

NO. 0022/ 0504

Office of the Auditor General
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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 December 31, 2008 and 2007 of Thai Airways International Public Company Limited and its subsidiary and the Company's financial statements for the years ended December 31, 2008 and 2007 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 March 6, 2009

(Signed) *Jaruvan Maintaka*

(Khunying Jaruvan Maintaka)
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 December 31, 2008 and 2007, 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 December 31, 2008 and 2007, 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.

Without qualifying an opinion on these financial statements, the office of the Auditor General of Thailand would like to draw attention to Note 8.33 "Guideline to Resolve Liquidity Problem", Note 8.31 "Contingent Liabilities", and Note 8.35 "Events After the Balance Sheet Date".

(Signed) *Jaruvan Maintaka*
(Khunying Jaruvan Maintaka)
Auditor General

(Signed) *Dawan Wongphayak*
(Dawan Wongphayak)
Senior Audit Specialist level 9

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY

BALANCE SHEETS

AS AT DECEMBER 31, 2008 AND 2007

Units : Baht

	<u>Notes</u>	<u>CONSOLIDATED</u>		<u>THE COMPANY</u>	
		<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
ASSETS					
Current Assets					
Cash and cash equivalents	8.1	7,531,047,543	25,813,370,034	7,489,025,061	25,459,894,270
Current investment		530,000,000	180,876,983	-	-
Trade account receivables-net	8.2	15,828,787,561	18,778,977,501	15,793,218,252	18,731,965,198
Inventories and supplies-net	8.3	6,779,288,740	6,103,676,049	6,779,288,740	6,103,676,049
Other current assets	8.4	11,512,507,139	14,352,525,807	11,469,714,777	14,315,991,306
Total Current Assets		42,181,630,983	65,229,426,374	41,531,246,830	64,611,526,823
Non-Current Assets					
Investments in associated and subsidiary companies	8.5.1	1,337,095,375	1,468,520,602	731,770,500	926,770,500
Other long-term investments	8.5.2	87,996,063	105,949,623	87,996,063	86,159,947
Property, Plant and Equipment-Net	8.7	207,063,975,232	207,152,807,792	207,031,025,112	207,096,129,851
Intangible assets-net	8.8	807,891,935	898,002,372	803,584,846	893,960,359
Deferred income taxes	8.9	6,405,772,675	3,976,402,761	6,388,074,822	3,964,088,339
Other non-current assets	8.10	1,650,221,989	1,444,207,614	1,650,221,989	1,444,207,614
Total Non-Current Assets		217,352,953,269	215,045,890,764	216,692,673,332	214,411,316,610
Total Assets		259,534,584,252	280,275,317,138	258,223,920,162	279,022,843,433

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

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY

BALANCE SHEETS

AS AT DECEMBER 31, 2008 AND 2007

Units : Baht

	<u>Notes</u>	<u>CONSOLIDATED</u>		<u>THE COMPANY</u>	
		<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities					
Trade account payables		7,374,883,465	10,065,516,556	7,368,749,682	10,059,366,513
Short-term loans	8.11	21,488,272,000	4,962,020,000	21,488,272,000	4,962,020,000
Current portion of long-term loans					
Debentures	8.15	7,500,000,000	11,500,000,000	7,500,000,000	11,500,000,000
Long-term loans	8.12	572,000,000	2,697,444,000	572,000,000	2,697,444,000
Liabilities under financial leases	8.13	10,153,590,708	9,112,226,002	10,153,590,708	9,112,226,002
Promissory notes	8.14	1,050,000,000	1,050,000,000	1,050,000,000	1,050,000,000
Provision	8.17.3	458,200,000	-	458,200,000	-
Other current liabilities					
Accrued expenses		15,757,105,163	17,364,579,002	15,734,092,813	17,339,342,733
Accrued dividends		71,253,242	3,120,715,633	71,253,242	3,120,715,633
Accrued income taxes		34,188,813	879,321,409	-	833,515,244
Unearned transportation revenues		30,262,520,143	32,481,674,489	30,262,520,143	32,481,674,489
Others	8.16	3,860,934,990	4,317,223,448	3,839,619,686	4,295,817,554
Total Current Liabilities		98,582,948,524	97,550,720,539	98,498,298,274	97,452,122,168
Non-Current Liabilities					
Long-term debts					
Debentures	8.15	35,500,000,000	36,000,000,000	35,500,000,000	36,000,000,000
Long-term loans	8.12	4,831,296,000	1,355,400,000	4,831,296,000	1,355,400,000
Liabilities under financial leases	8.13	65,335,908,882	70,571,831,245	65,335,908,882	70,571,831,245
Promissory notes	8.14	750,000,000	1,800,000,000	750,000,000	1,800,000,000
Staff pension fund	8.29	4,777,978,683	4,972,103,862	4,777,978,683	4,972,103,862
Long-term provisions	8.17	3,874,319,870	-	3,874,319,870	-
Total Non-Current Liabilities		115,069,503,435	114,699,335,107	115,069,503,435	114,699,335,107
Total Liabilities		213,652,451,959	212,250,055,646	213,567,801,709	212,151,457,275
Shareholders' Equity					
Share capital	8.19				
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					
1,698.90 million ordinary shares par value of Baht 10 each		16,989,009,500	16,989,009,500	16,989,009,500	16,989,009,500
Premium on share capital		15,637,625,278	15,638,075,844	15,637,625,278	15,638,075,844
Unrealised gain on current investment-available-for-sale securities		-	(1,318)	-	-
Retained earnings					
Appropriated					
Legal reserve	8.20	1,700,000,000	1,700,000,000	1,700,000,000	1,700,000,000
Unappropriated		11,276,187,481	33,422,721,112	10,329,483,675	32,544,300,814
Total Company Shareholders' Equity		45,602,822,259	67,749,805,138	44,656,118,453	66,871,386,158
Minority Interests		279,310,034	275,456,354	-	-
Total Shareholders' Equity		45,882,132,293	68,025,261,492	44,656,118,453	66,871,386,158
Total Liabilities and Shareholders' Equity		259,534,584,252	280,275,317,138	258,223,920,162	279,022,843,433

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

(Signed) *ACM Narongsak Sangapong*
(Narongsak Sangapong)
Senior Executive Vice President,
Corporate Secretariat,
Acting 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 December 31, 2008 and 2007

Units : Baht

	<u>Notes</u>	<u>CONSOLIDATED</u>		<u>THE COMPANY</u>	
		<u>2008</u>	<u>2007</u> (restated)	<u>2008</u>	<u>2007</u> (restated)
Revenues					
Passenger and excess baggage		164,318,701,819	160,558,009,434	164,318,701,819	160,558,009,434
Freight		25,840,755,700	26,056,631,651	25,840,755,700	26,056,631,651
Mail		912,990,339	978,550,784	912,990,339	978,550,784
Other activities		9,045,532,774	9,315,968,095	8,667,504,802	8,942,912,485
Interest income		493,287,861	745,465,199	478,228,682	732,767,866
Other incomes	8.22	1,994,352,142	2,266,634,839	2,140,917,687	2,446,377,360
Total Revenues		202,605,620,635	199,921,260,002	202,359,099,029	199,715,249,580
Expenses					
Personnel		30,606,524,742	33,114,383,072	30,578,304,238	33,081,447,770
Fuel and oil		89,459,872,853	62,611,279,160	89,459,872,853	62,611,279,160
Flight service expenses		19,938,599,141	20,155,065,690	19,938,599,141	20,155,065,690
Inventories and supplies		8,826,777,548	9,849,677,796	8,826,777,548	9,849,677,796
Crew expenses		6,542,134,756	6,745,831,044	6,542,134,756	6,745,831,044
Aircraft maintenance and overhaul costs		10,847,783,197	11,837,125,214	10,847,783,197	11,837,125,214
Depreciation and amortisation		20,281,081,576	18,242,975,148	20,254,971,296	18,209,835,830
Lease of aircraft and spare parts		3,650,964,476	6,758,173,256	3,650,964,476	6,758,173,256
Sales and advertising costs		6,932,244,544	7,265,263,758	6,883,688,984	7,215,521,757
Insurance		751,270,159	894,267,833	751,270,159	894,267,833
Damages arising from Antitrust/ Competition Law	8.17.3	4,290,169,870	-	4,290,169,870	-
Other operating expenses	8.23	8,921,951,844	9,175,693,365	8,843,484,995	9,107,232,264
Remuneration for Board of Directors	8.21	20,901,442	25,701,133	19,739,503	24,099,785
Aircraft impairment losses	8.24	4,425,587,951	-	4,425,587,951	-
Other expenses	8.25	687,514,868	1,429,756,506	882,507,010	1,429,756,506
Losses on foreign currency exchange		4,471,388,154	651,609,955	4,473,610,566	654,861,733
Share of losses (profits) from investments by the equity method		65,137,572	(100,490,301)	-	-
Total Expenses		220,719,904,693	188,656,312,629	220,669,466,543	188,574,175,638
Profits (Losses) before Finance Costs and Income Tax Expenses		(18,114,284,058)	11,264,947,373	(18,310,367,514)	11,141,073,942
Finance costs		5,485,353,628	4,926,520,724	5,485,264,531	4,926,424,177
Income tax expenses (income)	8.26	(2,285,253,584)	1,910,097,895	(2,345,266,641)	1,853,237,165
Net profits (losses)		(21,314,384,102)	4,428,328,754	(21,450,365,404)	4,361,412,600
Profits (Losses) Attributable to:					
Equity holders of the parent		(21,379,451,415)	4,368,420,962	(21,450,365,404)	4,361,412,600
Minority interest		65,067,313	59,907,792	-	-
		(21,314,384,102)	4,428,328,754	(21,450,365,404)	4,361,412,600
Basic earnings per share					
Net profits (losses) per share	8.27	(12.58)	2.57	(12.63)	2.57

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

(Signed) *ACM Narongsak Sangapong*
(Narongsak Sangapong)
Senior Executive Vice President,
Corporate Secretariat,
Acting 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 December 31, 2008 and 2007

