

NO. 0015/

Office of the Auditor General
of Thailand
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This letter is given to confirm that the English version of the Auditor's Report together with the consolidated financial statements for the years ended September 30, 2005 and 2004 of Thai Airways International Public Company Limited and its subsidiary and the Company's financial statements for the years ended September 30, 2005 and 2004 of Thai Airways International Public Company Limited was translated by Thai Airways International Public Company Limited. The Office of the Auditor General of Thailand reviewed the aforementioned translated Auditor's Report and financial statements and found that there were no substantial differences of content from those of the Thai version.

Given on November , 2005

Pensri Soranaraks

(Pensri Soranaraks)
Deputy Auditor General
for Auditor General



(TRANSLATION)
AUDITOR'S REPORT

TO THE SHAREHOLDERS OF THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED

The Office of the Auditor General of Thailand has audited the accompanying consolidated balance sheets of Thai Airways International Public Company Limited and its subsidiary and the balance sheets of Thai Airways International Public Company Limited as at September 30, 2005 and 2004, and the related consolidated and the Company's statements of income, changes in shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. The responsibility of the Office of the Auditor General of Thailand is to express an opinion on these financial statements based on the audits.

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

In the opinion of the Office of the Auditor General of Thailand, the consolidated and the Company's financial statements referred to above present fairly, in all material respects, the financial position of Thai Airways International Public Company Limited and its subsidiary and of Thai Airways International Public Company Limited as at September 30, 2005 and 2004, and the results of operations, the changes in shareholders' equity, and the cash flows for the years then ended in conformity with generally accepted accounting principles.

Without qualifying opinion, the Office of the Auditor General of Thailand draws attention to the personnel expense, presented under the operating expenses, which is higher than last year due to the salary structure adjustment and a Mutual Separation Plan. The Company remains the payment for its staff income tax therefore the amount of these expenses are getting higher every year regarding to the staff's income.

(Signed)

Pensri Soranaraks

(Pensri Soranaraks)

Deputy Auditor General

(Signed)

Peeraporn Methawikul

(Peeraporn Methawikul)

Director of Audit Office

สำนักงานการตรวจเงินแผ่นดิน

Office of the Auditor General

November 17, 2005

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY

BALANCE SHEETS

AS AT SEPTEMBER 30, 2005 AND 2004

		<u>CONSOLIDATED</u>		<u>THE COMPANY</u>	
	<u>Notes</u>	<u>2005</u>	<u>2004</u> (restated)	<u>2005</u>	<u>2004</u> (restated)
ASSETS					
Current Assets					
Cash and cash equivalents	3.1	9,930,000,904	20,888,514,393	9,589,521,953	20,618,162,278
Current investment-available-for-sale securities	3.2	-	323,455,999	-	323,455,999
Trade account receivables-net	3.3	15,468,179,546	15,022,384,683	15,423,035,075	14,974,435,217
Inventories and supplies-net	3.4	5,095,985,028	4,275,361,532	5,095,985,028	4,275,361,532
Other current assets	3.5	13,654,129,844	11,481,590,397	13,630,866,502	11,458,266,007
Total Current Assets		44,148,295,322	51,991,307,004	43,739,408,558	51,649,681,033
Non-Current Assets					
Investments by the equity method	3.6.1	1,402,118,521	1,322,469,860	1,667,828,330	1,572,280,901
Other long-term investments	3.6.2	190,010,922	152,137,142	88,376,676	51,859,311
Property, Plant and Equipment-Net	3.8	180,983,297,860	134,041,264,755	180,940,866,547	133,955,930,373
Others	3.9	4,914,554,188	5,703,353,702	4,905,245,319	5,696,219,610
Total Non-Current Assets		187,489,981,491	141,219,225,459	187,602,316,872	141,276,290,195
Total Assets		231,638,276,813	193,210,532,463	231,341,725,430	192,925,971,228

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

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY

BALANCE SHEETS

AS AT SEPTEMBER 30, 2005 AND 2004

		<u>CONSOLIDATED</u>		<u>THE COMPANY</u>	
	<u>Notes</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
			(restated)		(restated)
Unit : Baht					
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities					
Trade account payables		7,993,856,108	6,713,530,109	7,981,405,194	6,707,993,751
Current portion of long-term loans					
Long-term loans	3.10	6,117,198,306	10,283,623,939	6,117,198,306	10,283,623,939
Liabilities under financial leases	3.11	6,587,594,104	5,248,494,457	6,587,594,104	5,248,494,457
Promissory notes	3.12	1,050,000,000	1,050,000,000	1,050,000,000	1,050,000,000
Provision for contingent liabilities	3.13	141,049,404	-	141,049,404	-
Other current liabilities					
Accrued expenses		16,273,774,116	14,833,485,877	16,256,628,995	14,823,537,623
Accrued dividends	3.14	52,475,790	50,607,384	52,475,759	50,607,384
Accrued income taxes		28,411,385	41,326,321	-	-
Unearned transportation revenues		17,953,215,464	16,507,265,038	17,953,215,464	16,507,265,038
Others	3.15	4,575,376,372	4,728,893,165	4,554,231,374	4,705,533,715
Total Current Liabilities		60,772,951,049	59,457,226,290	60,693,798,600	59,377,055,907
Non-Current Liabilities					
Long-term debts					
Debentures	3.16	40,000,000,000	10,000,000,000	40,000,000,000	10,000,000,000
Long-term loans	3.10	13,809,393,871	20,286,806,946	13,809,393,871	20,286,806,946
Liabilities under financial leases	3.11	49,101,100,338	39,671,971,402	49,101,100,338	39,671,971,402
Promissory notes	3.12	4,200,000,000	5,250,000,000	4,200,000,000	5,250,000,000
Staff pension fund	3.23	4,542,741,371	4,220,771,393	4,542,741,371	4,220,771,393
Total Non-Current Liabilities		111,653,235,580	79,429,549,741	111,653,235,580	79,429,549,741
Total Liabilities		172,426,186,629	138,886,776,031	172,347,034,180	138,806,605,648
Shareholders' Equity					
Share capital	3.17				
Authorized					
1,700.00 million ordinary shares par value of Baht 10 each		17,000,000,000	17,000,000,000	17,000,000,000	17,000,000,000
Issued and paid-up					
1,685.00 million ordinary shares par value of Baht 10 each		-	16,850,000,000	-	16,850,000,000
1,698.89 million ordinary shares par value of Baht 10 each		16,988,881,500	-	16,988,881,500	-
Premium on share capital		15,646,761,354	15,580,550,482	15,646,761,354	15,580,550,482
Proceeds from ESOP offering		12,000	96,732,486	12,000	96,732,486
Unrealised gain (losses) on current investment-available-for-sale securities		(477,805)	317,143,675	(477,805)	317,143,675
Retained earnings					
Appropriated					
Legal reserve	3.18	1,700,000,000	1,700,000,000	1,700,000,000	1,700,000,000
Unappropriated		24,659,514,201	19,574,938,937	24,659,514,201	19,574,938,937
Total Company Shareholders' Equity		58,994,691,250	54,119,365,580	58,994,691,250	54,119,365,580
Minority interests		217,398,934	204,390,852	-	-
Total Shareholders' Equity		59,212,090,184	54,323,756,432	58,994,691,250	54,119,365,580
Total Liabilities and Shareholders' Equity		231,638,276,813	193,210,532,463	231,341,725,430	192,925,971,228

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

(Signed) *Somchainuk Engtrakul*
(Somchainuk Engtrakul)
Board of Director
Acting as President

(Signed) *Ngamnit Sombutpibool*
(Ngamnit Sombutpibool)
Executive Vice President
Finance and Accounting

