

only 200 of them were taken. The reservation desk said that the airplane was fully booked, but when he got on it there were available seats, seats were available on many flights. He requested that this issue be taken care of.

Ms. Suporn Pathumsuwanwadee, a shareholder, asked the following:

1. While the shareholders did not receive dividends, what had the Board and the Executives cut-down on, and what benefits previously said to have been reduced, were.

2. Other companies generally broadcast meetings on screen for a good atmosphere. She deemed that such broadcasting did not seem to have caused any damage to the meeting. She suggested that sometimes when the director made clarifications, she did not know who was talking as half of the said person's face was behind the computer, and it took time to eventually know who was speaking.

Mr. puwanat Na Songkla, a representative of the Thai Investor Association, suggested that he was a representative of Thai Investor Association and had come here to observe the meeting. At the beginning, he sensed a strong feeling from the shareholders that the corruption investigation should be conducted for the benefit of the Company, which was of good intentions. Certain shareholders might have been too intense. The middle of the meeting went quite smooth although it took too much time than it should. However, from the shareholders' aspect, everyone should honor and respect the meeting. He thought that certain shareholders had lost control and behaved improperly. He admitted that such behavior created a bad atmosphere at the meeting. In accordance with international standards on measures against persons who showed improper behavior or attitude, the Chairman was entitled to instruct such persons to take a seat or stop talking, turn off the microphone of said person, or invite such person out of the meeting room. However, the threatening manner of the security guards who accompanied such person might have inflicted a bad image on Thai Airways. The Chairman could invite any person out, if it was the Chairman's wish, but not by accompanying such person out in such a manner. He, as the representative of Thai Investor Association, disagreed with certain attitudes or verbal statements because they indicated that some minority shareholders were not emotionally mature. Therefore, the Chairman should apply the measures of instructing said person to take a seat, turn off the microphone or inviting said person out of the meeting room .

Mr. Chaikasem Nitisiri, the Chairman, thanked the representative of Thai Investor Association and stated that he would consider his suggestions to ensure a smooth meeting.

Mr. Monchai Rabruenthaveesuk, a shareholder and proxy of shareholders who are his family members the Company's staff and many of the general public, suggested the following:

1. There should be audio broadcasting on hallways, in front of the rest rooms and cafeteria as no one could stay in this room all the time. He had to ask other shareholders about certain agenda and thereby distracted them from the meeting.

2. He proposed that ten domestic air tickets and one international air ticket should be used as prizes in a lucky draw for shareholders who attended the meeting and stayed until the end. If the winner was absent, then draw again. These tickets should not cost much although the Company suffered loss.

Mr. Uthit Hemavattakij, a shareholder, asked the following:

1. Almost every flight from Shanghai that he had taken had been delayed. The problem that followed was that the flight schedule was incorrect. Thereby an airplane was used for only 11 hours per day. He asked whether or not the Board had ever examined how other countries use their airplanes for the utmost benefit. Spare parts for airplanes have been changed according to their usable life but the Company's use of the airplane was less than half the time allotted per day. He asked whether this problem had ever been taken care of. The planes were still delayed in both Shanghai and Beijing.

(Translation)

2. In regard to the wine issue, he mentioned that he did not drink the wine but had heard the person sitting next to him on the airplane asking for it. However, the wine was not available on such airplane. Previously, he had heard discussions about corruption regarding the purchase of wine. He requested that an investigation be undertaken about the incident of having no wine to serve on TG634 and TG637 airplanes.

ACM Narongsak Sangapong, Acting President, explained that in terms of the reduction of benefits and expenses of executives, it was apparent that the transportation fee of the Company's executives had been cut. Every executive did not have an official vehicle or personal chauffeur but received an executive fee, which had been reduced by half. This was due to cooperation on the executives part to cut-down expenses. There would be neither salary raise nor bonus for either the executives or employees. As the Acting President, he did not receive any additional benefits. With respect to the ticket benefits of the Board of Directors, the entitlement to 15 free international flights and 15 domestic flights would be reduced in accordance with the agreement in Agenda 6. In addition, the Acting President appreciated the suggestion regarding broadcasting the meeting on screen. He stated that he would record and propose such a suggestion to the next shareholders meeting as well as consider the suggestion regarding the audio broadcasting. The surrounding structure should be taken into account for consideration of such a suggestion, but, in his opinion, it was a good advice.

