

NO. 0022/2393

**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, 2006 and 2005 of Thai Airways International Public Company Limited and its subsidiary and the Company's financial statements for the years ended September 30, 2006 and 2005 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 , 2006

(Boobpha Anuntawat)
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, 2006 and 2005, 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 statements 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 the Thai Airways International Public Company Limited as at September 30, 2006 and 2005, and the results of operations, the changes in shareholders' equity, and the cash flows for the years then ended in accordance with generally accepted accounting principles.

(Signed) Boobpha Anuntawat
(Boobpha Anuntawat)
Deputy Auditor General

(Signed) Burpha Kingsak
(Burpha Kingsak)
Director of Audit Office

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY

BALANCE SHEETS

AS AT SEPTEMBER 30, 2006 AND 2005

Units : Baht

	<u>Notes</u>	<u>CONSOLIDATED</u>		<u>THE COMPANY</u>	
		<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
ASSETS					
Current Assets					
Cash and cash equivalents	3.1	9,175,267,322	9,930,000,904	8,937,827,934	9,589,521,953
Current investment-available-for-sale		102,256,496	-	-	-
Trade account receivables-net	3.2	16,613,734,289	15,468,179,546	16,576,817,194	15,423,035,075
Inventories and supplies-net	3.3	5,255,350,885	5,095,985,028	5,255,350,885	5,095,985,028
Other current assets	3.4	14,556,067,780	13,654,129,844	14,524,282,369	13,630,866,502
Total Current Assets		45,702,676,772	44,148,295,322	45,294,278,382	43,739,408,558
Non-Current Assets					
Investments by the equity method	3.5.1	1,523,006,071	1,402,118,521	1,824,404,475	1,667,828,330
Other long-term investments	3.5.2	191,846,188	190,010,922	86,534,540	88,376,676
Property, Plant and Equipment-Net	3.7	196,030,545,530	180,983,297,860	195,937,578,431	180,940,866,547
Intangible Assets-net	3.8	421,211,394	-	418,776,627	-
Others	3.9	5,165,110,593	4,914,554,188	5,153,503,850	4,905,245,319
Total Non-Current Assets		203,331,719,776	187,489,981,491	203,420,797,923	187,602,316,872
Total Assets		249,034,396,548	231,638,276,813	248,715,076,305	231,341,725,430

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, 2006 AND 2005

		<u>CONSOLIDATED</u>		<u>THE COMPANY</u>	
	<u>Notes</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Units : Baht					
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities					
Trade account payables		9,423,137,305	7,993,856,108	9,411,603,172	7,981,405,194
Short-term loans	3.14	5,606,417,700	-	5,606,417,700	-
Current portion of long-term loans					
Long-term loans	3.10	8,023,757,350	6,117,198,306	8,023,757,350	6,117,198,306
Liabilities under financial leases	3.11	8,314,392,593	6,587,594,104	8,314,392,593	6,587,594,104
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		16,417,248,467	16,273,774,116	16,398,217,085	16,256,628,995
Accrued dividends		57,863,117	52,475,790	57,863,117	52,475,759
Accrued income taxes		20,613,157	28,411,385	-	-
Unearned transportation revenues		24,287,909,663	17,953,215,464	24,287,909,663	17,953,215,464
Others	3.16	4,627,275,264	4,575,376,372	4,605,732,387	4,554,231,374
Total Current Liabilities		77,828,614,616	60,772,951,049	77,755,893,067	60,693,798,600
Non-Current Liabilities					
Long-term debts					
Debentures	3.17	40,000,000,000	40,000,000,000	40,000,000,000	40,000,000,000
Long-term loans	3.10	4,393,142,000	13,809,393,871	4,393,142,000	13,809,393,871
Liabilities under financial leases	3.11	53,485,647,432	49,101,100,338	53,485,647,432	49,101,100,338
Promissory notes	3.12	3,150,000,000	4,200,000,000	3,150,000,000	4,200,000,000
Staff pension fund	3.24	4,495,820,618	4,542,741,371	4,495,820,618	4,542,741,371
Total Non-Current Liabilities		105,524,610,050	111,653,235,580	105,524,610,050	111,653,235,580
Total Liabilities		183,353,224,666	172,426,186,629	183,280,503,117	172,347,034,180
Shareholders' Equity					
Share capital	3.18				
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					
1,698.89 million ordinary shares par value of Baht 10 each		16,988,961,500	16,988,881,500	16,988,961,500	16,988,881,500
Premium on share capital		15,642,835,031	15,646,761,354	15,642,835,031	15,646,761,354
Proceeds from ESOP offering		-	12,000	-	12,000
Unrealised losses on current investment-available-for-sale securities		-	(477,805)	-	(477,805)
Retained earnings					
Appropriated					
Legal reserve	3.19	1,700,000,000	1,700,000,000	1,700,000,000	1,700,000,000
Unappropriated		31,102,776,657	24,659,514,201	31,102,776,657	24,659,514,201
Total Company Shareholders' Equity		65,434,573,188	58,994,691,250	65,434,573,188	58,994,691,250
Minority interests		246,598,694	217,398,934	-	-
Total Shareholders' Equity		65,681,171,882	59,212,090,184	65,434,573,188	58,994,691,250
Total Liabilities and Shareholders' Equity		249,034,396,548	231,638,276,813	248,715,076,305	231,341,725,430

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

(Signed) *Flg.Off.Apinan Sumanaseni*
(Apinan Sumanaseni)
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, 2006 and 2005