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY

STATEMENTS OF INCOME

For the years ended September 30, 2005 and 2004

	<u>CONSOLIDATED</u>		<u>THE COMPANY</u>	
	<u>2005</u>	<u>2004</u> (restated)	<u>2005</u>	<u>2004</u> (restated)
	Unit : Baht			
Revenues from the Sale of Goods and the Rendering of Services				
Passenger and excess baggage	129,233,824,463	122,466,283,429	129,233,824,463	122,466,283,429
Freight	24,418,612,793	22,250,415,100	24,418,612,793	22,250,415,100
Mail	1,079,260,295	994,103,330	1,079,260,295	994,103,330
Other activities	7,756,523,548	6,892,219,453	7,353,803,316	6,476,834,319
Total Revenues from the Sale of Goods and the Rendering of Services				
Rendering of Services	162,488,221,099	152,603,021,312	162,085,500,867	152,187,636,178
Operating expenses :				
Personnel	28,853,278,446	26,555,656,336	28,828,349,652	26,534,523,626
Fuel and oil	46,100,717,282	30,717,794,695	46,100,717,282	30,717,794,695
Inventories and supplies	9,739,263,524	9,034,886,533	9,739,263,524	9,034,886,533
Lease of aircraft and spare parts	5,651,787,307	6,248,569,166	5,651,787,307	6,248,569,166
Flight operations	36,743,707,218	37,217,219,668	36,743,707,218	37,217,219,668
Depreciation	13,155,407,827	11,932,029,629	13,091,686,866	11,901,098,399
Marketing	3,825,361,177	3,527,019,934	3,783,193,305	3,484,039,536
Insurance	1,901,656,351	1,598,186,087	1,901,656,351	1,598,186,087
Remuneration to board of directors	40,315,359	34,210,751	38,795,734	32,891,917
Other operating expenses	5,652,453,608	5,239,720,974	5,553,960,026	5,143,232,883
Total operating expenses	151,663,948,099	132,105,293,773	151,433,117,265	131,912,442,510
Profit from the Sale of Goods and the Rendering of Services	10,824,273,000	20,497,727,539	10,652,383,602	20,275,193,668

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

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY

STATEMENTS OF INCOME

For the years ended September 30, 2005 and 2004

Unit : Baht

	<u>Notes</u>	<u>CONSOLIDATED</u>		<u>THE COMPANY</u>	
		<u>2005</u>	<u>2004</u> (restated)	<u>2005</u>	<u>2004</u> (restated)
Profits from the Sale of Goods and the Rendering of Services		10,824,273,000	20,497,727,539	10,652,383,602	20,275,193,668
Other Income					
Interest income		362,678,738	336,472,250	361,888,601	335,761,123
Others	3.19	2,070,679,905	954,907,098	2,067,564,496	951,725,974
Total Other Income		2,433,358,643	1,291,379,348	2,429,453,097	1,287,487,097
Other Expenses					
Losses (gains) on foreign currency exchange		(1,469,706,067)	2,178,950,117	(1,469,706,067)	2,178,950,117
Yields from pension fund		44,010,429	38,942,629	44,010,429	38,942,629
Others	3.20	575,349,314	523,902,486	567,890,377	516,771,593
Total Other Expenses		(850,346,324)	2,741,795,232	(857,805,261)	2,734,664,339
Profits from Operations		14,107,977,967	19,047,311,655	13,939,641,960	18,828,016,426
Share of Profits from Investments by the Equity Method					
Share of net profit from subsidiary companies		-	435,392	59,311,669	84,731,595
Share of net profit from associated companies		127,495,109	157,603,199	127,495,109	157,603,199
Total Share of Profits from Investments by the Equity Method	3.6.1	127,495,109	158,038,591	186,806,778	242,334,794
Profits before Interest and Income Tax Expenses		14,235,473,076	19,205,350,246	14,126,448,738	19,070,351,220
Interest expenses		4,328,903,629	4,921,293,480	4,328,903,629	4,921,293,480
Income tax expenses		3,081,390,254	4,138,248,695	3,020,893,645	4,072,219,290
Profits after Tax		6,825,179,193	10,145,808,071	6,776,651,464	10,076,838,450
Net profit of minority interest		48,527,729	68,969,621	-	-
Net profits		6,776,651,464	10,076,838,450	6,776,651,464	10,076,838,450
Basic earnings per share	3.21				
Net profits		4.00	6.14	4.00	6.14
Diluted earnings per share	3.21				
Net profits		4.00	-	4.00	-

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

(Signed) *Somchainuk Engtrakul*
(Somchainuk Engtrakul)
Board of Director
Acting as President

(Signed) *Ngamnit Sombutpibool*
(Ngamnit Sombutpibool)
Executive Vice President
Finance and Accounting

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended September 30, 2005 and 2004

Unit : Baht

Notes	CONSOLIDATED							Total
	Share Capital issued and fully paid	Premium on share capital	Proceeds from ESOP offering	Unrealised gain (losses) available-for-sale securities	Legal Reserve	Retained Earnings Unappropriated	Minority Interest	
Balance as at October 1, 2003 (before adjustment)	14,000,000,000	4,750,000,000	-	454,324,822	1,700,000,000	17,994,101,711	156,317,516	39,054,744,049
- Cumulative effect of change in accounting policy for D-check	-	-	-	-	-	(1,652,114,839)	-	(1,652,114,839)
- Cumulative effect of change in accounting policy for depreciation of aircraft seats	-	-	-	-	-	(580,558,742)	-	(580,558,742)
- Cumulative effect of change in accounting policy for depreciation of in-flight equipment	-	-	-	-	-	(650,827,643)	-	(650,827,643)
Balance as at October 1, 2003 (after adjustment)	14,000,000,000	4,750,000,000	-	454,324,822	1,700,000,000	15,110,600,487	156,317,516	36,171,242,825
- Unrealised gain on current investment - available-for-sale securities	-	-	-	(137,181,147)	-	-	28,715	(137,152,432)
<u>Add</u> Net Profits	-	-	-	-	-	10,076,838,450	68,969,621	10,145,808,071
<u>Less</u> Dividends paid	-	-	-	-	-	(5,612,500,000)	(20,925,000)	(5,633,425,000)
<u>Add</u> Issued share capital	2,850,000,000	10,830,550,482	-	-	-	-	-	13,680,550,482
<u>Add</u> Proceeds from ESOP offering	-	-	96,732,486	-	-	-	-	96,732,486
Balance as at September 30, 2004	16,850,000,000	15,580,550,482	96,732,486	317,143,675	1,700,000,000	19,574,938,937	204,390,852	54,323,756,432
Balance as at October 1, 2004	16,850,000,000	15,580,550,482	96,732,486	317,143,675	1,700,000,000	19,574,938,937	204,390,852	54,323,756,432
- Unrealised losses on current investment - available-for-sale securities	-	-	-	(317,621,480)	-	-	(419,647)	(318,041,127)
<u>Add</u> Net Profits	-	-	-	-	-	6,776,651,464	48,527,729	6,825,179,193
<u>Less</u> Dividends paid	3.14	-	-	-	-	(1,692,076,200)	(35,100,000)	(1,727,176,200)
<u>Add</u> Issued share capital	3.17	138,881,500	66,210,872	-	-	-	-	205,092,372
<u>Add</u> Proceeds from ESOP offering	-	-	(96,720,486)	-	-	-	-	(96,720,486)
Balance as at September 30, 2005	16,988,881,500	15,646,761,354	12,000	(477,805)	1,700,000,000	24,659,514,201	217,398,934	59,212,090,184

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

(Signed) *Somchainuk Engtrakul*
(Somchainuk Engtrakul)
Board of Director
Acting as President

(Signed) *Ngamnit Sombutpibool*
(Ngamnit Sombutpibool)
Executive Vice President
Finance and Accounting

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the years ended September 30, 2005 and 2004