Mrs. Chamsri Sukchotrat, a shareholder, asked how the selection of the President (DD) was progressing, when the new DD of Thai Airways would be appointed, and whether the news was true. She suggested that the Company should have selected the new DD by now because considering the situation of the Company, there should be an executive who would be directly responsible for it. She also asked when the new DD would be appointed and whether there would be any twist.

ACM Narongsak Sangapong, Acting President, explained that with respect to the selection of a new DD, the application period has been closed and there were 11 applicants. Currently, the committee has been examining the primary qualifications of all 11 applicants, and 4 of them had not replied as to whether they were qualified. The qualifications were, for example,

1. ranking in a position not below deputy head of the organization. If the applicant's position was lower than that, such applicant was not qualified; and
2. administering an organization that had turnover worth more than Baht ten thousand million, and there had been no confirmation that there was any organization with turnover exceeding Baht ten thousand million.

These were the qualifications that such 4 applicants have not confirmed, and we are waiting for their reply. If they fail to reply, they would be disqualified and there would be 7 applicants left. The nomination committee, appointed by the Board of Directors, would invite them to present their visions and consider the most appropriate person to be DD of Thai Airways based on how such person would lead this Company. The nomination committee would select the most appropriate person and a runner up, then propose such result to the meeting of the Board of Directors for approval. According to the original schedule, the Company planned that the new DD would be appointed today, which was the general shareholders' meeting day. However, since the Company has not received the confirmation on the qualification examination, the outcome therefore could not be decided today. Nonetheless, the nomination committee would work as quickly and efficiently as possible so as to select the new DD to work with the new Board of directors.

Mr. Surasit Sriprapha, a shareholder, requested that he would like to know the quickest deadline, as mentioned by the Acting President, and asked when it would be.

(Translation)

ACM Narongsak Sangapong, Acting President, answered that there were 4 applicants that had not returned answers to the primary qualification examination sent by the Company, and they were to return their reply within two weeks. Upon the expiration of two weeks, they would be considered, based on their replies, as to whether or not they were qualified. If they were not qualified, their vision would not be tested. Therefore, the outcome would be within two weeks.

Ms. Piangpan Wangpattanakulchai, a shareholder, stated as follows:

1. She agreed with the suggestion on broadcasting the meeting on screen as she sat at the back and could not see the person speaking, and she would like to know the members of the Board of Directors so that when she met them outside, she can greet them and give her suggestions.

2. With respect to the nomination of the members of the Board of Directors, she asked whether it was possible that a female nominee who, in her opinion, was proficient and capable would be selected. She also explained that as far as she had seen, a woman had never been selected as a member of the Board of Directors. Therefore, she would like to know whether it was possible that next time a woman would be chosen as a member of the Board of Directors.

Mr. Chaikasem Nitisiri, the Chairman, explained that it was not true that there had never be a female director, because as far as he knew there were female directors. At least there had been, as he recalled, Khun Pornthip Jala and Khun Ratchanee Treepipatkul. Therefore, there had been female directors. It was only the matter of who was selected.

Mr. Uthit Hemavattakij, a shareholder, asked whether or not there was a written record of what was said in the meeting apart from the recording, and if he would like the copy of the recording, who had the power to approve his request. He claimed that the Official Information Act prescribed that this must be in writing. He also stated that the Board should not say that the request must be in writing, as according to the Official Information Act, it could be made verbally. Then he asked that if he should make such a request, whom could he contact and obtain such a copy from.

Mr. Chaikasem Nitisiri, the Chairman, explained that in regard to the request for the copy of the recorded tape, he had to consider whether or not, and to what extent such a request could be made, and what were the rules in relation to this, since at least the meeting had been recorded, as the shareholder said.

ACM Narongsak Sangapong, the Acting President, stated that in regard to the Official Information Act, the version in the Company's possession was enacted in 1997. According to such Act and the Company's information center located in the Company's office, if a shareholder would like any information, normally such shareholder would have to submit the request to the information center, then the center would consider whether it was appropriate to disclose such information. If the information concerned any supervisor or was classified as confidential, the request would be proposed to a higher unit for further consideration. These were the procedures provided by the Official Information Act. Every person was entitled to information said person would like to obtain, but there were also categories of information as he previously stated.

