28,642.33
Employee benefits	674.13	354.11	669.48	335.59
Executive remuneration	76.75	82.87	70.22	76.60
Board of directors remuneration	18.91	19.36	15.97	16.66
Total	29,702.30	29,568.43	29,126.28	29,071.18

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.

6.25 Impairment Loss of Aircraft Separate Financial Statements

The Company had compared the carrying amount of decommissioned aircraft with the fair value less cost to sell, it appeared that the fair value less cost to sell was lower than the carrying amount. Therefore, the Company recognized the impairment losses of aircraft in the statement of profit or loss and other comprehensive income for the year ended December 31, 2017 of THB 2,721.34 million, which consist of 2 A330-300, 3 A340-500, 6 A340-600, 1 B737-400 and 4 B747-400, totaling 16 aircraft in an aggregate of THB 2,514.02 million, and 5 TRENT 500 spare engines in the amount of THB 207.32 million.

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6.26 Other Expenses

	Unit : Million Baht			
	Consolidated Financial Statements		Separate Financial Statements	
	2017	2016	2017	2016
Rentals and utilities	2,685.73	2,614.61	2,685.73	2,614.61
Office supplies	173.51	178.25	173.51	178.25
Repair of building and equipment	656.16	562.25	656.16	562.25
Outsource services	1,969.31	1,672.84	1,969.31	1,672.84
Consultant and service fees	533.78	497.92	533.78	497.92
Legal fee for Antitrust/ Competition Law	27.95	26.64	27.95	26.64
Computer service expenses	645.61	584.62	645.61	584.62
Rental of communication devices and office equipment	228.53	231.52	228.53	231.52
Travelling and transportation expenses	593.82	557.86	593.82	557.86
Concession fees	389.54	406.38	389.54	406.38
Passenger claim expenses	365.96	220.25	365.96	220.25
Obsolete inventories and supplies expenses	327.64	310.17	327.64	310.17
Service cargo expenses	192.80	99.64	192.80	99.64
Joint venture expenses in Star Alliance	56.32	70.88	56.32	70.88
Company business and municipal taxes	351.26	89.81	351.26	89.81
Bad debts and provision for bad debts	0.06	(59.94)	0.37	(60.22)
Service fee for IT Hosting system	87.41	76.49	87.41	76.49
Fine and interest expenses	(97.10)	19.56	(97.10)	19.56
Fund of Empowerment of person with disabilities	157.64	-	157.64	-
Others	873.44	681.29	713.41	378.30
Total	10,219.37	8,841.04	10,059.65	8,537.77

6.27 Income Tax Revenue

	Unit : Million Baht			
	Consolidated Financial Statements		Separate Financial Statements	
	2017	2016	2017	2016
Tax expense from taxable profit for the period	34.74	42.30	9.92	15.20
Add (less): deferred tax asset/ liability from temporary different increase/ decrease	(857.64)	(1,506.54)	(856.61)	(1,503.10)
Net Income Tax Revenue	(822.90)	(1,464.24)	(846.69)	(1,487.90)

6.28 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	March13, 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 has received the privilege for exemption from corporate income tax for the net profit, which operated by such aircraft starting from the date of first revenue derived from the promoted activities, up to 8 years.

Revenue from sales or services classified to the promoted and non-promoted activities for the year ended December 31, 2017 and 2016 are as follows:

	Unit : Million Baht	
	Separate Financial Statements	
	2017	2016
Revenue from sales or services		
Promoted activities	100,321.41	92,564.11
Non-promoted activities	82,157.52	79,862.39
Total revenue from sales or services	182,478.93	172,426.50

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6.29 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	
	2017	2016	2017	2016
Profit (loss) attributable to owners of the parent	(2,107.35)	15.14	328.52	2,881.58
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>(0.97)</u>	<u>0.01</u>	<u>0.15</u>	<u>1.32</u>

6.30 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 the transaction of transferring inter-segment revenue 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 by segments was derived from revenue 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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6.30.1 Financial Information by Segment Consolidated financial statements

