

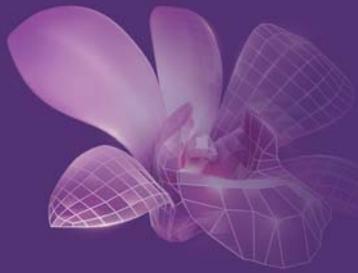
A STAR ALLIANCE MEMBER 



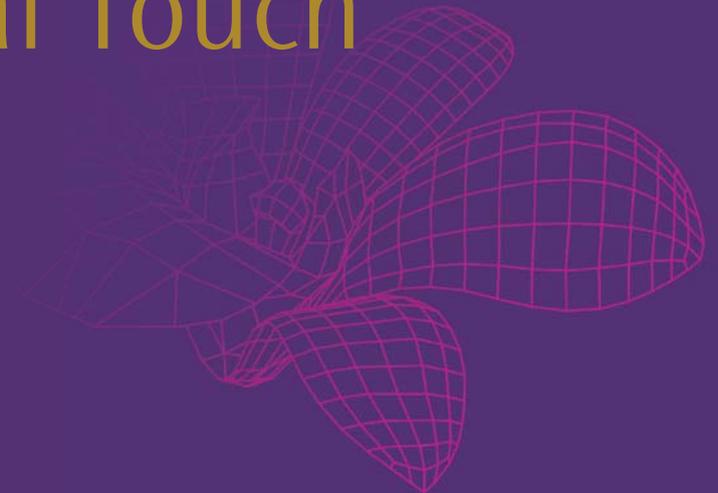
Annual Report
2013



 **THAI**
Smooth as silk



World Class
High Trust
Thai Touch





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Investors can find further information on the Company from the Company's Annual Registration Statement (56-1) which can be downloaded at www.sec.or.th or www.thaiairways.com



Message from the Chairman

The Company will continue to make changes in its operations with the objective of enhancing overall value of the Company while providing an appropriate return for its stakeholders while ensuring healthy, steady and sustainable growth as the Country's national flag carrier.

With rapid technological development in the past 5 years, the ability to compare and choose products, services and prices are put in the hands of the consumers. Aircraft information, flight schedules and ticket prices are readily accessible and comparable on demand through various mobile communication devices. Payment longer requires physical trips to the bank or ATMs, can now be executed on-line from anywhere around the world.

As technology has enabled customers to pick and choose, it has been the cause for the change in the way business is run in the commercial aviation industry. There has been a rapid proliferation of new airlines that are more readily geared towards catering to the needs of the new generation of air travelers. Services of these new airlines range from very simple service structures to the most high-end in services. Consumer behavior has also changed over time for various market segments. Nowadays size of consumer group such as younger generation of air travellers is growing rapidly while number of wealthy people has also increased paralleling with the growth in the population of senior citizens. As market segmentation has become more distinct, different airlines are able to provide products and services that best suits demands of the various niche markets.

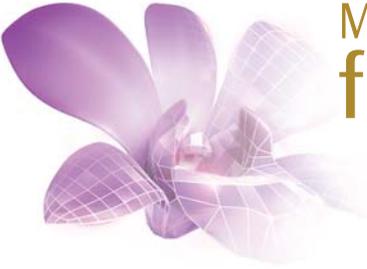
THAI's operations for the past 5 years have been relatively stable despite challenges posed by the ever changing operating environment. The Company has had to make major strategic changes to its internal organization to better reflect the changing consumer behavior. This is in parallel to the various unforeseen events that have posed its own set of challenges upon the Company. Factors that have interchangeably impacted THAI's overall operating and financial performance over the past few years have been natural disaster, epidemics along with social and political uncertainties, and the global

economic slowdown that is only now seeing greater stabilization and slow recovery. It is a similar story for 2013 where the economic health of all major global economies reflected uncertainties while the domestic political stand-off further dampened air travel demand thus causing adverse impact on the Company's financial performance.

As one, the Company's Board of Directors, management and all employees have been working in concert to rapidly change and adjust strategies to grow quality revenue, reduce unnecessary cost, enhance relationship with customers and diversify sales channel including a new technological platform for online sales. Despite changes undertaken within, one thing remains rock steady - the attentiveness in providing safe service for THAI's passengers. Ongoing development of human resource, supporting employee morale and the commitment to corporate social responsibilities are all part of the Company's strategy to ensure that THAI retains customers' trust and that THAI will be continue to their "First Choice Carrier."

I would like to close by expressing my gratitude on behalf of the Members of the Board of Directors, management and employees to our valued customers, shareholders and all related parties for their ongoing trust and support for THAI. The Company will continue to make changes in its operations with the objective of enhancing overall value of the Company while providing an appropriate return for its stakeholders while ensuring healthy, steady and sustainable growth as the Country's national flag carrier.

(Signed) *Mr. Ampon Kittiampon*
 (Mr. Ampon Kittiampon)
 Chairman
 March 6, 2014



Message from Management

THAI's management is aware and mindful of the necessity to ensure healthy operations providing all stakeholders with an appropriate level of return with ongoing internal changes to improve THAI's overall performance.

Not neglecting another important aspect is the necessity for ongoing training and development of its human resource to meet changing skills in a very dynamic environment and succession planning to ensure business continuity and for THAI to be among the leaders in air travel service providers.



2013 was another challenging year for Thai Airways International Public Company Limited (THAI) as a number of external factors bore significant impact on the Company's overall operations. Despite the impact of foreign currency exchange and the write down of asset value adversely impacted the Company's financial performance, the Company is still financially stable. Nonetheless, rapid actions are being taken to improve quality revenue and enhance overall efficiency and improve overall financial performance.

Product and service enhancement has been at the forefront of the Company's strategic initiatives. New aircraft joining THAI's fleet over the past few years have the latest lie-flat seats and on demand entertainment system. Other product improvement include greater seating comfort for passengers with additional seat pitch, food variety and taste that have been recommended by renowned chefs. All of the improvements in standards and quality of service and comfort stand on the single principle of passenger safety.

Despite having successfully achieved its product improvement targets in 2013 and also having received accolades and numerous awards, the key challenges for the Company have been the broad selection of airlines available to the traveling public to choose combined with the impact from unforeseen events which have lasted longer than expected. The impact has been that travel demand to and from Thailand has been adversely affected with many having indecisions about traveling to Thailand and thus causing air traffic to drop below earlier projected amount.

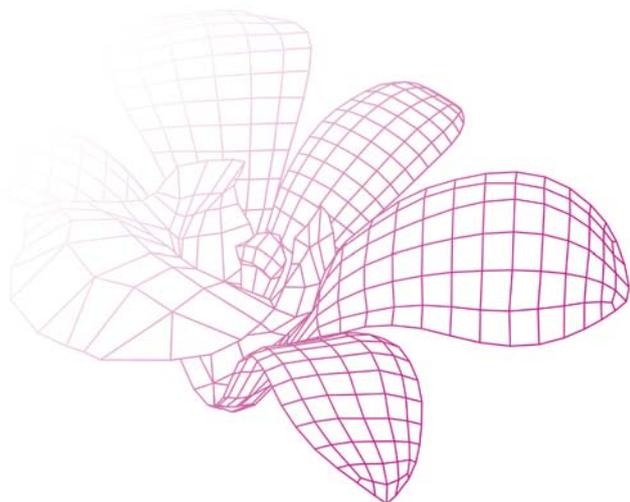
THAI's management is aware and mindful of the necessity to ensure healthy operations providing all stakeholders with an appropriate level of return. The change in organization structure within the Commercial Department, push for a more active internet sales, market repositioning, change in pricing structure, diversifying distribution channels and niche marketing are all part of the ongoing internal changes to improve THAI's overall performance. Not neglecting another important aspect is the necessity for ongoing training and development of its human resource to meet changing skills in a very dynamic environment and succession planning to ensure business continuity and for THAI to be among the leaders in air travel service providers.

On behalf of the Management and all the employees here at THAI, I would like to take this opportunity to thank all our customers, business partners and shareholders for the trust in and strong support for THAI. Everyone here at THAI is focused on enhancing the quality of service rendered to our customers and strategy adjustments are being made to better reflect the current challenges of the operating environment to ensure THAI's long-term sustainability.

(Signed) *Mr. Chokchai Panyayong*
 (Mr. Chokchai Panyayong)
 Senior Executive Vice President
 Corporate Strategy and Sustainable Development
 Acting President
 March 6, 2014



A Pride of Thai International Airline







Policy and Business Overview



Company History

Recognizing the future potential in air travel service, the Royal Thai Government in 1960 established Thai Airways International, a joint investment between Thailand's domestic air carrier, Thai Airways Company (TAC) and Scandinavian Airlines System (SAS) with the initial purpose of providing international commercial air travel services with management and technical support provided by SAS. On March 29, 1960, the Company was incorporated with an initial capital of THB 2 million with SAS holding a 30% share while the remaining was held by TAC.

On March 30, 1977, Scandinavian Airlines System (SAS) transferred all shares that it held to Thai Airways Company (TAC), signaling the end of the joint venture. Upon raising additional capital, the Ministry of Finance became a shareholder. On April 1, 1988, during the administration of General

Prem Tinsulanond, the domestic commercial air travel operations of the company was merged with Thai Airways Company as per the Cabinet's resolution, increasing TAC's share capital from THB 1,400 million to THB 2,230 million and the Ministry of Finance became TAC's major shareholder.

Post the listing on the Stock Exchange of Thailand (SET) on July 19, 1991, the listed Company's registered capital increased to THB 13,000 million through the conversion of its retained earnings into equity. Additional rounds of capital call were made in 1992 of THB 1,000 million, in 2003 of THB 3,000 million and THB 838.71 million in 2010.

As of December 31, 2013, the Company's registered capital was Baht 26,989,009,500 with a total paid-up of Baht 21,827,719,710. The Ministry of Finance is still the major shareholder with a 51.03% shareholding and the remaining 48.97% shareholding is held by both domestic and foreign investors including the Company's employees.



From humble beginnings in the commercial aviation business, experience and management expertise developed over time enabled the Company to grow, raise additional capital and list on the Stock Exchange of Thailand and is now known as Thai Airways International Public Company Limited (THAI). THAI is a state-owned enterprise overseen by the Ministry of Transportation and currently operates commercial air transport services on domestic, regional and intercontinental routes out of its network base in Bangkok Suvarnabhumi Airport. The Company's head office is located in Bangkok. THAI's core businesses span air passenger, cargo and mail transport while other services include warehouse services, ground passenger services, ground equipment services, catering services and maintenance services which directly supports the core business.

Vision

Perspective and vision are the two key ingredients necessary to ensure that THAI's operations is internationally competitive and thus ensuring THAI's status among the industry's global premier airlines.

To become a leading organization in the aviation business, perspective and long-term goal of management is as of important and is a key step towards a universal approach of doing business.

The Company's vision is to be the First Choices Carrier with Touches of Thai by providing services beyond expectation, ensuring smooth as silk travel experience emphasizing Thai touch service excellence and consistency at all customer touch point to maximize overall customer satisfaction.

Strategy

During 2013, THAI undertook numerous initiatives to ensure the range of products and services offered to its passengers are of the highest

quality and of international standards. The completion of seat and entertainment system retrofit program on its Boeing 747-400 and 777-200 aircraft fleet reflects THAI's effort to enhance product offering while ensuring greater consistency in product offering. Actions towards development of strategic marketing initiatives, diversifying sales channels, enhancing sales strategies effectiveness and strengthening THAI's overall network during the year have all been geared towards bolstering THAI's global branding. Fleet rejuvenation has been undertaken to enhance operating efficiency and build competitive strength to ensure sustainable growth in the face of heightened competition and rapid changing operating environment.

Underlying the Company's marketing and operating efforts is to provide customers with the highest level of service satisfaction through speed of service and meeting the needs of customers most efficiently and economically. The ultimate benefit from achieving the above is enhanced confidence in the Company from not only customers but also the Company's shareholders and relevant stakeholders.

A number of strategic initiatives have been fulfilled as outlined in the 2013-2022 strategy. These successes include:

Internal Reorganization

Undergoing internal reorganization to better reflect the currently dynamic operating conditions in the industry. For greater flexibility, management efficiency and gearing product offering to its own target customers, Thai Smile Airways is on its way to becoming a wholly owned subsidiary of THAI to better compete with the advent of the AEC. Measures have also been taken on the procedural and protocol fronts to enable the various business units to better manage and enhance operational flexibility which includes seeking opportunities to expand into other businesses of good potential.

Expanding Route Network

THAI put greater emphasis on generating direct traffic to Bangkok to leverage off of Thailand's strategic geographic location, attraction of Thai culture and the natural attractions that Thailand has to offer to its visitors. The byproduct of this strategy also benefits Suvarnabhumi Airport in its status as Asia's aviation hub. In 2013, THAI launched a new direct service to Sendai, Japan while Thai Smile Airways launched four new direct services between Bangkok-Mandalay, Bangkok-Chongqing, Bangkok-Changxa, and Bangkok-Luang Prabang. A number of routes including Bangkok-Colombo, Bangkok-Udon Thani, and Bangkok-Ubon Ratchathani have been strategically transferred Thai Smile to continue services. THAI continued its efforts to rejuvenate its aircraft fleet, increase product commonality and expand its overall capacity by taking delivery of 17 new aircraft in 2013. These include the delivery of 3 A380-800, 6 B777-300ER, 2 A330-300 and 6 A320 aircraft used by Thai Smile.

Product and Service Enhancements

Product and service enhancements and quality improvements are constantly being made to better meet the needs of each target customer group with Touches of Thai service. Greater emphasizing is placed on consistency and synchronization of services to ensure smooth travel experience, better meet customers' needs to maximize customer satisfaction. These include providing iPad for Premium class passengers flying approximately 3-4 hours where personal entertainment screens are not available; introducing of Children's Meal Box and improving the quality of Travel Kit; improving the quality of raw material and presentation of meals; introducing new menus at greater frequency and offer special dishes created by famous chefs; providing higher speed broadband service in THAI's passenger lounges; providing

2D-Barcode Boarding Pass via MMS on smart phones for passengers who checked-in via mobile channel.

As part of THAI's effort to commonize product offering and enhance overall passenger comfort and experience, THAI has just completed its retrofit program for 9 of its aircraft - 5 B747-400 and 4 B777-200 aircraft where new seats with personal entertainment screens were installed for each and every seat.

Maintain Financial Strength

Maintaining Financial Strength is to ensure that THAI will continue to expand its business in the long term and enable the Company to meet its debt obligations. Optimizing capital restructure and ensuring sufficient liquidity is important to support ongoing operations in a volatile business environment.

A number of financial leases were signed to finance the acquisition of a number of aircraft that THAI took delivery and also issued THB 9,000 million in debentures through private placements to large investors and financial institutions to support THAI's investment plan, sustain ongoing operations and maintaining liquidity to mitigate operating environment risk.

Changes in Business Operations in the Previous Year

Despite economic uncertainties, fuel price fluctuation, political unrest and other issues, the Company made numerous strategic adjustments to overcome these challenges. Significant developments in 2013 include:

Establishment of Thai Smile Airways Company Limited (Thai Smile)

The establishment of Thai Smile Airways Limited is a result of management's vision and strategic initiative to develop and expand THAI's business reach, bringing a new chapter of success to THAI.

Upon receiving approval from the Cabinet to invest THB 1,800 million in Thai Smile Airways Company Limited, a juristic person duly incorporated and registered under the Civil and Commercial Law, THAI's investment will constitute 100 percent of Thai Smile's 180 million common shares (par THB 10) making Thai Smile a state owned enterprise. The first round of capital injection will be THB 450 million, which forms part of THAI's 2013 investment budget while the balance of THB 1,350 million will be paid-up in 2014. Despite being a state owned enterprise, Thai Smile has been given exemption from having to observe rules, regulations and Cabinet resolutions but is still subjected to Regulation of the Office of the Prime Minister on investments by State Enterprises B.E. 2550 which reflects the wording in the Royal Decree issued under the National Economic and Social Development Act B.E. 2521 and Ministry of Finance policy on Public Debt Management B.E 2549 issued under the Public Debt Management Act B.E. 2548.

Thai Smile Airways Company Limited has been registered as a separate company on October 17, 2013 with the Ministry of Commerce and is preparing to operate under a new airline code in 2014.

Upgrading of Passenger Seats

Underlying the product enhancement effort is the goal of meeting customers' needs and attaining the highest level of customer satisfaction. Recent product enhancements include:

Upgrading Passenger Seats

Having been delayed in completing its retrofit program due to flooding the year before, THAI was able to complete its retrofit program for its 6 B747-400 aircraft (numbers 13-18) which includes putting in new seats for all classes along with personal entertainment screens featuring on-demand in-flight entertainment in 2013. New economy class seats with on-demand personal entertainment screens were also put in for THAI's 4 B777-200 aircraft fleet.

Upgrading of Entertainment System

- THAI has been upgrading its long haul aircraft with the latest in in-flight on demand entertainment system with personal screens for every seat in all passenger classes. In addition to the latest in system, THAI has also expanded the range of product and information offerings from a broader variety of channels, larger selection of movies, songs, news channels, games to live text news and is enhancing its software to support greater content encompassing e-Menu and e-Shopping.
- Providing passengers traveling on THAI's A330-300 aircraft that does not have personal screens or on-demand entertainment with portable AVOD players on flights beyond 4 hours. The AVOD players are also put on our A340-600 and B747-400 aircraft as back-up in case of malfunction of the on-demand system.

Performance Evaluation

As hardware have been improved and upgraded, there also needs to be an upgrading of software. Software in this respect, which is no less important than the hardware, is the Thai Touch service provided by THAI's employees. To ensure the highest standard of service rendered to THAI's customers, in addition to the routine training and refresher courses provided, a program has been put in place to assess and reflect the quality of service provided by each employee.

In an effort to strengthen good corporate governance and enhance overall performance and efficiency, Department and Division Managers through senior management have been subjected to annual performance reviews under key performance indicators (KPIs) since 2010. Such assessment process was cascaded down to level 7 staff and above in 2012 and in 2013 everyone was subjected to a performance review system based on shared KPIs. Starting 2011, KPI evaluation was linked to financial rewards in 2 respects – annual salary increase and incentive pay.



New Routes Opening

Studies have been undertaken to determine markets of strong potential for which THAI can increase its flight frequency, launch new services and expand its route network while providing THAI with acceptable return, meeting customer needs and differentiating its product offering.

In 2013, the Company announced the official launch of direct flights from Bangkok to Sendai, Japan with three weekly flights starting December 3, 2013. Thai Smile also officially launched 5 weekly direct flights from Bangkok to Mandalay beginning March 31, 2013 and increased the frequency to daily flights from October 27, 2013; three weekly flights from Bangkok-Chongqing from October 27, 2013; three weekly flights from Bangkok-Changxa from October 27, 2013; and four weekly flights between Bangkok-Luang Prabang on December 15, 2013.

Starting August 20, 2013, Thai Smile will operate 4 weekly flights between Bangkok-Colombo instead of THAI and that frequency was increased to daily flights since December 1, 2013. Thai Smile has also taken on 2 domestic routes instead of THAI – Bangkok-Udon Thani and Bangkok-Ubon Ratchathani with 21 and 14 weekly flights, respectively since February 1, 2013.

Strategic Positioning - Aviation Business

To effectively compete in the various market niches, strategic positioning has been set for each operating entity THAI, Thai Smile and Nok Air. THAI is a premium long haul service provider operating wide-body aircraft and operates out of Suvarnabhumi Airport. Thai Smile provides short haul service targeting quality, trendy, and cost effective regional premium service strengthening THAI’s domestic and regional network with connecting traffic flying only with narrow-body fleet and is also operating out of Suvarnabhumi Airport. Thai Smile’s goal is to be a leading regional airline in the AEC.

Nok Air Company Limited is a regional low cost carrier operating narrow-body aircraft and smaller propeller aircraft serving Point-to-Point domestic and regional destinations operating out of Don Muang Airport.

Diversifying Distribution Channel

Actions THAI has taken in the past year to develop and diversify channel of distribution to facilitate ease of access by customers and expand revenue include:

THAI M Service Application

The THAI M Service Application is a smart phone based map application enabling ease of locating THAI’s various offices and provides graphic directions to each



of the offices. SMS question and answer service has also been launched to facilitate questions that customers may have. Web browser based web on mobile provides ease of purchasing tickets at customers' finger tips, detailed flight information, flight schedule, on-line check-in, Eurng Luang tour packages, queries regarding mileage and other services for greater customer ease and convenience.

Internet Check-in

Developed Internet Check-in via the Company's website (www.thaiairways.com) where THAI's passengers can print their boarding pass from home. Special for THAI's First class passengers is the ability to make special meal orders as per their preference reflecting THAI's efforts to provide the best air travel experience. But this service also serves to cater to those who have special needs in regards to religion and/or health issues.

Internet Sales Revamp

Undertook effort to revamp its internet sales channel to facilitate greater ease of use for our customers to purchase tickets from anywhere anytime.

In addition, THAI undertook modification and re-launched its newly integrated web page (Web Revamp Management) and installed a Web Content System to monitor usage of its website. Additional languages have also been added to enable a greater number of people to access THAI's web page. Promotion programs have also been offered in conjunction with mileage point accumulation with credit cards or in conjunction with Eurng Luang tour packages.

Reorganization within the Commercial Department

To be competitive and meet the challenges of rapidly changing operating environment especially in regards to technology and online social media,

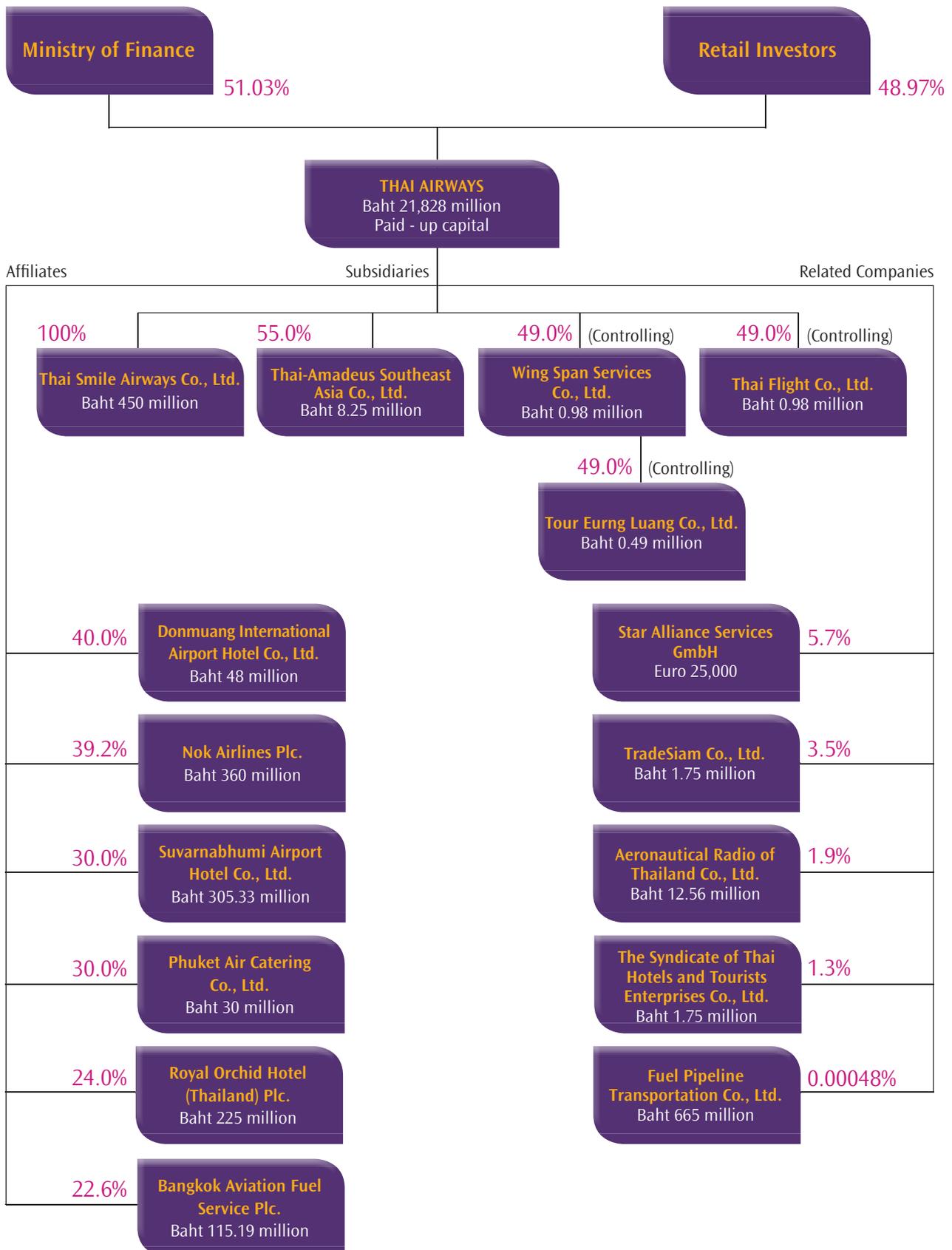
the Company has had to make strategic changes in approach to sales and marketing to meet the challenges of a rapidly changing operating environment.

Under the previous organization structure, the marketing and sales function was overseen by a single person, the Vice President of Commercial Department. To enhance effectiveness and efficiency, the Commercial Department underwent a major reorganization where the original department was divided into 3 subunits to oversee sales for domestic and Indochina, regional sales and intercontinental sales. THAI also recognizes the importance of sales via electronic channels to facilitate ease of access for customers which still has strong potential for growth. To this end, the Digital Marketing Department was created to tackle this channel. Each and every of these unit heads have specific quarterly key performance indicators (KPI) for which they will be responsible for and will be closely monitored by the President.

New Reservation System

In 2013, THAI has upgraded its online reservation system by migrating to Amadeus' Altea system. Altea was chosen as THAI's new online reservation system as it is the most comprehensive in function and is utilized by many members of Star Alliance and other leading airlines around the world. The new system comprises of 4 key modules - making reservation, issuing tickets, seat inventory control and departure control. At the heart of this system is the ability to cross-share passenger information across the 4 modules enhancing information processing and improving overall efficiency and effectiveness in providing customer service. The new system also provides THAI with greater flexibility to have add-on services while tailoring products and services with partner airlines is also possible.

Shareholders Structure





Business Operations



Revenue Breakdown for the Company and Its Subsidiaries

Revenue breakdown for the Company and its subsidiaries for the past 3 years

| | 2013 | | 2012 | | 2011 | |
|---|----------------|--------------|----------------|--------------|----------------|--------------|
| | MTHB | % | MTHB | % | MTHB | % |
| Revenue from Transportation Activities | | | | | | |
| Passenger and excess baggage revenue | 172,335 | 81.4 | 173,458 | 81.2 | 154,646 | 79.6 |
| Freight and mail revenue | 24,515 | 11.6 | 26,764 | 12.6 | 28,092 | 14.5 |
| Total Air Transport Revenue | 196,850 | 93.0 | 200,222 | 93.8 | 182,738 | 94.1 |
| Revenue from Business Units | 7,256 | 3.4 | 6,709 | 3.1 | 6,223 | 3.2 |
| Revenue from other Activities | 2,230 | 1.1 | 2,192 | 1.0 | 2,036 | 1.0 |
| Total Operating Revenue | 206,336 | 97.5 | 209,123 | 97.9 | 190,997 | 98.3 |
| Other Income | 5,269 | 2.5 | 4,407 | 2.1 | 3,345 | 1.7 |
| Total Revenue | 211,605 | 100.0 | 213,530 | 100.0 | 194,342 | 100.0 |

Note: Other income consist of interest income, gain on deemed disposal, gain on reclassified investment, insurance compensation, compensation revenue and others.

Thai Airways International Public Company Limited, a state-owned enterprise under the administration of the Ministry of Transport is a national carrier of the Kingdom of Thailand. It operates domestic, regional and intercontinental flights from its home base in Bangkok to key destinations in Thailand and around the world. The Company's operation is separated into its air transport service, business units and other activities.

Air transport business include the transportation of passengers, cargo and mail. Other business units related to air transport include warehousing, ground customer services, ground equipment services and catering services. Airline business support services include technical services, dispatch services, duty free sales on board, THAI Shop and business of subsidiaries.

Air Transport Service

The Company's main business is the transport of passengers, cargo and mail on scheduled flights as well as chartered flights to domestic and international destinations.

Business Units

At the core of on time performance of each flight lies in the massive effort from all supporting operations to provide the highest level of comfort, ease and safety in getting passengers and cargo to desired destinations within the shortest time period which is key to enhancing overall customer confidence in THAI. Details of business related to Airline business are as follows:

Warehouse Storage Services

Provide Air cargo services at Suvarnabhumi Airport, Chiang Mai International Airport, Hat Yai International Airport, and Phuket International Airport including temporary preservation of both general and perishable goods, valuable goods, and other special temperature controlled goods.

Ground Customer Services

THAI's legendary ground customer service for both in-bound and out-bound travelers begins when THAI's passengers and those of partner airlines arrive at the airport, goes through check-in formalities, embarks on THAI's aircraft, and vice versa. THAI provides ground customer service to its own customers and those of customer airlines.

Ground Equipment Services

THAI's ground equipment services provides in-aircraft related services and also facilitates aircraft and passenger related services in the apron area for both THAI's own in-bound and out-bound aircraft and that of customer airlines ensuring on-time aircraft performance.

Catering Services

Food and beverage preparation for up-lift forms a large part of THAI's catering services provided to not only THAI's own aircraft but also that of major global and regional customer airlines. Ground catering services also include THAI's well known Puff and Pie Bakery chain, restaurant at the international airports, off site catering services and also runs the Company's various canteens.

Other Activities

Airline business support services include the Technical Department providing aircraft maintenance services, dispatch services, Duty Free sales on Board and THAI Shop-souvenir sales.

Air Transport Service

THAI, the national carrier of the Kingdom of Thailand, operates domestic, regional and intercontinental flights from its home base in Bangkok to key destinations in Thailand and around the world serving passengers and carrying cargo and mail. Details of products and services include:

Passenger Transport

At the heart of air transport services is to develop and expand route network, enhance the Company's ability to compete more efficiently and effectively while trying to generate passenger and cargo volume so as to develop Suvarnabhumi Airport into an important regional aviation hub.

Aircraft Fleet

As of December 31, 2013, THAI's total fleet of 101 aircraft consists of 38 long-haul aircraft serving intercontinental destination-A380-800, B747-400, B777-200ER/300ER and A340-600 aircraft; 46 medium-range aircraft serving regional destinations-B777-200/300, A330-300, A300-600 aircraft; 5 narrow-body short haul aircraft-B737-400 aircraft; 10 Thai Smile A320-200 aircraft; and 2 dedicated freighters- B747-400F.

Operating Aircraft

| Aircraft Type | Number of Aircraft | |
|----------------------|-------------------------|-------------------------|
| | As of December 31, 2013 | As of December 31, 2012 |
| A380-800 | 6 | 3 |
| B747-400 | 12 | 14 |
| 777-200ER | 6 | 6 |
| A340-600 | 6 | 6 |
| B777-300ER | 8 | 7 |
| B777-300 | 6 | 6 |
| B777-200 | 8 | 8 |
| A330-300 | 26 | 25 |
| A300-600 | 5 | 9 |
| B737-400 | 5 | 5 |
| A320-200 | 10 | 4 |
| B747-400 (Freighter) | 2 | 2 |
| Total | 100 | 95 |

Note: Excludes 1 A330-300 aircraft grounded and pending for damage inspection

During 2013, THAI acquired 3 additional A380-800 aircraft to replace the retired B747-400 aircraft. The newly acquired aircraft have been used to serve the Bangkok-Frankfurt, Bangkok-Paris, Bangkok-Tokyo and Bangkok-Osaka routes. Another 6 B777-300ERs were acquired to replace 5 of the same aircraft being returned to Jet Airways which were on short-term leases. THAI also took delivery of 2 A330-300HW aircraft serving regional destinations to meet growing travel demand and to enhance its product competitiveness. In addition, the Company also retired 4 older A300-600 aircraft that has served THAI's passengers for over 20 years.

The Company also acquired 6 new A320-200 narrow-body aircraft for Thai Smile's operations.

Route Network Development

In 2013, THAI continued to develop its route network with Suvarnabhumi Airport as the strategic hub and gateway with more direct flights to Thailand and focusing on increasing flight frequency while cautiously launching new destinations. To strengthen its route network and maintain its leading market position, THAI sought to strengthen its advantage through greater cooperation with members of Star Alliance enabling THAI to extend its reach globally and diversify and expand its customer base. Flight frequency was also adjusted to meet seasonal demand, cope with changes in travel demand and competition, and improve on network connectivity to maximize THAI's benefit from the regional economic integration of the ASEAN Economic Community (AEC).



Many Destinations all over Thailand & Myanmar

To further facilitate domestic connectivity, THAI, in 2013, coordinated with Nok Air through code share flights enabling THAI to transfer its transit passengers to Nok Air on routes between Don Muang-Sakon Nakorn and Don Muang-Nakorn Phanom. The code share flights helped facilitate international travelers to all parts of Thailand through its tri-product offering spanning a large part of Thailand’s most attractive tourist destinations. On March 31, 2013, Thai Smile opened new routes - Bangkok-Mandalay, 5 flights per week and increased to daily flights since October 27, 2013; Bangkok-Columbo commenced with four weekly flights on August 20, 2013 and increased and began daily services on December 1, 2013; Bangkok-Chongqing commenced with 3 weekly flights on October 27, 2013; Bangkok-Changxa also with 3 weekly flights; Bangkok-Luang Prabang commenced with 4 weekly flights on December 15, 2013. Thai Smile also began to complement THAI’s domestic services on certain routes and flying instead of THAI on a number of domestic routes.

THAI’s flight schedule is made up of the summer and winter schedules where the summer schedule starts on the last Sunday of the month of March and lasts through the last Saturday of October. The Winter

Schedule starts on the last Sunday of October and ends the last Saturday of March of each year in accordance with IATA’s designation. For each season, flight frequency, aircraft types and destinations to be served are pre-determined and may not be the same between the seasons depending on travel demand during the period. As of December 31, 2013, THAI’s route network spans 79 destinations to 34 countries with 10 domestic point of destination (excluding Bangkok).

Domestic Routes

THAI continues to emphasize on providing connectivity to key tourist destinations within Thailand. As for services to secondary and smaller cities, THAI’s partner airlines extending its domestic reach and maintaining its market share.

As of December 31, 2013, THAI’s domestic route network spans 10 destinations from Bangkok with 341 weekly flights. To the north, THAI serves Chiang Mai and Chiang Rai; to the northeast - Udon Thani, Ubun Ratchathani, and Khon Kean; to the south - Phuket, Krabi, Hat Yai, Surat Thani and Samui Island along with Chiang Mai-Phuket. Complementing THAI’s services is Thai Smile’s services between Bangkok - Chiang Mai, Bangkok - Hat Yai and Bangkok - Krabi while service between Bangkok - Surat Thani is flown by Thai Smile instead of THAI.

International Routes

THAI's 655 weekly international flights span 2 geographical zones - regional and intercontinental with 505 flights to 49 destinations in 19 countries within the Asia Pacific and another 150 weekly long haul flights serving 20 destinations in 15 countries on various continents. Details are as follows:

Asia Pacific Region

Changes made to THAI's route network reflect THAI's overarching strategy to make Thailand the regional hub for air transport with a reach that spans 49 destinations in 19 countries. There are 5 geographical zones served in the region – the North, the South, the West, the Middle East and Indochina.

Northern Routes

As the volume of passenger travelling on northern routes remains strong, these routes continues to be THAI's stronghold with THAI currently having 251 weekly flights to 21 destinations in 5 countries - Hong Kong, Tokyo (Narita and Haneda), Osaka, Nagoya, Fukuoka, Sapporo, Taipei, Seoul, Manila, Beijing, Busan, Shanghai, Guangzhou, Kunming, Xiamen and Chengdu.

Since December 3, 2013, THAI has also launched 3 weekly direct flights to Sendai, Japan.

Northern destinations for Thai Smile include Macau and since October 27, 2013, 3 weekly flights each to Chongqing and Changxa, China were launched.

Southern Routes

Intensity of competition is highest on southern routes with many low cost carriers such as Thai Air Asia, Jet Star Asia and Tiger Air all serving key southern cities. To the south, THAI has 71 weekly flights connecting 5 destinations in 3 countries - Singapore, Kuala Lumpur, Penang, Denpasar and Jakarta.

Western Routes

The volume of passengers traveling on western routes

remained heavily and saw a high rate of growth, especially to and from India. However, competition remains intense due to the proliferation of Indian based airlines and their aggressive growth strategies targeting services to Thailand.

THAI has 113 weekly western flights to 16 destinations in 6 countries - Delhi, Mumbai, Kolkata, Hyderabad, Bangalore, Dhaka, Colombo, Kathmandu, Yangon, Chennai, Karachi, Islamabad, Lahore, Varanasi and Gaya. Thai Smile has 5 weekly flights between Bangkok-Mandalay launched on March 31, 2013 and increased frequency to daily flights since October 27, 2013.

Starting August 20, 2013, Bangkok-Columbo began services with 4 weekly flights but was increased to daily flights since December 1, 2013.

The Middle East

The Middle East routes are under intense competition due to the entry of Middle Eastern carriers with strong capital base and the rapid expansion of their fleet penetrating both traditional and non-traditional destinations.

THAI currently has 10 weekly flights serving 2 destinations in 2 countries in the Middle East - Muscat and Dubai.

Indochina

Air travel demand for the Indochina region remains robust and is among the most attractive routes with a healthy rate of growth. However, competition is on the rise with a larger number of low cost carriers joining the fray providing air travel service within the region and other longer haul carriers are putting through more direct flights from the Middle East and Europe to Indochina. THAI currently has 60 weekly flights serving 5 destinations in 3 countries - Vientiane, Phnom Penh, Hanoi and Ho Chi Minh. Thai Smile has 4 weekly flights to Luang Prabang launched since December 15, 2013.

Intercontinental Routes

North America

North America is a very large air travel market but is highly competitive, therefore, destinations served by THAI to North America is dependent on connectivity served by its Star Alliance partner to other cities on the North American continent.

In 2013, THAI's 4 weekly flights to Los Angeles have been via a stop over in Seoul using B777-300ER aircraft.

THAI code shares with Star Alliance partners such as All Nippon Airways on routes from Tokyo to Honolulu, Los Angeles, Chicago, New York, San Francisco, and Washington D.C., Seattle, and San Jose. On the Atlantic route, THAI code shares with Lufthansa from Frankfurt to New York, Atlanta, Miami, Chicago, Dallas and Washington D.C. and also with Air Canada to another 3 destinations in Canada - Toronto, Montreal and Vancouver bringing the total number of destinations served by THAI and its partners to 14 destinations in 2 countries.

Europe

THAI has 95 weekly flights to 13 destinations in 11 European countries - London, Frankfurt, Paris, Rome, Copenhagen, Stockholm, Zurich, Munich, Brussels, Milan, Madrid, Moscow and Oslo. The current daily Bangkok-Paris route is served by THAI's new A380 aircraft since March 31, 2013.

For other destinations indirectly served by THAI in Europe and the UK, code share agreements with partner airlines have been signed to facilitate smooth transfer and connecting service to another 49 destinations in 16 countries.

Australia and New Zealand

In Australia the 5 destinations in 2 countries served by THAI include Sydney, Melbourne, Brisbane and Perth in Australia and to Auckland in New Zealand, THAI has 48 weekly flights. A code share agreement has been signed with Air New Zealand to span THAI's reach to another 7 tourist cities in the 2 countries including the Hong Kong-Auckland route.

Africa

THAI provides 3 weekly flights to Johannesburg, South Africa.

Customer Services

In addition to service quality and competitive pricing, unsurpassed customer services forms an important ingredient in running a successful business.

In 2013, product and service enhancements and quality improvements are constantly being made to better meet the needs of each target customer group with Touches of Thai service at every customer touchpoint starting with pre-flight services, in-flight services and ending with post-flight services. As a service provider, THAI has constantly emphasized training and re-training to instill the importance of service from the heart for all its front line employees. It has been the modus operandi for THAI employees for over 5 decades of successful service and means for which has been and continues to be THAI's competitive edge.

The Company established comprehensive service operation procedures and service level agreements encompassing all touch points and actively assesses and monitors each touch point to ensure that the products and services rendered to THAI's customers are of the highest quality and standard throughout the passengers' travel experience.

As customer experience is considered to be the most important in building brand loyalty, THAI is focused on providing such level of service that would deserve word of mouth advertisement especially through the various brand advocates via social media.

Pre-flight Services

For pre-flight services, THAI's internet, electronic and mobile services have been enhanced to facilitate customers with quick access to various travel information including flight details and



timetables, online ticketing, SMS check-in, 2D barcode check-in and home print boarding pass.

In-flight Services

Improvements to in-flight services emphasize consistency in standard of service rendered by cabin crew along with improving the quality and presentation of in-flight food while providing a broader variety of beverages - local dishes, Thai dishes, herbal beverages and special menus for special occasions.

As part of the aircraft upgrading and product commonization strategy, THAI completed retrofitting 3 B747-400 aircraft and 4 B777-200 aircraft in 2013. The cabin interior including service items is being redesigned for all of THAI’s new aircraft - B777-300ER, B787, and A350-900 under the THAI Contemporary concept. In 2013, THAI obtained 6 B777-300ER aircraft and will acquire another 3 in 2014. For 2014, THAI will take delivery of 4 B787 aircraft while delivery of the A350-900 aircraft will be in 2016.

Equipment and Services

THAI has continuously improved its services to meet customers’ satisfaction and continues to enhance THAI’s overall competitiveness. The Company has upgraded its aircraft seats and ambiance by installing more spacious seats and providing the latest in personal on-demand entertainment units with a broad

range of selection of content. Some of these upgrades include:

Passenger Seat and Entertainment System

The main purpose of this retrofit program is to achieve a common product offering in terms of seats and entertainment system for the whole fleet.

Passenger Seats

The Company completed its retrofitting the last 3 of the 6 B747-400 aircraft (Number 13-18) with new seats complete with personal screens featuring new on-demand in-flight entertainment for every seat in economy class. Also completed was the installation of new personalized screens and on-demand entertainment on THAI’s last 4 B777-200 aircraft.

Entertainment System

Constant upgrades of entertainment system both of screen and sound have been made on its long haul aircraft. Every seat on all seat classes has personal screens, on-demand entertainment, flight route maps, a variety of entertainment channels including games and live text news.

- Developing software to support increasing content such as e-Menu and e-shopping
- Providing portable AVOD players for Business class passengers on A330-300 aircraft with flight time of greater than 4 hours where personal screens and entertainment are not available. These

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AVOD players also serve as back-up on THAI's A340-600 and B747-400 aircraft for long-haul flights.

Installation of Business and Communication Devices

THAI has sought approval from the Office of the National Broadcasting and Telecommunications Commission (NBTC) to enable personal mobile phone communication, SMS/MMS and Wi-Fi internet data communication on its 7 new A330-300, 6 new A380-800 along with its 6 retrofitted B747-400 aircraft in which in-flight connectivity system has been installed so that its passengers are able to communicate on the ground using personal mobile equipment. This includes voice and messaging (SMS/MMS) and GPRS as well as using Wi-Fi internet.

Flight Operations, Aviation Safety Security and Standards

For the past 5 decades, safety and security by far is the highest concern for the Company in regards to flight operations. THAI has upheld the highest standards of safety as set by the Department of Civil Aviation (DCA), the International Civil Aviation Organization (ICAO), the European Aviation Safety Agency (EASA), the Federal Aviation Administration (FAA) and passing the safety audit of the International Air Transport Association (IATA).

THAI concentrates on selecting highly qualified people to join the ranks of the cockpit crew. Each

candidate has to undergo several knowledge, skill, behavior, aviation psychology and aptitude test plus an array of course work to ensure that the Company has selected and prepared the best trained pilots to fly THAI's aircraft. The most modern in equipment is available to help train pilots to ensure that THAI's pilots will have the understanding and skills necessary to effectively handle situations through intensive flight simulator training.

Unsurpassed quality service is at the heart of THAI's customer service. From day one of joining the Company, classroom and hands on training form part of employees' knowledge, expertise training and development while understanding of cultural diversity and etiquette bears significant impact on employees' understanding and viewpoint on service standard and protocol. The In-flight Service Department consistently monitors, evaluates and assesses all its in-flight attendants for all class service to determine areas needing improvement and thus follow-up with necessary training as needed to consistently ensure that THAI provides its passengers with the highest standard and quality of service.

Under the Environmental and Corporate Social Responsibility (CSR) strategy, THAI initiated the bio-fuel awareness campaign to lead the way in trying to find means to reduce carbon emissions and





raise awareness for others to also do the same. THAI supports the initiative to find alternatively viable and sustainable aviation fuel source.

The highest international standard of safety and excellence for in-flight services for maximum customer satisfaction together with the introduction of the latest in in-flight entertainment and environmental awareness are all part of the Company's efforts to ensure the highest level of customer satisfaction and brand loyalty when flying THAI.

The core mission and value of the Company continues to be to uphold the highest standard of service, quality and aviation safety and security standards. Ensuring the highest standard of safety that meets international standards has been and continues to be the Company's core value. THAI has been proactively improving aviation safety, security and standards, flight operations safety standards and other areas of the Company's operations. The goal for such effort in enhancing safety is to provide stakeholders with the highest level of confidence that their wellbeing is secure with THAI.

To achieve the aforementioned standard of safety and security, THAI established the Safety Management System (SMS) which pertains specifically to the areas of flight operations, ground operations, aircraft maintenance and other

relevant operating units under the Standard and Recommended Practices (SARP) of the International Civil Aviation Organization (ICAO), to enhance safety of the Company's operations to be at par of international standards. The Company continues to update and update its THAI Safety and Quality Manual (TSQM), which is a manual on safety and quality standards encompassing not only flight operations but also the operations of all THAI's business units.