Units : Baht

CONSOLIDATED

Notes	Maturity interest						Minority Interest	Total
	Share Capital issued and fully paid	Premium on share capital	Unrealised gains (losses) on available-for-sale securities	Legal Reserve	Retained Earnings Unappropriated	Total		
Balance as at January 1, 2007 (before adjustment)	16,988,961,500	15,643,806,138	(102,355)	1,700,000,000	32,325,311,256	66,657,976,539	213,313,684	66,871,290,223
- Adjustment of staff welfare fees	-	-	-	-	(769,320,449)	(769,320,449)	-	(769,320,449)
- Adjustment of passenger revenues	-	-	-	-	371,012,971	371,012,971	-	371,012,971
- Adjustment of airport tax revenues collected from passengers	-	-	-	-	90,279,083	90,279,083	-	90,279,083
- Adjustment of income tax	-	-	-	-	92,408,518	92,408,518	-	92,408,518
Balance as at January 1, 2007 (after adjustment)	16,988,961,500	15,643,806,138	(102,355)	1,700,000,000	32,109,691,379	66,442,356,662	213,313,684	66,655,670,346
- Unrealised loss on current investment - available-for-sale securities	-	-	101,037	-	-	101,037	82,667	183,704
<u>Add</u> Net profits	-	-	-	-	4,368,420,962	4,368,420,962	59,907,792	4,428,328,754
<u>Less</u> Dividends paid	-	-	-	-	(3,058,021,710)	(3,058,021,710)	-	(3,058,021,710)
<u>Add</u> Issued share capital	48,000	24,000	-	-	-	72,000	-	72,000
<u>Less</u> Share offering expense	-	(5,754,294)	-	-	-	(5,754,294)	-	(5,754,294)
Balance as at December 31, 2007	16,989,009,500	15,638,075,844	(1,318)	1,700,000,000	33,420,090,631	67,747,174,657	273,304,143	68,020,478,800
Balance as at January 1, 2008 (before adjustment)	16,989,009,500	15,638,075,844	(1,318)	1,700,000,000	33,422,721,112	67,749,805,138	275,456,354	68,025,261,492
- Adjustment of the recognition of subsidiary' s R/E	-	-	-	-	(2,630,481)	(2,630,481)	(2,152,211)	(4,782,692)
Balance as at January 1, 2008 (after adjustment)	16,989,009,500	15,638,075,844	(1,318)	1,700,000,000	33,420,090,631	67,747,174,657	273,304,143	68,020,478,800
- Unrealised gains on current investment - available-for-sale securities	-	-	1,318	-	-	1,318	1,078	2,396
<u>Add</u> Net profits (losses)	-	-	-	-	(21,379,451,415)	(21,379,451,415)	65,067,313	(21,314,384,102)
<u>Add</u> Dividends return	-	-	-	-	53,692	53,692	-	53,692
<u>Less</u> Dividends paid	-	-	-	-	(764,505,427)	(764,505,427)	(59,062,500)	(823,567,927)
<u>Less</u> Share offering expense	-	(450,566)	-	-	-	(450,566)	-	(450,566)
Balance as at December 31, 2008	16,989,009,500	15,637,625,278	-	1,700,000,000	11,276,187,481	45,602,822,259	279,310,034	45,882,132,293

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

(Signed) *ACM Narongsak Sangapong*
(Narongsak Sangapong)
Senior Executive Vice President,
Corporate Secretariat,
Acting 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 December 31, 2008 and 2007

Units : Baht

THE COMPANY

<u>Notes</u>	Share Capital issued and fully paid	Premium on share capital	Legal Reserve	Retained Earnings Unappropriated	Total
Balance as at January 1, 2007 (before adjustment)	16,988,961,500	15,643,806,138	1,700,000,000	31,456,529,801	65,789,297,439
- Adjustment of staff welfare fees	-	-	-	(769,320,449)	(769,320,449)
- Adjustment of passenger revenues	-	-	-	371,012,971	371,012,971
- Adjustment of airport tax revenues collected from passengers	-	-	-	90,279,083	90,279,083
- Adjustment of income tax	-	-	-	92,408,518	92,408,518
Balance After Adjustment	16,988,961,500	15,643,806,138	1,700,000,000	31,240,909,924	65,573,677,562
Balance as at January 1, 2007 (after adjustment)	16,988,961,500	15,643,806,138	1,700,000,000	31,240,909,924	65,573,677,562
<u>Add</u> Net profits	-	-	-	4,361,412,600	4,361,412,600
<u>Less</u> Dividends paid	-	-	-	(3,058,021,710)	(3,058,021,710)
<u>Add</u> Issued share capital	48,000	24,000	-	-	72,000
<u>Less</u> Share offering expense	-	(5,754,294)	-	-	(5,754,294)
Balance as at December 31, 2007	16,989,009,500	15,638,075,844	1,700,000,000	32,544,300,814	66,871,386,158
Balance as at January 1, 2008	16,989,009,500	15,638,075,844	1,700,000,000	32,544,300,814	66,871,386,158
<u>Add</u> Net profits (losses)	-	-	-	(21,450,365,404)	(21,450,365,404)
<u>Add</u> Dividends return	-	-	-	53,692	53,692
<u>Less</u> Dividends paid	-	-	-	(764,505,427)	(764,505,427)
<u>Less</u> Share offering expense	-	(450,566)	-	-	(450,566)
Balance as at December 31, 2008	16,989,009,500	15,637,625,278	1,700,000,000	10,329,483,675	44,656,118,453

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

(Signed) *ACM Narongsak Sangapong*
(Narongsak Sangapong)
Senior Executive Vice President,
Corporate Secretariat,
Acting 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 December 31, 2008 and 2007

	Units : Baht			
	<u>CONSOLIDATED</u>		<u>THE COMPANY</u>	
<u>Notes</u>	<u>2008</u>	<u>2007</u> (restated)	<u>2008</u>	<u>2007</u> (restated)
Cash Flows from Operating Activities				
Profits (Losses) before Income Tax	(23,599,637,686)	6,338,426,649	(23,795,632,045)	6,214,649,765
Adjustment to reconcile net profit to cash provided by (paid from) operating activities :				
Depreciation and amortisation	20,281,081,576	18,242,975,148	20,254,971,295	18,209,835,830
Dividends income	-	-	(139,350,155)	(148,274,825)
Income from investments by equity method	64,262,571	(101,260,301)	-	-
Stock dividends	-	-	-	(19,197,750)
Interest income	(493,287,861)	(745,465,199)	(478,228,682)	(732,767,866)
Interest expenses	5,485,264,531	4,926,424,177	5,485,264,531	4,926,424,177
Gains on sales of assets	(373,250,235)	(885,941,287)	(373,258,092)	(885,941,287)
Gain on current investments-available-for-sale securities	(1,950,749)	(4,597,289)	-	-
Losses on foreign currency exchange	4,487,906,443	1,360,578,902	4,489,093,120	1,361,505,572
Provision for obsolete inventories and supplies	107,199,417	39,318,744	107,199,417	39,318,744
Doubtful accounts	44,671,440	110,834,247	33,539,086	102,279,928
Impairment loss of investment	-	-	195,000,000	-
Impairment loss of aircraft	4,425,587,951	-	4,425,587,951	-
Impairment loss of assets	324,252,785	1,194,021,162	324,252,785	1,194,021,162
Operating profit before changes in operating assets and liabilities	10,752,100,183	30,475,314,953	10,528,439,211	30,261,853,450
Decrease (increase) in operating assets :				
Trade account receivables	2,329,559,738	(354,600,334)	2,334,892,205	(347,504,200)
Inventories and supplies	(782,812,108)	(1,003,276,783)	(782,812,108)	(1,003,276,783)
Prepaid expenses and deposits	341,860,133	(249,250,460)	339,845,303	(248,662,102)
Tax refund	1,497,087,076	(1,116,514,183)	1,497,087,076	(1,116,514,183)
Other current assets	1,462,788,186	(1,087,155,017)	1,469,789,625	(1,027,766,137)
Deferred Income Taxes	(19,630,890)	-	(19,630,890)	-
Other assets	(74,348,668)	(69,165,421)	(74,348,668)	(69,165,421)
Deferred charges	(337,967,569)	704,965	(337,967,569)	704,965
Increase (decrease) in operating liabilities :				
Trade account payables	(2,714,295,249)	3,119,382,211	(2,714,276,359)	3,127,278,807
Accrued expenses and other current liabilities	(1,407,882,929)	1,130,581,815	(1,405,568,418)	1,122,823,908
Staff pension fund	(194,125,179)	339,975,368	(194,125,179)	339,975,368
Unearned transportation revenue	(2,195,772,880)	7,291,978,677	(2,195,772,880)	7,291,978,677
Long-term provisions	3,874,319,870	-	3,874,319,870	-
Payment of income tax	(1,159,715,355)	(3,703,338,430)	(1,084,751,240)	(3,656,238,331)
Net Cash from Operating Activities	11,371,164,359	34,774,637,361	11,235,119,979	34,675,488,018