Mr. Chaikasem Nitisiri, the Chairman, informed the meeting that there was no other business to consider at the 2009 Annual General Shareholders' Meeting. The Chairman thanked the shareholders for staying until the end of the meeting, and every relevant employee and officer. The Chairman then declared the meeting closed.

(Translation)

The meeting was adjourned at 22.01 hours.

(Mrs. Chutiporn Kamolbutra)
Vice President of Compliance,
Minutes Recorder

(Mr. Niruj Maneepun)
Vice President, Legal Department
Secretary of the Meeting

ACM

(Narongsak Sangapong)
Executive Vice President,
Corporate Secretariat Department
Acting President

(Mr. Chaikasem Nitisiri)
Deputy Chairman of the Board of Directors
Chairman of the Meeting

As a result of the fact that Mr. Wisudhi Sahachardmanop, a shareholder, proposed to the Meeting for discussion but due to limited time, he delivered his documents to the Meeting and also asked the Meeting to contain the documents' contents in the Minute, as follows:

1. Status of Holding DD Office of Mr. Piyasvasti Amranand

Mr. Apinan retired from his office upon November 27, 2008 due to the fact that the Company had examined and found his offenses in the case of A330 Aircraft Procurement in violation of the resolution of the Council of Ministers and NACC had examined a number of additional matters, all of which had evidences in association with offenses. But up to present, the Company has not yet taken any legal action, causing shareholders to file lawsuit to the court by themselves. The name list of Board of Directors and Executives have not yet changed and the money of the Company had also been approved for assistance in defenses of the case and a public prosecutor has been appointed in this case, this matter would be further mentioned.

According to the fact, when Mr. Apinan had retired from his office, the Company lacked a person holding the DD office. Thus, the Board of Directors appointed DD Nominating Committee upon December 3, 2008 when the Company commenced to announce the DD application acceptance. Subsequently, the application period was extended and closed upon February 2009. Mr. Piyasvasti filed an application during the period of time so extended as mentioned above. In this regard, when Mr. Piyasvasti came to apply for the position, Mr. Piyasvasti was legally disqualified because he possessed disqualification under Section 8 *ter* (12) of the Standard Qualification of Directors and Officials of State Enterprise Act which prohibits the persons who have been directors or executives in the juristic persons who are joint venture of any other state enterprise to hold an executive offices of those state enterprises within 3 years.

Mr. Piyasvasti used to hold office in the capacity of a director of Bangkok Aviation Fuel Services Company Public Company Limited (BAFS) which is a joint venture of the Company. Mr. Piyasvasti resigned from his office to hold the office of the Minister of Energy in the Government of the Council of National Security upon October 9, 2006. Consequently, Mr. Piyasvasti would be fully qualified by law upon October 9, 2009. Nonetheless, the Nominating Committee determined that the applicant was required to possess complete qualifications upon the date of inauguration. After that, the Nominating Committee let the applicants show their visions in May 2009 and the announcement was made in June 2009. However, as Mr. Piyasvasti would be fully qualified in October 2009; thus, the Nominating Committee waited until October 2009 and let Mr. Piyasvasti conclude the DD Position Inauguration Contract upon October 19, 2009 and he was entitled to the salary at the rate of 900,000 Baht; meanwhile, the Deputy DD was entitled to the salary at the rate of 240,000 Baht, new employees with Bachelor' Degree were entitled to the salary at the rate of 12,000 Baht, and outsourced officers who are not regarded as employees were entitled to the salary at the rate of 8,000 Baht.

These behaviors in view of general persons were the intention to make the specific person to hold the DD office, causing the Company to lack a DD office holder for a period of 11 months. During the airport closing crisis in November 2008, the Company declared that the Company was damaged up to 20,000 Million Baht. After that, at the beginning of the year 2009, the Company was encountered with the financial crisis to the extent that the Company had to announce the rehabilitation plan so as to borrow money in the amount of 35,000 Million Baht. The Company had to reduce the flights at the beginning of the year up to 50%, despite the fact that such period of time was a profit-

making period for the Company. All of the crises so occurring were as a result of the fact that the Company lacked the DD position holder during the period of time mentioned above because the Nominating Committee intended to let Mr.Piyasvasti hold the DD office.