In the area of aviation security, THAI strictly complies with all international security standard practices and the regulations of the International Civil Aviation Organization (ICAO), Department of Civil Aviation, Thailand (DCA), Transportation Security Administration (TSA) Department of Homeland Security, USA, Office of Transport Security (OTS), Australia, European Union (EU) Regulations and IATA Operation Safety Audit (IOSA). Observation of guidelines provided by the above regulatory entities encompasses all rules and regulations of each country for which THAI flies to. THAI has put in place an effective, broad based Security Management System (SeMS) to ensure the highest international standard of aviation security is in place throughout the whole Company.

The Emergency Response standard is another area for which THAI strictly adheres in terms of readiness in case of an emergency or a crisis. To ensure

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smooth ongoing operations during such emergency or crisis, the task of the Crisis Management Operations Center (CMOC) is to facilitate 24 hour coordination within the Company in the event of an emergency. A variety of response scenarios have been designed to handle a range of possible unforeseen events for which ongoing drills in accordance with the established emergency or crisis management protocol to ensure with high certainty of business continuity in all circumstances. The Company also established its Family Assistance & Support Team (FAST Center) in its own flights as well as its partner airlines.

With the highest standard and effective aviation security in place THAI stands ready to efficiently manage and handle a broad range of emergencies as with the accidents of flight TG600 on August 30, 2013 Bangkok-Hong Kong where the aircraft hit a severe air pocket before landing at Chep Lap Kok International Airport and TG679 Guang Zhou-Bangkok which the aircraft skid off the runway after landing at Suvarnabhumi Airport on September 8, 2013.

Details of Certificate received by various Departments and Business Units

| Certificate | Department Function | Expiry Date |
|---|--|---|
| IOSA (IATA Operational Safety Audit) | Corporate Certification | May 28, 2014 |
| ISO 9001:2008 (Quality Management System) | General Administration Department Personnel Development & Training Department Technical Department Cargo & Mail Commercial Department Ground Services Business Unit Catering Department | October 6, 2015 May 1, 2015 May 27, 2016 June 30, 2014 December 15, 2014 March 8, 2014 |
| ISO 14001:2004 (Environmental Management System) | General Administration Department (Head Office, Laksi Office, Larnluang Office, Operation Center at Suvarnabhumi Airport) Technical Department Catering Department | April 23, 2016 June 9, 2016 September 1, 2015 |
| ISO 50001:2011 (Energy Management System) | General Administration Department (Head Office, Laksi Office, Larnluang Office, Operation Center at Suvarnabhumi Airport, Ground Customer Service at Suvarnabhumi Airport) | June 20, 2016 |
| OHSAS 18001:2007 (Occupational Health and Safety Assessment Series) | Catering Department | August 3, 2014 |
| HALAL | Catering Department | December 31, 2013 (under certificate renewal) |

| Certificate | Department Function | Expiry Date |
|---|---|--|
| HACCP Hazard Analysis and Critical Control Points | Catering Department | March 8, 2014 |
| GMP (Good Manufacturing Practice) | Catering Department | March 8, 2014 |
| FAR 145 (Federal Aviation Regulations 145) FAA Repair Station (Federal Aviation Administration) | Technical Department (Suvarnabhumi Airport and Don Mueang Airport) (U-tapao Airport) | October 31, 2014 October 31, 2014 |
| RSC 13 Thai DCA Repair Station 145 (Department of Civil Aviation, Thailand) | Technical Department (Suvarnabhumi Airport) (Don Mueang Airport) (U-tapao Airport) | September 25, 2015 October 31, 2014 October 31, 2015 |
| EASAPart-145 (European Aviation Safety Agency - Approved Maintenance Organization) | Technical Department | June 23, 2014 |

Board of Investment Privileges

According to the Cabinet resolution dated November 30, 2004, THAI, as a state-owned enterprise incorporated as a publicly listed company, is granted permission to apply for investment promotion for new investments in air transport business and its supporting businesses excluding the supporting business at Suvarnabhumi Airport. The reason is the Airports Authority of Thailand (AOT) which performs the airport management is the sole concessionaire of the supporting businesses at the airport.

THAI started applying for investment promotion from the Board of Investment of Thailand (BOI) in 2007. The application has been done per aircraft type and year of delivery. At the end of 2013, THAI applied for and was granted investment promotion in total of 25 certificates for 75 aircraft scheduled to be delivered during 2009 and 2017.

The privilege of receiving investment promotion is an 8-year exemption from corporate income tax on net profit earned from each concerned aircraft starting from the first day when the asset generates revenues.

The total amount of tax exempt should not exceed 100% of the asset's investment value. In the event of incurring net losses during the exemption period, THAI is able to deduct the cumulated losses in lumpsum or amortized from net profits occurred within 5 years beyond the 8-years period.

From the privilege received, during 2010 through 2012, the Company has so far benefitted in the amount of THB 1,499.24 million in tax exemption.

Marketing and Competition

THAI's competitive strategy is to focus on its efficiency and effectiveness on providing the highest quality of services and rapidly responding to customers' needs to provide a unique service experience for THAI's passengers.

Overarching Policies and Market Segmentation

New policies were introduced to improve efficiency and effectiveness of the Company's marketing and sales efforts.

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- Maintaining appropriate market share on every route network
- Balancing production with demand and seasonality effects
- Implementing flexible ticket pricing to quickly adjust to the fast changing operating environment and competition
- Strengthening route traffic for each route inbound to & outbound from Thailand
- Optimizing revenue quality
- Diversifying distribution channels
- Creating value-added service through THAI's Royal Orchid Holiday and Royal Orchid Plus products specifically geared towards internet sales via digital commerce.

It used to be that customers would call travel agencies or contact airlines directly to make reservations but with advances in technology and the development of social network channels, the landscape of consumer behavior is being transformed with the ease of being able to obtain travel information and cross check prices at the touch of a finger. Technology has made it easy and convenient to complete a transaction more cost effectively and the new game is now called “value for money” service. The onset of the digital age is changing consumer behavior which is causing THAI to change its marketing strategy through putting greater emphasis on online marketing channels to respond more quickly to passenger needs. This is also to facilitate the new lifestyle of being constantly connected online via smartphone and social networks. Technology has not only changed consumer behavior but also determines how, where and when people decide to make purchases and has opened up a new method of travel.

The relative ease in taking high resolution pictures and videos and immediately sharing them in a matter of seconds has enabled travelers to share their experiences almost instantaneously online.

The commercial airline business continued to see growth in travel demand driven by tourism. Reflecting this rapid increase in air travel demand is the sheer number of airlines being launched, the increased number of flight frequencies flown by each airline and the diversity of destinations being served. Thailand remains among the most preferred and value for money travel destinations for tourists around the world despite global economic uncertainties, the political unrest around the world, relatively high fuel price environment and occurrence of natural disasters. The rate of economic growth in Asia has been the catalyst for an explosion in demand for tourism and especially for the many Chinese who fell in love with the movie “Lost in Thailand”, travelled to Thailand retracing the footsteps of places where scenes in the movie were shot. With the Chinese economy having enjoyed continuous growth, purchasing power of the Chinese people has also increased exponentially over the past few years. Tourism dollar spent per head per trip by Chinese tourists have increased dramatically. Tourists from India and Russia have also been coming to Thailand in droves.

THAI continues to expand into potential markets such as Korea and using Korea as the springboard connecting to the US market by increasing its 4 weekly flights to 7 weekly flights. THAI is also pushing to expand its Charter business between Bangkok and Russia by increasing flight frequency to 7 weekly flights from 4 and launching direct service to Phuket from other cities in Russia.

During the period of low travel environment from the European market, THAI reduced its flight frequency to better match demand and minimize loss. On the Bangkok - Brussels sector, flight frequency



was lowered to 3 weekly flights from 4 while flight frequency was lowered to 3 weekly flights to Africa.

There has been a dramatic rise in demand for travel to Japan post the liberalization by the Japanese Government to exempt visa requirement for Thais traveling to Japan. To facilitate the increase in demand for travel to Japan, THAI launched daily direct flights to Hokkaido at year-end 2012 while in 2013 THAI launched direct flights to Sendai, a city that is 300 kilometers north of Tokyo. The launch of Sendai brings the total number of Japanese cities that THAI serves to 7.

The fast approaching deadline of the Asean Economic Community (AEC) in 2015 will likely spur increased regional and inter-Asean commuting as well as expansion of tourism in Asean markets. The potential of the AEC is evidenced by the Middle East airlines strategically utilizing Thailand as its spring board to other Asean countries reflecting Thailand's naturally unique geographic location and the likely increase in air traffic demand post the integration of the AEC. The liberalization of air traffic rights amongst AEC members will lead to increased flight frequency for intra-Asean air travel and the region will become an area of great attraction for tourism travel.

Another evidence of AEC's potential is the launch of a number of low cost carriers both in Thailand and within the region. These low cost players bring to the table a different set of operating guidelines emphasizing low ticket price, low operating cost leading to the creation of a new consumer mentality. The economical price has been the key factor for which air traffic demand within the country has grown dramatically over the past half decade. The latest player to join the fray is Thai Lion Air, an Indonesian based giant launching its Thailand based chapter at the end of 2013.

Cooperation with Star Alliance

THAI was among the 5 founding airlines of the strongest and largest global airline alliance – Star Alliance. The global reach of member airlines facilitates a fast and smooth travel experience for customers throughout all continents of the world.

Cooperation amongst Star Alliance members is among THAI's forefront strategies to counter intense competition from both low cost and traditional airlines by increasing revenue from international business sales through Star Alliance network. Other initiatives include tighter cooperation to provide passengers with the best products and value services through common customer servicing, passenger value enhancement through the common Frequent Flyer Program Benefits & Recognition, Through Check-in (check-in only once for the entire journey) on the Star Alliance network and Priority Baggage Delivery Service for VIP customers. The latest inductee to the Star Alliance family in 2013 was EVA Air from Taiwan, making the family of 28 strong and emphasizing on the ongoing success story of Star Alliance as being the number one global airline alliance, a network that spans 1,328 airports in 195 countries and over 21,900 flights per day around the world and with access to over 1,000 airport lounges worldwide. The 28 members of Star Alliance are Adria Airways, Aegean Airlines, Air Canada, Air China, Air New Zealand, All Nippon Airlines, Asiana Airlines, Austrian Airlines, Avianca Airline, Brussels Airlines, Copa Airlines, Croatia Airlines, EGYPTAIR, Ethiopian Airlines, EVA Air, LOT Polish Airlines, Lufthansa, Scandinavian Airlines, Shenzhen Airlines, Singapore Airlines, South African Airways, SwissAir, TAM Airlines, TAP Portugal, Thai Airways International Airlines, Turkish Airlines, United Airlines, and US Airways.



Each and every member airline of Star Alliance is proud to be part of the largest airline alliance with a global brand image which facilitates ease and smooth air travel experience for its passengers in the new era of globalization.

Other cooperation with Star Alliances include the Round-the-World-Fare, one of the best selling products, Circle Fares, Air Passes which can be purchased at the sales offices or online via www.staralliance.com. Global corporate ticket sale is cooperation between member airlines to strategically serve employees of multinational companies headquartered in Europe and the US.

In an era where consumer behavior has been changed by technological development, THAI is moving to not only facilitate and cater to the new trend but also to expand its customer base by increasing the channel of distribution. Customers are now able to make payment for ticket purchase at banks and via over 5,000 ATMs across Thailand 24 hours a day. Customers can also make payment at counter services across the country which is alternative payment gateway to facilitate ease of payment.

In addition, a more comprehensive loyalty system under THAI's current frequent flyer program, Royal Orchid Plus (ROP) is being designed to provide more than 2.4 million ROP members with greater benefits and ease of access in the digital age. The new

system will provide members with a broader range of channels to earn points more quickly. The system will be an upgrade to THAI's successful 20 year membership program which will be more in trend with the current digital lifestyle for customers to earn points on flights of THAI and its Star Alliance member airlines to over 1,356 destinations in 193 countries and earn mileage from 50 travel related business partnerships.

THAI is also looking to improve its Global Tour Management System or a so-called "Euang Luang" to expand its distribution channel of Royal Orchid Holidays travel packages via the Internet targeting a more diverse group of customers.

Apart from the information provided by THAI via the Company's website (www.thaiairways.com), THAI's marketing campaigns via social networks i.e. Facebook, Twitter, Instagram and Line, is to build brand awareness. More importantly is the need for a channel which builds customer engagement to get input in terms of thoughts and comments from people who are most important to the Company, the customers, to better understand their needs. It is important that public relations information and the Company's various promotion campaigns reach the general public through the network relationship medium which makes viral marketing effective.

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As social media is an important way for THAI to communicate with customers, THAI introduced its LINE Official Account bringing customers closer to THAI. The application also features Icon Line Emotion or emoticons where line users can download THAI emoticons to enhance their online chat experience. Members of THAI's Official LINE application is able to download 16 cartoon stickers of airplanes, pilots, cabin crew for free adding flavor to online chats. Creating group chat enables users to quickly share photos and videos during a conversation. THAI is the first airline to have a LINE Camera application for line users to enjoy and be part of the mainstream online social network.

Aviation Industry and Competition

The 2013 Eurozone economic crisis led to a global economic slowdown as reflected through IMF continually lowering its forecast for global economic growth. China, the second largest economy in the world, has changed its economic focus from being dependent on export and imports to stimulating domestic consumption. Although the government has put through significant amounts of economic stimulus especially investments in infrastructure, the rate of economic growth of the Chinese economy has been lower than what it has been in the past. The slower Chinese economic growth bears direct impact on

emerging and developing economies, particularly Asia and ASEAN where trade, investments and substantial economic interdependency. Further exacerbating the impact of the Chinese economic slowdown is the still weak European economies and the unemployment rate still at 12.2% along with the still fragile U.S. economy and the uncertainty surrounding the issue of the debt ceiling and the budget issue to be resolved in the early part of 2014.

Meanwhile, jet fuel price remains relatively high and fluctuations are subject to political uncertainties occurring in and around oil producing countries particularly the Middle East and North Africa who are members of OPEC. The ongoing Syrian political conflict continues to be a major risk while the Iran nuclear stand-off despite some respite may again become an issue sometime down the road. The overarching factor bearing most impact on oil price is for sure the rate of global economic growth. The rate of foreign currency exchange and speculative buying of oil stocks also bears significant impact on the global oil price making a forecast of future oil price to be close to impossible.

Owing to the slowdown in economic growth as well as uncertainty in oil prices, airlines are facing volatility risk bearing adverse impact on airlines' operating cost. The cost of jet fuel price is the single most significant factor that impacts airlines' financial





performance as it constitutes the largest which proportion of airlines' cost. But either having too much hedging at a high cost or having high cost fuel stock will also have negative impact on an airline's performance should fuel prices decline.

A major factor bearing impact on travel demand and personal consumption is the rate of global and local economic growth. Compounding the impact of air travel demand from the already weak global economy is the rapid proliferation of low cost carriers in Asia, rapid capacity expansion by various airlines and the cut throat pricing strategies currently being employed. Another game changing factor is the changing landscape of non-traditional cooperation amongst various airlines to expand their reach and lower operating cost. It is therefore, imperative that THAI make necessary internal changes to better cope with the rapidly changing economics.

In the face of new challenges, THAI is undergoing many changes and is perfecting its strategies to better cope with the rapidly changing operating environment and proactively preparing for possible unforeseen events. THAI is actively trying to lower its operating cost, enhancing efficiency in fuel management including fuel hedging to protect against price fluctuation, enhancing THAI's competitiveness, route network adjustment and development, flight frequency adjustment to better

suit travel demand and launching proactive marketing campaigns to stimulate demand for air travel in a weak market.

THAI has been adhering to its various strategic initiatives especially bringing on more digital capability to enhance efficiency and effectiveness of its operations and services rendered. Various contingency plans have also been drafted to ensure continuation of its operations and services and responding quickly to changes in the operating environment.

Passenger Transportation

International passenger air transport outlook for 2014 as forecast by the International Air Transport Association (IATA) (as of October 2013) is still an optimistic 6.4%, which was higher than the forecast done a year before for 2014. For the first nine months of 2013 (January-September), the global international air transport industry saw a 5.2% growth while that growth rate for Asia was a 7.2% increase above 2012.

Asia continued to experience a high rate of growth in air transport demand. That demand is coming mostly from China as its economy continued to see growth. Increasing air travel in the Middle East reflects the strong economic growth anticipated for the region. The region that saw the fastest rate of international air traffic growth of 12% was the Middle



East reflecting the rapidly growing fleet of Middle East airlines and their strengthening global route network building strategy and recognizing Asia as the region with the strongest growth potential.

The Boeing Company, a world leading aerospace company forecasts that Southeast Asia is likely to be the market with the highest rate of growth for air traffic demand in the world as the rate economic growth in the region is likely to be high. That rate of economic growth is likely to be supported by the impending integration of Asian economies under the Asian Economic Community (AEC) in 2015. The integration is expected to be the catalyst for greater air travel within the region. Boeing is also expecting that the global air transport demand will shift from the two largest markets of the United States and Europe to Asia with expectation that in 20 year's time the proportion of air travel market will be 50% of the total air travel market as compared to the current level of 35%.

For the first three quarters of 2013, (9M/2013), with a strong domestic economy and tourism growth, tourism arrival continued to grow and by the end of the third quarter reached 19.7 million people, an increase of 23.2% over the same period the year before. During January to August 2013, there were 108 airlines with scheduled flights carrying 32.6 million passengers to and from Thailand which was a year on year increase of 17.8%. Of the total international passengers entering and leaving Thailand, 9.9 million was carried by THAI or a commanding 30.4% of total market share of international air passenger traffic.

Competition in the Domestic Market

The domestic air transport demand in 2013 continued to grow from both growths in domestic travel demand and in the number of international tourists visiting Thailand particularly from China, Russia and Malaysia. Major destinations of interest are Chiang Mai, Hat Yai and Phuket. The total number

of travelers on domestic scheduled flights increased to 13.4 million persons or a 27.1% for the first nine months of 2013. There are currently 7 different airlines serving the domestic market which are THAI, Bangkok Airways, SGA Airlines, Thai AirAsia, Nok Air, Orient Thai Airlines and Kan Airlines of which 3 are considered to be low cost airlines. In 2013, THAI carried a total of 4.0 million passengers domestically or commanding 30% of the domestic air travel market.

Thailand has seen a dramatic pick-up in local air travel demand over the past few years and the Ninth National Economic and Development plan recognizes the increased importance and impact of tourism revenue on the country's rate of economic growth. Recognizing the importance of its impact, a plan was put in place to make Thailand a strategic tourist destination by enhancing capability and capacity to handle more tourists while supporting measures to enhance the quality of travel experience for tourists visiting Thailand. The plan put in place is designed to increase tourism dollar by approximately 7-8% per annum. With a growth objective for domestic travel of at least 3% per annum, it is likely to translate into higher air travel demand which will likely benefit THAI.

Competition in International Air Travel

It is expected that the soon to come AEC will likely trigger a spur of economic activity in the area of trade, investments, tourism and greater economic integration. The air transport industry will also benefit from the economic integration as air travel will be liberalized providing greater opportunities for opening new routes and increasing flight frequency. The liberalization is expected to bring a higher level of competition in the air travel industry within the region but with Thailand's strategic geographical location bordering 4 other ASEAN countries will likely continue to see strong demand for air travel growth for the country.

The Company has increased flight frequency and expanded its routes amongst Asean countries thus increasing competition within the airline industry which is already quite intense. Meanwhile, Thailand is considered to have the most advantageous position with its geographical location bordering 4 Asean countries together with its strength in aviation business. The opening up of the AEC is likely to be a catalyst for a sustained growth in air travel demand going forward.

In preparation for the economic integration under the Asean Economic Community (AEC), product rejuvenation and service improvements continue to be made to meet the various needs of customers and to ensure the highest level of customer satisfaction. Ongoing strategic operating changes need to be undertaken to better reflect the realities of the operating environment. Vigilance and greater flexibility is being emphasized to enable THAI to react more nimbly to unforeseen events.

Thai Smile Airways Company Limited

On September 24, 2013, the Cabinet approved the establishment of Thai Smile Airways Company Limited as a 100% subsidiary of THAI. On October 17, 2013, Thai Smile was registered as a separate company with a total registered capital of Baht 1,800 million funded by THAI's own earnings.

Thai Smile Airways Company Limited has filed applications to the Department of Civil Aviation in November 2013 to obtain its own Airline Operator License (AOL) and Airline Operator Certificate (AOC). Thai Smile expects to receive both certificates by January 2014. Thai Smile has also filed an application to obtain an Airline Designator Code from the International Air Transport Association (IATA). Thai Smile is also working to obtain its Landing Permit along with its Landing/Takeoff slots to meet its timeline of providing services on domestic routes under its own call sign in March 2014.

History

The Company faces intense competition in the airline business especially from the liberalization of the commercial airline industry in Asia. New airlines both full service airlines and low cost carriers have entered into the market. Being a traditional network airline going into an era of rapid change in the competition landscape with numerous new players offering a range of product offerings, THAI has had to also make changes in its product offering to enhance its products and service advantage. Changes in service procedures is designed to better meet customers' demands quickly therefore, management flexibility with competitive cost is imperative for the Company to navigate through this high level of competition.

Thai Smile Airways Company Limited, a Regional Full Service airline, was established with the aim of strengthening and broadening THAI's customer base by focusing on domestic and regional routes not exceeding 4 hours of flight time providing quality and trendy service. Thai Smile not only seeks to serve point to point travelers but also travellers connecting to THAI's long haul service at Suvarnabhumi Airport, which is the base of operations for both airlines.

With a strong image of Thai Airways International, Thai Smile, as a subsidiary of Thai Airways, will be competitive. With its regional full services which are different from other low cost carriers, Thai Smile is able to achieve its goal to become a leading regional airline in the Asean Economic Community and will be another alternative for consumers as well as to promote the Government's policy of making Thailand the aviation hub of the region.

The vision for Thai Smile is to be the leading alternative regional air carrier serving the AEC while supporting the government's goal of making Thailand a regional aviation hub.





Flights and Destinations in 2013

Based out of Suvarnabhumi Airport, Thai Smile serves 13 destinations on 14 routes as we move into the AEC in 2015.

- 7 domestic destinations served from Suvarnabhumi Airport include Surat Thani, Krabi, Phuket, Hat Yai, Udonthani, Ubon Ratchathani, and Chiang Mai.
- 6 regional destinations from Suvarnabhumi Airport to Macau, Ahmedabad, Mandalay, Colombo, Chongqing, Changsga and Luang Prabang
- 1 direct Chiang Mai-Phuket sector

Aircraft Fleet/Type

THAI Smile’s fleet consists of 10 brand new Airbus A320-200 narrow-body aircraft in an all Economy Class configuration of 162 seats. Its fleet will grow to 17 and then 20 aircraft in 2014 and 2015, respectively. Seating is configured into 2 classes - Smile Plus and Smile Class. The first five rows or 30 seats of Smile Plus class offers passengers with additional leg room with complementary meals and drinks.

Marketing Policy and Competition

The rapid proliferation of air carriers is a reflection of the strong growth in air travel demand for tourism and business. The light premium product offered by the launch of Thai Smile is targeted at capturing that rapid growing sector of travelers both

leisure and business. Product differentiation is achieved through a slightly higher priced ticket but customers are offered the full range of services similar to a full network carrier. Apart from targeting short haul regional service, Thai Smile serves to strengthen THAI’s competitiveness with a connecting traffic in the catchment area. Thai Smile employs the latest in revenue management system and dynamic pricing platform to maximize earnings based on available seat capacity, timing and competitive environment.

With the coming of the Asean Economic Community (AEC) and the expansion of low cost airlines business both locally and regionally, good strategic planning is of essential for Thai Smile. The followings are strategies set for its guidelines:

Target Customers : 30% of Thai Smile’s passengers is expected to be transit traffic to THAI’s long haul flights while the balance of 70% are expected to be own passengers traveling on Thai Smile’s routes.

Type of Target Customers : businessmen, small and medium entrepreneur, tourists, and customer to serve the 30s to 40s crowd .

Distribution channels : focus on direct digital channels including web and mobile applications but tickets can also be purchased through the Call Center and Sales Office.

Marketing Communication : Thai Smile will directly communicate to its target customers via Social Network coupled with other communication channel, integrated marketing and promotional activities, public relations as well as Corporate Social Responsibility.

Appropriate distribution channels and target customers will help achieve its policy target and competition.

Cargo and Mail Services

Products and Services

THAI also provides cargo and mail services categorized into General Cargo such as clothing and general products while Special Cargo are transport of perishable goods, live animals, valuable goods such as art and hazardous materials.

Mail and cargo handling includes EMS (Express Mail Service) and delivery of general parcels and packages. Emphasis is placed on transport of specialized goods which may require temperature control, items which may be of high value or time sensitive items as these goods generates a higher per unit revenue.

THAI Cargo is well equipped to cater to customers' specific shipping needs as in the case of temperature sensitive products requiring specific temperature control, THAI has the equipment necessary to handle such specific requirement and ensure the quality or freshness of the products being shipped (Sensitive Temperature Products - TGT)

In addition to normal cargo operations, THAI offers comprehensive handling services including a number of specialized services such as TGForce (TGX) for guaranteed airport-to-airport express cargo service; THAIPAC for economical and swift international shipment for items bought in Thailand to be sent back home; Thai Express Cargo (TEC) for domestic express cargo, transport service of automobiles

within Thailand and Perishable Cargo (PER) for perishable goods.

As of December 31, 2013, THAI Cargo and Mail Service routinely ships to 79 destinations (excluding Bangkok) in 34 countries on 5 continents by way of THAI's passenger service route network.

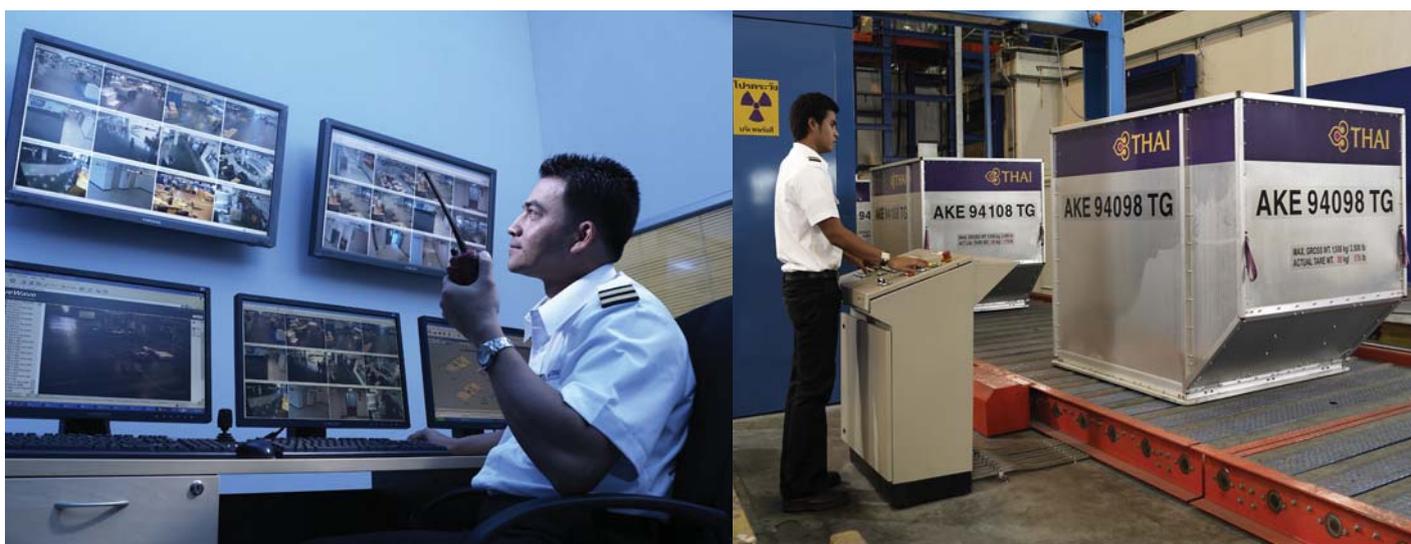
THAI Cargo also moves cargo and mail to the European continent, Australia and other cities in Asia by way of its freighter aircraft with 4 weekly flights from Bangkok to 4 main destinations such as Tokyo, Delhi, Frankfurt, and Sydney. In 2013, the combined revenue of cargo and mail constitutes approximately 11% of the Company's total revenue.

Marketing and Competition

Several marketing campaigns have been launched targeting THAI's customers linking such promotions to other services for which THAI provides. This includes providing cargo services beyond THAI's traditional points of service to off-line cargo destinations and sponsoring Customer Airline Seminar to strengthen its relationship with customer airlines' and other customers.

Such activities form part of the overall value-added and seamless service provided by THAI Cargo in building cooperation with other airlines and enhancing customers' confidence in the long run. This is also to expand THAI's customer base globally as well as growing key accounts that has a worldwide network with the capability to undertake a global deal employing the Target Incentive Scheme & Corporate Account Rates. More effort has also been put towards developing and strengthening long-term relationships with key import and export companies having to move products and goods along THAI's route network.

To span THAI Cargo's reach, interline agreements have been signed with various airlines to ship customers' cargo under the guidelines of IATA's Interline Arrangements. Under these agreements, THAI blocks or rents space on partner airlines' aircraft,



adding capacity and flexibility to THAI Cargo and Mail services and at the same time building customer confidence in THAI's ability to deliver their products on time.

Applicable shipping cost for cargo and mail are charged in local currency of product origination. Pricing takes into consideration the range of services required, time sensitivity of the product, market competition and timing, seasonality, distance, fuel and other related costs.

Cargo Services Industry

The Air Transport Association International (IATA) forecasts (as of October 2013) that in 2014, the volume of international cargo by air transport will grow by 4.0% year on year. During January-September 2013, freight volume increased by only 0.3% with Asia declining by 2.7% year on year. The highest growth came from the Middle East with growth of approximately 12.4%.

During the first nine months of 2013, export for Thailand decreased by 8.8% while import increased 3.1%. In January-July 2013, cargo volume going in and out of Thailand totaled 718,611 tons, a decline of 10% over the same period of last year. Of the total tonnage, 383,013 tons were exported goods, a decline of 15% while imports totaled 335,598 tons, down by 3.6% over the same period of 2012. Freight volume

on export was 185,572 tons, representing a market share of 47.9% an increased by 2.5% from 2012. Freight volume on import was 150,277 tons, representing a market share of 44.8% or declined by 3.4% in 2012. Of the total exports, THAI carried 185,572 tons or constituting approximately 47.9% of the market share while THAI commands 44.8% of all import tonnage or around 150,277 tons. THAI Cargo's market share declined slightly by 3.4% compared to the same period in 2012.

THAI competes head on with other airlines serving similar destinations as THAI or provides similar or comprehensive cargo and mail transport services as provided by the Company. In addition, there are specialized freight and mail delivery companies that have their own distribution centers, door-to-door distribution capability and a wide distribution network.

The level of competition in the international cargo and mail space is likely to increase as liberalization is in the near horizon. On the domestic front, there is a certain level of competition but more is likely to come as ground transport network becomes more developed and even more if and when investments in rail network is complete. Despite these challenges, heightened competition is likely to bear slight impact on THAI's revenue as a

whole since it constitutes a small proportion of THAI's total revenue.

To achieve the established revenue target, the Cargo and Mail Department targets to ensure confidence of THAI's general and corporate customers through development product and service variety to better cater to customers' needs. At the top of THAI's target focus are customers who are major export/importers especially manufacturers of electronic parts who need to move large volumes of goods.

Thai Cargo will be placing greater emphasis to attract cargo that needs special care especially temperature controlled products under Thai Cargo's "THAI Temperature Controlled Products (TGT)" service. The reason for targeting these products is the benefit of being able to earn higher shipping charge and there are only a few players with this capability. The key markets are freight requirement between Europe and Asia specifically freight traffic between Switzerland and India

Business Units

THAI's business units supporting THAI's air transport business includes Cargo and Warehouse Services, Ground Customers Service, Ground Equipment Service and Catering Services. Details are as follows:

Cargo Handling Services

The Company has been the largest cargo handling service provider at Suvarnabhumi Airport to support growth of imports and exports on international and domestic routes since 2006. Being the largest air cargo handling service provider at Suvarnabhumi Airport, THAI provides such services to 62 customer airlines (as of December 2, 2013). Warehouse management has 2 main functions - general goods and high value special care goods - fresh produce, live animals, valuable goods, artifacts

and hazardous material. In early 2010, THAI established a perishable zone to facilitate handling and warehousing of temperature sensitive goods and products using temperature controlled containers from start to delivery.

A new service being offered by THAI is the "to-door" and "door-to-door" delivery of packages and parcels including customs processing services. The Cargo Contact Center (CCC), a one-stop information service was established to handle all queries about services being offered, tracking and providing assistance as required. For greater flexibility and efficiency, the on-line Track and Trace service was launched to facilitate tracking of packages at the convenience and comfort of customers via website www.thaicargo.com. Initiatives were also taken to expedite the transaction process, delivery time to customers, enhancing customer experience and reducing cost from inefficiencies and mistakes. The Cargo and Mail Commercial Services was also accredited with ISO 9001:2008 certification.

The Company's focus has been to provide comprehensive customer service to maximize customer satisfaction. To better compete with increased competition, THAI Cargo has invested in new technology to enhance its overall operating efficiency and ensuring the highest level of accuracy to ensure customers are happy were our services.

To support business expansion and prepare for potential growth resulting from the integration of the AEC, THAI Cargo is planning to invest in a second warehouse of approximately 22,125 square meters located next to existing warehouse. The new facility will be able to handle an additional 1.3 million tons.

A strategy revamp was undertaken to enhance customer relationship management (CRM) with THAI's customer airlines and freight forwarders through greater relationship building effort and co-promoting to stimulating freight shipping demand. To build trust

and confidence, THAI Cargo is ensuring its customers that the entrusted shipment will be delivered as booked.

To enhance service efficiency, THAI Cargo is putting in place a new Cargo IT System to facilitate customer service and enhance THAI's cargo and mail handling capabilities. The new system is expected to be fully functional by mid-2014. The level of service intended by THAI Cargo is to be able to provide international standard full service cargo and mail handling and that level of service standard is expected to be achieved as the new cargo IT system comes on line in 2014.

Ground Customer Services

THAI's over 50 years of experience in providing full ground handling services and having the capability to provide services for all aircraft types beginning from the early days of Don Muang International Airport, THAI has also been given the vote of confidence to provide full ground handling services at Suvarnabhumi Airport.

With over 50 years of experience in ground customer services, THAI has been given contracts by Airports of Thailand Plc. and the Department of Civil Aviation to provide ground customer service at a

number of key airports in Thailand including Chiang Mai, Phuket, Krabi, Hat Yai and Chiang Rai.

Ground customer services rendered is for not only THAI's own flights but also that of customer airlines for scheduled, seasonal, charter, military and VIP/VVIP flights. THAI serves not only THAI's own customers but also that of customer airlines and non-airline such as banks, hotels, limousine and other businesses that require special services for their customers such as special ground transportation services and premium lounge services.

Services Provided by THAI

Check-in services consist of ticket and travel document validation, issuance of boarding pass, checking for pre-requested as well as specific meal and/or special service requirement along with luggage check and weighing. Lounge service provided by THAI for its First Class and Business Class passengers, Platinum and Gold Royal Orchid Plus card holders include access to THAI's Royal First Class and Royal Silk Class lounges while access to THAI's Royal Orchid Spa is for THAI's First and Business Class passengers. Outbound boarding gate service includes verifying travel documents and managing aircraft boarding procedures while facilitating passenger disembarking from the aircraft.



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Baggage service involves tracing missing luggage, repairing or compensating for damaged or lost luggage along with luggage delivery in case of late luggage arrival. Load control and weight balance service consists of weight calculation planning, load control and the loading and unloading of passenger luggage as well as cargo and mail.

Supporting services also include assistance provided to passengers affected by flight delays, particularly arranging alternate connecting flights. Special services are for VIPs - First Class and Business Class passengers, Platinum and Gold card members along with passengers with special needs such as elderly passengers, passengers under 12 years of age traveling alone, passengers with disabilities and doctor approved medical patients.

Non-Customer Airline services are rendered as per agreed terms for customers of banks and hotels including customer assistance, lounge service and other services. Customer Airline services involve passenger and baggage service, load control and weight balance services along with lounge and special services as per the agreement.

Marketing and Competition

Ground Customer Service Department aims to increase its market share at Suvarnabhumi Airport which currently has 2 other competitors. THAI currently commands more than two thirds of all ground equipment services excluding airlines with their own ground customer service where THAI expects to penetrate into those airlines.

There is only one other competitor providing such services at Chiang Mai, Hat Yai, Phuket, Krabi and Chiang Rai airports. THAI commands more than 80% of the market share. Demand in Phuket is quite strong with seasonal air traffic, charter airlines as well as low cost carriers.

In regards to ground services provided at Chiang Mai, Hat Yai, Phuket, Krabi and Chiang Rai

airports, there is only one other competitor at each of the above airports. THAI currently commands more than 80% of the services rendered at each of the Airport. Demand for service is highest in Phuket International Airport which has strong seasonal traffic for traditional airliners including charter airlines as well as low cost carriers.

THAI's current ground equipment services provided at Don Mueang Airport is mostly to serve chartered flights. With Airports of Thailand Public Company Limited's plan to grow air traffic at Don Mueang Airport serves as an opportunity for THAI's Ground Equipment Services to expand its market over the next few years.

Ground Equipment Services

THAI's extensive experience and duration of service provided, the ground equipment services provided by THAI spans every aspect of customer needs (Full Ground Handling) and for all aircraft types.

With more than 50 years of expertise in ground equipment services, THAI was granted approval from the Airports of Thailand Public Company Limited to provide ground equipment services for a period of 34 years starting from September 28, 2006 to September 27, 2040.

Services include:

Passenger and Crew Transport and Luggage Services

- Transfer of passengers, crew and baggage between terminal and aircraft using the Ramp Bus. THAI also provides baggage handling between the terminal and aircraft and between aircraft for transit baggage.

Aircraft Services for Remotely Parked Aircraft

- Aircraft towing tractor service
- Mobile ramp service for embarking and disembarking
- Aircraft potable water service
- Aircraft interior cleaning service



- Aircraft air conditioning unit and ground power unit services
- Aircraft air starter service
- Cargo transfer between warehouse and aircraft

Maintenance Services

- Periodic maintenance checks of ground equipment and vehicles
- Container repair service according to international best practices

Marketing and Competition

With 2 other competing ground equipment services providers at Suvarnabhumi Airport, THAI's Ground Equipment Services Department aims to increase its market share of ground equipment services. Currently, THAI commands over two thirds of the ground equipment service market, excluding airlines that have their own ground equipment service or have subcontracted such contracts.

In regards to competition for ground equipment services provided at Chiang Mai, Hat Yai, Phuket, Krabi and Chiang Rai airports, there is only one other competitor at each of the above airports. THAI currently commands more than 80% of the ground equipment services rendered at each of the airports. Demand for service is highest in Phuket where there is strong seasonal traffic for traditional airliners including charter airlines as well as low cost carriers.

Ground services currently being rendered at Don Muang Airport are mostly to charter flights but the capability to serve VIP flights is being prepared and will soon be offered to customer airlines with the intention to increase overall revenue. Such development is synchronized with Airport of Thailand's plan for 2014 and beyond which is deemed to be an opportunity to expand ground equipment services at Don Mueang International Airport.

Catering Service

THAI Catering Service, one of supporting airline business, has 2 catering facilities:

1. THAI Catering has the largest facility of 70,000 square meters located in the duty free zone at Suvarnabhumi-Airport dedicated to preparing in-flight meals for THAI on international flights and for over 60 customer airlines.
2. THAI Catering's 40,200 square meters facility at Don Mueang International Airport prepares meals mainly for domestic flights and serves to prepare raw material for all of THAI Catering's on ground food business. It also operates restaurants and snack bars at the various airports, runs a chain of Puff & Pie bakery as well as providing off-site catering services and operates food services at the Company's various canteens.

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At various provincial airports, THAI Catering operates restaurants in Chiang Rai, Chiang Mai, Krabi, and Phuket and also prepares in-flight meals for THAI and several other airlines that serve these destinations. At the forefront in food preparation is the objective of delighting passengers with great tasting food while observing the highest standard of hygiene as per the Thai Ministry of Industry's Good Manufacturing Practice. THAI Catering remained the leader in providing meal uplift services commanding 71% of the meal uplift market on 70,243 flights and producing around 65,890 meals per day. The proportion of raw materials sourced domestically versus imported was 75 : 25.

Certification has been at the top of THAI Catering's priority to ensure the highest standard of safety, cleanliness and hygiene. Among the certifications include the Quality Hygiene and Safety (QHS) that combines recognition for Good Manufacturing Practice (GMP) under the ISO 9001:2008 certification and the Hazard Analysis and Critical Control Point (HACCP) certification. These certifications are recognized by both IATA and the World Health Organization (WHO). THAI Catering has also received ISO 14001:2004 certification, OHSAS 18001:2007 certification and the HAL-Q (Halal-GMP/HACCP) certification.

Through observation of the highest international standards, THAI Catering has received a multitude of international awards and accolades. In 2011, THAI Catering was recognized at the national level for its safety and hygiene standards and an environmentally friendly facility. The more than 50 years of experience in the catering business has been a contributing factor for THAI in receiving the World's Best Economy Class Catering from Skytrax in the same year. This past August 2013, THAI was awarded the THAI Select insignia from the Ministry of Commerce.

Despite THAI Catering being inevitably affected by the global economic slowdown, political uncertainty and high fuel price environment, the commitment and dedication of all THAI's management and employees made strategic changes in marketing approach and operating procedures to cope with the challenges thrown at the Company. Meeting the challenges, THAI Catering expanded its production capacity while also growing the number of its bakery outlets all the while taking measures to lower fuel consumption and introduce "Lean Management" to streamline operating expense and lower overall operating cost. Most important is the restructuring of the cost structure to better meet the challenges of competition and a good part of this cost improvement is through reducing waste and loss from raw materials enabling THAI Catering to continue to post a positive bottomline.

Other Activities

THAI also has other air transport support businesses which include Aircraft maintenance, dispatch services, onboard Duty Free sales and souvenir sales.

Aircraft Maintenance Services

Aircraft maintenance is carried out on all of THAI's aircraft to ensure the highest standard of safety and compliance with all guidelines of the Department of Civil Aviation and other regulatory entities to ensure airworthiness. The THAI Technical Department oversees all maintenance work for THAI's aircraft from the time it arrives in the fleet, for the duration of its active life until the aircraft leaves THAI's fleet.

The Technical Department maintains a maintenance schedule for all of THAI's aircraft ensuring the highest level of safety and thus ongoing certification from the Department of Civil Aviation



and other regulatory organizations. This entails management of all engineering aspects of maintenance, planning process, ensuring sufficient man power, maintaining sufficient parts and supplies, managing hangar slot times and having all the necessary tools and equipment to undertake maintenance services according to a set schedule for each aircraft.

The technical and maintenance requirements of THAI's aircraft include line, light and heavy maintenance.

1. Line Maintenance

Line maintenance is routine in-service inspections and day-to-day routine maintenance checks of aircraft undertaken at transit, turnaround and night stops in the apron area of all airports where THAI flies.

2. Light Maintenance

Light maintenance is performed on aircraft based on flight hours flown and usually takes 8-48 hours. These light maintenances are done at Suvarnabhumi Airport and at other airports around the world performed by certified technical personnel.

3. Heavy Maintenance

Heavy maintenance services provided involves fixing problems with an aircraft's fuselage, engine, aircraft parts along with aircraft components

and accessories as per the manufacturers' recommended service guideline based on distance flown or flight hours. Heavy maintenance requires about 15-60 days of shop work and is undertaken at Don Muang Airport in Bangkok and U-tapao Airport in Rayong province.

Maintenance services provided by THAI Technical to its customers require approval and certification from the Thai Department of Civil Aviation and other international regulatory agencies such as the Federal Aviation Administration (FAA) and the European Aviation Safety Agency (EASA). Each of the governing bodies has their own rules, regulations and guidelines in considering providing such certification and for which the Technical Department must ensure that all requirements from the various entities are met to retain such certification.

The THAI Technical Department provides maintenance services for THAI's own aircraft, international customer airlines and aircraft belonging to various government agencies such as the Royal Thai Air Force and the Royal Thai Police Aviation Division.

Under the increasing cost of operations environment, various related factors such as supplies, equipment, personnel and facilities including political situation and regulations on State Enterprises have

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an impact on both continuity of investment and development. Several regional Aircraft Maintenance Centers have lower cost and are more flexible in terms of management and joint venture; as a result, expansion of the market share is limited particularly in pricing and negotiating. Major competitors with similar services in Asia have been increasing continuously.

Trade liberalization will open the opportunity for new investments by both government and private sector to establish aircraft maintenance centers here and abroad. An example is the joint investment between the Royal Thai Government and the Royal Thai Air Force - Thai Aviation Industry (TAI) in Pathum Thani. Their current role is providing maintenance service for the Royal Thai Air Force and is now looking to provide aircraft maintenance services to encompass all other arms of the government. Their longer term goal however, is to provide maintenance service to the private sector and then customers from abroad. Another aircraft maintenance facility is also planned by TAI in the province of Nakhon Ratchasima.

Transport support services

Transport support services consist of dispatch souvenir, Duty Free products for sale on board and souvenir items for sale in THAI Shop.

Dispatch services include providing information about flight route and weather conditions to ensure flight safety, provide other relevant flight related documents to THAI's own flights and that of customer airlines to ensure smooth operations as per all applicable rules and guidelines to ensure each flight arrives at its destination safely.

Duty free goods for sale onboard are handled by King Power Marketing and Management Co., Ltd. The cooperation began in 2008 and the agreement will expire November 30, 2014.

The Company operates 6 THAI Shops selling souvenir products at THAI's Head Office, Larn Luang Office, Silom Office, Chiang Mai Office and Operations Center (OPC) at Suvarnabhumi Airport, and the Lak Si Office. THAI souvenirs are also available for purchase not only on the Company's website but are also available on other websites.





