

No.0037/ 0567

STATE AUDIT OFFICE
OF THE KINGDOM OF THAILAND
Rama VI Road, Phayathai,
Bangkok 10400, Thailand
Tel : 66 2271 8198 ; Fax : 66 2298 5933
E-mail : audit11@oag.go.th

This letter is given to confirm that the English version of the auditor's report together with the consolidated financial statements for the year ended December 31, 2018 of Thai Airways International Public Company Limited and its subsidiaries and the company's financial statements for the year ended December 31, 2018 of Thai Airways International Public Company Limited was translated by Thai Airways International Public Company Limited. The State Audit Office of the Kingdom of Thailand has reviewed the aforementioned English version of the auditor's report and the consolidated and the Company's 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 the Company's financial statements for the same period.

Given on March 13, 2019

(signed)

Pattra Showsri

(Pattra Showsri)

Deputy Auditor General



(TRANSLATION)

AUDITOR'S REPORT

To: The Shareholders of Thai Airways International Public Company Limited

Opinion

The State Audit Office of the Kingdom of Thailand has audited the accompanying consolidated financial statements of Thai Airways International Public Company Limited and its subsidiaries (the Group) and the Company's financial statements of Thai Airways International Public Company Limited (the Company), which comprise the consolidated and the Company's statements of financial position, as at December 31, 2018, the consolidated and the Company's statements of comprehensive income, the consolidated and the Company's statements of changes in equity and the consolidated and the Company's statements of cash flows for the year then ended, and notes to the consolidated and the Company's financial statements, including a summary of significant accounting policies.

In the State Audit Office of the Kingdom of Thailand's opinion, the above mentioned consolidated and the Company's financial statements present fairly, in all material respects, the consolidated financial position of the Group and financial position of the Company as at December 31, 2018, and their consolidated and the Company's financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

Basis for Opinion

The State Audit Office of the Kingdom of Thailand conducted the audit in accordance with Thai Standards on Auditing (TSAs) and the State Audit Standards. The State Audit Office of the Kingdom of Thailand's responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and the Company's Financial Statements section of the State Audit Office

State Audit Office of the Kingdom of Thailand



of the Kingdom of Thailand's report. The State Audit Office of the Kingdom 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 Thai Federation of Accounting Professions' Code of Ethics for Professional Accountants that are relevant to the State Audit Office of the Kingdom of Thailand's audit of the consolidated and the Company's financial statements, and has fulfilled other ethical responsibilities in accordance with these requirements. The State Audit Office of the Kingdom of Thailand believes that the audit evidence the State Audit Office of the Kingdom of Thailand has obtained is sufficient and appropriate to provide a basis for the State Audit Office of the Kingdom of Thailand's opinion.

Key Audit Matters

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

The State Audit Office of the Kingdom of Thailand has the following key audit matters to communicate:

1. Deferred tax assets

According to notes to the financial statements no. 6.11.1 Deferred tax assets and liabilities, deferred tax assets are recognized in the consolidated financial statements and the Company's financial statements as at December 31, 2018 amounting to THB 10,650.72 million and THB 10,632.99 million, respectively. At the end of each reporting period, the Company is required to review the carrying amount of deferred tax assets and reduces the deferred tax assets to the extent that it is probable that sufficient taxable profit will be available for the deferred tax assets to be utilized. For this purpose, the management had prepared the projections of operating results to consider whether the

State Audit Office of the Kingdom of Thailand

Company will have sufficient taxable profit available for the deferred tax assets to be utilized as stated in notes to the financial statements no. 4.16 Deferred taxes and no. 6.36 Projections of operating performance.

When preparing the projection of the operating performance, the management required to exercise high considerable judgment in order to set assumptions to forecast revenue and profit growth, including the assumptions that may be effected by global economic circumstances or the future global market. Moreover, the management had to forecast the projection of utilizing deferred tax assets with the high discretion and the Company still had operating loss in this year, which there was the risk of forecasting the future profitability that mattered significantly for the State Audit Office of the Kingdom of Thailand.

The State Audit Office of the Kingdom of Thailand performed significant audit procedures as follows;

1.1 Assessing the reasonableness of the projections of revenues, expenses, profits growth, and taxable profits by examining related documents and making inquiries with the management regarding applied assumptions;

1.2 Evaluating and examining the evidences that the management used for those assumptions, especially projection of transportation revenues, the factors from passengers yield and number of passengers, comparing with the historical airline industry data, annual budget, and strategic plans in the area of operation and marketing of the Company;

1.3 Examining the deferred tax assets utilization plan correspond to the timing of utilization in order to determine the likelihood of utilization of those deferred tax assets. In particular, determining taxable profit or loss from both the portion that receive benefit of corporate income tax exemption in the Promotion Certificates from the Office of the Board of Investment of Thailand (BOI) and Non-BOI portion that do not receive Promotion Certificate for such exemption in order to consider probable sufficient taxable profit and deferred tax asset utilization in the future;

1.4 Considering and examining the reasonableness of carrying amount of deferred tax assets, especially from timing difference of impairment loss of aircraft, provision of accrued expenses, and provision for employee benefit obligations whether they will be utilized from sufficient taxable income in the future;

1.5 Considering the sufficiency of information disclosure in accordance with Thai Financial Reporting Standard.

2. Change in residual value of aircraft and spare engines

According to notes to the financial statements no. 6.9 The change in estimated residual value of aircraft and spare engines, the Company had revised the estimated residual value of aircraft and spare engines and changed the percentage of estimated residual value of aircraft and spare engines from 10 percent to 6 percent of initial value. The management of the Company exercised significant level of judgment to appraise estimated residual value from various factors, especially the effects from development of aviation technology and the demand of second hand aircraft in each models in the future that would be high uncertainty. Furthermore, such change of accounting estimate had significant impact to the current and future financial statements. The State Audit Office of the Kingdom of Thailand; therefore, focused on this matter as a key audit matter.

The State Audit Office of the Kingdom of Thailand performed significant audit procedures as follows;

2.1 Making inquiry to the management, understanding criteria and revised process of residual value of aircraft and spare engines, including reviewing evidence that management used for assessment;

2.2 Reviewing the management's discretion in revising the appropriate residual value of aircraft and spare engines. Considering the reasonableness of the change in residual value of aircraft and spare engines by compare the selling price of aircraft and spare engines in the past with historical cost on the receiving date. Moreover, comparing the selling price information of aircraft at the year of completion which has to be in accordance with the qualified appraiser's principles in aviation industry with the aircraft and spare engines' historical cost;

2.3 Comparing the percentage of the Company's revised residual value with the percentage used by airlines in the same level in the aviation industry;



2.4 Testing the accuracy of the journal entries affected by the change of residual value to ensure that were followed the rules by sampling method and recalculating;

2.5 Testing the depreciation calculation after the change in residual value of aircraft and spare engines with the revised and previous rate to evaluate the effect on the financial report as well as reviewing the accuracy of calculation and disclosure of effects from the change of residual value in notes to the financial statements;

2.6 Considering the sufficiency of information disclosure in accordance with Thai Financial Reporting Standards.

3. Passenger Revenue

Revenue from passengers and excess baggage in the consolidated and the Company's financial statements as at December 31, 2018 in the amount of THB 160,255.18 million and THB 150,591.55 million, respectively, which major revenue from passenger services are recognized according to the accounting policies stated in notes to financial statements no. 4.11.1 Passenger and excess baggage revenue recognition. The Company recognizes the passenger revenue when the flight booking is made as liability, unearned transportation revenues, in the statements of financial position and the passenger revenue will be recognized as revenue in the statements of comprehensive income when the service is provided. The process of Fare Management system initiates when the authorized officers set the fare, which has been passed the authorization process, and will be recorded into the passenger revenue system. Since the variety of the fare structure depends on the type of the seats, the distribution channel, and service conditions, the significant volume of the transactions are recorded each time into the system. Together with the high competitive in the aviation industry, the Company has to revise and set new fare in order to be competitive in the market. Therefore, the transactions of new fare might not be correct and complete because of the high volume of transactions and frequency in fare pricing. Moreover, the fare pricing procedure, the calculation of flight revenue, the journal entries, the measurement of sale value, and the commissions and discounts entries are all complex transactions which required many high information technology systems to record all the transactions. These affected to information in the information system that might be inaccurate and incomplete, especially from accuracy of

the fare pricing input, which may be effected to the passenger revenue account. The State Audit Office of the Kingdom of Thailand had considered this matter significantly.

The State Audit Office of the Kingdom of Thailand performed significant audit procedures as follows;

3.1 Understanding the process of Fare Management system and passenger revenue system;

3.2 Reviewing the control of the fare input process and the processing of fare management system;

3.3 Performing test of controls of the Fare Management system which covers the fare approval process and the Fare Management system input process, also, comparing the approved fare rate in the system of input class with the fare in the passenger revenue system in order to identify any possible error of information, and testing other significant controls to ensure that the controls were operated effectively;

3.4 Testing the passenger revenue system by testing controls of the information transfer from the passenger revenue system to the accounting processing system to ensure that controls, which were designed to protect the information from being edited, were operated, and the journal entries regarding the passenger revenue were accurate and completed;

3.5 Considering the sufficiency of information disclosure in accordance with Thai Financial Reporting Standards.

Emphasis of Matter

The State Audit Office of the Kingdom of Thailand draw attention to notes to the financial statements no. 5 Corporate Transformation plans, which describes the operation strategies of the year 2018 on Corporate Transformation Plan and the future action plan of Thai Airways International Public Company Limited, and notes to the financial statements no 6.13 Liquidity management, which describes the liquidity management that provides information about detailed financing activities and cash flows for the year 2019.

The State Audit Office of the Kingdom 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 the Company's financial statements and auditor's report thereon. The annual report is expected to be made available to the State Audit Office of the Kingdom of Thailand after the date of this auditor's report.

The State Audit Office of the Kingdom of Thailand's opinion on the consolidated and the Company's financial statements does not cover the other information and the State Audit Office of the Kingdom of Thailand will not express any form of assurance conclusion thereon.

In connection with the audit of the consolidated and the Company's financial statements, the State Audit Office of the Kingdom 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 the Company's financial statements or the State Audit Office of the Kingdom of Thailand's knowledge obtained in the audit, or otherwise appears to be materially misstated.

When the State Audit Office of the Kingdom of Thailand reads the annual report if the State Audit Office of the Kingdom of Thailand concludes that there is a material misstatement therein, the State Audit Office of the Kingdom 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 the Company's Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated and the Company's financial statements in accordance with TFRSs, and for such internal control as management determines is necessary to enable the preparation of the consolidated and the Company's financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and the Company's 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 the Company's Financial Statements

The State Audit Office of the Kingdom of Thailand's objectives are to obtain reasonable assurance about whether the consolidated and the Company's 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 State Audit Office of the Kingdom 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 and the State Audit Standards 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 the Company's financial statements.

As part of an audit in accordance with TSAs and the State Audit Standards, the State Audit Office of the Kingdom of Thailand exercises professional judgment and maintains professional skepticism throughout the audit. The State Audit Office of the Kingdom of Thailand also:

- Identifies and assesses the risks of material misstatement of the consolidated and the Company's 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 State Audit Office of the Kingdom 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 State Audit Office of the Kingdom of Thailand concludes that a material uncertainty exists, the State Audit Office of the Kingdom of Thailand is required to draw attention in the auditor's report of the State Audit Office of the Kingdom of Thailand to the related disclosures in the consolidated and the Company's financial statements or, if such disclosures are inadequate, to modify the State Audit Office of the Kingdom of Thailand's opinion. The State Audit Office of the Kingdom of Thailand's conclusions are based on the audit evidence obtained up to the date of the auditor's report of the State Audit Office of the Kingdom 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 the Company's financial statements, including the disclosures, and whether the consolidated and the Company's 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 State Audit Office of the Kingdom of Thailand is responsible for the direction, supervision and performance of the group audit. The State Audit Office of the Kingdom of Thailand remains solely responsible for the State Audit Office of the Kingdom of Thailand's audit opinion.

The State Audit Office of the Kingdom 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 State Audit Office of the Kingdom of Thailand identifies during the State Audit Office of the Kingdom of Thailand's audit.

The State Audit Office of the Kingdom of Thailand also provides those charged with governance with a statement that the State Audit Office of the Kingdom 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 State Audit Office of the Kingdom of Thailand's independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, the State Audit Office of the Kingdom of Thailand determines those matters that were of most significance in the audit of the consolidated and the Company's financial statements of the current period and are therefore the key audit matters. The State Audit Office of the Kingdom of Thailand describes these matters in the auditor's report of the State Audit Office of the Kingdom of Thailand unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the State Audit Office of the Kingdom of Thailand determines that a matter should not be communicated in the State Audit Office of the Kingdom 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) *Pattra Showsri*
(Pattra Showsri)
Deputy Auditor General

(Signed) *Balloon Sirisingsongchai*
(Balloon Sirisingsongchai)
Director of Financial and Procurement Audit Office No.11

(TRANSLATION)

- 1 -

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

Unit : Baht

	Notes	CONSOLIDATED FINANCIAL STATEMENTS		THE COMPANY'S FINANCIAL STATEMENTS	
		2018	2017	2018	2017
ASSETS					
Current Assets					
Cash and cash equivalents	6.1	13,691,848,724	15,229,686,324	12,523,360,617	14,022,787,581
Temporary investments		38,264	160,037,864	-	-
Trade receivables	6.2	10,394,067,903	11,704,953,905	9,705,911,027	11,560,770,758
Prepaid expenses and deposits		7,321,908,745	7,490,102,653	7,529,150,681	7,761,325,199
Inventories and supplies	6.3	4,947,017,527	4,999,847,400	4,901,658,139	4,968,165,680
Other current assets	6.4	12,702,976,136	11,730,122,163	20,535,369,827	18,450,827,464
Non-current assets held for sale	6.5	490,157,613	200,807,000	490,157,613	200,807,000
Total Current Assets		49,548,014,912	51,515,557,309	55,685,607,904	56,964,683,682
Non-Current Assets					
Investments in associates	6.6.1	2,299,713,942	3,394,945,236	1,234,106,581	1,459,106,581
Investments in subsidiaries	6.6.1	-	-	1,810,209,913	1,810,209,893
Other long-term investments	6.6.2	69,002,222	70,988,078	66,017,122	67,875,978
Property, plant and equipment	6.8	179,598,685,050	188,102,612,250	179,558,497,148	188,067,083,674
Intangible assets	6.10	236,352,618	432,497,804	228,806,503	418,673,523
Deferred tax assets	6.11.1	10,650,722,771	10,679,231,900	10,632,997,811	10,663,254,345
Other non-current assets	6.12	26,318,704,847	26,578,712,721	26,185,205,174	26,402,333,280
Total Non-Current Assets		219,173,181,450	229,258,987,989	219,715,840,252	228,888,537,274
Total Assets		268,721,196,362	280,774,545,298	275,401,448,156	285,853,220,956

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

(TRANSLATION)