Therefore, the Company ought to give reasons why the DD nominating process was like that and why the Board of Directors was unaware of the crises of the Company and let the Company lack a DD position holder during the aforementioned crises.

2. Cancellation of the Flights at Ubon Ratchathani and Phitsanulok Airports

According to the study of flights cancellation at Ubon Ratchathani and Phitsanulok Airports in March 2010, additional details are known that the Company prepared to cancel the flights to other domestic airports; namely Khon Kaen Airport and Surat Thani Airport. The domestic routes will be only Chiang Mai, Chiang Rai, Udon Thani, Phuket, Had Yai, and Samui Island. Mostly, all of the domestic destinations of the Company are to international airports, except Samui Island merely. Why would the Company need to maintain the Samui Island route? According to the fact, the Company has to pay the airport utilizing costs of the Samui Island Airport at the rate up to 80 Thousand Baht per flight, meanwhile, the airport utilizing costs in other domestic airports are 8,000–9,000 Baht only. The above-mentioned reason shows no transparency between the Company and Bangkok Airway.

In addition, the Company also announced its policy to let Nok Air fly in the routes to be cancelled by the Company. Additionally, the Company let on lease of ATR Aircraft in favor of Nok Air at cheap price so as to open the Bangkok–Buri Ram Route, which had already been cancelled by the Company over 10 years. The Company should also give these reasons because the Company is also a major shareholder of Nok Air Co., Ltd. and could not cite that this matter was the policy of Nok Air Co., Ltd.

In the case of cancellation of Ubon Ratchathani Flight, the Company needs to give reasons, because, according to the information, the performance in the year 2008 of the Bangkok– Ubon Ratchathani–Bangkok Route had average cabin factor of 82.7%, and the performance in the year 2009 which was during the same period as the Company had to decrease foreign flights but the Bangkok–Ubon Ratchathani–Bangkok Route had more passengers with average cabin factor as high as 96%

Cabin factor means the passenger-to-seat ratio. For instance, if the aircraft has 100 seats and there are 80 passengers, it means 80% cabin factor. Hence, the fact that the Bangkok–Ubon Ratchathani–Bangkok Route flights have annually average 96% cabin factor means every flight of the aircraft is full throughout the year. Meanwhile, the airlines around the world set the targets of annual average cabin factor at the rate of 75% only. Therefore, the Company should increase the flights or the size of the aircrafts to support more passengers, the Company should not have cancelled the flights like this; it showed no transparency of management of the Company.

In essence, the Company had average monthly income only from the Bangkok–Ubon Ratchathani–Bangkok Route in the amount of 20.1 Million Baht. Meanwhile, the monthly employee expenditure was only 1.1 Million Baht. This showed that the Company had profits in the amount of 19 Million Baht per month or 630,000 Baht on a daily basis. There were 3 flights per day, each flight in this route, the Company would have profit in

the amount of 210,000 Baht. The flight from Bangkok to Ubon Ratchathani used fuel approximately 2 tons or approximately 2,500 litres at 20 Baht per litre. Thus, average aviation fuel was approximately 50,000 Baht, maintenance cost was approximately 40,000 Baht, airport expenses and expense of aeronautical radio were approximately 20,000 Baht, and expenses for each flight were approximately 110,000-120,000 Baht. In conclusion, the Company have net profit in the amount of approximately 90,000-100,000 Baht per flight in this route.

However, for the time being, the Company had already cancelled this route. The doubt was why such route had been cancelled which caused Nok Air Co., Ltd., a private entity, to obtain benefits in lieu of the Company which is a state enterprise.

3. Being sued in the unfair trade case by the European Countries, the United States of America, Australia, New Zealand, and Korea

The Company was sued by Air Cargo Association in the amount as high as 20,000 Million Baht as a result of the fact that the Company had colluded with other airlines to determine the freight rate. While other airlines agreed to pay the fine, only the Company still defended the case. The fine, only in the European Countries, was in the amount of approximately 20,000 Million Baht. Last year, the Company provided a reserve for the fine payment in the amount up to 4,000 Million Baht. Moreover, the Company had proceeded with the case in several countries; for example, the United States of America, Australia, New Zealand, and Korea. For the time being, the Company had paid the lawyer costs to defend the cases, particularly in EU Countries, the lawyer fee was in the amount of approximately 800 Million Baht and the Company had employed Siam Premier Co., Ltd. to be its legal advisor with the fee in the amount up to 100 Million Baht. It was doubtful why the Company employed Siam Premier Co., Ltd. despite the fact that the Company had already had a legal advisor, namely Baker & McKenzie Co., Ltd., to work on a regular basis.