	<u>CONSOLIDATED</u>		<u>THE COMPANY</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	Units : Baht			
Revenues from the Sale of Goods and the Rendering of Services				
Passenger and excess baggage	143,401,184,068	129,233,824,463	143,401,184,068	129,233,824,463
Freight	25,649,667,924	24,418,612,793	25,649,667,924	24,418,612,793
Mail	1,036,188,352	1,079,260,295	1,036,188,352	1,079,260,295
Other activities	8,519,843,512	7,756,523,548	8,159,740,321	7,353,803,316
Total Revenues from the Sale of Goods and the Rendering of Services				
Rendering of Services	178,606,883,856	162,488,221,099	178,246,780,665	162,085,500,867
Operating expenses				
Personnel	30,729,663,179	28,853,278,446	30,697,016,022	28,828,349,652
Aircraft fuel	59,999,262,178	46,100,717,282	59,999,262,178	46,100,717,282
Inventories and supplies	10,201,744,088	9,739,263,524	10,201,744,088	9,739,263,524
Lease of aircraft and spare parts	5,434,434,982	5,651,787,307	5,434,434,982	5,651,787,307
Flight operations	38,393,262,426	36,743,707,218	38,393,262,426	36,743,707,218
Depreciation	15,514,467,423	13,155,407,827	15,484,615,707	13,091,686,866
Marketing	3,115,691,548	3,825,361,177	3,075,578,993	3,783,193,305
Insurance	1,516,417,024	1,901,656,351	1,516,417,024	1,901,656,351
Remuneration to board of directors	26,493,191	40,315,359	25,051,680	38,795,734
Other operating expenses	5,311,249,255	5,652,453,608	5,224,418,315	5,553,960,026
Total operating expenses	170,242,685,294	151,663,948,099	170,051,801,415	151,433,117,265
Profit from the Sale of Goods and the Rendering of Services	8,364,198,562	10,824,273,000	8,194,979,250	10,652,383,602

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, 2006 and 2005

	<u>Notes</u>	<u>CONSOLIDATED</u>		<u>THE COMPANY</u>	
		<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
				Units : Baht	
Profits from the Sale of Goods and the Rendering of Services		8,364,198,562	10,824,273,000	8,194,979,250	10,652,383,602
Other Income					
Interest income		316,822,629	362,678,738	315,364,272	361,888,601
Others	3.20	3,388,247,464	2,070,679,905	3,382,856,386	2,067,564,496
Total Other Income		3,705,070,093	2,433,358,643	3,698,220,658	2,429,453,097
Other Expenses					
Gains on foreign currency exchange		(6,178,102,699)	(1,469,706,067)	(6,178,102,699)	(1,469,706,067)
Yields from pension fund		75,923,013	44,010,429	75,923,013	44,010,429
Others	3.21	1,154,594,702	575,349,314	1,146,427,301	567,890,377
Total Other Expenses		(4,947,584,984)	(850,346,324)	(4,955,752,385)	(857,805,261)
Profits from Operations		17,016,853,639	14,107,977,967	16,848,952,293	13,939,641,960
Share of Profits from Investments by the Equity Method					
Share of net profit from subsidiary company		-	-	64,910,790	59,311,669
Share of net profit from associated companies		256,226,137	127,495,109	256,226,137	127,495,109
Total Share of Profits from Investments by the Equity Method	3.5.1	256,226,137	127,495,109	321,136,927	186,806,778
Profits before Interest and Income Tax Expenses		17,273,079,776	14,235,473,076	17,170,089,220	14,126,448,738
Interest expenses		4,450,936,258	4,328,903,629	4,450,936,258	4,328,903,629
Income tax expenses		3,777,437,609	3,081,390,254	3,727,555,881	3,020,893,645
Profits after Tax		9,044,705,909	6,825,179,193	8,991,597,081	6,776,651,464
Net profit of minority interest		53,108,828	48,527,729	-	-
Net profits		8,991,597,081	6,776,651,464	8,991,597,081	6,776,651,464
Basic earnings per share	3.22				
Net profits		5.29	4.00	5.29	4.00
Diluted earnings per share	3.22				
Net profits		5.29	4.00	5.29	4.00

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

(Signed) *Flg.Off.Apinan Sumanaseni*
(Apinan Sumanaseni)
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, 2006 and 2005

Units : Baht

		CONSOLIDATED						
Notes	Share Capital issued and fully paid	Premium on share capital	Proceeds from ESOP offering	Unrealised gain (losses) on available- for-sale securities	Legal Reserve	Retained Earnings Unappropriated	Minority Interest	Total
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
- Sales on current investment	-	-	-	(317,108,579)	-	-	-	(317,108,579)
- Unrealised losses on current investment - available-for-sale securities	-	-	-	(512,901)	-	-	(419,647)	(932,548)
<u>Add</u> Net Profits	-	-	-	-	-	6,776,651,464	48,527,729	6,825,179,193
<u>Less</u> Dividends paid	-	-	-	-	-	(1,692,076,200)	(35,100,000)	(1,727,176,200)
<u>Add</u> Proceeds from ESOP offering	-	-	111,601,764	-	-	-	-	111,601,764
<u>Add</u> Issued share capital	138,881,500	69,440,750	#####	-	-	-	-	-
<u>Less</u> Share offering expense	-	(3,229,878)	-	-	-	-	-	(3,229,878)
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
Balance as at October 1, 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
- Unrealised gains on current investment - available-for-sale securities	-	-	-	477,805	-	-	390,932	868,737
<u>Add</u> Net Profits	-	-	-	-	-	8,991,597,081	53,108,828	9,044,705,909
<u>Less</u> Dividends paid	-	-	-	-	-	(2,548,334,625)	(24,300,000)	(2,572,634,625)
<u>Add</u> Proceeds from ESOP offering	-	-	108,000	-	-	-	-	108,000
<u>Add</u> Issued share capital	80,000	40,000	(120,000)	-	-	-	-	-
<u>Less</u> Share offering expense	-	(3,966,323)	-	-	-	-	-	(3,966,323)
Balance as at September 30, 2006	16,988,961,500	15,642,835,031	-	-	1,700,000,000	31,102,776,657	246,598,694	65,681,171,882

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

(Signed) *Flg.Off.Apinan Sumanaseni*
(Apinan Sumanaseni)
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, 2006 and 2005

Units : Baht

Notes	THE COMPANY						Total
	Share Capital issued and fully paid	Premium on share capital	Proceeds from ESOP offering	Unrealised gain (loss) on available- for-sale securities	Legal Reserve	Retained Earnings Unappropriated	
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
- Sales on current investment	-	-	-	(317,108,579)	-	-	(317,108,579)
- Unrealised losses on current investment - available-for-sale securities	-	-	-	(512,901)	-	-	(512,901)
<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> Proceeds from ESOP offering	-	-	111,601,764	-	-	-	111,601,764
<u>Add</u> Issued share capital	138,881,500	69,440,750	(208,322,250)	-	-	-	-
<u>Less</u> Share offering expense	-	(3,229,878)	-	-	-	-	(3,229,878)
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
Balance as at October 1, 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
- Unrealised gains on current investment - available-for-sale securities	-	-	-	477,805	-	-	477,805
<u>Add</u> Net Profits	-	-	-	-	-	8,991,597,081	8,991,597,081
<u>Less</u> Dividends paid	-	-	-	-	-	(2,548,334,625)	(2,548,334,625)
<u>Add</u> Proceeds from ESOP offering	-	-	108,000	-	-	-	108,000
<u>Add</u> Issued share capital	80,000	40,000	(120,000)	-	-	-	-
<u>Less</u> Share offering expense	-	(3,966,323)	-	-	-	-	(3,966,323)
Balance as at September 30, 2006	16,988,961,500	15,642,835,031	-	-	1,700,000,000	31,102,776,657	65,434,573,188