- 2 -

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	Notes	CONSOLIDATED FINANCIAL STATEMENTS		THE COMPANY'S FINANCIAL STATEMENTS	
		2018	2017	2018	2017
Unit : Baht					
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities					
Trade payables		5,167,608,841	5,042,628,631	4,946,272,359	4,823,318,835
Accrued expenses		18,130,323,417	16,613,129,758	17,973,191,375	17,849,085,739
Current portion of long-term liabilities					
Long-term loans from financial institutions	6.14	3,185,096,154	4,813,179,873	3,185,096,154	4,813,179,873
Long-term loans from related parties	6.7.1.2, 6.14	1,448,088,914	-	1,448,088,914	-
Liabilities under finance leases	6.15	8,699,910,918	9,762,005,635	8,699,910,918	9,762,005,635
Debentures	6.16	9,530,000,000	10,250,000,000	9,530,000,000	10,250,000,000
Short-term loans from financial institutions		2,000,000,000	3,000,000,000	2,000,000,000	3,000,000,000
Short-term loans from related parties	6.7.1.1	1,000,000,000	4,270,136,000	1,000,000,000	4,270,136,000
Income tax payable		17,844,116	15,143,142	-	-
Other current liabilities					
Accrued dividends		54,556,981	54,664,936	54,403,981	54,573,136
Unearned transportation revenue		30,624,142,358	31,409,888,882	29,692,124,792	30,481,532,187
Others	6.17	9,050,865,454	7,625,258,914	10,283,990,506	9,165,007,131
Total Current Liabilities		88,908,437,153	92,856,035,771	88,813,078,999	94,468,838,536
Non-Current Liabilities					
Long-term liabilities					
Long-term loans from financial institutions	6.14	4,173,365,397	7,564,356,800	4,173,365,397	7,564,356,800
Long-term loans from related parties	6.7.1.2, 6.14	15,638,001,158	15,102,668,302	15,638,001,158	15,102,668,302
Liabilities under finance leases	6.15	50,282,098,896	52,754,724,555	50,282,098,896	52,754,724,555
Debentures	6.16	55,320,000,000	51,850,000,000	55,320,000,000	51,850,000,000
Deferred tax liabilities	6.11.1	1,703,581,058	1,791,346,286	1,703,581,058	1,791,346,286
Staff pension fund	6.18	3,824,995,651	3,791,098,462	3,824,995,651	3,791,098,462
Employee benefit obligations	6.19	13,575,420,996	12,594,371,173	13,493,261,770	12,573,334,280
Long-term provisions	6.20	14,708,086,792	10,310,083,902	13,093,931,772	9,318,993,931
Other non-current liabilities		130,875,130	147,062,061	1,356,144,193	913,725,477
Total Non-Current Liabilities		159,356,425,078	155,905,711,541	158,885,379,895	155,660,248,093
Total Liabilities		248,264,862,231	248,761,747,312	247,698,458,894	250,129,086,629
Shareholders' Equity					
Share capital	6.22				
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	6.23	2,691,275,568	2,691,275,568	2,691,275,568	2,691,275,568
Unappropriated		(35,907,023,773)	(24,239,600,441)	(28,533,077,895)	(20,426,549,388)
Other components of equity		6,171,756,849	6,086,373,086	6,171,756,111	6,086,372,669
Total Company Shareholders' Equity		20,329,044,122	31,911,083,691	27,702,989,262	35,724,134,327
Non-controlling interests		127,290,009	101,714,295	-	-
Total Shareholders' Equity		20,456,334,131	32,012,797,986	27,702,989,262	35,724,134,327
Total Liabilities and Shareholders' Equity		268,721,196,362	280,774,545,298	275,401,448,156	285,853,220,956

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

(Mr. Sumeth Damrongchaitham)

President

(Mr. Nattapong Samit-ampaipisarn)

Executive Vice President, Finance and Accounting

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018

	CONSOLIDATED FINANCIAL STATEMENTS		THE COMPANY'S FINANCIAL STATEMENT		
	Notes	2018	2017	2018	2017
Unit : Baht					
Revenues					
Revenues from Sales or Services					
Passenger and excess baggage		160,255,180,477	157,474,642,686	150,591,550,463	148,462,506,525
Freight		21,639,512,371	19,543,755,148	21,640,732,337	19,546,567,289
Mail		700,891,715	727,910,750	700,891,715	727,910,750
Other activities		13,369,555,839	12,110,671,871	14,983,550,540	13,741,948,197
Total Revenues from Sales or Services		195,965,140,402	189,856,980,455	187,916,725,055	182,478,932,761
Other Income					
Interest income		175,370,095	170,426,521	170,077,219	159,001,563
Gain (loss) on foreign currency exchange rates		910,848,196	(1,581,246,154)	890,338,751	(1,406,397,072)
Other income - Others	6.24	3,534,582,155	2,088,468,154	3,973,962,494	2,391,531,999
Total Other Income		4,620,800,446	677,648,521	5,034,378,464	1,144,136,490
Total Revenues		200,585,940,848	190,534,628,976	192,951,103,519	183,623,069,251
Expenses					
Aircraft fuel expenses		60,095,677,157	50,214,668,767	56,261,516,980	47,191,233,123
Employee benefits expenses	6.25	30,874,607,242	29,702,304,701	29,958,199,105	29,126,283,668
Flight service expenses		22,164,846,590	22,353,433,918	20,887,692,337	21,298,670,145
Crew expenses		5,629,910,006	5,603,505,793	5,142,524,274	5,224,192,458
Aircraft repair and maintenance costs		20,087,736,505	17,796,784,451	18,482,370,455	16,245,210,843
Depreciation and amortization expenses		19,045,361,201	17,021,470,515	19,026,265,580	16,996,160,244
Lease of aircraft and spare parts		15,016,993,147	11,282,272,496	14,605,370,422	10,641,101,387
Inventories and supplies expenses		9,110,482,191	9,008,767,018	8,581,313,986	8,560,236,644
Selling and advertising expenses		10,843,388,858	11,215,232,163	9,841,166,237	10,438,278,851
Insurance expenses		590,318,725	512,111,908	510,932,307	451,700,619
Impairment loss of assets		309,011,023	469,968,586	309,011,023	469,968,586
Impairment loss of aircraft	6.26	3,149,969,372	2,721,335,582	3,149,969,372	2,721,335,582
Other expenses	6.27	10,243,201,353	10,219,372,624	9,819,672,402	10,059,646,079
Loss on changes in ownership interest		-	429,092,766	-	-
Finance costs		4,507,462,622	4,717,217,641	4,507,462,622	4,717,217,641
Share of the loss of associates		522,830,120	162,036,346	-	-
Total Expenses		212,191,796,112	193,429,575,275	201,083,667,102	184,141,235,870
Loss before Income Tax Expense		(11,605,855,264)	(2,894,946,299)	(8,132,563,583)	(518,166,619)
Income tax revenue	6.11.2	36,730,039	822,898,858	68,290,659	846,687,728
Profit (loss) for the year		(11,569,125,225)	(2,072,047,441)	(8,064,272,924)	328,521,109
Other comprehensive income (loss)					
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		321,055,050	652,581,496	321,055,050	652,581,496
Income tax related to effective portion of gain on changes in fair value of cash flow hedges		(64,211,010)	(130,516,299)	(64,211,010)	(130,516,299)
Unrealized gain (loss) on remeasuring available-for-sale investments		401	(88,462)	-	-
Income tax related to unrealized gain (loss) on remeasuring available-for-sale investments		(80)	17,693	-	-
Items that will not be reclassified to profit or loss in subsequent periods					
Actuarial gain on employee benefit obligations		(267,145,227)	(163,910)	(267,145,227)	-
Income tax related to actuarial gain on employee benefit obligations		53,429,046	32,782	53,429,046	-
Share of other comprehensive loss from joint ventures and associates		-	(4,867,855)	-	-
Other Comprehensive Income for the year - Net of Tax		43,128,180	516,995,445	43,127,839	522,065,197
Total Comprehensive Income (loss) for the year		(11,525,997,045)	(1,555,051,996)	(8,021,145,065)	850,586,306
Profit (loss) Attributable to					
Owners of the Parent		(11,625,168,787)	(2,107,345,043)	(8,064,272,924)	328,521,109
Non-controlling interests		56,043,562	35,297,602	-	-
		(11,569,125,225)	(2,072,047,441)	(8,064,272,924)	328,521,109
Total Comprehensive Income (loss) Attributable to					
Owners of the Parent		(11,582,040,607)	(1,590,290,586)	(8,021,145,065)	850,586,306
Non-controlling interests		56,043,562	35,238,590	-	-
		(11,525,997,045)	(1,555,051,996)	(8,021,145,065)	850,586,306
Profit (loss) per Share	6.28				
Basic profit (loss) per share		(5.33)	(0.97)	(3.69)	0.15

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

(Mr. Sumeth Damrongchaitham)
President

(Mr. Nattapong Samit-ampaipisarn)
Executive Vice President, Finance and Accounting

(TRANSLATION)

- 4 -

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018

Unit : Baht

CONSOLIDATED FINANCIAL STATEMENTS

	Owners of the parent											Non-controlling Interests	Total Shareholders' Equity	
	Issued and Paid-up Share Capital	Premium on Ordinary Shares	Retained Earnings		Other Components of Equity						Total Owners of the Parent			
			Appropriated Legal reserve	Unappropriated	Other Comprehensive Income (loss)									
				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 (loss) on remeasuring available-for-sale investment	Income tax related to unrealized gain (loss) on remeasuring available-for-sale investment	Total other components of equity				
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)
Less 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
Balance as at January 1, 2018	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
Changes in Shareholders' Equity														
Less Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	(30,375,010)	(30,375,010)
Less Dividends paid to cumulative preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	(91,800)	(91,800)
Add Change in the ownership interests in subsidiary	-	-	-	1,038	-	-	-	-	-	-	-	1,038	(1,038)	-
Less Profit (loss) for the year 2018	-	-	-	(11,625,168,787)	-	-	-	-	-	-	-	(11,625,168,787)	56,043,562	(11,569,125,225)
Less Transfer revaluation surplus on disposed assets	-	-	-	171,460,598	-	-	(214,325,748)	42,865,150	-	-	(171,460,598)	-	-	-
Add Other comprehensive income (loss) for the year 2018	-	-	-	(213,716,181)	321,055,050	(64,211,010)	-	-	401	(80)	256,844,361	43,128,180	-	43,128,180
Balance as at December 31, 2018	21,827,719,170	25,545,316,308	2,691,275,568	(35,907,023,773)	(656,197,877)	131,239,576	8,370,893,014	(1,674,178,602)	922	(184)	6,171,756,849	20,329,044,122	127,290,009	20,456,334,131

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

(Mr. Sumeth Damrongchaitam)

President

(Mr. Nattapong Samit-ampaipisarn)

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, 2018

Unit : Baht

THE COMPANY'S 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 (loss)					
					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, 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										
<u>Add</u> Profit for the year 2017	-	-	-	328,521,109	-	-	-	-	-	328,521,109
<u>Less</u> Transfer revaluation surplus on disposed assets	-	-	-	39,857,000	-	-	(49,821,250)	9,964,250	(39,857,000)	-
<u>Add</u> 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
Balance as at January 1, 2018	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
Changes in Shareholders' Equity										
<u>Less</u> Loss for the year 2018	-	-	-	(8,064,272,924)	-	-	-	-	-	(8,064,272,924)
<u>Less</u> Transfer revaluation surplus on disposed assets	-	-	-	171,460,598	-	-	(214,325,748)	42,865,150	(171,460,598)	-
<u>Add</u> Other comprehensive income (loss) for the year 2018	-	-	-	(213,716,181)	321,055,050	(64,211,010)	-	-	256,844,040	43,127,859
Balance as at December 31, 2018	21,827,719,170	25,545,316,308	2,691,275,568	(28,533,077,895)	(656,197,877)	131,239,576	8,370,893,014	(1,674,178,602)	6,171,756,111	27,702,989,262

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

(Mr. Sumeth Damrongchaitam)

President

(Mr. Nattapong Samit-ampaipisarn)

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, 2018

Unit : Baht

	<u>CONSOLIDATED FINANCIAL STATEMENTS</u>		<u>THE COMPANY'S FINANCIAL STATEMENTS</u>		
	<u>Note</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities					
Loss before income tax expense		(11,605,855,264)	(2,894,946,299)	(8,132,563,583)	(518,166,619)
Adjustment to reconcile profit (loss) before income tax expense to cash received (paid) from operating activities :					
Depreciation and amortization expenses		19,045,361,201	17,021,470,515	19,026,265,580	16,996,160,244
Aircraft lease fee		501,611,436	265,683,460	501,611,436	265,683,460
Dividends received		(1,202,907)	(1,445,845)	(346,164,144)	(301,605,257)
Share loss of investments in associates by equity method		522,830,120	162,036,346	-	-
Loss on changes in ownership interest		-	429,092,766	-	-
Interest income		(175,370,095)	(170,426,521)	(170,077,219)	(159,001,563)
Interest expenses		4,507,462,622	4,717,217,641	4,507,462,622	4,717,217,641
Loss (gain) on disposal of assets		(731,681,814)	72,252,718	(731,661,996)	61,856,830
Loss (gain) on sales of aircraft		(54,906,952)	49,720,687	(54,906,952)	49,720,687
Loss (gain) on foreign currency exchange rates		(857,439,603)	1,062,717,626	(866,986,566)	1,044,342,014
Gain on sale of investment		(656,955,062)	(507,037)	(697,500,000)	-
Provision for employee benefit obligations		713,904,596	674,134,266	652,782,263	669,478,935
Provision for obsolete inventories and supplies		403,473,771	327,642,988	403,473,771	327,642,988
Doubtful accounts		176,399,632	59,842	176,191,748	371,231
Impairment loss of aircraft		3,149,969,372	2,721,335,582	3,149,969,372	2,721,335,582
Impairment loss of assets		309,011,023	469,968,586	309,011,023	469,968,586
Operating profits before changes in operating assets and liabilities		15,246,612,076	24,906,007,321	17,726,907,355	26,345,004,759
Decrease (increase) in operating assets :					
Trade receivables		855,429,900	(1,528,712,580)	1,425,585,264	(1,298,571,914)
Inventories and supplies		(350,643,898)	(340,715,286)	(336,966,231)	(334,182,230)
Prepaid expenses and deposits		164,756,490	(53,805,942)	228,717,851	(86,923,703)
Tax refund	a	(1,001,754)	253,663,119	(1,001,754)	253,663,119
Other current assets		(399,681,601)	(1,062,131,783)	(1,510,049,292)	(3,030,883,000)
Non-current assets held for sale		1,266,583,913	786,612,304	1,266,583,913	786,612,304
Maintenance reserves		(3,162,729,909)	(2,953,488,770)	(3,190,473,509)	(3,270,948,897)
Other assets		(264,645,787)	(88,533,063)	(250,306,242)	(72,840,801)
Deferred charges		(949,450,509)	(2,371,268,826)	(978,899,849)	(2,408,226,948)
Increase (decrease) in operating liabilities :					
Trade payables		(779,422,440)	(700,759,110)	(781,459,626)	(715,659,606)
Accrued expenses and other current liabilities		2,686,675,401	(659,084,470)	998,592,945	460,884,691
Staff pension fund		23,974,158	65,818,918	23,974,158	65,818,918
Unearned transportation revenues		(747,796,971)	4,331,726,809	(789,365,000)	3,889,800,790
Other non-current liabilities		4,315,564,570	3,596,787,982	4,151,106,521	3,704,710,003
Proceeds from operations		17,904,223,639	24,182,116,623	17,982,946,504	24,288,257,485
Cash paid for income tax		(504,678,735)	(490,260,746)	(473,790,580)	(440,328,525)
Net Cash provided by Operating Activities		17,399,544,904	23,691,855,877	17,509,155,924	23,847,928,960