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 December 31, 2008 and 2007

Units : Baht

	<u>Notes</u>	<u>CONSOLIDATED</u>		<u>THE COMPANY</u>	
		<u>2008</u>	<u>2007</u> (restated)	<u>2008</u>	<u>2007</u> (restated)
Cash Flows from Investing Activities					
Cash paid for acquisition of fixed assets	B	(21,402,982,898)	(11,983,570,760)	(21,401,097,704)	(11,979,518,021)
Cash paid for intangible assets		(136,093,966)	(590,808,212)	(135,323,766)	(590,090,612)
Cash received from transferring down payment of aircraft and aircraft spare parts		316,941,565	497,142,420	316,941,565	497,142,420
Cash received from sales of assets		702,391,458	1,909,467,157	702,391,458	1,909,467,157
Interest income		471,360,021	703,319,191	457,572,094	692,506,381
Dividends income		67,162,655	148,274,825	139,350,155	148,274,825
Investments decrease (increase)		(638,054)	84,760,449	(638,054)	(3,630,051)
Cash received from current investments-available-for-sale securities		(327,380,195)	(74,227,000)	-	-
Net Cash Used in Investing Activities		(20,309,239,414)	(9,305,641,930)	(19,920,804,252)	(9,325,847,901)
Cash Flows from Financing Activities					
Cash received from debenture bonds		7,000,000,000	7,500,000,000	7,000,000,000	7,500,000,000
Cash received from short-term loans		52,272,020,000	4,701,300,000	52,272,020,000	4,701,300,000
Cash received from long-term loans		4,528,433,104	3,475,357,656	4,528,433,104	3,475,357,656
Cash received from issuing ordinary shares		-	48,000	-	48,000
Cash received from premium on ordinary shares		(450,566)	(5,730,294)	(450,566)	(5,730,294)
Cash paid for repayment of short-term loans		(35,692,020,000)	(12,844,467,900)	(35,692,020,000)	(12,844,467,900)
Cash paid for repayment of debenture bonds		(11,500,000,000)	-	(11,500,000,000)	-
Cash paid for repayment of long-term loans		(15,348,935,222)	(8,166,814,500)	(15,348,935,222)	(8,166,814,500)
Cash paid for repayment of promissory notes		(1,050,000,000)	(1,050,000,000)	(1,050,000,000)	(1,050,000,000)
Cash paid for loan interest		(5,619,049,171)	(3,028,261,356)	(5,619,049,171)	(3,028,261,356)
Dividends paid		(3,872,976,626)	(2,845,431,522)	(3,813,914,126)	(2,798,181,522)
Net Cash from (used in) Financing Activities		(9,282,978,481)	(12,263,999,916)	(9,223,915,981)	(12,216,749,916)
Increase in cash and cash equivalents		(18,221,053,536)	13,204,995,515	(17,909,600,254)	13,132,890,201
Increase in the effect from changing in exchange rate on cash and cash equivalents		(61,268,955)	240,352,298	(61,268,955)	240,352,298
Cash and cash equivalents at the beginning of the periods		25,813,370,034	12,368,022,221	25,459,894,270	12,086,651,771
Cash and Cash Equivalents at the End of the Periods	C	7,531,047,543	25,813,370,034	7,489,025,061	25,459,894,270

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

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY

STATEMENT OF CASH FLOWS

For the years ended December 31, 2008 and 2007

Note to Statement of Cash Flows

A. Tax Refund - Consolidated and the Company

	Units : Million Baht
	<u>2008</u>
Proceeds from P.N.D 50 for the year 2005/06	455.97
Proceeds from P.N.D 50 for the year 2006/07	1,034.71
Adjustment of tax refund	29.09
Tax refund for the year 2006/07 (additional submitting)	<u>(22.68)</u>
	<u>1,497.09</u>
	<u>2007</u>
Adjustment of tax refund for the year 2005/06	(31.44)
Book Value of tax refund for the year 2006/07	<u>(1,085.07)</u>
	<u>(1,116.51)</u>

B. Property, Plant and Equipment

Consolidated

During the year 2008, the Company bought property, plant and equipment under financial lease amount of THB 3,600.34 million and cash payment amount of THB 21,402.98 million, total cost amount of THB 25,003.32 million.

During the year 2007, the Company bought property, plant and equipment under financial lease amount of THB 8,243.63 million and cash payment amount of THB 11,983.57 million, total cost amount of THB 20,227.20 million.

The Company

During the year 2008, the Company bought property, plant and equipment under financial lease amount of THB 3,600.34 million and cash payment amount of THB 21,401.10 million, total cost amount of THB 25,001.44 million.

During the year 2007, the Company bought property, plant and equipment under financial lease amount of THB 8,243.63 million and cash payment amount of THB 11,979.52 million, total cost amount of THB 20,223.15 million.

C. Cash and Cash Equivalents

	Units : Million Baht			
	Consolidated		The Company	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Cash on hand and balances with banks	7,592.32	25,573.02	7,550.30	25,219.54
Short-term investments	-	-	-	-
Cash and cash equivalents as previously reported	<u>7,592.32</u>	<u>25,573.02</u>	<u>7,550.30</u>	<u>25,219.54</u>
Effect of exchange rate changes	<u>(61.27)</u>	<u>240.35</u>	<u>(61.27)</u>	<u>240.35</u>
Cash and cash equivalents as reported	<u>7,531.05</u>	<u>25,813.37</u>	<u>7,489.03</u>	<u>25,459.89</u>

(Signed) *ACM Narongsak Sangapong*
(Narongsak Sangapong)
Senior Executive Vice President,
Corporate Secretariat,
Acting President

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

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
NOTES TO THE FINANCIAL STATEMENTS
For the years ended December 31, 2008 and 2007

1. THE CHANGE IN ACCOUNTING PERIOD

On January 9, 2007, the Company has registered to the Department of Business Development, Ministry of Commerce, for the change in its accounting period beginning on January 1 to December 31 according to the calendar year. The first of accounting period to be changed was October 1 to December 31, 2007. This was also approved by the Revenue Department on April 30, 2007. The change is to facilitate the evaluation of corporate governance and for a comparative purpose comparing to the listed companies in the Stock Exchange as well as other airlines using the same accounting period.

Due to the change in accounting period, the Company restated the previous financial statements in order to compare with the same accounting period of the financial statements for the year ended December 31, 2008. Therefore, the Company adjusted the recognition of war risk insurance and fuel surcharges in passenger and excess baggage revenues to match the period in which transactions incurred. Moreover, the Company adjusted taxes collected from passengers, which the outstanding balances were over 3 years and were recognised in accounting period from October 1, 2006 to September 30, 2007 and October 1 to December 31, 2007, as average revenues in each quarter. In addition, the Company adjusted welfare fees as average expenses in each quarter as well as relevant company income taxes. The asserted adjustments resulted in the increase in net profits of the Company financial statements for the year ended December 31, 2007 increased by THB 215.62 million, as well as unappropriated retained earnings as at January 1, 2007 decreased by THB 215.62 million.

2. BASIC OF FINANCIAL STATEMENT PREPARATION

The consolidated and the Company financial statements have been prepared in accordance with generally accepted accounting principles under the Accounting Act B.E. 2543 (2000) being those Thai accounting standards which issued by the Accounting Profession Act B.E. 2547 (2004) and the financial reporting requirements of the Securities and Exchange Commission, Thailand under the Securities and Exchange Act B.E. 2535 (1992).

The Company's financial statements consist of Thai Airways International Public Company Limited and the Company's staff pension fund.

The consolidated financial statements consist of the Company and its 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 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 (%)
over 6 months to 1 year	50
over 1 year to 2 years	75
over 2 years	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.

3.2 Inventories and Supplies

Inventories and supplies at the year-end, consisting of aircraft spare parts, fuel and oil for aircraft, cabin supplies, goods for sales as well as stationery and office supplies, are stated at the lower of moving average cost or net 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.

3.3 Investments

3.3.1 Investments in subsidiary and associated companies are stated by the equity method in the consolidated financial statement but by cost method in the Company's financial statement.

3.3.2 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.

3.3.3 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.

3.4 Property, Plant and Equipment and Depreciation

3.4.1 Aircraft and aircraft under financial leases

3.4.1.1 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. As for the aircraft and aircraft under financial leases, which the Company has taken the delivery since the fiscal year of 2006/07, and the existing aircraft having the same as those aircraft type are calculated the depreciation on a straight-line basis over the estimated useful life of 15 years with a salvage value of 10% of cost.

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

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

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

3.4.3 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.

3.4.4 Leasehold buildings are amortised as expense over a lease term of 10-30 years.

3.4.5 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, improvements to passenger seats, and 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.

3.5 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.

3.6 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.

3.7 Deferred Charges

3.7.1 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.

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

3.8 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.

3.9 Revenue Recognition

3.9.1 Passenger and excess baggage revenues:

3.9.1.1 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.

3.9.1.2 Unused tickets and service orders are recognised as revenue after 2 years.

3.9.1.3 Deferred revenues for war risk insurance and fuel surcharges are recognised as revenues when the outstanding balances are over 3 years.

3.9.2 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 carried by other air carriers is recognised as revenue if the other air carriers do not bill within 1 year.

3.9.3 The Company has operated a frequent flyer program 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.

3.9.3.1 Unredeemed awards are recognised as revenue after 3 years.

3.9.3.2 Redemptions with Star Alliance partners involve interline billing arrangements and costs per mile specified in partner agreements. Revenues are recognised when transportation is provided.

3.9.3.3 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.

3.9.4 Revenues from business units, Aircraft Maintenance Services, Ground Customer Services, Ground Support Equipment Services and Cargo and Mail Commercial Services are recognised when services are provided. Revenues from Catering Services are recognised at sales. As for revenues from supporting activities such as Sale on Board and Thai Shop are recognised at sales but revenues from Dispatch Services are recognised when services are provided.

3.9.5 Other revenues are recognised on an accrual basis.

3.10 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.

3.11 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 the Bank of Thailand at cash received 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.

3.12 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.

3.13 Deferred Income Tax

The Company’s tax expenses are calculated in accordance with the Revenue Code of Thailand. The deferred income tax is calculated from temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

3.14 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.

3.15 Financial Instruments

The Company uses derivative financial instruments which are Interest Rate Swap (IRS) and Cross Currency Swap (CCS) to reduce the fluctuation risk from an interest rate and exchange rate by entering into a Swap Confirmation to exchange the principal amount and interest at maturity according to the contract. The arising different will be recorded as interest expenses in an income statement. For the Forward Contracts, the Company will recognise in its financial statements at the end of forward contracts. The arising difference will be recorded as gain or loss on foreign currency exchange in an 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.

4. EFFECT OF CHANGE IN ACCOUNTING ESTIMATION

The Company has changed the estimated useful life of aircraft and engines, which are received since the fiscal year 2006/07 and the existing aircraft having the same as those aircraft type, from 20 years to 15 years beginning from January 1, 2008. This is to facilitate the Company having a new aircraft fleet which is suitable for the status of present competitive airline industry. Moreover, the operating expenses of the Company can be reduced. As a result the depreciation for the year ended December 31, 2008 increased by THB 1,386.63 million, compared with the depreciation previously computed by the former estimated useful life.

5. REVISED ACCOUNTING STANDARDS WHICH ARE EFFECTIVE FOR THE CURRENT YEAR

The Federation of Accounting Professions (FAP) has issued Notifications No. 9/2550, 38/2550 and 62/2550 regarding Accounting Standards. The Notifications mandate the use of the following new Accounting Standards, which become effective for the financial statements for fiscal year beginning on or after January 1, 2008.