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

(Signed) *Flg.Off.Apinan Sumanaseni*
(Apinan Sumanaseni)
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, 2006 and 2005

	<u>CONSOLIDATED</u>		<u>THE COMPANY</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
				Units : Baht
Cash flows from operating activities				
Net profit	8,991,597,081	6,776,651,464	8,991,597,081	6,776,651,464
Adjustment to reconcile net profit to cash				
provided by (paid from) operating activities :				
Depreciation	15,514,467,423	13,155,407,827	15,484,615,707	13,091,686,866
Income from investments by the equity method	(256,226,137)	(127,495,109)	(321,136,927)	(186,806,778)
Losses (gains) on sales of assets	(991,232,983)	92,814,717	(991,373,592)	92,394,036
Losses (gains) on current investments-available-for-sale securities	(4,587,358)	(373,775,096)	477,805	(371,486,133)
Amortisation of deferred charges	176,512,541	119,187,843	176,512,541	119,187,843
Gains on foreign currency exchange	(5,646,399,237)	(1,402,910,156)	(5,646,399,237)	(1,402,910,156)
Net profit of minority interests	53,108,828	48,527,729	-	-
Provision for obsolete inventories	144,151,808	(27,972,118)	144,151,808	(27,972,118)
Allowance for doubtful accounts and impairment in value of assets	97,541,894	(29,750,469)	89,632,317	(37,148,730)
Operating profit before changes in operating assets				
and liabilities	18,078,933,860	18,230,686,632	17,928,077,503	18,053,596,294
Decrease (increase) in operating assets :				
Trade account receivables	(1,338,153,082)	(357,426,873)	(1,338,470,881)	(352,833,608)
Inventories and supplies	(303,517,666)	(799,189,084)	(303,517,666)	(799,189,084)
Prepaid expenses and deposits	394,254,749	717,933,681	396,709,604	720,824,730
Tax refund	(448,783,917)	(1,829,515,476)	(448,783,917)	(1,829,515,476)
Other current assets	(998,114,588)	(1,278,695,912)	(992,047,374)	(1,281,648,010)
Deferred income taxes	119,175,442	738,872,420	121,473,315	741,047,198
Deferred charges	(462,344,246)	(505,893,562)	(462,344,246)	(505,893,562)
Increase (decrease) in operating liabilities :				
Trade account payables	1,428,218,890	1,325,681,733	1,429,135,671	1,318,767,178
Accrued expenses and other current liabilities	19,223,004	1,564,413,396	24,737,122	1,572,345,916
Staff pension fund	(46,920,753)	321,969,978	(46,920,753)	321,969,978
Unearned transportation revenue	6,363,320,218	1,411,709,777	6,363,320,218	1,411,709,777
Net cash from operating activities	22,805,291,911	19,540,546,710	22,671,368,596	19,371,181,331

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, 2006 and 2005

Units : Baht

	<u>CONSOLIDATED</u>		<u>THE COMPANY</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Cash flows from investing activities				
Short-term investments increase	(100,000,000)	-	-	-
Cash paid for acquisition of fixed assets	(20,231,596,361)	(46,064,456,833)	(20,151,032,348)	(46,043,218,259)
Cash paid for intangible assets	(455,609,398)	-	(453,130,576)	-
Cash received from transferring down payment of aircraft and aircraft spare parts	2,065,589,465	2,135,303,727	2,065,589,465	2,135,303,727
Cash received from sales of assets	5,521,806,216	298,727,912	5,521,726,259	298,727,912
Investments decrease	129,369,337	8,482,525	159,069,337	51,382,525
Cash received from current investments-available-for-sale securities	-	377,320,653	-	377,320,653
Net cash used in investing activities	(13,070,440,741)	(43,244,622,016)	(12,857,777,863)	(43,180,483,442)
Cash flows from financing activities				
Cash received from debentures	-	30,000,000,000	-	30,000,000,000
Cash received from short-term loans	5,512,267,800	-	5,512,267,800	-
Cash received from long-term loans	1,259,525,538	1,211,018,582	1,259,525,538	1,211,018,582
Cash received from issuing ordinary shares	72,000	74,418,950	72,000	74,418,950
Cash received (paid) from premium on ordinary shares	(3,930,323)	33,940,936	(3,930,323)	33,940,936
Cash received from subscription of ESOP	-	12,000	-	12,000
Cash paid for repayment of long-term loans	(13,701,821,877)	(15,770,087,802)	(13,701,821,877)	(15,770,087,802)
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	(2,567,247,267)	(1,725,307,795)	(2,542,947,267)	(1,690,207,826)
Net cash from (used in) financing activities	(10,551,134,129)	12,773,994,871	(10,526,834,129)	12,809,094,840
Decrease in cash and cash equivalents	(816,282,959)	(10,930,080,435)	(713,243,396)	(11,000,207,271)
Increase (decrease) in the effect from changing in exchange rate on cash and cash equivalents	61,549,377	(28,433,054)	61,549,377	(28,433,054)
Cash and cash equivalents at the beginning of the periods	9,930,000,904	20,888,514,393	9,589,521,953	20,618,162,278
Cash and cash equivalents at the end of the periods	9,175,267,322	9,930,000,904	8,937,827,934	9,589,521,953
Supplementary cash flows information :				
Cash paid during the year for				
Interest expenses	4,327,541,483	3,326,878,784	4,327,541,483	3,326,878,784
Corporate income tax	4,115,660,767	4,176,894,838	4,055,682,939	4,101,310,724
Non - cash item				
Assets under financial lease	16,975,783,568	16,116,659,936	16,975,783,568	16,116,659,936

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

(Signed) *Flg.Off.Apinan Sumanaseni*
(Apinan Sumanaseni)
President

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

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND SUBSIDIARY
NOTES TO THE FINANCIAL STATEMENTS
For the years ended September 30, 2006 and 2005

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 5-30 years.