Unit : Baht

Notes	THE COMPANY						Total
	Share Capital issued and fully paid	Premium on share capital	Proceeds from ESOP offering	Unrealised gain (losses) available- for-sale securities	Legal Reserve	Retained Earnings Unappropriated	
Balance as at October 1, 2003 (before adjustment)	14,000,000,000	4,750,000,000	-	454,324,822	1,700,000,000	17,994,101,711	38,898,426,533
- Cumulative effect of change in accounting policy for D-check	-	-	-	-	-	(1,652,114,839)	(1,652,114,839)
- Cumulative effect of change in accounting policy for depreciation of aircraft seats	-	-	-	-	-	(580,558,742)	(580,558,742)
- Cumulative effect of change in accounting policy for depreciation of in-flight equipment	-	-	-	-	-	(650,827,643)	(650,827,643)
Balance as at October 1, 2003 (after adjustment)	14,000,000,000	4,750,000,000	-	454,324,822	1,700,000,000	15,110,600,487	36,014,925,309
- Unrealised gain on current investment - available-for-sale securities	-	-	-	(137,181,147)	-	-	(137,181,147)
<u>Add</u> Net Profits	-	-	-	-	-	10,076,838,450	10,076,838,450
<u>Less</u> Dividends paid	-	-	-	-	-	(5,612,500,000)	(5,612,500,000)
<u>Add</u> Issued share capital	2,850,000,000	10,830,550,482	-	-	-	-	13,680,550,482
<u>Add</u> Proceeds from ESOP offering	-	-	96,732,486	-	-	-	96,732,486
Balance as at September 30, 2004	16,850,000,000	15,580,550,482	96,732,486	317,143,675	1,700,000,000	19,574,938,937	54,119,365,580
Balance as at October 1, 2004	16,850,000,000	15,580,550,482	96,732,486	317,143,675	1,700,000,000	19,574,938,937	54,119,365,580
- Unrealised losses on current investment - available-for-sale securities	-	-	-	(317,621,480)	-	-	(317,621,480)
<u>Add</u> Net Profits	-	-	-	-	-	6,776,651,464	6,776,651,464
<u>Less</u> Dividends paid	-	-	-	-	-	(1,692,076,200)	(1,692,076,200)
<u>Add</u> Issued share capital	138,881,500	66,210,872	-	-	-	-	205,092,372
<u>Add</u> Proceeds from ESOP offering	-	-	(96,720,486)	-	-	-	(96,720,486)
Balance as at September 30, 2005	16,988,881,500	15,646,761,354	12,000	(477,805)	1,700,000,000	24,659,514,201	58,994,691,250

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

(Signed) *Somchainuk Engtrakul*
(Somchainuk Engtrakul)
Board of Director
Acting as President

(Signed) *Ngamnit Sombutpibool*
(Ngamnit Sombutpibool)
Executive Vice President
Finance and Accounting

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY

STATEMENTS OF CASH FLOWS

For the years ended September 30, 2005 and 2004

	Unit : Baht			
	<u>CONSOLIDATED</u>		<u>THE COMPANY</u>	
	<u>2005</u>	<u>2004</u> (restated)	<u>2005</u>	<u>2004</u> (restated)
Cash flows from operating activities				
Net profit	6,776,651,464	10,076,838,450	6,776,651,464	10,076,838,450
Adjustment to reconcile net profit to cash provided by (paid from) operating activities :				
Depreciation	13,155,407,827	11,932,029,629	13,091,686,866	11,901,098,399
Income from investments by the equity method	(127,495,109)	(158,038,591)	(186,806,778)	(242,334,794)
Losses on sales of assets	92,814,717	385,666,247	92,394,036	385,666,247
Cumulative effect of change in accounting policies regarding D-check overhaul cost	-	402,917,406	-	402,917,406
Cumulative effect of accounting adjustment	-	(195,293,446)	-	(195,293,446)
Gain on current investments-available-for-sale securities	(373,775,096)	(193,572,061)	(371,486,133)	(193,358,041)
Amortisation of deferred charges	119,187,843	208,858,088	119,187,843	208,858,088
Losses (gains) on foreign currency exchange	(1,402,910,156)	2,385,192,633	(1,402,910,156)	2,385,192,633
Net profit of minority interests	48,527,729	68,969,621	-	-
Provision for contingent liabilities	141,049,404	-	141,049,404	-
Reserve for obsolete inventories	(27,972,118)	99,621,574	(27,972,118)	99,621,574
Allowance for doubtful accounts and impairment in value of assets	(29,750,469)	21,696,573	(37,148,730)	14,613,414
Operating profit before changes in operating assets and liabilities	18,371,736,036	25,034,886,123	18,194,645,698	24,843,819,930
Decrease (increase) in operating assets :				
Trade account receivables	(357,426,873)	(2,469,098,703)	(352,833,608)	(2,464,817,963)
Inventories and supplies	(799,189,084)	(738,538,051)	(799,189,084)	(738,538,051)
Prepaid expenses and deposits	717,933,681	(1,209,316,628)	720,824,730	(1,209,234,464)
Tax refund	(1,829,515,476)	(460,323,195)	(1,829,515,476)	(460,323,195)
Other current assets	(1,278,695,912)	(554,274,833)	(1,281,648,010)	(551,476,028)
Deferred income taxes	738,872,420	623,561,985	741,047,198	625,693,053
Deferred charges	(505,893,562)	(687,935,494)	(505,893,562)	(687,935,494)
Concessions for acquisitions of aircraft and engines	-	247,550,738	-	247,550,738
Increase (decrease) in operating liabilities :				
Trade account payables	1,325,681,733	1,999,386,949	1,318,767,178	2,001,577,727
Accrued expenses and other current liabilities	1,423,363,992	2,543,675,447	1,431,296,512	2,531,794,071
Staff pension fund	321,969,978	491,470,228	321,969,978	491,470,228
Unearned transportation revenue	1,411,709,777	2,476,893,182	1,411,709,777	2,476,893,182
Net cash from operating activities	19,540,546,710	27,297,937,748	19,371,181,331	27,106,473,734

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

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY

STATEMENTS OF CASH FLOWS

For the years ended September 30, 2005 and 2004

	Unit : Baht			
	<u>CONSOLIDATED</u>		<u>THE COMPANY</u>	
	<u>2005</u>	<u>2004</u> (restated)	<u>2005</u>	<u>2004</u> (restated)
Cash flows from investing activities				
Cash paid for acquisition of fixed assets	(46,064,456,833)	(23,596,341,674)	(46,043,218,259)	(23,571,055,968)
Cash received from transferring down payment of aircraft and aircraft spare parts	2,135,303,727	-	2,135,303,727	-
Cash received from sales of assets	298,727,912	244,945,484	298,727,912	244,945,484
Investments decrease (increase)	8,482,525	(252,765,441)	51,382,525	(127,190,441)
Cash received from current investments-available-for-sale securities	377,320,653	197,237,717	377,320,653	197,237,717
Net cash used in investing activities	(43,244,622,016)	(23,406,923,914)	(43,180,483,442)	(23,256,063,208)
Cash flows from financing activities				
Cash received from debentures	30,000,000,000	10,000,000,000	30,000,000,000	10,000,000,000
Cash received from short-term loans	-	4,010,000,000	-	4,010,000,000
Cash received from long-term loans	1,211,018,582	10,468,243,651	1,211,018,582	10,468,243,651
Cash received from issuing ordinary shares	74,418,950	2,850,000,000	74,418,950	2,850,000,000
Cash received from premium on ordinary shares	33,940,936	10,830,550,482	33,940,936	10,830,550,482
Cash received from subscription of ESOP	12,000	96,732,486	12,000	96,732,486
Cash paid for repayment of short-term loans	-	(8,019,640,000)	-	(8,019,640,000)
Cash paid for repayment of long-term loans	(15,770,087,802)	(15,363,440,903)	(15,770,087,802)	(15,363,440,903)
Cash paid for repayment of promissory notes	(1,050,000,000)	(1,050,000,000)	(1,050,000,000)	(1,050,000,000)
Dividends paid	(1,725,307,795)	(5,616,979,461)	(1,690,207,826)	(5,596,054,461)
Net cash from financing activities	12,773,994,871	8,205,466,255	12,809,094,840	8,226,391,255
Increase (decrease) in cash and cash equivalents	(10,930,080,435)	12,096,480,089	(11,000,207,271)	12,076,801,781
Increase (decrease) in the effect from changing in exchange rate on cash and cash equivalents	(28,433,054)	50,089,471	(28,433,054)	50,089,471
Cash and cash equivalents at the beginning of the periods	20,888,514,393	8,741,944,833	20,618,162,278	8,491,271,026
Cash and cash equivalents at the end of the periods	9,930,000,904	20,888,514,393	9,589,521,953	20,618,162,278
Supplementary cash flows information :				
Cash paid during the year for				
Interest expenses	3,326,878,784	4,406,025,252	3,326,878,784	4,406,025,252
Corporate income tax	4,176,894,838	5,007,861,817	4,101,310,724	4,950,829,069
Non - cash item				
Assets under financial lease	16,116,659,936	-	16,116,659,936	