Statements of Profit or Loss
For the year ended December 31, 2017

	Unit : Million Baht							
	<u>Air Transportation</u>		<u>Business Units</u>		<u>Other Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
External Revenue	177,746.31	166,638.96	9,834.71	9,493.09	2,275.96	2,180.45	189,856.98	178,312.50
Inter - segment revenue (expenses)	(14,612.51)	(13,781.44)	9,854.59	8,991.60	4,757.92	4,789.84	-	-
Interest income	159.00	177.99	-	-	11.43	26.32	170.43	204.31
Gain (loss) on foreign currency exchange	(1,406.40)	691.94	-	-	(174.85)	(6.97)	(1,581.25)	684.97
Other income	<u>2,041.68</u>	<u>2,238.79</u>	<u>44.32</u>	<u>30.72</u>	<u>2.47</u>	<u>(25.09)</u>	<u>2,088.47</u>	<u>2,244.42</u>
Total Revenue	<u>163,928.08</u>	<u>155,966.24</u>	<u>19,733.62</u>	<u>18,515.41</u>	<u>6,872.93</u>	<u>6,964.55</u>	<u>190,534.63</u>	<u>181,446.20</u>
Fuel and oil	(47,191.23)	(43,430.92)	-	-	(3,023.44)	(1,904.99)	(50,214.67)	(45,335.91)
Employee benefits expenses	(17,039.68)	(17,497.03)	(7,137.68)	(7,145.91)	(5,524.94)	(5,352.61)	(29,702.30)	(29,995.55)
Flight service expenses	(21,249.76)	(20,140.75)	(48.91)	(46.40)	(1,054.76)	(630.63)	(22,353.43)	(20,817.78)
Depreciation and amortization expenses	(15,621.14)	(16,232.63)	(441.49)	(730.34)	(958.84)	(1,027.86)	(17,021.47)	(17,990.83)
Impairment loss of assets and aircraft	(3,191.31)	(3,627.91)	-	-	-	-	(3,191.31)	(3,627.91)
Other expenses	(54,058.98)	(47,232.15)	(7,177.33)	(6,379.57)	(4,830.83)	(5,565.31)	(66,067.14)	(59,177.03)
Finance costs	(4,717.22)	(5,339.16)	-	-	-	-	(4,717.22)	(5,339.16)
Share of loss on investment in associates	<u>(162.04)</u>	<u>(510.27)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(69.18)</u>	<u>(162.04)</u>	<u>(579.45)</u>
Total Expenses	<u>(163,231.36)</u>	<u>(154,010.82)</u>	<u>(14,805.41)</u>	<u>(14,302.22)</u>	<u>(15,392.81)</u>	<u>(14,550.58)</u>	<u>(193,429.58)</u>	<u>(182,863.62)</u>
Profit (loss) before Income Tax Expense	696.72	1,955.42	4,928.21	4,213.19	(8,519.88)	(7,586.03)	(2,894.95)	(1,417.42)
Income tax revenue (expense)	<u>846.69</u>	<u>1,487.90</u>	<u>-</u>	<u>-</u>	<u>(23.79)</u>	<u>(23.66)</u>	<u>822.90</u>	<u>1,464.24</u>
Gain (loss) by segments	<u>1,543.41</u>	<u>3,443.32</u>	<u>4,928.21</u>	<u>4,213.19</u>	<u>(8,543.67)</u>	<u>(7,609.69)</u>	<u>(2,072.05)</u>	<u>46.82</u>

Assets and Liabilities
As at December 31, 2017

	Unit : Million Baht							
	<u>Air Transportation</u>		<u>Business Units</u>		<u>Other Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current assets	38,549.58	48,594.54	673.70	668.73	5,837.54	4,764.94	45,060.82	54,028.21
Investments	3,461.80	3,964.51	-	-	4.13	4.02	3,465.93	3,968.53
Property, plant and equipment	179,986.65	186,605.78	5,302.29	5,410.34	2,813.67	2,875.23	188,102.61	194,891.35
Other non-current assets	36,713.37	24,318.95	0.05	0.07	977.03	570.50	37,690.45	24,889.52
Non-allocated assets	-	-	-	-	-	-	<u>6,454.74</u>	<u>5,346.26</u>
Total assets							<u>280,774.55</u>	<u>283,123.87</u>
Current liabilities	81,456.09	78,489.43	734.53	327.72	9,813.55	7,512.99	92,004.17	86,330.14
Non-current liabilities	154,805.02	161,666.66	-	-	1,100.69	348.25	155,905.71	162,014.91
Non-allocated liabilities	-	-	-	-	-	-	<u>851.87</u>	<u>1,190.62</u>
Total Liabilities							<u>248,761.75</u>	<u>249,535.67</u>