2.4.6 Leasehold buildings are amortised as expense over a lease term of 10-30 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 Intangible Assets

Computer programmes

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

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

2.6 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 an asset's net selling price and its value in use.

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

2.7 Deferred Charges

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

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

2.8 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.

2.9 Revenue Recognition

2.9.1 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.

2.9.2 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.

2.9.3 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.

2.9.4 Revenues from business units, Aircraft Maintenance Services, Ground Customer Services, Ground Support Equipment Services and Cargo and Mail Commercial are recognised when services are provided. Revenues from Catering Services, Sales on Board and Thai Shop are recognised at sale.

2.9.5 Other revenues are recognised on an accrual basis.

2.10 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.

2.11 Foreign Currency Transactions

Foreign currency transactions incurred during the year are converted 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 the Bank of Thailand at cash received date.

Assets and liabilities denominated in foreign currency at year-end are converted 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.

2.12 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.

2.13 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.

2.14 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.

2.15 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 arising from this agreement will be recorded as expenses in income statement.

3. SUPPLEMENTARY INFORMATION

3.1 Cash and Cash Equivalents

	<u>Consolidated</u>		<u>Units : Million Baht</u> <u>The Company</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Cash - Domestic	18.13	13.27	18.13	13.27
Cash - Abroad	18.91	27.50	18.91	27.50
Bank Deposits - Domestic	2,486.93	3,907.86	2,249.49	3,567.38
Bank Deposits - Abroad	<u>6,651.30</u>	<u>5,981.37</u>	<u>6,651.30</u>	<u>5,981.37</u>
Total	<u>9,175.27</u>	<u>9,930.00</u>	<u>8,937.83</u>	<u>9,589.52</u>

3.2 Trade Account Receivables - Net

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

	<u>The Company</u>		<u>Units : Million Baht</u> <u>The Company</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Period of overdue				
Not over 6 months	16,522.50	15,398.90	16,488.21	15,358.19
Over : 6 months to 1 year	109.19	109.04	107.50	106.31
Over : 1 year to 2 years	146.57	59.04	139.42	46.75
Over : 2 years	<u>1,141.78</u>	<u>1,110.20</u>	<u>1,121.66</u>	<u>1,102.37</u>
	17,920.04	16,677.18	17,856.79	16,613.62
<u>Less Allowance for doubtful accounts</u>	<u>(1,306.30)</u>	<u>(1,209.00)</u>	<u>(1,279.97)</u>	<u>(1,190.58)</u>
Trade account receivables - net	<u>16,613.74</u>	<u>15,468.18</u>	<u>16,576.82</u>	<u>15,423.04</u>

3.3 Inventories and Supplies - Net

	Consolidated		Units : Million Baht	
	The Company			
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Aircraft spare parts	4,192.54	4,278.83	4,192.54	4,278.83
<u>Less</u> Provision for obsolescence (10% of the year-end balance)	(419.25)	(427.88)	(419.25)	(427.88)
Aircraft spare parts - Net	<u>3,773.29</u>	<u>3,850.95</u>	<u>3,773.29</u>	<u>3,850.95</u>
Vehicle spare parts and ground support equipment	210.76	162.13	210.76	162.13
Slow moving aircraft spare parts and spare parts for sale	1,896.35	1,750.43	1,896.35	1,750.43
<u>Less</u> Provision for obsolescence (33.33% of incurred balance during the period)	(1,828.08)	(1,675.34)	(1,828.08)	(1,675.34)
Slow moving aircraft spare parts and spare parts for sale - Net	<u>68.27</u>	<u>75.09</u>	<u>68.27</u>	<u>75.09</u>
Fuel and oil for aircraft	485.15	204.49	485.15	204.49
Goods for sales	206.37	262.89	206.37	262.89
Cabin supplies	293.62	219.93	293.62	219.93
Supplies and other consumables	26.53	29.71	26.53	29.71
Stationery and office supplies	113.38	102.13	113.38	102.13
Inventories and spare parts in transit	77.98	188.67	77.98	188.67
	<u>1,203.03</u>	<u>1,007.82</u>	<u>1,203.03</u>	<u>1,007.82</u>
Obsolete and damaged inventories for disposal	14.05	14.01	14.05	14.01
<u>Less</u> Provision for obsolescence (100%)	(14.05)	(14.01)	(14.05)	(14.01)
Obsolete and damaged inventories for disposal - Net	-	-	-	-
Total inventories and supplies - Net	<u>5,255.35</u>	<u>5,095.99</u>	<u>5,255.35</u>	<u>5,095.99</u>
Total inventories and supplies at year-end	7,516.73	7,213.22	7,516.73	7,213.22
<u>Less</u> Total provision for obsolete inventories and supplies	(2,261.38)	(2,117.23)	(2,261.38)	(2,117.23)
Total inventories and supplies - Net	<u>5,255.35</u>	<u>5,095.99</u>	<u>5,255.35</u>	<u>5,095.99</u>

3.4 Other Current Assets

	Consolidated		Units : Million Baht	
	The Company			
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Prepaid expenses and deposits	4,366.85	4,920.62	4,361.21	4,917.44
Tax refund	2,738.62	2,289.84	2,738.62	2,289.84
Cash and fixed deposits of pension fund	4,270.00	4,126.62	4,270.00	4,126.62
Others	<u>3,180.60</u>	<u>2,317.05</u>	<u>3,154.45</u>	<u>2,296.97</u>
Total	<u>14,556.07</u>	<u>13,654.13</u>	<u>14,524.28</u>	<u>13,630.87</u>