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

(Signed) *Somchainuk Engtrakul*
(Somchainuk Engtrakul)
Board of Director
Acting as President

(Signed) *Ngamnit Sombutpibool*
(Ngamnit Sombutpibool)
Executive Vice President
Finance and Accounting

(AMENDMENT)

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND SUBSIDIARY
NOTES TO THE FINANCIAL STATEMENTS

For the years ended September 30, 2005 and 2004

1. BASIC OF FINANCIAL STATEMENT PREPARATION

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 subsidiary, Thai-Amadeus Southeast Asia Company Limited, in which the Company holds equity interests of 55%. Significant transactions between the Company and its subsidiary have been eliminated from the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Allowance for Doubtful Accounts

An allowance for doubtful accounts is established for trade account receivables, excluding those from government agencies and state enterprises, which are more than 6 months overdue:

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

Allowance for doubtful accounts for contingent estimated losses that may result from uncollectable trade account receivables, including government agencies and state enterprises, is estimated from historical collection experience and the position of account receivables at the balance sheet date.

2.2 Inventories and Supplies

Inventories and supplies at the year-end are stated at the lower of moving average cost or net realisable value, except inventories in transit are stated at purchased date cost.

- Provision for obsolescence of aircraft spare parts is made at an annual rate of 10% of the year-end balance.
- Slow moving aircraft spare parts and spare parts for sales are spare parts not moving over two years or spare parts for aircraft not represented in the fleet. Provision for obsolescence is made at an annual rate of 33.33% of the incurred balance during the year.
- Provision for obsolete and damaged inventories is made at the full amount.

2.3 Investments

2.3.1 Investments in subsidiary and associated companies are stated by the equity method.

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

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

2.4 Property, Plant and Equipment and Depreciation

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

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

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

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

2.4.5 Other fixed assets are stated at cost on the acquisition date or on the date of completion of construction and depreciated on a straight-line basis over an estimated useful life of 5-20 years.

2.4.6 Leasehold buildings are amortised over a period of 10 years.

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

2.5 Deferred Charges

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

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

2.6 Concessions for the Acquisition of Aircraft and Engines

The Company records its concessions received under contracts for the acquisition of aircraft and engines as “Concessions for acquisitions of aircraft and engines” (other assets), together with “Deferred concessions to reduce cost of aircraft” (other liabilities). When aircraft and engines are received, the relevant concession amount is transferred from “Deferred concessions to reduce cost of aircraft” to reduce cost of received aircraft. When assets or services under concessions are received, amounts from “Concessions for acquisitions of aircraft and engines” are transferred to assets or expensed, as appropriate.

2.7 Liabilities Under Financial Leases

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

2.8 Revenue Recognition

2.8.1 Passenger and excess baggage revenues:

- Revenue from ticket sales and service orders is recognised 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 recognised as revenue.
- Unused tickets and service orders are recognised as revenue after 2 years.

2.8.2 Freight revenue is recognised 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 recognised as revenue.

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

2.8.3 The Company has operated a frequent flyer programme called “Royal Orchid Plus” since 1993. Members exchange accumulated mileage for services. The Company calculates cost per mile by dividing the average net collected fare in each zone by the number of miles redeemed for awards in that zone. The Company estimates the number of miles utilised by members based upon the weighted zonal redemption. The estimated cost is used to reduce passenger revenues and record liability under “unearned transportation revenue”. Revenues are recognised when members redeem awards.

- Unredeemed awards are recognised as revenue after 3 years.
- Redemptions with Star Alliance partners involve interline billing arrangements and costs per mile specified in partner agreements. Revenues are recognised when transportation is provided.

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

2.8.4 Revenues from business units, Technical Services, Customer Services, Ground Support Equipment Services and Cargo Services are recognised when services are provided. Revenues from Catering, Sales on Board and Thai Shop are recognised at sale.

2.8.5 Other revenues are recognised on an accrual basis.

2.9 Basic Earnings Per Share

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

2.10 Foreign Currency Transactions

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

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

2.11 Staff Provident Fund

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

2.12 Deferred Income Tax

Deferred income tax are calculated to comply with Accounting Standard No.56 effective on or after January 1, 2007. The Company early adopted such standard in fiscal year 2002. For the Company’s tax expense is calculated in accordance with the Revenue Code.

2.13 Accounting Estimations

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

2.14 Financial Instrument

The Company uses derivative products 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 forward contractual agreement to exchange the principal amount and interest rest at maturity according to the contract. The different gain/loss will be recorded as interest income/expenses in income statement.

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

3. SUPPLEMENTARY INFORMATION

3.1 Cash and Cash Equivalents

	<u>Consolidated</u>		<u>Unit : Million Baht The Company</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Cash - Domestic	13.27	11.71	13.27	11.71
Cash - Abroad	27.50	17.00	27.50	17.00
Bank Deposits - Domestic	3,907.86	3,817.79	3,567.38	3,547.44
Bank Deposits - Abroad	<u>5,981.37</u>	<u>17,042.01</u>	<u>5,981.37</u>	<u>17,042.01</u>
Total	<u>9,930.00</u>	<u>20,888.51</u>	<u>9,589.52</u>	<u>20,618.16</u>

3.2 Current Investments - Available-for-Sale Securities

On June 27, 2002, the Company received 508,937 shares in FRANCE TELECOM, listed on the Bourse de Paris and the New York Stock Exchange, from SITA. In the first quarter, the Company sold all 316,957 shares amount of THB 377.83 million. The Company has gain on sales of shares amount of THB 371.49 million.

3.3 Trade Account Receivables - Net

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

	<u>Consolidated</u>		<u>Unit : Million Baht The Company</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Period of overdue				
Not over 6 months	15,398.90	14,969.86	15,358.19	14,926.95
Over : 6 months to 1 year	109.04	84.47	106.31	76.85
Over : 1 year to 2 years	59.04	41.14	46.75	36.25
Over : 2 years	<u>1,110.20</u>	<u>1,200.41</u>	<u>1,102.37</u>	<u>1,196.87</u>
	16,677.18	16,295.88	16,613.62	16,236.92
<u>Less</u> Allowance for doubtful accounts	<u>(1,209.00)</u>	<u>(1,273.50)</u>	<u>(1,190.58)</u>	<u>(1,262.48)</u>
Trade account receivables - net	<u>15,468.18</u>	<u>15,022.38</u>	<u>15,423.04</u>	<u>14,974.44</u>

3.4 Inventories and Supplies - Net

	Consolidated		Unit : Million Baht The Company	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	Aircraft spare parts	4,278.83	3,454.74	4,278.83
<u>Less</u> Provision for obsolescence (10% of the year-end balance)	(427.88)	(345.47)	(427.88)	(345.47)
Aircraft spare parts - Net	<u>3,850.95</u>	<u>3,109.27</u>	<u>3,850.95</u>	<u>3,109.27</u>
Vehicle spare parts and ground support equipment	162.13	157.38	162.13	157.38
Slow moving aircraft spare parts and spare parts of sale	1,750.43	2,189.44	1,750.43	2,189.44
<u>Less</u> Provision for obsolescence (33.33% of incurred balance during the year)	(1,675.34)	(1,922.88)	(1,675.34)	(1,922.88)
Slow moving aircraft spare parts and spare parts for sale - Net	<u>75.09</u>	<u>266.56</u>	<u>75.09</u>	<u>266.56</u>
Fuel and oil for aircraft	204.49	203.22	204.49	203.22
Goods for sale	262.89	204.93	262.89	204.93
Cabin supplies	219.93	143.62	219.93	143.62
Supplies and other consumables	29.71	31.09	29.71	31.09
Stationery and office supplies	102.13	81.30	102.13	81.30
Inventories and spare parts in transit	188.67	77.99	188.67	77.99
	<u>1,007.82</u>	<u>742.15</u>	<u>1,007.82</u>	<u>742.15</u>
Obsolete and damaged inventories for disposal	14.00	13.51	14.00	13.51
<u>Less</u> Provision for obsolescence (100%)	(14.00)	(13.51)	(14.00)	(13.51)
Obsolete and damaged inventories for disposal - Net	-	-	-	-
Total inventories and supplies - Net	<u>5,095.99</u>	<u>4,275.36</u>	<u>5,095.99</u>	<u>4,275.36</u>
Total inventories and supplies at year-end	7,213.22	6,557.22	7,213.22	6,557.22
<u>Less</u> Total provision for obsolete inventories and supplies	(2,117.23)	(2,281.86)	(2,117.23)	(2,281.86)
Total inventories and supplies - Net	<u>5,095.99</u>	<u>4,275.36</u>	<u>5,095.99</u>	<u>4,275.36</u>