Initial damage was the lawyer fee in the amount of approximately 800 Million Baht. The sufferers were the minority shareholders who ought to be explained by the Company in a variety of issues. For example, who was required to be responsible for the incurred damage; in the case where the Company was fined in the amount of 20,000 Million Baht, how the Company's status would be; and in the case where the management worked in an erroneous manner, whether the management should be responsible for the occurred results or not, and how much.

4. Damage from the Passenger Seats of A330 Aircraft

In the event of procurement of 8 A330 Aircraft, it was found that the procurement process was dishonest which was contrary to the resolution of the Council of Ministers. The Committee had mentioned the prima facie since November 2008 and NACC had inspected since 2009. Up to present, there had not yet been such any progress that shareholders took a legal action thereagainst. This case was pending under the Undecided Case No.....

In addition to the dishonesty in aircraft procurement, selection of type of purchased engine, inclusive of the selection of seat type to be installed in the aforesaid aircraft, was also pending in the court pursuant to the plaint of shareholders. For the time being, after the Company had accepted the delivery of the 3rd aircraft, it appeared that the

passenger seats were not standardized and warranted by the air safety guarantee agency of the manufacturer country, namely Japan.

The damage arising against the Company was that after the Company had paid money to purchase each aircraft in the amount of approximately 4,000 Million Baht, but the Company was unable to utilize such aircraft on account of no passenger seats. The Company had to park the aircraft without any utilization and also had to pay rental expense and maintenance expense in France. For the time being, such event arose against three aircraft and such event would occur against another 5 aircraft.

The damage value from the price of the aircraft was at the rate of 4,000 Million Baht per one aircraft. This amount had been borrowed by the Company with interest at the rate of 5% in the amount of approximately 200 Million Baht *per annum*. Additionally, the Company had to depreciate the aircraft at the rate of 10% *per annum* in the amount of approximately 400 Million Baht. Total damage to the Company was approximately 600 Million Baht *per annum* or 50 Million Baht per one aircraft. For the time being, there were 3 unutilized aircraft which meant that total damage of the Company was 150 Million Baht on a monthly basis.

In this event, the sufferers were shareholders. The majority shareholders neglected to take any action because such amounts had come from people's taxes and duties. How would the management take responsibility?

5. Charter of 777 Aircraft

Provision of 6 B777 Aircraft in accordance with the resolution of the Board of Directors in February 2010 by chartering 3 aircraft from Jet Airways and another 3 aircraft from Air India at the rate of USD 2 Million per month or USD 24 Million per annum by commencing to deliver the aircraft as from April 2010.

This procurement was very doubtful. The Company increased the aircraft up to 6 in number but why the Company did not increase the flights and destinations. The Company had to bear additional costs in charter and maintenance. When the Company did not increase the flights, there was no additional income. This charter made the Company experienced unavoidable loss.

Normally, the aircraft procurement of general airlines shall have prior taken into account the routes, worthiness, and personnel. For instance, an aircraft needs pilots of 5 shifts and each shift needs 2 pilots, namely an aircraft needs 10 pilots. When there were 6 aircraft, 60 pilots were needed. Meanwhile, for the time being, the pilots had already had their full flights in line with international standards. Finally, the Company had to order the pilots to work overtime, causing fruitlessness to the overtime reduction policy and also lowered the flight safety.

According to the follow-up of the performance of the Company in previous year, at the beginning of the year, which is normally the period of time when the Company has maximum profit, the Company had to reduce the flights down to 60% as a result of the political crisis. The Company's performance had just started to recover at the end of the year. Therefore, this fact indicated that, how the Company would consider expanding its fleet while the Company was experiencing such crisis.