Risk Factors

Amidst numerous internal and external risks faced by THAI over these past few years, the Company foresees the need for a rigorous management system to enhance operating efficiency and have in place a very cautious management approach to ensure stable and sustainable operations. A comprehensive risk management system has been put in place since 2003 to mitigate risks and ensure stability of operations to provide shareholders with an appropriate level of return and provide confidence to stakeholders of THAI's overall stability. Short and long-term risk mitigation measures have been integrated into the Company's corporate plan. Training workshops have consistently been provided for management of all levels to attend and encourage the observance and instill risk management as part of the corporate culture.

Members of the Risk Management Committee comprises of the Board Members from both public and private sector. The Risk Management Committee is charged with the responsibility of setting risk management policies and guidelines for effective risk management. The Committee is also charged with the oversight and enforcing the implementation and effectiveness of risk management in the various aspects of the Company's operations. Management and employees of all departments are required to identify, assess and prioritize relevant risks related to their own functions and determine the degree of importance so as to be able to prioritize risk management and have comprehensive measures in place to mitigate risks to within acceptable levels. The risk control measures undertaken meet the standards set by the Committee of Sponsoring Organization of the Treadway Commission (COSO).

Risk management activities undertaken by the Risk Management Department is reported to the management, the Risk Management Committee and the Company's Board of Directors on a quarterly basis. Management and employees of all departments are required to incorporate risk management into their routine operations.

To prevent losses and/or damages that may arise from unforeseen events and to ensure adherence to Company's corporate strategies, management of corporate level risk was integrated into the Company's strategic plans. Each risk factor is detailed with the causes and its potential impact on the Company's operations. Key risk indicators have been integrated as an early warning tool while improvements have been made to enhance the effectiveness of risk management using the enterprise-wide risk management system that enables the link between internal control reports to other management systems within the Company.

Risk Factors Bearing Potential Significant Impact

Jet Fuel Price Fluctuation

As jet fuel constituted approximately 40% of the Company's operating cost, to better protect the Company's operating and financial performance against fuel price fluctuation, the Company has put in effect a more active and comprehensive fuel management policy using both hedging and fuel surcharge to mitigate the impact of rising jet fuel cost. Fuel hedging undertaken is for the benefit of protecting the Company against unforeseen spikes in fuel price and not as a means to speculate against fluctuation in fuel price movement. In 2013,



the Company was able to enforce a fuel hedging program that has enabled the cost of jet fuel to remain within the set budget for the year. The collection of fuel surcharge has been able to compensate for a portion of the Company's fuel cost but was subject to air travel demand, competition with other airlines, degree of fuel price fluctuation, market reaction and the change in actual fuel consumption. Active fuel stock management and active fuel management were also undertaken to mitigate the impact of fluctuation in fuel cost.

Foreign Currency Exchange Fluctuation Risk

With the Company earning over 50 different currencies constituting 70 percent of the Company's total revenue, risk management in this respect has been the focus on employing natural hedging to minimize impact on the Company's cash position. Effort was put towards increasing expenses in currencies where the Company was net long in revenue. The remaining net excess revenue was then grouped into 4 major currencies using correlation relative to the 4 main currencies - USD, Euro, Yen and Baht. Post grouping, the net cash flow is then managed to better match its major liabilities – fuel payment, aircraft operating lease payment and employee remuneration. Borrowings are then made in the currencies with high net operating cash flow. However, to ensure that the Company does not incur too much foreign currency debt, THAI also took

on Thai baht debt to mitigate the foreign currency gain/loss impact on the Company's profit and loss statement. THAI also employs the value at risk (VaR) program to assess the Company's exposure to foreign currency fluctuation and used as a tool to improve funding and risk management strategies such as cross currency swaps (CCS) and forward contracts given the opportunity.

During 2013, the Company raised Euro funding against its net excess Euro cash flow to acquire 1 A380-800 aircraft and 2 A330-300 aircraft. A funding of THB 9,000 million equivalent Euro synthetic bonds was raised. Spot and forward instruments were employed to convert other currencies to USD for its fuel payment. As of 31 December 2013, the Company's outstanding foreign currency borrowings post CCS were EUR : JPY : THB = 55 : 8 : 37 percent (not including aircraft operating lease liabilities).

Competition in Airline Business Risk

Competition in the commercial airline industry has become more intense as low cost carriers and/or newcomers have joined the fray of competition along with new cooperation and alliances formed outside of traditional alliances are all changing the operating and competitive landscape of the industry. THAI is keeping a vigilant eye on competition especially on the routes for which THAI currently serves to ensure that the supply of capacity is in line with current demand so as to maximize its revenue potential. Adjustments were made in regards to aircraft type,

RISK FACTORS

size, flight frequency and flight times to improve overall route performance. Sales and marketing strategies were also employed reflecting research undertaken assessing the level of competition and determining key markets that have potential for further air travel growth. To better compete with regional carriers, THAI launched Thai Smile Airways, a light premium product regional carrier with a lower operating cost structure. To compete with newcomers to the market, THAI has taken delivery and upgraded existing assets to ensure that the product and service offered to its passengers is of international standard and at par to new comers to the market. Another approach taken is forming additional alliance and cooperation with other airlines to extend cooperation and employ creative sales and marketing to meet the challenges currently faced by THAI.

To complement the O&D traffic, through traffic passenger sales are also being targeted using Bangkok as the hub for transit. Thailand has the geographic advantage to better serve the region as an aviation hub while THAI's facilities at Suvarnabhumi Airport are most comprehensive. Combined that with the advantage of a hub connectivity provided through THAI's array of destinations connected through its network, transit traffic is a natural target.

External Crisis and Natural Disaster Risk

THAI's core business of passenger and cargo transport services on domestic and international routes is highly dependent on the tourism industry. The risk that THAI faces is weakening tourism due to a range of external factors including natural disasters, terrorism, international conflicts and domestic political instability which bears a significant impact on the Company's business.

In recognizing the importance of being able to promptly respond to unforeseen incidents, THAI established the Crisis Management Operation Center (CMOC) to closely monitor the developments of key incidents that may bear impact on the Company's operations. Measures have been put in place to enable immediate actions to be taken to mitigate the impact of such events and ensure uninterrupted operations including Business Continuity Management (BCM). Detailed plans and instruction manuals have been drafted and drills have been undertaken to ensure that in the event of an emergency the Company will be able to carry on its business uninterrupted. These contingency plans provide passengers a greater peace of mind and thus builds credit for the Company. In enhancing dynamism, monthly operating results and key financial performance along with summaries on local and international market conditions are provided to the management for necessary strategy adjustments.





Human Resource Quality and Efficiency Risk

The Company emphasizes on improving the competency, productivity and loyalty of its employees. At the top level, the Company is focused on developing management level candidates with necessary managerial skills and multi-tasking capability to fill key management positions as they become vacant. THAI utilizes the Suitable Manpower Model to strategize the optimum number of persons per age profile and develop necessary skill sets to support the Company's future strategies. An important source of information comes from those that have been with the Company for some time. Their knowledge and expertise is accumulated under the Company's knowledge management program. As part of the Company's push to be a performance-based company, a performance benchmark system has been implemented for the Company's senior management and such benchmarking is being pushed down the rungs. Future remuneration will be based on KPIs to push through a higher level of overall efficiency to better compete in this cut throat industry.

Product and Service Inconsistency Risk

Product and service consistency are keys to ensure customer satisfaction. As THAI utilizes its aircraft to an average age of 20 years, there are a number of aircraft that may no longer be competitive in terms of seats and entertainment system to its peers. The objective of the heavy investments made over the

past few years have been to rejuvenate the fleet and product offered to be at par with its peers. THAI acquired 17 new aircraft - 3 A380-800s, 6 B777-300ERs, 2 A330-300s and 6 A320-200 aircraft with new livery, ambience and personal on-demand entertainment screens for long-haul aircraft. To further enhance product consistency, over 2012-2013, THAI also retrofitted 16 of its existing aircraft - 8 B747-400s and 8 B777-200s now all have new seats and personalized on-demand entertainment systems. In regards to unavoidable circumstances requiring the change in aircraft, a clear guideline is in place to select the aircraft type that is of closest configuration to ensure product consistency and ensure customer satisfaction.

Shareholders' Rights Risk

As of December 31, 2013, the Ministry of Finance holds 51.03% in total paid-up capital of the Company. With greater than 50% shareholding by the Government, the Ministry of Finance has the largest vote on issues related to the appointment of the Company's Board of Directors or other issues requiring majority vote. This is with the exception of issues determined by law or the Company's regulations that require at least a 75% or three quarters of available votes present. It is therefore that other shareholders may not be able to accumulate the required number of votes to counter balance the major shareholder's voting count on key issues or issues as proposed by the major shareholder.



General Information



Company Name : THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED
 Abbreviation : THAI
 Business : Air transportation services and other related aviation services
 Head Office : 89 Vibhavadi Rangsit Road, Jompol, Chatujak, Bangkok 10900
 Registration Number : 0107537001757
 Home Page : www.thaiairways.com
 Telephone : 66 (0) 2545-1000, 66 (0) 2695-1000
 THAI Contact Center : 66 (0) 2356-1111

As of December 31, 2013, the Company has:

Registered Capital of 2,698,900,950 shares with a par value of 10 baht per share or a total of 26,989,009,500 baht

Paid-up Capital of 2,182,771,917 shares with a par value of 10 baht per share or a total of 21,827,719,170 baht



Subsidiary and Affiliated Companies in which THAI Holds more than 10%

| Company Name | Type of Business | Type of Shares | Paid-up Authorized Shares (Million Baht) | Equity Ratio (%) |
|--|---|----------------|--|--|
| Thai-Amadeus Southeast Asia Co., Ltd. Offices at Central World, 999/9 Unit 3406-3412, 34 th Floor, Rama 1 Rd., Patumwan, Bangkok 10330 Tel: 66(0)-2207-9090 Fax: 66(0)-2207-9191 | Online Ticketing Services to Agents and Other Travel Services | Ordinary | 15.00 | 55.00 |
| Nok Airlines Plc. 183, 17 Floor. Rajanakarn Building, South Sathorn Rd., Yannawa, Sathorn Bangkok 10120 Tel: 66(0)-2627-2000 Fax: 66(0)-2286-9830 | Passenger Air Transportation Services | Ordinary | 625.00 | 39.20 |
| Wingspan Services Co., Ltd. 89 Vibhavadi-Rangsit Rd., Jompol, Chatuchak, Bangkok 10900 Tel: 66(0)-2545-1267 Fax: 66(0)-2545-1535 | Human Resources Management services | Ordinary | 2.00 | 49.00 (with controlling authority) |
| Thai Flight Training Co., Ltd. 89 Vibhavadi-Rangsit Rd., Jompol, Chatuchak, Bangkok 10900 Tel: 66(0)-2454-3330 Fax: 66(0)-2545-3992 | Aviation Training services | Ordinary | 2.00 | 49.00 (with controlling authority) |
| Tour Eurng Luang Co., Ltd 89 Vibhavadi-Rangsit Rd., Jompol, Chatuchak, Bangkok 10900 Tel: 0-2356-2888 Fax: 0-2288-7158 | Tourism services and related-tourism activities | Ordinary | 1.00 | 49.00 of shares held via WingSpan (with controlling authority) |
| Thai Smile Airways Co., Ltd. 89 Vibhavadi-Rangsit Rd., Jompol, Chatuchak, Bangkok 10900 Tel: 0-2545-2676 Fax: 0-2545-2697 | Passenger and Cargos Air Transportation Services | Ordinary | 450.00 | 100.00 |

| Company Name | Type of Business | Type of Shares | Paid-up Authorized Shares (Million Baht) | Equity Ratio (%) |
|--|---|----------------|--|------------------|
| Don Mueang International Airport Hotel Co., Ltd. 333 Moo 10, Chert Wudthakas Rd., Don Mueang, Bangkok 10210, Tel: 66(0)-2566-1020 Fax: 66(0)-25661941 | Hotel and Restaurant | Ordinary | 120.00 | 40.00 |
| Phuket Air Catering Co., Ltd. 10/3 Moo 6, Sanambin Rd., Tambon Mai Khao, Thalang, Phuket 83000 Tel: 66(0)-7632-7497-9 66(0)-7632-7500-6 Fax: 66(0)-7632-7123-4 | Airline Catering | Ordinary | 100.00 | 30.00 |
| Royal Orchid Hotel (Thailand) Plc. 2 Captain Bush Lane, Charoen Krung Rd.,Bangrak 10500 Tel: 66(0)-2266-0123 Fax: 66(0)-2236-6656 | Hotel and Restaurant | Ordinary | 937.50 | 24.00 |
| Bangkok Aviation Fuel Services Plc. 171/2 Moo 10, Vibhavadi-Rangsit Rd., Sikan, Don Mueang, Bangkok 10210 Tel: 66(0)-2565-3811-8 Fax: 66(0)-2565-3825 | Aviation Fuel Services, Aviation Depot, Aircraft Refueling Services | Ordinary | 510.00 | 22.59 |
| Suvarnabhumi Airport Hotel Co., Ltd. 999 Suvarnabhumi Airport Hotel Building, Moo 1, Nongprue, Bang Phli Samutprakarn 10540 Tel: 66(0)-2131-1111 Fax: 66(0)-2131-1188 | Hotel and Restaurant | Ordinary | 1,017.78 | 30.00 |

Note : Information as of December 31,2013

References

| | |
|---|--|
| Securities Registrar (Common Shares) | : THAILAND SECURITIES DEPOSITORY CO., LTD. 62 Ratchadapisek Road, Klongtoei, Bangkok 10110 Tel. 66 (0) 2229-2800, 66 (0) 2229-2888 Fax. 66 (0) 2654-5427, 66 (0) 2654-5642 |
| Debenture Holders' Representative 1/2004 | : THANACHART BANK PLC. Securities and Custodian Services Department Basement, Glas Haus Building, Sukhumvit 25 North Klongtoey, Wattana, Bangkok 10110 Tel.66 (0) 2207-4900 Ext. 1300 - 1308 |
| Debenture Registrar 1/2004 | : THE SIAM COMMERCIAL BANK PLC. Corporate Trust Operations Division Building 2, Fl.3, 1060 New Phetchaburi Road, Makkasan, Rajthawi Bangkok 10400 Tel. 66 (0) 2256-2323-27 Fax. 66 (0) 2256-2405 |
| Debenture Holders' Representative 1/2005 | : CIMB THAI BANK PLC. 44 Langsuan Road, Lumpini, Pathumwan Bangkok 10330 Tel. 66 (0) 2626-7507 Fax. 66 (0) 2626-7542 |
| Debenture Registrar 1/2005 | : TMB BANK PLC. Securities Operation and Investment Banking 3000 Phaholyothin Road Chompon, Chatuchak Bangkok 10900 Tel. 66 (0) 2299-1321 , 66 (0) 2299-1536 Fax. 66 (0) 2242-3270 |
| Debenture Holders' Representative 1/2007 | : TMB BANK PLC. Securities Operation and Investment Banking 3000 Phaholyothin Road Chompon, Chatuchak Bangkok 10900 Tel. 66 (0) 2299-2465 , 66 (0) 2299-1887 Fax. 66 (0) 2242-3208 |
| Debenture Registrar 1/2007 | : TMB BANK PLC. Securities Operation and Investment Banking 3000 Phaholyothin Road Chompon, Chatuchak Bangkok 10900 Tel. 66 (0) 2299-1321 , 66 (0) 2299-1536 Fax. 0-2242-3270 |

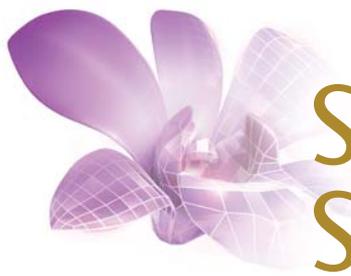
| | |
|--|---|
| Debenture Holders' Representative 1/2008 | : TMB BANK PLC. Securities Operation and Investment Banking 3000 Phaholyothin Road Chompon, Chatuchak Bangkok 10900 Tel. 66 (0) 2299-2465 , 66 (0) 2299-1887 Fax. 66 (0) 2242-3208 |
| Debenture Registrar 1/2008 | : TMB BANK PLC. Securities Operation and Investment Banking 3000 Phaholyothin Road Chompon, Chatuchak Bangkok 10900 Tel. 66 (0) 2299-1321 , 66 (0) 2299-1536 Fax. 66 (0) 2242-3270 |
| Debenture Holders' Representative 1/2011 and 2/2011 | : CIMB THAI BANK PLC. 44 Langsuan Road, Lumpini, Pathumwan Bangkok 10330 Tel. 66 (0) 2626-7507 Fax. 66 (0) 2626-7542 |
| Debenture Registrar 1/2011 2/2011, and 2/2012 | : CIMB THAI BANK PLC. 44 Langsuan Road, Lumpini, Pathumwan Bangkok 10330 Tel. 66 (0) 2626-7507 Fax. 66 (0) 2657-3333 |
| Debenture Registrar 3/2012 | : BANK OF AYUDYA PLC. 1222 Rama III Road, Bang Phongphang Yan Nawa Bangkok 10120 Tel. 66 (0) 2296-3341 Fax. 66 (0) 2683-1297 |
| Auditor | : OFFICE OF THE AUDITOR GENERAL OF THAILAND Rama 6 Road, Phayathai, Bangkok 10400 Tel. 66 (0) 2271-8000 Ext. 2405 Fax. 66 (0) 2618-5783 |

Other Significant Information

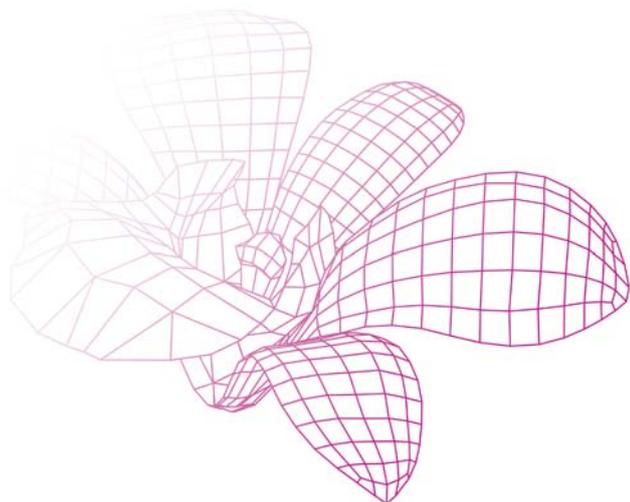
Other Factors Bearing Impact on Investment Decision

The commercial airline industry is in a state of high competition by not just rival network legacy carriers but also mushrooming low cost carriers, rapidly growing Middle-East carriers along with the burgeoning chartered services. Overarching the health of the global air transport industry is the rate of global economic growth for which we have seen slowing growth and the advent of the AEC all bear significant impact on THAI's

operating and financial performance. Fluctuating interest rates, wide swings in foreign currency exchange, fluctuating fuel price, potential natural disasters and potential political unrest domestic and abroad all present operating risk to THAI and thus bear impact on the Company's financial performance. It is recommended therefore, that investors and stakeholders take the time to carefully study the Company's information and other factors that may bear direct or indirect impact on the Company before making an investment decision.



Sense of Superb Services







Shareholders

The names of major shareholders, number of shares held and percentage of shareholding as of March 18, 2013 are as follows:

| Ranking | Name of Shareholders | Number of Shares | Percentage |
|---------|--|----------------------|---------------|
| 1 | MINISTRY OF FINANCE | 1,113,931,061 | 51.03 |
| 2 | VAYUPAK FUND 1 BY MFC ASSET MANAGEMENT PCL. | 167,757,720 | 7.69 |
| 3 | VAYUPAK FUND 1 BY KRUNG THAI ASSET MANAGEMENT PCL. | 167,757,720 | 7.69 |
| 4 | THAI NVDR COMPANY LIMITED | 51,339,498 | 2.35 |
| 5 | GOVERNMENT SAVING BANK FUND | 46,409,885 | 2.13 |
| 6 | HSBC (SINGAPORE) NOMINEES PTE LTD | 25,424,876 | 1.16 |
| 7 | STATE STREET BANK EUROPE LIMITED | 17,591,103 | 0.81 |
| 8 | MR. EAM ARCHAVAKULTHEP | 17,190,000 | 0.79 |
| 9 | EAST FOURTEEN LIMITED-DIMENSIONAL EMER MKTS VALUE FD | 14,595,611 | 0.67 |
| 10 | MR. VICHAI KANATHANAVANICH | 13,000,000 | 0.60 |
| 11 | OTHER SHAREHOLDERS | 547,774,443 | 25.08 |
| | Total Paid up Capital | 2,182,771,917 | 100.00 |
| | Thai Shareholders | 2,023,823,356 | 92.72 |
| | Foreign Shareholders | 158,948,561 | 7.28 |

The Ministry of Finance holds a 51.03% stake in the Company, THAI is a state enterprise and is subjected to the following Government guidelines:

1. THAI must obtain approval from the Cabinet for investments of significant value.
2. The Office of the Auditor General is responsible for auditing the Company's financial statements.

Dividend Policy



The Board of Directors may propose an annual dividend payment, however, it must be approved by the shareholder. THAI's dividend policy is to pay an annual dividend of not less than 25% net profit before gain/loss on foreign currency exchange on the Company's consolidated financial statements and is subject to consideration of future investment plans and other relevant factors.

The Public Limited Company Act B.E.2535 (PLCA) prohibits public companies to pay dividends if there is an accumulated loss. Though the Company may be profitable but still has retained losses, as per the PLCA and the company's Articles of Association requires that the Company set provisions of not less than 5% of its net profit for the year less any retained loss in reserves until the reserve is at least 10% of the Company's registered capital.





Management Structure

Board of Directors

The Board of Directors has ultimate responsibility for the administration of The Company's affairs. The Company's Articles of Association provide for a Board of Directors of between 5 and 15 Directors, as decided at the Company's annual general meeting of shareholders.

No less than half of the Directors must reside in Thailand. At the Company's annual general meeting of shareholders, one-third of the Directors are required to retire and new Directors will be elected. Directors that are required to retire may be re-elected.

As of December 31, 2013, the Company's Board of Directors consists of the following members:

| Board of Directors | | Number of Attendance/ Total Meeting (times) | Period of Time |
|--------------------|--|--|-----------------------|
| 1. | Mr. Ampon Kittiampon Chairman of the Board | 15/15 | 27 Apr 11 - Apr 14 |
| 2. | Mr. Areepong Bhoocha-oom Vice Chairman | 13/15 | 25 Apr 12 - Apr 15 |
| 3. | Mr. Kanit Sangsubhan Director | 14/15 | 24 Apr 13 - Apr 16 |
| 4. | Mr. Chutinant Bhirom Bhakdi Director | 10/15 | 11 Nov 11 - Apr 15 |
| 5. | Mr. Dheerasak Suwannayos Director | 15/15 | 27 Apr 11 - Apr 14 |
| 6. | ACM Prajin Juntong Director | 5/15 | 24 Apr 13 - Apr 16 |
| 7. | Mr. Weerawong Chittmittrapap Director | 13/15 | 24 Apr 13 - Apr 16 |
| 8. | ACM Satitpong Sukvimol Director | 2/15 | 25 Apr 12 - Apr 15 |
| 9. | Mr. Sutham Siritipsakorn Director | 12/15 | 13 Nov 12 - Apr 14 |
| 10. | ACM M.L. Suprija Kamalaksana Director | 15/15 | 25 Apr 12 - Apr 15 |
| 11. | Pol. Gen. Adul Sangsingkeo Director | 9/15 | 18 Jan 13 - Apr 15 |
| 12. | Mr. Somchai Siriwatanachoke Director | - | 20 Dec 13 - Apr 13 |
| 13. | Mr. Pongpanu Svetarundra Director | - | 20 Dec 13 - Apr 13 |
| 14. | Mr. Athapol Yaisawang Director | - | 20 Dec 13 - Apr 13 |
| 15. | Mr. Sorajak Kasemsuvan Director | 15/15 | 13 Nov 13 - 31 Dec 13 |
| 16. | Mr. Voradej Harnprasert Former Director | - | 11 Nov 11 - 31 Dec 12 |
| 17. | Pol. Gen. Pongsapat Pongcharoen Former Director | 1/1 | 13 Nov 12 - 15 Jan 13 |
| 18. | Mr. Apiporn Pasawat Former Director | 4/4 | 28 Apr 10 - 24 Apr 13 |
| 19. | Pol. Gen. Wichan Potephosree Former Director | 9/10 | 18 Jan 13 - 30 Sep 13 |
| 20. | Mr. Silpachai Jarukasemratana Former Director | 9/13 | 25 Apr 12 - 29 Oct 13 |
| 21. | Mr. Chulasingh Vasantasingh Former Director | 12/14 | 24 Apr 13 - 17 Nov 13 |

Note : Former Directors were members of the Board of Directors retired before December 31, 2013
: No directors hold the Company's shares

Executive Management

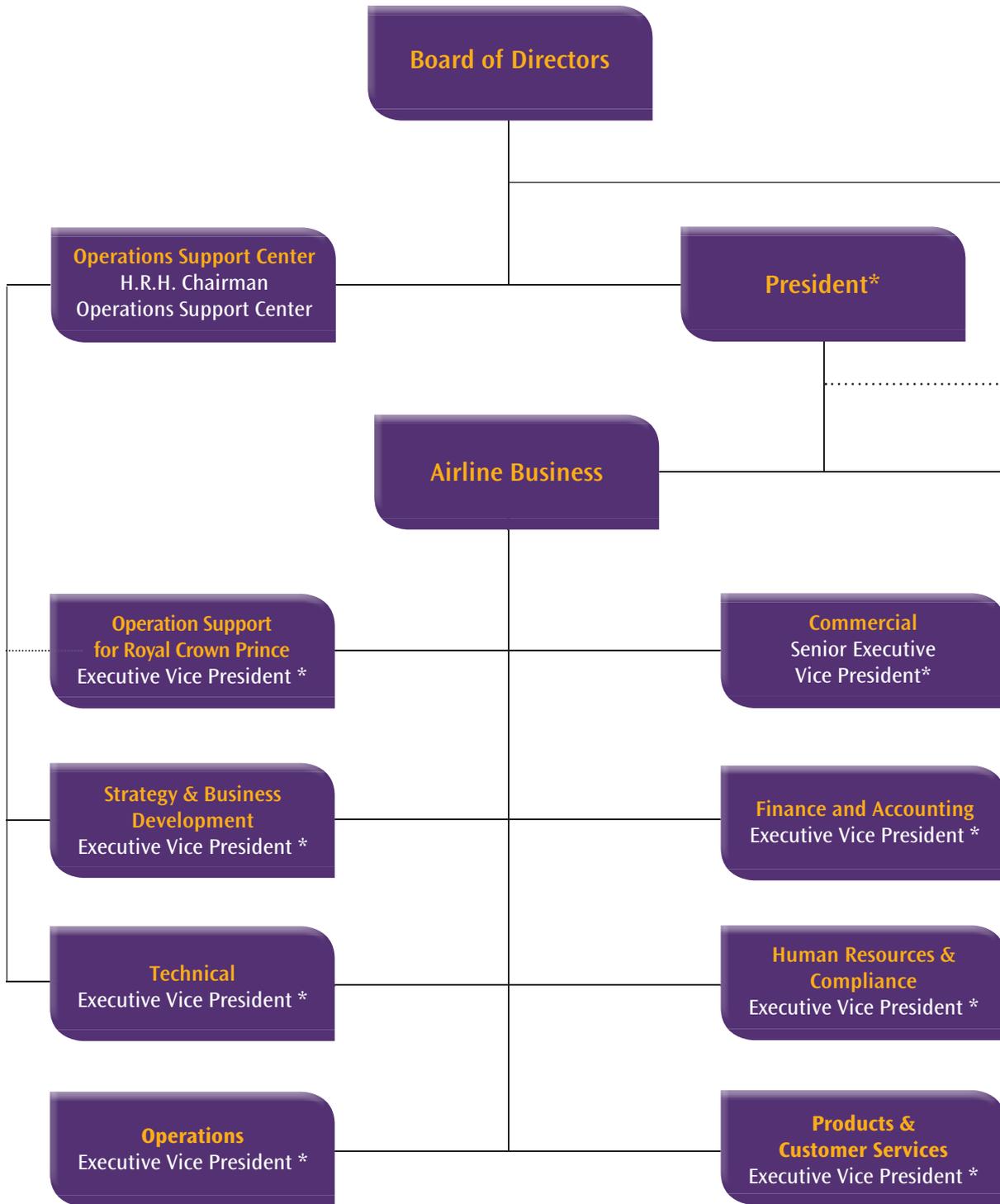
As of December 31, 2013, the Company has 13 Executive Management positions : 1 President, 1 Senior Executive Vice President, 8 Executive Vice Presidents, and 3 Vice Presidents, comprising :

| Name | Position |
|----------------------------------|--|
| 1. Mr. Sorajak Kasemsuvan | President |
| 2. Mr. Chokchai Panyayong | Senior Executive Vice President, Commercial Department |
| 3. Mr. Pandit Chanapai | Managing Director, Ground Services Business Unit Executive Vice President Level |
| 4. Flt. Lt. Montree Jumrieng | Executive Vice President, Technical Department |
| 5. Sgn. Ldr. Asdavut Watanangura | Executive Vice President, Operation Support for Royal Crown Prince |
| 6. Mr. Danuj Bunnag | Executive Vice President, Products and Customer Services |
| 7. Mr. Niruj Maneepun | Executive Vice President, Human Resources and Compliance |
| 8. Mr. Teerapol Chotichanapibal | Executive Vice President, Strategy and Business Development Department |
| 9. Mrs. Wasukarn Visansawatdi | Executive Vice President, Finance and Accounting |
| 10. Lt. Athisak Padchuenjai | Executive Vice President, Operations |
| 11. Mr. Thongchai Singhakul | Vice President, Financial Accounting Department |
| 12. Mrs. Charita Leelayudth | Vice President, Management Accounting and Budget Department |
| 13. Mr. Raj Tanta-Nanta | Vice President, Corporate Finance Department |

Note: Executive Management are as per the definition of "Management" denoted by the SEC

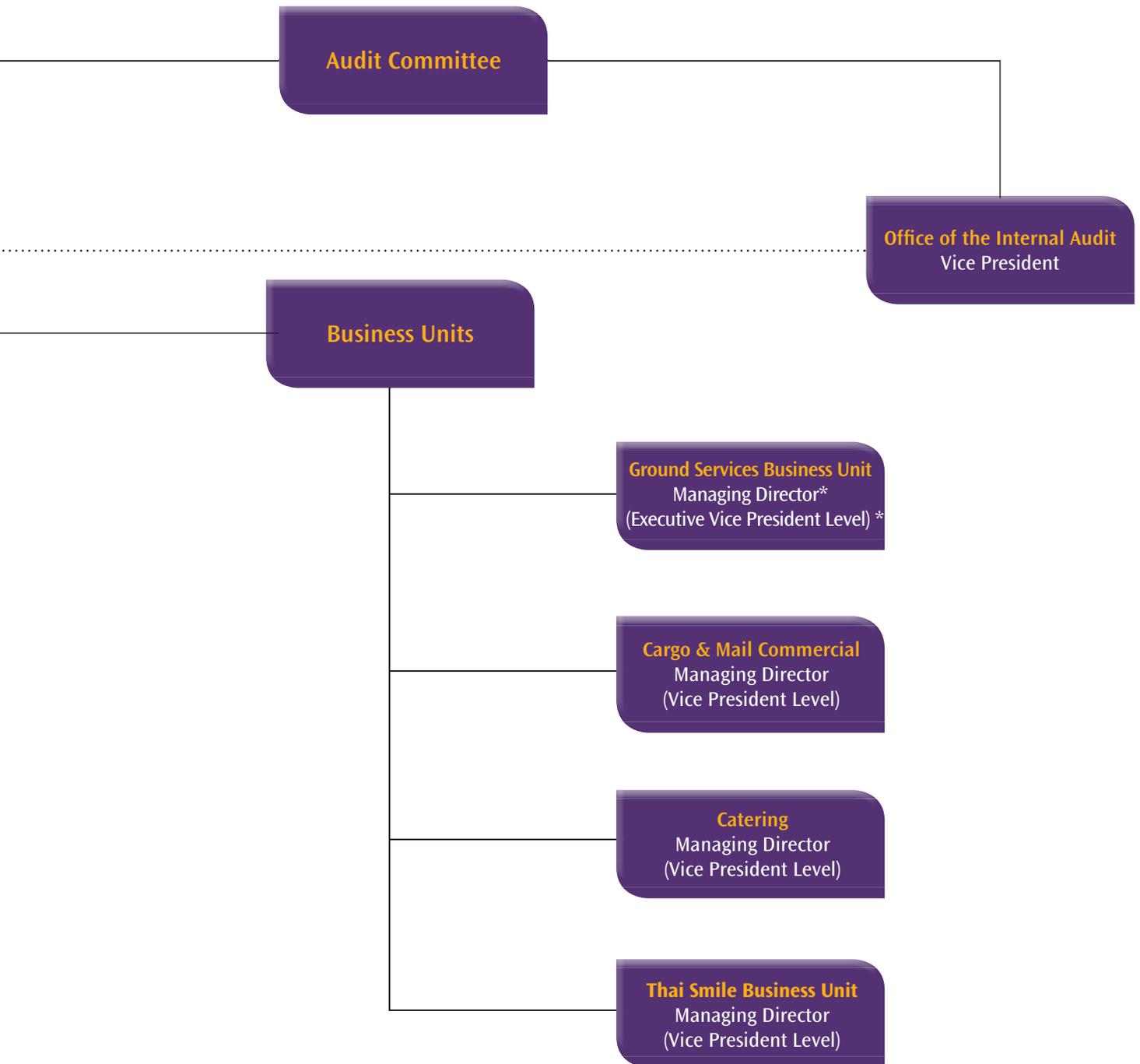
Management Structure

As of December 31, 2013, the Company’s management structure consists of the Board of Directors, Sub-committees and the Executive Management team.



Note: “Executive Management” are as per the definition of “Management” denoted by the SEC





Corporate Secretariat

The Company's Board of Directors understands the importance of the role and responsibilities of the Corporate Secretariat and the need to comply with the Securities and Exchange Act (No.4) B.E. 2551 Section 89/15, which the Board of Directors must establish a Corporate Secretariat to undertake actions on behalf of the Company or the Company's Board of Directors. Mrs. Suvimol Bualerd, Vice President has been appointed the Company's Secretariat and also serves as secretary to the Company's Board of Directors.

Remuneration for Members of the Board of Directors and Management Monetary Benefits

Remuneration for Board of Directors

The resolution of the 2012 Annual General Shareholders' Meeting dated April 25, 2012 provided for 2012 bonus payment and remuneration for members of the Board for a period of May 1, 2012 to April 30, 2013 as proposed by the Nomination, Remuneration and Human Resource Development Committee and the Board of Directors as follows:

1. Each Board member receives a fixed THB 50,000 monthly remuneration and a monthly allowance of no more than THB 30,000 for Board Meeting attendance. The Chairman and the Vice Chairman receive meeting allowance that is 25% and 12.5% higher than other Board members, respectively.

2. Upon being appointed by the Board or the Chairman of the Board to a Committee, a Sub-Committee or a Working Group, the Director receives an additional THB 10,000 per meeting attendance. However, the maximum allowance paid is THB 10,000 per month.

3. Members of the Audit Committee receive a monthly remuneration equivalent to that of meeting allowance of Board members whether or not a meeting is called.

The Board of Directors shall receive an annual bonus equivalent to 0.2% of consolidated net profit before gain or loss from foreign currency exchange; however, the total amount shall not exceed THB 30 million. The rate shall be used for calculation of bonus for the coming years.

For May 1, 2013 to December 31, 2013 the Chairman of the Audit Committee shall receive remuneration 25% more than that of other committee members.

Compensation for Executive Management for the year 2013 ending December 31, 2013

Unit : THB million

| Committee | Number of Persons | Remuneration including allowance and bonus |
|-------------------------------|-------------------|--|
| Company's Board of Directors | 21 | 21.34 ¹⁾ |
| Audit Committee ²⁾ | 3 | 1.09 |
| Other Committee | 14 | 0.79 |
| Executive Management | 13 | 70.18 |

Note : 1) Remuneration for Directors includes meeting allowances and annual rewards for 2013 (not including remuneration for Audit Committee)

2) Remuneration for Audit Committee

Remuneration for the Board of Directors for the period December 31, 2013

| Board of Directors | | Meeting Allowance Board of Directors | Meeting Allowance Other Committee (THB) | Bonus Fiscal year 2012 (THB) | Total Remuneration (THB) |
|-----------------------------|--|--------------------------------------|---|------------------------------|--------------------------|
| | | | Meeting Allowance Audit Committee | | |
| 1. Mr. Ampon Kittiampon | <ul style="list-style-type: none"> ● Chairman of the Board of Directors ● Independent Director ● Chairman of the Establishment of Thai Smile as a Subsidiary Steering Sub-Committee | 1,050,000.00 | 70,000.00 | 506,822.08 | 1,626,822.08 |
| 2. Mr. Areepong Bhoocha-oom | <ul style="list-style-type: none"> ● Vice Chairman of the Board of Directors ● Independent Director ● Member of the Executive Board Committee ● Chairman of the THAI President's Performance Evaluation Committee ● Chairman of the Nomination, Remuneration and Human Resource Development Committee | 971,250.00 | 80,000.00 | 436,614.76 | 1,487,864.76 |
| 3. Mr. Kanit Sangsubhan | <ul style="list-style-type: none"> ● Director of the Board of Directors ● Independent Director ● Chairman of the Executive Board Committee ● Member of the THAI President's Performance Evaluation Committee ● Member of the Revenue Enhancement and Cost Control Committee ● Member of the Establishment of Thai Smile as a Subsidiary Steering Sub-Committee ● Member of the Nomination, Remuneration and Human Resource Development Committee ● Vice Chairman of the Fuel Price Risk Management Sub-Committee | 960,000.00 | 340,000.00 | 405,457.66 | 1,705,457.66 |

| Board of Directors | | Meeting Allowance Board of Directors | Meeting Allowance Other Committee (THB) | Bonus Fiscal year 2012 (THB) | Total Remuneration (THB) |
|--------------------------------|---|--------------------------------------|---|------------------------------|--------------------------|
| | | | Meeting Allowance Audit Committee | | |
| 4. Mr. Chutinant Bhirom Bhakdi | <ul style="list-style-type: none"> ● Director of the Board of Directors ● Independent Director ● Member of the Audit Committee ● Member of the THAI President's Performance Evaluation Committee ● Member of the Corporate Social Responsibility Committee | 870,000.00 | 80,000.00 | 405,457.66 | 1,715,457.66 |
| | | | 360,000.00 | | |
| 5. Mr. Dheerasak Suwannayos | <ul style="list-style-type: none"> ● Director of the Board of Directors ● Member of the Executive Board Committee ● Chairman of the Cash Management and Foreign Exchange Risk Management Committee ● Chairman of Revenue Enhancement and Cost Control Committee ● Member of the Establishment of Thai Smile as a Subsidiary Steering Sub-Committee ● Chairman of the Risk Management Committee ● Member of the Good Corporate Governance Committee ● Chairman of the Flue Price's Risk Management Sub-Committee | 960,000.00 | 400,000.00 | 405,457.66 | 1,765,457.66 |
| 6. ACM Prajin Juntong | <ul style="list-style-type: none"> ● Director of the Board of Directors ● Independent Director ● Chairman of the Steering Committee for Maintenance and Operations ● Member of the Risk Management Committee | 561,666.67 | 80,000.00 | - | 641,666.67 |

| Board of Directors | | Meeting Allowance Board of Directors | Meeting Allowance Other Committee (THB) | Bonus Fiscal year 2012 (THB) | Total Remuneration (THB) |
|---------------------------------|--|--------------------------------------|---|------------------------------|--------------------------|
| | | | Meeting Allowance Audit Committee | | |
| 7. Mr. Weerawong Chittmittrapap | <ul style="list-style-type: none"> ● Director of the Board of Directors ● Independent Director ● Member of the Audit Committee ● Member of the Litigation Committee ● Member of the Good Corporate Governance Committee ● Member of the Legal Committee ● Member of the Corporate Social Responsibility Committee | 930,000.00 | 190,000.00 | 405,457.66 | 1,885,457.66 |
| | | | 360,000.00 | | |
| 8. ACM Satitpong Sukvimol | <ul style="list-style-type: none"> ● Director of the Board of Directors ● Independent Director ● Member of the Good Corporate Governance Committee ● Member of the Nomination, Remuneration and Human Resource Development Committee ● Member of the THAI President's Performance Evaluation Committee ● Member of the Steering Committee for Maintenance and Operations | 630,000.00 | 20,000.00 | 405,457.66 | 1,055,457.66 |

| Board of Directors | | Meeting Allowance Board of Directors | Meeting Allowance Other Committee (THB) | Bonus Fiscal year 2012 (THB) | Total Remuneration (THB) |
|---------------------------------|--|--------------------------------------|---|------------------------------|--------------------------|
| | | | Meeting Allowance Audit Committee | | |
| 9. Mr. Sutham Siritipsakorn | <ul style="list-style-type: none"> ● Director of the Board of Directors ● Independent Director ● Member of the Executive Board Committee ● Member of Revenue Enhancement and Cost Control Committee ● Member of the Establishment of Thai Smile as a Subsidiary Steering Sub-Committee ● Member of the Nomination, Remuneration and Human Resource Development Committee | 870,000.00 | 230,000.00 | 54,282.58 | 1,154,282.58 |
| 10. ACM M.L. Suprija Kamalasila | <ul style="list-style-type: none"> ● Director of the Board of Director ● Independent Director ● Member of the Executive Board Committee ● Member of the Human Resource and Organization Steering Committee ● Member of the Steering Committee for Maintenance and Operations ● Member of the Risk Management Committee ● Acting Chairman of the Labor Relations Committee | 960,000.00 | 230,000.00 | 405,457.66 | 1,595,457.66 |
| 11. Pol. Gen. Adul Saengsingkeo | <ul style="list-style-type: none"> ● Director of the Board of Director ● Independent Director ● Member of the Steering Committee for Maintenance and Operations ● Member of the Good Corporate Governance Committee ● Member of the Corporate Social Responsibility Committee | 872,580.65 | 30,000.00 | - | 902,580.65 |

| Board of Directors | | Meeting Allowance Board of Directors | Meeting Allowance Other Committee (THB) | Bonus Fiscal year 2012 (THB) | Total Remuneration (THB) |
|-------------------------------------|--|--------------------------------------|---|------------------------------|--------------------------|
| | | | Meeting Allowance Audit Committee | | |
| 12. Mr. Sorajak Kasemsuvan | <ul style="list-style-type: none"> ● Director of the Board of Directors ● Member of the Executive Board Committee ● Member of the Labor Relations Committee | 560,000.00 | 140,000.00 | 54,282.58 | 754,282.58 |
| 13. Pol. Gen. Pongsapat Pongcharoen | <ul style="list-style-type: none"> ● Former Director of the Board of Directors | 54,193.55 | - | 54,282.58 | 108,476.13 |
| 14. Mr. Apiporn Pasawat | <ul style="list-style-type: none"> ● Former Director of the Board of Directors ● Former Member of the Executive Board Committee ● Former Member of the THAI President Performance Evaluation Committee ● Former Member of the Corporate Social Responsibility Committee ● Former Member of the Establishment of Thai Smile as a Subsidiary steering Sub-Committee ● Former Member of the Nomination, Remuneration and Human Resource Development Committee | 310,000.00 | 130,000.00 | 405,457.66 | 845,457.66 |
| 15. Pol. Gen. Wichan Potephosree | <ul style="list-style-type: none"> ● Former Director of the Board of Directors ● Former Member of the Executive Board Committee ● Former Chairman of the Risk Management Committee ● Former Member of the Corporate Social Responsibility Committee | 662,580.65 | 90,000.00 | - | 752,580.65 |

| Board of Directors | | Meeting Allowance Board of Directors | Meeting Allowance Other Committee (THB) | Bonus Fiscal year 2012 (THB) | Total Remuneration (THB) |
|-----------------------------------|---|--------------------------------------|---|------------------------------|--------------------------|
| | | | Meeting Allowance Audit Committee | | |
| 16. Mr. Silpachai Jarukasemratana | <ul style="list-style-type: none"> Former Member of the Human Resource and Organization Steering Committee Former Member of the Risk Management Committee Former Chairman of the Labor Relations Committee Former Member of the Good Corporate Governance Committee | 770,000.00 | 180,000.00 | 384,409.31 | 1,334,409.31 |
| 17. Mr. Chulasingh Vasantasingh | <ul style="list-style-type: none"> Former Vice Chairman of the Board of Directors Former Chairman of the Audit Committee Former Chairman of the Litigation Committee Former Chairman of the Legal Committee | 869,583.33 | 160,000.00 | 456,139.87 | 1,851,973.20 |
| | | | 366,250.00 | | |
| 18. Mr. Piyasvasti Amranand | <ul style="list-style-type: none"> Former Director of the Board of Directors | - | - | 190,542.94 | 190,542.94 |
| 19. Mr. Voradej Harnprasert | <ul style="list-style-type: none"> Former Director of the Board of Directors | - | - | 405,457.66 | 405,457.66 |
| 20. POL. Gen. Preophan Damapong | <ul style="list-style-type: none"> Former Director of the Board of Directors | - | - | 321,956.65 | 321,956.65 |
| 21. Mr. Pradit Sintavanarong | <ul style="list-style-type: none"> Former Director of the Board of Directors | - | - | 329,018.92 | 329,018.92 |

Note : Former Chairman, Former Vice Chairman and Former Directors were members of the Directors retired before December 31, 2013

Other Compensation

Ticket Benefits

Board of Directors

As per the 2011 Company guideline on ticket benefits for directors and former directors, Board members are entitled to 10 free international round trip tickets and 10 free domestic round trip tickets per annum on Business class or the highest class (upon availability) only for the duration of their tenure as a member of the Company's Board of Directors.

Executive Management

Executive management including spouses and children are entitled to air tickets as per the Company's guidelines.

Provident Fund

The Company's Provident Fund was registered on June 26, 1992, for which contributions are made by both staff and the Company. A 9% contribution is made to the fund by the Company for staff whose

tenure is less than 20 years while those with tenures greater than 20 years receive a 10% contribution. Each employee is required to make contributions not less than 2% of monthly salary and no more than the Company's contribution.