- TAS 25 (revised 2007) Cash Flow Statements
- TAS 29 (revised 2007) Leases
- TAS 31 (revised 2007) Inventories
- TAS 33 (revised 2007) Borrowing Costs
- TAS 35 (revised 2007) Presentation of Financial Statements
- TAS 39 (revised 2007) Accounting Policies, Changes in Accounting Estimates and Errors
- TAS 41 (revised 2007) Interim Financial Reporting
- TAS 43 (revised 2007) Business Combinations
- TAS 49 (revised 2007) Construction Contracts
- TAS 51 (revised 2007) Intangible Assets

The Company follows the above accounting standards that do not have any significant impact on the consolidate and the Company financial statements.

6. REVISED ACCOUNTING STANDARDS WHICH ARE NOT EFFECTIVE FOR THE CURRENT YEAR

- TAS 36 (revised 2007) Impairment of Assets
- TAS 54 (revised 2007) Non-current Assets Held for Sale and Discontinued Operations

These accounting standards will become effective for the financial statements for fiscal years beginning on or after 1 January 2009. The management has assessed the effect of these accounting standards and believes that they will not have any significant impact on the financial statements for the year in which they are initially applied.

7. ACCOUNTING PRESENTATION IN FINANCIAL STATEMENT

The Company has reclassified the items in income statement to comply with Thai Accounting Standard No. 35 (revised 2007) Presentation of Financial Statements, which is effective for the accounting periods beginning on or after January 1, 2008. The Company restated its income statement for the year 2007 (January 1 - December 31, 2007) for comparative purpose by separate disclosure categories and amounts for each item shown as follows:

- 7.1 Flight operation expenses are separately shown as:
 - 7.1.1 Flight service expenses
 - 7.1.2 Crew expenses
 - 7.1.3 Aircraft maintenance and overhaul costs

7.2 Sales and advertising expenses composed of commission expenses, sales incentive, advertising and publicity expenses, booking fees, internet reservation, reimbursed revenue from the reservation, transit passenger expenses, and credit card collection fees.

7.3 Loss (gain) on foreign currency exchange mostly arised from translating foreign loans as well as foreign financial assets and liabilities at the year-end into Baht term.

7.4 Finance costs consist of interest expenses, bank charges and other borrowing expenses.

8. SUPPLEMENTARY INFORMATION

8.1 Cash and Cash Equivalents

	<u>Consolidated</u>		<u>Units : Million Baht The Company</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Cash - Domestic	8.78	16.23	8.78	16.23
Cash - Abroad	27.57	21.33	27.57	21.33
Bank Deposits - Domestic	3,495.71	6,335.13	3,453.69	5,981.65
Bank Deposits - Abroad	<u>3,998.99</u>	<u>19,440.68</u>	<u>3,998.99</u>	<u>19,440.68</u>
Total	<u>7,531.05</u>	<u>25,813.37</u>	<u>7,489.03</u>	<u>25,459.89</u>

8.2 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>Units : Million Baht The Company</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Period of overdue				
Not over 6 months	15,773.90	18,738.24	15,734.76	18,691.23
Over : 6 months to 1 year	99.52	43.01	85.11	43.01
Over : 1 year to 2 years	63.58	76.95	63.58	76.93
Over : 2 years	<u>1,320.56</u>	<u>1,302.58</u>	<u>1,291.70</u>	<u>1,273.72</u>
	17,257.56	20,160.78	17,175.15	20,084.89
<u>Less Allowance for doubtful accounts</u>	<u>(1,428.77)</u>	<u>(1,381.80)</u>	<u>(1,381.93)</u>	<u>(1,352.92)</u>
Trade account receivables - net	<u>15,828.79</u>	<u>18,778.98</u>	<u>15,793.22</u>	<u>18,731.97</u>

8.3 Inventories and Supplies - Net

	Consolidated		Units : Million Baht The Company	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Aircraft spare parts	5,218.28	4,487.28	5,218.28	4,487.28
<u>Less</u> Provision for obsolescence (10% of the year-end balance)	(521.83)	(448.73)	(521.83)	(448.73)
Aircraft spare parts - Net	4,696.45	4,038.55	4,696.45	4,038.55
Vehicle spare parts and ground support equipments	275.44	247.04	275.44	247.04
Slow moving aircraft spare parts and spare parts for sale	1,976.45	1,872.28	1,976.45	1,872.28
<u>Less</u> Provision for obsolescence (33.33% of incurred balance during the period)	(1,859.73)	(1,831.68)	(1,859.73)	(1,831.68)
Slow moving aircraft spare parts and spare parts for sale - Net	116.72	40.60	116.72	40.60
Fuel and oil for aircraft	252.14	1,047.38	252.14	1,047.38
Goods for sales	241.21	198.02	241.21	198.02
Cabin supplies	313.93	276.05	313.93	276.05
Supplies and other consumables	23.36	20.27	23.36	20.27
Stationery and office supplies	111.61	104.50	111.61	104.50
Inventories and spare parts in transit	748.43	131.27	748.43	131.27
Total inventories and supplies	1,690.68	1,777.49	1,690.68	1,777.49
Obsolete and damaged inventories for disposal	24.16	18.10	24.16	18.10
<u>Less</u> Provision for obsolescence (100%)	(24.16)	(18.10)	(24.16)	(18.10)
Obsolete and damaged inventories for disposal - Net	-	-	-	-
Total inventories and supplies - Net	6,779.29	6,103.68	6,779.29	6,103.68
Total inventories and supplies at year-end	9,185.01	8,402.19	9,185.01	8,402.19
<u>Less</u> Total provision for obsolete inventories and supplies	(2,405.72)	(2,298.51)	(2,405.72)	(2,298.51)
Total inventories and supplies - Net	6,779.29	6,103.68	6,779.29	6,103.68

8.4 Other Current Assets

	Consolidated		Units : Million Baht The Company	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Prepaid expenses and deposits	4,738.35	4,850.36	4,732.22	4,842.22
Tax refund	247.59	1,519.77	247.59	1,519.77
Cash and fixed deposits of pension fund	4,549.93	4,563.38	4,549.93	4,563.38
Others	1,976.64	3,419.02	1,939.97	3,390.62
Total	11,512.51	14,352.53	11,469.71	14,315.99

8.5 Investments

Consolidated

Units : Million Baht

Name of Company	Percentage of Shareholding		Investments				Income on investments	
			Cost method		Equity method			
	2008	2007	2008	2007	2008	2007	2008	2007
8.5.1 Investments using the equity method								
Royal Orchid Hotel (Thailand) Public Company Limited (Market value for the year 2008 amount of THB 675.00 million and the year 2007 amount of THB 922.50 million)	24	24	225.00	225.00	300.25	261.03	42.36	29.35
Donmuang International Airport Hotel Company Limited	40	40	48.00	48.00	189.84	193.81	(3.97)	(10.16)
Bangkok Aviation Fuel Services Public Company Limited (Market value for the year 2008 amount of THB 610.49 million and the year 2007 amount of THB 1,290.09 million)	22.6	22.6	115.19	115.19	582.71	551.41	85.44	101.90
Phuket Air Catering Company Limited	30	30	30.00	30.00	71.35	53.22	27.13	14.46
Suvarnabhumi Airport Hotel Company Limited	30	30	305.33	305.33	192.95	223.35	(30.40)	(25.99)
Nok Airlines Company Limited	39	39	195.00	195.00	-	185.70	(185.70)	(9.07)
<u>Less</u> Allowance for impairment of Nok Airlines Company Limited			(195.00)	-	-	-	-	-
Total investments using the equity method					<u>1,337.10</u>	<u>1,468.52</u>	<u>(65.14)</u>	<u>100.49</u>
8.5.2 Other long-term investments stated at cost								
Fuel Pipeline Transportation Limited	8.4	8.4	133.00	133.00			-	-
Aeronautical Radio of Thailand Limited	2.7	2.6	17.96	16.89			-	-
SITA Investment Certificate	-	-	33.47	33.76			-	-
Trade Siam Company Limited (paid 25% of authorized share capital)	3.5	3.5	1.75	1.75			-	-
SITA Information Networking Computing	-	-	31.83	30.77			-	-
Other Shares	-	-	2.99	2.99			0.88	0.77
Investment in private fund	-	-	-	19.79			-	-
<u>Less</u> Allowance for impairment of Fuel Pipeline Transportation Limited			(133.00)	(133.00)			-	-
Total other long-term investments			<u>88.00</u>	<u>105.95</u>			<u>0.88</u>	<u>0.77</u>

The Company

Units : Million Baht

Name of Company	Percentage of Shareholding		Investments		Dividend Income	
			Cost method			
	2008	2007	2008	2007	2008	2007
8.5.1 Investments using the cost method						
Subsidiary Company						
Thai-Amadeus Southeast Asia Company Limited	55	55	<u>8.25</u>	<u>8.25</u>	<u>72.19</u>	-
Associated Companies						
Royal Orchid Hotel (Thailand) Public Company Limited (Market value for the year 2008 amount of THB 675.00 million and the year 2007 amount of THB 922.50 million)	24	24	225.00	225.00	3.15	94.95
Donmuang International Airport Hotel Company Limited	40	40	48.00	48.00	-	2.40
Bangkok Aviation Fuel Services Public Company Limited (Market value for the year 2008 amount of THB 610.49 million and for the year 2007 amount of THB 1,290.09 million)	22.6	22.6	115.19	115.19	54.14	63.35
Phuket Air Catering Company Limited	30	30	30.00	30.00	9.00	6.00
Suvarnabhumi Airport Hotel Company Limited	30	30	305.33	305.33	-	-
Nok Airlines Company Limited	39	39	195.00	195.00	-	-
<u>Less</u> Allowance for impairment of Nok Airlines Company Limited			(195.00)	-	-	-
Total			<u>723.52</u>	<u>918.52</u>	<u>66.29</u>	<u>166.70</u>
Total investments using the cost method			<u>731.77</u>	<u>926.77</u>	<u>138.48</u>	<u>166.70</u>
8.5.2 Other long-term investments stated at cost						
Fuel Pipeline Transportation Limited	8.4	8.4	133.00	133.00	-	-
Aeronautical Radio of Thailand Limited	2.7	2.6	17.96	16.89	-	-
SITA Investment Certificate	-	-	33.47	33.76	-	-
TRADESIAM Company Limited (paid 25% of authorized share capital)	3.5	3.5	1.75	1.75	-	-
SITA Information Networking Computing	-	-	31.83	30.77	-	-
Other Shares	-	-	2.99	2.99	0.88	0.77
<u>Less</u> Allowance for impairment of Fuel Pipeline Transportation Limited			(133.00)	(133.00)	-	-
Total other long-term investments			<u>88.00</u>	<u>86.16</u>	<u>0.88</u>	<u>0.77</u>

8.5.3 Financial Data Summary of Subsidiary and Associated Companies

Units : Million Baht				
Name of Company	Assets	Liabilities	Income	Gains (Losses)
<u>Subsidiary Company</u>				
Thai-Amadeus Southeast Asia Company Limited	706.10	85.41	397.42	144.59
<u>Associated Companies</u>				
Royal Orchid Hotel (Thailand) Public Company Limited	1,443.05	192.03	249.48	10.07
Donmuang International Airport Hotel Company Limited	513.69	39.10	147.54	(7.16)
Bangkok Aviation Fuel Services Public Company Limited	5,386.39	2,806.88	1,289.53	351.80
Phuket Air Catering Company Limited	248.60	10.75	176.23	64.38
Suvarnabhumi Airport Hotel Company Limited	2,400.44	1,757.29	759.46	(91.41)
Nok Airlines Company Limited	536.71	616.65	2,843.28	(377.93)

The Company used the financial statements of associated companies as at September 30, 2008 to record the investment by equity method in the consolidated financial statement and by cost method in the Company's financial statement. Because the associated companies cannot submit their financial statements to the Company in time for accounting closing. This is no material impact to the Company.