3.5 Investments

Consolidated

Units : Million Baht

Name of Company	Percentage of Shareholding		Investments				Income on investments	
			Cost method		Equity method			
	2006	2005	2006	2005	2006	2005	2006	2005
3.5.1 Investments using the equity method								
Royal Orchid Hotel (Thailand) Public Co., Ltd. (Market value for the year 2006 amount of THB 810.00 million and the year 2005 amount of THB 630.00 million)	24	24	225.00	225.00	313.81	294.72	76.01	62.74
Donmuang International Airport Hotel Company Limited	40	40	48.00	48.00	219.97	175.69	63.48	56.71
Bangkok Aviation Fuel Services Public Company Limited (Market value for the year 2006 amount of THB 1,084.67 million and the year 2005 amount of THB 863.90 million)	22.6	22.6	95.98	95.98	469.13	424.88	98.96	41.04
Phuket Air Catering Company Limited	30	30	30.00	30.00	44.81	44.45	4.86	4.97
Suvarnabhumi Airport Hotel Company Limited	30	30	305.33	305.33	278.40	297.77	(19.36)	(7.57)
Nok Airlines Company Limited	39	39	195.00	195.00	<u>196.89</u>	<u>164.61</u>	<u>32.28</u>	<u>(30.39)</u>
Total investments using the equity method					<u>1,523.01</u>	<u>1,402.12</u>	<u>256.23</u>	<u>127.50</u>
3.5.2 Other long-term investments stated at cost								
Fuel Pipeline Transportation Limited	8.4	8.4	133.00	133.00			-	-
Aeronautical Radio of Thailand Limited	2.8	2.9	18.27	19.17			-	-
SITA Investment Certificate TRADESIAM Company Limited (paid 25% of authorized share capital)	-	-	29.32	28.29			-	-
SITA Information Networking Computing	3.5	3.5	1.75	1.75			-	-
Other Shares	-	-	34.24	36.19			-	-
Investment in private fund	-	-	2.95	2.98			1.75	1.49
<u>Less</u> Allowance for impairment of Fuel Pipeline Transportation Limited	-	-	105.32	101.63			-	-
			<u>(133.00)</u>	<u>(133.00)</u>			<u>-</u>	<u>-</u>
Total other long-term investments			<u>191.85</u>	<u>190.01</u>			<u>1.75</u>	<u>1.49</u>

The Company

Units : Million Baht

Name of Company	Percentage of Shareholding		Investments				Income on investments	
	2006	2005	Cost method		Equity method		2006	2005
			2006	2005	2006	2005		
3.5.1 Investments using the equity method								
Subsidiary Company								
Thai-Amadeus Southeast Asia Company Limited	55	55	8.25	8.25	<u>301.40</u>	<u>265.71</u>	<u>64.91</u>	<u>59.31</u>
Associated Companies								
Royal Orchid Hotel (Thailand) Public Co., Ltd. (Market value for the year 2006 amount of THB 810.00 million and the year 2005 amount of THB 630.00 million)	24	24	225.00	225.00	313.81	294.72	76.01	62.74
Donmuang International Airport Hotel Company Limited	40	40	48.00	48.00	219.97	175.69	63.48	56.71
Bangkok Aviation Fuel Services Public Company Limited (Market value for the year 2006 amount of THB 1,084.67 million and the year 2005 amount of THB 863.90 million)	22.6	22.6	95.98	95.98	469.13	424.88	98.96	41.04
Phuket Air Catering Company Limited	30	30	30.00	30.00	44.81	44.45	4.86	4.97
Suvarnabhumi Airport Hotel Company Limited	30	30	305.33	305.33	278.40	297.77	(19.36)	(7.57)
Nok Airlines Company Limited	39	39	195.00	195.00	<u>196.89</u>	<u>164.61</u>	<u>32.28</u>	<u>(30.39)</u>
Total					<u>1,523.01</u>	<u>1,402.12</u>	<u>256.23</u>	<u>127.50</u>
Total investments using the equity method					<u>1,824.41</u>	<u>1,667.83</u>	<u>321.14</u>	<u>186.81</u>
3.5.2 Other long-term investments stated at cost								
Fuel Pipeline Transportation Limited	8.4	8.4	133.00	133.00			-	-
Aeronautical Radio of Thailand Limited	2.8	2.9	18.27	19.17			-	-
SITA Investment Certificate	-	-	29.32	28.29			-	-
TRADESIAM Company Limited (paid 25% of authorized share capital)	3.5	3.5	1.75	1.75			-	-
SITA Information Networking Computing	-	-	34.24	36.19			-	-
Other Shares	-	-	2.95	2.98			1.75	1.49
<u>Less</u> Allowance for impairment of Fuel Pipeline Transportation Limited			<u>(133.00)</u>	<u>(133.00)</u>			<u>-</u>	<u>-</u>
Total other long-term investments			<u>86.53</u>	<u>88.38</u>			<u>1.75</u>	<u>1.49</u>

3.6 Related Parties The Company

3.6.1 Major shareholders

	Units : Million Baht	
	<u>2006</u>	<u>2005</u>
Ministry of Finance		
Guaranteed loans	150.00	450.00
Foreign loans via the Ministry of Finance	17,873.32	19,476.59

3.6.2 Subsidiary company

Name of Company	2006			2005		
	Sales	Trade Account Receivables	Other Account Receivables	Sales	Trade Account Receivables	Other Account Receivables
Thai-Amadeus Southeast Asia Company Limited	49.12	0.02	10.61	55.13	0.14	15.44

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

3.7 Property, Plant and Equipment - Net

Consolidated

	Units : Million Baht					
	Aircraft	Aircraft under financial leases	Aircraft spare parts	Land buildings and development	Other plant and equipment	Total
Cost						
As at October 1, 2005	158,772.65	87,301.66	29,139.57	10,330.67	30,852.13	316,396.68
- Adjust/Transfer	(7,894.78)	(4.00)	(1,118.99)	51.97	(8,778.71)	(17,744.51)
- Increased asset	13,619.77	21,626.63	3,474.58	6,727.24	6,314.14	51,762.36
- Sold	(9,979.34)	(28.79)	(3,256.77)	(91.00)	(427.30)	(13,783.20)
As at September 30, 2006	154,518.30	108,895.50	28,238.39	17,018.88	27,960.26	336,631.33
Accumulated depreciation						
As at October 1, 2005	80,237.36	14,058.49	17,250.30	7,817.29	16,049.94	135,413.38
- Depreciation	6,651.35	5,170.57	2,100.44	396.93	1,160.78	15,480.07
- Adjust/Transfer	(558.80)	-	(467.02)	0.59	(14.56)	(1,039.79)
- Sold	(6,818.50)	(24.00)	(1,894.05)	(89.80)	(426.53)	(9,252.88)
As at September 30, 2006	79,511.41	19,205.06	16,989.67	8,125.01	16,769.63	140,600.78
Net book value						
As at September 30, 2005	78,535.29	73,243.17	11,889.27	2,513.38	14,802.19	180,983.30
As at September 30, 2006	75,006.89	89,690.44	11,248.72	8,893.87	11,190.63	196,030.55