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6.30.2 Geographical Segments

	Domestic Revenue			Foreign Revenue					Charter Revenue and Others	Other Income			Total
	Transportation	Business Unit	Others	Regional Asia	Europe	North Pacific	Australia & New Zealand	Africa		Interest Income	Gain (loss) on Foreign Currency Exchange	Others Income	
<u>For the year</u>													
Jan-Dec 2017	15,366.37	9,834.71	2,275.96	94,532.15	50,825.78	-	16,765.43	-	256.58	170.43	(1,581.25)	2,088.47	190,534.63
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	684.97	2,244.42	181,446.20

6.31 Staff Provident Fund

The Company contributed 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 in the amount of THB 1,197.40 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).

6.32 Contingent Liabilities

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

The Company has letters of guarantee issued by domestic and abroad banks in amount of THB 15.00 million and THB 286.66 million, respectively. If the Company defaults on an obligation to a beneficiary in letter of guarantee, bank agrees to pay a specific amount of money to that beneficiary and will claim from the Company later.

The Company has been filed 29 labor cases with an approximate amount of THB 188.35 million and has been filed the complaints for the compensation totaling 55 cases with an approximate amount of THB 785.66 million.

Due to the difference in interpretations of tax law (i.e. tax on profit, specific tax, and withholding tax), the Cambodia branch has been assessed additional taxes including penalty and interest, from October 2012 to September 2015 in the total amount of USD 7.28 million or approximately THB 239.31 million. The petition for reassessment of taxes was sent to the Revenue Department by the Company's tax consultant

The Company, entrepreneur in the duty free zone, received an official letter from the Customs Department No. Gor Kor 0503(4)/621 dated August 28, 2017, notifying the Company to clarify issues relating to the completeness of the certificate license of the importation of restricted food products. The customs official assessed additional taxes and duties based on 252 import declarations, consisting of price of products in amount of THB 492.73 million, import duty in amount of THB 244.36 million, excise tax in amount of THB 754.47 million, interior tax in amount of THB 75.45 million, value added tax in amount of THB 109.69 million, the subsidies for Thai Health Promotion Foundation in amount of THB 14.91 million, the subsidies for Thai Public Broadcasting Service in amount of THB 11.18 million. Nowadays, the Company is on the process of clarification about these issues to the Customs Department.

6.32.2 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 million and reserved their rights to amend the Plaintiff 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.

At the beginning of July 2015, the Company has received a writ of summons for contribution claim from British Airways, Deutsche Lufthansa and Lufthansa Cargo A.G. (collectively “Lufthansa”), and Koninklijke Luchtvaart Maatschappij N.V., Martin Air Holland N.V., Societe Air France S.A. (collectively “KLM-AF”). These airlines have submitted such writ of summons against the Company and more than 20 other airlines in the case where a group of plaintiffs have filed a lawsuit against British Airways, Lufthansa, KLM-AF and Singapore Airlines and Singapore Airlines Cargo (collectively “Singapore Airlines”) as defendants since December 24, 2013 by alleging that these airlines have jointly acted to fix the price for various surcharges (Main Proceedings). Nonetheless, the Company has not been sued as a defendant in the Main Proceedings. Subsequently, British Airways, Lufthansa and Swiss International, KLM-AF, Korean Airlines and Qantas Airways, who are parties to the Contribution Claim Case, have submitted a writ of summons to exercise the contribution claim in addition to the Contribution Claim Case above (known as sub contribution claim), and the Company then submitted a writ of summons to exercise the contribution claim in the form of this sub contribution claim against all airlines as well in order to reserve the Company’s right. The initiation of such proceedings in the form of contribution claim and sub contribution claim is merely for the purpose of reserving the right in the event that the court orders that each airline pay for the damages exceeding its market share. This is not a lawsuit to demand for additional damages.