8.6 Related Parties The Company

8.6.1 Major Shareholders

Units : Million Baht		
	2008	2007
Ministry of Finance Foreign loans via the Ministry of Finance	4,911.57	9,014.86

8.6.2 Subsidiary Company

Units : Million Baht				
	2008		2007	
	Sales	Purchase	Sales	Purchase
	Thai-Amadeus Southeast Asia Company Limited	12.99	-	24.54

Units : Million Baht				
	2008		2007	
	Account Receivables	Account Payables	Account Receivables	Account Payables
	Thai-Amadeus Southeast Asia Company Limited	0.76	-	2.62

8.6.3 Associated Companies

Units : Million Baht

	2008		2007	
	Sales	Purchase	Sales	Purchase
Royal Orchid Hotel (Thailand) Public Company Limited	-	14.85	-	20.27
Donmuang International Airport Hotel Company Limited	-	5.48	-	3.41
Bangkok Aviation Fuel Services Public Company Limited	0.06	377.37	0.03	396.07
Phuket Air Catering Company Limited	3.31	9.27	4.71	10.69
Suvarnabhumi Airport Hotel Company Limited	-	101.69	0.03	60.04
Nok Airlines Company Limited	2,022.38	-	1,963.23	-

Units : Million Baht

	2008		2007	
	Account Receivables	Account Payables	Account Receivables	Account Payables
Royal Orchid Hotel (Thailand) Public Company Limited	-	-	-	-
Donmuang International Airport Hotel Company Limited	-	-	-	0.01
Bangkok Aviation Fuel Services Public Company Limited	-	27.33	0.01	35.22
Phuket Air Catering Company Limited	0.35	2.01	1.09	7.48
Suvarnabhumi Airport Hotel Company Limited	-	-	-	0.42
Nok Airlines Company Limited	123.57	-	37.78	-

The Company purchases goods and services at a market price from related parties on normal commercial term as unrelated parties.

8.7 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 January 1, 2008	139,361.79	142,363.58	28,262.77	19,034.90	28,435.57	357,458.61
- Adjust/Transfer	3,046.24	(3,832.13)	24.00	(144.55)	301.63	(604.81)
- Increased asset	17,316.08	4,395.62	1,744.71	155.79	1,393.61	25,005.81
- Sold	(2,969.59)	(29.37)	(732.69)	(280.22)	(603.32)	(4,615.19)
As at December 31, 2008	156,754.52	142,897.70	29,298.79	18,765.92	29,527.49	377,244.42
Accumulated depreciation						
As at January 1, 2008	79,806.98	25,125.50	17,740.21	8,993.79	18,639.32	150,305.80
- Depreciation	7,131.02	7,895.62	2,005.60	858.01	2,089.48	19,979.73
- Adjust/Transfer	(567.74)	-	32.47	-	(10.73)	(546.00)
- Sold	(2,674.54)	(29.37)	(430.91)	(251.45)	(598.40)	(3,984.67)
As at December 31, 2008	83,695.72	32,991.75	19,347.37	9,600.35	20,119.67	165,754.86
Impairment	950.40	3,475.19	-	-	-	4,425.59
Net book value						
As at December 31, 2007	59,554.81	117,238.08	10,522.56	10,041.11	9,796.25	207,152.81
As at December 31, 2008	72,108.40	106,430.76	9,951.42	9,165.57	9,407.82	207,063.97

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 January 1, 2008	139,361.79	142,363.58	28,262.77	19,034.90	28,182.69	357,205.73
- Adjust/Transfer	3,046.24	(3,832.13)	24.00	(144.55)	312.50	(593.94)
- Increased asset	17,316.08	4,395.62	1,744.71	155.79	1,391.73	25,003.93
- Sold	(2,969.59)	(29.37)	(732.69)	(280.22)	(603.32)	(4,615.19)
As at December 31, 2008	156,754.52	142,897.70	29,298.79	18,765.92	29,283.60	377,000.53
Accumulated depreciation						
As at January 1, 2008	79,806.98	25,125.50	17,740.21	8,993.79	18,443.12	150,109.60
- Depreciation	7,131.02	7,895.62	2,005.60	858.01	2,063.88	19,954.13
- Adjust/Transfer	(567.74)	-	32.47	-	0.13	(535.14)
- Sold	(2,674.54)	(29.37)	(430.91)	(251.45)	(598.40)	(3,984.67)
As at December 31, 2008	83,695.72	32,991.75	19,347.37	9,600.35	19,908.73	165,543.92
Impairment	950.40	3,475.19	-	-	-	4,425.59
Net book value						
As at December 31, 2007	59,554.81	117,238.08	10,522.56	10,041.11	9,739.57	207,096.13
As at December 31, 2008	72,108.40	106,430.76	9,951.42	9,165.57	9,374.87	207,031.02

In this fiscal year, there are 89 aircraft in the Company's fleet consisting of 54 own aircraft, 26 aircraft under financial leases and 9 aircraft under operating leases.

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

Other plants and equipment-net amount of THB 9,407.82 million (consolidated) and THB 9,374.87 million (the Company) have already included the work in progress of Suvarnabhumi project amount of THB 17.15 million consisting of building, facilities, equipment and information technology which support to the services at Suvarnabhumi.

The Company uses buildings and equipment amount of THB 37,706.54 million that are now fully depreciated.

Financial leased assets are aircraft under financial leases which the purchase contracts are made in USD currency but the financial leases are made in EUR, JPY and USD currency.

8.8 Intangible Assets-net

	Units : Million Baht	
	Consolidated	The Company
Cost		
As at January 1, 2008	1,073.74	1,069.17
- Assets increase	136.08	135.31
As at December 31, 2008	1,209.82	1,204.48
Accumulated amortisation		
As at January 1, 2008	175.74	175.21
- Amortisation	226.19	225.69
As at December 31, 2008	401.93	400.90
Net book value		
As at December 31, 2007	898.00	893.96
As at December 31, 2008	807.89	803.58

8.9 Deferred Income Taxes

	Consolidated		Units : Million Baht The Company	
	2008	2007	2008	2007
	Contribution to staff pension fund	1,050.57	1,195.11	1,050.57
Allowance for obsolete inventories	721.72	689.56	721.72	689.56
Allowance for doubtful accounts	484.79	470.71	470.74	462.05
Allowance impairment in value of assets	1,728.31	345.11	1,728.31	345.11
Estimated accrual expenses	1,742.16	476.74	1,742.16	476.74
Frequent flyer program (ROP)	345.97	461.17	345.97	461.17
Deferred loss on foreign currency exchange	313.41	313.61	313.41	313.61
Others	<u>18.84</u>	<u>24.39</u>	<u>15.19</u>	<u>20.74</u>
Total	<u>6,405.77</u>	<u>3,976.40</u>	<u>6,388.07</u>	<u>3,964.09</u>

8.10 Other Non-Current Assets

	Consolidated		Units : Million Baht The Company	
	2008	2007	2008	2007
	Deferred charges	1,506.71	1,375.04	1,506.71
Others	<u>143.51</u>	<u>69.17</u>	<u>143.51</u>	<u>69.17</u>
Total	<u>1,650.22</u>	<u>1,444.21</u>	<u>1,650.22</u>	<u>1,444.21</u>

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

8.11 Short-term Loans Consolidated and the Company

Currency	Loan Currency		Baht Equivalent (Million)	
	2008	2007	2008	2007
THB	17,980,000,000	-	17,980.00	-
EUR	-	100,000,000	-	4,962.02
JPY	9,000,000,000	-	<u>3,508.27</u>	<u>-</u>
Short-term loans			<u>21,488.27</u>	<u>4,962.02</u>

As at December 31, 2008, the Company borrowed the short-term loans for an aggregate of THB 17,980.00 million from 7 domestic banks - Krung Thai Bank Public Company Limited, Kasikornbank Public Company Limited, Bangkok Bank Public Company Limited, TMB Bank Public Company Limited, Islamic Bank of Thailand, Siam Commercial Bank Public Company Limited, and Export - Import Bank of Thailand. In addition, the Ministry of Finance borrowed a short-term foreign loans in the form of Euro Commercial Paper (ECP) and loaned such loans to the Company amount of THB 3,508.27 million. So, the total of the short-term loans are THB 21,488.27 million.

8.12 Long-term Loans Consolidated and the Company

<u>Currency</u>	<u>Loan Currency</u>		<u>Baht Equivalent (Million)</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
JPY	-	9,000,000,000	-	2,697.44
USD	40,000,000	40,000,000	1,403.29	1,355.40
THB	4,000,000,000	-	<u>4,000.00</u>	-
Total Long-term loans			5,403.29	4,052.84
<u>Less</u> Current portion of long-term loans			<u>572.00</u>	<u>2,697.44</u>
Net Long-term loans			<u>4,831.29</u>	<u>1,355.40</u>

At the year-end, long-term loans of the Company consisted of the foreign loans borrowed via the Ministry of Finance amount of THB 1,403.29 million and loans from the Government Saving Bank amount of THB 4,000.00 million, totalling to THB 5,403.29 million. As at December 31, 2008, such long-term loans have been transferred to a current portion of long-term loans amount of THB 572.00 million, leaving the balance of long-term loans amount of THB 4,831.29 million.