The Company

Units : Million Baht

	Aircraft	Aircraft under financial leases	Aircraft spare parts	Land buildings and development	Other plant and equipment	Total
Cost						
As at October 1, 2005	158,772.65	87,301.66	29,139.57	10,330.67	30,671.32	316,215.87
- Adjust/Transfer	(7,894.78)	(4.00)	(1,118.99)	51.97	(8,764.49)	(17,730.29)
- Increased asset	13,619.77	21,626.63	3,474.58	6,727.24	6,233.55	51,681.77
- Sold	(9,979.34)	(28.79)	(3,256.77)	(91.00)	(427.30)	(13,783.20)
As at September 30, 2006	154,518.30	108,895.50	28,238.39	17,018.88	27,713.08	336,384.15
Accumulated depreciation						
As at October 1, 2005	80,237.36	14,058.49	17,250.30	7,817.29	15,911.56	135,275.00
- Depreciation	6,651.35	5,170.57	2,100.44	396.93	1,130.98	15,450.27
- Adjust/Transfer	(558.80)	-	(467.02)	0.59	(0.59)	(1,025.82)
- Sold	(6,818.50)	(24.00)	(1,894.05)	(89.80)	(426.53)	(9,252.88)
As at September 30, 2006	79,511.41	19,205.06	16,989.67	8,125.01	16,615.42	140,446.57
Net book value						
As at September 30, 2005	78,535.29	73,243.17	11,889.27	2,513.38	14,759.76	180,940.87
As at September 30, 2006	75,006.89	89,690.44	11,248.72	8,893.87	11,097.66	195,937.58

In this fiscal year, there are 87 aircraft in the Company's fleet consisting of 55 own aircraft which 5 aircraft are leased by other company, 20 aircraft under financial leases and 12 aircraft under operating leases. Four MD-11 aircraft are sold in this fiscal year amount of THB 5,255.99 million with a total book value of THB 3,160.84 million. So, the Company has gain on sales of aircraft amount of THB 2,095.15 million.

Other plants and equipment-net amount of THB 11,190.63 million (consolidated) and THB 11,097.66 millions (the Company) have already included the work in progress of Suvarnabhumi project amount of THB 2,596.16 million consisting of building, facilities, equipment and information technology which support to the services in Suvarnabhumi

The Company uses buildings and equipment purchased at THB 36,573.23 million that are now fully depreciated.

3.8 Intangible Assets-net

	Units : Million Baht	
	Consolidated	The Company
Cost		
As at October 1, 2005	-	-
- Assets increase	455.61	453.13
As at September 30, 2006	455.61	453.13
Accumulated depreciation		
As at October 1, 2005	-	-
- Depreciation	34.40	34.35
As at September 30, 2006	34.40	34.35
Net book value		
As at September 30, 2005	-	-
As at September 30, 2006	421.21	418.78

3.9 Non - Current Assets - Others

	Consolidated		Units : Million Baht The Company	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Deferred charges	1,144.79	775.06	1,144.79	775.06
Deferred income taxes	<u>4,020.32</u>	<u>4,139.49</u>	<u>4,008.71</u>	<u>4,130.19</u>
Total	<u>5,165.11</u>	<u>4,914.55</u>	<u>5,153.50</u>	<u>4,905.25</u>

Deferred charges consist 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 loans in each accounting period.

3.10 Long-term Loans Consolidated and the Company

<u>Currency</u>	<u>Loan Currency</u>		<u>Baht Equivalent (Million)</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
JPY	18,000,000,000	18,000,000,000	5,775.30	6,569.26
USD	172,477,817	313,989,666	6,491.59	12,907.33
THB	150,000,000	450,000,000	<u>150.00</u>	<u>450.00</u>
Total Long-term loans			12,416.89	19,926.59
Less Current portion of long-term loans			<u>8,023.75</u>	<u>6,117.20</u>
Net Long-term loans			<u>4,393.14</u>	<u>13,809.39</u>

At the end of fiscal year 2006, the outstanding of long-term loans for acquisition of 10 aircraft consist of foreign loans via the Ministry of Finance and domestic financial institutions. Such loans were guaranteed by the Ministry of Finance amount of THB 12,416.89 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>Currency</u>	<u>Loan Currency</u>		<u>Baht Equivalent (Million)</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
JPY	61,334,337,659	68,932,640,150	19,679.12	25,157.59
USD	268,091,820	329,857,098	10,090.25	13,559.60
EUR	668,446,068	341,911,041	<u>32,030.67</u>	<u>16,971.50</u>
Total Financial lease			61,800.04	55,688.69
<u>Less Current portion of financial leases</u>			<u>8,314.39</u>	<u>6,587.59</u>
Net Liabilities under financial leases			<u>53,485.65</u>	<u>49,101.10</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 2.8. In fiscal year 2006, the Company has outstanding obligations totalling THB 69,942.24 million under financial leases for 20 aircraft with maturities ranging from 2006 to 2018. After deducting interest due amount of THB 8,142.20 million, the principal balance of obligations under the Company's financial leases is THB 61,800.04 million.

The Company has entered into a long-term loan contract in the form of Asset-Based Financing for Airbus A340-500 No. 3 for an aggregate of EUR 89.66 million or approximately THB 4,411.73 million and Airbus A340-600 No. 3, 4 and 5 for an aggregate of EUR 282.92 million or approximately THB 13,836.01 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 5,250.00 million and the amount of THB 1,050.00 million was repaid during the period, leaving a balance of THB 4,200.00 million (THB 2,600.00 million from the Government Saving Bank and THB 1,600.00 million from THAI Employees' Saving & Credit Coops Ltd.,). As at September 30, 2006, 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 3,150.00 million.

3.13 Provision for Contingent Liability

The provision for contingent liability of the Company is THB 141.05 million deriving from the Company's dispute cases in the previous year. The Company has already paid amount of 12.50 million. The rest of 128.55 million has been transferred to other current liability.

3.14 Short-term loans

On March 27, 2006, the Company has borrowed short-term loans from the Ministry of Finance in the form of European Commercial Paper (ECP) amount of EUR 117.00 million or THB 5,606.42 million with an interest rate of 2.94% per annum.