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, 2018

Unit : Baht

	Notes	CONSOLIDATED FINANCIAL STATEMENTS		THE COMPANY'S FINANCIAL STATEMENTS	
		2018	2017	2018	2017
Cash Flows from Investing Activities					
Cash paid for acquisition of fixed assets	b	(3,819,319,845)	(3,590,188,349)	(3,802,955,400)	(3,569,798,997)
Cash paid for intangible assets		(51,047,773)	(27,920,714)	(49,931,891)	(27,540,923)
Proceeds from transferring the rights for advance payment of aircraft and aircraft equipment		202,163,729	208,513,123	202,163,729	208,513,123
Cash received from sales of assets		3,834,882	258,310,049	3,811,518	258,264,254
Interest income		173,328,287	171,558,078	167,856,744	159,972,038
Dividends received		308,059,154	277,038,857	346,164,144	301,605,257
Investment decrease (increase)		1,976,938	(374,040,379)	1,849,938	(373,923,479)
Proceed from sale of investment		922,500,000	-	922,500,000	-
Temporary investments decrease (increase)		160,000,000	(29,200,000)	-	-
Net Cash used in Investing Activities		(2,098,504,628)	(3,105,929,335)	(2,208,541,218)	(3,042,908,727)
Cash Flows from Financing Activities					
Proceeds from debentures		13,000,000,000	8,000,000,000	13,000,000,000	8,000,000,000
Proceeds from short-term loans		7,000,000,000	13,594,262,000	7,000,000,000	13,594,262,000
Proceeds from long-term loans		2,500,000,000	-	2,500,000,000	-
Proceeds from liabilities under finance leases		1,621,900,832	1,981,651,804	1,621,900,832	1,981,651,804
Cash paid for repayment of short-term loans		(11,328,167,000)	(13,484,245,000)	(11,328,167,000)	(13,484,245,000)
Cash paid for repayment of debentures		(10,250,000,000)	(5,200,000,000)	(10,250,000,000)	(5,200,000,000)
Cash paid for repayment of long-term loans		(4,916,602,710)	(9,053,224,456)	(4,916,602,710)	(9,053,224,456)
Cash paid for liabilities under finance leases		(10,605,563,785)	(10,253,784,601)	(10,605,563,785)	(10,253,784,601)
Cash paid for borrowings interest		(3,837,106,004)	(4,241,116,218)	(3,837,106,004)	(4,241,116,218)
Dividends paid		(169,155)	(80,140)	(169,155)	(80,140)
Dividends paid to non-controlling interests		(30,466,800)	(20,403,000)	-	-
Net Cash used in Financing Activities		(16,846,174,622)	(18,676,939,611)	(16,815,707,822)	(18,656,536,611)
Net increase (decrease) in cash and cash equivalents		(1,545,134,346)	1,908,986,931	(1,515,093,116)	2,148,483,622
Cash and cash equivalents at the beginning of the year		15,229,686,324	13,389,710,774	14,022,787,581	11,925,036,967
		13,684,551,978	15,298,697,705	12,507,694,465	14,073,520,589
Effects of changes in foreign currency exchange rates on cash on hand and at banks increase (decrease)		7,296,746	(69,011,381)	15,666,152	(50,733,008)
Cash and Cash Equivalents at the end of the year	c	13,691,848,724	15,229,686,324	12,523,360,617	14,022,787,581

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

(Mr. Sumeth Damrongchaitam)
President

(Mr. Nattapong Samit-ampaipisarn)
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, 2018

Note to Statements of Cash Flows**A. Tax Refund - Consolidated and the Company's Financial Statements**

	Unit : Million Baht
	<u>2018</u>
Adjustment of tax refund for the year 2017	(0.49)
Adjustment of tax refund for the year 2018	(0.51)
	<u>(1.00)</u>
	<u>2017</u>
Proceed from income tax refund (P.N.D.50) for the year 2015	254.75
Adjustment of tax refund for the year 2016	(1.09)
	<u>253.66</u>

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

During the year 2018, the Company bought property, plant and equipment under finance leases in amount of THB 6,044.37 million, cash payment in amount of THB 3,819.32 million and outstanding balance in amount of THB 257.82 million, total cost amounted to THB 10,121.51 million.

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.

The Company's financial statements

During the year 2018, the Company bought property, plant and equipment under finance leases in amount of THB 6,044.37 million, cash payment in amount of THB 3,802.96 million and outstanding balance in amount of THB 257.82 million, total cost amounted to THB 10,105.15 million.

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.

C. Cash and Cash Equivalents

	Unit : Million Baht			
	<u>Consolidated Financial Statements</u>		<u>The Company's Financial Statements</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Cash and cash equivalents before effects of changes in foreign currency exchange rates	13,684.55	15,298.70	12,507.69	14,073.52
Effects of changes in foreign currency exchange rates	7.30	(69.01)	15.67	(50.73)
Cash and cash equivalents after effects of changes in foreign currency exchange rates	<u>13,691.85</u>	<u>15,229.69</u>	<u>12,523.36</u>	<u>14,022.79</u>

(Mr. Sumeth Damrongchaitam)
 President

(Mr. Nattapong Samit-ampaipisarn)
 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, 2018

NOTES	CONTENTS
1.	General Information
2.	Basis of Financial Statement Preparation
3.	Financial Reporting Standard being Effective in the Future
4.	Summary of Significant Accounting Policies
5.	Corporate Transformation Plans
6.	Supplementary Information
	6.1 Cash and Cash Equivalents
	6.2 Trade Receivables
	6.3 Inventories and Supplies
	6.4 Other Current Assets
	6.5 Non-current assets held for sale
	6.6 Investments
	6.7 Significant Transactions with Related Parties
	6.8 Property, Plant and Equipment
	6.9 The change in estimated residual value of Aircraft and Spare Engines
	6.10 Intangible Assets
	6.11 Deferred Income Tax and Income Tax
	6.12 Other Non-Current Assets
	6.13 Liquidity Management
	6.14 Long-Term Loans
	6.15 Liabilities under Finance Leases
	6.16 Debentures
	6.17 Other Current Liabilities - Others
	6.18 Staff Pension Fund
	6.19 Employee Benefit Obligations
	6.20 Long-Term Provision
	6.21 Dividend Payment
	6.22 Share Capital
	6.23 Legal Reserve
	6.24 Other Income - Others
	6.25 Employee Benefits Expenses
	6.26 Impairment Loss of Aircraft
	6.27 Other Expenses
	6.28 Earnings (Loss) Per Share
	6.29 Investment Promotion
	6.30 Operating Segments
	6.31 Staff Provident Fund
	6.32 Contingent Liabilities
	6.33 Cash Flow Hedge
	6.34 Disclosure of Financial Instruments
	6.35 Contractual Obligations
	6.36 Projections of operating performance
	6.37 Change of the revenue recognition criteria for unused ticket
	6.38 Events after the Reporting Period
	6.39 Approval of Financial Statements

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018, the Company had the routes network servicing to 60 destinations in 31 countries all over the world, whereas 3 destinations were domestic (excluding Bangkok).

2. BASIS OF FINANCIAL STATEMENT PREPARATION

The consolidated and the Company’s 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, which the subsidiaries are as follows:

Company’s Name	Type of Business	Located Country	Percentage of Share Holding	
			2018	2017
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:

- Thai Financial Reporting Standards which are effective for accounting periods beginning on or after January 1, 2019:

TAS 1 (Revised 2018)	Presentation of Financial Statements
TAS 2 (Revised 2018)	Inventories
TAS 7 (Revised 2018)	Statement of Cash Flows
TAS 8 (Revised 2018)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (Revised 2018)	Events after the Reporting Period
TAS 12 (Revised 2018)	Income Taxes
TAS 16 (Revised 2018)	Property, Plant and Equipment
TAS 17 (Revised 2018)	Leases
TAS 19 (Revised 2018)	Employee Benefits
TAS 20 (Revised 2018)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (Revised 2018)	The Effects of Changes in Foreign Exchange Rate
TAS 23 (Revised 2018)	Borrowing Costs
TAS 24 (Revised 2018)	Related Party Disclosures
TAS 26 (Revised 2018)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (Revised 2018)	Separate Financial Statements
TAS 28 (Revised 2018)	Investments in Associates and Joint Ventures
TAS 29 (Revised 2018)	Financial Reporting in Hyperinflationary Economies
TAS 33 (Revised 2018)	Earnings per Share
TAS 34 (Revised 2018)	Interim Financial Reporting
TAS 36 (Revised 2018)	Impairment of Assets
TAS 37 (Revised 2018)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (Revised 2018)	Intangible Assets
TAS 40 (Revised 2018)	Investment Property
TAS 41 (Revised 2018)	Agriculture
TFRS 1	First-time Adoption of International Financial Reporting Standards
TFRS 2 (Revised 2018)	Share-Based Payments
TFRS 3 (Revised 2018)	Business Combinations
TFRS 4 (Revised 2018)	Insurance Contracts

(TRANSLATION)

-11-

TFRS 5 (Revised 2018)	Non - current Assets Held for Sale and Discontinued Operations
TFRS 6 (Revised 2018)	Exploration for and Evaluation of Mineral Resources
TFRS 8 (Revised 2018)	Operating Segments
TFRS 10 (Revised 2018)	Consolidated Financial Statements
TFRS 11 (Revised 2018)	Joint Arrangements
TFRS 12 (Revised 2018)	Disclosure of Interests in Other Entities
TFRS 13 (Revised 2018)	Fair Value Measurement
TFRS 15	Revenue from Contracts with Customers
TSIC 10 (Revised 2018)	Government Assistance – No Specific Relation to Operating Activities
TSIC 15 (Revised 2018)	Operating Leases - Incentives
TSIC 25 (Revised 2018)	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders
TSIC 27 (Revised 2018)	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29 (Revised 2018)	Service Concession Arrangements : Disclosures
TSIC 32 (Revised 2018)	Intangible Assets – Web Site Costs
TFRIC 1 (Revised 2018)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4 (Revised 2018)	Determining whether an Arrangement contains a Lease
TFRIC 5 (Revised 2018)	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7 (Revised 2018)	Applying the Restatement Approach under TAS 29 (Revised 2018) <i>Financial Reporting in Hyperinflationary Economies</i>
TFRIC 10 (Revised 2018)	Interim Financial Reporting and Impairment
TFRIC 12 (Revised 2018)	Service Concession Arrangements
TFRIC 14 (Revised 2018)	TAS 19 (Revised 2018) – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TFRIC 17 (Revised 2018)	Distributions of Non-cash Assets to Owners
TFRIC 20 (Revised 2018)	Stripping Costs in the Production Phase of a Surface Mine
TFRIC 21 (Revised 2018)	Levies
TFRIC 22	Foreign Currency Transactions and Advance Consideration

Most of the revised Thai Financial Reporting Standards will not significantly impact the financial statements when adopted. However, the significant changes in Thai Financial Reporting Standards are summarized as follows:

TFRS 15 Revenue from Contracts with Customers

TFRS 15 will supersede the concerned Thai Accounting Standards, Thai Accounting Standard Interpretations and Thai Financial Reporting Standard Interpretations as follows:

TAS 11 (Revised 2017)	Construction Contracts
TAS 18 (Revised 2017)	Revenue
TSIC 31 (Revised 2017)	Revenue – Barter Transactions Involving Advertising Services
TFRIC 13 (Revised 2017)	Customer Loyalty Programmes
TFRIC 15 (Revised 2017)	Agreements for the Construction of Real Estate
TFRIC 18 (Revised 2017)	Transfers of Assets from Customers

The principles in TFRS 15 establish the five step model framework for revenue recognition. The Company will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

For adoption of TFRS 15, the significant impact are as follow:

1. Revenue recognition of the expected Ticket breakage liability.
2. Revenue recognition of the expected Royal Orchid Plus mileage breakage liability.
3. Define proper fair value, standalone selling price, for loyalty credits in customer loyalty program (Royal Orchid Plus).

• Thai Financial Reporting Standards which are effective for accounting periods beginning on or after January 1, 2020:

TAS 32	Financial Instruments: Presentation
TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments
TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

Financial Instruments in the principles of these Thai Financial Reporting Standards will be classified and measured by fair value or amortized cost. Classification and measurement were considered by types of financial derivative, contractual cash flow characteristics and business model plan. The impairment model based on expected credit loss, hedge accounting concept and presentation and disclosure. When these Thai Financial Reporting Standards become effective, Thai Accounting Standards, Thai Accounting Standard Interpretations and Accounting Guidance which currently effective will be canceled.

Thai Financial Reporting Standards “Financial Instruments” will replace the Thai Accounting Standard No. 101 “Doubtful Accounts and Bad Debts”, Thai Accounting Standard No. 103 “Disclosures in the Financial Statements of Banks and Similar Financial Institutions”, Thai Accounting Standard No. 104 (revised 2016) “Accounting for Troubled Debt Restructuring”, Thai Accounting Standard No. 105 (revised 2016) “Accounting for Investments in Debt and Equity Securities”, Thai Accounting Standard No. 106 “Accounting For Investment Entities”, Thai Accounting Standard No. 107 (revised 2016) “Financial Instruments: Disclosure and Presentation” and Thai Accounting Standard Interpretations No. 9 “Assets Transferred by Debtors for Debt Settlement”.

The impact of these new Thai Financial Reporting Standards on the consolidated and the Company’s financial statements in the period of initial application is being assessed by the management of the Company.

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 (percentage)
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, aircraft fuel expenses, 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 percent 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 percent 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 Company's 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 presented at cost net of a provision for impairment. An impairment loss is recognized in the statement of 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. In 2018, the Company had changed a residual value from 10 percent to 6 percent of cost (Note 6.9 to the Financial Statements).

4.5.1.2 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.

4.5.1.3 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.

4.5.2 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 and other assets are calculated from the difference between the net consideration from aircraft selling and the carrying amount of the aircraft, including D-check and passenger seats and recognized as revenue or expense in the statement of comprehensive income.

4.6 Intangible Assets

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 at cost 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 statement of 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 statement of 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 presented 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 as expenses 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 were previously recognized as revenue after 24 months from the issuing date. In the year 2018, the Company has changed the criteria for revenue recognition from 24 months to 15 months.

4.11.2 Freight revenue is recognized as expense 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 are calculated using the same concept. Air award redemption fair value is calculated from the average net collected fare in each zone divided by the number of miles redeemed for awards in that zone then weighted by each zonal redemption. Other award redemption fair value is calculated from the selling price divided by the average number of miles redeemed for other awards 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 Redemptions with Star Alliance partners involve interline billing arrangements and costs per mile specified in partner redemptions agreements. Revenue is recognized when transportation is provided.