3.5 Other Current Assets

	Consolidated		Unit : Million Baht The Company	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	Prepaid expenses and deposits	4,920.62	5,802.20	4,917.44
Tax refund	2,289.84	460.32	2,289.84	460.32
Cash and fixed deposits of pension fund	4,126.62	3,897.86	4,126.62	3,897.86
Others	<u>2,317.05</u>	<u>1,321.21</u>	<u>2,296.97</u>	<u>1,298.18</u>
Total	<u>13,654.13</u>	<u>11,481.59</u>	<u>13,630.87</u>	<u>11,458.27</u>

Cash and fixed deposits of the Company's pension fund was discussed in Note 3.23.

3.6 Investments

Consolidated

Unit : Million Baht

Name of Company	Percentage of Shareholding		Investments				Income on investments	
	2005	2004	Cost method		Equity method		2005	2004
			2005	2004	2005	2004		
3.6.1 Investments using the equity method								
Thai Information Solution Company Limited	-	100	-	125.00	-	103.27	-	0.44
Royal Orchid Hotel (Thailand) Public Co., Ltd. (Market value for the year 2005 amount of THB 630.00 million and the year 2004 amount of THB 630.00 million)	24	24	225.00	225.00	294.72	283.74	62.74	23.51
Donmuang International Airport Hotel Company Limited	40	40	48.00	48.00	175.69	157.38	56.71	32.44
Bangkok Aviation Fuel Services Public Company Limited (Market value for the year 2005 amount of THB 863.90 million and the year 2004 amount of THB 829.34 million)	22.6	22.6	76.79	76.79	424.88	415.52	41.04	81.98
Phuket Air Catering Company Limited	30	30	30.00	30.00	44.45	43.98	4.97	19.67
Suvarnabhumi Airport Hotel Company Limited	30	30	305.33	123.58	297.77	123.58	(7.57)	-
Sky Asia Company Limited	39	39	195.00	195.00	164.61	195.00	(30.39)	-
Total investments using the equity method					1,402.12	1,322.47	127.50	158.04
3.6.2 Other long-term investments stated at cost								
Fuel Pipeline Transportation Limited	8.4	8.4	133.00	133.00			-	-
Aeronautical Radio of Thailand Limited	2.9	3.5	19.17	22.94			-	-
SITA Investment Certificate TRADESIAM Company Limited (paid 25% of authorized share capital)	-	-	28.29	24.15			-	-
SITA Information Networking Computing	3.5	3.5	1.75	1.75			-	-
Other Shares							-	-
Investment in private fund							1.49	1.75
<u>Less</u> Allowance for impairment of Fuel Pipeline Transportation Limited							-	-
Total other long-term investments			190.01	152.14			1.49	1.75

The Company

Unit : Million Baht

Name of Company	Percentage of Shareholding		Investments				Income on investments	
	2005	2004	Cost method		Equity method		2005	2004
			2005	2004	2005	2004		
3.6.1 Investments using the equity method								
Subsidiary Companies								
Thai-Amadeus Southeast Asia Company Limited	55	55	8.25	8.25	265.71	249.81	59.31	84.29
Thai Information Solution Company Limited	-	100	-	125.00	-	103.27	-	0.44
Total					265.71	353.08	59.31	84.73
Associated Companies								
Royal Orchid Hotel (Thailand) Public Co., Ltd. (Market value for the year 2005 amount of THB 630.00 million and the year 2004 amount of THB 630.00 million)	24	24	225.00	225.00	294.72	283.74	62.74	23.51
Donmuang International Airport Hotel Company Limited	40	40	48.00	48.00	175.69	157.38	56.71	32.44
Bangkok Aviation Fuel Services Public Company Limited (Market value for the year 2005 amount of THB 863.90 million and the year 2004 amount of THB 829.34 million)	22.6	22.6	76.79	76.79	424.88	415.52	41.04	81.98
Phuket Air Catering Company Limited	30	30	30.00	30.00	44.45	43.98	4.97	19.67
Suvarnabhumi Airport Hotel Company Limited	30	30	305.33	123.58	297.77	123.58	(7.57)	-
Sky Asia Company Limited	39	39	195.00	195.00	164.61	195.00	(30.39)	-
Total					1,402.12	1,219.20	127.50	157.60
Total investments using the equity method					1,667.83	1,572.28	186.81	242.33
3.6.2 Other long-term investments stated at cost								
Fuel Pipeline Transportation Limited	8.4	8.4	133.00	133.00			-	-
Aeronautical Radio of Thailand Limited	2.9	3.5	19.17	22.94			-	-
SITA Investment Certificate	-	-	28.29	24.15			-	-
TRADESIAM Company Limited (paid 25% of authorized share capital)	3.5	3.5	1.75	1.75			-	-
SITA Information Networking Computing	-	-	36.19	-			-	-
Other Shares			2.98	3.02			1.49	1.75
<u>Less</u> Allowance for impairment of Fuel Pipeline Transportation Limited			(133.00)	(133.00)			-	-
Total other long-term investments			88.38	51.86			1.49	1.75

3.7 Related Parties The Company

3.7.1 Major shareholders

	Unit : Million Baht	
	<u>2005</u>	<u>2004</u>
Ministry of Finance		
Guaranteed loans	450.00	1,677.42
Loans via the Ministry of Finance	19,476.59	28,893.01

3.7.2 Subsidiary company

Name of Company	2005			2004		
	Sales	Trade Account Receivables	Other Account Receivables	Sales	Trade Account Receivables	Other Account Receivables
	_____	_____	_____	_____	_____	_____
Thai-Amadeus Southeast Asia Company Limited	55.13	0.14	15.44	72.00	0.17	15.82

The Company purchases goods and services from related parties on normal commercial terms.

3.8 Property, Plant and Equipment - Net

Consolidated

	Unit : Million Baht					
	Aircraft	Aircraft under financial leases	Aircraft spare parts	Land and buildings	Other plant and equipment	Total
Cost						
As at October 1, 2004	133,963.88	66,648.10	25,231.18	10,213.45	22,863.03	258,919.64
- Adjust/Transfer	(5,206.20)	21.52	(489.68)	60.66	170.57	(5,443.13)
- Increased asset	30,023.28	20,753.19	5,647.45	106.08	8,459.95	64,989.95
- Sold	(8.31)	(121.15)	(1,249.38)	(49.52)	(641.42)	(2,069.78)
As at September 30, 2005	158,772.65	87,301.66	29,139.57	10,330.67	30,852.13	316,396.68
Accumulated depreciation						
As at October 1, 2004	74,665.51	10,712.23	16,356.78	7,494.92	15,648.94	124,878.38
- Depreciation	6,260.55	3,446.96	2,031.06	371.00	1,045.83	13,155.40
- Adjust/Transfer	(680.40)	5.92	(256.36)	-	(4.37)	(935.21)
- Sold	(8.30)	(106.62)	(881.18)	(48.63)	(640.46)	(1,685.19)
As at September 30, 2005	80,237.36	14,058.49	17,250.30	7,817.29	16,049.94	135,413.38
Net book value						
As at September 30, 2004	59,298.37	55,935.87	8,874.40	2,718.53	7,214.09	134,041.26
As at September 30, 2005	78,535.29	73,243.17	11,889.27	2,513.38	14,802.19	180,983.30