Pension Fund

The Company established a staff pension fund with the policy of contributing 10% of staff's salary for which the funds are invested and earn interest. Should there be a shortfall of available funds against its liabilities the Company will make a one-time contribution to the fund to match its liabilities.

Staff must have worked for the Company at least 3 years before being eligible to receive payment upon resignation, retirement or death. Staff hired post the inception of the provident fund in June of 1992 are only allowed to participate in the Staff Provident Fund. As a result, no new members have been added to the Pension Fund since June 1992.

Total contribution made to Executive Management's provident fund and pension fund for the year 2013 ending December 31, 2013

| | Number of Persons | Total Amount (THB million) |
|----------------------|-------------------|----------------------------|
| Executive Management | 13 | 3.27 |

Note: "Executive Management" of 13 persons, including those retiring and resigning before December 31, 2013

Human Resource

As of December 31, 2013, THAI has in total 25,323 permanent staff and their tenure ends at the age of 60 at the end of the budget year (30 September). There are certain limitations for which THAI may take to reduce the number of

employees to increase efficiency or reduce cost. The guidelines observed within the Company are in line with that of the Country's labor laws stipulating guidelines in hiring and releasing employees and further providing guideline on retirement.

Number of Employees by Locale and Function

| | Number of Persons | | |
|--|-------------------|---------------|---------------|
| | 2013 | 2012 | 2011 |
| Total Number of Employees | 25,323 | 25,412 | 25,856 |
| By Work Location | | | |
| • Bangkok | 22,172 | 22,209 | 22,567 |
| • Other Places in Thailand | 1,588 | 1,607 | 1,642 |
| • Overseas | 1,563 | 1,596 | 1,647 |
| By Function | | | |
| • Cockpit and cabin crew | | | |
| - Cockpit crew | 1,279 | 1,252 | 1,433 |
| - Cabin crew | 6,187 | 6,094 | 6,186 |
| • Technical Department | 4,371 | 4,336 | 4,401 |
| • Commercial Department | 1,763 | 1,801 | 1,850 |
| • Ground Services Department | 177 | 5,366 | 5,333 |
| • Ground Customer Services Department | 2,644 | - | 3,108 |
| • Ground Equipment Services Department | 2,132 | - | 2,225 |
| • Catering Department | 1,884 | 1,926 | 1,956 |
| • Cargo and Mail Department | 1,617 | 1,645 | 1,679 |
| • Others | 3,269 | 2,992 | 3,018 |

Employee Remuneration Table

Unit : Million Baht

| Cash Remuneration | 2013 | 2012 | 2011 |
|-------------------|---------------|---------------|---------------|
| Employees | 22,548 | 21,619 | 21,841 |
| Cockpit Crew | 6,098 | 8,627 | 5,624 |
| Cabin Crew | 8,985 | 5,735 | 8,591 |
| | 37,631 | 35,981 | 36,056 |



Human Resource Training and Development

Human Resource Training and Development Expense

Unit : Million Baht

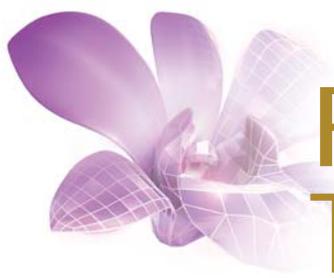
| | 2013 | 2012 | 2011 |
|--|------------|------------|------------|
| Expenses for Employee Development and Training | 93 | 98 | 90 |
| Expenses for Cookpit Crew Development and Training | 438 | 455 | 659 |
| Expenses for Cabin Crew Development and Training | 4 | 8 | 14 |
| Total | 535 | 561 | 763 |

Labor Relations Policies

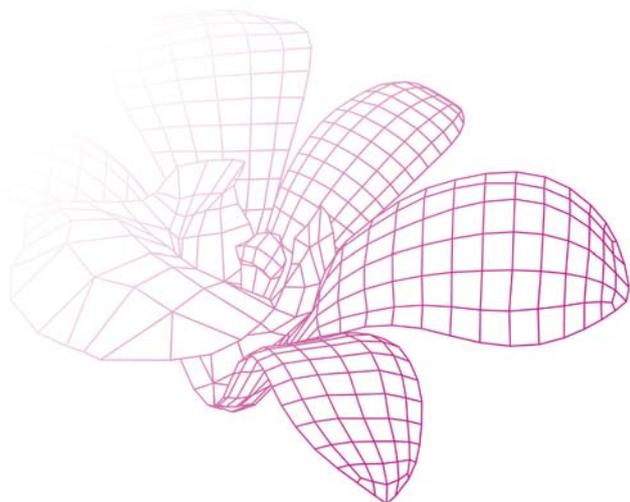
It is in the best interest of the Company to develop and maintain healthy labor relations to ensure the greatest efficiency in achieving the Company's established goals and observe the guidelines outlined in the State Enterprise Labour Relations Act B.E. 2543. An ongoing communication channel has been established to enable a working relationship and an open channel for dialogue in the form of a Labor Relations Committee represented by employees and the Company as prescribed by law. Meetings are held on a monthly basis and the Committee has the authority to consider issues and provide comments as to how improvements in efficiency can be made to run the Company. The Committee is also tasked to improve labor relations, find channels to minimize friction within the Company and also to assess and review operating guidelines so that there is mutual benefit to the employer, employee and the Company. Considering and review grievances filed by employees or the labor union and appeals filed in case of punishment along with reconsidering employment conditions. There have been a number of filings to the Labor Relations Committee but resolution has been reached amiably. As for cases filed in court, amiable resolution has also been reached in accordance with the law. Beyond the venue for the Committee, THAI has been supportive of a variety of employee activities.

Policies on Labor Protection

Safe, hygienic and healthy working environment is a very important concern of the Company. With diverse work functions, a team represented by management and employees have been selected to the Safety, Hygiene and Healthy Working Environment Committee to review and assess safety concerns while ensuring abidance with all applicable laws. The Committee is also tasked with ensuring that there is sufficient safety equipment, tools and other items necessary to facilitate safety and reduce risk of potential accidents and personal safety of employees. Efforts have also been made to inform employees of measures taken by the Company to ensure rights of employees and in recognizing the importance of its human resource, THAI provides medical treatment to employees and is also in line with legal requirements.



Fly with Touches of Thai







Corporate Governance



Good Corporate Governance Committee Report

Thai Airways International Public Company Limited has taken to heart the importance of ethics as it sets the tone of leadership that emphasizes management transparency, equality and auditable. THAI's business principles are defined by its ethical framework and constantly improved in view of economic and social changes as well as under the Stock Exchange of Thailand and Thailand Institute of Directors (IOD) regulations.

The Company's Board of Directors has assigned the Corporate Governance Committee to supervise, monitor, and review all corporate governance matters as well as to consider trends and new developments as stipulated by the Asean CG Scorecard. Routine assessment is undertaken to determine changes and improvements to be made to the Company's good corporate governance principles to ensure

a robust guideline that adheres to the highest international standard.

The Good Corporate Governance Committee also recognizes that fostering good corporate governance principles ensures a company's long-term stability and sustainability to the company. Emphasis has been put on providing knowledge, understanding and benefits of such principles to employees of all levels to enhance work effectiveness. The Company also supports various good corporate governance activities promoting a corporate culture that fosters confidence, trust, respect and loyalty within the Company.

Efforts to foster and maintain high ethical standards has earned the Company a rating of "Excellent" for the second consecutive year from the Thai Institute of Directors (IOD) for overall corporate ethics. This reflects the mindset of the Company's Board of Directors, management and staff in regards to upholding the highest standards of good corporate governance.

(Signed)

Pol.Gen. Adul Sangsingkeo
(Pol.Gen. Adul Sangsingkeo)
Chairman of the Good Corporate
Governance Committee
February 3, 2014

Good Corporate Governance

Thai Airways International Public Company Limited is a large top ten state enterprise and the service rendered by the Company contributes of the country's economic vibrancy. As confidence in and growth of a business entity are the crux of sustainable success, THAI believes that by observing the principles of good corporate governance and taking to heart its corporate social responsibilities will serve to sustain THAI's long-term success. These beliefs are also echoed by both the Stock Exchange of Thailand (SET) and the Institute of Directors (IOD) in their guidelines for companies to observe.

To this end, the Company's Board of Directors' directive is to ensure that the Company has a clear business structure with clear management processes, a robust monitoring system and a strong internal audit process. As investors are attuned to a company's financial performance as the reason for investing in a company's equity shares, THAI's investment in its information technology platform beginning with the human resource management system and the SAP system launched for the Finance and Accounting Department have been geared towards improving the information reporting period to enable management to make decisions more quickly. Quicker decision making enhances competitiveness and ultimately provides greater benefits to the Company's customers, shareholders and other stakeholders.

For THAI's efforts in embracing principles of good corporate governance, THAI was awarded and recognized by independent entities including a "very good" rating received consecutively since 2006 and an "excellent" rating for 2012.

Policies on Good Corporate Governance

THAI understands the importance of having good corporate governance and diligently observes such principles in practice. The Company, therefore, instills a culture of good corporate governance for Board members, senior management and employees to enhance THAI's long-term competitiveness and sustainability.

The Company's Board of Directors requires that the Company have a strong set of good corporate governance guidelines as management framework encompassing 4 different aspects :

Policy Framework on Good Corporate Governance.

Policy from THAI's Board of Directors is to run business under good corporate governance by referring to international practices, From this Policy the Board has formulated a framework on good corporate governance focusing at 4 areas as follows;

Government Sector, Society and Community

- Promoting environmental conservation and environmental awareness as regards to the impact resulting from the Company's business activities.
- Stimulate, support and re-emphasize awareness of each and every employee in regards to their duties and responsibilities towards society, the environment and communities.
- Management with awareness of responsibilities towards the environment, society and communities as per all relevant laws and regulation.

Customers and Stakeholders

- Emphasize providing excellent service to customers and stakeholders, meeting their needs.
- Enable customers and stakeholders to lodge comments through various channels.
- Promote and encourage technological enhancements to improve service standard and facilitate customer convenience.

- Enhance service standards with customer satisfaction as the desired outcome and taking responsibility for bad service or not being able to meet the agreed to standard of service.

- Ensure fair and level competition along with providing equitable service for all.

Organization

- Create measures to manage and prevent conflicts of interest while also regularly reviewing the adequacy of these measures on a regular basis.

- Promote, cultivate and stimulate the awareness risks resulting from unethical practices and instilling such awareness into the Company's culture, emphasizing consequences of not complying with moral, ethical and good governance principles.

- Develop preventive mechanisms and procedures in handling unanticipated incidents where the public is adversely affected by the Company's products and/or services and for cases where there is anticipation for potential adverse impact on the general public as a result of the Company's products and/or services.

- Being mindful regarding the integrity of information being disclosed to the general public through development of a comprehensive information database and ensuring availability of the latest information.

- Promote and establish a risk management system to ensure operating efficiency and effectiveness, ensuring accuracy of reports and abiding with all relevant internal control guidelines.

Employees

- Emphasize, support and promote development of human resource, organizational loyalty and ensure a clear succession plan.

- Ensure a pleasant working environment to motivate employees and provide employees with the necessary skills and competencies to enhance the Company's overall operating efficiency.

- Encourage and support knowledge, information sharing and learning to improve overall operating standard.

- Respect employees' personal privacy and rights by ensuring non-disclosure of employees' personal information.

- Monitor and ensure performance and execution of tasks with integrity and transparency. Conflict of interest must be avoided while maximizing the Company's benefits.

- Provide fair and equitable treatment of all employees and provide a channel for which complaints can be lodged against unfair treatment.

THAI's Principles of Good Corporate Governance

Creation of Long Term Value: The Company must promote and instill such vision and the realization of the importance in increasing competitiveness in all aspects of operations including setting up appropriate committees to ensure abidance with Good Corporate Governance guidelines. Management must comply with transparency and fairness guidelines in regards to nominations, appointments, transfers and consideration for promotions.

Transparency: Ensure that there is sufficient disclosure of significant financial, operational and other relevant information related to the Company's past operations for the relevant time period. Information disclosure must be made via channels that are most readily accessible by persons who have relevant need to access such information. Further facilitating information disclosure and dissemination is through the establishment of the Public Relations and the Investors Relations Department. Employees must perform their duties with integrity, must not take actions to benefit their own interests and must avoid conflicts of interest. An employee may not undertake a post as a director, advisor or any other



position at another Company that could cause a conflict of interest. The acceptance of property or any other benefits by any employee must conform to the guidelines specified by the National Anti-Corruption Commission.

Responsibilities: Employees must devote themselves in performing their duties with knowledge and experience to the best of their ability by placing importance on being responsiveness to the needs of shareholders, customers, business partners and fellow employees. Use careful discretion in performing their duties with honesty and fairness. Employees must not engage in any action or activity which conflicts with the Company's interest nor take the opportunity, nor use information received as a result of being an employee of the Company to seek benefits for themselves or others. It is the duty of management to promote and instill the highest sense of responsibility in executing tasks and achieving the Company's objectives.

Accountability: Employees must attentively perform their duties to the best of their ability and must exercise due care in the manner of a person having knowledge and experience including being ready to take responsibility for the outcome of their actions and are able to explain their decisions and actions to the Company's Board of Directors, immediate supervisor, shareholders, customers, business partners and the Company's other stakeholders.

Equitable Treatment: Employees are expected to perform their duties with fairness by providing equal and non-discriminant treatment of stakeholders based on their race, nationality, religion, sex or other unfair reasons. Treatment of business competitors must be in-line with internationally accepted standards under the scope of relevant laws, not infringing on proprietary information and not to fraudulently obtain competitors' trade secrets. A channel must be provided for employees to lodge

complaints against illegal acts or violation of the Company's regulations and to take necessary action within the appropriate time.

Stakeholders' Rights

THAI operates its business with integrity, transparency and ethics emphasizing adherence to good corporate governance principles as well as international best practice with the focus of being transparent, enhancing effectiveness and building shareholder and customer confidence and satisfaction. Further focus is placed on building shareholder value and enhancing benefits to stakeholders while ensuring equitable treatment.

THAI, in its role as the national carrier, has conducted its business guided by the conscience of corporate social responsibility (CSR) reflecting international environmental standards minimizing pollution and waste resulting from undertaking business activities. To be compliant with the Constitution of the Kingdom of Thailand B.E. 2550, the Company's Good Corporate Governance and Ethics Code were drafted, printed and distributed to Company executives and employees reflecting the following guidelines:

Country

THAI operates its business based on transparency and accountability focusing on sustainable growth and maximizing benefit to the country.

Society and the General Public

THAI is aware of its CSR role and emphasizes conservation of natural resource, environment and has the interest of the general public at heart. THAI is supportive of activities that benefits communities or society.

Shareholders

THAI shall operate its business to generate satisfactory return for Shareholders and ensure equitable treatment of all shareholders.

Customers

THAI shall render quality services, emphasize customer safety and convenience and shall seek means to better meet customer needs building on confidence towards THAI and enhancing customer satisfaction.

Business Partners, Creditors and Debtors

THAI will undertake to build confidence for Business Partners, Creditors and Debtors that they will be equally and fairly treated based upon business relationship that is fair for both parties. THAI shall also avoid any situation which may cause a conflict of interest.

The Employees

THAI provides fair treatment of all its employees and chooses qualified candidates for positions based on clear guidelines and the selection process is undertaken transparently. Ongoing knowledge development forms part of the Company's human resource development strategy in creating opportunities for individual growth.

Leadership and Vision

Leadership is extremely important in managing a successful organization under competition. The quality of a good leader is the ability to build credibility and trust within and without the company. The leader's fine vision should not only be realistic and consistent with the core value of the organization but also challenging. While mission statements are used to guide the organization in its day-to-day operations and lead the organization to sustainably success, focusing on maximizing customer, shareholder, stakeholder and employee benefits. The leader also needs to communicate with the stakeholders relating to their benefits.

The visions of the Company's Board of Directors have been constantly evolved in order to provide a sense of direction in the long term. The Boards,

therefore, has worked collectively with the stakeholders in considering the Company's useful core identity and value and creating practical visions. The Board also ensures that all activities undertaken by the Company are in compliance with all legal and regulatory guidelines to maximize efficiency and effectiveness for the Company.

Business Morals

Business morals are considered to be contributing factors to the Company's success through recognition and credibility enhancement which is a competitive edge that has enabled the Company to be successful. Corporate Social Responsibility is integrated into THAI's overall business and strategy where good corporate governance and ethics form part of THAI's values guiding daily operations of the Company. Each employee is guided by the Company's Good Corporate Governance and Ethics Code along with a number of rules, regulations and guidelines announced by the Company. The goal is to earn respect and give confidence to stakeholders regarding THAI's sound approach to management.

THAI's Ethical Principles:

Ethics

- To adhere to the democratic regime by supporting and adhering to the democratic regime of which the King is the Head of State
- To uphold the Company's interest - perform tasks to maximize Company's benefit and not seek personal benefits and not having conflicts of interest
- To uphold honesty - corruption is not to be tolerated in performing one's duties
- To uphold righteousness - no wrong doing shall be tolerated while executing one's duties and responsibilities
- To uphold transparency - not distorting facts and information given to colleagues, the general public, shareholders and other stakeholders

Balance of Power by Non-Executive Directors

Prior to Board members being approved by the AGM, candidates were screened by the Nomination, Remuneration and Human Resource Development Committee and then reviewed by the Company's Board of Directors as per the Company's guidelines. The Company's Board of Directors is made up of at least 5 persons but not more than 15. As of December 31, 2013, the Company's Board of Directors consisted of 15 persons.

- 14 Non-Executive Board members
- 11 Independent Directors
- 1 Executive Director

Of the 15 Board members, 93.33% are Non-Executive Directors and 73.33% are Independent Directors, which is considered to be sufficient to have a built-in check and balance system. With the current composition of Board members, stakeholders can be assured that shareholders' interests are upheld with an adequate check and balance system.

The Company's Board of Directors has the responsibility of ensuring that the Company abides by all relevant rules and regulations, resolutions reached at the AGM. Board members are expected to execute their tasks and responsibilities honestly with due care and upholding the Company's interests. Each Board member has a fixed tenure as stipulated by the Company's regulations requiring that at least one third of the existing Board members retire based on the length of tenure at each AGM.

Evaluation of Board Members and Evaluating the Performance of the President

As a tool to monitor the performance of the Board of Directors, the annual evaluation of the Board of Directors reflects Good Corporate Governance guidelines. Approved by the Company's Good

Corporate Governance Committee, the criteria of evaluation is modified regularly to enable better assessment and improve the overall effectiveness of the Board of Directors. The evaluation process consists of a self-assessment section, a cross evaluation section and a full Board evaluation. Results from the evaluation are reflected upon the Board of Directors to develop programs geared towards enhancing Board Members' knowledge and capability in executing their tasks.

THAI has appointed a committee to evaluate the performance of the President. The Committee is comprised of members of the Board and representatives from management and the Committee is also charged with the responsibility of evaluating the President's performance twice a year.

Combination and Segregation of Positions

The Chairman of the Board of Directors does not hold a management position but is an Independent Director and is not the same person holding the position of Company President. The Chairman of the Board has no relations to other members of the Board or members of Management. There is a clear written differentiation between the responsibilities and roles of the Company's Board of Directors and that of the Company's Management.

Remuneration for Directors and Management

The Company's Board of Directors appointed the Nomination, Remuneration and Human Resource Development Committee whose task is to determine the appropriate level of remuneration for members of the Board, member of various sub-committees and the Company's management. This also includes setting remuneration for non-company personnel hired to execute tasks for the Company. The remuneration guidelines are

clear and transparent while being attractive to retain qualified Board members and is benchmarked against other companies in the industry.

Board members who took on additional responsibility were given an appropriate level of extra remuneration. As for Board members who are also a part of management and the management of the Company, remuneration is linked to the Company's financial performance and in part linked to individual performance. To comply with the Ministry of Finance's good corporate governance principles and that of the SET including internationally accepted guidelines, remuneration for Board members must comply with the amount approved at the AGM. For the year 2013, remuneration for Board Members and Management Executives has been disclosed in the Board and Management Executive Remuneration section.

Sub-Committees

The Company's Board of Directors appointed knowledgeable and experienced Board members to various sub-committees to assist in analyzing and screening of important issues that may require close monitoring in the various areas of operations. The various sub-committees are expected to provide thoughts, comments and recommendations to the Board of Directors for consideration and decision making. The various sub-committees as defined by the principles of Good Corporate Governance, the Company assigned these sub-committees to be responsible for various areas. Information on the sub-committees has been detailed in the Board of Directors and Sub-Committees Section.

Board of Directors' Report

The Board of Directors is responsible for preparing a summary of the Company's performance and to discuss issues that impacted the Company's operations during the year. The Board is also

responsible for putting in place a strong and effective risk management and internal control process. An Internal Audit Committee was appointed to ensure comprehensive and transparent disclosure of financial information and ensure that the Company has a robust internal control process that is in abidance with generally accepted accounting standards. Both the Board of Directors and the Audit Committee have provided summary statements regarding their respective areas of concern in the annual report.

Personal Development for Directors and Senior Executives

There has been enhanced interest by stakeholders, investors, shareholders, government units and listed companies themselves in the role in which directors of publicly listed companies are playing to champion good corporate governance. With the ever increasing important role that members of the Board are taking on, stakeholders are no longer satisfied with just a summary report but are expecting the Board of Directors to successfully steer and guide the Company towards sustainable growth. Growth in itself is a function of employed capital where the mix consists of 2 portions, internally generated capital and that which has been obtained from investors or creditors. It is therefore an important role for the Board of Directors to look after the interests of institutional and retail shareholders and to provide such shareholders with the highest rate of return. With the role of Board members becoming increasingly important, it is the Company's policy to regularly enhance knowledge and skills of Board Members and management alike so as to ensure that Board Members are able to better execute their role as a member of the Board. It is also important for senior management to undergo the same training so as to ensure that they are able to better represent the Company in the capacity

of a Board Member of a subsidiary, an associated or an affiliate company of THAI. To meet the growing challenges, the Board of Directors mandated that Board Members, Executive Management and the Corporate Secretary register as members of the Thai Institute of Directors Association (IOD), amongst other institutions. The benefit of such membership is the wealth of knowledge that can be obtained to expand knowledge and sharpen skills by attending the various courses and seminars provided by IOD, The Securities Exchange of Thailand, The Office of the Securities and Exchange Commission (SEC) and The Association of Publicly Listed Companies. The Board of Directors has attended the following courses organized by the IOD:

- The Director Accreditation Program (DAP)
- The Director Certification Program (DCP)
- The DCP Refresher Course (Re-DCP)
- The Audit Committee Program (ACP)

- The Role of the Chairman Program (RCP)
- The Finance for Non-Finance Director (FN)
- The Understanding the Fundamental of Financial Statements (UFS)
- The Financial Statements for Directors (FN)
- The Executive Director Course (EDC)
- The financial Institution Governance Program (FGP)

Board and Executive Management Training

The Company's Board of Directors along with the Company's Executive Management recognizes the importance of regularly participating in seminars on issues related to ongoing knowledge development in regards to executing duties of a Board Member. As of December 31, 2012, the Company's Board of Directors along with the Company's Executive Management have attended the following training/seminars provided by the IOD:

| Board of Directors | Position | Course Attended |
|------------------------------|---|---|
| Mr. Ampon Kittiampon | Chairman and Independent Director | <ul style="list-style-type: none"> Director Certification Program (DCP 80/2006) |
| Mr. Areepong Bhoocha-oom | Vice Chairman, Independent Director | <ul style="list-style-type: none"> Director Certification Program (DCP 3/2000) DCP Refresher Course (Re DCP 2/2009) |
| Mr. Kanit Sangsubhan | Independent Director | <ul style="list-style-type: none"> Director Accreditation Program (DAP 21/2004) |
| ACM Satitpong Sukvimol | Independent Director | - |
| Mr. Weerawong Chittmittrapap | Independent Director Member of the Audit Committee | <ul style="list-style-type: none"> Director Certification Program (DCP 0/2000) The Executive Director Course (EDC 1/2012) |
| Mr. Dheerasak Suwannayos | Director | <ul style="list-style-type: none"> Director Accreditation Program (DAP 26/2004) |
| ACM M.L. Suprija Kamalasana | Independent Director | <ul style="list-style-type: none"> Director Accreditation Program (DAP 54/2006) |
| Mr. Chutinant Bhirom Bhakdi | Independent Director Member of the Audit Committee | <ul style="list-style-type: none"> Audit Committee Program (ACP 38/2012) Director Certification Program (DCP 49/2004) Role of the Chairman Program (RCP 11/2005) |
| ACM Prajin Juntong | Independent Director | - |
| Pol.Gen. Adul Sangsingkeo | Independent Director | <ul style="list-style-type: none"> Director Certification Program (DCP 118/2009) Financial Institutions Governance Program (FGP7/2003) |
| Mr. Sutham Siritipsakorn | Independent Director | <ul style="list-style-type: none"> Director Accreditation Program (DAP 63/2007) |
| Mr. Pongpanu Svetarundra | Director | <ul style="list-style-type: none"> Director Certification Program (DCP 17/2002) Financial Statements for Director (FSD 2/2008) Role of Chairman Program (RCP 21/2009) Financial Institutions Governance Program (FGP7/2003) |
| Mr. Somchai Siriwatanachoke | Director | <ul style="list-style-type: none"> Director Certification Program (DCP 146/2011) Financial Statements for Director (FSD 12/2011) |
| Mr. Athapol Yaisawang | Chairman of the Audit Committee Independent Director | - |
| Mr. Sorajak Kasemsuvan | Director President | <ul style="list-style-type: none"> Director Accreditation Program (DAP 22/2004) Director Certification Program (DCP 157/2012) |

Sub-Committee Board of Directors

The Board of Directors has ultimate responsibility for the administration of The Company's affairs. The Company's Articles of Association provides for a Board of Directors of between 5 and 15 persons whose appointment is approved at the annual general meeting of shareholders. The requirement is also that no less than half of the Directors must reside in Thailand. At the Company's annual general meeting of shareholders, one-third of the Directors are required to retire, and new Directors will be elected. Directors that are required to retire may be re-elected.

As of December 31, 2013 the Company's Board of Directors consists of the following members:

1. Mr. Ampon Kittiampon
Chairman and Independent Director
2. Mr. Areepong Bhoocha-oom
Vice Chairman and Independent Director
3. Mr. Kanit Sangsubhan
Independent Director
4. Mr. Chutinant Bhirom Bhakdi
Independent Director and Audit Committee
5. Mr. Dheerasak Suwannayos
Director
6. ACM Prajin Juntong
Independent Director
7. Mr. Pongpanu Svetarundra
Director
8. Mr. Weerawong Chittmittrapap
Independent Director and Audit Committee
9. ACM Satitpong Sukvimol
Independent Director
10. Mr. Somchai Siriwatanachoke
Director
11. Mr. Sutham Siritipsakorn
Independent Director
12. ACM M.L. Suprija Kamalasana
Independent Director

13. Pol.Gen. Adul Sangsingkeo
Independent Director

14. Mr. Athapol Yaisawang
Independent Director and Chairman of Audit Committee

15. Mr. Sorajak Kasemsuvan
Director

Mrs. Suvimol Bualerd (Vice President, Corporate Secretariat Department) as Secretary

Authorized Directors

Signatures of Mr. Ampon Kittiampon, Chairman and either of Mr. Kanit Sangsubhan or Mr. Sorajak Kasemsuvan along with a Company seal constitutes a binding contract.

Audit Committee

To ensure abidance with policies on good corporate governance as stipulated by the Ministry of Finance and the Stock Exchange of Thailand, to increase shareholder and investor confidence, the Company's Board of Directors appointed the Audit Committee. As of December 31, 2013 the Audit Committee consisting of non-executive Board members:

1. Mr. Athapol Yaisawang
Chairman

2. Mr. Chutinant Bhirom Bhakdi
Member (who has knowledge and experience in reviewing reliability of Financial Statements)

3. Mr. Weerawong Chittmittrapap
Member

Mrs. Keseree Narongdej
Advisors to the Audit Committee

Ms. Raweepon Kuhiran
Advisors to the Audit Committee

Mrs. Nantana Sangkavichitr
(Vice President, Office of the Internal Audit Secretary)

The members of our Audit Committee must meet the following requirements of the Thai Capital Market Supervisory Board, which include:

1. Members must be independent directors with qualifications as defined by the Capital Market Supervisory Board.

2. Members may not be directors authorized by THAI's Board of Directors to make any decisions in the business operations of a parent company, its subsidiary company or a subsidiary at the same level as our Company, or its majority shareholders or controlling persons.

3. Members may not be directors of a parent company, its subsidiary company or a subsidiary of the same level

4. Members must have sufficient knowledge and experience to perform their duties as Audit Committee members.

Audit Committee's Authority and Responsibilities

1. The Audit Committee reviews the Company's financial statements and ensures sufficient and correct disclosure of financial information

2. Ensures the adequacy and effectiveness of internal control measures and internal audit processes while also ensures the independence of the Internal Audit Department. The Committee's responsibility is also to provide consent on the appointment, transfer of or the dismissal of the head of the Internal Audit Department

3. Ensuring the Company adheres to all Stock Exchange of Thailand rules and regulations and all other related legal guidelines to the Company's business

4. Consider, screen and submit for approval qualified independent persons to undertake the function of the Company's financial auditor along with submitting for approval the applicable auditor's fees. It is also required that the Audit Committee

meet with the Company's financial auditor at least once a year without the presence of the Company's management

5. Review all transactions determined to be related party transactions or have conflicts of interest and ensuring adherence to all legal guidelines and regulations that of the Stock Exchange of Thailand and determine appropriateness of such transactions and ensuring that such transactions are in the best interest of the Company

6. Prepare an Audit Committee statement, as per the guidelines of the Stock Exchange of Thailand, to be included in the Company's annual report and must be signed by the Chairman of the Audit Committee

7. Undertake other activities that may be prescribed by the Company's Board of Directors within the scope of the Audit Committee's function

8. Upon finding or have any questions regarding transaction or actions taken which may bear significant impact on the Company's financial stability and financial performance, the Audit Committee must report such findings and/or query to the Company's Board of Directors for immediate corrective action within the time period as stipulated by the Audit Committee. These include:

(1) Transactions that are flagged as having conflicts of interest

(2) Corruption or something out of the ordinary or any fault or loophole in the internal audit process

(3) Breaking rules or guidelines set by the Stock Exchange of Thailand or any legal guidelines governing the Company's business

Good Corporate Governance Committee

To ensure integrity of the Company's operations with respect to the principles of good corporate governance as stipulated by both the Ministry of Finance and the Stock Exchange of Thailand and is in

line with international best practices, the Company's Board of Directors appointed the Good Corporate Governance Committee. As of December 31, 2013 the Good Corporate Governance Committee consist of:

1. Pol.Gen. Adul Sangsingkeo
Chairman
2. ACM Satitpong Sukvimol
Member
3. Mr. Dheerasak Suwannayos
Member
4. Mr. Weerawong Chittmitrapap
Member
5. Mr. Somchai Siriwatanachoke
Member
6. President
Member
7. Executive Vice President, Human Resources and Compliance
Member and Secretary
8. Vice President, Legal and Compliance Department
Assistant Secretary

Good Corporate Governance Committee's Authority and Responsibilities

1. Review corporate governance procedures and making recommendations to the Board of Directors with the goal of establishing good corporate governance according to the principles set forth by the MoF and the SET
2. Review adherence and observance of good corporate governance guidelines
3. Coordinate with the Company's Board of Directors and related sub-committees as deemed appropriate
4. Has the authority to question management, employees or other related persons to provide a statement and/or view point including the authority to request documents or other necessary items to assist in decision making

5. Other undertakings as may be designated by the Board of Directors

Independent Directors

To ensure that THAI adheres to the principles of good corporate governance as stipulated by the Securities and Exchange Commission (SEC), similar guidelines of the State Enterprise Policy Office (SEPO) and that of the Institute of Directors (IOD), the Board of Directors appointed the Independent Directors. As of December 31, 2013 the Independent Consist of:

1. Mr. Ampon Kittiampon
Independent Director
2. Mr. Areepong Bhoocha-oom
Independent Director
3. Mr. Kanit Sangsubhan
Independent Director
4. Mr. Weerawong Chittmitrapap
Independent Director
5. ACM Satitpong sukvimol
Independent Director
6. Mr. Chutinant Bhirom Bhakdi
Independent Director
7. ACM M.L. Suprija Kamalasangana
Independent Director
8. Mr. Sutham Siritipsakorn
Independent Director
9. Pol.gen. Adul Sangsingkeo
Independent Director
10. ACM Prajin Juntong
Independent Director
11. Mr. Athapol Yaisawang
Independent Director

Independent Directors' Authority and Responsibilities

1. Freely provide comments/suggestions and/or provide progress reports on undertakings as assigned by the Board of Directors to ensure that

the Company has corporate governance which complies with the Ministry of Finance and the Stock Exchange of Thailand's guidelines and guidelines for which the Company is evaluated annually including international best practices.

2. The Committee has the authority to obtain documents and summon relevant persons to provide information in regards to assigned task(s) and other matters as assigned by the Board of Directors.

3. Other matters as assigned by the Board of Directors

The duty of this Committee is to provide independent thoughts and comments and to also ensure equal benefits for all shareholders.

Nomination, Remuneration and Human Resource Development Committee

Following the good corporate governance principles of both the Ministry of Finance and that of the Stock Exchange of Thailand and in observance of international best practice, the Company's Board of Directors appointed Nomination, Remuneration and Human Resource Development Committee. As of December 31, 2013 the Nomination, Remuneration and Human Resource Development Committee consists of :

- | | |
|-----------------------------|---------------------------------------|
| 1. Mr. Areepong | Bhoocha-oom |
| | <i>Chairman</i> |
| 2. ACM Satitpong | Sukvimol |
| | <i>Vice Chairman</i> |
| 3. Mr. Kanit | Sangsubhan |
| | <i>Member</i> |
| 4. Mr. Sutham | Siritipsakorn |
| | <i>Member</i> |
| 5. President | |
| | <i>Member</i> |
| 6. Executive Vice President | |
| | Human Resource and General Management |
| | <i>Department</i> |
| | <i>Secretary</i> |

Nomination, Remuneration and Human Resource Development Committee's Authority and Responsibilities

1. The Committee is charged with the obligation to draft a selection and appointment process for the Company's Board Members along with the Company's senior management and strategy to develop the Company's human resource. Such process must be ethical and comply with the good corporate governance principles as stipulated by the Ministry of Finance and the Stock Exchange of Thailand and conforms to international best practices. The latest approach to human resource management is needed to be able to screen and select the most qualified persons to sit on the Company's Board of Directors and senior management posts. The selection process must be fair, transparent and auditable while all candidates are to be treated equally.

2. The Committee is also responsible for determining the appropriate level of compensation for members of the Board of Directors, Sub-Committees, the Company's management and outsiders who have been commissioned to perform tasks on the Company's behalf. The compensation scheme should be comparable to companies within the industry but must be sufficient to attract and retain persons possessing desired qualities. Board members who have been assigned additional tasks and responsibilities should also appropriately compensate for their extra effort and commitment. For members of the Board with management responsibilities and that of the Company's senior management, compensation is tied to the Company's overall performance and each individual's effort and contribution. Such guidelines reflect the Company's efforts in fulfilling the good corporate governance guidelines stipulated by both the Ministry of Finance and the Stock Exchange of Thailand while

observing international best practices.

3. The Committee has the authority to obtain documents and summon relevant persons to provide information in regards to assigned task(s).

4. Execute other matters as assigned by the Board of Directors.

5. The Committee is charged with the authority to review the appropriateness of each position within the Company, responsibilities assigned to each position especially for senior management level positions.

6. Conduct the selection process of suitable persons to be members of the Board of Directors and Executive Vice President level positions and submit such candidates to the Board of Directors to be appointed, promoted or rotated prospective candidates for our Board of Directors and senior management.

Risk Management Committee

To ensure that the Company has a robust risk management system that not only conforms to the Stock Exchange of Thailand's good corporate governance guidelines but also guidelines established to assess the Company's annual performance and meeting international standards, the Risk Management Committee was established to ensure adherence to the stipulated guidelines. As of December 31, 2013 the Risk Management Committee consists of:

1. Mr. Dheerasak Suwannayos
Chairman
2. ACM Prajin Juntong
Member
3. Mr. Pongpanu Svetarundra
Member
4. President
Member

5. Executive Vice President,
Commerce Department
Member

6. Executive Vice President
Corporate Finance and Accounting
Department
Member

7. Executive Vice President
Business Strategy and Development
Department
Secretary

Mr. Pichai Chunchavajira, Expert on fuel hedging
as Chairman of the Risk Management Working Group

Risk Management Committee's Authority and Responsibilities

1. Provide consultation and advice on all Company's risk management
2. Supervise the implementation of risk management, follow up on risk identification and risk assessment, including assess of adequate essential risk management
3. Formulate policies on suitable cash management such as identify investment budget, investment period, ratios, conditions, return policy and acceptable investment risk
4. Consider request on setting up of private fund and procurement of private fund manager
5. Consider guidelines on following up and assessment of return on investment in order to control possible risk
6. Consider guidelines and policies on foreign exchange risk in accordance with revenue, cost and debt structure, including accounting standards that impact the Company's current and future budgeting
7. Has the authority to summon relevant persons and documents to clarify matters under consideration.
8. Execute other matters as assigned by the Board of Directors.

Corporate Social Responsibility Committee (CSR)

To ensure ongoing adherence to the Company's CSR guidelines to enhance the Company's social value through regular CSR communication, the Company's Board of Directors appointed CSR Committee. As of December 31, 2013 to the Corporate Social Responsibility Committee consists of :

1. Mr. Somchai Siriwattanachoke
Chairman
2. Mr. Weerawong Chittmitrapap
Member
3. Mr. Chutinant Bhirom Bhakdi
Member
4. Pol. Gen. Adul Sangsingkeo
Member
5. President
Member
6. Senior Vice President,
Strategy and Business Development
Member
7. Executive Vice President, Commercial
Member
8. Executive Vice President, Human Resources
and Compliance
Member
9. Vice President, Corporate Communications
Member and Secretary

Along with Mr. Ampon Kittiampon as Advisor to the Committee

CSR Committee's Authority and Responsibilities

1. Specify policies and establish clear guidelines for CSR to enable adherence and commitment by employees to the Company's commitment to environment conservation under the "Green Innovation" concept.

2. Sponsoring activities and projects under the "Travel Green" concept involving shareholders,

passengers, stakeholders and employees in such activities.

3. Host activities to raise awareness and re-emphasize concerns for environmental conservation and the society. Consider and approve activities and projects to be sponsored by the Company in relation to environmental conservation.

4. Ensure regular communication of the Company's CSR activities and to prepare CSR Report to be released to the general public on a regular basis.

5. To approve the Company's CSR budget including donations, sponsorships for air tickets and other activities along with budget control.

6. To review and approve all proposals to use the CSR budget.

7. Other undertakings as may be designated by the Board of Directors.

The Executive Board

The Executive Board consisting of the persons below were appointed and given the responsibility to ensure that the Company is run with maximum efficiency and to be able to meet the challenges of a dynamic operating environment while ensuring maximum benefit to the Company. As of December 31, 2013 the Executive Board consists of:

1. Mr. Kanit Sangsubhan
Chairman
2. Mr. Areepong Bhoocha-oom
Member
3. Mr. Dheerasak Suwannayos
Member
4. Mr. Sutham Siritipsakorn
Member
5. ACM M.L. Suprija Kamalaksana
Member
6. Mr. Sorajak Kasemsuvan
Member

Mrs. Suvimol Bualerd (Vice President, Corporate Secretariat Department) as Secretary

The Executive Board's Authority and Responsibilities

1. Oversee the various aspects of the Company's operations to ensure abidance with corporate policies, corporate plans and that of the Company's Board of Directors

2. Screen issues to be submitted for Board of Directors' consideration

3. Provide suggestions in regards to approach and measures to improve the Company's operating effectiveness and efficiency

4. Approve procurement value not exceeding THB 800 million as per the Company's procurement policy

5. Has the authority to approve non-budgeted investments of more than THB 50 million and less than THB 100 million and must report such authorizations to the Board of Directors

6. Has the authority to summon relevant staff and documents to clarify matters under consideration

7. Has the authority to appoint sub-committees and working groups as deemed appropriate

8. Execute other matters as assigned by the Board of Directors

In case of necessity, the Executive Board may propose for the Board of Directors to approve hiring of consultants to perform tasks on the Company's behalf. At each meeting of the Executive Board, at least half of the members must be present in order to constitute a quorum. The Chairman is the Chairperson of the meeting and if the Chairman is unable to attend the meeting or is unable to execute his duties, the Chairman is to appoint another Board member to act as the Chairperson on his/her behalf. In case that the Chairman is not able to appoint another Board member to act as Chairperson, members of the Executive Board present at the

meeting shall vote amongst themselves for a member of the Executive Board to act as Chairperson.

A majority vote by Members of the Executive Board determines a resolution with each member of the Board having one vote. Board Members that may have conflicts of interest on a particular issue must leave the room during discussion and does not have the right to vote on the particular issue. Should there be a tie in the votes the Chairperson will have a second vote to break the tie.

Legal Committee

To ensure that legal issues including issues related to rules, guidelines and regulations are handled correctly and efficiently, the Board of Directors appoint the following persons to the Legal Committee charged with overseeing the above issues:

1. Mr. Chulasingh Vasantasingh
Chairman
2. Mr. Weerawong Chittmittrapap
Member
3. Mr. Sorajak Kasemsuvan
Member
4. Mr. Achporn Charuchinda
Member
5. Mr. Sarawut Benjakul
Member
6. Mr. Kemchai Chutiwong
Member
7. Mr. Amornsuk Noparumpa
Member
8. Mr. Somkiat Chayasriwong
Member
9. Mr. Niruj Maneepun
Member
10. Mr. Bumpen Suppasri
Secretary

Note : Mr. Chulasingh Vasantasingh has resigned from his position of chairman of the Legal Committee since November 18, 2013.

Legal Committee's Authority and Responsibilities

1. To review legal issues including rules, guidelines and regulations as instructed by the Board of Directors, Board Member and the President, or the Executive Vice President of Human Resources and Compliance deems necessary before such issue is to be submitted for consideration by the Board of Directors.

2. To determine action guideline for which the Company is to take in regards to the charges related to the infringement of Antitrust Law or Competition Law in each region to best protect the Company's interests and to draft preventive guidelines to protect against potential future infringements.

3. To review and assess the courtroom proceedings in regards to the cases lodged against the Company in regards to infringement of Antitrust Law or Competition Law. The Committee is also charged with the responsibility of selecting legal consultants and counselors to handle matters on behalf of the Company where each case is filed.

4. To gather evidences, obtain and examine relevant documents in regards to the infringement of Antitrust Law or Competition Law cases including the authority to summon staff or employees for further inquiries

5. To appoint sub-committees and/or working groups as deemed appropriate

6. To summon documents and relevant persons as deemed appropriate

7. To perform other relevant undertakings or any tasks as assigned by the Company's Board of Directors

The Meeting of the Legal Committee is held once a month or as scheduled by the Chairman of the Legal Committee. Resolutions of the Legal Committee are submitted to the Board of Directors for acknowledgement.

Furthermore, the Board of Directors has appointed members of the Board to be member of other committee namely, THAI President's Performance Evaluation Committee, Cash Management and Foreign Exchange Risk Management Committee, Human Resource and Organization Steering Committee, Revenue Enhancement and Cost Control Committee, Steering Committee for Maintenance and Operations, Litigation Committee, Labor Relations Committee, Fuel Price Risk Management Sub-Committee, Establishment of Thai Smile as a Subsidiary steering Sub-Committee.

Nomination and Appointment of the Board of Directors and Management Executives

Board Member Selection

Per the Company's rules and regulations, the Board of Directors must comprise of at least 5 and a maximum of 15 members for which the number is to be approved at the Annual General Shareholders' Meeting. At least half of the Board members must reside in Thailand and each person must possess the appropriate qualifications and is not subject to any legal prohibitions. Directors are appointed by majority vote at the Annual General Shareholders' Meeting in accordance with guidelines and procedures. At every Annual General Shareholders Meeting, one-third of the Directors shall retire from office. If the numbers of Directors do not match one-third exactly, the nearest amount to one-third shall be deemed appropriate.

Guidelines have been stipulated by the Company's Board of Directors in regards to selecting candidates to serve as a member of the Company's Board of Directors. The mandate of the Selection, Remuneration and Human Resource Development Committee is to abide by the Good Corporate Governance guidelines as stipulated the SET

emphasizing process transparency and ethical guidelines along with compliance with the Company guidelines on the selection process.

Determine the necessary qualifications of the Board Member to be selected

1. Key qualifications include sufficiency of knowledge, experience and understanding of the role of being a member of the Board of Directors. It is imperative for the Company's Board of Directors to have persons having the necessary capabilities and understanding to set the direction of the Company and the ability to oversee effectiveness in executing of the Company's strategies.

2. The qualifications of each Board Member should provide comfort that the chosen person has the ability to execute his/her fiduciary duty - duty of care and duty of loyalty. Such person must also be ethical, has integrity and be accountable for his/her actions and makes decisions based on informed judgment.

3. Possesses all the necessary qualifications as per the law and other related regulations

4. Not being hampered in judgment as an Independent Director

5. Has the time to perform one's duties for the Company which can be determined by the number of companies for which a person serves as a Board Member. This is to ensure that the Board Member has sufficient time to attend Board meetings on a regular basis, to oversee its operations and keep abreast of the Company's operations.

Board Member Selection Process

1. The Selection Committee is charged with the responsibility of screening candidates to be selected to serve as a Board Member

Case 1: In case a Board seat is vacated because of a completion of term of the retiring Board Members as required by law where a third of the

Board Members must retire, candidates can be selected from : 1) the same person(s) who has/have retired by rotation; 2) the list of accredited persons to sit on the Board of state enterprises and announced by the Ministry of Finance. In case that a non-accredited Board Member's term is terminated prior to the completion of term, it is required that one third of the person to be replaced from the vacancies must be an accredited person by the Ministry of Finance; 3) list of names of candidates as submitted by shareholders (if any); 4) the name of the candidate submitted by the Chairman of the Board or the Company's Board of Directors; 5) persons whose credentials meet the above criteria determined through a screening process.