Accordingly, the procurement of these 6 aircraft was sudden. Shareholders were very concerned about the performance of the Company. Because the charter cost was at the rate of USD 2 Million per month per one aircraft, chartering 6 aircraft would be in the amount of USD 12 Million or approximately 400 Million Baht. Furthermore, during April–September (6 months) of every year is the low season period of the Company, with low performance as shown in the Quarterly Performance Announcement of the Company, which mostly suffered loss due to few passengers. In consequence, while the incomes were standstill, expenses increased up to 400 Million Baht per month, together with the facts that the Company had expenses on A330 Aircraft which had been purchased but could not be utilized and that the Company had to prepare to be fined in the price collusion case, it was extremely concerned matter.

6. Upgrade of Air Tickets – Excess Baggage Allowance

In the case where a director of the Company loaded forty baggage weighted 400-kilogram on the Tokyo–Bangkok Flight as commented in newspapers, such director finally resigned from office, consequently, the critique on this matter ceased.

The issue still criticized was the news of upgrade of the air tickets for a politician. Such politician had purchased an economy class air ticket and asked for upgrading to first class air ticket. This showed the loophole of the Company. In this event, shareholders demanded the Management to present data on how much the value of the Company's air tickets upgrade in each year was, because prices are very different between economy class air ticket and first class air ticket. For example, for Bangkok – London flight, an economy class air ticket is approximately 30,000-40,000 Baht and a first class air ticket is approximately 120,000 Baht. This caused decrease in incomes of the Company.

According to the news, political officers are prohibited from accepting gifts with value exceeding 3,000 Baht as stipulated by law, but the value of the upgrade of the air ticket was equal to hundred thousands Baht. There was an explanation that such upgrade of the air ticket was mileage redemption. Later on, the Company's informant announced that the gold cardholder would be entitled to voucher of increase mileage to be used for upgrading of air tickets in various cases, such as birthday. In this regard, the Management needed to clarify the fact for justice of every party. Nonetheless, there were also evidences as appearing afterwards in respect of the information on upgrade of the air tickets for politicians. According to the news, it was an upgrade by gold card, but according to the informed source, it was an upgrade through the Management of the Company.

In addition, there were evidences with regard to approval of increase in the baggage allowance for politicians so as to be able to load up to 500 kilograms. After the Management had already received such evidences, the Management ought to also explain to shareholders as owners of the Company why the shareholders did not acquire the same right and how much the lost income *per annum* suffered by the Company was. After the Management had given this explanation, the shareholders would further lodge a complaint with NACC based upon the information given by the Management for inspection of the political officers' receiving gifts in the amount of over 3,000 Baht.

7. HR Management of the Company

At present, the Company has 28,000 employees and approximately 8,000 outsourced employees, totaling 36,000 employees. According to the fact that the Company has a large number of employees, the Human Resource or HR jobs must be

regarded as very important job, because for several leading companies, HR top management is essential next to CEO. Nevertheless, as far as we have examined our Company, the HR top management, holding the DB office, having 2 departments under his control, that is, DI supervising personnel and D9 supervising training.

Upon the consideration of DI and D9 structures, their work natures are only general work, such as employee record preparation, disciplinary, right and benefit supervising, and employee training, which do not reflect the main HR jobs which is policy related in labor management, proactive work; for instance, job evaluation, employee number planning, compensation determination in each profession, job rotation, career path determination, labor relations, etc. Upon consideration of these jobs structures, the responsible departments have not yet been found in the jobs mentioned above. Therefore, the issues which should be considered are that how the Company does the work, how the Management set the labor utilizing targets, and how about the Company's demand for labors. Up to present, the Company had outsourced several external companies to lay down the salary and position structure plans, such as Cooper, Peat Marwick, Hay, etc. it is doubtful that if the Company has not operated these matters by itself, how the external companies can operate these works.