The Company

Unit : Million Baht

	Aircraft	Aircraft under financial leases	Aircraft spare parts	Land and buildings	Other plant and equipment	Total
Cost						
As at October 1, 2004	133,963.88	66,648.10	25,231.18	10,213.45	22,698.62	258,755.23
- Adjust/Transfer	(5,206.20)	21.52	(489.68)	60.66	175.83	(5,437.87)
- Increased asset	30,023.28	20,753.19	5,647.45	106.08	8,438.29	64,968.29
- Sold	(8.31)	(121.15)	(1,249.38)	(49.52)	(641.42)	(2,069.78)
As at September 30, 2005	158,772.65	87,301.66	29,139.57	10,330.67	30,671.32	316,215.87
Accumulated depreciation						
As at October 1, 2004	74,665.51	10,712.23	16,356.78	7,494.92	15,569.86	124,799.30
- Depreciation	6,260.55	3,446.96	2,031.06	371.00	982.11	13,091.68
- Adjust/Transfer	(680.40)	5.92	(256.36)	-	0.05	(930.79)
- Sold	(8.30)	(106.62)	(881.18)	(48.63)	(640.46)	(1,685.19)
As at September 30, 2005	80,237.36	14,058.49	17,250.30	7,817.29	15,911.56	135,275.00
Net book value						
As at September 30, 2004	59,298.37	55,935.87	8,874.40	2,718.53	7,128.76	133,955.93
As at September 30, 2005	78,535.29	73,243.17	11,889.27	2,513.38	14,759.76	180,940.87

In this fiscal year, there are 87 aircraft in the Company's fleet consisting of 59 own aircraft, 16 aircraft under financial leases, and 12 aircraft under operating leases. Three aircraft are leased by Sky Asia Company Limited.

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

Other plants and equipment-net amount of THB 14,802.19 million (consolidated) and THB 14,759.76 millions (the Company) have already included the work in progress of Suvarnabhumi project amount of THB 9,456.72 million consisting of building, facilities, equipment and information technology which support to the services in Suvarnabhumi Airport.

The Company uses buildings and equipment purchased at THB 33,387.29 million that are now fully depreciated.

3.9 Non - Current Assets - Others

	Unit : Million Baht			
	Consolidated		The Company	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Deferred charges	775.06	824.99	775.06	824.99
Deferred income taxes	4,139.49	4,878.36	4,130.19	4,871.23
Total	<u>4,914.55</u>	<u>5,703.35</u>	<u>4,905.25</u>	<u>5,696.22</u>

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

3.10 Long-term Loans Consolidated and the Company

<u>Loan Currencies</u>	<u>Loan Currency</u>		<u>Baht Equivalent (Million)</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
JPY	18,000,000,000	23,000,000,000	6,569.26	8,659.06
USD	313,989,666	508,757,661	12,907.33	21,161.37
THB	450,000,000	750,000,000	<u>450.00</u>	<u>750.00</u>
Total Long-term loans			19,926.59	30,570.43
<u>Less Current portion of long-term loans</u>			<u>6,117.20</u>	<u>10,283.62</u>
Net Long-term loans			<u>13,809.39</u>	<u>20,286.81</u>

At the end of fiscal year 2005, the outstanding of long-term loans for 14 aircraft consisted of loans from the Ministry of Finance and domestic financial institutions amount of THB 19,926.59 million at the interest rates ranging from 1.13 % to 8.80% per annum.

3.11 Liabilities Under Financial Leases Consolidated and the Company

<u>Loan Currencies</u>	<u>Loan Currency</u>		<u>Baht Equivalent (Million)</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
JPY	68,932,640,150	76,418,137,157	25,157.59	28,769.98
USD	329,857,098	388,287,049	13,559.60	16,150.49
EUR	341,911,041	-	<u>16,971.50</u>	<u>-</u>
Total Financial lease			55,688.69	44,920.47
<u>Less Current portion of financial leases</u>			<u>6,587.59</u>	<u>5,248.50</u>
Net Liabilities under financial leases			<u>49,101.10</u>	<u>39,671.97</u>

For certain of its aircraft, the Company has financial leases with buyout options. The Company had financial leases with 5 foreign financial institutions. The accounting policy for recording aircraft under financial leases is described in Note 2.7. In fiscal year 2005, the Company has outstanding obligations totalling THB 61,090.65 million under financial leases for 16 aircraft with maturities ranging from 2005 to 2017. After deducting interest due amount of THB 5,401.96 million, the principal balance of obligations under the Company's financial leases is THB 55,688.69 million.

The Company has entered into a long-term loan contract in the form of Asset-Based Financing for Airbus A340-500 No.1 and 2 for an aggregate of EUR 165.04 million or approximately THB 8,460.23 million and Airbus A340-600 No.1 and 2 for an aggregate of EUR 181.56 million or approximately THB 9,101.94 million which the European Export Credit Agencies (ECA) is a guarantor.

3.12 Promissory Notes

The Company has loaned from the Government Saving Bank and THAI Employees' Saving & Credit Coops Ltd. by issuing promissory notes with a floating interest rate computed by using the interest rate on six-month fixed deposits at the Government Saving Bank plus 2.90% to 3.00% per annum. Such issuances financed the purchase of Boeing 747-400 No.14 and the payment of Airbus A330-300 No.12. In this fiscal year, the brought forward balance was THB 6,300.00 million and the amount of THB 1,050.00 million was repaid during the period, leaving a balance of THB 5,250.00 million (THB 3,250.00 million from the Government Saving Bank and THB 2,000.00 million from THAI Employees' Saving & Credit Coops Ltd.). As at September 30, 2005, these promissory notes were transferred to current portion of long-term loans in the amount of THB 1,050.00 million, leaving the long-term liabilities balance at THB 4,200.00 million.

3.13 Provision for Contingent Liability

In this fiscal year, the Company estimated an obligation of contingent liability arising from dispute cases amount of THB 141.05 million.

3.14 Dividends the Company

According to the Annual General Shareholders' Meeting for the year 2004 held on December 17, 2004 approved the Company to pay the dividends for the second half-year 2004 operation at THB 1.00 per share for an aggregate of THB 1,692.08 million (1,685,000,000 old shares plus 7,076,200 new shares, totalling 1,692,076,200 shares).

3.15 Current Liabilities - Others

	Unit : Million Baht			
	<u>Consolidated</u>		<u>The Company</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Airport fees	2,902.92	3,050.02	2,902.92	3,050.02
Deferred income	3.58	229.11	2.75	229.11
Taxes payable	361.39	340.20	360.14	339.25
Fringe benefits-field office staff	471.28	484.54	471.28	484.54
Other account payables	<u>836.21</u>	<u>625.02</u>	<u>817.14</u>	<u>602.61</u>
Total	<u>4,575.38</u>	<u>4,728.89</u>	<u>4,554.23</u>	<u>4,705.53</u>

3.16 Debenture Bonds

According to the Resolution of Extraordinary Shareholders' Meeting No. 1/2546 held on September 2, 2003 approved the Company to issue debentures in the amount of THB 40 billion. The Company has already issued its debentures for the first tranche of THB 10 billion, the second tranche of THB 15 billion, and the third tranche of THB 15 billion, totalling to THB 40 billion which has already been transferred to the Company's account. The details are as follows:

	Tenor (Year)	Interest Rate Pay every 6 months (%)	Amount (MTHB)	Maturity date
<u>The first</u>	5	3.00	5,500	October 8, 2008
	7	3.70	<u>4,500</u>	October 8, 2010
The balance as at September 30, 2004			<u>10,000</u>	
<u>The second</u>	5	4.65	7,500	October 20, 2009
	7	5.20	4,500	October 20, 2011
	10	5.80	<u>3,000</u>	October 20, 2014
			<u>15,000</u>	
<u>The third</u>	3	3.82	6,000	May 12, 2008
	6	4.67	6,000	May 12, 2011
	10	5.19	<u>3,000</u>	May 12, 2015
			<u>15,000</u>	
The balance as at September 30, 2005			<u>40,000</u>	

The Company has registered these debentures with the Thai Bond Dealing Center (THAI BDC) in the bond electronic exchange of the Stock Exchange of Thailand.