3.15 Dividends Payment the Company

According to the Annual General Shareholders' Meeting for the year 2005 held on December 23, 2005 approved the Company to pay the dividends for the year 2005 operation at THB 1.50 per share for an aggregate of THB 2,548.33 million.

3.16 Current Liabilities - Others

	Consolidated		Units : Million Baht The Company	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	Airport fees	2,348.38	2,902.92	2,348.38
Deferred income	3.68	3.58	2.83	2.75
Taxes payable	372.90	361.39	370.90	360.14
Fringe benefits-field office staff	447.95	471.28	447.95	471.28
Other account payables	<u>1,454.36</u>	<u>836.21</u>	<u>1,435.67</u>	<u>817.14</u>
Total	<u>4,627.27</u>	<u>4,575.38</u>	<u>4,605.73</u>	<u>4,554.23</u>

3.17 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
			<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, 2006			<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.

3.18 Share Capital

As at September 30, 2006, 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 16,988.96 million. The details are as follows:

	Issued and Paid-up Shares	
	Shares	THB
As at September 30, 2005	1,698,888,150	16,988,881,500
On October 17, 2005, the employees 5 th exercised type - one warrants and 3 rd exercised type-two warrants.	1,600	16,000
On January 18, 2006, the employees 6 th exercised type - one warrants and 4 th exercised type-two warrants.	5,200	52,000
On April 18, 2006, the employees 7 th exercised type - one warrants and 5 th exercised type-two warrants.	<u>1,200</u>	<u>12,000</u>
As at September 30, 2006	<u>1,698,896,150</u>	<u>16,988,961,500</u>

The Company determined the next exercise of type-one and type-two warrants to purchase ordinary shares during September 26 - October 2, 2006. As at September 30, 2006, there is no exercise of those warrants by the employees.

3.19 Legal Reserve

At the end of fiscal year 2005, 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.

3.20 Other Incomes – Others

	<u>Consolidated</u>		<u>Units : Million Baht</u> <u>The Company</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Compensation revenues from insurance companies (asset)	566.60	94.64	566.60	94.64
Gains on sales of assets	1,611.50	15.98	1,611.50	15.98
Revenue from investments	1.75	1.49	1.75	1.49
Revenue from current investments	-	371.49	-	371.49
Other incomes	<u>1,208.40</u>	<u>1,587.08</u>	<u>1,203.01</u>	<u>1,583.96</u>
Total	<u>3,388.25</u>	<u>2,070.68</u>	<u>3,382.86</u>	<u>2,067.56</u>

3.21 Other Expenses – Others

	<u>Consolidated</u>		<u>Units : Million Baht The Company</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Bad and doubtful debts	109.29	46.71	101.38	39.31
Credit card fees	429.60	346.90	429.60	346.90
Compensation to customers for				
Damages	130.35	124.03	130.35	124.03
Impairment loss of assets	442.91	-	442.91	-
Other expenses	<u>42.44</u>	<u>57.71</u>	<u>42.19</u>	<u>57.65</u>
Total	<u>1,154.59</u>	<u>575.35</u>	<u>1,146.43</u>	<u>567.89</u>

3.22 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.

Consolidated and the Company

For the years ended September 30, 2006 and 2005

	<u>Gains</u>		<u>No. of Shares</u>		<u>Earnings per share</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	Million Baht	Million Baht	Million Shares	Million Shares	Baht	Baht
Basic earnings per share						
Net Profits attributable to ordinary shareholders	8,991.60	6,776.65	1,698.89	1,694.51	5.29	4.00
Effects of dilutive potential ordinary shares						
Warrants to purchase ordinary shares not exercising the rights	<u>-</u>	<u>-</u>	<u>0.01</u>	<u>0.01</u>		
Diluted earnings per share						
Net Profits attributable to ordinary shareholders under conversion assumption to ordinary shares	<u>8,991.60</u>	<u>6,776.65</u>	<u>1,698.90</u>	<u>1,694.52</u>	5.29	4.00

3.23 Financial Information by Segment Consolidated

3.23.1 Business segments

Statements of Income

For the year ended September 30, 2006 and 2005

	<u>Revenues</u>		<u>Inter - Segment Revenues</u>		<u>Total Revenues</u>		<u>Segment Results</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Air transportation	170,087.04	154,731.70	-	-	170,087.04	154,731.70	6,239.21	8,197.17
Business Units	7,387.96	6,667.49	13,472.24	13,116.43	20,860.20	19,783.92	1,886.13	2,250.24
Other activities	1,131.88	1,089.03	369.46	334.00	1,501.34	1,423.03	238.86	376.86
Eliminations	-	-	(13,841.70)	(13,450.43)	-	-	-	-
Operating profits							8,364.20	10,824.27
Share of net profit from subsidiary and associated companies							256.23	127.49
Interest expenses-net							(4,134.11)	(3,966.22)
Gains on foreign currency exchange							6,178.10	1,469.71
Other revenues							2,157.73	1,451.32
Minority interests							(53.11)	(48.53)
Income taxes							(3,777.44)	(3,081.39)
Net profits							<u>8,991.60</u>	<u>6,776.65</u>

Assets and Liabilities

As At September 30, 2006 and 2005

	<u>Current Assets</u>		<u>Non-Current Assets</u>		<u>Total Assets</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Air transportation	42,633.50	40,679.67	196,444.79	185,118.28	239,078.29	225,797.95
Business Units	487.28	882.63	6,674.61	2,218.33	7,161.89	3,100.96
Other activities	419.02	424.47	212.32	153.37	631.34	577.84
Non-allocated assets	<u>2,162.88</u>	<u>2,161.53</u>	-	-	<u>2,162.88</u>	<u>2,161.53</u>
Total	<u>45,702.68</u>	<u>44,148.30</u>	<u>203,331.72</u>	<u>187,489.98</u>	<u>249,034.40</u>	<u>231,638.28</u>

	<u>Current Liabilities</u>		<u>Non-Current Liabilities</u>		<u>Total Liabilities</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Air transportation	77,224.84	60,198.68	105,469.87	111,572.45	182,694.71	171,771.13
Business Units	248.04	214.83	54.74	80.79	302.78	295.62
Other activities	83.35	94.73	-	-	83.35	94.73
Non-allocated liabilities	<u>272.38</u>	<u>264.71</u>	-	-	<u>272.38</u>	<u>264.71</u>
Total	<u>77,828.61</u>	<u>60,772.95</u>	<u>105,524.61</u>	<u>111,653.24</u>	<u>183,353.22</u>	<u>172,426.19</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.