8.13 Liabilities Under Financial Leases Consolidated and the Company

<u>Currency</u>	<u>Loan Currency</u>		<u>Baht Equivalent (Million)</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
JPY	39,941,610,829	47,592,068,844	15,569.56	14,264.10
USD	147,853,326	203,417,535	5,187.05	6,892.80
EUR	1,102,341,130	1,179,502,493	<u>54,732.89</u>	<u>58,527.15</u>
Total liabilities under financial leases			75,489.50	79,684.05
<u>Less</u> Current portion of financial leases			<u>10,153.59</u>	<u>9,112.22</u>
Net Liabilities under financial leases			<u>65,335.91</u>	<u>70,571.83</u>

The Company has entered into the financial leases with buyout options. The Company had financial leases with 6 foreign financial institutions. The accounting policy for recording aircraft under financial leases is described in Note 3.8. As at December 31, 2008, the Company has outstanding obligations totalling THB 89,647.02 million under financial leases for 26 aircraft with maturities ranging from 2009 to 2020. After deducting interest expenses due amount of THB 14,157.53 million, the principal balance of obligations under the Company's financial leases is THB 75,489.50 million. As at December 31, 2008, the amount of THB 10,153.59 million has been transferred to a current portion of financial lease, leaving the balance of liabilities under financial lease amount of THB 65,335.91 million.

8.14 Promissory Notes

The Company received the loans 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. In this fiscal year, the brought forward balance was THB 2,850 million and the amount of THB 1,050 million was repaid during the period, leaving a balance of THB 1,800 million. As at December 31, 2008, these promissory notes were transferred to current portion of long-term loans in the amount of THB 1,050 million, leaving the long-term liabilities balance amount of THB 750 million.

8.15 Debentures

According to the Resolution of Extraordinary Shareholders' Meeting No. 1/2003 held on September 2, 2003 approved the Company to issue debentures in the amount of THB 40 billion. The Company had 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 had already been transferred to the Company's account. On November 12, 2007, the Securities and Exchange Commission (SEC) permitted the Company issuing and offering of THB debentures No.1/2550 for an aggregate of THB 7,500 million which were offered in 2 tranches. The first tranche amount of THB 3,000 million and the second tranche amount of THB 4,500 million had already been transferred to the Company account, totalling THB 7,500 million. In addition, the Company had issued its debentures No. 1/2551 for an aggregate of THB 7,000 million on October 2, 2008. Such debentures were offered in 3 tranches. The first tranche amount of THB 3,455.29 million, the second tranche amount of THB 987.92 million and the third tranche amount of THB 2,556.79 million, totalling to THB 7,000 million, had already been transferred to the Company's account. On May 12 and October 8, 2008, the Company redeemed the due debentures amount of THB 6,000 and 5,500 million, respectively. As at December 31, 2008, the amount of THB 7,500 million was transferred to a current portion of long-term loans, leaving the balance of long-term loans amount of THB 35,500 million. The details are as follows:

	Tenor (Year)	Interest Rate Pay every 6 months (%)	Amount (MTHB)	Redemption date
<u>The first</u>	7	3.70	<u>4,500.00</u>	October 8, 2010
<u>The second</u>	5	4.65	7,500.00	October 20, 2009
	7	5.20	4,500.00	October 20, 2011
	10	5.80	<u>3,000.00</u>	October 20, 2014
			<u>15,000.00</u>	
<u>The third</u>	6	4.67	6,000.00	May 12, 2011
	10	5.19	<u>3,000.00</u>	May 12, 2015
			<u>9,000.00</u>	
<u>The 1/2550</u>	3	4.51	3,000.00	November 22, 2010
	5	5.04	<u>4,500.00</u>	November 22, 2012
			<u>7,500.00</u>	
<u>The 1/2551</u>	1.5	4.77	3,455.29	April 2, 2010
	3	5.05	987.92	October 2, 2011
	5	5.50	<u>2,556.79</u>	October 2, 2013
			<u>7,000.00</u>	
The balance as at December 31, 2008			<u>43,000.00</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.

8.16 Current Liabilities - Others

	<u>Consolidated</u>		<u>Units : Million Baht</u> <u>The Company</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Airport fees	1,612.72	2,335.13	1,612.72	2,335.13
Deferred income	2.95	2.80	2.68	2.53
Taxes payable	740.39	686.81	738.20	684.33
Fringe benefits-field office staff	524.91	423.25	524.91	423.25
Other account payables	979.96	869.23	961.11	850.58
Total	<u>3,860.93</u>	<u>4,317.22</u>	<u>3,839.62</u>	<u>4,295.82</u>

8.17 Long-Term Provisions

8.17.1 The Court of First Instance has sentenced the Company to pay compensatory damages claimed by the employees in the amount of THB 15.35 million. At present, the Company has appealed the case to the Court of Appeal.

8.17.2 The Court of First Instance has sentenced the Company to pay compensatory damages for the cancellation the purchase of wines claimed by Ming Yeng International Co., Ltd. in the amount of THB 27 million. The Company's lawyer is going to appeal the case.

8.17.3 In this accounting period, the Company has set up the reserve for damages and fines for the Antitrust and Competition cases and investigations in the amount of THB 4,290.17 million. On December 31, 2008, the amount was transferred to short-term provision in the amount of THB 458.20 million, leaving the balance of long-term provision amount of THB 3,831.97 million. The provision is calculated by approximation from the estimated damages and fines figured by the lawyers in each region taking into account the facts that the lawyers are aware of and in according with the following criteria:

1. The above estimated damages and fines are calculated from the lowest fine rates that may be used in case the courts rule or sentence that the Company has committed guiltiness as alleged or claimed.

2. The above estimated fine amount is approximation by the authority of each country that investigation and litigation are in process, but excluding the civil class actions of both cargo and passenger cases in U.S., as in such both cases the civil courts are on the process of initiation of litigation, and there are no claim statements that seek the proof of damages of the claimants.

3. The sentence or decision on the cases shall be given separately in the next forth coming different fiscal years.

4. The above provision may be substantially deviate from the truth due to:

4.1 In the countries where investigations are initiated and no allegation are filed yet , the is no clear fact as to whether an allegation will be filed against the Company. And if such an allegation is filed against the Company, in which locations that such allegation may cover. The turn over amount of such locations which shall be base for calculation of a fine is unaware then.

4.2 The determination of a fine is up to the discretion of the deciding body. Other facts of the cases may need to be considered by such deciding body.

4.3 Before the decision is made, there may be a compromise of the fine amount, depending on the policy of each country and the case aspects.

8.18 Dividends Payment the Company

According to the 2nd Annual General Shareholders' Meeting for the year 2007 (October 1 - December 31, 2007) held on April 9, 2008 approved the Company to pay the dividends for the period from October 1 - December 31, 2007 operation at THB 0.45 per share for an aggregate of THB 764.51 million. But the Company paid the dividends amount of THB 764.50 million because there are 22,100 nominee shares having no rights to receive the dividends amount of THB 0.01 million and 24,304 shares having no right to receive the dividends for 2007 operation of the year ended September 30, 2007 announced to pay the dividends on December 27, 2007 amount of THB 0.04 million, totalling THB 0.05 million which has no rights to receive the dividends.

8.19 Share Capital

As at December 31, 2008, 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 16,989.01 million.

8.20 Legal Reserve

As at December 31, 2008, the Company's legal reserve balance was THB 1,700 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.

8.21 Directors' Remuneration

	Consolidated		Units : Million Baht The Company	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Meeting Allowance	17.41	10.44	16.25	9.40
Bonus	3.49	15.26	3.49	14.70
Total	<u>20.90</u>	<u>25.70</u>	<u>19.74</u>	<u>24.10</u>

Besides the monetary remuneration, the Board of Directors of the Company also receive ticket benefits. In the fiscal year 2008 and 2007, they issued the tickets for themselves and related parties amount of 458 and 385 tickets with the value of THB 49 and 36.52 million, respectively, estimated from the full fare value as of December 2008 in those travel classes.

8.22 Other Incomes

Text	Units : Million Baht			
	Consolidated		The Company	
	2008	2007	2008	2007
Gains on sales of assets	373.26	885.94	373.26	885.94
Dividends from subsidiary and associated companies	-	-	138.48	166.70
Revenue from other services of Aircraft Maintenance Department	307.70	237.11	307.70	237.11
Revenue from airport fees collected from passengers	660.48	360.23	660.48	360.23
Others	652.91	783.35	661.00	796.40
Total	1,994.35	2,266.63	2,140.92	2,446.38

8.23 Other Operating Expenses

Text	Units : Million Baht			
	Consolidated		The Company	
	2008	2007	2008	2007
Rentals and utilities	2,989.07	3,095.35	2,989.07	3,095.35
Office supplies	287.92	334.79	287.92	334.79
Repair of building and equipment	484.25	433.73	484.25	433.73
Outsource services	1,148.70	1,415.91	1,148.70	1,415.91
Consultant and service fees	447.41	413.79	447.41	413.79
Legal fee for Antitrust/ Competition Law	73.44	-	73.44	-
Computer service expenses	395.47	422.20	395.47	422.20
Travelling and transportation expenses	699.27	576.34	699.27	576.34
Concession fees	401.01	588.85	401.01	588.85
Passenger claim expenses	404.86	317.78	404.86	317.78
Others	1,590.55	1,576.95	1,512.08	1,508.49
Total	8,921.95	9,175.69	8,843.48	9,107.23

8.24 Aircraft Impairment Loss

The Resolution of the Board of Directors held on June 6, 2008 approved the Company to decommission and sell 4 Airbus A340-500 aircraft, non-stop flights to New York and Los Angeles. The Company has ceased the New York flights since July 1, 2008. In the meantime, such aircraft are on the sale process. In January 2009, it appears that the net book value of those aircraft is higher than an appraisal value of The Aircraft Value Analysis Company. Therefore, the Company recorded the aircraft impairment loss amount of THB 4,425.59 million consisting of 1 own aircraft amount of THB 950.40 million and 3 aircraft under financial lease amount of THB 3,475.19 million.