There is an additional fact showing that the HR problems mentioned above are only one part. It can be seen that the Company has several work units in the level of Deputy DD as classified by professional groups, for example, operation department, financial and accounting department, technical department, commercial department, HR department whose all of the executives of these departments are the personnel in their lines of work, except for HR Department which is DB. In 2007, DB was Khun Kaweepan coming from Financial and Accounting Department holding office as Executive Vice President for Finance and Accounting Department or DE. However, the Company needed to change the person in DE position; consequently, Khun Kaweepan was transferred from DE office to DB office. In 2008, the Company needed to promote Khun Montree to a Deputy DD position; accordingly, Khun Kaweepan was transferred and then Khun Montree was appointed to be DB, despite the fact that Khun Montree was a pilot having a career path to be an executive in pilot line. In 2009, the Company needed to change the top management in commercial line or DN from Khun Pandit to Mr.Pruet; as a result, the Company transferred Khun Pandit who held DN office to hold DB office and transferred Khun Montree to hold DT office because the existing DT office holder retired from office. In summary, over the past three years, the Company had changed up to 3 DB office holders or 1 DB held office for one year. Furthermore, during 2004 – 2005 (2 years), the Company changed up to 4 DB office holders. Since the Company had established DB position in 2002 up to present, there had been no direct personnel of such line holding this office. Most of them came from commercial line, financial line, accounting line, and pilot line. It could be seen that HR top management position is the position used in supporting the transfer of the top management in other lines.

8. Company Structure

According to the executive structure information of the Company, the Company has 28,000 employees, exclusive of approximately 8,000 outsourced employees. According to the job structure of 28,000 employees, there are executives in every level, ranging from division managers, department managers, directors, vice presidents, to executive vice presidents, totaling 3,000 in number. Interestingly, there are 7 Executive Vice Presidents or EVPs and 36 Vice Presidents or VPs.

According to the structure in the part of 28,000 employees, there are approximately 24,000 employees comprising a variety of workgroups in professional lines, such as pilots, cabin crews, mechanics, catering services, ground support services department, ground customer services department, and cargo department; and there are 2 EVPs and 11 VPs.

For production line, there are approximately 3,500 employees working in the supporting lines, such as finance and accounting line, Human Resource Management Department and Commercial Department; and there are 3 EVPs and 14 VPs.

The comparison is as follows:

| | | |
|---------------------------|--------|--------------------|
| Operating line employees | 24,000 | 2 EVPs and 11 VP s |
| Supporting line employees | 3,500 | 3 EVPs and 11 VP s |
| Other employees | 500 | 2 EVPs and 14 VP s |

The abnormality in distribution of positions in the Company is expressly seen, that is, the top management positions are concentrated, causing unfairness in income distribution.

The more interesting information is that, out of 28,000 employees, there are 3,000 executives, approximately 10,000 pilots–cabin crews, approximately 6,000 employees in Administrative–Supervisor lines, and 9,000 labors, while the Company has approximately 8,000 outsourced employees. It can be seen that, for the time being, the main labors of the Company are outsourced groups. The outsourced employees holding Bachelor’s Degree have their salaries in the amount of approximately 8,000 Baht, while the employees holding Bachelor’s Degree have their salaries in the amount of approximately 12,000 Baht. Upon comparison with the actual income of EVP which is approximately 200,000 Baht and 75,000-Baht carfares, and if holding DD office, the salary is 900,000 Baht. The difference of income of upper level employees and lower level employees is more than 30 times. How much would cooperation be given by the employees and how would the Company be developed?

9. Management supported the Labor Union to close Don Muang Airport and Suvarnabhumi Airport in November 2008 causing damage to the Company in the amount of approximately Ten Thousand Million Baht.

In the shareholder meeting last year, shareholders had inquired about the event of seizure of the Government House and closing of the airports which were jointly operated by the employees of the Company. Importantly, the Company deemed that the employees by joining the seizure of the Government House – closing the airports were working for the Company, not being deemed to have taken any leave. In this respect, prior to the meeting, shareholders had prior served a notice on the Company about the matters to be inquired and had attached the approval evidences of the Company but the Company failed to give any explanation to the meeting but answered in writing thereafter that the Company was investigating this matter. For the time being, the events of seizure of the Government House and closing of the airports had elapsed for a period of one and a half year. Nonetheless, the Company notified the shareholders that the Company was investigating this matter. When another 1 year had elapsed, the shareholders would like to know how about the investigation because, according to the event occurring, the Company declared to the mass media that the Company suffered damage over Ten Thousand Million Baht. The damage like this together with clear evidences from a variety

of media, namely, newspapers, VDO recording the pictures of the police officers, and mass media, as well as the time recording evidences, needed no additional investigation. In this regard, in the past one year, this matter had not yet been concluded.