4.11.3.2 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.

4.11.3.3 Unredeemed awards are recognized as revenue after 3 years.

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 statement of comprehensive income.

4.14 Employee Benefit Obligations

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

The Company's obligation concerning post-employment benefits under the defined benefit plans and other long-term benefits are recognized in the financial statements using the Projected Unit Credit Method based on calculations by a qualified actuary. Actuarial gains and losses for the Company's defined benefit plans and other long-term benefits are recognized in the 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 Company's statements of financial position. The Company contributes to the fund on a monthly basis at a rate of 9 percent of salaries for members having not more than 20 years of service and 10 percent for members having more than 20 years of service. Contributions are recognized as expenses of the Company in the statement of comprehensive income.

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, and unused tax losses. The Company recognizes the deferred tax assets when it is probable that taxable profit will be available against which the deferred tax asset can be utilized. The Company reviews the carrying amount of deferred tax assets at the end of each reporting period, and will reduce the carrying amount 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 recognized as interest expenses in the statement of comprehensive income and the principal difference is recognized as gains or losses on foreign currency exchange in the statement of comprehensive income. For the forward foreign exchange contracts, the Company recognizes in its financial statements at maturity. The arising difference will be recognized as gains or losses on foreign currency exchange in the statement of 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 recognized as expenses in the statement of comprehensive income.

4.19 Fair Value Measurements

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 Company and its subsidiaries have measured fair value and disclosed the information relating to fair value measurement by using the market approach to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards, except that the cost approach or income approach is used when there is no active market or a quoted market price is not available.

Fair Value Hierarchy

In applying the aforementioned approaches, the Company and its subsidiaries endeavors to use the most possible relevant observable inputs by determining a fair value hierarchy that categorizes inputs into three levels as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

4.20 Hedge Accounting

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 which separately disclosed in shareholders' equity while the ineffective portion of profit and loss will be acknowledged from foreign exchange rates in the statement of comprehensive income.

The profit or loss incurred from effective portion of cash flow hedges in other components of equity is reclassified to profit or loss in the same period which the hedged forecast cash flow affect profit or loss. The reclassification adjustment will result in an increase or decrease in the revenue from transportation and excess baggage revenue.

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 2018, the Company had implemented the transformation plan aiming at sustainable profit, efficiency and quality of services improvement to increase Customer Satisfaction Index (CSI) and maintaining the international safety standards. There are 5 operating strategies as follows:

1. Strategies for aggressive profit by increasing revenue and cost controlling as well as application of low cost airline's business model.
2. Strategies for development of business unit capability and opportunity to be a growth profit center and improvement of asset management (Asset Lite).
3. Strategies for customer experience development (Engage, Preflight – Inflight – Post Flight) to create impressive and seamless service at each customer contact point to meet requirements of different target groups.
4. Strategies for operating with innovation and Digital Application to increase operational efficiency and enhance business competitive advantage.
5. Strategies for Effective Human Capital Management to improve the organizational structure and culture, leadership, and human resources development to excellence.

According to the above strategies, the Company has continuously plan to reinforce sales efficiency through Web Sales project including revenue generation from business units. Moreover, the Company also emphasized on enhancing cost effectiveness through long term fleet planning and improvement of inflight equipment and entertainment in order to encourage excellent passenger services and seamless integration and collaboration between the Company and Thai Smile Airways Company Limited.

6. SUPPLEMENTARY INFORMATION

6.1 Cash and Cash Equivalents

	Unit : Million Baht			
	<u>Consolidated</u>		<u>The Company's</u>	
	<u>Financial Statements</u>		<u>Financial Statements</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Cash on hand - Domestic	14.54	12.68	12.03	12.04
Cash on hand - Abroad	28.55	24.74	28.55	24.74
Cash at banks - Domestic	6,727.22	4,561.61	5,561.25	3,357.48
Cash at banks - Abroad	<u>6,921.54</u>	<u>10,630.66</u>	<u>6,921.53</u>	<u>10,628.53</u>
Total	<u>13,691.85</u>	<u>15,229.69</u>	<u>12,523.36</u>	<u>14,022.79</u>

6.2 Trade Receivables

	Consolidated		Unit : Million Baht	
	Financial Statements		The Company's	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Aging Periods:				
Not over 6 months	10,017.29	11,493.11	9,333.51	11,349.57
Over 6 months to 1 year	340.47	101.57	340.47	101.57
Over 1 year to 2 years	193.37	138.17	188.35	138.03
Over 2 years	<u>1,063.83</u>	<u>965.57</u>	<u>1,034.25</u>	<u>935.05</u>
	11,614.96	12,698.42	10,896.58	12,524.22
<u>Less</u> Allowance for doubtful accounts	<u>(1,220.89)</u>	<u>(993.47)</u>	<u>(1,190.67)</u>	<u>(963.45)</u>
Trade receivables - net	<u>10,394.07</u>	<u>11,704.95</u>	<u>9,705.91</u>	<u>11,560.77</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

	<u>Consolidated</u>		<u>Unit : Million Baht</u>	
	<u>Financial Statements</u>		<u>The Company's</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Aircraft spare parts	3,430.65	3,279.93	3,430.65	3,279.93
<u>Less</u> Allowance for obsolescence (10 percent of the year-end balance)	(343.06)	(327.99)	(343.06)	(327.99)
Aircraft spare parts - Net	3,087.59	2,951.94	3,087.59	2,951.94
Vehicle spare parts and ground support equipments	348.64	347.99	348.64	347.99
Slow moving aircraft spare parts and spare parts for sale	4,638.97	4,511.94	4,638.97	4,511.94
<u>Less</u> Allowance for obsolescence (33.33 percent of incurred balance during the period)	(4,047.11)	(3,727.48)	(4,047.11)	(3,727.48)
Slow moving aircraft spare parts and spare parts for sale - Net	591.86	784.46	591.86	784.46
Fuel and oil for aircraft	347.98	366.84	347.98	365.74
Goods for sales	270.47	221.00	265.15	216.16
Cabin supplies	233.41	175.33	200.06	154.66
Supplies and other consumables	24.10	23.31	23.78	23.04
Stationery and office supplies	103.49	112.29	97.12	107.49
Inventories and spare parts in transit	17.42	28.50	17.42	28.50
Total inventories and supplies	996.87	927.27	951.51	895.59
<u>Less</u> Adjust for Obsolete and damaged inventories for disposal	(77.94)	(11.81)	(77.94)	(11.81)
Obsolete and damaged inventories for disposal	80.58	29.62	80.58	29.62
<u>Less</u> Allowance for obsolescence (100 percent)	(80.58)	(29.62)	(80.58)	(29.62)
Obsolete and damaged inventories for disposal - Net	-	-	-	-
Total inventories and supplies - Net	4,947.02	4,999.85	4,901.66	4,968.17
Total inventories and supplies at year-end	9,417.77	9,084.94	9,372.41	9,053.26
<u>Less</u> Total allowance for obsolete inventories and supplies	(4,470.75)	(4,085.09)	(4,470.75)	(4,085.09)
Total inventories and supplies – Net	4,947.02	4,999.85	4,901.66	4,968.17

6.4 Other Current Assets

	<u>Consolidated</u>		<u>Unit : Million Baht</u>	
	<u>Financial Statements</u>		<u>The Company's</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Tax refund	1,436.69	952.98	1,436.69	952.98
Cash on hand and at banks of pension fund	3,970.42	3,942.10	3,970.42	3,942.10
Accrued income	1,139.30	1,212.86	2,061.75	1,828.05
Receivables from related parties	2,160.46	1,237.17	9,358.33	7,881.65
Others	3,996.11	4,385.01	3,708.18	3,846.05
Total	12,702.98	11,730.12	20,535.37	18,450.83

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, 2018	-	-	200.81	-	200.81
- Additions	694.30	-	38.91	0.84	734.05
- Disposals	(204.14)	-	(239.72)	(0.84)	(444.70)
As at December 31, 2018	490.16	-	-	-	490.16

As at January 1, 2018, non-current assets held for sale consisted of the Company's domestic and abroad land which had been revalued in 2015 in the amount of THB 200.81 million.

During the year ended December 31, 2018, non-performing assets was reclassified to non-current assets held for sale in the amount of THB 734.05 million consisted of two A330-300, one B737-400 and two B747-400, totaling 5 aircraft in the amount of THB 694.30 million as well as the Company's abroad land in the amount of THB 38.91 million and other assets in the amount of THB 0.84 million.

Moreover, the Company had transferred the title of one B737-400 and one A330-300 in the amount of THB 204.14 million, the Company's domestic and abroad land which had been revalued in 2015 in the amount of THB 239.72 million to the buyer as well as sold out other assets in the amount of THB 0.84 million, which made a grand total of THB 444.70 million.

As at December 31, 2018, non-current assets held for sale consisted of one A330-300 and two B747-400, totaling 3 aircraft in the amount of THB 490.16 million.

6.6 Investments**Consolidated Financial Statements**

Unit : Million Baht

Name of Company	Percentage of Shareholding		Investments				Income on Investments	
			Cost Method		Equity Method		2018	2017
	2018	2017	2018	2017	2018	2017		
6.6.1 Investments in associates recorded by equity method								
Royal Orchid Hotel (Thailand) Public Company	24.00	24.00	225.00	225.00	265.54	278.46	13.52	30.18
<u>Less</u> Sale of total shares	<u>(24.00)</u>	<u>-</u>	<u>(225.00)</u>	<u>-</u>	<u>(265.54)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance	-	24.00	-	225.00	-	278.46	13.52	30.18
(Fair value as at Apr 23, 2018 amount of THB 916.88 million and for the year 2017 amount of THB 838.13 million)								
Donmuang International Airport Hotel Company Limited	40.00	40.00	48.00	48.00	109.76	109.56	24.20	12.94
Bangkok Aviation Fuel Services Public Company Limited (Fair value for the year 2018 amount of THB 3,772.36 million and for the year 2017 amount of THB 5,384.97 million)	22.59	22.59	115.19	115.19	1,250.82	1,181.45	250.79	230.40
Phuket Air Catering Company Limited	30.00	30.00	30.00	30.00	269.16	325.13	19.03	63.93
Suvarnabhumi Airport Hotel Company Limited	30.00	30.00	305.33	305.33	283.42	246.02	37.40	44.93
Nok Airlines Public Company Limited and its subsidiaries (Fair value for the year 2018 amount of THB 1,198.85 million and for the year 2017 amount of THB 1,684.33 million)	21.80	21.80	735.59	735.59	<u>386.55</u>	<u>1,254.33</u>	<u>(867.77)</u>	<u>(978.38)</u>
Total investments recorded by equity method					<u>2,299.71</u>	<u>3,394.95</u>	<u>(522.83)</u>	<u>(596.00)</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
Aeronautical Radio of Thailand Limited	1.36	1.45	8.95	9.54			-	-
SITA Investment Certificate	-	-	25.09	26.22			-	-
Trade Siam Company Limited (paid 25 percent of authorized share capital)	3.50	3.50	1.75	1.75			0.50	0.42
SITA Information Networking Computing	-	-	29.52	29.73			-	-
Other Shares	-	-	2.68	2.74			0.70	1.02
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>69.00</u>	<u>70.99</u>			<u>1.20</u>	<u>1.45</u>

The Board of Directors meeting no. 1/2018 dated January 24, 2018 approved the Company to sell 22.50 million shares of registered capital of Royal Orchid Hotel (Thailand) Public Company Limited., at THB 41.00 per share, totaling to THB 922.50 million. The ROH's share had been completely transferred to Grande Asset Hotels and Property Public Company Limited since April 23, 2018.

The Company's Financial Statements

Unit : Million Baht

Name of Company	Percentage of Shareholding		Investments		Dividend Income	
	2018	2017	Cost Method		2018	2017
			2018	2017		
6.6.1 Investments recorded by cost method						
Subsidiaries						
Thai-Amadeus Southeast Asia Company Limited	55.00	55.00	8.25	8.25	37.12	24.75
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	0.98	-
Thai Smile Airways Company Limited	100.00	100.00	<u>1,800.00</u>	<u>1,800.00</u>	-	-
Total			<u>1,810.21</u>	<u>1,810.21</u>	<u>38.10</u>	<u>24.75</u>
Associates						
Royal Orchid Hotel (Thailand) Public Company Limited	24.00	24.00	225.00	225.00	26.44	20.25
Less Sale of total shares	<u>(24.00)</u>	-	<u>(225.00)</u>	-	-	-
Balance	-	24.00	-	225.00	26.44	20.25
(Fair value as at Apr 23, 2018 amount of THB 916.88 million and for the year 2017 amount of THB 838.13 million)						
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	22.59	22.59	115.19	115.19	181.42	175.66
(Fair value for the year 2018 amount of THB 3,772.36 million and for the year 2017 amount of THB 5,384.97 million)						
Phuket Air Catering Company Limited	30.00	30.00	30.00	30.00	75.00	55.50
Suvarnabhumi Airport Hotel Company Limited	30.00	30.00	305.33	305.33	-	-
Nok Airlines Public Company Limited and its subsidiaries	21.80	21.80	<u>735.59</u>	<u>735.59</u>	-	-
(Fair value for the year 2018 amount of THB 1,198.85 million and for the year 2017 amount of THB 1,684.33 million)						
Total			<u>1,234.11</u>	<u>1,459.11</u>	<u>306.86</u>	<u>275.41</u>
			<u>3,044.32</u>	<u>3,269.32</u>	<u>344.96</u>	<u>300.16</u>

The Company's Financial Statements

Unit : Million Baht

Name of Company	Percentage of Shareholding		Investments		Dividend Income	
	2018	2017	Cost Method		2018	2017
			2018	2017		
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
Aeronautical Radio of Thailand Limited	0.90	0.97	5.97	6.43	-	-
SITA Investment Certificate	-	-	25.09	26.22	-	-
Trade Siam Company Limited (paid 25 percent of authorized share capital)	3.50	3.50	1.75	1.75	0.50	0.42
SITA Information Networking Computing	-	-	29.52	29.73	-	-
Other Shares	-	-	2.68	2.74	0.70	1.02
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>66.02</u>	<u>67.88</u>	<u>1.20</u>	<u>1.45</u>

Control of the Subsidiaries

The Company holds more than 50 percent of total shares of the subsidiaries or has power over the subsidiaries. The Company is entitled to appoint board of directors who have voting rights and ability to direct the relevant activities of the subsidiaries 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>Subsidiaries</u>				
Thai-Amadeus Southeast Asia Company Limited	366.53	87.08	330.37	124.35
WingSpan Services Company Limited	472.61	379.08	1,107.53	(97.67)
Thai Flight Training Company Limited	71.77	6.68	66.10	14.30
Tour Eurng Luang Company Limited	20.48	15.82	2.12	0.46
Thai Smile Airways Company Limited	5,752.08	12,695.57	11,063.50	(2,602.32)

Unit : Million Baht

Name of Company	Assets	Liabilities	Income	Gains (Losses)
<u>Associates</u>				
Royal Orchid Hotel (Thailand) Public Company Limited	1,102.63	235.54	477.51	69.15
Donmuang International Airport Hotel Company Limited	402.04	127.29	407.20	62.17
Bangkok Aviation Fuel Services Public Company Limited	16,290.37	8,437.40	3,806.60	1,110.20
Phuket Air Catering Company Limited	966.81	71.05	459.32	63.44
Suvarnabhumi Airport Hotel Company Limited	1,428.02	476.65	945.95	124.66
Nok Airlines Public Company Limited and its subsidiaries	14,205.58	17,259.82	19,740.23	(3,980.63)

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.