8.25 Other Expenses

Text	Units : Million Baht			
	Consolidated		The Company	
	2008	2007	2008	2007
Impairment loss of assets	324.25	1,194.02	519.25	1,194.02
Other expenses	363.26	235.74	363.26	235.74
Total	687.51	1,429.76	882.51	1,429.76

8.26 Company Income Tax

Text	Units : Million Baht			
	Consolidated		The Company	
	2008	2007	2008	2007
Tax expense (income) from taxable profit for the period	122.44	2,287.37	59.09	2,230.03
Add(less): deferred tax asset/ liability from temporary different increase/ decrease	(2,407.69)	(377.27)	(2,404.36)	(376.79)
Net tax expense (income)	(2,285.25)	1,910.10	(2,345.27)	1,853.24

8.27 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.

Consolidated For the years ended December 31, 2008 and 2007

	Gains		No. of Shares		Earnings per share	
	2008	2007	2008	2007	2008	2007
	Million Baht	Million Baht	Million Shares	Million Shares	Baht	Baht
Basic earnings per share						
Net Profits (losses) attributable to ordinary shareholders	(21,379.45)	4,368.42	1,698.90	1,698.90	(12.58)	2.57

The Company

For the years ended December 31, 2008 and 2007

	Gains		No. of Shares		Earnings per share	
	2008	2007	2008	2007	2008	2007
	Million Baht	Million Baht	Million Shares	Million Shares	Baht	Baht
Basic earnings per share						
Net Profits (losses) attributable to ordinary shareholders	(21,450.37)	4,361.41	1,698.90	1,698.90	(12.63)	2.57

8.28 Financial Information by Segment Consolidated

8.28.1 Business Segments

Statements of Income For the years ended December 31, 2008 and 2007

Units : Million Baht

	<u>Revenues</u>		<u>Inter - Segment Revenues</u>		<u>Total Revenues</u>		<u>Segment Results</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
				(restated)				(restated)
Air transportation	191,072.45	187,593.19	-	-	191,072.45	187,593.19	(10,182.49)	10,800.73
Business Units	7,976.10	8,156.31	14,476.93	15,891.63	22,453.03	24,047.94	(1,066.75)	(706.63)
Other activities	1,069.44	1,159.65	400.27	404.24	1,469.71	1,563.89	296.95	139.62
Eliminations	-	-	(14,877.20)	(16,295.87)	-	-	-	-
Operating profits (losses)							(10,952.29)	10,233.72
Share of net profits (losses) from subsidiary and associated companies							(65.14)	100.49
Interest expenses-net							(4,992.06)	(4,181.05)
Losses on foreign currency exchange							(4,471.39)	(651.61)
Other revenues							(3,118.75)	836.88
Minority interests							(65.07)	(59.91)
Income taxes							2,285.25	(1,910.10)
Net profits (losses)							(21,379.45)	4,368.42

Assets and Liabilities As At December 31, 2008 and 2007

	<u>Current Assets</u>		<u>Non-Current Assets</u>		<u>Units : Million Baht Total Assets</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Air transportation	38,582.51	61,880.90	207,120.36	203,827.18	245,702.87	265,708.08
Business Units	617.80	497.83	10,177.63	11,125.89	10,795.43	11,623.72
Other activities	651.14	620.52	54.96	92.82	706.10	713.34
Non-allocated assets	<u>2,330.18</u>	<u>2,230.18</u>	-	-	<u>2,330.18</u>	<u>2,230.18</u>
Total	<u>42,181.63</u>	<u>65,229.43</u>	<u>217,352.95</u>	<u>215,045.89</u>	<u>259,534.58</u>	<u>280,275.32</u>

	<u>Current Liabilities</u>		<u>Non-Current Liabilities</u>		<u>Units : Million Baht Total Liabilities</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Air transportation	97,302.25	95,056.18	114,959.78	114,588.37	212,262.03	209,644.55
Business Units	885.35	2,070.30	109.72	110.97	995.07	2,181.27
Other activities	85.41	101.22	-	-	85.41	101.22
Non-allocated liabilities	<u>309.94</u>	<u>323.02</u>	-	-	<u>309.94</u>	<u>323.02</u>
Total	<u>98,582.95</u>	<u>97,550.72</u>	<u>115,069.50</u>	<u>114,699.34</u>	<u>213,652.45</u>	<u>212,250.06</u>

Segment results derive from segment revenues net of segment costs and operating 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.

8.28.2 Geographical Segments

	Units : Million Baht	
	<u>2008</u>	<u>2007</u>
Domestic Revenues		
Transportation	12,166.27	11,763.06
Business units	7,976.09	8,156.31
Other activities	<u>1,069.44</u>	<u>1,159.66</u>
Total domestic revenues	<u>21,211.80</u>	<u>21,079.03</u>
Foreign Transportation Revenues		
Regional Asia	62,604.95	69,665.76
Europe	49,164.40	50,925.38
North Pacific	5,249.29	7,303.42
Australia & New Zealand	16,931.35	17,670.64
Africa	<u>1,193.75</u>	<u>1,341.22</u>
Total foreign transportation revenues	<u>135,143.74</u>	<u>146,906.42</u>
Charter revenues and others	8,290.14	7,525.25
Insurance surcharge from passengers	2,466.56	2,872.84
Fuel surcharge from passengers	33,005.74	18,525.62
Interest income	493.29	745.47
Other income	<u>1,994.35</u>	<u>2,266.63</u>
Total	<u>202,605.62</u>	<u>199,921.26</u>

8.29 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, liabilities and balance 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>2008</u>	<u>2007</u>
Current assets	4,760.27	4,956.07
Others	<u>66.33</u>	<u>52.35</u>
Total	<u>4,826.60</u>	<u>5,008.42</u>
Other current liabilities	48.62	36.32
Pension fund	<u>4,777.98</u>	<u>4,972.10</u>
Total	<u>4,826.60</u>	<u>5,008.42</u>

As at December 31, 2008, the fund balance was THB 4,777.98 million, equal to the Company's obligation to its staff under the fund. The total Company contribution to the fund in this fiscal year was THB 173.69 million, consisting of contributions at a rate equivalent to 10% of employee salaries in the amount of THB 258.12 million net of the amounts to match the Company's obligation of THB 84.43 million.

8.30 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 1,155.06 million in this fiscal year.

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

8.31 Contingent Liabilities

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

	Units : Million Baht	
	<u>2008</u>	<u>2007</u>
Letters of guarantee issued by banks – Domestic	3.25	2.89
Letters of guarantee issued by banks – Abroad	106.24	69.08
The Company as defendant in		
Labour dispute cases	1,658.09	1,619.06
Damage claims cases	<u>1,859.49</u>	<u>1,308.92</u>
Total	<u>3,627.07</u>	<u>2,999.95</u>

Moreover, the other contingent liabilities are as follows :

1. The Company still has the competition law infringement. A group of 35 cargo shippers have brought an action against the Company before the Civil Court of New York alleging that the Company jointly with other 38 airlines fixed fuel surcharge, war risk surcharge and other fees in violation of the Sherman Antitrust Act of 1890 and the Clayton Antitrust Act of 1914 and European Union laws causing damages to them. They sought the court's order for compensation by the Company.

2. A group of passengers has brought actions against the Company before the Civil Court in Los Angeles and San Francisco totally 19 cases alleging that conspiracy among airlines to fix, maintain, and /or stabilize prices for long haul passenger transpacific flights to and from the United States (Price Fixing in respect of Transpacific carriers) in violation of the Sherman Antitrust Act of 1890 and the Clayton Antitrust Act of 1914. The Judicial Panel on Multi-district Litigation has ordered to combine the 19 cases to be considered by the court at San Francisco as a single case. In both cases (at the Civil Court of New York and at San Francisco) are civil class action where at the time of complaints, the Plaintiffs have not determined the amount of compensation and shall request to the courts later.

In both litigation, the Company has retained the expert law firms and has joined the Joint Defense Group. The cases are now being considered by the courts. The damages in both cases are yet to be determined until the Company would have been found guilty. In case that the courts rule that the Company is guilty, the courts shall determine the damages and compensations and penalty which, under the law, could be up to 3 times of the damages proven by the Plaintiffs. At present, the amount of the compensatory damages in the US. cases cannot be determined.

3. The Company received the Statement of Objections from the Commission of the European Communities alleging that the Company and other 27 airlines infringed the Treaty establishing the European Community (the EC Treaty) by coordinating pricing behavior in the provision of air freight services on a global basis with respect to the fuel surcharge, the security surcharge, the war surcharge, freight rates and the payment of commission to forwarders on surcharges causing damages to air freight shippers. The law sets forth penalty provisions in a fine of 30% of the turnover of freight service transport to and from and within EU in the preceding business year before decision times the number of years of infringement but not exceed 10% of the total worldwide turnover of a company in the preceding business year before decision. The Company has retained an expert law firm to take charges of the case. At present, the Company is not aware of the amount of the fine as to which turnover shall be calculated. The case is now being considered by the Commission. In case that the Commission considers that the Company is guilty, the Company shall be fined in what amount, and from which turnover, are yet to be determined.

4. At present, there is a claim against the Company following the investigation made by the New Zealand Commerce Commission (NZCC). The NZCC has brought suit against the Company and other 13 airlines before the court of Auckland alleging that the Company jointly with other airlines fixed fuel surcharge and security surcharge in violation of Commercial Act of New Zealand. The pled seeks the court to order the Company to pay a fine and legal expenses. At the time of submission, however, NZCC has not specified the fine and expense amounts. The amounts are yet to be determined by the court.

5. The cases where the Company has been investigated by the U.S., Australia, Republic of Korea, are now being scrutinized by each country authority. The Company has retained local law firms in each country to coordinate with the authority of each country. At present, no claims or legal actions have been sought against the Company.

The legal fees and expenses for all antitrust /competition cases have been recorded as expenses in the amount of THB 73.44 million, and the estimated damages that may be arising has been recorded as expenses in the amount of THB 4,290.17 million regarding Note to financial statement No. 8.17.3.

8.32 Disclosure of Financial Instruments The Company

8.32.1 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 in the present and the future.