Case 2: In case that a Board seat is vacated by other than the case of 2.1, the Company's Selection Committee will undertake to find a new candidate upon a resolution of the Company's Board of Directors to appoint a replacement. Candidates can be selected from 1) the list of accredited persons to sit on the Board of state enterprises and announced by the Ministry of Finance. In case that a non-accredited Board Member's term is terminated prior to the completion of term, it is required that one third of the person to be replaced from the vacancies must be an accredited person by the Ministry of Finance; 2) list of names of candidates as submitted by shareholders (if any); 3) the name of the candidate submitted by the Chairman of the Board or the Company's Board of Directors; 4) persons whose credentials meet the above criteria determined through a screening process.

2. Screen candidates and ensure their credentials are as stipulated

3. Secretary to the Nomination Committee must verify the credentials of persons to be considered to serve as a Board Member as per the process as stipulated by the Company

4. The Selection Committee must screen and submit the names of qualified candidates to the Company's Board of Directors

Majority Vote at the Annual General Shareholders' Meeting to Determine Appointment of Board Member

1. Each shareholder has 1 vote per share owned

2. Each shareholder must vote his/her entire vote in clause no.1 for an individual or individuals to serve as a member of the Company's Board but is not allowed to make partial vote

3. The individual who receives the highest number of votes in sequence will serve on the Company's Board of Directors. In case that there is a tie for the last Board seat, the selection will be done by lottery

In case there is a Board seat vacancy resulting from reasons other than by completed term, the Board of Directors is to appoint a person, whose qualifications must meet all necessary requirements, to serve on the Company's Board at the next Board meeting but requires a vote of no less than 3 quarters of the remaining Board Members unless the remaining term of the vacated Board Member is less than 2 months. The appointed person in this case can serve as a Board Member for the remaining term of the vacated Board seat.

The AGM can vote to remove any Board Member with at least a 3 quarters vote of the number of votes present at the AGM and has voting rights.

At every AGM, at least a third of the Board Members must retire in turn but if the number of Board Members is not divisible by 3, the closest number shall retire. For the first 2 years post registration of the Company, retirees are to be selected by lottery. From then on, Board Members with the longest tenure must retire in turn but may be re-elected back to serve on the Company's Board of Directors.

Appointment of Management Executives

In appointing the Company's President, the Board of Directors must appoint a Nomination Committee comprising of 5 Board members and the Executive Vice President Human Resource. This Committee draws up qualifications and screens suitable candidates according to the Act of Standard Qualifications of the State Enterprise Directors and Staff B.E. 2518 and that of the amended version. The Nominating Committee will submit for a majority vote by the Company's Board of Directors persons whose qualifications meet the minimum requirements.

Nomination of Independent Directors

Guidelines for Nomination of the Independent Directors are similar to that of the Company's Board of Directors. The Company's selection criteria for Independent Directors are more stringent than required by the Securities and Exchange Commission in regards to shareholding requirements. Qualification of Independent Directors is as follows:

1. Shall not hold shares exceeding 0.5% of the total number of voting shares of the Company, its parent company, subsidiary, associate, major shareholder or controlling person, including shares held by related persons of such independent director

2. Shall neither be nor have ever been a director with management authority, employee, staff member, advisor who receives a salary or is a controlling person of the Company, its parent company, subsidiary, associate, same-tier subsidiary company, major shareholder or controlling person unless the foregoing status has ended not less than 2 years prior to the date of becoming a director. Such prohibitions shall not, however, include cases where the independent director previously served as a government officer or an advisor to a government agency which is a major shareholder or controlling person of the Company

3. Shall not be a person related by blood or legal registration as father, mother, spouse, sibling, or child, including spouse of child of other directors, of an executive, major shareholder, controlling person, or person to be nominated as director, executive or controlling person of the Company or its subsidiary

4. Shall neither have nor have ever had a business relationship with the Company, its parent company, subsidiary, associate, major shareholder or controlling person, in a manner that may interfere with his/her independent judgment, and neither is nor has ever been a significant shareholder or controlling person of any person having a business relationship with the Company, its parent company, subsidiary, associate, major shareholder or controlling person, unless the foregoing relationship has ended not less than 2 years prior to the date of becoming an independent director.

5. Shall not be nor have ever been an auditor of the Company, its parent company, subsidiary, associate, major shareholder or controlling person, and not be a significant shareholder, controlling person, or partner of an audit firm which employs auditors of the Company, its parent company, subsidiary, associate, major shareholder or controlling person, unless the foregoing relationship has ended not less than 2 years prior to the date of becoming an independent director

6. Shall not be nor have ever been a provider of any professional services including legal advisor or financial advisor who receives service fees exceeding THB 2 million per year from the Company, its parent company, subsidiary, associate, major shareholder or controlling person, and not be a significant shareholder, controlling person or partner of the provider of professional services, unless the foregoing relationship has ended not less than 2 years prior to the date of becoming an independent director

7. Shall not be a director appointed as representative of the Board of Directors, major shareholder or shareholder who is related to a major shareholder of the Company

8. Shall not undertake any business in the same nature and in competition with the business of the Company or its subsidiary, nor be a significant partner in a partnership or director with management authority, employee, staff member or advisor who receives salary or holds shares exceeding 1% of the total number of shares with voting rights of another company which undertakes business in the same nature and in competition with the business of the Company or its subsidiary

9. Shall not have any other characteristic that limits his or her ability to express independent opinions regarding the Company's operations

Independent Directors whose qualifications meet the 9 criteria above may be appointed by the Company's Board of Directors to make decisions relating to the Company's business operations, the parent company, subsidiaries, associates, same-tier subsidiaries or any juristic person, major shareholder or persons with controlling power over the Company on a collective basis.

In case any person being appointed as an Independent Director has or has ever had a business relationship according to item 4 or has ever been a provider of any professional services according to item 6, the Company's Board of Directors may consider a waiver if it is determined that such qualifications of the person appointed does not bear impact upon his role and the independent of his/her opinion. The Company must disclose such information regarding the Independent Director in the Agenda on the Appointment of Independent Directors as part of the invitation for the Shareholders Meeting.

(1) Business relationship or a provider of professional services which proves such persons not qualified under the specified regulation

(2) Justifications and necessity for maintaining or appointing such persons as the Company's independent directors

(3) Opinion of the Board of Directors of the Company regarding the proposed candidate to be appointed as an independent directors

Supervision of Subsidiaries and Associated Companies

THAI, as the major shareholder, has representation in its subsidiaries and associate companies. Representatives from THAI are persons selected by the Company's executive management and the Board of Directors to be appointed as a Board Member in those subsidiaries and associated companies. Appointees are either members of the Company's Board of Directors or members from the Company's executive management or any external professionals who have knowledge and understanding of the business and someone who can contribute positively to that business. A standard handbook on guidelines of being a representative has been provided to ensure that the appointees diligently execute their duties and responsibilities while upholding THAI's interests.

A quarterly monitoring and operations analysis report of its subsidiaries and associated companies is prepared for the Company's executive management and the Board of Directors as information for decision-making and to set directives for its subsidiaries and associated companies.

Policies on Insider Information Policies and Supervision of Management on Insider Information

THAI strictly adheres to and abides by the guidelines of both the SET and the SEC as the emphasis is placed on good corporate governance. An internal guideline was announced in 2004

that current Board members and those retired from office of less than 6 months are not allowed to buy or sell THAI shares during the period of 1 month prior to and 3 days post the disclosure of the Company's financial statements. The Company Secretariat is responsible for notifying both the Board of Directors and the Executive Management in regards to the blackout period for which THAI's shares cannot be traded.

A monthly shareholding report is provided to both the Board of Directors and Executive Management summarizing changes in shareholding of THAI shares by persons stipulated by the SET, the SEC and the Company's guidelines. Both the Board of Directors and Executive Management have been notified of ensuing penalties for not complying with the established guidelines within the stipulated time. THAI's ethics handbook clearly prohibits the use of Company information for personal gains which is also considered to be a breach of discipline.

Auditor's Fee Financial Auditor's Fee

The Company and its subsidiaries paid audit fees to the Auditor General for undertaking financial audit work for the 2013 accounting year in the amount of THB 4,220,000. No other payment was made to any person or business related to the Auditor General.

Non-Audit Fees

The Company and its subsidiaries paid fees for other services rendered by the Auditor General – audit work as per BOI guidelines, audit work on its business units, audit work on the Company's Indian and Brunei offices. For the 2013 accounting period, total other fees amounted to THB 520,000 and no additional fees were paid to any person or business related to the Auditor General and no payment was made for work that has not been completed for 2013.

Guidance for Good Corporate Governance

The Company is committed to uphold the principles of good corporate governance as stipulated by the Stock Exchange of Thailand (SET). Apart from the Corporate Governance Policy disclosed on the Company's website and in the annual report, THAI's policy on resource management, social awareness and environment conservation are disclosed in the Sustainability Report.

| SET's Rules and Regulations | Compliance by THAI | Reason |
|--|--|--|
| 1 Board Member effectiveness may be lower should one person sit on too many Boards. It is therefore important for the Company's Board of Directors to carefully assess effectiveness and efficiency of individual Board Members. A limit of 5 listed companies should be enforced which includes non-listed subsidiaries of the listed company. Such guideline should also be disclosed for the benefit of the general public. | Complied with Section 7 of the Act of Standard Qualifications of the State Enterprise Directors and Staff B.E. 2518, and the B.E. 2554 Cabinet resolution. | Opportunity loss on recruiting various professional expertise as the Company's directors |
| 2 The Board of Directors shall consider the appropriateness of defining qualification of "Independent Director" more strictly than the qualification set by the SEC and the SET. This is to ensure that independent directors are truly independent but only if it is appropriate for the company. This issue should also be disclosed in the Annual Report. The Board of Directors should establish a tenure guideline for Independent Board Members of no more than 9 consecutive years. In case that such director is considered for re-appointed, the Board should consider appropriateness and necessity. | Under the process of applying policies from the Board of Directors | |
| 3 The Chairman shall encourage each Board Member to attend no less than 75% of the total number of Board meeting. | Some Directors may have attended less than 75% of THAI's Board Meeting (Annual Report) | |
| 4 The charter or responsibilities of the Company's Board of Directors shall be approved by the Board. | Under the process of applying policies from the Board of Directors | |

| SET's Rules and Regulations | Compliance by THAI | Reason |
|---|--|--------|
| 5 The Board of Directors and Sub-committees shall perform self-evaluation once a year so Board and Sub-Committees can review their performance and make changes to improve their effectiveness and establish clear benchmarks for future comparison. | Under the process of applying policies from the Board of Directors | |
| 6 The Board of Directors shall clearly determine the authorities of the Board Chairman and the President. The Chairman of the Board of Directors does not hold a management position but is an Independent Director and is not the same person holding the position of Company President. This should be disclosed in the Company's website and Annual Report. | Under the process of applying policies from the Board of Directors | |
| 7 The Board of Directors shall be able to access any necessary information from the President or the Company's secretary or any other executive management under specified guidelines. In any cases, the Board of Directors may seek the opinion of independent advisors or external professionals for which the related costs are to be the Company's expense. | Under the process of applying policies from the Board of Directors | |
| 8 The Board of Directors should hire an independent advisor in determining guidelines and propose areas for which Members of the Board are to be assessed at least every three years. The results of such evaluation should be disclosed in the Annual Report. | Under the process of applying policies from the Board of Directors | |



Corporate Social Responsibilities



Vision-Corporate Social Responsibilities

“Being an airline that is socially and environmentally responsible.”

THAI’s Principle of Corporate Social Responsibilities

THAI is focused on conserving energy and the environment everywhere THAI has operations footprint while efficiently using natural resources at home. As the national flag carrier, it is part of THAI’s principle to be party to socially responsible activities towards the Company’s various stakeholders including customers, business partners, communities and the general public.

Policy

The following guidelines have been drafted to observe and ensure efficiently principles of corporate social responsibilities:

1. The Company supports activities under THAI’s “Travel Green” concept where shareholders, customers, business partners and Company employees are regularly invited to participate in such activities. THAI also supports technological developments under the concept of “Green Innovation.”

2. The Company supports activities geared to benefitting society and helping those that are less fortunate, supporting activities benefitting the public, supporting various other charities, supporting education and sporting events, supporting religious and cultural functions and also environmental conservation. This is part of THAI’s initiative of giving

back to the community and enhancing the quality of life for the general public.

3. THAI is aware of the impact of its operations on the various aspects of the environment and has plans in place to mitigate the impact of the following areas - pollution from engine exhaust, consuming large volume of fuel, waste water, use of various hazardous chemicals and consuming large volume of power.

4. THAI is consistently and proactively taking actions to improve measures in mitigating impact of the Company’s operations on the environment with clear purpose, goals, procedures and assessment guidelines.

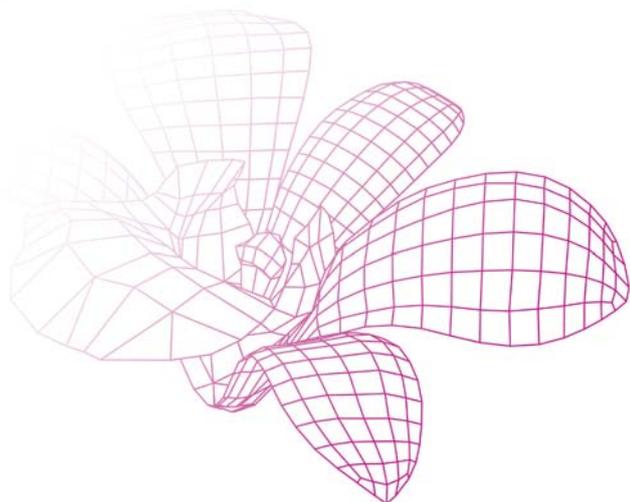
5. THAI consistently works to foster working relationships with other organizations and entities to promote benefits to society and the environment. THAI also supports activities geared towards building cooperation in sharing of resource with other state enterprises.

6. THAI supports activities that builds and instills awareness in THAI’s employees the importance of their duties to the environment and society. Such awareness is important to ensure effectiveness of the Company’s environmental and social policies and for each employee to have the sense of responsibility towards society, communities and the environment.

7. THAI deems it important to clearly communicate regularly its societal and the environmental commitments to the general public including promoting activities undertaken



The Share of Happiness





by the Company to benefit society and the environment. A sustainable development report is prepared and released to the general public annually.

Responsibility to Society Guidelines **Ensure fairness in business operations**

To ensure fair and just business operations, THAI has in place a robust internal control process for which cooperation is required and is part of the guideline for employees to abide. The internal control process is based on the guidelines of The Committee of Sponsoring Organizations of Treadway Commission (COSO). The Company's Internal Audit Department is tasked to take actions to prevent and mitigate against potential loss, make necessary changes in work processes to lower the Company's overall risk exposure. The Department is required to run regular risk assessment to ensure risk control measures are effective and risk exposure is within the Company's range of risk appetite. A Good Corporate Governance and Ethics Handbook has been drafted and given to employees to observe and abide.

Anti-Corruption

In addition to measures as outlined in THAI's good corporate governance guidelines, there are clear action plans that outline steps to prevent corruption. THAI also has internal seminar courses on the topic on corruption prevention and misconduct which has been included in the training program for employees of all levels. Numerous rules and guidelines in place along with the effort to raise employee awareness through outside training are among efforts employed to curb corruption. A Compliance Information Center has been established for the benefit of employees for seeking reference on Company guidelines and to ensure transparency and to be verifiable.

Respecting Individual's Rights

The Company provides certain rights to its employees including safe and hygienic working environment to promote a healthy standard of living. This also includes providing employees the right to pursue their religious aspirations while receiving compensation - ordination as a monk, religious leave, religious practices for female employees and hajj while receiving compensation.

Fair Treatment of Employees

The Company recruit, employs, terminate, trains, promotes, transfers and entrusts work to its employees fairly without prejudice against race, creed, religion, gender, and age, level of education or preferential treatment of a business partner from any particular country.

Responsibility to Consumers

Quality and safety are the most important factors for consumers in the airline industry especially in the area of flight operations. Rigorous selection, training and development are all geared towards having the best people and the experience to ensure the highest level of safety to THAI's customers. With safety in the aircraft cabin being very important, experience in emergency training is a must. Safety information is also kept up to date and readily available to passengers.

Responsibility Towards the Environment

THAI is aware of its responsibilities towards the environment and its conservation. The goal is to be an environmentally friendly airline through supporting various projects to benefit and conserve the environment. The Company works to minimize carbon emissions, reduction in the use of chemicals that destroy the ozone and employ various energy conservation measures. THAI is in support



of the development of bio jet fuel, actively manages its aircraft fuel burn and minimizing waste through acquiring of new aircraft which are more technologically advanced thus reducing overall pollution to the environment.

Joint Development of Communities/ Society

There is ongoing support by the Company in efforts to develop communities/society through employee charity involvement. The Company also supports a number of activities including donations to the needy and those affected by natural disasters, building school buildings, donating school supplies and providing scholarships to students of schools in the remote areas. The Company also puts effort to cultivate conservation of the forest through close cooperation with the local forestry management arm of the government and the National Forestry Department for the local communities to receive long-term environment, economic and social benefits.

Innovations and Sharing of Innovation Obtained from Operations to Benefit Society, Environment and Stakeholders

Innovations are constantly being employed to enhance operations and improve customer services. Flight schedule, flight information,

reservation, ticket purchase, check-in, seat selection and ticket issuance can now be done at the customer's own convenience via e-channels - mobile/tablet browser through www.thaiairways.com, mobile application via THAI m Service, iPad application via THAI Touch.

2013 Activities in Support of Society and the Environment

- Sponsored transport of blood for the Thai Red Cross
- Provided assistance to flood victims in Ayutthaya and Chachoengsao
- THAI in conjunction with the Airbus Foundation provided equipment and supplies to the Children's Hospital
- The "Pilot Doctor, Angel Nurse" project is supported by the Company in having THAI's pilots who are licensed doctors and cabin crew who are licensed nurses to provide health check-ups and dental care to the people of the Kam Hin community in Amphur Suan Phueng, Ratchburi province.
- The "Pan Rak Jak Chaow Karn Bin Thai" project raised funds and supplies for teachers and the army living and working in the 3 southern provinces of Thailand. In conjunction with the Boeing Company, THAI donated 1,000 backpacks and school supplies to students in the Chulaporn Camp, Narathiwat province.

CORPORATE SOCIAL RESPONSIBILITIES

- The “Pa Nong Thong Faa” project was held twice in 2013. The first round was to let children from schools around Suvarnabhumi Airport to fly around and view the Gulf of Thailand. The second was letting underprivileged children from the 3 southern provinces of Thailand to fly around and view the islands in the southern part of Thailand.

- THAI supported air tickets for representatives in the Knowledge Olympic competition traveling to compete abroad. THAI also supported tickets for the badminton team from the Baan Thong Yod Badminton club to compete overseas.

- THAI in conjunction with the Institute for the Promotion of Teaching Science and Technology (IPST) sponsored a knowledge Olympic in mathematics and science for children of schools around Suvarnabhumi Airport.

- THAI and 4 organizations related to the aeronautical industry - Airports of Thailand PCL., Aeronautical Radio of Thailand Ltd., Civil Aviation Training Center (Thailand), Department of Civil Aviation (Thailand) sponsored the “Airport for Knowledge” event enabling senior high school students from 9 schools around Suvarnabhumi Airport to get firsthand information regarding the aviation industry and professional jobs in the industry.

- THAI sponsored badminton camp for children of THAI’s employees to train and learn of technical skills related to badminton with trainers from the Baan Thong Yod Badminton club.

- THAI sponsored the “Karn Bin Thai Plook Chewit Hai Pandin” communal forest project in Chiang Rai and the “Khuen Chewit Kluay Mai Soo Prai Pruek” project in Chiang Mai.

The Company has drafted a Sustainability Handbook that provides information on the Company’s policies and guidelines as regards to responsibilities towards society. The handbook has been sent to its shareholders and disclosed to the general public on the Company’s website.

Anti-Corruption Guidelines

Corruption and unbecoming behavior among others are factors that could bear significant negative impact on the Company. A “whistle blower” policy has been implemented to help ensure integrity of the Company’s operations and also has put in place a clear guideline for which complaints can be filed against persons not abiding by the Company’s rules, policies, guidelines or laws and good corporate governance and ethics guidelines Por Sor 2523. This is to enable employees, staff, stakeholders and outsiders use as channel to report any evidence of wrong doing to ensure fairness, transparency and verifiable.





Internal Control and Risk Management



THAI has established a sufficiently robust internal control system for its operations. The procedures of regular monitoring and evaluation have been implemented to ensure stable operations in a rapidly changing operating environment and in line with the Company's level of risk appetite. The internal control structure, according to COSO (Committee of Sponsoring Organization of the Treadway Commission), comprises of 5 components. Results from the assessment are as follows:

Environment Control

The Company has developed an appropriate and sufficient control environment for effective internal control. A Corporate Governance and Ethics handbook was drafted and distributed for employees to abide. Clear guidelines on disclosing conflicts of interest have been put in place for senior management. Selection and promotion of candidates to higher posts are done in accordance with the Company human resource management guidelines. Promotions and increase in remuneration is based on individual performance on a semi-annual basis. KPIs form the basis for which staff from level 7 and above through senior management are assessed on performance to serve as guideline to align work and effort towards the same goals and objectives. Incentive pay was given to all employees for the effort

and dedication that was put forth to execute respective tasks in the face of serious challenges. An assessment was made of man power requirement was done to determine the appropriate level of staffing required under each function. The work process handbook has been revised to increase overall efficiency and improve internal control. The Company continues to its "THAI Spirit" culture and encourages its staff to attend seminars and/or training for knowledge and skills development while increasing awareness of morality and ethics in executing one's responsibilities and tasks. However, several departments are undergoing organizational restructuring or in the process of reviewing and revising operating manuals to reflect the new job function and work procedures. As there are certain areas of the Company where management level staff and specialists are in short supply, an internal reorganization will take place to rotate qualified persons to fill these positions and simultaneously take measures to prepare and train the next generation of persons who will have to shoulder the burden of managing the Company. A review and revamp of internal procedures and guidelines need to be undertaken to improve operational efficiency and enhance overall operating flexibility to be nimble enough to rapidly adapt to changes that are taking place.

Risk Management

The Company has a sufficient risk assessment process. Vision, mission, and objectives are defined in the corporate strategy and its implementation plan with the determined Strategies Success Measures (SSM) and determined KPI and targets. Risk identification, assessment and analysis performed on external and internal factors were done to determine risks that the Company needs to be aware of or Key Risk Indicators (KRI) to be used as an Early Warning Mechanism. Senior management from Vice President upwards is responsible for risk management and forms part of their KPI. Each department is charged with managing relevant risks as identified as KPI for which respective senior management is responsible and quarterly updates on such key risks as stipulated in the risk management handbook. In addition to the guidelines for risk management in the handbook, the Risk Management Department is responsible for regular monitoring of the progress made on action plans for both corporate and departmental risks. Risk management reports are prepared and submitted to the Company's Management Committee, the Risk Management Committee and the Board of Directors on a regular basis. To this end, the Risk Management Committee is tasked with the responsibilities of overseeing, supervising, assessing adequate risk management and providing consultation on the overall efficiency and effectiveness of risk management on an ongoing basis.

Management Oversight

Sufficient control measures are in place that is in-line with the Company's objectives and results of risk assessment reflects that conclusion. Not only is there a risk management handbook but there are also written guidelines for key important actions that have also been stored in electronic form for which all employees must abide. Post internal organizational restructuring, a number of the departments are undergoing a rewrite of its risk management protocol. The Company ensures segregation of duties and safeguards its assets. The Company's assets must be accounted for and must be physically checked on an annual basis. Management must also, on a regular basis, perform operations assessment to ensure financial integrity and ensure adherence to the various international standards set by IATA, ICAO and the Department of Civil Aviation and various ISO certificates. THAI undertakes not only internal control monitoring through its Internal Audit Department but is also subjected to scrutiny by related qualified accredited external entities.

Information System and Communication

THAI has an adequate information and communications system to support management decisions. The Company has an official website that provides comprehensive information about the Company and an internal intranet portal that provides a comprehensive information platform for employees to access. For internal communication purposes, many departments have developed their own web pages to better inform others of their operations and to also access external information from external entities such as government policies, customer survey results, airlines ranking survey results, economic and political

circumstances, aviation industry, technology and scientific advancement on communication information and transport, as examples. THAI has supported the development of the SAP system and THAI Star Common Platform (TSCP) will enable the Company's operations to be synchronized with its overall strategy. Internal and external communication channels including bulletin, circular and web boards are sufficient to ensure the most up to date information available for reference and communication. In addition, THAI opens an opportunity for employees to access information and knowledge via a knowledge based intranet system, which is timely and efficient to operations. The Whistle Blower policy is also implemented and serves as a channel for employee to communicate with the Company. Furthermore, customers, business partner or shareholders can make complaints, comments and submit to the Company for consideration to improve the Company's operations.

Monitoring and Evaluation

A sufficient and suitable monitoring and evaluation system is in place within the Company as management at all levels understand their area of concern and regularly takes proactive actions to ensure adherence to determined plans. Regular department meetings are held to ensure that work is in line with established KPIs along with regular comparisons of achievement with set goals, milestones or budget. Thus, immediate action would be taken together with the post-monitoring. Every department undertakes a Control Self-Assessment (CSA) and prepares a report to the State Audit Commission, the Company's Board of Directors, and the Company's Audit Committee annually as per rule 6 of the

Regulation of Audit Commission on Internal Control. A separate evaluation on the internal control system is performed by the Internal Audit Department.. Likewise, external audit representatives from Bureau Veritas, IATA Operational Safety Audit (IOSA), the Department of Civil Aviation and the International Standardization and Organization (ISO) also play the important role as qualified external auditors. Management deems these audits as of importance where remedial action were taken as recommended by auditors.

Transparency and accountability in operations are as of crucial important. To this end, strong support is given to the Internal Audit Department with a direct reporting channel to the Company's Board of Directors with oversight of the Audit Committee and ensuring independence in executing their tasks and responsibilities. Assessment is made on risks management, internal control with sufficient and effective governance providing confidence that the overall Company performance is efficient and effective while ensuring cost effective investments. The Internal Audit Department also plays a role in ensuring the integrity of the Company's financial disclosure and ensuring that the undertakings by each individual business function is in line with that of the Company's overall policies, rules, regulations and applicable laws. The Internal Audit Department is also tasked to maximize benefits to the Company and ensure integrity of assets to optimize utilization for the benefit of the Company.

The Internal Audit Department has monitored the process of the Company's operations, including information technology as required by its audit plan approved by the Audit Committee. The Internal Audit Department has adopted Risk-Based Audit

INTERNAL CONTROL AND RISK MANAGEMENT

to create its internal audit plan and ensured that the plan complies with the Company's strategy. In addition, the Internal Audit Department has conducted ad hoc audits as approved by the Audit Committee. The Internal Audit Department has submitted quarterly reports to assigned executives, the Company's President, and the Audit Committee. In case of finding or suspicion on any damages with

significant implications on the Company's operations, the head of the Internal Audit Department will report them to President and the Audit Committee immediately.

It is of the Board of Directors' opinion that there are sufficient and appropriate internal control procedures to safeguard the Company's operations.





Related Parties

The following transaction include certain transaction that are deemed material related transaction with person who may have conflicts of interest for the year ended December 31, 2013.

| Name of persons who may have conflicts of interest | Relationship | Type of Transaction | Value of Related Transactions (Million Baht) | | Conditions/Pricing Policy |
|--|---|---|--|--------------------------------------|--|
| | | | for the year ended December 31, 2013 | for the year ended December 31, 2012 | |
| Ministry of Finance (MOF) | <ul style="list-style-type: none"> The MOF is a major shareholder of THAI with 51.03% equity interest. Two of THAI's Directors, Mr. Areepong Bhoocha-oom and Mr. Ponpanu Svetarundra, are Permanent Secretary and Deputy Permanent Secretary of MOF, respectively. <p>Note : Mr. Areepong Bhoocha-oom, Permanent Secretary of MOF Transferred to the Secretary General, Public Sector Development Commission, Office of Prime Minister according to the resolution of the Cabinet on October 1, 2013 and Mr. Ponpanu Svetarundra, Deputy Permanent Secretary of MOF, is a Director of THAI on December 20, 2013.</p> | Loans via the MOF are as follows : <ul style="list-style-type: none"> Long-term Loans <ul style="list-style-type: none"> - Outstanding balance - Interest expense | 17,375.52 208.49 | 1,225.26 90.67 | The Pricing and terms of these transaction are on an arms' length basis and on commercial terms as unrelated parties as follows : <ul style="list-style-type: none"> Long-term Loans : 2 Outstanding of Long-term Loans <ol style="list-style-type: none"> - Interest rate 7.07% per annum <ul style="list-style-type: none"> - 20- year terms - Due on September 30, 2013 - Interest rate 2.31% per annum <ul style="list-style-type: none"> - 17- year terms - Due on July 15, 2030 |

| Name of persons who may have conflicts of interest | Relationship | Type of Transaction | Value of Related Transactions (Million Baht) | | Conditions/Pricing Policy |
|--|---|--|--|--------------------------------------|---|
| | | | for the year ended December 31, 2013 | for the year ended December 31, 2012 | |
| | | <ul style="list-style-type: none"> THAI leased the lands from the Treasury Department : <ul style="list-style-type: none"> - Rayong Province - Khon Kaen Province - Udon Thani Province - Surat Thani Province - Krabi Province | 5.00 | 4.58 | THAI purchases services on an arms' length basis and on commercial terms as unrelated parties. |
| Government Saving Bank (GSB) | <ul style="list-style-type: none"> GSB is controlled by the MOF, a major shareholder of THAI. One of THAI's Director, Mr. Sutham Siritipsakorn, is a Director of GSB. | <ol style="list-style-type: none"> THAI borrowed loans from GSB as follows : <ul style="list-style-type: none"> Long-term Loans <ul style="list-style-type: none"> - Outstanding balance - Interest expense | 1,890.00 100.41 | 3,462.00 279.58 | <p>The Pricing and terms of these transaction are on an arms' length basis and on commercial terms as unrelated parties as follows :</p> <ul style="list-style-type: none"> Long-term Loans : 3 Outstanding of Long-term Loans <ol style="list-style-type: none"> Bare floating interest rate, MLR - 1.9% per annum, over terms of 5 years and due on July 9, 2014 Bare floating interest rate, THBFIX + 0.65% per annum, over terms of 7 years and due on October 8, 2015 Bare floating interest rate, THBFIX + 0.55% per annum, over terms of 7 years and due on October 13, 2015 |

| Name of persons who may have conflicts of interest | Relationship | Type of Transaction | Value of Related Transactions (Million Baht) | | Conditions/Pricing Policy |
|--|---|--|--|--------------------------------------|---|
| | | | for the year ended December 31, 2013 | for the year ended December 31, 2012 | |
| | | 2. THAI entered into the Committed revolving credit line with GSB, not more than THB 7,000 million. <ul style="list-style-type: none"> - Commitment fee - Accrued Commitment fee | 17.50 4.46 | 17.31 0.00 | The Pricing and terms of these transaction are on an arms' length basis and on commercial terms as unrelated parties as follows : Committed revolving Credit Line <ul style="list-style-type: none"> - not over 7-year terms from the agreement date - Bare floating interest rate, FDR (Fixed Deposit Rate) + 1.9% per annum or 2.375% per annum if THAI is not a state enterprise - Commitment fee at the rate of 0.25% per annum of not drawdown amount. At present, THAI has not drawn any such committed revolving credit line but paid the commitment fee. |
| | | 3. THAI sold tickets, leased ATM area and line telephone to GSB <ul style="list-style-type: none"> - Aggregate amount - Outstanding balance | 3.68 1.20 | 1.51 0.37 | THAI sells and leases goods and services on an arms' length basis and on commercial terms as unrelated parties. |
| Islamic Bank of Thailand (ISBT) | <ul style="list-style-type: none"> ● ISBT is controlled by the MOF, a major shareholder of THAI. | THAI borrowed loans from ISBT as follows : <ul style="list-style-type: none"> ● Long-term loans - Outstanding balance - Profit payment | 0.00 21.36 | 500.00 55.04 | The Pricing and terms of these transaction are on an arms' length basis and on commercial terms as unrelated parties as follows : <ul style="list-style-type: none"> - Floating profit rate, SPRL - 1.00% per annum - 5-year terms - Due on December 31, 2013 |

| Name of persons who may have conflicts of interest | Relationship | Type of Transaction | Value of Related Transactions (Million Baht) | | Conditions/Pricing Policy |
|--|--|--|--|--------------------------------------|--|
| | | | for the year ended December 31, 2013 | for the year ended December 31, 2012 | |
| Export - Import Bank of Thailand (EXIM) | <ul style="list-style-type: none"> EXIM is controlled by the MOF, a major shareholder of THAI. | 1. THAI entered into the Committed revolving credit line with EXIM amount of THB 3,600 million. <ul style="list-style-type: none"> - Commitment fee - Accrued Commitment fee | 3.60 0.50 | 0.91 0.00 | The Pricing and terms of these transaction are on an arms' length basis and on commercial terms as unrelated parties as follows : Committed revolving Credit Line <ul style="list-style-type: none"> - 5 year terms, July 20, 2012 to July 20, 2017 - Bare floating interest rate, THBFIX 3 + 2.25% per annum. - Front - End Fee at the rate of 0.20% of drawdown amount. - Commitment fee at the rate of 0.10% for annum. - THAI agreed to pay prepayment fee at the rate of 2% of any partial prepayment will be paid. At present, THAI has not drawn any such committed revolving credit line but paid the commitment fee. |
| | | 2. THAI sold tickets to EXIM <ul style="list-style-type: none"> - Aggregate amount - Outstanding balance | 0.74 0.00 | 0.00 0.00 | THAI sells goods and services on an arms' length basis and on commercial terms as unrelated parties. |
| Siam Commercial Bank Public Company Limited (SCB) | <ul style="list-style-type: none"> One of THAI's Directors, Pol. Gen. Adul Sangsingkeo, is a Director of SCB. Note : Pol. Gen. Adul Sangsingkeo is a Director of THAI on January 18, 2013. | THAI borrowed loans from SCB as follows : <ul style="list-style-type: none"> Long-term loans <ul style="list-style-type: none"> - Outstanding balance - Interest expense | 6,690.00 434.06 | 0.00 0.00 | The Pricing and terms of these transaction are on an arms' length basis and on commercial terms as unrelated parties as follows : Long-term Loans : 2 Outstanding of Long-term Loans as follows : <ol style="list-style-type: none"> - Interest rate 5.5% per annum <ul style="list-style-type: none"> - 6 - year terms - Due on September 13, 2013 - Interest rate, THBFIX 3 months + 1.25% per annum <ul style="list-style-type: none"> - 7- year terms - Due on August 25, 2017 |

| Name of persons who may have conflicts of interest | Relationship | Type of Transaction | Value of Related Transactions (Million Baht) | | Conditions/Pricing Policy |
|--|---|--|--|--------------------------------------|---|
| | | | for the year ended December 31, 2013 | for the year ended December 31, 2012 | |
| TMB Public Company Limited (TMB) | <ul style="list-style-type: none"> One of THAI's Directors, Mr. Pongpanu Svetarundra, is a Director of TMB. Note : Mr. Pongpanu Svetarundra is a Director of THAI on December 20, 2013. | 1. THAI borrowed loans from TMB as follows : <ul style="list-style-type: none"> Long-term loans - Outstanding balance - Interest expense | 1,600.00 5.76 | 0.00 0.00 | The Pricing and terms of these transaction are on an arms' length basis and on commercial terms as unrelated parties as follows : <ul style="list-style-type: none"> - Long-term Loan : 1 Outstanding of Long-term Loan - Interest rate, THAIFIX 3 months + 1.5% per annum - 7 - year terms - Due on December 31, 2017 |
| | | 2. THAI sold tickets to TMB <ul style="list-style-type: none"> - Aggregate amount - Outstanding balance | 0.28 0.00 | 0.00 0.00 | THAI sells goods and services on an arms' length basis and on commercial terms as unrelated parties. |
| Thailand Post Company Limited | <ul style="list-style-type: none"> The MOF, a major shareholder of THAI, is a major shareholder of Thailand Post Co., Ltd.. | 1. THAI purchased postal and related services from Thailand Post Co., Ltd. <ul style="list-style-type: none"> - Aggregate amount - Outstanding balance | 13.27 0.00 | 14.68 0.50 | THAI purchases services at a market price on an arms' length basis and on commercial terms as unrelated parties. |
| | | 2. THAI sold tickets to Thailand Post Co., Ltd. <ul style="list-style-type: none"> - Aggregate amount - Outstanding balance | 7.08 1.17 | 2.45 0.85 | THAI sells goods and services on an arms' length basis and on commercial terms as unrelated parties. |



| Name of persons who may have conflicts of interest | Relationship | Type of Transaction | Value of Related Transactions (Million Baht) | | Conditions/Pricing Policy |
|--|--|--|--|--------------------------------------|---|
| | | | for the year ended December 31, 2013 | for the year ended December 31, 2012 | |
| Tourism Authority of Thailand (TAT) | <ul style="list-style-type: none"> The MOF, a major shareholder of THAI, is a major shareholder of TAT. | 1. THAI pays 5% of commission to TAT for selling THAI's tickets - Aggregate amount - Outstanding balance | 4.15 0.00 | 1.19 0.77 | THAI sells and leases goods and services on an arms' length basis and on commercial terms as unrelated parties. |
| | | 2. THAI sold tickets and leased the Trang office to TAT - Aggregate amount - Outstanding balance | 96.67 7.32 | 164.47 32.33 | THAI sells goods and services on an arms' length basis and on commercial terms as unrelated parties. |
| PTT Public Company Limited (PTT) | <ul style="list-style-type: none"> The MOF, a major shareholder of THAI, is a major shareholder of PTT. Two of THAI's Directors, Mr. Chulasingh Vasantasingh and Mr. Athapol Yaisawang, are Directors of PTT. <p>Note : Mr. Chulasingh Vasantasingh, is resigned from THAI on November 18, 2013 and Mr. Athapol Yaisawang is a Director of THAI on December 20, 2013.</p> | 1. THAI purchased fuel and oil for its aircraft and vehicles from PTT - Aggregate amount - Outstanding balance | 11,704.07 1,358.20 | 8,515.46 33.82 | THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties. |
| | | 2. THAI sold tickets to PTT - Aggregate amount - Outstanding balance | 346.75 41.99 | 383.92 51.47 | THAI sells goods and services on an arms' length basis and on commercial terms as unrelated parties. |

| Name of persons who may have conflicts of interest | Relationship | Type of Transaction | Value of Related Transactions (Million Baht) | | Conditions/Pricing Policy |
|--|---|--|--|--------------------------------------|---|
| | | | for the year ended December 31, 2013 | for the year ended December 31, 2012 | |
| Bangchak Petroleum Public Company Limited (BCP) | ● The MOF, a major shareholder of THAI, is an indirect major shareholder of BCP. | THAI purchased fuel and oil for its aircraft and vehicles from BCP - Aggregate amount - Outstanding balance | 17,271.61 1,630.33 | 18,466.25 845.10 | THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties. |
| Berli Jucker Public Company Limited (BJC) | ● One of THAI's Directors. Mr. Weerawong Chittmittrapap, is a Director and an Audit Committee of BJC. | THAI purchased consumable goods from BJC - Aggregate amount - Outstanding balance | 19.62 1.22 | 13.70 1.73 | THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties. |
| Airports of Thailand Public Company Limited (AOT) | ● The MOF, a major shareholder of THAI, is a major shareholder of AOT. | 1. THAI leased land and building at Suvarnabhumi Airport and other airports in Thailand and purchased airport related services from AOT - Aggregate amount - Outstanding balance | 9,432.74 171.71 | 5,765.09 240.51 | THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties. |
| | | 2. THAI sold tickets to AOT and received 2% income from collecting passenger service charges for AOT - Aggregate amount - Outstanding balance | 87.01 14.73 | 80.86 13.58 | THAI sells goods and services on an arms' length basis and on commercial terms as unrelated parties. |

| Name of persons who may have conflicts of interest | Relationship | Type of Transaction | Value of Related Transactions (Million Baht) | | Conditions/Pricing Policy |
|--|---|--|--|--------------------------------------|---|
| | | | for the year ended December 31, 2013 | for the year ended December 31, 2012 | |
| District Cooling system and Power Plant Company Limited (DCAP) | <ul style="list-style-type: none"> The MOF, a major shareholder of THAI, is a major shareholder of DCAP. Electricity Generating Authority of Thailand (EGAT) is a major shareholders of DCAP. | THAI bought steam and chilled water from DCAP - Aggregate amount - Outstanding balance | 134.90 11.99 | 117.48 11.91 | THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties. |
| Civil Aviation Training Center (CATC) | <ul style="list-style-type: none"> The MOF, a major shareholder of THAI, is a major shareholder of CATC. One of THAI's Executives, Lt. Athisak Padchuenjai, is a Director of CATC. <p>Note : Lt. Athisak Padchuenjai resigned from CATC on October 24, 2013.</p> | 1. CATC provided civil aviation training to THAI's pilots - Aggregate amount - Outstanding balance | 28.58 0.00 | 22.29 0.00 | THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties. |
| | | 2. THAI sold tickets to CATC - Aggregate amount - Outstanding balance | 0.29 0.00 | 0.11 0.00 | THAI sells goods and services on an arms' length basis and on commercial terms as unrelated parties. |

| Name of persons who may have conflicts of interest | Relationship | Type of Transaction | Value of Related Transactions (Million Baht) | | Conditions/Pricing Policy |
|--|--|---|--|--------------------------------------|---|
| | | | for the year ended December 31, 2013 | for the year ended December 31, 2012 | |
| Thai Aviation Industries Company Limited (TAI) | <ul style="list-style-type: none"> One of THAI's Directors, ACM Prajin Juntong, is a Director of THAI. <p>Note : ACM Prajin Juntong is a Director of THAI on April 24, 2013.</p> | THAI purchased aviation maintenance services from TAI <ul style="list-style-type: none"> - Aggregate amount - Outstanding balance | 17.13 0.00 | 0.00 0.00 | THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties. |
| Thai-Amadeus Southeast Asia Company Limited (Subsidiary Company) | <ul style="list-style-type: none"> THAI is a major shareholder with 55% equity interest. One of THAI's Executives, Mr. Niruj Maneepun, is a Chairman of Thai-Amadeus Southeast Asia Co., Ltd. <p>Note : Mr. Niruj Maneepun resigned from a Chairman of Thai-Amadeus Southeast Asia Co., Ltd. On October 30, 2013.</p> | 1. THAI received a deposit for renting offices at Hat Yai and Phuket from Thai-Amadeus Southeast Asia Co., Ltd. <ul style="list-style-type: none"> - Outstanding balance | 0.13 | 0.13 | THAI sells and leases goods and services on an arms' length basis and on commercial terms as unrelated parties. |
| | | 2. THAI sold tickets as well as leased office area, computers and office equipment to Thai-Amadeus Southeast Asia Co., Ltd. <ul style="list-style-type: none"> - Aggregate amount - Outstanding balance | 2.67 0.42 | 2.51 0.37 | THAI sells and leases goods and services on an arms' length basis and on commercial terms as unrelated parties. |

| Name of persons who may have conflicts of interest | Relationship | Type of Transaction | Value of Related Transactions (Million Baht) | | Conditions/Pricing Policy |
|--|---|--|--|--------------------------------------|---|
| | | | for the year ended December 31, 2013 | for the year ended December 31, 2012 | |
| WingSpan Services Company Limited (Subsidiary Company) | <ul style="list-style-type: none"> THAI is a major shareholder with 49% equity interest. Five of THAI's Executives, Mr. Chokchai Panyayong and Mr. Pandit Chanapai, are a Chairman, Mrs. Wasukarn Visansawatdi, Mr. Danuj Bunnag, and Mr. Niruj Maneepun are Directors of WingSpan Service Co., Ltd. <p>Note : Mr. Chokchai Panyayong resigned from a Chairman on October 10, 2013 and Mr. Pandit Chanapai is a Chairman on January 18, 2013. Mr. Danuj Bunnag and Mr. Niruj Maneepun resigned from Directors of WingSpan Co., Ltd. on January 8, 2013 and February 1, 2013, respectively.</p> | 1. THAI lent a short – term loan to WingSpan Co., Ltd. - Aggregate amount - Interest Income | 20.00 1.39 | 20.00 0.34 | The Pricing and terms of these transaction are on an arms' length basis and on commercial terms as unrelated parties as follows : - interest charged based on MLR rates of 4 large Thai commercial banks with 1-year term no collateral loan - On September 24, 2013, WingSpan Services and THAI have signed an addendum to extend the repayment of 1-year loan, signed on September 28, 2012, to September 27, 2014 with the same conditions of such loan. |
| | | 2. THAI purchased outsource staff service from WingSpan Service Co., Ltd. - Aggregate amount - Outstanding balance | 913.68 423.08 | 515.02 0.01 | THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties. |
| | | 3. THAI leased office area and equipment to WingSpan Services Co., Ltd. - Aggregate amount - Outstanding balance | 4.76 404.04 | 21.30 169.13 | THAI sells and leases goods and services on an arms' length basis and on commercial terms as unrelated parties. |