There were irregularities pertaining to the Management and the labor union in other issues, despite the fact that they had been discussed last year. The Management notified that the Management was investigating them, such as sex harassment against a female employee during working hours and on the Company's property, which was serious disciplinary offense and criminal offense. Additionally, under labor laws, the employer was deemed to commit offense against the employee. However, upon the offense occurrence, the offender was punished by the Company immediately by warning. Even if the injured person lodged a complaint, the punishment was deemed by the Company to have been conducted.

In addition, there was a joint theft of the employer at night by using vehicle which had already been discussed in the shareholder meeting last year. This event occurred upon November 27, 2008 at 22.00 hrs. which was the date of seizure of the airports. The things so stolen were the airports' lubricants which were declared that the said things would be used in interception against officers if the officers exercised their forces against the ralliers. After the incident occurrence, the Company still let those employees proceed with their work. During the incident occurrence, there were 3 joint offenders but the Company considered, investigated, punished, and lodged a report to the police only 1 offender. After 9 months had passed, the Company punished him by deducting his salary. This matter was insurmountable because it was under the power of the Management but minority shareholders should also have their rights to be informed of reasons behind the Company's decision.

10. Follow-up the inquiries from the last year Shareholders' Meeting

According to the inquiries made by shareholders to the Management last year but the Management failed to make the explanation. There were several matters as presented by the shareholders together with sufficient information to be sued. For the time being, the cases were under the hearing of the court; namely:

- Dishonesty in purchasing 8 A330 Aircraft in the amount of 30,000 Million Baht which was contrary to the resolution passed by the Council of Ministers;
- Procurement of engines to be installed with A330 Aircraft which showed signs of dishonesty;
- Procurement of engines to be installed with A380 Aircraft which showed signs of dishonesty;
- Execution of the contract to charter and maintain the engines so installed with A340 Aircraft in the amount of approximately 10,000 Million Baht which showed signs of dishonesty;
- Provision of hotels for accommodation of cabin crews in foreign countries in the amount of over 50,000 Million Baht which showed signs of dishonesty: In this case, shareholders had initially lodged a complaint with the Company but the Company failed to take any action whatsoever. Afterwards, the shareholders mentioned above had lodged a complaint to the government service for inspection but there was not any progress. Thus, the shareholders made the prosecution to the court for proceeding with the case by themselves to protect the properties of the Company and to punish the offender according to laws.

In 2008, the Board of Directors set up a Fact-Finding Committee in the case of aircraft procurement as contrary to the resolution of the Council of Ministers. The Committee had mentioned prima facie since December 1, 2008; nevertheless, up to present, the Management failed to penalize any offender. This showed the negligence of the damage of the Company.

The Management also cited the Rules of the Company Re: Management Liabilities, which can be summarized that the Company had approved money in favor of the executive groups to defend the case against the shareholders due to the corruption, causing more damages to the Company. Moreover, the Company also submitted this case to the Office of the Attorney General to send its public prosecutor to be the lawyer for those corrupting executives. Furthermore, in the court processes, such cases were delayed by a delay in submitting documents to the court as per the writ on time as ordered by the court. Additionally, the documents so submitted were in foreign language despite of the fact that it is well known that the court does not accept documents in foreign languages. These acts resulted in delay in proceedings of the cases.

In conclusion, the behaviors of the Company were that there were corruptions among the executives in procurement of supplies in the large amount of approximately 50,000 Million Baht, in spite of the fact that the Board of Directors had mentioned prima facie since 2008. However, up to present, the Company had not yet taken any action. It could be seen that when the minority shareholders had been informed of this matter, they lodged the complaint with the Company for inspection but the Company neglected to do so. Hence, the minority shareholders lodged the complaint with the majority shareholders but they also neglected to do so. Moreover, the minority shareholders, later on, lodged the complaint with the government service but the government service also neglected to do so. In consequence, the minority shareholders made the prosecution to conduct legal proceedings against the corrupting government officers but the Company asked the public prosecutor to assist the persons so conducted of legal proceedings and approved the amount of the Company in the case defense.

In summary, a variety of undue behaviors of the Company had been inquired in the Shareholder's General Meeting for a period of 2 years but there was no any explanation of the reasons. In this year, the Company ought to also give the explanation to the shareholders of the damage in various cases.