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

Units : Million Baht

2008

Financial Liabilities	Weighted Average Interest Rate	Outstanding Balances Floating Interest Rates			Outstanding Balances Fixed Interest Rates			Total
		Less than 1 year	1 to 5 years	Over 5 years	Less than 1 year	1 to 5 years	Over 5 years	
USD	5.89	850.25	1,788.22	-	1,231.29	2,720.59	-	6,590.35
JPY	0.96	3,002.59	10,636.29	1,930.67	3,508.27	-	-	19,077.82
EUR	4.48	3,639.66	15,617.08	21,739.38	1,429.81	6,039.56	6,267.41	54,732.90
THB	3.71	5,122.00	3,038.00	1,140.00	21,980.00	29,500.00	6,000.00	66,780.00
Total		12,614.50	31,079.59	24,810.05	28,149.37	38,260.15	12,267.41	147,181.07

Units : Million Baht

2007

Financial Liabilities	Weighted Average Interest Rate	Outstanding Balances Floating Interest Rates			Outstanding Balances Fixed Interest Rates			Total
		Less than 1 year	1 to 5 years	Over 5 years	Less than 1 year	1 to 5 years	Over 5 years	
USD	6.20	773.75	2,548.41	-	1,109.05	2,461.60	1,355.40	8,248.21
JPY	1.06	2,292.96	9,329.99	2,641.15	2,697.44	-	-	16,961.54
EUR	4.28	3,539.14	15,133.95	24,728.62	6,359.35	5,906.07	7,822.04	63,489.17
THB	4.50	1,050.00	1,800.00	-	11,500.00	30,000.00	6,000.00	50,350.00
Total		7,655.85	28,812.35	27,369.77	21,665.84	38,367.67	15,177.44	139,048.92

For Interest Rate Risk Management, The Company applies a derivative financial instrument, Interest Rate Swap (IRS), to swap the floating interest rates which show high tendency to increase to fixed. As at December 31, 2008, the portion of the Company's debt after swap with floating to fixed interest rate is 36 : 64.

At the moment, THAI has the total of 6 IRS transactions, swapping debt with floating interest rate to one with fixed interest rate. Two of these transactions are in JPY currency, the remaining 4 in EUR. As at December 31, 2008, IRS transactions' total notional amount was THB 18,336.26 millions of which interest exchange payments are done quarterly. The two transactions in JPY currency will expire in 2013 and the four transactions in EUR currency will expire in 2017.

8.32.2 Foreign Currency Exchange Rate Risk

The Company generates revenues in more than 40 currencies, mainly in USD, THB, EUR and JPY while incurring liabilities mainly in 4 major currencies : USD, JPY, EUR and THB as well as expenses mainly in USD and THB. Fluctuations in exchange rates affect on long-term liabilities and operating expenses denominated in foreign currencies. Therefore, The Company has adopted "Natural Hedge" strategy to manage this risk by increasing the matching of currency between the revenue and expenses and to arrange for loan and restructure loan to coincide with net operating cash flow, and at the same time, to decrease foreign currency debt risk partially by relying on Thai baht loan in order to decrease the fluctuation of gain or loss from foreign exchange in the financial statement. In addition, The Company has a policy to enter into Cross Currency Swap (CCS) when the financial market benefits to the Company. As at December 31, 2008, the proportion of the Company's debts after swap in each currency i.e. USD : EUR : JPY : THB is 3 : 43 : 15 : 39. Gradually, the Company also used hedging strategy named Forward Contracts, by providing various degrees of participation in favorable exchange rate movement to hedge our future obligation that has underlying exposures.

At present, the Company has 2 CCS transactions, swapping debt in USD currency with floating interest rate to EUR currency with fixed rate. As at December 31, 2008, the two CCS transactions' total notional amount was THB 2,751.77 millions of which exchange payments, both principal and interest, are done quarterly. The two CCS transactions will expire in 2011.

Units : Million Baht

<u>Currency</u>	<u>Foreign Currency Liabilities</u>					
	<u>2008</u>			<u>2007</u>		
	<u>Due within 1 year</u>	<u>Due 1 to 5 years</u>	<u>Due over 5 years</u>	<u>Due within 1 year</u>	<u>Due 1 to 5 years</u>	<u>Due over 5 years</u>
USD	2,081.54	4,508.81	-	1,882.80	5,010.01	1,355.40
JPY	6,510.86	10,636.29	1,930.67	4,990.40	9,329.99	2,641.15
EUR	5,069.47	21,656.64	28,006.79	9,898.49	21,040.02	32,550.66

8.32.3 Fuel Price Risk

Fuel price fluctuation depends on supply and demand of global economic situation and political uncertainty worldwide. Fuel price has impact on the Company's operating result as fuel plays vital factor in airline industry. The Company has implemented jet fuel price hedging in order to reduce the risk of fuel price volatility, to protect the value of shareholder and is not to be treated as a profit-marking venture.

This was in accordance with the Company's policy, specifying that fuel hedging be conducted on a regular basis at not more than 50 percent of annual fuel consumption, whereby the tenor of each contract would be for a period of not more than one year. The Company selected a financial tool that was suitable for the market situation by establishing the lowest and highest prices of jet fuel, whereby the Company would incur the difference in USD currency, should the price of jet fuel falls below the lowest price. On the contrary, the Company would be compensated should the price of jet fuel rises higher than the highest price. In this fiscal year, the Company's hedge portion account to 26.18 percent of its annual fuel consumption. As at December 31, 2008, the Company still has are obligation from full hedging until March 2009 amount of 1 million barrels of Jet fuel which account to 22.22 percent of its estimated fuel consumption for said period whereby the average lowest and the highest jet fuel prices are at USD 92.60 per barrel and USD 114.80 per barrel, respectively.

8.32.4 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 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 the carrying value.

Investments in related companies not having market prices are stated at cost net of allowance of impairment. As for the investments in related companies having market prices are stated at closed market price of the Stock Exchange of Thailand.

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.

8.33 Guideline to Resolve Liquidity Problem

The Company has reviewed its business plan to resolve liquidity problem by arranging the Business Improvement Plan in order to conform to the current situation. The Company focuses on increasing cash flow, that is increasing quality of revenues and improving cost management, adjusting investment plan as well as restructuring both debts and financial structure to conform to its investment plan for acquiring the government support fund. Such plan has been approved in principle and guideline by the Company's Board of Directors at the Board meeting held on February 11, 2009. The resolution was for the Company to prepare additional details in order to resubmit to the Board of Directors for final approval before submitting to the Ministry of Transportation and State Enterprise Policy Office (SEPO), the Ministry of Finance.

8.34 Contractual Obligations

8.34.1 Obligation to Purchase Aircraft

The Company has a payment obligation to purchase aircraft amount of THB 60,983.66 million.

8.34.2 Leases and obligations of aircraft

8.34.2.1 The Company has obligations from entering into operating leases amount of USD 105.29 million or approximately to THB 3,693.78 million (exchange rate USD 1 : THB 35.0824).

8.34.2.2 The Company sent the notification to exercise the purchase option for one aircraft after expiry date of operating leases, a Boeing 777-200. This was due to the need to utilize of such aircraft and no plan to remove those aircraft from the Company's fleet.

8.34.2.3 On May 14, 2008, the Company's Board of Directors has a resolution to extent the operating lease of Boeing 737-400 No. 8-10 for 6 years further and to return Boeing 737-400 No. 11 at the end of the lease period from January 15, 2009.

8.34.3 Obligations to Repair and Maintenance Agreement with Airline Customer

On August 3, 2008, fire occurred on Boeing 747-400 of airline customer while receiving maintenance services at the Company's maintenance facilities, Don Muang Airport. Following the incident, the Company's Aviation Insurers have appointed lawyers to handle and coordinate with airline customer to find out the cause of fire as well as costs of repair in this respect. The investigation on the proximate cause of damage is still under processes and there is no conclusion at this stage. At the present, The Company has not yet received any claim notification from this incident.

The Company's Aviation Insurers already put up the reserve and defending costs at this stage in the amount of USD 12 million or approximately to THB 421 million. In case the Company has to be responsible for this incident then the Company's Aviation Insurers will indemnify for all sums that the Company is legally liable.

8.34.4 Obligation of the Annual Welfare Fee

The Board of Directors meeting held on February 11, 2009 has a resolution not to pay the 2008 annual welfare fee. However, because of the effort of the Company employees to solve the problem impacting the Company's operation and pass through it, the Company will reconsider to pay the annual welfare fee when the situation and the Company's operation improve.

8.35 Events After the Balance Sheet Date

8.35.1 The Company acquired additional funds amount of THB 9,504.91 million which can be summarized as follows:

- On January 7, 2009, the Company borrowed a 1-year short-term loan from the Ministry of Finance in the form of Euro Commercial Paper (ECP) using as Bridge Financing amount of USD 33.30 million or approximately THB 1,164.91 million. Such loan is to finance the purchase of one Boeing 777-200 under the operating lease. The Company exercised the purchase option for this aircraft on January 9, 2009.

- On January 8, 2009, the Company has entered into a Sale and Buy Back Agreement with Islamic Bank of Thailand in the amount of THB 2,500 million with 5-year maturity. The Company received this credit amount of THB 2,250 million on the same date. For the rest of THB 250 million, the Company will receive after the repayment of the short-term loan.

- On January 20, 2009, the Company issued its debentures No. 1/2552 for an aggregate of THB 4,790 million offered to specific investors (not more than 10 investors). The debentures were offered in 4 tranches - Series 1 amount of THB 170 million with 3-year tenor at an interest rate of 5.30% per annum, Series 2 amount of THB 720 million with 5-year tenor at an interest rate of 5.45% per annum, Series 3 amount of THB 300 million with 7-year tenor at an interest rate of 5.60% per annum, and Series 4 amount of THB 3,600 million with 10-year tenor at an interest rate of 6.00% per annum.

- On February 4, 8 and 17, 2009, the Company borrowed the short-term loans from the Company's pension funds amount of THB 400, 300 and 600 million, respectively.

8.35.2 The Company borrowed short-term loans for repayment of existing short-term loans amount of THB 9,930 million which can be summarized as follows:

- On January 9, 2009 amount of THB 2,000 million and on January 12, 2009 amount of 1,000 million with 3 - month maturities.

- On January 23, 2009 amount of THB 6,930 million with 1 - month maturity.

8.36 Approval of Financial Statements

These financial statements were approved by the Audit Committee, the Authorized Board of Directors, on February 23, 2009.