| Name of persons who may have conflicts of interest | Relationship | Type of Transaction | Value of Related Transactions (Million Baht) | | Conditions/Pricing Policy |
|---|---|---|--|--------------------------------------|---|
| | | | for the year ended December 31, 2013 | for the year ended December 31, 2012 | |
| Thai Flight Training Company Limited (TFTA) (Subsidiary Company) | <ul style="list-style-type: none"> THAI is a major shareholder with 49% equity interest . Two of THAI's Executives, Sqn. Ldr. Asdavut Watanangura is a Chaiman, and Mr. Thongchai Singhakul is a Director of TFTA. | THAI provided training equipment and leased office area as well as equipment to TFTA - Aggregate amount - Outstanding balance | 5.16 2.23 | 13.44 6.48 | THAI sells and leases goods and services on an arms' length basis and on commercial terms as unrelated parties. |
| Tour Eurng Luang Company Limited (Subsidiary Company) | <ul style="list-style-type: none"> THAI holds 49% equity interest in Tour Eurng Luang Co., Ltd. Two of THAI's Executive, Mr. Niruj Maneepun and Mr. Danuj Bunnag are Directors of Tour Eurng Luang Co., Ltd. <p>Note : Mr. Danuj Bunnag is a Director of Tour Eurng Luang Co., Ltd. on January 18, 2013.</p> | 1. THAI paid a commission to Tour Eurng Luang for selling its products. - Aggregate amount - Outstanding balance | 22.53 0.00 | 0.50 0.00 | THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties. |
| | | 2. THAI sold Tour Eurung Luang to Tour Eurng Luang Co., Ltd. - Aggregate amount - Outstanding balance | 59.87 2.37 | 10.01 0.96 | THAI sells and leases goods and services on an arms' length basis and on commercial terms as unrelated parties. |

| Name of persons who may have conflicts of interest | Relationship | Type of Transaction | Value of Related Transactions (Million Baht) | | Conditions/Pricing Policy |
|---|---|--|--|--------------------------------------|---|
| | | | for the year ended December 31, 2013 | for the year ended December 31, 2012 | |
| Thai Smile Airways Company Limited (Subsidiary Company) | <ul style="list-style-type: none"> THAI is a major shareholder with 100% equity interest. Two of THAI's Directors, Mr. Ampon Kittiampon and Mr. Kanit Sangsubhan, are a Chairman and Director, respectively. Two of THAI's Executives, Mr. Sorajak Kasemsuvan and Mr. Chokchai Panyayong, are Directors of Thai Smile Airways Co., Ltd. <p>Note : Mr. Ampon Kittiampon, Mr. Kanit Sangsubhan, Mr. Sorajak Kasemsuvan and Mr. Chokchai Panyayong are Directors of Thai Smile Airways Co., Ltd. on October 17, 2013.</p> | THAI paid for ordinary shares 25% of authorized share capital of Thai Smile Airways Co., Ltd. <ul style="list-style-type: none"> - Aggregate amount - Outstanding balance | 0.00 449.99 | 0.00 0.00 | |
| Donmuang International Airport Hotel Company Limited (Associated Company) | <ul style="list-style-type: none"> THAI holds 40% equity interest in Donmuang International Airport Hotel Co., Ltd. Three of THAI's Executives, Mr. Pandit Chanapai, is a Chairman and Ft. Lt. Montree Jumrieng and Mr. Danuj Bunnag are Directors of Donmuang International Airport Hotel Co., Ltd. <p>Note : Ft.Lt. Montree Jumrieng and Mr. Danuj Bunnag are Directors of Donmuang International Airport Hotel Co., Ltd. on January 24, 2013.</p> | THAI purchased accommodation services for its passengers from Donmuang International Airport Hotel Co., Ltd. <ul style="list-style-type: none"> - Aggregate amount - Outstanding balance | 0.15 0.01 | 0.00 0.00 | THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties. |

| Name of persons who may have conflicts of interest | Relationship | Type of Transaction | Value of Related Transactions (Million Baht) | | Conditions/Pricing Policy |
|---|--|--|--|--------------------------------------|---|
| | | | for the year ended December 31, 2013 | for the year ended December 31, 2012 | |
| Bangkok Aviation Fuel Services Public Company Limited (BAFS) (Associated Company) | <ul style="list-style-type: none"> THAI holds 22.59% equity interest in BAFS. Three of THAI's Executives, Ft. Lt. Montree Jumrieng, Mrs. Wasukarn Visansawatdi and Lt. Athisak Padchuenjai are Directors of BAFS. <p>Note : Mrs. Wasukarn Visansawatdi and Lt. Athisak Padchuenjai are Directors of BAFS on February 27, 2013 and November 6, 2013, respectively.</p> | 1. BAFS provides fuel services for THAI | | | THAI purchases goods at a market price on an arm's length basis and on commercial terms as unrelated parties. |
| | | - Aggregate amount | 363.70 | 316.41 | |
| | | - Outstanding balance | 33.48 | 0.00 | |
| Royal Orchid Hotel (Thailand) Public Company Limited (ROH) (Associated Company) | <ul style="list-style-type: none"> THAI holds 24% equity interest in ROH. Three of THAI's Executives, Mr. Pandit Chanapai, Mr. Teerapol Chotichanapibal and Mr. Danuj Bunnag are Directors of ROH. <p>Note : Mr. Teerapol Chotichanapibal resigned from a Director on February 14, 2013 and Mr. Danuj Bunnag is a Directors of ROH on February 18, 2013.</p> | 2. THAI provided transportations and catering services to BAFS | | | THAI sells goods and services on an arms' length basis and on commercial terms as unrelated parties. |
| | | - Aggregate amount | 0.03 | 0.05 | |
| | | - Outstanding balance | 0.01 | 0.04 | |
| | | | | | |
| | | 1. THAI purchased accommodation services for its passengers from ROH | | | THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties. |
| | | - Aggregate amount | 4.91 | 2.63 | |
| | | - Outstanding balance | 0.36 | 0.00 | |
| | | | | | |
| | | 2. THAI sold advertising in ROH Brochure to ROH | | | THAI sells goods and services on an arms' length basis and on commercial terms as unrelated parties. |
| | | - Aggregate amount | 0.00 | 0.15 | |
| | | - Outstanding balance | 0.00 | 0.00 | |

| Name of persons who may have conflicts of interest | Relationship | Type of Transaction | Value of Related Transactions (Million Baht) | | Conditions/Pricing Policy |
|--|--|--|--|--------------------------------------|---|
| | | | for the year ended December 31, 2013 | for the year ended December 31, 2012 | |
| Phuket Air Catering Company Limited (PACCO) (Associated Company) | <ul style="list-style-type: none"> THAI holds 30% equity interest in PACCO. Two of THAI's Executives, Mr. Chokchai Panyayong is a Chairman and Mr. Teerapol Chotichanapibal is a Director of PACCO. <p>Note : Mr. Chokchai Panyayong is a Chairman and Mr. Teerapol Chotichanapibal is a Directors of PACCO on January 18, 2013.</p> | 1. THAI purchased food and catering services from PACCO - Aggregate amount - Outstanding balance | 46.97 2.74 | 15.55 0.00 | THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties. |
| | | 2. THAI sold raw material and catering services to PACCO - Aggregate amount - Outstanding balance | 2.57 0.24 | 3.45 0.01 | THAI sells goods and services on an arms' length basis and on commercial terms as unrelated parties. |
| Suvarnabhumi Airport Hotel Company Limited (Associated Company) | <ul style="list-style-type: none"> THAI holds 30% equity interest in Suvarnabhumi Airport Hotel Co., Ltd.. Three of THAI's Executives, Mrs. Wasukarn Visansawatdi, Lt. Athisak Padchuenjai and Mr. Niruj Maneepun are Directors of Suvarnabhumi Airport Hotel Co., Ltd. <p>Note : Lt. Athisak Padchuenjai and Mr. Niruj Maneepun are Directors of Suvarnabhumi Airport Hotel Co., Ltd. on January 30, 2013.</p> | 1. THAI purchased accommodation services for its passengers from Suvarnabhumi Airport Hotel Co., Ltd. - Aggregate amount - Outstanding balance | 17.56 1.04 | 19.76 0.11 | THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties. |
| | | 2. THAI sold tickets to Suvarnabhumi Airport Hotel Co., Ltd. - Aggregate amount - Outstanding balance | 0.00 0.00 | 0.02 0.00 | THAI sells goods and services on an arms' length basis and on commercial terms as unrelated parties. |

| Name of persons who may have conflicts of interest | Relationship | Type of Transaction | Value of Related Transactions (Million Baht) | | Conditions/Pricing Policy |
|--|--|---|--|--------------------------------------|---|
| | | | for the year ended December 31, 2013 | for the year ended December 31, 2012 | |
| Nok Airlines Company Limited (Associated Company) | <ul style="list-style-type: none"> THAI holds 39.20% equity interest in Nok Airlines Co., Ltd.. Two of THAI's Directors, Mr. Apiporn Pasawat and Mr. Weerawong Chittmittrapap, are a Chairman and Director of Nok Airlines Co., Ltd., respectively. Four of THAI's Executives, Mr. Sorajak Kasemsuvan, Mr. Chokchai Panyayong, Mr. Teerapol Chotichanapibal and Mr. Niruj Maneepun, are Directors of Nok Airlines Co., Ltd.. <p>Note: Two of THAI's Directors, Mr. Apiporn Pasawat is a full term as a Chairman on April 23, 2013 and Mr. Weerawong Chittmittrapap resigned from a Director on January 25, 2013. Two of THAI's Executives, Mr. Sorajak Kasemsuvan was a Director on January 14, 2013 and resigned on December 20, 2013 and Mr. Niruj Maneepun resigned from a Director of Nok Airlines Co., Ltd. on January 14, 2013.</p> | 1. THAI paid for equipment and ground services at Ubon Ratchathani as well as engineer licence to Nok Airlines Co., Ltd. - Aggregate amount - Outstanding balance | 13.27 0.03 | 8.39 0.57 | THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties. |
| | | 2. THAI has been leasing out aircraft and providing aviation operation services to Nok Airlines Co., Ltd. - Aggregate amount - Outstanding balance | 171.26 49.44 | 532.88 75.05 | THAI sells and leases goods and services on an arms' length basis and on commercial terms as unrelated parties. |

| Name of persons who may have conflicts of interest | Relationship | Type of Transaction | Value of Related Transactions (Million Baht) | | Conditions/Pricing Policy |
|---|---|--|--|--------------------------------------|---|
| | | | for the year ended December 31, 2013 | for the year ended December 31, 2012 | |
| Aeronautical Radio of Thailand Limited (AEROTHAI) (Related Company and Joint Venture Company) | <ul style="list-style-type: none"> The MOF, a major shareholder of THAI, is a major shareholder of AEROTHAI. THAI holds 1.90% equity interest in AEROTHAI. Two of THAI's Executives, Sqn. Ldr. Asdavut Watanangura and Lt. Athisak Padchuenjai are Directors of AEROTHAI. <p>Note : Sqn. Ldr. Asdavut Watanangura resigned from a Director on October 31, 2013 and Lt. Athisak Padchuenjai is a Director of AEROTHAI on November 1, 2013.</p> | 1. THAI purchased aeronautical navigation and leased equipment from AEROTHAI | | | THAI purchases goods at a market price on an arms' length basis and on commercial terms as unrelated parties. |
| | | - Aggregate amount | 1,815.44 | 1,377.22 | |
| | | - Outstanding balance | 130.87 | 10.33 | |
| | | 2. THAI sold tickets and provided transportation services to AEROTHAI | | | THAI sells goods and services on an arms' length basis and on commercial terms as unrelated parties. |
| | | - Aggregate amount | 12.49 | 6.63 | |
| | | - Outstanding balance | 0.01 | 0.83 | |

Thai has related party transactions for utilising expenses, consisting of electricity, water and telephone charges, which related to those government agencies and/or state enterprises providing such utilities amount of THB 70.62 million for the year ended December 31, 2013 with outstanding balance of THB 1.40 million as of December 31, 2013.

Necessity and reasonableness of related parties transactions

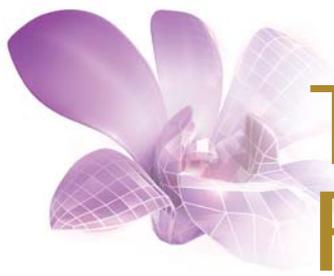
Having scrutinized items on related parties transactions for the year ended December 31, 2013. the Audit Committee is of the opinion that the aforementioned items were transacted in accordance with the Company's regular business practices and in a reasonable manner. The setting of prices, terms and conditions were done in the same manner as those offered to non-related parties. There were no transfer benefits between the Company, subsidiaries, joint ventures, associated, related companies and shareholders.

Approval procedures for related parties transactions

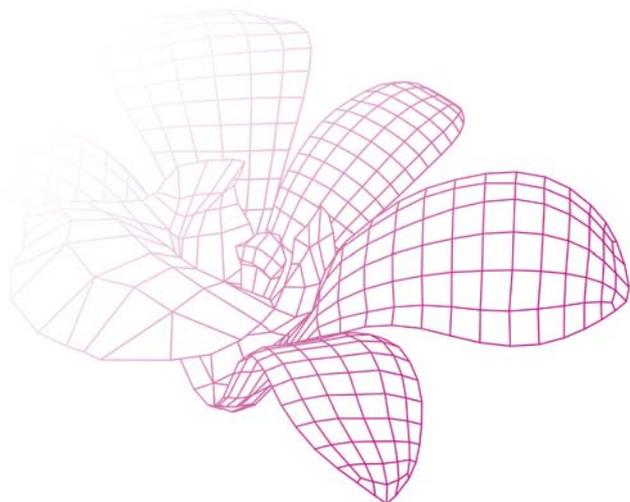
Related parties transactions were undertaken as per the Company's regular business procedures and were approved strictly in accordance with the Government and State Enterprise procedures. No Directors and Executives with conflicts of interest in the respective matter are involved in the approval process.

Policies on future related parties transactions

The Audit Committee will oversee future related parties transactions to ensure that transactions are made properly with a fair rate of return and approved in accordance with appropriate processes and procedures. Items and values of related parties transactions with connected persons are to be disclosed in compliance to the announcement and regulations by the Securities and Exchange Commission (SEC), and the Stock Exchange of Thailand (SET).



The Strong Fundamental







Summary of Financial Information

The global economic slowdown in 2013 along with increased competition in the air transport space within Asia from existing network airlines, Middle Eastern airlines, low cost airlines and chartered businesses combined with the domestic political stand-off during the fourth quarter of 2013 had direct and indirect impact on the Company's overall performance. The importance for the Company was to make sure that sufficient funding was made available to meet its investment commitments for aircraft, aircraft related equipment and complete its planned aircraft retrofit program. Funding was also sought for the purpose of making other investments and to be used as working capital for operations.

Aircraft financing for THAI for 2013 was undertaken on a long-term basis through an asset backed financing structure for 2 A330-300 aircraft with deliveries in January and April along with 1 A380-800 aircraft in the month of March with an European Export Credit Agencies (ECAs) guarantee. For the last 2 A380-800 aircraft, financing was obtained through an on-lend program from the Ministry of Finance and the deliveries were in November and December 2013.

In addition to aircraft financing, THAI issued corporate bonds to raise an additional THB 9,000 million - first tranche 1/2013 totalling THB 5,000 million and the second tranche 2/2013 of another

THB 4,000 million. THAI was also able to increase the committed revolving credit line provided by Thai commercial banks by another THB 3,000 million from the existing amount of THB 19,100 million bringing THAI's committed credit line to THB 22,100 million. At the end of 2013, The outstanding credit line has 0.1 - 4.2 years to maturity.

Repayment of existing of its long-term debt totaled THB 30,161 million and repayed another THB 2,557 million for bond 3/2008 issued in 2008. As of year-end 2013, THAI's outstanding borrowings and aircraft financial leases totaled THB 158,685 million and at the end of 2013, the outstanding balance totaled THB 176,350 million.

THAI undertook various hedging measures to minimize the effect of foreign currency exchange rate exposure, with considerable emphasis being placed on natural hedging and using cross currency swaps (CCS) to mitigate the Company's risk exposure. Of the 7 CCS transactions done, 1 is from THB to JPY with fixed interest rate while the balance were THB to EUR fixed interest rates. The Company's outstanding borrowings post CCS are in the following currencies and proportion : EUR : JPY : THB = 55 : 8 : 37.

The Company also undertook interest rate swaps (IRS) to further manage its interest rate risk. As of December 31, 2013 the proportion of float to fixed interest rate post IRS contracts were 46 : 54.

Financial Highlights

| | | Consolidated | | |
|--|------------------|--------------|----------|--------------------|
| | | 2013 | 2012 | 2011 (Restated) |
| Statement of Income | | | | |
| Total Revenues | (Million Baht) | 211,605 | 213,530 | 194,342 |
| Total Expenses | (Million Baht) | 224,534 | 206,426 | 202,259 |
| Profit (Loss) before Income Tax Expense | (Million Baht) | (12,929) | 7,104 | (7,917) |
| Profit (Loss) attributable to owners of the parent | (Million Baht) | (12,047) | 6,229 | (10,197) |
| Net Profit (Loss) | (Million Baht) | (12,000) | 6,510 | (10,162) |
| Balance Sheets | | | | |
| Total Assets | (Million Baht) | 307,085 | 304,096 | 273,956 |
| Total Liabilities | (Million Baht) | 250,166 | 234,278 | 211,009 |
| Shareholder's Equity | (Million Baht) | 56,919 | 69,818 | 62,947 |
| Shares | | | | |
| Issued and Paid-up Share Capital | (Million Shares) | 2,182.77 | 2,182.77 | 2,182.77 |
| Par Value | (Baht) | 10.00 | 10.00 | 10.00 |
| Earnings (Loss) Per Share | (Baht) | (5.52) | 2.85 | (4.67) |
| Dividend Per Share | (Baht) | - | 0.50 | - |
| Financial Ratios | | | | |
| Net Profit (Loss) to Total Revenues | (%) | (5.7) | 3.0 | (5.2) |
| Return on Total Assets ⁽¹⁾ | (%) | (2.3) | 4.5 | (0.8) |
| Return of Equity ⁽²⁾ | (%) | (19.0) | 9.8 | (14.6) |
| Interest bearing debt to Equity ⁽³⁾ | (Times) | 3.1 | 2.3 | 2.3 |

Remarks : Thai Accounting Standard (TAS) 19, Employee Benefits, is adopted for the financial statements for the accounting period beginning on or after January 1, 2011 onward.

(1) Return on Total Asset = Net Profit before Interest and Tax / Average Total Assets

(2) Return on Equity = Net Profit / Average Shareholder's Equity

(3) Interest bearing debt to Equity = (short-term loan + long-term loan including current portion of long-term loan within 1 year) / Shareholder's Equity

Board of Directors' Report - Preparing Financial Statements for 2013

The Company's Board of Directors is aware of its duties and responsibilities as Members of the Company's Board of Directors of a publicly listed company on the Stock Exchange of Thailand in preparing the Company's 2013 financial statements. The Board's purpose has been to ensure the prevention of any corrupt act, prevention of abnormal activities and ensure that the Company observes generally accepted accounting guidelines appropriate for the Company and applied on a consistent basis. Appropriateness and due care undertaken in preparing the Company's consolidated financial statements and its subsidiary companies along with the Company's own financial statements is ensured by the Company's Board of Directors. This includes the due care taken in preparing additional financial information to be disclosed in the Company's 2013 annual report. The Company's financial auditors have reviewed and audited the Company's financial statements and have provided a summary in the Auditor's Report.

To enhance stakeholder trust, the Board appointed an Audit Committee comprising of Independent Directors with qualifications as stipulated by the guidelines of the Stock Exchange of Thailand

to ensure that the Company provides sufficient, transparent, correct and appropriate financial disclosure along with information regarding related party transactions is a key function of the Committee. Ensuring appropriate, sufficient and effective risk management guidelines, appropriate internal control procedures along with a robust internal audit process are also the functions of the Committee. Legal compliance is at the forefront of the Board's concerns therefore the Committee is also charged with ensuring that the Company's operations adhere to all relevant external and internal legal guidelines and policies.

The Board of Directors believe that the Company and the Company's consolidated 2013 financial statements ending December 31, 2013 reviewed by the Audit Committee, management and the Company's financial auditor to be correct, complete, appropriate, in compliance with generally accepted accounting practices and employs appropriate accounting policies on a consistent basis. The financial disclosure is deemed to be transparent, provides an appropriate level of disclosure and is in compliance with all the relevant legal guidelines and policies.

(Signed) *Mr. Ampon Kittiampon*
(Mr. Ampon Kittiampon)
Chairman

(Signed) *Mr. Chokchai Panyayong*
(Mr. Chokchai Panyayong)
Senior Executive Vice President
Corporate Strategy and Sustainable Development
Acting President

Summary of the 2013 Annual Activities of the Audit Committee

The Audit Committee of Thai Airways International Public Company Limited consists of three independent directors, qualified and experienced in legal, organization management and audit of financial statement's credibility. The Board of Directors has appointed Mr. Athapol Yaisawang as committee chairman to replace Mr. Chulasingh Vasantasingh effective from December 20, 2013 onwards. As from then, the Board of Directors now consists of Mr. Athapol Yaisawang as the chairman, and Mr. Chutinant Bhirom Bhakdi and Mr. Weerawong Chittmitrapap as committee members. The committee is supported by two committee advisors, experienced in accounting and internal audit; Professor Emeritus Kesaree Narongdej and Mrs. Raweepon Kuhiran.

During the year 2013, 12 meetings were organized between the Audit Committee, external auditors, internal auditors and the company's executive managements. The audit committee's meeting attendance records during 2013 can be referred to in the Good Corporate Governance section. To this, the Audit Committee has reported important issues and the committee's opinions to the Board of Directors as deemed appropriate. Significant audit committee's activities during the year 2013 are summarized herein as follows:

1. Financial Statement Audit: The Audit Committee together with the financial and accounting executives and the external auditors have jointly reviewed company's quarterly financial reports and the annual 2013 financial statement including the reviews of financial reports, financial statement disclosure, accounting policy and significant accounting projections, as well as observations from the examination and review of external auditors and the support explanations and analysis of company's financial status and performance (MD&A). The committee has sought clarifications from the auditors to ensure that the

financial statements including accounting adjustments were correctly prepared and completed in conformity with acceptable standards and that the information were sufficiently disclosed and in timely manner.

Moreover, an exclusive session between the Audit Committee and external auditors was organized without presences of company executive management to discuss over the independency of activities and views of external auditors.

2. The audit of adequacies and effectiveness of internal audit and risk management systems:

The Audit Committee has reviewed and monitored the adequacy and effectiveness of internal control system through overseeing the Office of Internal Audit's internal audit reports, result of internal control self-assessment in accordance with the State Audit Commission's internal audit guidelines of B.E. 2544. Moreover, the Vice President of Risk Management Department has also participated in the Audit committee meeting to report on the company's significant risks and the directions to mitigate and manage those risks on regular basis every year.

In addition, one meeting was organized between Audit Committee and the executive managements of the company to discuss over the appropriate agenda in relation to the company performance, significant audit findings as well as plans of improvements as suggested from the audit findings and reports. The objective of such recommendation was reiterated in order to raise company executives' awareness of an importance of good governance and internal control system.

3. Monitoring of Internal Audit activities:

The Audit Committee has reviewed and approved the audit and training plan from the Office of Internal Audit and endorsed on adjustments in the plan in order to ensure that the plan was well aligned with the changes in risk environments and optimized with

available resources within the Office of Internal Audit. The audit committee has acknowledged the performance and any issues from the Office of Internal Audit on a quarterly basis.

The committee has reviewed and provided comments to the Board of Directors in relation to the Vice President of the Office of Internal Audit's qualification requirements. Moreover, the committee has approved the Office of Internal Audit's action plan including the office's management plan, especially personnel management, and the plan to use IT audit tools to increase effective and efficiency in audit work. Furthermore, the Audit Committee has reviewed the sufficiency of human resources and provided supports in terms of new staff recruitments within the Office of Internal Audit.

4. Legal Compliance Audit: The audit committee has jointly discussed with the Human Resources & Compliance Department and acknowledged reports from such department, which served to monitor and ensure that each individual company's division operations were within compliance of applicable laws and regulations, in order to acknowledge and offer suggestions for improvement of the monitoring process.

5. Audit of connected transactions: The Audit Committee has reviewed and provided opinions on the company's connected transactions in accordance with the Notification of the Board of Governors of the Stock Exchange of Thailand prior to seeking final endorsement from the Board of Directors to reassure that connected transactions were performed in a transparent manner, such that the stakeholders did not have any involvements or manipulations on the decisions and that the decisions were made solely based on company's interests as if the transactions were performed with external parties. The audit committee has acknowledged the connected transaction reports on

quarterly basis, and has ensured that the transactions were properly disclosed and sufficiently complete.

6. Audit charter and self-assessment of the Audit committee: The Audit Committee has collated and reviewed the Charter of the Audit Committee, as well as performed self-assessment as stipulated in the best practice guidelines of the Stock Exchange of Thailand and the guidelines for the audit committee in state enterprise defined by the Ministry of Finance (2012 edition), where the assessment was performed on the committee themselves both as a group and as an individual. The assessment deduced that the committee had prudently and independently performed their duties and in line with the guidelines, practices and the Audit Committee's Charter.

7. Proposal of an appointment of External Auditor: The Audit Committee has made such proposal to the Board of Directors for consideration and thereafter sought an approval from the shareholders' meeting for an appointment of the Auditor General as the company's 2014 rightful external auditor.

Resulting from the Audit Committee's performance in accordance with the designated scope of power and duties, the Audit Committee has concluded that the company's financial statement is accurate in the respects of the generally accepted accounting principles with adequate disclosure of complete and trustworthy information. The company's connected transactions enlisted are appropriate and sufficiently disclosed. The company has in place sufficient and efficient internal control and internal audit systems. The company abides by relevant laws and regulations without any significant violations.

Athapol Yaisawang

(Mr. Athapol Yaisawang)
Chairman of Audit Committee

February 27, 2014

NO. 0024/0503

**OFFICE OF THE AUDITOR GENERAL
OF THAILAND,**

Rama VI Road, Phayathai,

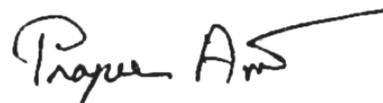
Bangkok 10400, Thailand

Tel : 66 2271 8053 ; Fax : 66 2618 5783

E-mail : audit4@oag.go.th

This letter is given to confirm that the English version of the auditor's report together with the consolidated financial statements for the year ended December 31, 2013 of Thai Airways International Public Company Limited and its subsidiaries and separate financial statements for the year ended December 31, 2013 of Thai Airways International Public Company Limited was translated by Thai Airways International Public Company Limited. The Office of the Auditor General of Thailand has reviewed the aforementioned English version of the auditor's report and the consolidated and separate financial statements and found that it is in agreement, as to form and content, with the Thai version of the auditor's report and the consolidated and separate financial statements for the same period.

Given on March 5, 2014



(Prapee Ankinandana)

Deputy Auditor General

Acting Auditor General

AUDITOR'S REPORT

TO: THE SHAREHOLDERS OF THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED

The Office of the Auditor General of Thailand has audited the consolidated and separate financial statements of Thai Airways International Public Company Limited and its subsidiaries and of Thai Airways International Public Company Limited, respectively, which comprise the consolidated and separate statements of financial position as at December 31, 2013, and the consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in shareholders' equity, and consolidated and separate statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated and separate financial statements

Management is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with Thai Financial Reporting Standard, and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud and error.

Auditor's Responsibility

The Office of the Auditor General of Thailand's responsibility is to express an opinion on these consolidated and separate financial statements based on the audit. The Office of the Auditor General of Thailand conducted the audit in accordance with Thai Standards on Auditing. Those Standards require that the Office of the Auditor General of Thailand comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.

The Office of the Auditor General of Thailand believes that the audit evidence the Office of the Auditor General of Thailand has obtained is sufficient and appropriate to provide a basis for the Office of the Auditor General of Thailand's audit opinion.

Opinion

In the Office of the Auditor General of Thailand's opinion, the consolidated and separate financial statements referred to above present fairly, in all material respects, the consolidated and separate financial position of Thai Airways International Public Company Limited and its subsidiaries and of Thai Airways International Public Company Limited, respectively, as at December 31, 2013 and their consolidated and separate financial performance and their consolidated and separate cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

(Signed) *Poungchomnad Jariyajinda*
(Poungchomnad Jariyajinda)
Deputy Auditor General

(Signed) *Roongnapa Charoenkunwivat*
(Roongnapa Charoenkunwivat)
Director of Audit Office No.4

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2013

Unit : Baht

| | Notes | CONSOLIDATED FINANCIAL STATEMENTS | | SEPARATE FINANCIAL STATEMENTS | |
|--|-------|-----------------------------------|------------------------|-------------------------------|------------------------|
| | | 2013 | 2012 | 2013 | 2012 |
| ASSETS | | | | | |
| Current Assets | | | | | |
| Cash and cash equivalents | 5.1 | 11,757,473,084 | 20,048,374,724 | 11,649,734,484 | 19,741,670,550 |
| Temporary investments | | 100,000,000 | 1,709,730,474 | - | - |
| Trade receivables | 5.2 | 13,640,040,697 | 15,738,200,618 | 13,602,738,159 | 15,679,356,299 |
| Prepaid expenses and deposits | | 8,759,218,393 | 8,951,772,089 | 9,117,676,555 | 9,012,036,532 |
| Inventories and supplies | 5.3 | 7,521,371,974 | 7,783,943,974 | 7,521,371,974 | 7,780,199,730 |
| Other current assets | 5.4 | 9,510,098,148 | 9,948,745,997 | 9,508,020,384 | 9,713,193,240 |
| Non-current assets classified as held for sale | 5.12 | 7,196,723,980 | 7,430,210,409 | 7,196,723,980 | 7,430,210,409 |
| Total Current Assets | | 58,484,926,276 | 71,610,978,285 | 58,596,265,536 | 69,356,666,760 |
| Non-Current Assets | | | | | |
| Investments in associates | 5.5.1 | 4,982,298,757 | 1,429,610,889 | 1,083,520,500 | 723,520,500 |
| Investments in subsidiaries | 5.5.1 | - | - | 460,209,893 | 370,209,900 |
| Other long-term investments | 5.5.2 | 129,255,558 | 130,160,178 | 79,195,065 | 74,585,128 |
| Property, plant and equipment | 5.7 | 231,448,732,868 | 218,567,945,045 | 231,440,806,539 | 218,477,941,563 |
| Goodwill | | - | 1,390,549,247 | - | - |
| Intangible assets | 5.8 | 861,265,669 | 1,337,499,242 | 856,777,952 | 772,954,356 |
| Deferred tax assets | 5.9 | 5,741,159,508 | 4,966,453,549 | 5,727,973,315 | 4,939,492,971 |
| Other non-current assets | 5.11 | 5,437,095,760 | 4,662,685,173 | 5,431,405,823 | 4,640,196,663 |
| Total Non-Current Assets | | 248,599,808,120 | 232,484,903,323 | 245,079,889,087 | 229,998,901,081 |
| Total Assets | | 307,084,734,396 | 304,095,881,608 | 303,676,154,623 | 299,355,567,841 |

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



THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2013

Unit : Baht

| Notes | CONSOLIDATED FINANCIAL STATEMENTS | | SEPARATE FINANCIAL STATEMENTS | |
|--|-----------------------------------|------------------------|-------------------------------|------------------------|
| | 2013 | 2012 | 2013 | 2012 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | |
| Current Liabilities | | | | |
| Trade payables | 6,186,377,742 | 4,621,570,981 | 6,179,081,198 | 4,287,281,811 |
| Accrued expenses | 20,395,460,571 | 18,726,829,882 | 20,653,985,311 | 18,497,737,175 |
| Current portion of long-term liabilities | | | | |
| Long-term borrowings from related parties | 5.13 1,322,000,000 | 3,297,264,000 | 1,322,000,000 | 3,297,264,000 |
| Long-term borrowings from other parties | 5.13 9,445,117,378 | 8,151,368,421 | 9,445,117,378 | 8,151,368,421 |
| Liabilities under finance leases | 5.14 10,313,020,136 | 9,938,493,819 | 10,313,020,136 | 9,938,493,819 |
| Debentures | 5.15 3,720,000,000 | 2,556,790,000 | 3,720,000,000 | 2,556,790,000 |
| Current income tax payable | 11,369,045 | 16,956,305 | - | - |
| Other current liabilities | | | | |
| Accrued dividends | 55,099,476 | 51,794,664 | 55,007,676 | 51,692,971 |
| Unearned transportation revenues | 20,546,445,629 | 23,789,156,859 | 20,546,445,629 | 23,380,604,242 |
| Others | 5.16 10,373,688,613 | 11,532,444,154 | 10,920,292,838 | 11,470,031,663 |
| Total Current Liabilities | 82,368,578,590 | 82,682,669,085 | 83,154,950,166 | 81,631,264,102 |
| Non-Current Liabilities | | | | |
| Long-term liabilities | | | | |
| Long-term borrowings from related parties | 5.13 17,943,517,559 | 1,890,000,000 | 17,943,517,559 | 1,890,000,000 |
| Long-term borrowings from other parties | 5.13 32,887,321,733 | 39,120,631,579 | 32,887,321,733 | 39,120,631,579 |
| Liabilities under finance leases | 5.14 63,318,861,181 | 61,610,827,672 | 63,318,861,181 | 61,610,827,672 |
| Debentures | 5.15 37,400,000,000 | 32,120,000,000 | 37,400,000,000 | 32,120,000,000 |
| Deferred tax liabilities | 5.10 105,336,022 | 83,351,796 | 105,336,022 | 83,351,796 |
| Staff pension fund | 5.32 4,874,412,373 | 4,670,104,407 | 4,874,412,373 | 4,670,104,407 |
| Employee benefits obligation | 5.18 10,545,974,865 | 11,082,178,755 | 10,511,745,306 | 10,970,895,026 |
| Long-term provisions | 5.17 488,522,824 | 831,594,427 | 486,082,020 | 829,190,752 |
| Other non-current liabilities | 233,470,172 | 186,085,924 | 233,470,172 | 185,856,512 |
| Total Non-Current Liabilities | 167,797,416,729 | 151,594,774,560 | 167,760,746,366 | 151,480,857,744 |
| Total Liabilities | 250,165,995,319 | 234,277,443,645 | 250,915,696,532 | 233,112,121,846 |
| Shareholders' Equity | | | | |
| Share capital | | | | |
| Authorized share capital | 5.20 | | | |
| 2,698.90 million ordinary shares par value of Baht 10 each | | 26,989,009,500 | 26,989,009,500 | 26,989,009,500 |
| Issued and paid-up share capital | | | | |
| 2,182.77 million ordinary shares par value of Baht 10 each | | 21,827,719,170 | 21,827,719,170 | 21,827,719,170 |
| Premium on ordinary shares | | 25,548,223,951 | 25,548,223,951 | 25,548,223,951 |
| Retained earnings | | | | |
| Appropriated | | | | |
| Legal reserve | 5.21 | 2,691,275,568 | 2,691,275,568 | 2,691,275,568 |
| Unappropriated | | 5,717,014,126 | 18,852,734,438 | 16,176,227,306 |
| Other Components of Equity | 5.22 | 1,045,411,398 | - | 1,046,340,527 |
| Total Company Shareholders' Equity | 56,829,644,213 | 68,919,953,127 | 52,760,458,091 | 66,243,445,995 |
| Non-controlling Interests | 89,094,864 | 898,484,836 | - | - |
| Total Shareholders' Equity | 56,918,739,077 | 69,818,437,963 | 52,760,458,091 | 66,243,445,995 |
| Total Liabilities and Shareholders' Equity | 307,084,734,396 | 304,095,881,608 | 303,676,154,623 | 299,355,567,841 |

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

(Signed) **Chokchai Panyayong**
(Chokchai Panyayong)
Senior Executive Vice President, Commercial
Acting President

(Signed) **Wasukarn Visansawatdi**
(Wasukarn Visansawatdi)
Executive Vice President

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2013

Unit : Baht

| Notes | CONSOLIDATED FINANCIAL STATEMENTS | | SEPARATE FINANCIAL STATEMENTS | | |
|--|-----------------------------------|-------------------------|-------------------------------|-------------------------|------------------------|
| | 2013 | 2012 | 2013 | 2012 | |
| Revenues | | | | | |
| Revenues from Sales or Revenues from Services | | | | | |
| Passenger and excess baggage | 5.23 | 172,334,807,613 | 173,458,421,392 | 172,334,807,613 | 165,485,878,390 |
| Freight | | 23,553,974,470 | 25,856,434,138 | 23,553,974,470 | 25,838,723,744 |
| Mail | | 960,880,422 | 906,912,641 | 960,880,422 | 906,912,641 |
| Other activities | | 9,486,581,292 | 8,900,740,869 | 9,126,217,355 | 8,826,571,593 |
| Total Revenues from Sales or Revenues from Services | | 206,336,243,797 | 209,122,509,040 | 205,975,879,860 | 201,058,086,368 |
| Other Income | | | | | |
| Interest income | | 515,761,906 | 496,588,347 | 510,771,156 | 442,687,520 |
| Other income - Others | 5.24 | 3,733,127,668 | 2,326,261,513 | 4,282,173,605 | 2,753,902,024 |
| Gain on deemed disposal | | 722,299,368 | - | - | - |
| Profitability on business acquisition | | - | 1,584,397,482 | - | - |
| Gain on disposal of the controlling interest | | 298,158,621 | - | - | - |
| Total Other Income | | 5,269,347,563 | 4,407,247,342 | 4,792,944,761 | 3,196,589,544 |
| Total Revenues | | 211,605,591,360 | 213,529,756,382 | 210,768,824,621 | 204,254,675,912 |
| Expenses | | | | | |
| Fuel and oil | | 80,525,255,227 | 80,178,542,248 | 80,525,255,227 | 77,480,576,480 |
| Employee benefits expenses | 5.25 | 33,108,710,969 | 32,086,696,769 | 33,091,975,460 | 31,543,539,495 |
| Flight service expenses | | 21,726,825,135 | 21,321,411,821 | 21,726,825,135 | 20,693,196,467 |
| Crew expenses | | 6,008,593,154 | 5,707,044,146 | 6,008,593,154 | 5,546,598,602 |
| Aircraft maintenance and overhaul costs | | 13,446,842,295 | 12,600,010,809 | 13,446,842,295 | 11,288,227,430 |
| Depreciation and amortisation expenses | | 20,025,665,524 | 20,523,682,320 | 20,019,984,082 | 20,424,026,088 |
| Lease of aircraft and spare parts | | 4,699,434,859 | 4,552,173,807 | 4,699,434,859 | 3,683,317,045 |
| Inventories and supplies | | 9,624,613,734 | 9,530,335,512 | 9,624,613,734 | 9,415,467,950 |
| Selling and advertising expenses | 5.23 | 9,495,908,441 | 6,833,250,736 | 9,407,838,251 | 6,466,595,641 |
| Insurance expenses | | 628,580,377 | 892,691,125 | 628,580,377 | 760,285,940 |
| Impairment loss of assets | | 333,663,737 | 589,772,919 | 333,663,737 | 589,772,919 |
| Impairment loss of aircraft | 5.26 | 5,092,536,008 | 181,143,438 | 5,092,536,008 | 181,143,438 |
| Other expenses | 5.27 | 10,702,486,673 | 9,169,444,038 | 10,614,233,954 | 8,593,446,506 |
| Losses (gains) on foreign currency exchange | | 3,894,648,120 | (3,212,965,948) | 3,897,221,771 | (3,207,273,109) |
| Finance costs | | 6,057,267,666 | 5,836,287,785 | 6,057,264,324 | 5,838,536,325 |
| Share of profit of associates | | (836,089,566) | (363,432,320) | - | - |
| Total Expenses | | 224,534,942,353 | 206,426,089,205 | 225,174,862,368 | 199,297,457,217 |
| Profit (Loss) before Income Tax Expense | | (12,929,350,993) | 7,103,667,177 | (14,406,037,747) | 4,957,218,695 |
| Income tax expense (income) | 5.28 | (929,404,056) | 593,442,669 | (968,045,697) | 527,564,618 |
| Profit (Loss) for the Year | | (11,999,946,937) | 6,510,224,508 | (13,437,992,050) | 4,429,654,077 |
| Other Comprehensive Income | | | | | |
| Actuarial gains on employee benefit obligation | | 1,305,814,003 | - | 1,307,925,659 | - |
| Income tax relating to components of other comprehensive income | | (261,162,801) | - | (261,585,132) | - |
| Other Comprehensive Income (Expenses) for the Year-Net of Tax | | 1,044,651,202 | - | 1,046,340,527 | - |
| Total Comprehensive Income (Expense) for the Year | | (10,955,295,735) | 6,510,224,508 | (12,391,651,523) | 4,429,654,077 |
| Profit (Loss) Attributable to: | | | | | |
| Owners of the Parent | | (12,047,374,024) | 6,228,972,723 | (13,437,992,050) | 4,429,654,077 |
| Non-controlling interests | | 47,427,087 | 281,251,785 | - | - |
| | | (11,999,946,937) | 6,510,224,508 | (13,437,992,050) | 4,429,654,077 |
| Total Comprehensive Income (Expense) Attributable to: | | | | | |
| Owners of the Parent | | (11,001,962,626) | 6,228,972,723 | (12,391,651,523) | 4,429,654,077 |
| Non-controlling interests | | 46,666,891 | 281,251,785 | - | - |
| | | (10,955,295,735) | 6,510,224,508 | (12,391,651,523) | 4,429,654,077 |
| Earnings (Losses) per Share | | | | | |
| Basic earnings (losses) per share | 5.30 | (5.52) | 2.85 | (6.16) | 2.03 |

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

(Signed) **Chokchai Panyayong**
(Chokchai Panyayong)
Senior Executive Vice President, Commercial
Acting President

(Signed) **Wasukarn Visansawatdi**
(Wasukarn Visansawatdi)
Executive Vice President

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2013

Unit : Baht

| CONSOLIDATED FINANCIAL STATEMENTS | | | | | | | | | |
|---|-----------------------|----------------------------|----------------------------|----------------------|--|---|----------------------------|---------------------------|----------------------------|
| | Owners of the Parent | | | | | | Total Owners of the Parent | Non-controlling Interests | Total Shareholders' Equity |
| | Note | Issued and Paid-up Capital | Premium on Ordinary Shares | Retained Earnings | Other Components of Equity | | | | |
| | | | | | Other comprehensive income | | | | |
| | | | | | Actuarial Gains on Employee Benefit Obligation | Income Tax Relating to Components of Other Comprehensive Income | | | |
| Balance as at January 1, 2012 before Adjustment | 21,827,719,170 | 25,548,223,951 | 15,304,700,919 | - | - | - | 62,680,644,040 | 266,273,256 | 62,946,917,296 |
| <u>Add</u> The effect of business acquisition | - | - | - | - | - | - | - | 683,605,026 | 683,605,026 |
| <u>Add</u> The effect of changes in accounting policy | - | - | 10,336,364 | - | - | - | 10,336,364 | 13,586,573 | 23,922,937 |
| Balance after Adjustment | 21,827,719,170 | 25,548,223,951 | 15,315,037,283 | - | - | - | 62,690,980,404 | 963,464,855 | 63,654,445,259 |
| Changes in Shareholders' Equity | | | | | | | | | |
| <u>Less</u> Dividends paid to cumulative preferred shares | - | - | - | - | - | - | - | (91,800) | (91,800) |
| <u>Less</u> Dividends paid | - | - | - | - | - | - | - | (346,140,004) | (346,140,004) |
| <u>Add</u> Total comprehensive income for the year 2012 | - | - | 6,228,972,723 | - | - | - | 6,228,972,723 | 281,251,785 | 6,510,224,508 |
| Balance as at December 31, 2012 | 21,827,719,170 | 25,548,223,951 | 21,544,010,006 | - | - | - | 68,919,953,127 | 898,484,836 | 69,818,437,963 |
| Balance as at January 1, 2013 before Adjustment | 21,827,719,170 | 25,548,223,951 | 21,544,010,006 | - | - | - | 68,919,953,127 | 898,484,836 | 69,818,437,963 |
| <u>Less</u> The effect from loss of control in subsidiary | - | - | - | - | - | - | - | (720,965,280) | (720,965,280) |
| <u>Add</u> The effect of changes in accounting policy | - | - | 2,990,093 | - | - | - | 2,990,093 | 214 | 2,990,307 |
| Balance after Adjustment | 21,827,719,170 | 25,548,223,951 | 21,547,000,099 | - | - | - | 68,922,943,220 | 177,519,770 | 69,100,462,990 |
| Changes in Shareholders' Equity | | | | | | | | | |
| <u>Less</u> Dividends paid | 5.19 | - | (1,091,385,959) | - | - | - | (1,091,385,959) | (135,000,005) | (1,226,385,964) |
| <u>Add</u> Dividends returned | - | - | 49,578 | - | - | - | 49,578 | - | 49,578 |
| <u>Less</u> Dividend paid to cumulative preferred shares | - | - | - | - | - | - | - | (91,800) | (91,800) |
| <u>Add</u> Issued share capital | - | - | - | - | - | - | - | 8 | 8 |
| <u>Add</u> Total comprehensive income (expense) for the year 2013 | - | - | (12,047,374,024) | 1,306,764,248 | (261,352,850) | 1,045,411,398 | (11,001,962,626) | 46,666,891 | (10,955,295,735) |
| Balance as at December 31, 2013 | 21,827,719,170 | 25,548,223,951 | 8,408,289,694 | 1,306,764,248 | (261,352,850) | 1,045,411,398 | 56,829,644,213 | 89,094,864 | 56,918,739,077 |

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

(Signed) **Chokchai Panyayong**
(Chokchai Panyayong)
Senior Executive Vice President, Commercial
Acting President

(Signed) **Wasukarn Visansawatdi**
(Wasukarn Visansawatdi)
Executive Vice President

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
 FOR THE YEAR ENDED DECEMBER 31, 2013