Royal Orchid Hotel (Thailand) Public Company Limited; Asset and Liability are the balance as at June 30, 2018 but Income and Gains are the amount of the six-month period ended June 30, 2018. In the second quarter of the year 2018, the Company sold and transferred total shares to the buyer in the amount of THB 922.50 million and there was gain on sale of investment in the amount of THB 697.50 million (Note to the Financial Statements no. 6.24 other income).

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		
	2018	2017
Foreign loans via the Ministry of Finance	-	4,270.14
Loans via domestic Financial Institutions	<u>1,000.00</u>	-
Total	<u>1,000.00</u>	<u>4,270.14</u>

6.7.1.2 Long-term loans from related party

Unit : Million Baht		
	2018	2017
<u>Current maturities of long-term loans</u>		
Foreign loans via the Ministry of Finance	1,198.64	-
Loans via domestic Financial Institutions	<u>249.45</u>	-
Total	<u>1,448.09</u>	<u>-</u>
<u>Long-term loans</u>		
Foreign loans via the Ministry of Finance	13,173.54	15,102.67
Loans via domestic Financial Institutions	<u>2,464.46</u>	-
Total	<u>15,638.00</u>	<u>15,102.67</u>

Foreign loans via the Ministry of Finance mean the Ministry of Finance entered into loan agreements with foreign entities and lent to the Company in Euro currency.

6.7.2 Related Transactions with Subsidiaries

6.7.2.1 Loans to Subsidiary

Unit : Million Baht		
	2018	2017
WingSpan Services Company Limited	-	<u>45.00</u>
Total	<u>-</u>	<u>45.00</u>

6.7.2.2 Sales and Purchases

Unit : Million Baht

	2018		2017	
	Sales	Purchases	Sales	Purchases
Thai-Amadeus Southeast Asia Company Limited	20.05	-	0.59	-
WingSpan Services Company Limited	7.99	1,113.89	49.63	910.54
Thai Flight Training Company Limited	30.47	0.05	12.75	0.82
Tour Eurng Luang Company Limited	41.86	0.05	59.02	0.09
Thai Smile Airways Company Limited	9,543.60	5,041.45	8,942.06	1,284.51

6.7.2.3 Accounts Receivable and Accounts Payable

Unit : Million Baht

	2018		2017	
	Accounts Receivable	Accounts Payable	Accounts Receivable	Accounts Payable
Thai-Amadeus Southeast Asia Company Limited	5.96	-	0.01	0.16
WingSpan Services Company Limited	284.08	582.61	393.18	427.69
Thai Flight Training Company Limited	4.09	-	0.10	0.18
Tour Eurng Luang Company Limited	7.60	-	0.45	0.004
Thai Smile Airways Company Limited	9,465.45	1,837.38	7,951.12	2,106.47

Related accounts receivable and accounts payable of WingSpan Service Co., Ltd. included prepaid and accrued expenses in the amount of THB 279.86 million and THB 578.02 million, respectively.

Related accounts receivable and accounts payable of Thai Smile Airways Co., Ltd. included accrued income and accrued expenses in the amount of THB 165.42 million and THB 1,433.51 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, 2018, a total of such aircraft were 20 aircraft consisting of 15 aircraft under operating lease agreements with monthly lease payment and 5 aircraft under finance lease agreements with quarterly lease payment. The sublease term shall continue for the entire term of the main lease agreements.

6.7.3 Related Transactions with Associates**6.7.3.1 Sales and Purchases****Unit : Million Baht**

	2018		2017	
	Sales	Purchases	Sales	Purchases
Royal Orchid Hotel (Thailand) Public Company Limited	-	0.33	0.13	2.90
Donmuang International Airport Hotel Company Limited	-	0.02	-	0.04
Bangkok Aviation Fuel Services Public Company Limited	-	354.43	0.08	338.02
Phuket Air Catering Company Limited	1.50	133.28	0.39	79.39
Suvarnabhumi Airport Hotel Company Limited	-	19.65	-	27.15
Nok Airlines Public Company Limited and its subsidiaries	190.18	3.83	142.64	0.06

6.7.3.2 Accounts Receivable and Accounts Payable**Unit : Million Baht**

	2018		2017	
	Accounts Receivable	Accounts Payable	Accounts Receivable	Accounts Payable
Royal Orchid Hotel (Thailand) Public Company Limited	-	-	-	0.04
Donmuang International Airport Hotel Company Limited	-	-	-	-
Bangkok Aviation Fuel Services Public Company Limited	-	-	0.06	-
Phuket Air Catering Company Limited	0.04	2.34	0.03	7.95
Suvarnabhumi Airport Hotel Company Limited	-	1.62	-	0.30
Nok Airlines Public Company Limited and its subsidiaries	56.82	0.24	53.14	-

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

6.8 Property, Plant and Equipment

Consolidated Financial Statements As at December 31, 2018

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, 2018, as previous period	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
Less Adjustment	-	(900.66)	-	-	-	-	-	-	-	-	(900.66)
As at January 1, 2018 - after adjustment	6,123.73	130,581.51	162,019.28	33,222.04	599.09	9,035.06	2,119.19	10,809.16	4,769.11	31,195.61	390,473.78
- Additions	-	658.03	6,902.14	2,508.78	621.31	-	-	-	79.48	658.90	11,428.64
- Adjust/Transfers	(6,123.73)	25,341.05	(22,285.82)	1,356.51	(879.30)	-	-	-	(59.10)	(617.57)	(3,267.96)
- Disposals/Write off	-	(631.32)	(529.63)	(1,170.45)	-	-	-	-	(12.56)	(31.13)	(2,375.09)
As at December 31, 2018	-	155,949.27	146,105.97	35,916.88	341.10	9,035.06	2,119.19	10,809.16	4,776.93	31,205.81	396,259.37
Accumulated depreciation											
As at January 1, 2018, as previous period	-	89,296.63	48,799.44	23,630.04	-	-	2,072.52	6,479.60	4,625.73	28,367.87	203,271.83
Less Adjustment	-	(900.66)	-	-	-	-	-	-	-	-	(900.66)
As at January 1, 2018 - after adjustment	-	88,395.97	48,799.44	23,630.04	-	-	2,072.52	6,479.60	4,625.73	28,367.87	202,371.17
- Depreciation	-	8,070.36	8,205.06	1,407.26	-	-	13.91	229.98	79.50	791.92	18,797.99
- Adjust/Transfers	-	14,167.95	(15,968.90)	(33.05)	-	-	-	-	(58.85)	(617.01)	(2,509.86)
- Disposals/Write off	-	(631.32)	(529.63)	(795.84)	-	-	-	-	(12.56)	(29.27)	(1,998.62)
As at December 31, 2018	-	110,002.96	40,505.97	24,208.41	-	-	2,086.43	6,709.58	4,633.82	28,513.51	216,660.68
Carrying amount											
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
As at December 31, 2018	-	45,946.31	105,600.00	11,708.47	340.10	9,035.06	32.76	4,099.58	143.11	2,692.30	179,598.69

(TRANSLATION)

-31-

**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

(TRANSLATION)

-32-

**The Company's Financial Statements
As at December 31, 2018**

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, 2018, as previous period	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
Less Adjustment	-	(900.66)	-	-	-	-	-	-	-	-	(900.66)
As at January 1, 2018 - after adjustment	6,123.73	130,581.51	162,019.28	33,222.04	587.47	9,035.06	2,119.19	10,809.16	4,742.89	31,100.29	390,340.62
- Adjust/Transfers	-	658.03	6,902.14	2,508.78	619.92	-	-	-	75.72	647.69	11,412.28
- Additions	(6,123.73)	25,341.05	(22,285.82)	1,356.51	(879.31)	-	-	-	(59.10)	(617.57)	(3,267.97)
- Disposals/Write off	-	(631.32)	(529.63)	(1,170.45)	-	-	-	-	(12.56)	(27.79)	(2,371.75)
As at December 31, 2018	-	155,949.27	146,105.97	35,916.88	328.08	9,035.06	2,119.19	10,809.16	4,746.95	31,102.62	396,113.18
Accumulated depreciation											
As at January 1, 2018, as previous period	-	89,296.63	48,799.44	23,630.04	-	-	2,072.52	6,479.60	4,608.81	28,287.16	203,174.20
Less Adjustment	-	(900.66)	-	-	-	-	-	-	-	-	(900.66)
As at January 1, 2018 - after adjustment	-	88,395.97	48,799.44	23,630.04	-	-	2,072.52	6,479.60	4,608.81	28,287.16	202,273.54
- Depreciation	-	8,070.36	8,205.06	1,407.26	-	-	13.91	229.98	73.67	786.05	18,786.29
- Adjust/Transfers	-	14,167.95	(15,968.90)	(33.05)	-	-	-	-	(58.85)	(617.01)	(2,509.86)
- Disposals/Write off	-	(631.32)	(529.63)	(795.84)	-	-	-	-	(12.56)	(25.94)	(1,995.29)
As at December 31, 2018	-	110,002.96	40,505.97	24,208.41	-	-	2,086.43	6,709.58	4,611.07	28,430.26	216,554.68
Carrying amount											
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
As at December 31, 2018	-	45,946.31	105,600.00	11,708.47	328.08	9,035.06	32.76	4,099.58	135.88	2,672.36	179,558.50

**The Company's 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

As at December 31, 2018, there were 103 aircraft represented in the Company's fleet, consisting of 32 own aircraft, 32 aircraft under finance leases and 39 aircraft under operating leases.

34 aircraft 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 4,969.02 million and 32 aircraft under finance leases with carrying amount of THB 105,600.00 million were pledged as collateral for liabilities (Asset-based Financing). The ownership of these aircraft under finance leases 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.

The Company has buildings and equipment that are fully depreciated with historical cost of THB 86,593.31 million, the leasehold buildings in the amount of THB 3,935.16 million included.

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 27, 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. The lease agreement at Donmuang Airport is currently under the negotiation.

The measurement of the Company's domestic and abroad land had been changed from historical cost 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 other non-current assets with the carrying amount of THB 242.83 million. The revaluation was done in September 2015 by the appraiser qualified by the Securities and Exchange Commission, Thailand (SEC).

6.9 The change in estimated residual value of Aircraft and Spare Engines

As at December 31, 2018, the Company reviewed the residual value of aircraft and spare engines in accordance with TAS 16 (revised 2017) "Property, plant and equipment" which the residual value and the useful life of an asset shall be reviewed at least at each financial year-end and, if estimated value differ from previous estimated value, the change shall be accounted for as a change in an accounting estimate.

The Company reviewed the residual value using the information based on historical selling price, aircraft appraisals information by the qualified airline industry appraiser and the development of aviation technology. According to the mentioned information, the Company has changed the estimated residual value of aircraft and spare engines from 10 percent to 6 percent of the initial cost which is comparable to the residual value of the other leading airline in between 5-10 percent.

(TRANSLATION)

-35-

Due to the change of accounting estimate for the residual value of aircraft and spare engines, the depreciation expense of aircraft and spare engines in 2018 increased by approximately THB 3,129.09 million.

6.10 Intangible Assets

	Unit : Million Baht	
	Consolidated Financial Statements	The Company's Financial Statements
Cost		
As at January 1, 2018	3,544.95	3,506.27
- Adjust/Transfers	(1.75)	(1.75)
- Additions	51.21	50.10
- Disposals/Write off	(56.47)	(56.47)
As at December 31, 2018	3,537.94	3,498.15
Accumulated amortization		
As at January 1, 2018	3,112.45	3,087.60
- Amortization	247.37	239.97
- Adjust/Transfers	(1.75)	(1.75)
- Disposals/Write off	(56.48)	(56.48)
As at December 31, 2018	3,301.59	3,269.34
Carrying amount		
As at December 31, 2017	432.50	418.67
As at December 31, 2018	236.35	228.81

6.11 Deferred Income Tax and Income Tax

6.11.1 Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities arising from the temporary differences between the carrying amount and tax base of assets and liabilities in the statements of financial position as well as the tax loss carryforward measured by tax rate at 20 percent are as follows:

	Unit : Million Baht			
	Consolidated Financial Statements		The Company's Financial Statements	
	2018	2017	2018	2017
Deferred Tax Assets	<u>10,650.72</u>	<u>10,679.23</u>	<u>10,632.99</u>	<u>10,663.25</u>
Deferred Tax Liabilities	<u>1,703.58</u>	<u>1,791.35</u>	<u>1,703.58</u>	<u>1,791.35</u>

(TRANSLATION)

-36-

Movement in deferred tax assets and liabilities during the year are as follows:

Unit : Million Baht

	Consolidated Financial Statements				
	Balance as at January 1, 2018	Items recognized in Profit or Loss	Items recognized in Other Comprehensive Income	As at December 31, 2018	
				Deferred Tax Assets	Deferred Tax Liabilities
Contribution to staff provident fund	41.95	(3.07)	-	38.88	-
Contribution to staff pension fund	173.20	(5.76)	-	167.44	-
Allowance for obsolete inventories	817.02	77.13	-	894.15	-
Allowance for doubtful accounts	268.23	29.16	-	297.39	-
Allowance for impairment of assets	4,607.25	(1,927.89)	-	2,679.36	-
Estimated accrual expenses	2,047.84	(1,892.36)	-	155.48	-
Intangible assets	7.70	(1.54)	-	6.16	-
Provisions for employee benefit obligations	2,518.88	(629.85)	53.43	1,942.46	-
Effective portion of changes in fair value of cash flow hedges	195.45	-	(64.21)	131.24	-
Tax losses carryforward	-	4,336.06	-	4,336.06	-
Others	1.71	0.39	* -	2.10	-
	<u>10,679.23</u>	<u>(17.73)</u>	<u>(10.78)</u>	<u>10,650.72</u>	<u>-</u>
Intangible assets	74.30	(44.90)	-	-	29.40
Revaluation surplus	<u>1,717.05</u>	<u>(42.87)</u>	<u>-</u>	<u>-</u>	<u>1,674.18</u>
Total	<u>1,791.35</u>	<u>(87.77)</u>	<u>-</u>	<u>-</u>	<u>1,703.58</u>

*In 2018, Deferred tax asset was recognized in other item of the Consolidated financial statements for an increase of THB 80.00.