Moreover, in December 2016 to January 2017, the Company has received a writ of summons for contribution claim from British Airways, Lufthansa and KLM-AF. These airlines have submitted such writ of summons to the Company and more than 20 other airlines in the case where a new group of plaintiffs has filed a lawsuit against British Airways, Lufthansa, KLM-AF and Singapore Airlines as defendants on November 6, 2015. The allegation is of similar type as that in the first Main Proceedings in which the Company has not been sued as a defendant. At present, all the cases are under the court’s consideration.

6.33 Cash Flow Hedge

In 2017, the Company used 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 result of the difference 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, 2017, the Company recognized loss THB 140.34 million from application of hedge accounting to foreign currency borrowings and forecasted future foreign currency revenue.

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As at December 31, 2017, 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 2017****Unit : Million Baht**

	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 year	Over 5 years	Total
Forecast receivable cash flows	6,008.61	9,402.69	105,855.02	368,102.39	489,368.71

As at 31 December 2017, the amount deferred in other component of equity in relation to effective cash flow hedges is THB 977.25 million. This amount is expected to be recognized in profit or loss over the period of forecast future foreign currency revenue as referred to in the table above.

6.34 Disclosure of Financial Instruments Separate financial statements

6.34.1 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 2017**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	3.28	1,455.42	5,626.72	6,900.79	4,270.14	-	-	18,253.07
JPY	1.10	1,571.76	6,135.60	4,559.02	-	-	-	12,266.38
EUR	1.45	6,928.84	18,402.05	11,625.88	890.25	5,038.25	10,064.42	52,949.69
THB	4.33	3,728.91	7,069.02	-	13,250.00	29,120.00	22,730.00	75,897.93
Total		13,684.93	37,233.39	23,085.69	18,410.39	34,158.25	32,794.42	159,367.07

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

(TRANSLATION)

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For Interest Rate Risk Management policy, the Company applied a derivative financial instrument, Cross Currency Swap (CCS) and/ or Interest Rate Swap (IRS), to swap the floating interest rates which show high tendency to increase to fixed. As at December 31, 2017, the portion of the Company's debt after swap with floating to fixed interest rate was 38 : 62.

At the moment, the Company has the total of 4 IRS transactions, swapping debt with floating interest rate to fixed interest rate, all of these transactions are in EUR and will expire in 2018. As at December 31, 2017, IRS transactions' total notional amount was THB 1,473.95 million of which interest payments are done quarterly.

6.34.2 Foreign Currency Exchange Rate Risk

The Company generates revenue 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 revenue and expenses and to arrange for loan and restructure loan to coincide with net operating cash flow, and at the same time, to decrease foreign currency debt risk partially by relying on Thai baht loan in order to decrease the fluctuation of gain or loss from foreign exchange in the financial 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, 2017, the proportion of the Company's debts after swap in each currency i.e. USD : EUR : JPY : CHF : THB = 2 : 38 : 21 : 7 : 32. 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 4 transactions of THB currency to EUR currency with fixed interest rate, 13 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 at December,31 2017 is equivalent to THB 35,319.12 million of which payments, both principle and interest are done monthly, quarterly and every 6 months. These CCS transactions will terminate between the year 2018 and 2032.

Unit : Million Baht

Foreign Currency Liabilities						
Currency	2017			2016		
	<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	5,725.56	5,626.72	6,900.79	6,549.38	4,638.87	6,503.07
JPY	1,571.76	6,135.60	4,559.02	1,292.95	5,255.61	3,861.50
EUR	7,819.09	23,440.30	21,690.30	8,377.28	25,007.61	26,251.73

6.34.3 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 2017, the Company's hedge portion account to 68 percent of its annual fuel consumption and the Company still has an obligation from fuel price hedging until December 31, 2018 in portion account to 37 percent of total fuel consumption.

6.34.4 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 financial instruments 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.

6.35 Contractual Obligations**6.35.1 Obligation to Purchase Aircraft**

The Company has a payment obligation to purchase 2 A350 - 900XWB aircraft in the amount of THB 6,284.39 million, expected to take delivery during the year 2018 which consisted of:

Unit : Million Baht	
Obligation	Within 1 year
Purchase of aircraft	6,284.39

6.35.2 Leases and Obligations of Aircraft

The Company has obligations from entering into operating leases for 39 aircraft amount of USD 3,816.67 million or approximately to THB 125,366.93 million consisting of 15 A320-200, 8 A350-900, 8 B777-300ER, 6 B787-8, and 2 B787-9 aircraft. As at December 31, 2017, there were 36 aircraft which had been already taken the delivery and there are 3 aircraft which have not been taken deliver yet. Also, there are 9 and 30 aircraft which the lease will expire in 2019 - 2022 and 2023 - 2030, respectively.