Unit : Baht

| SEPARATE FINANCIAL STATEMENTS | | | | | | | |
|---|----------------------------|----------------------------|-----------------------|--|---|----------------------------------|----------------------------|
| Note | Issued and Paid-up Capital | Premium on Ordinary Shares | Retained Earnings | Other Components of Equity | | | Total Shareholders' Equity |
| | | | | Other comprehensive income | | | |
| | | | | Actuarial Gains on Employee Benefit Obligation | Income Tax Relating to Components of Other Comprehensive Income | Total Other Components of Equity | |
| Balance as at January 1, 2012 | 21,827,719,170 | 25,548,223,951 | 14,437,848,797 | - | - | - | 61,813,791,918 |
| Changes in Shareholders' Equity | | | | | | | |
| Add Total comprehensive income for the year 2012 | - | - | 4,429,654,077 | - | - | - | 4,429,654,077 |
| Balance as at December 31, 2012 | 21,827,719,170 | 25,548,223,951 | 18,867,502,874 | - | - | - | 66,243,445,995 |
| Balance as at January 1, 2013 | 21,827,719,170 | 25,548,223,951 | 18,867,502,874 | - | - | - | 66,243,445,995 |
| Changes in Shareholders' Equity | | | | | | | |
| Less Dividend paid 5.19 | - | - | (1,091,385,959) | - | - | - | (1,091,385,959) |
| Add Dividend returned | - | - | 49,578 | - | - | - | 49,578 |
| Less Total comprehensive income (expense) for the year 2013 | - | - | (13,437,992,050) | 1,307,925,659 | (261,585,132) | 1,046,340,527 | (12,391,651,523) |
| Balance as at December 31, 2013 | 21,827,719,170 | 25,548,223,951 | 4,338,174,443 | 1,307,925,659 | (261,585,132) | 1,046,340,527 | 52,760,458,091 |

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

(Signed) **Chokchai Panyayong**
 (Chokchai Panyayong)
 Senior Executive Vice President, Commercial
 Acting President

(Signed) **Wasukarn Visansawatdi**
 (Wasukarn Visansawatdi)
 Executive Vice President

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2013

Unit : Baht

| Notes | CONSOLIDATED FINANCIAL STATEMENTS | | SEPARATE FINANCIAL STATEMENTS | |
|---|-----------------------------------|-----------------------|-------------------------------|-----------------------|
| | 2013 | 2012 | 2013 | 2012 |
| Cash Flows from Operating Activities | | | | |
| Profits (losses) before income tax expenses | (12,929,350,993) | 7,103,667,177 | (14,406,037,747) | 4,957,218,695 |
| Adjustment to reconcile profit (loss) before income tax expense to cash received (paid) from operating activities : | | | | |
| Depreciation and amortization expenses | 20,025,665,524 | 20,523,682,320 | 20,019,984,082 | 20,424,026,088 |
| Aircraft lease fee | 93,097,956 | 11,148,901 | 93,097,956 | 11,148,901 |
| Dividends received | (633,150) | (288,750) | (552,793,011) | (466,382,501) |
| Share of profits of investments by equity method | (836,089,566) | (363,432,320) | - | - |
| Profitability on business acquisition | - | (1,584,397,482) | - | - |
| Gain on disposal of the controlling interest | (298,158,621) | - | - | - |
| Gain on deemed disposal | (722,299,368) | - | - | - |
| Interest income | (515,761,906) | (496,588,347) | (510,771,156) | (442,687,520) |
| Interest expenses | 6,057,267,666 | 5,836,287,785 | 6,057,264,324 | 5,838,536,325 |
| Gains on sales of assets | (87,583,013) | (132,934,659) | (87,771,672) | (133,874,978) |
| Loss (gain) on foreign currency exchange | 6,844,522,988 | (1,975,226,719) | 6,845,438,501 | (1,981,728,560) |
| Employee benefits obligation | 860,823,639 | 377,007,166 | 848,775,939 | 343,741,955 |
| Provision for obsolete inventories and supplies | 716,570,111 | 365,155,393 | 716,570,111 | 365,155,393 |
| Doubtful accounts | 163,572,394 | 258,087,455 | 158,935,445 | 257,922,073 |
| Impairment loss of aircraft | 5,092,536,008 | 181,143,438 | 5,092,536,008 | 181,143,438 |
| Impairment loss of assets | 333,663,737 | 589,772,919 | 333,663,737 | 589,772,919 |
| Operating profits before changes in operating assets and liabilities | 24,797,843,406 | 30,693,084,277 | 24,608,892,517 | 29,943,992,228 |
| Decrease (increase) in operating assets : | | | | |
| Trade receivables | 2,531,399,710 | 208,450,437 | 2,541,521,171 | 221,021,277 |
| Inventories and supplies | (457,742,355) | (434,635,774) | (457,742,355) | (435,348,020) |
| Prepaid expenses and deposits | 799,957,276 | 1,351,717,019 | 581,816,051 | 1,180,803,847 |
| Tax refund | 223,591,214 | 57,610,199 | 223,591,214 | 57,610,199 |
| Other current assets | 312,191,449 | (2,224,428,380) | 302,418,111 | (2,248,439,481) |
| Assets for sales | (521,914,995) | (302,350,067) | (521,914,995) | (302,350,067) |
| Other assets | (135,366,166) | (571,757,504) | (135,347,845) | (570,153,327) |
| Deferred charges | (1,186,332,285) | (2,065,788,839) | (1,186,332,285) | (2,065,788,839) |
| Increase (decrease) in operating liabilities : | | | | |
| Trade payables | 2,158,904,891 | (4,247,685,559) | 2,160,283,610 | (4,252,069,719) |
| Accrued expenses and other current liabilities | 412,684,026 | 10,533,631,336 | 613,809,800 | 10,574,802,269 |
| Staff pension fund | 204,307,966 | 108,899,394 | 204,307,966 | 108,899,394 |
| Unearned transportation revenues | (2,781,225,301) | (1,047,200,771) | (2,781,225,301) | (1,177,992,934) |
| Other non-current liabilities | (315,168,048) | (562,440,128) | (315,205,177) | (562,443,872) |
| Proceeds from operations | 26,043,130,788 | 31,497,105,640 | 25,838,872,482 | 30,472,542,955 |
| Payment of income tax | (309,160,380) | (334,407,984) | (250,582,127) | (248,918,942) |
| Net Cash from Operating Activities | 25,733,970,408 | 31,162,697,656 | 25,588,290,355 | 30,223,624,013 |

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

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2013

Unit : Baht

| | Notes | CONSOLIDATED FINANCIAL STATEMENTS | | SEPARATE FINANCIAL STATEMENTS | |
|--|-------|-----------------------------------|-------------------------|-------------------------------|-------------------------|
| | | 2013 | 2012 | 2013 | 2012 |
| Cash Flows from Investing Activities | | | | | |
| Cash paid for acquisition of fixed assets | B | (28,803,209,428) | (18,388,039,756) | (28,800,658,531) | (18,335,651,905) |
| Cash paid for intangible assets | | (360,467,215) | (208,711,542) | (359,717,415) | (197,496,265) |
| Proceeds from transferring the rights for advance payment of aircraft and aircraft equipment | | 1,226,032,229 | 2,959,189,106 | 1,226,032,229 | 2,959,189,106 |
| Proceeds from sales of assets | | 556,891,855 | 183,206,186 | 556,891,855 | 182,657,698 |
| Interest income | | 268,619,048 | 532,178,435 | 263,344,110 | 481,036,021 |
| Dividend received | | 387,734,216 | 98,489,359 | 552,793,011 | 466,382,501 |
| Investment decrease (increase) | | (449,178,594) | 101,633,768 | (449,178,594) | 3,272,721 |
| Temporary investment decrease (increase) | | 200,000,000 | (238,906,111) | - | - |
| Cash decreased from loss of control | | (246,456,042) | - | - | - |
| Proceeds from investment in subsidiaries | | - | 197,098,689 | - | - |
| Net Cash used in Investing Activities | | (27,220,033,931) | (14,763,861,866) | (27,010,493,335) | (14,440,610,123) |
| Cash Flows from Financing Activities | | | | | |
| Proceeds from debentures | | 9,000,000,000 | 11,500,000,000 | 9,000,000,000 | 11,500,000,000 |
| Proceeds from long-term borrowings | | 22,762,434,571 | 1,871,814,789 | 22,762,434,571 | 1,871,814,789 |
| Proceeds from issued share capital | | 8 | - | - | - |
| Cash paid for repayment of debentures | | (2,556,790,000) | (4,670,000,000) | (2,556,790,000) | (4,670,000,000) |
| Cash paid for repayment of long-term borrowings | | (30,161,446,441) | (15,152,014,411) | (30,161,446,441) | (15,152,014,411) |
| Cash paid for borrowings interest | | (5,184,712,670) | (5,628,842,431) | (5,184,709,328) | (5,630,108,587) |
| Dividends paid | | (1,088,021,876) | (267,974) | (1,088,021,676) | (267,974) |
| Dividends paid to non-controlling interests | | (135,101,497) | (346,226,858) | - | - |
| Net Cash used in Financing Activities | | (7,363,637,905) | (12,425,536,885) | (7,228,532,874) | (12,080,576,183) |
| Net increase (decrease) in cash and cash equivalents | | (8,849,701,428) | 3,973,298,905 | (8,650,735,854) | 3,702,437,707 |
| Effect from changing in exchange rate on cash and cash equivalents increase (decrease) | | 558,799,788 | (590,949,197) | 558,799,788 | (590,708,079) |
| Cash and cash equivalents at the beginning of the periods | | 20,048,374,724 | 16,666,025,016 | 19,741,670,550 | 16,629,940,922 |
| Cash and Cash Equivalents at the End of the Periods | C | 11,757,473,084 | 20,048,374,724 | 11,649,734,484 | 19,741,670,550 |

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

(Signed) **Chokchai Panyayong**
 (Chokchai Panyayong)
 Senior Executive Vice President, Commercial
 Acting President

(Signed) **Wasukarn Visansawatdi**
 (Wasukarn Visansawatdi)
 Executive Vice President



THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2013

Note to Statements of Cash Flows

A. Tax Refund - Consolidated and Separate Financial Statements

| Unit : Baht | |
|--|---------------|
| 2013 | |
| Proceeds from P.N.D.50 for the year 2011 | 244.04 |
| Proceeds from P.N.D.50 for the year 2007 | 19.60 |
| Adjustment of tax refund for the year 2012 | (40.05) |
| | 223.59 |
| 2012 | |
| Proceeds from P.N.D.50 for the year 2010 | 61.15 |
| Adjustment of tax refund for the year 2011 | (3.54) |
| | 57.61 |

B. Property, Plant and Equipment

Consolidated financial statements

During the year 2013, the Company bought property, plant and equipment under finance leases amount of THB 9,285.22 million and cash payment amount of THB 28,803.21 million, total cost amount of THB 38,088.43 million.

During the year 2012, the Company bought property, plant and equipment under finance leases amount of THB 22,187.80 million and cash payment amount of THB 18,388.04 million, total cost amount of THB 40,575.84 million.

Separate financial statements

During the year 2013, the Company bought property, plant and equipment under finance leases amount of THB 9,285.22 million and cash payment amount of THB 28,800.66 million, total cost amount of THB 38,085.88 million.

During the year 2012, the Company bought property, plant and equipment under finance leases amount of THB 22,187.80 million and cash payment amount of THB 18,335.65 million, total cost amount of THB 40,523.45 million.

C. Cash and Cash Equivalents

| | Unit : Million Baht | | | |
|--|--------------------------------------|------------------|----------------------------------|------------------|
| | Consolidated Financial Statements | | Separate Financial Statements | |
| | 2013 | 2012 | 2013 | 2012 |
| Cash on hand and outstanding bank balances | 10,198.67 | 20,639.32 | 10,090.93 | 20,332.38 |
| Short-term investments | 1,000.00 | - | 1,000.00 | - |
| Cash and cash equivalents as previously reported | 11,198.67 | 20,639.32 | 11,090.93 | 20,332.38 |
| Effect of exchange rate changes | 558.80 | (590.95) | 558.80 | (590.71) |
| Cash and cash equivalents as reported | 11,757.47 | 20,048.37 | 11,649.73 | 19,741.67 |

(Signed) **Chokchai Panyayong**
 (Chokchai Panyayong)
 Senior Executive Vice President, Commercial
 Acting President

(Signed) **Wasukarn Visansawatdi**
 (Wasukarn Visansawatdi)
 Executive Vice President

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2013

1. GENERAL INFORMATION AND BASIS OF FINANCIAL STATEMENT PREPARATION

1.1 General Information

Thai Airways International Public Company Limited (“the Company”) is incorporated as a public limited company in Thailand and is listed on the Stock Exchange of Thailand. The address of its incorporated and registered office is as follow:

The head office of the Company is located at 89 Vibhavadee Rungsit Road, Chom Phon, Chatuchak, Bangkok, Thailand.

The Company’s principal activity is the operation of airline business and business units which concern directly with transportation.

As at December 31, 2013, the Company has the routes servicing to 78 destinations in 34 countries all over the world, whereas 10 routes are domestic (excluding Bangkok).

1.2 Basis of Financial Statement Preparation

The consolidated and the separate 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 “the Company” and the Company’s staff pension fund.

The consolidated financial statements consist of the Company and its subsidiaries as follows:

| Company’s Name | Type of Business | Located Country | Percentage of Share Holding | |
|--|---|-----------------|-----------------------------|------|
| | | | 2013 | 2012 |
| Held by the Company: | | | | |
| 1. Thai-Amadeus Southeast Asia Company Limited | Information technology Company for travel services | Thailand | 55% | 55% |
| 2. WingSpan Services Company Limited | Providing special personnel services to the Company | Thailand | 49% | 49% |
| 3. Thai Flight Training Company Limited | Aviation training services | Thailand | 49% | 49% |
| 4. Thai Smile Airways Company Limited | Air transportation services | Thailand | 100% | - |
| Held by the Subsidiary of the Company | | | | |
| A subsidiary held by WingSpan Services Company Limited | | | | |
| ● Tour Eurng Luang Company Limited | Tourism Business | Thailand | 49% | 49% |

As at December 31, 2013, Thai Smile Airways Co., Ltd. does not operate a business because it is in the process of obtaining Airline Operator License (AOL), Airline Operator Certificate (AOC) as well as Airline Designator Code from IATA.



An English language version of the financial statements has been translated from the statutory financial statements that were issued in Thai language. In case of conflict or difference in understanding, the financial statements in Thai language shall prevail.

These financial statements are prepared by the historical cost basis except for the other disclosures in the accounting policies.

2. ACCOUNTING STANDARDS, FINANCIAL REPORTING STANDARDS, FINANCIAL REPORTING INTERPRETATIONS COMMITTEE AND ACCOUNTING STANDARD INTERPRETATIONS WHICH ARE NOT CURRENTLY EFFECTIVE ARE AS FOLLOWS:

- Effective for fiscal years beginning on or after January 1, 2014 :

| | |
|--|---|
| TAS No. 1 (Revised 2012) | Presentation of Financial Statements |
| TAS No. 7 (Revised 2012) | Statement of Cash Flows |
| TAS No. 12 (Revised 2012) | Income Taxes |
| TAS No. 17 (Revised 2012) | Leases |
| TAS No. 18 (Revised 2012) | Revenues |
| TAS No. 19 (Revised 2012) | Employee Benefits |
| TAS No. 21 (Revised 2012) | The Effects of Changes in Foreign Exchange Rates |
| TAS No. 24 (Revised 2012) | Related Party Disclosures |
| TAS No. 28 (Revised 2012) | Investment in Associates |
| TAS No. 31 (Revised 2012) | Interests in Joint Ventures |
| TAS No. 34 (Revised 2012) | Interim Financial Reporting |
| TAS No. 36 (Revised 2012) (Not announce in the Gazette) | Impairment of Assets |
| TAS No. 38 (Revised 2012) | Intangible Assets |
| TFRS No. 2 (Revised 2012) | Share - based Payment |
| TFRS No. 3 (Revised 2012) | Business Combinations |
| TFRS No. 5 (Revised 2012) | Non - current Assets Held for Sale and Discontinued Operations |
| TFRS No. 8 (Revised 2012) | Operating Segments |
| TFRIC No. 1 | Changes in Existing Decommissioning, Restoration and Similar Liabilities |
| TFRIC No. 4 | Determining whether an Arrangement Contains a Lease |
| TFRIC No. 5 | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds |
| TFRIC No. 7 | Applying the Restatement Approach under TAS 29 <i>Financial Reporting in Hyper-Inflationary Economies</i> |
| TFRIC No. 10 | Interim Financial Reporting and Impairment |
| TFRIC No. 12 | Service Concession Arrangements |
| TFRIC No. 13 | Customer Loyalty Programmes |
| TFRIC No. 17 | Distributions of Non-cash Assets to Owners |
| TFRIC No. 18 | Transfers of Assets from Customers |
| TSIC No. 15 | Operating Leases - Incentives |
| TSIC No. 27 | Evaluating the Substance of Transactions Involving the Legal Form of a Lease |

| | |
|-------------|--|
| TSIC No. 29 | Service Concession Arrangements : Disclosure |
| TSIC No. 32 | Intangible Assets - Web Site Costs |

- Effective for fiscal years beginning on or after January 1, 2016 :

| | |
|------------|---------------------|
| TFRS No. 4 | Insurance Contracts |
|------------|---------------------|

For adopting of Accounting Standard, Financial Reporting Standards and Financial Reporting Standard Interpretation which will be effective for fiscal years beginning on or after January 1, 2014, The management of the Company has assessed that the above standards have no significant impact to the consolidated and the separate financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.12 Allowance for Doubtful Accounts

Trade receivables, not government agencies and state enterprises, are set an allowance for doubtful accounts by analysing a payment history and connection data together with aging analysis of each trade receivables as a criteria at the following rates:

| Aging Periods: | Allowance for doubtful accounts (%) |
|-------------------------|-------------------------------------|
| over 6 months to 1 year | 50 |
| over 1 year to 2 years | 75 |
| over 2 years | 100 |

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 realizable 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 recorded by the equity method in the consolidated financial statements but by cost method in the separate financial statements.

3.3.2 Current investments in debt securities held-to-1 year maturity are stated by the amortized cost method. A premium or discount on debt securities is amortized according to an effective interest rate. The amortized amount will be taken to adjust to an interest income.

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

3.4 Property, Plant and Equipment and Depreciation

3.4.1 Aircraft and aircraft under finance leases

3.4.1.1 Aircraft and aircraft under finance leases are stated at cost, including where applicable (engines and other flight equipment), as well as cost of decoration 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 residual 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 3-30 years.

3.4.4 Leasehold buildings are amortized 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 net benefit from aircraft selling and the carrying amount 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 net benefit and net book value of sold assets and recognized as revenue or expense in the income statement.

3.5 Non-Current Assets Classified as Held for Sale

Non-current assets classified as held for sale are stated at the lower of carrying amount or fair value less costs to sell.

Losses on impairment are recognized in an income statement. Gains or losses on sales of assets are recognized as other income or expense at sales.

3.6 Intangible Assets

Computer Software

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 recognized as an intangible asset and amortized as expenses on a straight-line basis over an useful life of 5 years.

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

3.7 Impairment of Assets

Assets may be impaired whenever there is an indicator that the book value of the asset exceeds its recoverable amount. A recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

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

3.8 Deferred Charges

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

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

3.9 Liabilities under Finance leases

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

3.10 Revenue Recognition

3.10.1 Passenger and excess baggage revenues:

3.10.1.1 Revenue from ticket sales and service orders is recognized as revenue when transportation is provided. For passengers using the services of other airlines, the difference between the selling price charged by the Company and the amount billed to the Company by those airline performing the services is recognized as revenue.

3.10.1.2 Unused tickets and service orders are recognized as revenue after 2 years.

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

3.10.2 Freight revenue is recognized when the Company provides the services and issues its air waybills. For freight carried by other air carriers, the difference between the selling price charged by the Company and the amount billed to the Company by those air carriers performing the services is recognized as revenue.

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

3.10.3 The Company has operated a frequent flyer program called "Royal Orchid Plus" since 1993. Members exchange accumulated mileage for services. The Company calculates fair value rate per mile by average of air award redemption fair value and other award redemption fair value.

Both air award and other award redemption fair value calculate using the same concept. Air award redemption fair value calculates from dividing the average net collected fare in each zone by the number of miles redeemed for awards in that zone then weighted by each zonal redemption. Other award redemption fair value calculates the same way using average other award value as a value per



mile of the Royal Orchid Plus. Then, the estimated cost is used to reduce passenger revenues and recorded liabilities under “unearned transportation revenues”. Revenues are recognized when numbers redeem awards.

3.10.3.1 Unredeemed awards are recognized as revenue after 3 years.

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

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

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

3.10.5 Other revenues are recognized on an accrual basis.

3.11 Earnings Per Share

Basic earnings per share is calculated by dividing a profit or loss of owners of the parent by the weighted average number of ordinary shares outstanding during the period.

3.12 Foreign Currency Transactions

Foreign currency transactions incurred during the year are translated into Baht by exchange rates of the Bank of Thailand at transaction date.

Assets and liabilities denominated in foreign currency at year-end are translated into Baht by the closing rate of the average buying and average selling rates of commercial banks announced by the Bank of Thailand at the statements of financial position date, respectively. Gains or losses on currency exchange are recognized as income or expenses in the statements of comprehensive income.

3.13 Employee Benefits

The Company’s obligation concerning post-employment benefits under the defined benefit plans and other long-term benefits are recognized in the financial statements using the Projected Unit Credit Method based on calculations by a qualified actuary.

Actuarial gains and losses for the Company’s defined benefit plans and other long-term benefits will be recognized in the statements of comprehensive income.

3.14 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 separate statements of financial position. 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 recognized as expenses of the Company.

3.15 Deferred Tax

The Company's income tax is calculated in accordance with the Revenue Code of Thailand.

The deferred tax asset is calculated from temporary differences between the tax base of an asset and liability and its carrying amount in the statements of financial position. The Company recognizes the deferred tax assets to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilized. The Company reviews the carrying amount of deferred tax assets at the end of each reporting period, and will reduce to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of all or part of the deferred tax assets to be utilized.

The deferred tax liability is calculated from temporary differences between the tax base of intangible asset and its carrying amount.

3.16 Accounting Estimates

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

The estimates and assumptions used in the preparation of financial statement are consistently reviewed. Revisions to accounting estimates are recognized in the reviewed accounting periods and affected future periods.

3.17 Financial Instruments

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

In addition, the Company also entered into fuel price hedging agreement in which premium and the difference of the fuel price arising from this agreement will be recorded as expenses in the statements of comprehensive income.

4. EFFECTS FROM ACCOUNT ESTIMATION CHANGES

The Company has reviewed the aircraft and engine's useful life estimation policy, by considering the time to phase out the Company's old aircraft, which is normally over 20 years, together with new technology that will cause the aircraft useful life to 20-23 years. Moreover, the aircraft manufacturer also confirmed that the capacity of aircraft remains at 20-30 years under consistent maintenance of such aircraft and engines. On November 13, 2012, the Company's Board of Directors approved to change the useful life of aircraft and engines from 15 years to 20 years with salvage value of 10% of its cost. Such changes are effective from January 1, 2013 onwards, when comparing with the depreciation calculated from its old useful life, the depreciation for this fiscal year approximately decreased by THB 2,512.04 million.

5. SUPPLEMENTARY INFORMATION

5.1 Cash and Cash Equivalents

Unit : Million Baht

| | Consolidated Financial Statements | | Separate Financial Statements | |
|--------------------------|--------------------------------------|------------------|----------------------------------|------------------|
| | 2013 | 2012 | 2013 | 2012 |
| Cash - Domestic | 13.99 | 22.29 | 13.99 | 22.29 |
| Cash - Abroad | 65.57 | 30.63 | 65.57 | 30.63 |
| Cash at Banks - Domestic | 898.84 | 4,024.28 | 791.10 | 3,717.58 |
| Cash at Banks - Abroad | 10,779.07 | 15,971.17 | 10,779.07 | 15,971.17 |
| Total | 11,757.47 | 20,048.37 | 11,649.73 | 19,741.67 |

5.2 Trade Receivables aging analysis is as follows:

Unit : Million Baht

| | Consolidated Financial Statements | | Separate Financial Statements | |
|---|--------------------------------------|------------------|----------------------------------|------------------|
| | 2013 | 2012 | 2013 | 2012 |
| Aging Periods: | | | | |
| Not over 6 months | 13,512.16 | 15,525.06 | 13,476.30 | 15,466.22 |
| Over 6 months to 1 year | 357.67 | 397.86 | 354.75 | 397.86 |
| Over 1 year to 2 years | 350.20 | 156.67 | 350.20 | 156.66 |
| Over 2 years | 1,309.26 | 1,451.27 | 1,284.91 | 1,426.04 |
| | 15,529.29 | 17,530.86 | 15,466.16 | 17,446.78 |
| <u>Less</u> Allowance for doubtful accounts | (1,889.25) | (1,792.66) | (1,863.42) | (1,767.42) |
| Trade receivables - net | 13,640.04 | 15,738.20 | 13,602.74 | 15,679.36 |

5.3 Inventories and Supplies

Unit : Million Baht

| | Consolidated Financial Statements | | Separate Financial Statements | |
|---|--------------------------------------|-----------------|----------------------------------|-----------------|
| | 2013 | 2012 | 2013 | 2012 |
| Aircraft spare parts | 5,075.35 | 5,358.98 | 5,075.35 | 5,358.98 |
| <u>Less</u> Allowance for obsolescence (10% of the year-end balance) | (507.53) | (535.90) | (507.53) | (535.90) |
| <u>Less</u> Allowance for spare part damages from flood disaster | - | (7.83) | - | (7.83) |
| Aircraft spare parts - Net | 4,567.82 | 4,815.25 | 4,567.82 | 4,815.25 |
| Vehicle spare parts and ground support equipments | 313.59 | 299.41 | 313.59 | 299.41 |
| Slow moving aircraft spare parts and spare parts for sale | 3,141.99 | 2,799.31 | 3,141.99 | 2,799.31 |
| <u>Less</u> Allowance for obsolescence (33.33% of incurred balance during the period) | (1,824.83) | (1,317.21) | (1,824.83) | (1,317.21) |
| Slow moving aircraft spare parts and spare parts for sale - Net | 1,317.16 | 1,482.10 | 1,317.16 | 1,482.10 |
| Fuel and oil for aircraft | 740.75 | 576.06 | 740.75 | 576.06 |
| Goods for sales | 233.27 | 255.32 | 233.27 | 251.58 |
| Cabin supplies | 175.61 | 219.80 | 175.61 | 219.80 |
| Supplies and other consumables | 30.63 | 23.38 | 30.63 | 23.38 |
| Stationery and office supplies | 90.08 | 87.26 | 90.08 | 87.26 |
| Inventories and spare parts in transit | 52.46 | 25.36 | 52.46 | 25.36 |
| Total inventories and supplies | 1,322.80 | 1,187.18 | 1,322.80 | 1,183.44 |
| Obsolete and damaged inventories for disposal | 32.65 | 13.72 | 32.65 | 13.72 |
| <u>Less</u> Allowance for obsolescence (100%) | (32.65) | (13.72) | (32.65) | (13.72) |
| Obsolete and damaged inventories for disposal - Net | - | - | - | - |
| Total inventories and supplies - Net | 7,521.37 | 7,783.94 | 7,521.37 | 7,780.20 |
| Total inventories and supplies at year-end | 9,886.38 | 9,658.60 | 9,886.38 | 9,654.86 |
| <u>Less</u> Total allowance for obsolete inventories and supplies | (2,365.01) | (1,866.83) | (2,365.01) | (1,866.83) |
| <u>Less</u> Allowance for spare part damages from flood disaster | - | (7.83) | - | (7.83) |
| Total inventories and supplies - Net | 7,521.37 | 7,783.94 | 7,521.37 | 7,780.20 |

5.4 Other Current Assets

Unit : Million Baht

| | Consolidated Financial Statements | | Separate Financial Statements | |
|---------------------------------------|--------------------------------------|-----------------|----------------------------------|-----------------|
| | 2013 | 2012 | 2013 | 2012 |
| Tax refund | 441.69 | 474.73 | 441.69 | 474.73 |
| Cash and cash at bank of pension fund | 4,796.92 | 4,648.65 | 4,796.92 | 4,648.65 |
| Others | 4,271.49 | 4,825.36 | 4,269.41 | 4,589.81 |
| Total | 9,510.10 | 9,948.74 | 9,508.02 | 9,713.19 |

5.5 Investments

Consolidated Financial Statements

Unit : Million Baht

| Name of Company | Percentage of Shareholding | | Investments | | | | Income on Investments | |
|---|----------------------------|-------|---------------|---------------|-----------------|-----------------|-----------------------|---------------|
| | 2013 | 2012 | Cost Method | | Equity Method | | 2013 | 2012 |
| | | | 2013 | 2012 | 2013 | 2012 | | |
| 5.5.1 Investments in associated companies recorded by equity method | | | | | | | | |
| Royal Orchid Hotel (Thailand) Public Company Limited (Fair value for the year 2013 amount of THB 427.50 million and for the year 2012 amount of THB 416.25 million) | 24.00 | 24.00 | 225.00 | 225.00 | 286.73 | 262.21 | 38.02 | 148.50 |
| Donmuang International Airport Hotel Company Limited | 40.00 | 40.00 | 48.00 | 48.00 | 102.88 | 93.14 | 21.74 | 0.24 |
| Bangkok Aviation Fuel Services Public Company Limited (Fair value for the year 2013 amount of THB 3,167.63 million and for the year 2012 amount of THB 2,371.91 million) | 22.59 | 22.59 | 115.19 | 115.19 | 878.05 | 782.45 | 188.90 | 161.21 |
| Phuket Air Catering Company Limited | 30.00 | 30.00 | 30.00 | 30.00 | 246.13 | 175.12 | 84.51 | 51.60 |
| Suvarnabhumi Airport Hotel Company Limited | 30.00 | 30.00 | 305.33 | 305.33 | 130.51 | 116.69 | 13.82 | 1.88 |
| Nok Airlines Public Company Limited | 39.20 | - | 360.00 | - | 3,338.00 | - | 489.10 | - |
| Total investments recorded by equity method | | | | | 4,982.30 | 1,429.61 | 836.09 | 363.43 |
| 5.5.2 Other long-term investments recorded by cost method | | | | | | | | |
| Fuel Pipeline Transportation Limited* | 0.00048 | 8.40 | 0.00067 | 133.00 | | | - | - |
| Aeronautical Radio of Thailand Limited | 1.90 | 2.00 | 12.56 | 13.19 | | | - | - |
| SITA Investment Certificate | - | - | 31.12 | 29.00 | | | - | - |
| Trade Siam Company Limited (paid 25% of authorized share capital) | 3.50 | 3.50 | 1.75 | 1.75 | | | 0.13 | - |
| SITA Information Networking Computing | - | - | 29.88 | 27.87 | | | - | - |
| Other Shares | - | - | 2.89 | 2.78 | | | 0.50 | 0.29 |
| Investment in Debentures | - | - | 50.06 | 50.29 | | | - | - |
| Other long-term Investments | - | - | - | 5.28 | | | - | - |
| Investment in Vayupak Fund | - | - | 1.00 | - | | | - | - |
| <u>Less</u> Allowance for impairment of investment in Fuel Pipeline Transportation Ltd. | | | - | (133.00) | | | - | - |
| Total other long-term investments | | | 129.26 | 130.16 | | | 0.63 | 0.29 |

* As at December 31, 2013, the proportion of the investment is 0.00048%, 133 shares of THB 665.

Separate Financial Statements

Unit : Million Baht

| Name of Company | Percentage of Shareholding | | Investments | | Dividend Income | |
|---|----------------------------|-------|-----------------|-----------------|-----------------|---------------|
| | 2013 | 2012 | Cost Method | | 2013 | 2012 |
| | | | 2013 | 2012 | | |
| 5.5.1 Investments recorded by cost method | | | | | | |
| Subsidiary Companies | | | | | | |
| Thai-Amadeus Southeast Asia Company Limited | 55.00 | 55.00 | 8.25 | 8.25 | 165.00 | 165.00 |
| WingSpan Services Company Limited | 49.00 | 49.00 | 0.98 | 0.98 | 0.06 | 0.06 |
| Thai Flight Training Company Limited | 49.00 | 49.00 | 0.98 | 0.98 | - | - |
| Nok Airlines Public Company Limited | - | 49.00 | - | 360.00 | - | 202.86 |
| Thai Smile Airways Company Limited | 100.00 | - | 450.00 | - | - | - |
| Total | | | 460.21 | 370.21 | 165.06 | 367.92 |
| Associated Companies | | | | | | |
| Royal Orchid Hotel (Thailand) Public Company Limited (Fair value for the year 2013 amount of THB 427.50 million and for the year 2012 amount of THB 416.25 million) | 24.00 | 24.00 | 225.00 | 225.00 | 13.50 | - |
| Donmuang International Airport Hotel Company Limited | 40.00 | 40.00 | 48.00 | 48.00 | 12.00 | - |
| Bangkok Aviation Fuel Services Public Company Limited (Fair value for the year 2013 amount of THB 3,167.63 million and for the year 2012 amount of THB 2,371.91 million) | 22.59 | 22.59 | 115.19 | 115.19 | 93.30 | 77.17 |
| Phuket Air Catering Company Limited | 30.00 | 30.00 | 30.00 | 30.00 | 13.50 | 21.00 |
| Suvarnabhumi Airport Hotel Company Limited | 30.00 | 30.00 | 305.33 | 305.33 | - | - |
| Nok Airlines Public Company Limited | 39.20 | - | 360.00 | - | 254.80 | - |
| Total | | | 1,083.52 | 723.52 | 387.10 | 98.17 |
| Total investments recorded by cost method | | | 1,543.73 | 1,093.73 | 552.16 | 466.09 |
| 5.5.2 Other long-term investments recorded by cost method | | | | | | |
| Fuel Pipeline Transportation Limited* | 0.00048 | 8.40 | 0.00067 | 133.00 | - | - |
| Aeronautical Radio of Thailand Limited | 1.90 | 2.00 | 12.56 | 13.19 | - | - |
| SITA Investment Certificate | - | - | 31.12 | 29.00 | - | - |
| TRADESIAM Company Limited (paid 25% of authorized share capital) | 3.50 | 3.50 | 1.75 | 1.75 | 0.13 | - |
| SITA Information Networking Computing | - | - | 29.88 | 27.87 | - | - |
| Other Shares | - | - | 2.89 | 2.78 | 0.50 | 0.29 |
| Investment in Vayupak Fund | - | - | 1.00 | - | - | - |
| <u>Less</u> Allowance for impairment of investment in Fuel Pipeline Transportation Limited | | | - | (133.00) | - | - |
| Total other long-term investments | | | 79.20 | 74.59 | 0.63 | 0.29 |

* As at December 31, 2013, the proportion of the investment is 0.00048%, 133 shares of THB 665.



5.5.3 Financial Information Summary of Subsidiaries

Unit : Million Baht

| Name of Company | Assets | Liabilities | Income | Gains (Losses) |
|---|--------|-------------|--------|----------------|
| Subsidiary Companies | | | | |
| Thai-Amadeus Southeast Asia Company Limited | 282.52 | 87.94 | 353.99 | 103.49 |
| WingSpan Services Company Limited | 523.95 | 445.51 | 811.57 | 33.74 |
| Thai Flight Training Company Limited | 13.90 | 15.24 | 30.75 | (3.50) |
| Tour Eurng Luang Company Limited | 13.07 | 10.50 | 2.97 | 1.35 |
| Thai Smile Airways Company Limited | 450.00 | 3.13 | - | (3.13) |

The Company used the financial statements of subsidiary and associated companies, some of which are unaudited by the CPA, as at December 31, 2013 to record the investment by equity method in the consolidated financial statement and by cost method in the separate financial statement.

5.6 Significant Transactions with Related Parties

5.6.1 Related Transactions with Major Shareholders

5.6.1.1 Long-term borrowings from related parties

Unit : Million Baht

| | 2013 | 2012 |
|--|------------------|-----------------|
| Foreign borrowings via the Ministry of Finance | 17,375.52 | 1,225.26 |
| Government Saving Bank | 1,890.00 | 3,462.00 |
| Islamic Bank of Thailand | - | 500.00 |
| Total | 19,265.52 | 5,187.26 |

5.6.2 Related Transactions with Subsidiary Companies

5.6.2.1 Loans to Subsidiary

Unit : Million Baht

| | 2013 | 2012 |
|-----------------------------------|--------------|--------------|
| WingSpan Services Company Limited | 20.00 | 20.00 |
| Total | 20.00 | 20.00 |

5.6.2.2 Sales and Purchases

Unit : Million Baht

| | 2013 | | 2012 | |
|---|-------|-----------|--------|-----------|
| | Sales | Purchases | Sales | Purchases |
| Thai-Amadeus Southeast Asia Company Limited | 2.67 | - | 2.51 | - |
| WingSpan Services Company Limited | 4.76 | 913.68 | 21.30 | 515.02 |
| Thai Flight Training Company Limited | 5.16 | - | 13.44 | - |
| Nok Airlines Company Limited | - | - | 532.88 | 8.39 |
| Tour Eurng Luang Company Limited | 59.87 | 22.53 | 10.01 | 0.50 |
| Thai Smile Airways Company Limited | - | - | - | - |

5.6.2.3 Account Receivables and Account Payables

Unit : Million Baht

| | 2013 | | 2012 | |
|---|---------------------|------------------|---------------------|------------------|
| | Account Receivables | Account Payables | Account Receivables | Account Payables |
| Thai-Amadeus Southeast Asia Company Limited | 0.42 | 0.13 | 0.37 | 0.13 |
| WingSpan Services Company Limited | 404.04 | 423.08 | 169.13 | 0.01 |
| Thai Flight Training Company Limited | 2.23 | - | 6.48 | - |
| Nok Airlines Public Company Limited | - | - | 75.05 | 0.57 |
| Tour Eurng Luang Company Limited | 2.37 | - | 0.96 | - |
| Thai Smile Airways Company Limited | - | 449.99 | - | - |

In this fiscal year, WingSpan Service Co., Ltd. has prepaid and accrued expenses amount of THB 401.95 million and THB 419.51 million, presenting in account receivables and account payables, respectively.

5.6.3 Related Transactions with Associated Companies

5.6.3.1 Sales and Purchases

Unit : Million Baht

| | 2013 | | 2012 | |
|---|--------|-----------|-------|-----------|
| | Sales | Purchases | Sales | Purchases |
| Royal Orchid Hotel (Thailand) Public Company Limited | - | 4.91 | 0.15 | 2.63 |
| Donmuang International Airport Hotel Company Limited | - | 0.15 | - | - |
| Bangkok Aviation Fuel Services Public Company Limited | 0.03 | 363.70 | 0.05 | 316.41 |
| Phuket Air Catering Company Limited | 2.57 | 46.97 | 3.45 | 15.55 |
| Suvarnabhumi Airport Hotel Company Limited | - | 17.56 | 0.02 | 19.76 |
| Nok Airlines Public Company Limited | 171.26 | 13.27 | - | - |

5.6.3.2 Account Receivables and Account Payables

Unit : Million Baht

| | 2013 | | 2012 | |
|---|---------------------|------------------|---------------------|------------------|
| | Account Receivables | Account Payables | Account Receivables | Account Payables |
| Royal Orchid Hotel (Thailand) Public Company Limited | - | 0.36 | - | - |
| Donmuang International Airport Hotel Company Limited | - | 0.01 | - | - |
| Bangkok Aviation Fuel Services Public Company Limited | 0.01 | 33.48 | 0.04 | - |
| Phuket Air Catering Company Limited | 0.24 | 2.74 | 0.01 | - |
| Suvarnabhumi Airport Hotel Company Limited | - | 1.04 | - | 0.11 |
| Nok Airlines Public Company Limited | 49.44 | 0.03 | - | - |

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

On June 21, 2011, The Strategy Steering Committee approved to waive the wages for the 4 employees who perform secondment duty at WingSpan Services Company Limited for 2 years since the year 2011-2012.

5.6.4 Key Executives Separate financial statements

| | Unit : Million Baht | |
|--|---------------------|--------------|
| | 2013 | 2012 |
| Remuneration for Management Executives | 73.45 | 66.48 |
| Remuneration for Board of Directors | 22.79 | 15.98 |
| Total | 96.24 | 82.46 |

The Company's Executives are the same criteria as Note No. 5.25, employee benefits expenses.