3.17 Share Capital

As at September 30, 2005, the Company has authorized ordinary shares amount of 1,700 million shares at par value THB 10 each for an aggregate of THB 17 billion, issued and paid-up ordinary shares amount of THB 16,988.89 million. The details are as follows:

	No. of Shares (Shares)	Issued and Paid-up Shares (THB)
As at September 30, 2004	1,685,000,000	16,850,000,000
On October 15, 2004, the employees subscribed the ordinary shares and 1 st exercised type-one warrants.	7,076,200	70,762,000
On January 13, 2005, the employees 2 nd exercised type - one warrants.	3,350	33,500
On May 9, 2005, the employees 2 nd subscribed the ordinary shares, 3 rd exercised type-one warrants and 1 st exercised type-two warrants.	6,797,000	67,970,000
On July 18, 2005, the employees 4 th exercised type - one warrants and 2 nd exercised type-two warrants.	<u>11,600</u>	<u>116,000</u>
Total	<u>1,698,888,150</u>	<u>16,988,881,500</u>

The Company determined the 5th exercise of type-one warrants and 3rd exercise of type-two warrants to purchase ordinary shares on September 27 - October 3, 2005. As at September 30, 2005, the proceeds from these shares are THB 0.01 million presented in shareholders' equity under "the proceeds from ESOP offering".

3.18 Legal Reserve

At the end of fiscal year 2004, the Company's legal reserve balance was THB 1,700.00 million which equaled to 10% of the Company's registered shares. Therefore, the Company does not have to provide the legal reserve in this fiscal year.

3.19 Other Incomes - Others

	Unit : Million Baht			
	<u>Consolidated</u>		<u>The Company</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Compensation revenues from insurance companies (asset)	94.64	58.74	94.64	58.74
Gains (losses) on sales of assets	15.98	(74.41)	15.98	(74.41)
Revenue from investments	1.49	1.75	1.49	1.75
Revenue from current investments	371.49	199.43	371.49	199.22
Other incomes	<u>1,587.08</u>	<u>769.40</u>	<u>1,583.96</u>	<u>766.43</u>
Total	<u>2,070.68</u>	<u>954.91</u>	<u>2,067.56</u>	<u>951.73</u>

3.20 Other Expenses - Others

	Unit : Million Baht			
	<u>Consolidated</u>		<u>The Company</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Bad and doubtful debts	46.71	49.81	39.31	42.73
Credit card fees	346.90	304.11	346.90	304.11
Compensation to customers for Damages	124.03	104.56	124.03	104.56
Other expenses	<u>57.71</u>	<u>65.42</u>	<u>57.65</u>	<u>65.37</u>
Total	<u>575.35</u>	<u>523.90</u>	<u>567.89</u>	<u>516.77</u>

3.21 Earnings Per Share Consolidated and the Company

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

Diluted earnings per share is calculated by dividing net profit for the period by the weighted average number of ordinary shares outstanding during the period adjusted by all dilutive potential ordinary shares under the assumptions that all dilutive potential ordinary shares are converted into ordinary shares. The dilutive potential ordinary shares of the Company are ordinary shares and warrants to purchase the ordinary shares under ESOP.

<u>Consolidated and the Company</u>			
<u>For the years ended September 30, 2005</u>			
	Gains (THB)	No. of Shares (Shares)	Earnings per share (THB)
Basic earnings per share			
Net Profits attributable to ordinary shareholders	6,776,651,464	1,694,509,741.23	4.00
Effects of dilutive potential ordinary shares			
Ordinary shares not exercising the rights	-	-	
Warrants to purchase ordinary shares not exercising the rights	-	<u>14,358.16</u>	
Diluted earnings per share			
Net Profits attributable to ordinary shareholders under conversion assumption to ordinary shares	<u>6,776,651,464</u>	<u>1,694,524,099.39</u>	4.00

3.22 Financial Information by Segment Consolidated

3.22.1 Business segments

Statements of Income

For the year ended September 30, 2005 and 2004

Unit : Million Baht

	<u>Revenues</u>		<u>Inter - Segment Revenues</u>		<u>Total Revenues</u>		<u>Segment Results</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	Air transportation	154,731.70	145,710.80	-	-	154,731.70	145,710.80	8,197.17
Business Units	7,070.21	6,607.88	13,116.43	13,410.34	20,186.64	20,018.22	2,422.13	3,616.30
Other activities	686.31	284.34	334.00	341.96	1,020.31	626.30	204.97	171.89
Eliminations	-	-	(13,450.43)	(13,752.30)	-	-	-	-
Operating profits							10,824.27	20,497.73
Share of net profit from subsidiary and associated companies							127.49	158.04
Interest expenses-net							(3,966.22)	(4,584.82)
Gains (losses) on foreign currency exchange							1,469.71	(2,178.95)
Other revenues							1,451.32	392.06
Minority interests							(48.53)	(68.97)
Income taxes							(3,081.39)	(4,138.25)
Net profits							<u>6,776.65</u>	<u>10,076.84</u>

Assets and Liabilities

For the year ended September 30, 2005 and 2004

	<u>Current Assets</u>		<u>Non-Current Assets</u>		<u>Total Assets</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	Air transportation	40,679.67	49,198.21	185,118.28	138,559.50	225,797.95
Business Units	882.63	429.30	2,218.33	2,466.98	3,100.96	2,896.28
Other activities	<u>2,586.00</u>	<u>2,363.80</u>	<u>153.37</u>	<u>192.74</u>	<u>2,739.37</u>	<u>2,556.54</u>
Total	<u>44,148.30</u>	<u>51,991.31</u>	<u>187,489.98</u>	<u>141,219.22</u>	<u>231,638.28</u>	<u>193,210.53</u>

	<u>Current Liabilities</u>		<u>Non-Current Liabilities</u>		<u>Total Liabilities</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	Air transportation	60,198.68	58,958.75	111,572.45	79,305.99	171,771.13
Business Units	214.83	170.12	80.79	123.56	295.62	293.68
Other activities	<u>359.44</u>	<u>328.36</u>	<u>-</u>	<u>-</u>	<u>359.44</u>	<u>328.36</u>
Total	<u>60,772.95</u>	<u>59,457.23</u>	<u>111,653.24</u>	<u>79,429.55</u>	<u>172,426.19</u>	<u>138,886.78</u>

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

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

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

The Company records inter-segment revenue transfers at market price charged to its unaffiliated customer net of discount. Those transfers are eliminated in consolidation.

3.22.2 Geographical segments

	Unit : Million Baht	
	<u>2005</u>	<u>2004</u>
Domestic Revenues		
Transportation	10,379.42	11,555.07
Business units	6,667.49	6,192.49
Other activities	<u>1,089.03</u>	<u>699.73</u>
Total domestic revenues	<u>18,135.94</u>	<u>18,447.29</u>
Foreign Transportation Revenues		
Regional Asia	69,830.04	68,535.88
Europe	44,656.81	42,389.41
North Pacific	4,559.26	4,255.43
Australia & New Zealand	<u>12,239.28</u>	<u>12,348.84</u>
Total foreign transportation revenues	<u>131,285.39</u>	<u>127,529.56</u>
Charter revenues and others	4,767.66	3,028.57
Insurance surcharge from passengers	2,540.43	3,055.32
Fuel surcharge from passengers	<u>5,758.80</u>	<u>542.28</u>
Total	<u>162,488.22</u>	<u>152,603.02</u>

3.23 Staff Pension Fund Consolidated and the Company

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

	Unit : Million Baht	
	<u>2005</u>	<u>2004</u>
Cash and cash equivalents	162.37	89.93
Fixed deposits due over 3 months	3,964.25	3,807.94
Other current assets	<u>15.43</u>	<u>14.89</u>
	<u>4,142.05</u>	<u>3,912.76</u>
Other current liabilities	14.49	14.69
Pension fund	<u>4,542.74</u>	<u>4,220.77</u>
	<u>4,557.23</u>	<u>4,235.46</u>

As at September 30, 2005, the fund balance was THB 4,542.74 million, equal to the Company's obligation to its staff under the fund. The total Company contribution to the fund in fiscal year 2005 was THB 674.50 million, consisting of contributions at a rate equivalent to 10% of employee salaries in the amount of THB 259.32 million, and additional amounts to match the Company's obligation of THB 415.18 million.