Lease obligation for 39 aircraft operating leases can be classified as follows:

Unit : Million Baht			
Obligation	Within 1 year	Over 1 year – 5 years	Over 5 years
Rent	13,929.66	53,318.78	58,118.49

6.36 Change in Equity of Associated Company

6.36.1 As at December 31, 2016, the Company held 245 million shares or in portion of 39.20 percent of Nok Airlines Public Company Limited.

During 2017, Nok Airlines Public Company Limited offered for the first sale of 625 million newly-issued ordinary shares together with the Warrants to Purchase Ordinary Shares No.1 (NOK-W1) to the existing shareholders with a par value of THB 1 at the offering price THB 2.40 per share. The subscription and payment period were during May 16 – 22, 2017 with trading date on June 2, 2017. The existing shareholders had subscribed 510.99 million shares with amount of THB 1,226.40 million. Nok Airlines Public Company Limited received net proceeds of THB 1,224.63 million on May 29, 2017, and registered the increase in paid-up capital in an amount of THB 510.99 million with the Department of Business Development, Ministry of Commerce on May 31, 2017. As a result, Nok Airlines Public Company Limited's paid-up capital had been changed from THB 625 million to THB 1,135.99 million, dividing into 1,135.99 million ordinary shares at the par value of THB 1 per share. Anyway, the Company did not subscribe the Right Offering for new shares which caused the decrease of the Company's share portion from 39.20 to 21.57 percent of Nok Airlines Public Company Limited.

Nok Airlines Public Company Limited also offered for the second sale of 1,135.99 million newly-issued ordinary shares No.2 to the existing shareholders with a par value of THB 1 at the offering price THB 1.50 per share during October 16-20, 2017. The existing shareholders had subscribed 1,135.99 million shares with amount of THB 1,703.99 million. Nok Airlines Public Company Limited received net proceeds of THB 1,695.10 million on October 27, 2017, and registered the increase in paid-up capital in an amount of THB 1,135.99 million with the Department of Business Development, Ministry of Commerce on November 1, 2017. As a result, Nok Airlines Public Company Limited's paid-up capital had been changed from THB 1,135.99 million to THB 2,271.99 million, dividing into 2,271.99 million ordinary shares at the par value of THB 1 per share. The Company had subscribed the Right Offering for 250.39 million shares with amount of THB 375.59 million which caused the increase of the Company's share portion from 21.57 to 21.80 percent.

6.36.2 Loss on change in ownership interest of Associated Company in the amount of THB 429.09 million was derived from the recognition of the difference of change in share portion of Nok Airlines Public Company Limited in May 2017 of THB 432.69 million, deducted profit from change in ownership interest in October 2017 of THB 3.60 million.

6.37 Events after the Reporting Period

6.37.1 The Company took delivery of 1 A350-900 aircraft under operating leases and 1 A350-900 aircraft under finance leases in January 2018, and has a plan to take delivery of 2 A350-900 aircraft under operating leases within the first quarter of 2018.

6.37.2 In January 2018, the Company signed a long-term loan agreement and already draw down the loan of THB 2,000 million to be used as the Company's working capital.

6.37.3 The Company is under the process of issuing Thai Baht debentures in domestic market and the process of signing a long-term loan agreement in Thai Baht currency. The loan agreement is expected to be completed within the first quarter of 2018.

6.37.4 The Board of Directors meeting no. 1/2018 dated January 24, 2018 approved the Company to sell 22.50 million shares or 24 percent of registered capital of Royal Orchid Hotel (Thailand) Public Company Limited., at THB 41.00 per share, totaling to THB 922.50 million.

6.37.5 The Board of Directors meeting no. 2/2018 dated January 30, 2018 approved to sell the Company's land and building in Thailand at Mae Hong Son province for THB 5.30 million and abroad at Sydney, Australia for AUD 43.52 million.

6.38 Approval of Financial Statements

These financial statements were approved by the Audit Committee, the Authorized Board of Directors, on February 23, 2018.