(TRANSLATION)

-37-

Unit : Million Baht

	Consolidated Financial Statements				
	Balance as at January 1, 2017	Items recognized in Profit or Loss	Items recognized in Other Comprehensive Income	As at December 31, 2017	
				Deferred Tax Assets	Deferred Tax Liabilities
Contribution to staff provident fund	44.71	(2.76)	-	41.95	-
Contribution to staff pension fund	167.98	5.22	-	173.20	-
Allowance for obsolete inventories	751.49	65.53	-	817.02	-
Allowance for doubtful accounts	279.21	(10.98)	-	268.23	-
Allowance for impairment of assets	4,316.20	291.05	-	4,607.25	-
Estimated accrual expenses	1,723.87	323.97	-	2,047.84	-
Intangible assets	19.92	(12.22)	-	7.70	-
Provisions for employee benefit obligations	2,384.01	134.84	0.03	2,518.88	-
Effective portion of changes in fair value of cash flow hedges	325.97	-	(130.52)	195.45	-
Others	<u>1.59</u>	<u>0.10</u>	<u>0.02</u>	<u>1.71</u>	<u>-</u>
	<u>10,014.95</u>	<u>794.75</u>	<u>(130.47)</u>	<u>10,679.23</u>	<u>-</u>
Intangible assets	127.23	(52.93)	-	-	74.30
Revaluation surplus	<u>1,727.01</u>	<u>(9.96)</u>	<u>-</u>	<u>-</u>	<u>1,717.05</u>
Total	<u>1,854.24</u>	<u>(62.89)</u>	<u>-</u>	<u>-</u>	<u>1,791.35</u>

Unit : Million Baht

	The Company's Financial Statements				
	Balance as at January 1, 2018	Items recognized in Profit or Loss	Items recognized in Other Comprehensive Income	As at December 31, 2018	
				Deferred Tax Assets	Deferred Tax Liabilities
Contribution to staff provident fund	41.95	(3.07)	-	38.88	-
Contribution to staff pension fund	173.20	(5.76)	-	167.44	-
Allowance for obsolete inventories	817.02	77.13	-	894.15	-
Allowance for doubtful accounts	264.01	29.11	-	293.12	-
Allowance for impairment of assets	4,607.25	(1,927.89)	-	2,679.36	-
Estimated accrual expenses	2,042.00	(1,892.36)	-	149.64	-
Intangible assets	7.70	(1.54)	-	6.16	-
Provisions for employee benefit obligations	2,514.67	(631.16)	53.43	1,936.94	-
Effective portion of changes in fair value of cash flow hedges	195.45	-	(64.21)	131.24	-
Tax losses carryforward	-	4,336.06	-	4,336.06	-
Others	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>10,663.25</u>	<u>(19.48)</u>	<u>(10.78)</u>	<u>10,632.99</u>	<u>-</u>
Intangible assets	74.30	(44.90)	-	-	29.40
Revaluation surplus	<u>1,717.05</u>	<u>(42.87)</u>	<u>-</u>	<u>-</u>	<u>1,674.18</u>
Total	<u>1,791.35</u>	<u>(87.77)</u>	<u>-</u>	<u>-</u>	<u>1,703.58</u>

(TRANSLATION)

-38-

Unit : Million Baht

	The Company's Financial Statements				
	Balance as at January 1, 2017	Items recognized in Profit or Loss	Items recognized in Other Comprehensive Income	As at December 31, 2017	
				Deferred Tax Assets	Deferred Tax Liabilities
Contribution to staff provident fund	44.71	(2.76)	-	41.95	-
Contribution to staff pension fund	167.98	5.22	-	173.20	-
Allowance for obsolete inventories	751.49	65.53	-	817.02	-
Allowance for doubtful accounts	274.98	(10.97)	-	264.01	-
Allowance for impairment of assets	4,316.20	291.05	-	4,607.25	-
Estimated accrual expenses	1,718.03	323.97	-	2,042.00	-
Intangible assets	19.92	(12.22)	-	7.70	-
Provisions for employee benefit obligations	2,380.77	133.90	-	2,514.67	-
Effective portion of changes in fair value of cash flow hedges	325.97	-	(130.52)	195.45	-
Others	-	-	-	-	-
	<u>10,000.05</u>	<u>793.72</u>	<u>(130.52)</u>	<u>10,663.25</u>	<u>-</u>
Intangible assets	127.23	(52.93)	-	-	74.30
Revaluation surplus	<u>1,727.01</u>	<u>(9.96)</u>	-	-	<u>1,717.05</u>
Total	<u>1,854.24</u>	<u>(62.89)</u>	<u>-</u>	<u>-</u>	<u>1,791.35</u>

6.11.2 Income Tax Expense (Revenue) for the year ended December 31, 2018 consisted of:

Unit : Million Baht

	<u>Consolidated</u> <u>Financial Statements</u>		<u>The Company's</u> <u>Financial Statements</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Income tax expense (revenue) from taxable profit for the period	33.31	34.74	-	9.92
<u>Add</u> (less): deferred tax assets/liabilities from temporary differences increase/decrease	<u>(70.04)</u>	<u>(857.64)</u>	<u>(68.29)</u>	<u>(856.61)</u>
Total	<u>(36.73)</u>	<u>(822.90)</u>	<u>(68.29)</u>	<u>(846.69)</u>

(TRANSLATION)

-39-

6.12 Other Non-Current Assets

	<u>Consolidated</u>		<u>Unit : Million Baht</u>	
	<u>Financial Statements</u>	<u>Financial Statements</u>	<u>The Company's</u>	<u>Financial Statements</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Deferred charges	2,230.00	2,569.35	2,141.11	2,451.01
Deferred buyer furnished equipment for aircraft under operating lease	4,539.04	4,140.17	4,539.04	4,140.17
Maintenance reserves	13,538.58	10,388.15	13,552.03	10,373.86
Non-performing assets	4,891.45	8,626.03	4,891.45	8,626.03
Others	<u>1,119.63</u>	<u>855.01</u>	<u>1,061.57</u>	<u>811.26</u>
Total	<u>26,318.70</u>	<u>26,578.71</u>	<u>26,185.20</u>	<u>26,402.33</u>

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

Non-performing assets consisted of:

	<u>Unit : Million Baht</u>				
	<u>Aircraft</u>	<u>Engines</u>	<u>Land Revalued in year 2015</u>	<u>Other assets</u>	<u>Total</u>
As at January 1, 2018	7,697.86	584.58	281.74	61.85	8,626.03
- Additions	148.65	-	-	0.79	149.44
- Impairment	(3,064.02)	(85.95)	-	-	(3,149.97)
- Adjust/Transfers	(694.30)	-	(38.91)	(0.84)	(734.05)
As at December 31, 2018	4,088.19	498.63	242.83	61.80	4,891.45

As at December 31, 2018, total non-performing assets in amount of THB 4,891.45 million consisted of 18 aircraft in amount of THB 4,088.19 million (one A300-600, four A330-300, three A340-500, six A340-600 and four B737-400), spare engines in amount of THB 498.63 million, the Company's domestic and abroad land which had been revalued in 2015 in amount of THB 242.83 million, and other assets in amount of THB 61.80 million which mostly were spare parts of decommissioned aircraft.

6.13 Liquidity Management

In the year 2018, the Company acquired financing through short-term and long-term loans as follows:

1. Acquired long-term loans from related parties, for engines purchase.
2. Acquired long-term financing through finance lease for aircraft by using these aircraft as collateral.
3. Issued THB 6,000 million and THB 7,000 million debentures in February 2018 and August 2018, respectively, to repay the matured debentures, and/or use as investment in assets and the Company's working capital.
4. Acquired revolving credit line from local financial institutions to redeem the matured debentures.

Furthermore, the Company has been approved of committed credit line from financial institutions in the amount of THB 3,000 million for 3 years and THB 2,000 million for 1 year for using as working capital to support the Company's business. Moreover, the Company's expiring credit line of THB 8,000 million has also been extended.

From the above mentioned information and forecasted cash flow for the year 2019, it is found that the Company's liquidity is at the sufficient level for the Company's operation, provided that the Company would not affected by external uncontrollable factors.

6.14 Long-Term Loans Consolidated and the Company's financial statements

<u>Currency</u>	<u>Loan Currency</u>		<u>Baht Equivalent (Million)</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
EUR	383,376,783	405,975,653	14,372.18	15,992.92
JPY	2,404,029,808	3,244,029,808	713.91	952.54
THB	9,358,461,551	10,534,736,842	<u>9,358.46</u>	<u>10,534.74</u>
Total long-term loans			24,444.55	27,480.20
<u>Less Current portion of long-term loans</u>			<u>4,633.18</u>	<u>4,813.18</u>
Net long-term loans			<u>19,811.37</u>	<u>22,667.02</u>

(TRANSLATION)

-41-

As at December 31, 2018, 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 14,372.18 million, loan in JPY currency from Export-Import Bank of Thailand in the amount of THB 713.91 million and domestic loans from the commercial banks in the amount of THB 9,358.46 million. The total long-term loans amounted to THB 24,444.55 million had been transferred to a current portion of long-term loans in the amount of THB 4,633.18 million, the outstanding balance of long-term loans amounted to THB 19,811.37 million.

Current portion of long-term loans in the amount of THB 4,633.18 million consisted of long-term loans from the financial institutions and related party in the amount of THB 3,185.09 million and THB 1,448.09 million, respectively.

The outstanding balance of long-term loans in the amount of THB 19,811.37 million consisted of long-term loans from financial institutions and related party in the amount of THB 4,173.37 million and THB 15,638.00 million, respectively.

6.15 Liabilities under Finance Leases Consolidated and the Company's financial statements

Unit : Million Baht

Liabilities under Finance Leases	2018		2017	
	Carrying Value	Present Value	Carrying Value	Present Value
Within 1 year	8,699.91	8,200.50	9,762.01	9,211.18
More than 1 year – 5 years	30,117.04	24,571.82	29,669.03	24,374.47
More than 5 years	<u>20,165.06</u>	<u>12,973.04</u>	<u>23,085.69</u>	<u>14,961.20</u>
Total	<u>58,982.01</u>	<u>45,745.36</u>	<u>62,516.73</u>	<u>48,546.85</u>

The Company contracted aircraft lease agreement equipped with purchase options with 20 foreign and domestic financial institutions, which presented the value regarding to the accounting policy described in Note 4.10. For the year 2018, the outstanding balance of obligations under finance leases for 32 aircraft was THB 65,682.69 million with maturities ranging from the year 2019 to 2030. After deducting interest expense due in the amount of THB 6,700.68 million, the principal balance of obligations under the Company's finance leases was THB 58,982.01 million. As at December 31, 2018, the amount of THB 8,699.91 million had been transferred to a current portion of finance lease, the outstanding balance of long-term liabilities under finance lease amounted to THB 50,282.10 million.

6.16 Debentures

Unit : Million Baht

Issuing								Redemption					Balance as at December 31, 2018		
Resolutions of Shareholders' Meeting /No./Date	Amount Issued	Time Issued	Year Issued	Due Date	Age (Year)	Interest Rate Paid Every 6 Months (Percentage)	Amount	2018	2019	2020	2021	2022			
Ordinary /2005 December 23, 2005	60,000	1 (Tranche4)	2009	January 20, 2019	10	6.00	3,600.00						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	May 13						-	
							833.00								
		1 (Tranche2)	2011	May 13, 2021	10	Year 1-4 4.25% Year 5-8 4.75% Year 9-10 5.35%	833.00	May 13						833.00	
		1 (Tranche4)	2011	May 13, 2018	7	4.36	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								
							3,000.00								2,000.00
		2	2012	March 23, 2024	12	4.98	1,500.00								
							1,500.00								1,500.00
		3 (Tranche2)	2012	October 11, 2019	7	4.70	1,500.00								
		3 (Tranche3)	2012	October 11, 2022	10	4.90	1,500.00								1,500.00
							3,000.00								
During the year 2013 May 16, 2013		1	2013	May 16, 2018	5	4.18	5,000.00	May 16						-	
							5,000.00								

(TRANSLATION)

-43-

Unit : Million Baht

Issuing								Redemption					Balance as at December 31, 2018		
Resolutions of Shareholders' Meeting /No./Date	Amount Issued	Time Issued	Year Issued	Due Date	Age (Year)	Interest Rate Paid Every 6 Months (Percentage)	Amount	2018	2019	2020	2021	2022			
August 30, 2013	7,000	2													
		2 (Tranche 1)	2013	August 30, 2018	5	4.58	1,250.00	Aug 30						-	
		2 (Tranche 2)	2013	August 30, 2020	7	4.88	1,250.00								1,250.00
		2 (Tranche 3)	2013	August 30, 2023	10	5.16	1,500.00								1,500.00
							4,000.00								
During the year 2014 NO. 1/2014 February 07, 2014			Tranche 1	2014	February 07, 2019	5	4.71	1,200.00						1,200.00	
			Tranche 2	2014	February 07, 2021	7	5.14	1,000.00						1,000.00	
			Tranche 3	2014	February 07, 2024	10	5.58	1,000.00						1,000.00	
							3,200.00								
NO. 2/2014 December 26, 2014			Tranche 1	2014	December 26, 2019	5	4.46	1,230.00						1,230.00	
			Tranche 2	2014	December 26, 2021	7	4.76	1,340.00						1,340.00	
			Tranche 3	2014	December 26, 2024	10	4.98	1,430.00						1,430.00	
							4,000.00								
During the year 2015 NO. 1/2015 April 30, 2015			Tranche 2	2015	April 30, 2020	5	4.32	1,500.00						1,500.00	
			Tranche 3	2015	April 30, 2022	7	4.62	2,000.00						2,000.00	
		Tranche 4	2015	April 30, 2025	10	4.92	2,300.00						2,300.00		
						5,800.00									

(TRANSLATION)

-44-

Unit : Million Baht

Issuing								Redemption					Balance as at December 31, 2018
Resolutions of Shareholders' Meeting /No./Date	Amount Issued	Time Issued	Year Issued	Due Date	Age (Year)	Interest Rate Paid Every 6 Months (Percentage)	Amount	2018	2019	2020	2021	2022	
NO. 2/2015 September 30, 2015	8,000	Tranche 1	2015	September 30, 2018	3	3.46	1,000.00	Sep 30					-
		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						

(TRANSLATION)

-45-

Unit : Million Baht

Issuing								Redemption					Balance as at December 31, 2018
Resolutions of Shareholders' Meeting /No./Date	Amount Issued	Time Issued	Year Issued	Due Date	Age (Year)	Interest Rate Paid Every 6 Months (Percentage)	Amount	2018	2019	2020	2021	2022	
During the year 2018 NO. 1/2018 February 28, 2018	6,000	Tranche 1	2018	February 28, 2023	5	2.74	1,200.00						1,200.00
		Tranche 2	2018	February 28, 2025	7	3.19	1,000.00						1,000.00
		Tranche 3	2018	February 28, 2028	10	3.76	2,400.00						2,400.00
		Tranche 4	2018	February 28, 2033	15	4.18	1,400.00						1,400.00
							6,000.00						
NO. 2/2018 August 16, 2018	7,000	Tranche 1	2018	August 16, 2019	1	2.25	500.00						500.00
		Tranche 2	2018	August 16, 2020	2	2.47	800.00						800.00
		Tranche 3	2018	August 16, 2021	3	2.70	500.00						500.00
		Tranche 4	2018	August 16, 2023	5	3.23	500.00						500.00
		Tranche 5	2018	August 16, 2028	10	4.04	2,200.00						2,200.00
		Tranche 6	2018	August 16, 2030	12	4.42	1,200.00						1,200.00
		Tranche 7	2018	August 16, 2033	15	4.62	1,300.00						1,300.00
							7,000.00						
Total													64,850.00

As at December 31, 2018, the balance of debentures was THB 64,850.00 million, which the amount of THB 9,530.00 million was transferred to be a current portion of long-term liabilities, leaving the balance of long-term liabilities amount of THB 55,320.00 million.