3.24 Staff Provident Fund

The Company contributes to the provident fund at the rate of 9% for members having not more than 20 years of services and 10% for members having more than 20 years of services, representing amount of THB 834.74 million in fiscal year 2005.

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

3.25 Contingent Liabilities

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

	Unit : Million Baht	
	<u>The Company</u>	
	<u>2005</u>	<u>2004</u>
Letters of guarantee issued by banks	11.06	16.71
The Company as defendant in		
Labour dispute cases	519.74	750.55
Damage claims cases	<u>288.58</u>	<u>564.86</u>
Total	<u>819.38</u>	<u>1,332.12</u>

3.26 Disclosure of Financial Instruments The Company

3.26.1 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.

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

Unit : Million Baht						
2005						
Financial Liabilities	Weighted Average Interest Rate	Floating Interest Rates		Fixed Interest Rates		Total
		Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	
USD	6.16	820.95	5,127.65	7,535.26	12,983.07	26,466.93
JPY	0.56	1,737.61	13,860.72	1,035.46	15,093.06	31,726.85
EUR	2.33	940.79	11,610.29	334.72	4,085.71	16,971.51
THB	4.38	1,050.00	4,200.00	300.00	40,150.00	45,700.00

Unit : Million Baht

2004

Financial Liabilities	Weighted Average Interest Rate	Floating Interest Rates		Fixed Interest Rates		Total
		Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	
USD	5.78	1,710.06	6,019.03	8,821.50	20,761.26	37,311.85
JPY	0.55	2,818.15	24,327.76	1,882.40	8,400.73	37,429.04
THB	3.80	1,050.00	5,250.00	300.00	10,450.00	17,050.00

The Company has entered into Interest Rate Swap (IRS) by converting JPY dominated loans from floating interest rate to fixing interest rate for Boeing 747-400 No.15 and 16 as well as EUR dominated loan for Airbus A340-500 No.1 and 2 and A340-600 No.1. At the end of fiscal year 2005, the loan portion fixed to floated interest rate increased to 70.7 : 29.3 including the obligation under operating lease.

3.26.2 Exchange Rate Risk

Fluctuations in exchange rates affect on long-term liabilities and operating expenses denominated in foreign currencies. The hedging policy of the Company is to hold foreign currencies received from foreign currency revenues in proportion to foreign currency expenses. In addition, the Company holds surplus cash in major foreign currencies which are stable and uses in the Company's operations in order to reduce foreign exchange risk. To reduce the Company's risk and conform with its surplus cash, the Company has exercised the Cross Currency Swap (CCS) by converting the USD dominated loan with floated interest rate to EUR dominated loan with fixed interest rate for Boeing 777-300 No.3 and 4. In addition, the Company converted THB denominated debenture amount of THB 2,400 million to EUR dominated debenture with fixed interest rate which resulted in the increase in EUR dominated loans of the Company. As a result, the portion of EUR dominated loans was 18.4% of total loans including obligation under operation lease.

Unit : Million Baht

Currency	<u>Foreign Currency Liabilities</u>			
	2005		2004	
	<u>Maturity within 1 year</u>	<u>Maturity over 1 year</u>	<u>Maturity within 1 year</u>	<u>Maturity over 1 year</u>
USD	8,356.21	18,110.72	10,531.56	26,780.29
JPY	2,773.07	28,953.78	4,700.55	32,728.49
EUR	1,275.51	15,696.00	-	-

3.26.3 Fuel Price Risk

Fuel price fluctuations depend on the supply and demand of fuel in the world market and the global political situation and have a direct effect on the Company's operations. To hedge the expense/lost from fuel price fluctuation, the Company matches foreign fuel supplies with the Company's fuel demands by entering into an agreement with various supplies in many countries and always monitors the change in fuel price. Moreover, the Company's hedging policy for this risk is to hedge maximum 50% of its utilized fuel quantity. In this fiscal year, the Company hedges this risk in the proportion of 22.45% per annum.

3.26.4 Fair Value of financial instruments

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

The following table presents year-end financial statement balances and an estimate of fair value of financial assets and liabilities as at September 30, 2005 and 2004.

	Unit : Million Baht			
	The Company			
	<u>2005</u>		<u>2004</u>	
	<u>Balance</u>	<u>Fair Value</u>	<u>Balance</u>	<u>Fair Value</u>
Financial Assets				
Cash and cash equivalents	9,589.52	9,589.52	20,618.16	20,618.16
Current investments	-	-	323.46	323.46
Other investments	1,756.21	2,530.51	1,624.14	2,384.22
Trade account receivables	15,423.04	15,423.04	14,974.44	14,974.44
Financial Liabilities				
Trade account payables	7,981.41	7,981.41	6,707.99	6,707.99
Loans	120,865.28	120,865.28	91,790.89	91,790.89
Accrued expenses	16,309.10	16,309.10	14,874.15	14,874.15

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

Cash and bank balances, fixed deposits due over 3 months, account payables, loans, and accrued expenses are stated at balance sheet amounts.

Current investments are stated at market value.

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

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

3.27 Events After the Balance Sheet Date

According to the Resolution of Board of directors No.13/2548 held on October 12, 2005 approved the Company issuing and offering of THB debentures and/or other currencies not exceeding in the amount of THB 60 billion or equivalent within 5 years by using the exchange rate at the issuing and offering date in each period.

3.28 Contractual Obligations

3.28.1 Obligation to Purchase Aircraft

The Company has a payment obligation to purchase aircraft amount of THB 104,902.45 million.

3.28.2 Leases Aircraft Obligations

The Company has entered into operating leases with foreign companies for 12 aircraft with lease terms of 10-11 years. The aggregate lease payment obligations of the Company under the rest of the lease term 2-4 years amounted to USD 348.31 million or approximately THB 14,318.15 million (exchange rate USD 1 : THB 41.1075).

3.28.3 Contractual Obligation and Memorandum Agreement in Suvarnabhumi Airport Project

The Company as entered into a contractual and memorandum agreement in Suvarnabhumi Airport project for an aggregate of THB 12,774.38 million. The Company recorded this item as work in progress amount of THB 9,456.72 million, leaving the payment obligation of THB 3,317.66 million.

	Unit : Million Baht		
	<u>Contractual Value</u>	<u>Work in progress</u>	<u>Payment Obligation</u>
Cargo and mail commercial service	3,102.57	2,092.36	1,010.21
Aircraft maintenance center	2,477.71	2,247.43	230.28
Catering	3,439.70	3,028.37	411.33
Ground support equipment service	1,523.79	1,090.48	433.31
Operation center	1,015.34	737.27	278.07
Ground customer service	561.73	35.08	526.65
Common activity	500.01	221.86	278.15
Information Technology	<u>153.53</u>	<u>3.87</u>	<u>149.66</u>
Total	<u>12,774.38</u>	<u>9,456.72</u>	<u>3,317.66</u>

3.29 Accounting Presentation in Financial Statement

The Company has reclassified some accounting items in financial statements for fiscal year 2004 to conform with the classification of accounting items in the current period which has no impact to net profit or shareholders' equity as follows:

3.29.1 Cash and fixed deposits of the Company's pension fund, formerly shown in cash and cash equivalents as well as fixed deposits due over 3 months, is presented in other current assets.

3.29.2 Fuel surcharge, formerly shown in insurance item, is included in fuel and oil item.

3.29.3 Expenses for financing of aircraft which used to present in lease of aircraft and spare parts are included in interest expenses item.

3.29.4 An obligation of the Company's pension fund formerly shown in other expenses are presented in personnel expenses item.