3.23.2 Geographical segments

	Units : Million Baht	
	<u>2006</u>	<u>2005</u>
Domestic Revenues		
Transportation	10,782.97	10,379.42
Business units	7,387.96	6,667.49
Other activities	<u>1,131.88</u>	<u>1,089.03</u>
Total domestic revenues	<u>19,302.81</u>	<u>18,135.94</u>
Foreign Transportation Revenues		
Regional Asia	71,172.75	69,830.04
Europe	47,275.32	44,656.81
North Pacific	4,699.40	4,559.26
Australia & New Zealand	<u>12,498.45</u>	<u>12,239.28</u>
Total foreign transportation revenues	<u>135,645.92</u>	<u>131,285.39</u>
Charter revenues and others	6,335.74	4,767.66
Insurance surcharge from passengers	2,501.60	2,540.43
Fuel surcharge from passengers	<u>14,820.81</u>	<u>5,758.80</u>
Total	<u>178,606.88</u>	<u>162,488.22</u>

3.24 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:

	Units : Million Baht	
	<u>2006</u>	<u>2005</u>
Other current assets	<u>4,315.79</u>	<u>4,142.05</u>
Other current liabilities	35.22	14.49
Pension fund	<u>4,495.82</u>	<u>4,542.74</u>
	<u>4,531.04</u>	<u>4,557.23</u>

As at September 30, 2006, the fund balance was THB 4,495.82 million, equal to the Company's obligation to its staff under the fund. The total Company contribution to the fund in fiscal year 2006 was THB 461.29 million, consisting of contributions at a rate equivalent to 10% of employee salaries in the amount of THB 246.03 million and additional amounts to match the Company's obligation of THB 215.26 million.

3.25 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 920.03 million in fiscal year 2006.

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).

3.26 Contingent Liabilities

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

	Units : Million Baht The Company	
	<u>2006</u>	<u>2005</u>
Letters of guarantee issued by banks The Company as defendant in Labour dispute cases	6.07	11.06
Damage claims cases	515.70	519.74
	<u>290.63</u>	<u>288.58</u>
Total	<u>812.40</u>	<u>819.38</u>

3.27 Disclosure of Financial Instruments The Company

3.27.1 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.

Units : Million Baht

2006

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	3.77	797.77	3,897.02	
JPY	0.65	2,434.11	15,881.02	4,251.64	2,887.65	25,454.42
EUR	2.73	1,270.84	14,506.62	6,920.48	14,939.15	37,637.09
THB	4.71	1,050.00	3,150.00	150.00	40,000.00	44,350.00

Units : 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	
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

The Company has entered into Interest Rate Swap (IRS) by converting EUR dominated loans from floating interest rate to fixing interest rate for 1 Airbus A340-500 and 4 A340-600 for an aggregate of EUR 461.78 million. At the end of fiscal year 2006, the loan portion fixed to floated interest rate increased to 81 : 19 including the obligation under operating lease.

3.27.2 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 THB denominated debenture amount of THB 13.9 billion to EUR dominated debenture with fixed interest rate. From this practice, the Company increased the EUR dominated loans to match its surplus fund. As a result, the portion of EUR dominated loans was 43.6% of total loans including obligation under operation lease.

Units : Million Baht				
<u>Foreign Currency Liabilities</u>				
<u>Currency</u>	<u>2006</u>		<u>2005</u>	
	<u>Maturity within</u>	<u>Maturity over</u>	<u>Maturity within</u>	<u>Maturity over</u>
	<u>1 year</u>	<u>1 year</u>	<u>1 year</u>	<u>1 year</u>
USD	6,917.50	9,664.35	8,356.21	18,110.72
JPY	6,685.75	18,768.67	2,773.07	28,953.78
EUR	8,191.32	29,445.77	1,275.51	15,696.00

3.27.3 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 13.86% per annum.

3.27.4 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, 2006 and 2005.

	Units : Million Baht			
	The Company			
	<u>2006</u>		<u>2005</u>	
	<u>Balance</u>	<u>Fair Value</u>	<u>Balance</u>	<u>Fair Value</u>
Financial Assets				
Cash and cash equivalents	8,937.83	8,937.83	9,589.52	9,589.52
Other investments	1,910.94	3,022.67	1,756.21	2,530.51
Trade account receivables	16,576.82	16,576.82	15,423.04	15,423.04
Financial Liabilities				
Trade account payables	9,411.60	9,411.60	7,981.41	7,981.41
Loans	124,023.36	124,023.36	120,865.28	120,865.28
Accrued expenses	16,473.97	16,473.97	16,309.10	16,309.10

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

Cash and cash equivalents, trade account payables, loans, and accrued expenses are stated at balance sheet amounts.

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

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

3.28 Contractual Obligations

3.28.1 Obligation to Purchase Aircraft

The Company has a payment obligation to purchase aircraft amount of THB 73,512.89 million.

3.28.2 Leases and Obligations of aircraft

The Company has entered into operating leases amount of USD 353.45 million or approximately THB 13,302.79 million (exchange rate USD 1 : THB 37.6373).

3.28.3 Contractual Obligation and Memorandum Agreement in Suvarnabhumi Airport Project

On January 18, 2006, there was a fire incident at Thai's Catering building at Suvarnabhumi Airport which was under a construction. This caused the damage on some parts of building, system, and assets of the Company. Such Catering building is under a recovery process. From the fire incident, the Company received a compensation from Dhipaya Insurance Public Company Limited amount of THB 1,150.00 million on September 21, 2006. These are an indemnity for the Company's asset amount of THB 506.75 million and the damage under the constructors' responsibility amount of THB 643.25 million which will use to recovery the building.

The Company has an payment obligation to the constructors according to the contracts approximately of THB 263.03 million for recovering which is expected to be finished in March 2007.

3.29 Accounting Presentation in Financial Statement

The Company has reclassified some accounting items in financial statements for the years ended September 30, 2005 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 Expenses for financing of aircraft formerly presented in lease of aircraft and spare parts are presented in interest expenses item.

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

3.30 Approval of Financial Statements

These financial statements were authorised for issue by the Board of Directors on November 20, 2006.