The Company has registered these debentures with the Thai Bond Market Association (Thai BMA) in the Bond Electronic Exchange of the Stock Exchange of Thailand, except for the issuance of debentures No. 1/2009 which were offered to specific investors (not more than 10 investors).

6.17 Other Current Liabilities - Others

	<u>Consolidated</u>		<u>Unit : Million Baht</u>	
	<u>Financial Statements</u>		<u>The Company's</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Airport fees payable	5,508.54	5,402.25	5,508.54	5,402.25
Deferred revenue	4.42	4.41	4.13	4.14
Tax payables	594.00	551.04	593.42	549.03
Fringe benefits payable (field office staff)	570.09	569.16	570.09	569.16
Deposit received	888.76	950.23	878.27	941.69
Employee payable	3.03	7.16	3.03	7.16
Revenue received in advance	341.59	-	341.59	-
Deferred assets payable	86.87	-	86.87	-
Other payables	<u>1,053.57</u>	<u>141.01</u>	<u>2,298.05</u>	<u>1,691.58</u>
Total	<u>9,050.87</u>	<u>7,625.26</u>	<u>10,283.99</u>	<u>9,165.01</u>

6.18 Staff Pension Fund

The Company has established a staff pension fund, contributing to the fund on a monthly basis at a rate of 10 percent 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:

	<u>Unit : Million Baht</u>	
	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	3,970.42	3,942.10
Others	<u>24.26</u>	<u>22.70</u>
Total	<u>3,994.68</u>	<u>3,964.80</u>
Other current liabilities	169.69	173.70
Pension fund	<u>3,824.99</u>	<u>3,791.10</u>
Total	<u>3,994.68</u>	<u>3,964.80</u>

As at December 31, 2018, the fund balance was THB 3,824.99 million and was equal to the Company's obligation to its staff under the fund. (The total Company contribution to the fund in this accounting period was THB 153.83 million, which came from the Company's contributions to the fund in the amount of THB 157.07 million deducted by the surplus of available fund against its obligation in the amount of THB 3.24 million.)

(TRANSLATION)

-47-

6.19 Employee Benefit Obligations The Company's financial statements

Employee benefit obligations are classified into 5 projects as follows:

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

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

6.19.3 Encashment of Unutilized Holiday Leaves is paid to the retired and early retired employees who have outstanding holiday leaves in each year, which can be accumulated not more than 3 consecutive years.

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

6.19.5 Post-Retirement Long Service Awards (Air ticket) is provided to the employees who have been working with the Company for 15 years, rewarded 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 benefit obligations

	<u>Consolidated</u>		<u>Unit : Million Baht</u>	
	<u>Financial Statements</u>	<u>Financial Statements</u>	<u>The Company's</u>	<u>Financial Statements</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Beginning Balance - Employee benefit obligations	12,594.37	11,920.07	12,573.33	11,903.86
Employee benefit obligations adjustments	133.14	-	133.14	-
Current service cost	556.06	520.04	496.38	515.76
Interest cost	397.68	379.05	396.24	378.66
Benefits paid	(372.98)	(224.95)	(372.98)	(224.95)
Actuarial losses	<u>267.15</u>	<u>0.16</u>	<u>267.15</u>	<u>-</u>
Ending Balance - Employee benefit obligations	<u>13,575.42</u>	<u>12,594.37</u>	<u>13,493.26</u>	<u>12,573.33</u>

(TRANSLATION)

-48-

Principal actuarial assumptions:

	<u>2018</u>	<u>2017</u>
Discount rate	2.75% - 3.50%	3.2%
Price inflation	1.75%	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	TMO17

Sensitivity analysis:

The actuarial assumptions of the employee benefit obligations 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.

The effect of assumption changes to Present Value of the Employee benefit obligations as at December 31, 2018 are as follows:

	Unit : Million Baht	
	Changes in present value of employee benefit obligations	
	<u>Increase in assumption 1 percent</u>	<u>Decrease in assumption 1 percent</u>
Discount rate	(1,423.98)	1,748.78
Average salary increase rates	1,030.19	(903.28)
Medical cost inflation	746.00	(568.91)

On December 13, 2018, National Legislative Assembly (NLA) approved Labor Protection Act that will effective 30 days after it is published in Royal Thai Government Gazette. It is stipulated the employer shall pay the compensation to the employee who is terminated if the employee has worked for consecutive period of 20 years. The employee shall be entitled to receive the compensation of not less than the rate of wages for the last of 400 days. This shall not have an effect to the Company because the Company must comply with the State Enterprise Labor Relations Act. The new Labor Protection Act will be applicable to the subsidiaries but does not have a significant effect to the consolidated financial statements.

(TRANSLATION)

-49-

6.20 Long-Term Provision

	<u>Consolidated</u>		<u>Unit : Million Baht</u>	
	<u>Financial Statements</u>	<u>Financial Statements</u>	<u>The Company's</u>	<u>Financial Statements</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Long-term provision at the beginning balance	10,310.08	7,365.83	9,318.99	7,034.08
Long-term provision for the period	<u>4,398.01</u>	<u>2,944.25</u>	<u>3,774.94</u>	<u>2,284.91</u>
Long-term provision at the ending balance	<u>14,708.09</u>	<u>10,310.08</u>	<u>13,093.93</u>	<u>9,318.99</u>

Long-term provision as at December 31, 2018 (The Company's financial statements) consisted of:

6.20.1 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 3.19 million. At present, the case is under the Supreme Court's consideration.

6.20.2 The Company recognized long term provision for future repair and maintenance cost of aircraft as of December 31, 2018 in the amount of THB 13,090.74 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 5,750.96 million, engine restoration costs of THB 7,198.09 million (engines under operating leases of THB 4,941.23 million and under finance leases of THB 2,256.86 million) and return conditions cost of THB 141.69 million.

6.21 Dividend Payment

According to the Resolution of the 2018 Annual General Shareholders' Meeting held on April 26, 2018 approved the Company to abstain from dividend payment for 2017 operating result.

6.22 Share Capital

As at December 31, 2018, 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.

6.23 Legal Reserve

As at December 31, 2018, the Company's legal reserve balance was THB 2,691.28 million.

(TRANSLATION)

-50-

6.24 Other Income - Others

	Unit : Million Baht			
	Consolidated Financial Statements		The Company's Financial Statements	
	2018	2017	2018	2017
Gains on sale of assets	786.59	-	786.57	-
Dividends from subsidiary, associated and other companies	1.20	1.45	346.16	301.61
Revenue from other services of Aircraft Maintenance Department	566.22	705.73	566.22	705.73
Compensation revenue from the delay delivery of aircraft	133.24	446.56	133.24	446.56
Other fine revenue	393.06	199.64	393.06	199.64
Insurance compensation from the flood disaster	-	101.56	-	101.56
Revenue from Royal Orchid Lounge service	116.80	102.33	116.80	102.33
Revenue from service to Thai Smile Airways	-	-	53.78	66.74
Revenue from management services at Suvarnabhumi Airport	67.36	68.74	67.36	68.74
Revenue from services to Other Air Carriers passenger at Suvarnabhumi Airport	106.73	78.31	106.73	78.31
Revenue from in-flight internet service	16.61	9.16	16.61	9.16
Gain on sale of investment	656.96	-	697.50	-
Insurance compensation from asset and personal claim	263.46	1.62	263.46	1.62
Others	426.35	373.37	426.47	309.53
Total	3,534.58	2,088.47	3,973.96	2,391.53

6.25 Employee Benefits Expenses

	Unit : Million Baht			
	Consolidated Financial Statements		The Company's Financial Statements	
	2018	2017	2018	2017
Personnel expenses	30,073.47	28,932.51	29,228.68	28,370.61
Employee benefits	713.90	674.13	652.78	669.48
Executive remuneration	68.36	76.75	61.07	70.22
Board of directors remuneration	18.88	18.91	15.67	15.97
Total	30,874.61	29,702.30	29,958.20	29,126.28

(TRANSLATION)

-51-

According to Securities and Exchange Mandate, executives refer to the Company's chief executive, persons in the next four executive levels below the chief executive, and in similar position, including accounting or finance department managers or above.

6.26 Impairment Loss of Aircraft

Unit : Million Baht

	2018		2017	
	Number	Amount	Number	Amount
Aircraft	19	3,064.02	16	2,514.02
Spare Engines	10	85.95	5	207.32
Total		3,149.97		2,721.34

The impairment losses of aircraft and spare engines presented in the statements of comprehensive income for the year ended December 31, 2018 in the amount of THB 3,149.97 million, which consist of one A300-600, three A330-300, three A340-500, six A340-600, four B737-400 and two B747-400, totaling 19 aircraft in an aggregate of THB 3,064.02 million as well as two TRENT 556, two CFM56-3C1, four PW4158 and two CF6-80C2A5, totaling 10 spare engines in an aggregate of THB 85.95 million.

(TRANSLATION)

-52-

6.27 Other Expenses

	Unit : Million Baht			
	Consolidated Financial Statements		The Company's Financial Statements	
	2018	2017	2018	2017
Rentals and utilities	2,511.05	2,685.73	2,511.05	2,685.73
Office supplies	155.16	173.51	155.16	173.51
Repair of building and equipment	689.49	656.16	689.49	656.16
Outsource services	2,020.61	1,969.31	2,020.61	1,969.31
Consultant and service fees	636.39	533.78	636.39	533.78
Legal fee for Antitrust/ Competition Law	38.65	27.95	38.65	27.95
Computer service expenses	674.99	645.61	674.99	645.61
Rental of communication devices and office equipment	230.97	228.53	230.97	228.53
Travelling and transportation expenses	567.23	593.82	567.23	593.82
Concession fees	419.51	389.54	419.51	389.54
Passenger claim expenses	342.16	365.96	342.16	365.96
Obsolete inventories and supplies expenses	403.47	327.64	403.47	327.64
Service cargo expenses	222.64	192.80	222.64	192.80
Joint venture expenses in Star Alliance	53.83	56.32	53.83	56.32
Company business and municipal taxes	244.27	351.26	244.27	351.26
Bad debts and provision for bad debts	176.39	0.06	176.19	0.37
Service fee for IT Hosting system	79.62	87.41	79.62	87.41
Fine and interest expenses	33.47	(97.10)	33.47	(97.10)
Fund of Empowerment of person with disabilities	21.56	157.64	21.56	157.64
Ground, Sea and Air transportation expenses	132.15	109.66	132.15	109.66
Loss on sale of assets	-	122.01	-	111.58
Others	589.59	641.77	166.26	492.17
Total	10,243.20	10,219.37	9,819.67	10,059.65

6.28 Earnings (Loss) Per Share

Basic earnings (loss) 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		The Company's Financial Statements	
	2018	2017	2018	2017
Profit (loss) attributable to owners of the parent	(11,625.17)	(2,107.35)	(8,064.27)	328.52
Number of issued ordinary shares as at January 1 st	2,182.77	2,182.77	2,182.77	2,182.77
Number of weighted average ordinary shares	2,182.77	2,182.77	2,182.77	2,182.77
Basic earnings (loss) per share (THB)	(5.33)	(0.97)	(3.69)	0.15

6.29 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
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, 2018 and 2017 are as follows:

	Unit : Million Baht	
	The Company's Financial Statements	
	2018	2017
Revenue from sales or services		
Promoted activities	110,196.49	100,321.41
Non-promoted activities	77,720.24	82,157.52
Total revenue from sales or services	187,916.73	182,478.93

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.

(TRANSLATION)

-55-

6.30.1 Financial Information by Segment

Consolidated financial statements
Statements of Profit or Loss
For the year ended December 31, 2018

	Unit : Million Baht							
	<u>Air Transportation</u>		<u>Business Units</u>		<u>Other Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
External Revenue	182,595.58	177,746.31	10,639.52	9,834.71	2,730.04	2,275.96	195,965.14	189,856.98
Inter - segment revenue (expenses)	(14,441.58)	(14,612.51)	9,940.86	9,854.59	4,500.72	4,757.92	-	-
Interest income	170.08	159.00	-	-	5.29	11.43	175.37	170.43
Gain (loss) on foreign currency exchange	890.34	(1,406.40)	-	-	20.51	(174.85)	910.85	(1,581.25)
Other income	<u>3,362.28</u>	<u>2,041.68</u>	<u>110.43</u>	<u>44.32</u>	<u>61.87</u>	<u>2.47</u>	<u>3,534.58</u>	<u>2,088.47</u>
Total Revenue	<u>172,576.70</u>	<u>163,928.08</u>	<u>20,690.81</u>	<u>19,733.62</u>	<u>7,318.43</u>	<u>6,872.93</u>	<u>200,585.94</u>	<u>190,534.63</u>
Aircraft fuel expenses	(56,261.52)	(47,191.23)	-	-	(3,834.16)	(3,023.44)	(60,095.68)	(50,214.67)
Employee benefits expenses	(17,551.61)	(17,039.68)	(7,340.17)	(7,137.68)	(5,982.83)	(5,524.94)	(30,874.61)	(29,702.30)
Flight service expenses	(20,841.71)	(21,249.76)	(45.99)	(48.91)	(1,277.15)	(1,054.76)	(22,164.85)	(22,353.43)
Depreciation and amortization expenses	(17,724.36)	(15,621.14)	(379.43)	(441.49)	(941.57)	(958.84)	(19,045.36)	(17,021.47)
Impairment loss of assets and aircraft	(3,458.98)	(3,191.31)	-	-	-	-	(3,458.98)	(3,191.31)
Other expenses	(58,607.47)	(54,058.98)	(7,420.53)	(7,177.33)	(5,494.03)	(4,830.83)	(71,522.03)	(66,067.14)
Finance costs	(4,507.46)	(4,717.22)	-	-	-	-	(4,507.46)	(4,717.22)
Share of loss on investment in associates	<u>(522.83)</u>	<u>(162.04)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(522.83)</u>	<u>(162.04)</u>
Total Expenses	<u>(179,475.94)</u>	<u>(163,231.36)</u>	<u>(15,186.12)</u>	<u>(14,805.41)</u>	<u>(17,529.74)</u>	<u>(15,392.81)</u>	<u>(212,191.80)</u>	<u>(193,429.58)</u>
Profit (loss) before Income Tax Expense	<u>(6,899.24)</u>	<u>696.72</u>	<u>5,504.69</u>	<u>4,928.21</u>	<u>(10,211.31)</u>	<u>(8,519.88)</u>	<u>(11,605.86)</u>	<u>(2,894.95)</u>
Income tax revenue (expense)	<u>68.29</u>	<u>846.69</u>	<u>-</u>	<u>-</u>	<u>(31.56)</u>	<u>(23.79)</u>	<u>36.73</u>	<u>822.90</u>
Gain (loss) by segments	<u>(6,830.95)</u>	<u>1,543.41</u>	<u>5,504.69</u>	<u>4,928.21</u>	<u>(10,242.87)</u>	<u>(8,543.67)</u>	<u>(11,569.13)</u>	<u>(2,072.05)</u>

Assets and Liabilities
As at December 31, 2018

	Unit : Million Baht							
	<u>Air Transportation</u>		<u>Business Units</u>		<u>Other Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current assets	37,573.83	38,549.58	715.55	673.70	5,318.76	5,837.54	43,608.14	45,060.82
Investments in associates and other long-term investment	2,364.71	3,461.80	-	-	4.01	4.13	2,368.72	3,465.93
Property, plant and equipment	171,791.37	179,986.65	5,225.78	5,302.29	2,581.53	2,813.67	179,598.68	188,102.61
Other non-current assets	35,816.83	36,713.37	0.01	0.05	1,388.94	977.03	37,205.78	37,690.45
Non-allocated assets	-	-	-	-	-	-	<u>5,939.88</u>	<u>6,454.74</u>
Total assets							<u>268,721.20</u>	<u>280,774.55</u>
Current liabilities	75,829.13	81,456.09	499.29	734.53	11,316.10	9,813.55	87,644.52	92,004.17
Non-current liabilities	157,210.15	154,805.02	-	-	2,146.28	1,100.69	159,356.43	155,905.71
Non-allocated liabilities	-	-	-	-	-	-	<u>1,263.91</u>	<u>851.87</u>
Total Liabilities							<u>248,264.86</u>	<u>248,761.75</u>

6.30.2 Geographical Segments

Consolidated financial statements

For the period	Unit : Million Baht										
	Domestic Revenue			Foreign Revenue			Charter Revenue and Others	Other Income			Total
	Air Transportation	Business Unit	Others	Regional Asia	Europe	Australia & New Zealand		Interest Income	Gain (loss) on Foreign Currency Exchange	Others Income	
Jan-Dec 2018	11,576.61	10,639.52	2,730.03	100,255.28	53,691.60	16,309.26	762.84	175.37	910.85	3,534.58	200,585.94
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

6.31 Staff Provident Fund

The Company contributed to the provident fund at the rate of 9 percent of a salary for members having not more than 20 years of services and 10 percent of a salary for members having more than 20 years of services, representing in the amount of THB 1,216.33 million for this fiscal year.

The Company's provident fund is managed by Krungthai Asset Management Public Company Limited, One Asset Management Limited and CIMB - Principal Asset Management Company Limited.

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 18.98 million and THB 669.05 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 14 labor cases with an approximate amount of THB 91.82 million and has been filed the complaints in domestic and abroad with an approximate amount of THB 292.69 million.

- The Cambodia branch has been assessed additional taxes including penalty and interest, from October 2012 to September 2015 due to the difference in interpretations of tax law (i.e. tax on profit, specific tax, and withholding tax), the amount as at December 31, 2018 was USD 7.28 million or approximately THB 237.44 million. In addition, the Corporate income tax, Specific tax and Withholding tax have been assessed for the period of October 2015 to December 2015 and January 2016 to December 2016 for the total of USD 3.23 million or approximately THB 105.35 million. Therefore, the Company has been assessed for the total amount of USD 10.51 million or approximately THB 342.79 million. The petition for reassessment of taxes was sent to the Revenue Department by the Company's tax consultant and still under consideration of the Cambodia Revenue Department.

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. The Company has submitted the letter of clarification No. Gor Bor 01/399 dated May 16, 2018 to the Customs Department and still under consideration of 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:

The Company had reached the settlement with respect to the case which a contribution claim had been filed against the Company and other airlines by British Airways, who is the defendant in the civil case in England. With respect to the case which a contribution claim had been filed against Thai Airways International Public Company Limited (the "Company") and more than 20 airlines before the English court by British Airways, who is the main defendant in the civil case in England pursuant to Part 20 Proceedings, it arose from the case where a group of claimants have filed lawsuits against British Airways to claim for damages from fuel and security surcharges fixing in England. After that, the Court has ordered all the parties to settle the case by way of mediation. On December 20, 2018, all the parties had already entered into the settlement agreement without any admission of liability alleged by the claimants and British Airways. After the settlement, the claimants and British Airways will jointly inform the Court of the settlement and discontinuance of the claims.

Furthermore, all of the airlines that had been filed a contribution claim by British Airways similar to the Company have also entered into the settlement negotiation in the same manner.

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

The Company had 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, had 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 1999-2007. LG Group Companies had 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 had 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 had submitted such writ of summons against the Company and more than 20 other airlines in the case where a group of plaintiffs had 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 had jointly acted to fix the price for various surcharges (Main Proceedings). Nonetheless, the Company had 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 were parties to the Contribution Claim Case, had 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 had received a writ of summons for contribution claim from British Airways, Lufthansa and KLM-AF. These airlines had submitted such writ of summons to the Company and more than 20 other airlines in the case where a new group of plaintiffs had 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 had not been sued as a defendant. At present, all the cases are under the court’s consideration.

(TRANSLATION)

-60-

6.32.3 Leasing Space Agreement and License to Operate Business Agreement at the airport

Upon the expiration of the term in leasing space agreement and license to operate business agreement at the airport, the new terms and conditions, rental fee from leasing space agreement, and concession fee from license to operate business agreement are under the negotiation with Airports of Thailand Public Company Limited. The Company has made the payment for rental fee and concession fee from being permitted to operate business according to the terms and conditions of original agreement or letter of agreement extension from Airports of Thailand Public Company Limited. However, Airports of Thailand Public Company Limited reserves the right to increase the minimum of space rental rate and concession fee if the consideration has been finished and such rate is higher than the rate specified in the original agreement or the letter of agreement extension from Airports of Thailand Public Company Limited.

6.33 Cash Flow Hedge

In 2018, 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 in 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, 2018, the Company recognized loss THB 71.90 million from application of hedge accounting to foreign currency borrowings and forecasted future foreign currency revenue.

As at December 31, 2018, the time periods in which cash flows of hedged items are expected to incur and affect profit or loss are as follows:

Consolidated and the Company's financial statements

	Year 2018			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	7,191.78	19,183.14	125,323.64	430,187.36	581,885.92

As at December 31, 2018, the Company recognized the loss from effective portion of changes in the fair value of cash flow hedges in the amount of THB 656.20 million in other component of equity. This amount is expected to be recognized in the statement of comprehensive income over the period of forecasted future foreign currency revenue as referred to in the table above.

(TRANSLATION)

-61-

6.34 Disclosure of Financial Instruments The Company's 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 2018

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	4.78	1,740.27	6,612.12	7,651.27	-	-	-	16,003.66
JPY	1.07	1,903.41	7,160.54	5,339.00	-	-	-	14,402.95
EUR	1.76	5,183.63	16,373.29	7,018.62	1,198.64	4,794.56	8,378.98	42,947.72
THB	4.26	3,307.14	6,108.92	656.17	12,530.00	25,590.00	29,730.00	77,922.23
Total		12,134.45	36,254.87	20,665.06	13,728.64	30,384.56	38,108.98	151,276.56

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

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 rate. As at December 31, 2018, the portion of the Company's debt after swap with floating to fixed interest rate was 39 : 61.

At the end of the period, the Company had no IRS transactions because the previous transactions were expired in November 2018 and no additional contract had been entered.

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 four 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, 2018, the proportion of the Company’s debts after swap in each currency i.e. USD : GBP : EUR : JPY : CHF : THB = 5 : 1 : 32 : 21 : 6 : 35. Gradually, the Company also used hedging strategy named Forward Contracts, by providing various degrees of participation in favorable currency exchange rate movement to hedge the future obligation that has underlying exposures.

At present, the Company has 25 CCS transactions. These debt swaps are five transactions of THB currency to EUR currency with fixed interest rate, ten transactions of THB currency to JPY currency with fixed interest rate, three transactions of THB currency to JPY currency with floating interest rate, one transaction of THB currency to GBP currency with fixed interest rate, two transactions of EUR currency to JPY currency with fixed interest rate and four transactions of USD currency to CHF currency with fixed interest rate. The notional amount as at December 31, 2018 is equivalent to THB 32,143.69 million of which payments, both principle and interest, are done monthly, quarterly and every 6 months. These CCS transactions will terminate between the year 2019 - 2032.

Unit : Million Baht

Currency	Foreign Currency Liabilities					
	2018			2017		
	<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	1,740.27	6,612.12	7,651.27	5,725.56	5,626.72	6,900.79
JPY	1,903.41	7,160.54	5,339.00	1,571.76	6,135.60	4,559.02
EUR	6,382.27	21,167.85	15,397.60	7,819.09	23,440.30	21,690.30

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 24 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 2018, the Company's hedge portion account to 51 percent of its annual fuel consumption and the Company still has an obligation from fuel price hedging until December 31, 2019 in portion account to 46 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 fair value are stated at the carrying value.

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

Trade receivables fair value 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.

The following tables present the disclosure of financial instruments which are not presented in the consolidated and the Company's financial statement. The Company and its subsidiaries' financial assets and liabilities are measured at fair value using a fair value hierarchy as follows:

(TRANSLATION)

-64-

		Unit : Million Baht			
		Consolidated Financial Statement			
As at December 31, 2018		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Derivatives					
Foreign exchange forward contracts	-	47,004.00	-	-	47,004.00
Interest rate swap agreements	-	-	-	-	-
Cross currency swap agreements	-	1,398.66	-	-	1,398.66
Fuel price swap agreements	-	-	-	-	-
Financial liabilities measured at fair value					
Derivatives					
Foreign exchange forward contracts	-	46,559.44	-	-	46,559.44
Interest rate swap agreements	-	-	-	-	-
Cross currency swap agreements	-	1,410.40	-	-	1,410.40
Fuel price swap agreements	-	4,563.60	-	-	4,563.60

		Unit : Million Baht			
		Consolidated Financial Statement			
As at December 31, 2017		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Derivatives					
Foreign exchange forward contracts	-	51,220.92	-	-	51,220.92
Interest rate swap agreements	-	1,445.92	-	-	1,445.92
Cross currency swap agreements	-	848.23	-	-	848.23
Fuel price swap agreements	-	966.58	-	-	966.58
Financial liabilities measured at fair value					
Derivatives					
Foreign exchange forward contracts	-	50,730.37	-	-	50,730.37
Interest rate swap agreements	-	1,493.44	-	-	1,493.44
Cross currency swap agreements	-	862.05	-	-	862.05
Fuel price swap agreements	-	-	-	-	-

(TRANSLATION)

-65-

As at December 31, 2018	Unit : Million Baht			
	The Company's Financial Statement			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivatives				
Foreign exchange forward contracts	-	47,004.00	-	47,004.00
Interest rate swap agreements	-	-	-	-
Cross currency swap agreements	-	1,398.66	-	1,398.66
Fuel price swap agreements	-	-	-	-
Financial liabilities measured at fair value				
Derivatives				
Foreign exchange forward contracts	-	46,559.44	-	46,559.44
Interest rate swap agreements	-	-	-	-
Cross currency swap agreements	-	1,410.40	-	1,410.40
Fuel price swap agreements	-	4,137.92	-	4,137.92

As at December 31, 2017	Unit : Million Baht			
	The Company's Financial Statement			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivatives				
Foreign exchange forward contracts	-	51,220.92	-	51,220.92
Interest rate swap agreements	-	1,445.92	-	1,445.92
Cross currency swap agreements	-	848.23	-	848.23
Fuel price swap agreements	-	966.58	-	966.58
Financial liabilities measured at fair value				
Derivatives				
Foreign exchange forward contracts	-	50,730.37	-	50,730.37
Interest rate swap agreements	-	1,493.44	-	1,493.44
Cross currency swap agreements	-	862.05	-	862.05
Fuel price swap agreements	-	-	-	-

Fair value valuation techniques and inputs for Level 2 valuation

The fair values of debt securities and derivatives were determined based on discounted future cash flow and valuation model techniques, using an appropriate risk-adjusted discount rate. Most of the inputs used for the valuation are observable in the relevant markets such as spot rates, forward rates, interest rate yield curves, bonds yield curves, forward fuel price and fuel contractual price, etc.

During the year, there was no transfer within the fair value hierarchy.

6.35 Contractual Obligations

Leases and Obligations of Aircraft

As at December 31, 2018, the Company has obligations from entering into operating leases for 42 aircraft amount of USD 4,015.09 million or approximately to THB 130,951.42 million consisting of fifteen A320-200, eight A350-900, eleven B777-300ER, six B787-8, and two B787-9 aircraft. As at December 31, 2018, there were 39 aircraft which had been already taken the delivery and there are 3 aircraft which have not been taken deliver yet. Also, there are 4, 5 and 33 aircraft which the lease will expire in the year 2019, 2020 - 2023 and 2024 - 2030, respectively.

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

Unit : Million Baht			
Obligation	Within 1 year	Over 1 year – 5 years	Over 5 years
Rent	14,828.05	59,644.17	56,459.20

6.36 Projections of operating performance

The Company has prepared 8 year projections of its operating results to use for business management planning purposes and to consider the relevant accounting effects, taking into account both external and internal factors, such as economic conditions, market growth, competitors, target customers, management policy and past operating performance.

The Company has determined the financial assumptions, considering the factor mentioned above related to both revenues and expenses, which were the best assumptions at the time of projection. The projections were approved by the Company's management and Board of Directors, and they were used to consider the effect of relevant accounting impact.

6.37 Change of the revenue recognition criteria for unused ticket

The Company had previously recognized unused tickets as revenue after 24 months from the issuing date. In 2018, the Company reviewed the criteria for revenue recognition for unused ticket to be 15 months from issuing date based on terms and historical data as follows:

1. Ticket validity is one year from issuing date and the Company provides 90 days from the expiry date for refund, resulting to the ticket life cycle is 15 months.
2. The historical data revealed that most of passenger refunded ticket within 15 months from issuing date and the refund amount after 15 months was insignificant, approximately 0.01 percent of sales amount.

Therefore, the Company has changed the timing of aforementioned revenue recognition from 24 months to 15 months from issuing date, resulting to additional revenue in the amount of THB 1,027.73 million recognized in the financial statements for the year ended December 31, 2018.

6.38 Events after the Reporting Period

6.38.1 In January 2019, Nok Airlines Public Company Limited offered 908,799,918 newly issued ordinary shares with a par value of THB 1.00 at the offering price THB 2.75 per share. Nok Airlines Public Company Limited received net proceeds of THB 2,297.15 million, and registered the increase in paid-up capital with the Department of Business Development of Commerce on February 13, 2019. However, the Company did not subscribe to the newly issued ordinary shares which caused the decrease of the Company's share portion from 21.80 to 15.94 percent.

6.38.2 On February 28, 2019, the Board of Directors passed a resolution to propose to the Annual General Meeting of the Company's shareholders for the year 2019 to approve the transfer of legal reserve and premium on ordinary shares to offset with the Company deficit.

6.39 Approval of Financial Statements

These financial statements were approved by the Board of Directors of the Company on February 28, 2019.