5.7 Property, Plant and Equipment

Consolidated Financial Statements As at December 31, 2013

Unit : Million Baht

| | Prepaid Aircraft and Spare Engines | Aircraft | Aircraft under Finance Leases | Aircraft Spare Parts | Work in Progress | Land | Buildings | Leasehold Buildings | Building Improvement | Other Plant and Equipment | Total |
|---|------------------------------------|-------------------|-------------------------------|----------------------|------------------|---------------|-----------------|---------------------|----------------------|---------------------------|-------------------|
| Cost | | | | | | | | | | | |
| As at January 1, 2013 | 17,617.01 | 157,199.58 | 166,578.72 | 33,043.68 | 2,488.24 | 935.74 | 2,513.10 | 10,788.91 | 4,550.17 | 29,784.42 | 425,499.57 |
| ● Assets decreased from loss of control | - | - | - | - | - | - | - | - | - | (268.74) | (268.74) |
| ● Adjust/Transfers | (30,929.40) | (16,642.27) | (14,110.94) | (766.04) | - | 0.30 | 0.27 | - | 0.01 | (61.36) | (62,509.43) |
| ● Additions | 31,298.65 | 17,938.58 | 17,124.66 | 2,930.44 | (1,375.52) | - | - | 2.60 | 125.72 | 1,814.24 | 69,859.37 |
| ● Disposals/Amortized | - | (1,040.00) | (257.80) | (329.19) | - | (0.30) | (0.27) | - | (12.39) | (611.09) | (2,251.04) |
| As at December 31, 2013 | 17,986.26 | 157,455.89 | 169,334.64 | 34,878.89 | 1,112.72 | 935.74 | 2,513.10 | 10,791.51 | 4,663.51 | 30,657.47 | 430,329.73 |
| Impairment Allowance | - | - | - | - | - | - | - | - | - | - | - |
| Accumulated Depreciation | | | | | | | | | | | |
| As at January 1, 2013 | - | 105,538.72 | 43,872.20 | 20,537.53 | - | - | 2,324.00 | 5,323.81 | 4,120.17 | 25,215.20 | 206,931.63 |
| ● Disposal from loss of control | - | - | - | - | - | - | - | - | - | (188.05) | (188.05) |
| ● Depreciation | - | 7,366.41 | 8,502.35 | 2,037.73 | - | - | 44.20 | 230.14 | 162.29 | 1,353.74 | 19,696.86 |
| ● Adjust/Transfers | - | (18,499.96) | (6,896.73) | (50.30) | - | - | 0.27 | - | (0.03) | (77.52) | (25,524.27) |
| ● Disposals/Amortized | - | (1,040.00) | (234.47) | (149.79) | - | - | (0.27) | - | (12.17) | (598.47) | (2,035.17) |
| Provision for flood damages | - | - | - | - | - | - | - | - | - | - | - |
| As at December 31, 2013 | - | 93,365.17 | 45,243.35 | 22,375.17 | - | - | 2,368.20 | 5,553.95 | 4,270.26 | 25,704.90 | 198,881.00 |
| Net book value | | | | | | | | | | | |
| As at December 31, 2012 | 17,617.01 | 51,660.86 | 122,706.52 | 12,506.15 | 2,488.24 | 935.74 | 189.10 | 5,465.10 | 430.00 | 4,569.22 | 218,567.94 |
| As at December 31, 2013 | 17,986.26 | 64,090.72 | 124,091.29 | 12,503.72 | 1,112.72 | 935.74 | 144.90 | 5,237.56 | 393.25 | 4,952.57 | 231,448.73 |

Consolidated Financial Statements
As at December 31, 2012

Unit : Million Baht

| | Prepaid Aircraft and Spare Engines | Aircraft | Aircraft under Finance Leases | Aircraft Spare Parts | Work in Progress | Land | Buildings | Leasehold Buildings | Building Improvement | Other Plant and Equipment | Total |
|------------------------------------|------------------------------------|-------------------|-------------------------------|----------------------|------------------|---------------|-----------------|---------------------|----------------------|---------------------------|-------------------|
| Cost | | | | | | | | | | | |
| As at January 1, 2012 | 21,278.98 | 143,581.91 | 165,320.53 | 29,096.59 | 2,838.21 | 938.41 | 2,524.30 | 10,793.20 | 4,639.84 | 29,502.55 | 410,514.52 |
| ● Business Acquisition | - | - | - | - | - | - | - | - | - | 221.66 | 221.66 |
| ● Adjust/Transfers | (8,009.14) | 11,702.70 | (32,857.60) | (208.20) | - | (0.85) | (1.69) | (4.19) | (67.83) | 49.09 | (29,397.71) |
| ● Additions | 4,347.17 | 4,031.59 | 34,421.32 | 5,008.07 | (349.97) | - | - | - | 31.24 | 711.39 | 48,200.81 |
| ● Disposals/Amortized | - | (2,116.62) | (305.53) | (852.78) | - | (1.82) | (9.51) | (0.10) | (53.08) | (700.27) | (4,039.71) |
| As at December 31, 2012 | 17,617.01 | 157,199.58 | 166,578.72 | 33,043.68 | 2,488.24 | 935.74 | 2,513.10 | 10,788.91 | 4,550.17 | 29,784.42 | 425,499.57 |
| Impairment Allowance | - | 950.40 | 3,475.19 | - | - | - | - | - | - | - | 4,425.59 |
| Accumulated depreciation | | | | | | | | | | | |
| As at January 1, 2012 | - | 96,527.20 | 49,794.73 | 18,730.03 | - | - | 2,266.38 | 5,098.03 | 4,067.88 | 24,610.01 | 201,094.26 |
| ● Business Acquisition | - | - | - | - | - | - | - | - | - | 151.08 | 151.08 |
| ● Depreciation | - | 6,750.88 | 9,514.89 | 1,940.54 | - | - | 67.36 | 230.07 | 173.27 | 1,380.36 | 20,057.37 |
| ● Adjust/Transfers | - | 3,421.02 | (18,611.11) | 429.18 | - | - | (1.69) | (4.19) | (69.23) | (249.69) | (15,085.71) |
| ● Disposals/Amortized | - | (2,110.78) | (301.50) | (562.22) | - | - | (8.05) | (0.10) | (51.75) | (687.31) | (3,721.71) |
| Provision for flood damages | - | - | - | - | - | - | - | - | - | 10.75 | 10.75 |
| As at December 31, 2012 | - | 105,538.72 | 43,872.20 | 20,537.53 | - | - | 2,324.00 | 5,323.81 | 4,120.17 | 25,215.20 | 206,931.63 |
| Net book value | | | | | | | | | | | |
| As at December 31, 2011 | 21,278.98 | 46,104.31 | 112,050.61 | 10,366.56 | 2,838.21 | 938.41 | 257.92 | 5,695.17 | 571.96 | 4,892.54 | 204,994.67 |
| As at December 31, 2012 | 17,617.01 | 51,660.86 | 122,706.52 | 12,506.15 | 2,488.24 | 935.74 | 189.10 | 5,465.10 | 430.00 | 4,569.22 | 218,567.94 |

Separate Financial Statements
As at December 31, 2013

Unit : Million Baht

| | Prepaid Aircraft and Spare Engines | Aircraft | Aircraft under Finance Leases | Aircraft Spare Parts | Work in Progress | Land | Buildings | Leasehold Buildings | Building Improvement | Other Plant and Equipment | Total |
|------------------------------------|------------------------------------|-------------|-------------------------------|----------------------|------------------|--------|-----------|---------------------|----------------------|---------------------------|-------------|
| Cost | | | | | | | | | | | |
| As at January 1, 2013 | 17,617.01 | 157,199.58 | 166,578.72 | 33,043.68 | 2,488.24 | 935.74 | 2,513.10 | 10,788.91 | 4,550.17 | 29,328.29 | 425,043.44 |
| ● Adjust/Transfers | (30,929.40) | (16,642.27) | (14,110.94) | (766.04) | - | 0.30 | 0.27 | - | 0.01 | (61.36) | (62,509.43) |
| ● Additions | 31,298.65 | 17,938.58 | 17,124.66 | 2,930.44 | (1,375.52) | - | - | 2.60 | 125.72 | 1,811.69 | 69,856.82 |
| ● Disposals/Amortized | - | (1,040.00) | (257.80) | (329.19) | - | (0.30) | (0.27) | - | (12.39) | (611.09) | (2,251.04) |
| As at December 31, 2013 | 17,986.26 | 157,455.89 | 169,334.64 | 34,878.89 | 1,112.72 | 935.74 | 2,513.10 | 10,791.51 | 4,663.51 | 30,467.53 | 430,139.79 |
| Impairment Allowance | - | - | - | - | - | - | - | - | - | - | - |
| Accumulated depreciation | | | | | | | | | | | |
| As at January 1, 2013 | - | 105,538.72 | 43,872.20 | 20,537.53 | - | - | 2,324.00 | 5,323.81 | 4,120.17 | 24,849.07 | 206,565.50 |
| ● Depreciation | - | 7,366.41 | 8,502.35 | 2,037.73 | - | - | 44.20 | 230.14 | 162.29 | 1,349.80 | 19,692.92 |
| ● Adjust/Transfers | - | (18,499.96) | (6,896.73) | (50.30) | - | - | 0.27 | - | (0.03) | (77.52) | (25,524.27) |
| ● Disposals/Amortized | - | (1,040.00) | (234.47) | (149.79) | - | - | (0.27) | - | (12.17) | (598.47) | (2,035.17) |
| Provision for flood damages | - | - | - | - | - | - | - | - | - | - | - |
| As at December 31, 2013 | - | 93,365.17 | 45,243.35 | 22,375.17 | - | - | 2,368.20 | 5,553.95 | 4,270.26 | 25,522.88 | 198,698.98 |
| Net book value | | | | | | | | | | | |
| As at December 31, 2012 | 17,617.01 | 51,660.86 | 122,706.52 | 12,506.15 | 2,488.24 | 935.74 | 189.10 | 5,465.10 | 430.00 | 4,479.22 | 218,477.94 |
| As at December 31, 2013 | 17,986.26 | 64,090.72 | 124,091.29 | 12,503.72 | 1,112.72 | 935.74 | 144.90 | 5,237.56 | 393.25 | 4,944.65 | 231,440.81 |

Separate Financial Statements
As at December 31, 2012

Unit : Million Baht

| | Prepaid Aircraft and Spare Engines | Aircraft | Aircraft under Finance Leases | Aircraft Spare Parts | Work in Progress | Land | Buildings | Leasehold Buildings | Building Improvement | Other Plant and Equipment | Total |
|------------------------------------|------------------------------------|------------|-------------------------------|----------------------|------------------|--------|-----------|---------------------|----------------------|---------------------------|-------------|
| Cost | | | | | | | | | | | |
| As at January 1, 2012 | 21,278.98 | 143,581.91 | 165,320.53 | 29,096.59 | 2,838.21 | 938.41 | 2,524.30 | 10,793.20 | 4,639.84 | 29,284.28 | 410,296.25 |
| ● Adjust/Transfers | (8,009.14) | 11,702.70 | (32,857.60) | (208.20) | - | (0.85) | (1.69) | (4.19) | (67.83) | 49.09 | (29,397.71) |
| ● Additions | 4,347.17 | 4,031.59 | 34,421.32 | 5,008.07 | (349.97) | - | - | - | 31.24 | 655.19 | 48,144.61 |
| ● Disposals/Amortized | - | (2,116.62) | (305.53) | (852.78) | - | (1.82) | (9.51) | (0.10) | (53.08) | (660.27) | (3,999.71) |
| As at December 31, 2012 | 17,617.01 | 157,199.58 | 166,578.72 | 33,043.68 | 2,488.24 | 935.74 | 2,513.10 | 10,788.91 | 4,550.17 | 29,328.29 | 425,043.44 |
| Impairment Allowance | - | 950.40 | 3,475.19 | - | - | - | - | - | - | - | 4,425.59 |
| Accumulated depreciation | | | | | | | | | | | |
| As at January 1, 2012 | - | 96,527.20 | 49,794.73 | 18,730.03 | - | - | 2,266.38 | 5,098.03 | 4,067.88 | 24,399.10 | 200,883.35 |
| ● Depreciation | - | 6,750.88 | 9,514.89 | 1,940.54 | - | - | 67.36 | 230.07 | 173.27 | 1,338.66 | 20,015.67 |
| ● Adjust/Transfers | - | 3,421.02 | (18,611.11) | 429.18 | - | - | (1.69) | (4.19) | (69.23) | (249.69) | (15,085.71) |
| ● Disposals/Amortized | - | (2,110.78) | (301.50) | (562.22) | - | - | (8.05) | (0.10) | (51.75) | (649.75) | (3,684.15) |
| Provision for flood damages | - | - | - | - | - | - | - | - | - | 10.75 | 10.75 |
| As at December 31, 2012 | - | 105,538.72 | 43,872.20 | 20,537.53 | - | - | 2,324.00 | 5,323.81 | 4,120.17 | 24,849.07 | 206,565.50 |
| Net book value | | | | | | | | | | | |
| As at December 31, 2011 | 21,278.98 | 46,104.31 | 112,050.61 | 10,366.56 | 2,838.21 | 938.41 | 257.92 | 5,695.17 | 571.96 | 4,885.18 | 204,987.31 |
| As at December 31, 2012 | 17,617.01 | 51,660.86 | 122,706.52 | 12,506.15 | 2,488.24 | 935.74 | 189.10 | 5,465.10 | 430.00 | 4,479.22 | 218,477.94 |

NOTES TO THE FINANCIAL STATEMENTS

In this fiscal year, there are 101 aircraft represented in the Company's fleet consisting of 43 own aircraft, 33 aircraft under finance leases, and 25 aircraft under operating leases which excluded 18 aircraft for sales with a carrying amount of THB 7,195.59 million.

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

The Company uses buildings and equipment that are now fully depreciated with historical cost of THB 59,219.01 million including the leasehold buildings amount of THB 3,924.94 million.

Leasehold buildings are leased from Airports of Thailand Public Company Limited at Suvarnabhumi Airport with a lease term of 30 years starting from September 28, 2006 to September 29, 2036 and at Donmuang Airport with a lease term of 3 years starting from September 27, 2009 to September 28, 2012. The title of the buildings and elements will be passed to the Ministry of Finance at the end of the lease term. On August 10, 2012, the Company has issued the letter of intent to Airports of Thailand Public Company Limited for such leasehold buildings with a lease term of 3 years starting from September 28, 2012 to September 27, 2015, and the proposal is under the negotiation.

The Company has provided a land located in Bangkok for security meanwhile the Company is now in the procedure of appealing against the judgement of the court of first instance who has made a decision that compelled the Company to provide compensation in the amount of THB 27.63 million with interest due to ceasing of wine purchase.

At present, the official appraisal value of the Company's domestic land is THB 4,215.33 million consisting of land in Bangkok amount of THB 3,981.09 million and land in provinces amount of THB 234.24 million.

Assets under finance leases are aircraft under finance leases which the purchase contracts were made in USD currency but the finance leases were made in EUR, USD, and JPY currency.

5.8 Intangible Assets

| | Unit : Million Baht | |
|---|--------------------------------------|----------------------------------|
| | Consolidated Financial Statements | Separate Financial Statements |
| Cost | | |
| As at January 1, 2013 | 2,939.40 | 2,249.02 |
| ● Assets decreased from loss of control | (679.37) | - |
| ● Additions | 329.17 | 328.42 |
| As at December 31, 2013 | 2,589.20 | 2,577.44 |
| Accumulated amortization | | |
| As at January 1, 2013 | 1,601.90 | 1,476.07 |
| ● Disposal from loss of control | (120.30) | - |
| ● Amortization | 246.34 | 244.59 |
| As at December 31, 2013 | 1,727.94 | 1,720.66 |
| Net book value | | |
| As at December 31, 2012 | 1,337.50 | 772.95 |
| As at December 31, 2013 | 861.26 | 856.78 |

5.9 Deferred Tax Assets

Deferred tax assets arising from the temporary differences between the book values and tax base of assets and liabilities in statement of financial position are as follows:

Unit : Million Baht

| | Consolidated Financial Statements | | Separate Financial Statements | |
|---|--------------------------------------|-----------------|----------------------------------|-----------------|
| | 2013 | 2012 | 2013 | 2012 |
| Contribution to staff provident fund | 74.16 | 79.92 | 74.16 | 79.92 |
| Contribution to staff pension fund | 479.63 | 466.18 | 479.63 | 466.18 |
| Allowance for obsolete inventories | 473.00 | 373.36 | 473.00 | 373.36 |
| Allowance for doubtful accounts | 431.12 | 409.23 | 426.88 | 404.18 |
| Allowance for impairment in value of assets | 1,590.39 | 808.89 | 1,590.39 | 808.89 |
| Estimated accrual expenses | 498.89 | 509.03 | 498.40 | 502.33 |
| Intangible assets | 83.17 | 102.78 | 83.17 | 102.78 |
| Employee benefits obligation | 2,109.18 | 2,207.18 | 2,102.34 | 2,194.18 |
| Others | 1.62 | 9.88 | - | 7.67 |
| Total | 5,741.16 | 4,966.45 | 5,727.97 | 4,939.49 |

5.10 Deferred Tax Liabilities

Unit : Million Baht

| | Consolidated Financial Statements | | Separate Financial Statements | |
|-------------------|--------------------------------------|-------|----------------------------------|-------|
| | 2013 | 2012 | 2013 | 2012 |
| Intangible assets | 105.34 | 83.35 | 105.34 | 83.35 |

Tax rates used for measuring asset value and deferred tax income are 23% for the year 2012 and 20% for the year 2013.

5.11 Other Non-Current Assets

Unit : Million Baht

| | Consolidated Financial Statements | | Separate Financial Statements | |
|------------------|--------------------------------------|-----------------|----------------------------------|-----------------|
| | 2013 | 2012 | 2013 | 2012 |
| Deferred charges | 4,429.67 | 3,771.50 | 4,429.67 | 3,771.50 |
| Others | 1,007.43 | 891.19 | 1,001.74 | 868.70 |
| Total | 5,437.10 | 4,662.69 | 5,431.41 | 4,640.20 |

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 loans guarantee premiums for purchasing of aircraft are amortized as expenses over the period of due payment loans in each accounting period.

5.12 Non-current assets classified as held for sale

Separate financial statements
Non-current assets classified as held for sale composed of 4 A300-600, 4 A340-500, 4 B737-400, 4 B747-400, and 2 ATR 72 aircraft, totaling of THB 7,195.59 million, as well as other fixed assets, totaling of THB 1.13 million, which made a grand total of THB 7,196.72 million.

At present, the Company is under the negotiation process for sales A340-500 aircraft with many offering purchasers. On June 12, 2013, the Company received the aircraft deposit amount of USD 2.5 million from one of the offering purchasers. After that, the negotiation did not achieve for the suitable selling price as well as the Company's Board of Directors did not approve to sell of the aircraft. Therefore, the Company had already notified and returned the whole amount of the deposit to such offering purchaser on October 25, 2013. The Company has a plan to sell 14 aircraft which were phased out in the year 2013.

5.13 Long-Term Borrowings

Consolidated and separate financial statements

| Currency | Loan Currency | | Baht Equivalent (Million) | |
|--|----------------|----------------|---------------------------|------------------|
| | 2013 | 2012 | 2013 | 2012 |
| USD | - | 40,000,000 | - | 1,225.26 |
| EUR | 526,502,960 | - | 23,862.33 | - |
| THB | 37,735,631,579 | 51,234,000,000 | 37,735.63 | 51,234.00 |
| Total long-term borrowings | | | 61,597.96 | 52,459.26 |
| Less Current portion of long-term borrowings | | | 10,767.12 | 11,448.63 |
| Net long-term borrowings | | | 50,830.84 | 41,010.63 |

As a December 31, 2013, long-term borrowings of the Company consisted of the foreign loans borrowed via the Ministry of Finance amount of THB 17,375.52 million and loans from the commercial banks as well as Government Saving Bank amount of THB 44,222.44 million. The total of long-term borrowings amounted to THB 61,597.96 million and have been transferred to be a current portion of long-term borrowing amount of THB 10,767.12 million, leaving the balance of long-term borrowings amount of THB 50,830.84 million.

5.14 Liabilities under Finance leases

Consolidated and separate financial statements

| Liabilities under Finance Leases | Unit : Million Baht | | | |
|----------------------------------|---------------------|------------------|------------------|------------------|
| | 2013 | | 2012 | |
| | Book Value | Present Value | Book Value | Present Value |
| Within 1 year | 10,313.02 | 9,485.65 | 9,938.49 | 9,531.50 |
| More than 1 year – 5 years | 37,381.28 | 31,163.91 | 37,004.30 | 32,070.78 |
| More than 5 years | 25,937.58 | 17,751.54 | 24,606.53 | 17,388.96 |
| Total | 73,631.88 | 58,401.10 | 71,549.32 | 58,991.24 |

The Company has exercised purchase options at the end of term financial lease of aircraft, with 13 foreign and domestic financial institutions, which presented the value regarding to the accounting policy described in Note 3.9. For the fiscal year 2013, the outstanding balance of obligations under finance leases for 33 aircraft is THB 80,836.63 million with maturities ranging from 2014 to 2028. After deducting interest expenses due amount of THB 7,204.75 million, the principal balance of obligations under the Company's finance leases is THB 73,631.88 million. As at December 31, 2013, the amount of THB 10,313.02 million has been transferred to a current portion of finance lease, leaving the balance of long-term liabilities under finance lease amount of THB 63,318.86 million.

5.15 Debentures

Unit : Million Baht

| Resolutions of Shareholders' Meeting /No./Date | Issuing | | | | | | | Redemption | | | | | Balance as at December 31, 2013. |
|--|---------------|------------------|-------------|-------------------|------------|--|-----------|-------------|-----------|------|------|------|----------------------------------|
| | Amount Issued | Time Issued | Year Issued | Due Date | Age (Year) | Interest Rate Paid Every 6 Months (Percentage) | Amount | 2009 | 2010 | 2011 | 2012 | 2013 | |
| Extraordinary/1/2546 September 2, 2003 | 40,000 | 1 (Tranche2) | 2003 | October 8, 2010 | 7 | 3.70 | 4,500.00 | October 20 | October 8 | | | | - |
| | | | | | | | 4,500.00 | | | | | | - |
| | | 2 (Tranche1) | 2004 | October 20, 2009 | 5 | 4.65 | 7,500.00 | | - | | | | |
| | | | | | | | 4,500.00 | | - | | | | |
| | | 2 (Tranche2) | 2004 | October 20, 2011 | 7 | 5.20 | 4,500.00 | | - | | | | |
| | | | | | | | 3,000.00 | | 3,000.00 | | | | |
| | | 2 (Tranche3) | 2004 | October 20, 2014 | 10 | 5.80 | 15,000.00 | | - | | | | |
| | | | | | | | 6,000.00 | | - | | | | |
| | | 3 (Tranche2) | 2005 | May 12, 2011 | 6 | 4.67 | 3,000.00 | | - | | | | |
| | | | | | | | 3,000.00 | | 3,000.00 | | | | |
| 3 (Tranche3) | 2005 | May 12, 2015 | 10 | 5.19 | 9,000.00 | - | | | | | | | |
| | | | | | 3,000.00 | - | | | | | | | |
| Ordinary /2548 December 23, 2005 | 60,000 | 1 (Tranche1) | 2007 | November 22, 2010 | 3 | 4.51 | 3,000.00 | November 22 | | | | | - |
| | | | | | | | 4,500.00 | | | | | | - |
| | | 1 (Tranche2) | 2007 | November 22, 2012 | 5 | 5.04 | 7,500.00 | | | | | | - |
| | | | | | | | 3,455.29 | | | | | | - |
| | | 1 (Tranche1) | 2008 | April 2, 2010 | 1.5 | 4.77 | 987.92 | | | | | | - |
| | | | | | | | 2,556.79 | | | | | | - |
| | | 1 (Tranche2) | 2008 | October 2, 2011 | 3 | 5.05 | 2,556.79 | | | | | | - |
| | | | | | | | 7,000.00 | | | | | | - |
| | | 1 (Tranche3) | 2008 | October 2, 2013 | 5 | 5.50 | 170.00 | | | | | | - |
| | | | | | | | 720.00 | | | | | | - |
| 1 (Tranche1) | 2009 | January 20, 2012 | 3 | 5.30 | 300.00 | - | | | | | | | |
| | | | | | 3,600.00 | - | | | | | | | |
| 1 (Tranche2) | 2009 | January 20, 2014 | 5 | 5.45 | 4,790.00 | 720.00 | | | | | | | |
| | | | | | 300.00 | 300.00 | | | | | | | |
| 1 (Tranche3) | 2009 | January 20, 2016 | 7 | 5.60 | 3,600.00 | 3,600.00 | | | | | | | |
| | | | | | 3,600.00 | 3,600.00 | | | | | | | |
| 1 (Tranche4) | 2009 | January 20, 2019 | 10 | 6.00 | | | | | | | | | |
| | | | | | | | | | | | | | |

Unit : Million Baht

| Resolutions of Shareholders' Meeting /No./Date | Issuing | | | | | | | Redemption | | | | | Balance as at December 31, 2013. | |
|--|---------------|---------------|-------------|-------------------|------------|--|------------|------------|------|------|------|------|----------------------------------|----------|
| | Amount Issued | Time Issued | Year Issued | Due Date | Age (Year) | Interest Rate Paid Every 6 Months (Percentage) | Amount | 2009 | 2010 | 2011 | 2012 | 2013 | | |
| Ordinary /2553 April 28, 2010 | 40,000 | 1 (Tranche1) | 2011 | May 13, 2018 | 7 | Year 1-3 4% | 1,555.00 | | | | | | 1,555.00 | |
| | | 1 (Tranche2) | 2011 | May 13, 2021 | 10 | Year 4-6 4.5% | 833.00 | | | | | | 833.00 | |
| | | | | | | Year 7 5.25% | | | | | | | | |
| | | 1 (Tranche3) | 2011 | May 13, 2016 | 5 | 3.91 | 2,000.00 | | | | | | 2,000.00 | |
| | | 1 (Tranche4) | 2011 | May 13, 2018 | 7 | 4.36 | 1,445.00 | | | | | | 1,445.00 | |
| | | 1 (Tranche5) | 2011 | May 13, 2021 | 10 | 4.62 | 2,167.00 | | | | | | 2,167.00 | |
| | | | | | | | | 8,000.00 | | | | | | |
| | | 2 | 2011 | December 28, 2016 | 5 | 4.30 | 2,000.00 | | | | | | | 2,000.00 |
| | | | | | | | | 2,000.00 | | | | | | |
| | | 1 (Tranche1) | 2012 | February 16, 2019 | 7 | 4.41 | 1,000.00 | | | | | | | 1,000.00 |
| | | 1 (Tranche2) | 2012 | February 16, 2022 | 10 | 4.75 | 2,000.00 | | | | | | | 2,000.00 |
| | | | | | | | | 3,000.00 | | | | | | |
| | | 2 | 2012 | March 23, 2024 | 12 | 4.98 | 1,500.00 | | | | | | | 1,500.00 |
| | | | | | | | | 1,500.00 | | | | | | |
| | | 3 (Tranche1) | 2012 | October 11, 2017 | 5 | 4.51 | 4,000.00 | | | | | | | 4,000.00 |
| | | 3 (Tranche2) | 2012 | October 11, 2019 | 7 | 4.70 | 1,500.00 | | | | | | | 1,500.00 |
| | | 3 (Tranche3) | 2012 | October 11, 2022 | 10 | 4.90 | 1,500.00 | | | | | | | 1,500.00 |
| | | | | | | 7,000.00 | | | | | | | | |
| During the year 2013 May 16, 2013 | | 1 | 2013 | May 16, 2018 | 5 | 4.18 | *5,000.00 | | | | | | 5,000.00 | |
| | | | | | | | 5,000.00 | | | | | | | |
| August 30, 2013 | | 2 | 2013 | | | | **4,000.00 | | | | | | | |
| | | 2 (Tranche 1) | 2013 | August 30, 2018 | 5 | 4.58 | 1,250.00 | | | | | | 1,250.00 | |
| | | 2 (Tranche 2) | 2013 | August 30, 2020 | 7 | 4.88 | 1,250.00 | | | | | | 1,250.00 | |
| | | 2 (Tranche 3) | 2013 | August 30, 2023 | 10 | 5.16 | 1,500.00 | | | | | | 1,500.00 | |
| | | | | | | | 4,000.00 | | | | | | | |
| Total | | | | | | | | | | | | | 41,120.00 | |

As at December 31, 2013, the balance of debentures was THB 41,120 million, which the amount of THB 3,720 million was transferred to be a current portion of long-term liabilities, leaving the balance of long-term liabilities amount of THB 37,400.00 million.

* During May 13-16, 2013, the Company has entered into the Cross Currency Swap for swapping THB debentures amount of THB 5,000 million to EUR currency amount of EUR 130.00 million with the interest rate of 3.15% per annum.

** The Company has entered into Cross Currency Swap for swapping THB debentures amount of THB 4,000 million to EUR currency amount of EUR 93.31 million with the interest rate of 2.85%, 3.35% and 3.85% per annum, respectively.

The Company has registered these debentures with the Thai Bond Market Association (Thai BMA) in the bond electronic exchange of the Stock Exchange of Thailand except for the issuing of debentures No. 1/2552 which were offered to specific investors (not more than 10 investors).

5.16 Other Current Liabilities - Others

Unit : Million Baht

| | Consolidated Financial Statements | | Separate Financial Statements | |
|--|--------------------------------------|------------------|----------------------------------|------------------|
| | 2013 | 2012 | 2013 | 2012 |
| Payable - airport fees | 5,901.77 | 5,330.79 | 5,901.77 | 5,310.12 |
| Deferred revenue | 4.39 | 4.39 | 4.14 | 4.13 |
| Tax payables | 144.37 | 403.50 | 141.82 | 380.41 |
| Payable - fringe benefits (field office staff) | 564.44 | 606.39 | 564.44 | 606.39 |
| Cash received from insurance company | - | 1,047.58 | - | 1,047.58 |
| Deposit received | 917.41 | 1,461.86 | 909.33 | 1,450.82 |
| Payable - employee | 161.42 | 12.82 | 161.42 | 12.82 |
| Accrued income | 347.55 | 43.71 | 347.55 | 43.71 |
| Payable - collected assets | 518.59 | 241.48 | 518.59 | 241.48 |
| Other payables | 1,813.75 | 2,379.92 | 2,371.23 | 2,372.57 |
| Total | 10,373.69 | 11,532.44 | 10,920.29 | 11,470.03 |

5.17 Long-Term Provision Separate financial statements

Changes in the present value of long-term provision

Unit : Million Baht

| | 2013 | 2012 |
|--|----------|----------|
| Long-term provision at the beginning balance | 829.19 | 1,524.22 |
| Long-term provision for the period | (343.11) | (695.03) |
| Long-term provision at the ending balance | 486.08 | 829.19 |

Long-term provision as at December 31, 2013 consisted of:

5.17.1 The Court of First Instance has rendered a judgment ordering the Company to pay for damages claimed by employees in the amount of THB 29.11 million. At present, the case is under the Supreme Court's consideration.

5.17.2 The Court of First Instance has rendered a judgment ordering the Company to pay for damages arising from suspending the purchase of wine from Ming Yerng International Company which claimed against the Company in the amount of THB 27.63 million. At present, the case is under the Court of Appeal's consideration.

5.17.3 The Court of Appeal has rendered a judgment ordering the Company to pay for damages to other companies in the amount of Baht 6.41 million. At present, the case is under the Supreme Court's consideration.

5.17.4 The Department of Civil Dispute Settlement and Arbitration has made a decision ordering the Company to be liable for half of damages totaling Baht 5.47 million to the Royal Thai Police.

5.17.5 The Court of First Instance has rendered a judgment ordering the Company to pay for damages to other companies in the amount of Baht 20.40 million. At present, the case is under the Court of Appeal's consideration.

5.17.6 The Company had estimated damages and fines and had acknowledged such damages and fines in the financial statement of 2008 in the amount of Baht 4,290.17 million. The Company had decreased an amount of the reserve with respect to damages and fines to THB 1,783.19 million, THB 1,042.05 million and THB 695.76 million in the financial statement of 2010, 2011 and 2012, respectively. In 2013, the Company has further decreased an amount of the reserve for damages and fines totaling THB 372.11 million, leaving the balance of THB 397.06 million.

5.17.7 In the year 2012, the Company had decreased an amount of damages and fines regarding Antitrust cases in the United States from USD 41 million to USD 20 million which is only for the Passenger Civil Class Action Case. After that, at the Company's Board of Directors Meeting No.11/2556 dated November 13, 2013, the meeting resolved to approve the settlement in the U.S. Passenger Civil Class Action Case in the range of USD 10 million according to the legal board's opinion. Cravath, Swaine & Moore LLP, the Company's lawyer was then able to negotiate with the plaintiffs about the settlement amount in the amount of USD 9.7 million which is lower than the amount approved by the Board of Directors. In addition, the Company can pay for the settlement amount for 2 installments i.e. the Company has to pay for the first installment amounting to USD 4.85 million by 10 business days after the execution date of the settlement agreement and pay for the second installment amounting to USD 4.85 million by August 31, 2014. In this regard, Cravath, Swaine & Moore LLP, the Company's lawyer has already executed the settlement agreement on December 23, 2013 and was allowed by the plaintiffs to extend the period of the first installment payment from 10 business days to 20 business days after the execution date of the settlement agreement.

However, the settlement agreement has to be approved by the Federal Court of San Francisco, California, the United States before the settlement can be legally enforced. Cravath, Swaine & Moore LLP, the Company's lawyer expected that there will be a hearing and the Court will render a judgment as per the settlement agreement within the next 6-8 months. With respect to the payment of the settlement amount according to the settlement agreement, the payment shall be made to an escrow account in which an escrow agent will transfer the settlement amount to the plaintiffs once the Court renders a judgment as per the settlement agreement. In case that the Court does not do so, the settlement amount shall be transferred back to the Company.

In this regard, at the Company's Board of Directors Meeting No.10/2554 dated August 19, 2011, the meeting resolved to apply the local currency of each foreign country which the Company has the obligation to pay in the future for the accounting record instead of applying the Baht currency by applying the current exchange rate of Bank of Thailand at the end of the fiscal year.

Correspondingly, the Department of Legal Affairs and Business Administration has set the estimation guidelines as follows:

1. The above estimated damages and fines are based on the progress and direction of the cases which have become more apparent and the Company also considers the possibility that the Company may be alleged by each authority of the country that conducted investigation against the Company and 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. In addition, the Company adjusted the foreign currency exchange rate to be in line with the current rates.

2. The above estimated fine amounts are made in respect of the investigations made by the competent authority in each country including the initial estimate of the compensation in the Civil Class Action cases in the United States, though the disputed amount of claims has not yet been set and the plaintiffs still have to prove the damages.

3. The sentence or decision on the cases might 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 is filed yet, there 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 turnover amount of such locations which shall be based for calculation of fine or damages is therefore unaware.

4.2 The determination of fines and damages is dependent on 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 or settlement of fines or damages amount, depending on the policy of each country and the case aspects.

5.18 Employee Benefits Obligation Separate financial statements

Employee benefits obligations are classified into 5 projects as follows:

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

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

5.18.3 Encashment of Unutilized Holiday Leaves is paid to the employees who have outstanding holiday leaves, which can be accumulated not more than 3 consecutive years.

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

5.18.5 Long Service Awards (Air ticket) is provided to the employees who have been working with the Company for 15 years will get rewards for 1 free confirmed ticket on the Company's routes, and every next 5 years from the latest reward if continue working with the Company. The employees can accumulate and use these awards whenever they desire.

Principal actuarial assumptions :

| | |
|-------------------------------|-------------|
| Discount rate | 4.4% |
| Price inflation | 3.0% |
| Average salary increase rates | |
| Domestic staff | 3.0% - 7.0% |
| Oversea staff | 5.0% |
| Staff turnover rate | |
| Domestic staff | 0.0% - 2.0% |
| Oversea staff | 0.0% - 9.0% |
| Medical cost inflation | 6.0% |
| Mortality rate | TMO08 |

Changes in Present Value of the Employee Benefits Obligation

Unit : Million Baht

| | Consolidated Financial Statements | | Separate Financial Statements | |
|---|--------------------------------------|------------------|----------------------------------|------------------|
| | 2013 | 2012 | 2013 | 2012 |
| Beginning Balance – Employee Benefits Obligation | 11,082.18 | 10,631.62 | 10,970.90 | 10,627.15 |
| Adjustment of Employee benefits obligation for subsidiaries | (91.21) | 73.69 | - | - |
| Current service cost | 489.01 | 502.74 | 475.63 | 482.81 |
| Interest cost | 433.00 | 411.23 | 432.53 | 408.39 |
| Benefits paid | (61.20) | (537.10) | (59.38) | (547.45) |
| Actuarial loss (gain) | (1,305.81) | - | (1,307.93) | - |
| Ending Balance - Employee Benefits Obligation | 10,545.97 | 11,082.18 | 10,511.75 | 10,970.90 |

5.19 Dividend Payment Separate financial statements

The resolution of the 2556 Annual General Shareholders' Meeting held on April 24, 2013 approved a dividend payment from the Company's operation for the year 2012 to the shareholders representing 2,182.77 million shares at THB 0.50 per share, totaling to THB 1,091.39 million. But the Company paid the dividend amount of THB 1,091.34 million because there are 99,155 nominee shares having no rights to receive the dividend amount of THB 0.05 million.

5.20 Share Capital

As at December 31, 2013, the Company has authorized ordinary shares amount of 2,698.90 million shares at par value THB 10 each for an aggregate of THB 26,989.01 million, issued and paid-up ordinary shares amount of THB 21,827.72 million.

5.21 Legal Reserve

As at December 31, 2013, the Company's legal reserve balance was THB 2,691.27 million.



5.22 Other Components of Equity

The Company recognized actuarial gains and losses in other comprehensive income and classified as “other components of equity” in the statement of financial position. The actuarial gains and losses consist of :

5.22.1 An update from experience (the effects of differences between the assumptions used in the actuarial estimate and what actually happened)

5.22.2 The impact of change in actuarial assumptions

5.23 Passenger and Excess Baggage Revenue

The Company changed its revenue accounting program for recording passenger and excess baggage revenues, which were previously recorded as net amount (passenger revenues net of discount and commission). But after changing such program, the Company separately records the passenger revenues, a discount, and commission as an individual account. As a result, the passenger and excess baggage revenues increased amount of THB 2,678.93 million as well as selling and advertising expenses increased amount of THB 2,678.93 million which did not impact to its operations.

5.24 Other Income - Others

Unit : Million Baht

| | Consolidated Financial Statements | | Separate Financial Statements | |
|--|--------------------------------------|-----------------|----------------------------------|-----------------|
| | 2013 | 2012 | 2013 | 2012 |
| Gains on sales of assets | 87.77 | 133.88 | 87.77 | 133.88 |
| Dividends from associated and subsidiary companies | - | - | 552.16 | 466.09 |
| Revenue from other services of Aircraft Maintenance Department | 598.49 | 425.26 | 598.49 | 425.26 |
| Revenue from airport fees collected from passengers | 630.88 | 313.27 | 630.88 | 313.27 |
| Compensation revenue from the delay delivery of aircraft | 651.85 | 649.39 | 651.85 | 649.39 |
| Other fine revenues | 73.23 | 40.49 | 73.23 | 40.49 |
| Insurance compensation from the flood disaster | 1,135.09 | 284.23 | 1,135.09 | 284.23 |
| Revenue from Royal Orchid Lounge service | 79.16 | 93.65 | 79.16 | 93.65 |
| Others | 476.66 | 386.09 | 473.54 | 347.64 |
| Total | 3,733.13 | 2,326.26 | 4,282.17 | 2,753.90 |

5.25 Employee Benefits Expenses

Unit : Million Baht

| | Consolidated Financial Statements | | Separate Financial Statements | |
|---------------------------------|--------------------------------------|------------------|----------------------------------|------------------|
| | 2013 | 2012 | 2013 | 2012 |
| Personnel expenses | 32,146.12 | 31,616.12 | 32,146.96 | 31,117.34 |
| Employee benefits | 858.68 | 377.01 | 848.78 | 343.74 |
| Executive remuneration | 79.39 | 70.58 | 73.45 | 66.48 |
| Board of directors remuneration | 24.52 | 22.99 | 22.79 | 15.98 |
| Total | 33,108.71 | 32,086.70 | 33,091.98 | 31,543.54 |

Managements refer to the Company's Board of Directors, Chief Executives, persons in the next four executive levels below the chief executives, and in similar position, including accounting or finance department managers or above according to Securities and Exchange Mandate.

Moreover, the Directors of the Company obtain the ticket benefits. For the year 2013 and 2012, they issued the tickets for themselves and their related parties amount of 279 and 240 tickets with the value of THB 28.18 million and THB 24.90 million, respectively, calculating from the full fare tickets in those traveling classes.

5.26 Impairment Loss of Aircraft Separate Financial Statements

As the Company has phased out 18 aircraft from the fleet and are under the selling process (Notes 5.12), when comparing the net book value with the fair value less cost to sell, it appears that the fair value less cost to sell is lower than the net book value of 3 A300-600, 4 A340-500 aircraft and 4 B737-400, therefore the Company recognized the impairment loss of such aircraft for the year ended December 31, 2013, amount of THB 5,092.54 million.

5.27 Other Expenses

Unit : Million Baht

| | Consolidated Financial Statements | | Separate Financial Statements | |
|---|--------------------------------------|-----------------|----------------------------------|-----------------|
| | 2013 | 2012 | 2013 | 2012 |
| Rentals and utilities | 2,796.66 | 2,688.22 | 2,796.66 | 2,688.22 |
| Office supplies | 251.19 | 216.34 | 251.19 | 216.34 |
| Repair of building and equipment | 698.12 | 615.54 | 698.12 | 615.54 |
| Outsource services | 1,458.47 | 1,096.82 | 1,458.47 | 1,096.82 |
| Consultant and service fees | 680.88 | 473.43 | 680.88 | 473.43 |
| Legal fee for Antitrust/ Competition Law | (277.90) | (167.12) | (277.90) | (167.12) |
| Computer service expenses | 465.05 | 386.12 | 465.05 | 386.12 |
| Rental of communication devices and office equipment | 312.00 | 215.91 | 312.00 | 215.91 |
| Travelling and transportation expenses | 592.02 | 623.24 | 592.02 | 623.24 |
| Concession fees | 482.19 | 351.05 | 482.19 | 351.05 |
| Passenger claim expenses | 266.76 | 246.85 | 266.76 | 246.85 |
| Damages from flood disaster | 154.25 | 284.23 | 154.25 | 284.23 |
| Provision for disposal and unused spare parts | 720.75 | 368.09 | 720.75 | 368.09 |
| Service cargo expenses | 175.42 | 243.20 | 175.42 | 243.20 |
| Joint venture expenses in STAR Alliance | 148.66 | 99.70 | 148.66 | 99.70 |
| Company business and municipal taxes | 298.60 | 162.16 | 298.60 | 162.16 |
| Bad debts and provision for bad debts | 158.93 | 257.92 | 158.93 | 257.92 |
| Others | 1,320.44 | 1,007.74 | 1,232.18 | 431.75 |
| Total | 10,702.49 | 9,169.44 | 10,614.23 | 8,593.45 |

Legal fee for Antitrust/Competition Law is a contingent liability that the Company has to set the reserve for damages and fines with respect to Antitrust laws allegation. In the fiscal year 2013, the Company has decreased the provision for such damages and fines (according to Note 5.17.7)

5.28 Income Tax Expense (Income)

Unit : Million Baht

| | Consolidated Financial Statements | | Separate Financial Statements | |
|--|--------------------------------------|---------------|----------------------------------|---------------|
| | 2013 | 2012 | 2013 | 2012 |
| Tax expense from taxable profit for the period | 99.83 | 97.04 | 60.04 | 40.91 |
| Add (less): deferred tax asset/ liability from temporary different increase/ decrease | (1,029.23) | 496.40 | (1,028.08) | 486.65 |
| Net tax expenses (income) | (929.40) | 593.44 | (968.04) | 527.56 |

5.29 Investment Promotion

The Company received the investment promotion certificates for air transportation operation of aircraft, consisting of passenger and cargo transportation activities, according to the investment promotion certificates as follows :

| Investment Promotion Certificates No. | Investment Promotion Certificates Date |
|---------------------------------------|--|
| 1214(2)/2009 | March 13, 2009 |
| 1874(2)/2009 | November 19, 2009 |
| 1446(2)/2011 | April 21, 2011 |
| 1178(2)/2012 | February 10, 2012 |
| 1627(2)/ 2012 | May 22, 2012 |
| 2006(2)/2012 | July 31, 2012 |
| 2576(2)/2012 | October 22, 2012 |
| 2577(2)/2012 | October 22, 2012 |
| 1220(2)/2013 | February 13, 2013 |
| 1221(2)/2013 | February 13, 2013 |
| 1222(2)/2013 | February 13, 2013 |
| 1590(2)/2013 | May 1, 2013 |
| 2355(2)/2013 | September 27, 2013 |
| 2356(2)/2013 | September 27, 2013 |
| 2357(2)/2013 | September 27, 2013 |
| 2358(2)/2013 | September 27, 2013 |
| 2359(2)/2013 | September 27, 2013 |
| 2360(2)/2013 | September 27, 2013 |
| 2361(2)/2013 | September 27, 2013 |
| 2362(2)/2013 | September 27, 2013 |
| 2363(2)/2013 | September 27, 2013 |
| 2364(2)/2013 | September 27, 2013 |
| 2365(2)/2013 | September 27, 2013 |
| 2366(2)/2013 | September 27, 2013 |
| 2367(2)/2013 | September 27, 2013 |

Under the condition, the Company will receive a privilege for exemption from corporate income tax for the net profit, which operated by such aircraft starting from the date of first revenues derived from the promoted activities, up to 8 years.

Revenues from sales or services classified to the promoted and non-promoted activities for the year ended December 31, 2013 and 2012 are as follows:

| | Unit : Million Baht | |
|--|-------------------------------|-------------------|
| | Separate Financial Statements | |
| | 2013 | 2012 |
| Revenues from sales or services | | |
| Promoted activities | 64,920.92 | 30,189.88 |
| Non-promoted activities | 141,054.96 | 170,868.21 |
| Total revenues from sales or services | 205,975.88 | 201,058.09 |

5.30 Earnings (Loss) Per Share

Basic earnings per share is calculated by dividing net profit or loss attributable to owners of the parent for the period by the weighted average number of ordinary shares outstanding during the periods.

Unit : Million Baht/Million Shares

| | Consolidated Financial Statements | | Separate Financial Statements | |
|--|--------------------------------------|-----------------|----------------------------------|-----------------|
| | 2013 | 2012 | 2013 | 2012 |
| Profits (losses) attributable to owners of the parent | (12,047.37) | 6,228.97 | (13,437.99) | 4,429.65 |
| Number of issued ordinary shares as at January 1 | 2,182.77 | 2,182.77 | 2,182.77 | 2,182.77 |
| Number of weighted average ordinary shares | 2,182.77 | 2,182.77 | 2,182.77 | 2,182.77 |
| Basic earnings (loss) per share (THB) | (5.52) | 2.85 | (6.16) | 2.03 |

5.31 Financial Information by Segment Consolidated financial statements

5.31.1 Business segments

Statements of Income For the year ended December 31, 2013

Unit : Million Baht

| | Air Transportation | | Business Units | | Other Activities | | Total | |
|--|--------------------|-------------|----------------|------------|------------------|------------|-------------|-------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| External Revenues | 196,849.66 | 200,221.77 | 7,255.91 | 6,709.08 | 2,230.67 | 2,191.66 | 206,336.24 | 209,122.51 |
| Inter - segment revenues | - | - | 10,331.24 | 9,970.65 | 6,195.13 | 5,231.60 | 16,526.37 | 15,202.25 |
| Interest income | 510.77 | 483.37 | - | - | 4.99 | 13.22 | 515.76 | 496.59 |
| Finance costs | (6,057.26) | (5,838.54) | - | - | - | 2.25 | (6,057.26) | (5,836.29) |
| Finance costs - net | (5,546.49) | (5,355.17) | - | - | 4.99 | 15.47 | (5,541.50) | (5,339.70) |
| Depreciation and amortization expenses | (18,452.35) | (18,902.09) | (799.08) | (914.13) | (774.24) | (707.46) | (20,025.67) | (20,523.68) |
| Fuel and oil | (80,525.26) | (80,178.54) | - | - | - | - | (80,525.26) | (80,178.54) |
| Employee benefits expenses | (19,264.96) | (19,332.37) | (7,977.25) | (7,194.80) | (5,866.50) | (5,559.52) | (33,108.71) | (32,086.69) |
| Tax income (expenses) | 968.04 | (542.76) | - | - | (38.64) | (50.68) | 929.40 | (593.44) |
| Profit on investment in associates | 836.09 | 363.43 | - | - | - | - | 836.09 | 363.43 |
| Gain (loss) on foreign currency exchange | (3,897.22) | 3,208.54 | - | - | 2.57 | 4.42 | (3,894.65) | 3,212.96 |
| Impairment loss of aircraft | (5,426.20) | (770.92) | - | - | - | - | (5,426.20) | (770.92) |
| Profitability on business acquisition | - | 1,584.40 | - | - | - | - | - | 1,584.40 |
| Gain on disposal of the controlling interest | 298.16 | - | - | - | - | - | 298.16 | - |
| Gain on deemed disposal | 722.30 | - | - | - | - | - | 722.30 | - |
| Gain (loss) by segments | (10,689.45) | 11,800.87 | 2,261.87 | 1,392.71 | 719.41 | (617.06) | (7,708.17) | 12,576.52 |

Assets and Liabilities
As at December 30, 2013

Unit : Million Baht

| | Air Transportation | | Business Units | | Other Activities | | Total | |
|-------------------------------|--------------------|------------|----------------|----------|------------------|----------|-------------------|-------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Current assets | 53,927.76 | 64,109.59 | 756.56 | 847.53 | 1,266.18 | 2,838.45 | 55,950.50 | 67,795.57 |
| Investments | 5,060.47 | 1,503.17 | - | - | 51.08 | 56.60 | 5,111.55 | 1,559.77 |
| Property, plant and equipment | 222,732.50 | 209,590.71 | 5,268.08 | 5,822.62 | 3,448.15 | 3,154.61 | 231,448.73 | 218,567.94 |
| Other non-current assets | 11,997.27 | 12,248.04 | 3.31 | 5.03 | 38.94 | 104.12 | 12,039.52 | 12,357.19 |
| Non-allocated assets | - | - | - | - | - | - | 2,534.43 | 3,815.41 |
| Total assets | | | | | | | 307,084.73 | 304,095.88 |
| Current liabilities | 79,589.35 | 78,837.98 | 860.61 | 609.52 | 637.70 | 1,598.35 | 81,087.66 | 81,045.85 |
| Non-current liabilities | 167,740.77 | 151,479.04 | 11.66 | 1.08 | 44.99 | 114.65 | 167,868.16 | 151,594.77 |
| Non-allocated liabilities | - | - | - | - | - | - | 1,280.92 | 1,636.82 |
| Total Liabilities | | | | | | | 250,166.00 | 234,277.44 |

The Company has 3 reported segments, consisting of air transportation activities segment, business units segment, and other activities segment. Air transportation activities segment composed of passenger, freight, and mail services. The business units segments related directly to transportation activities, which include cargo and mail commercial, ground customer services, ground support equipment services, and catering services. Other activities segment are transportation supporting activities, which include dispatch services, sales on board, THAI shop, technical services and operation of subsidiaries.

Gain (loss) by segments was derived from revenues net of costs and operating expenses, which exclude profit on investment in associated companies, finance costs, and tax expenses.

The Company records inter-segment revenue transfers at market price charged to its unaffiliated customer net of discount, for ground customer services segment recorded at cost net of discount, and for other activities segment and technical services recorded at budget cost. Those transferred transaction will be eliminated in consolidated financial statements.

Segment assets are the assets used for the operation or related to such activity.

Segment liabilities are the liabilities used for the operation or related to such activity.

5.31.2 Geographical Segments

Unit : Million Baht

| | Domestic Revenues | | | Foreign Revenues | | | | | Other Service Revenues | | | Other income | | | | Total | |
|---------------------|-------------------|----------------|----------|------------------|-----------|---------------|-------------------------|----------|-----------------------------|-------------------------------------|--|-----------------|--------------|-------------------------|------------------------------|--------|--|
| | Transportation | Business units | Others | Regional Asia | Europe | North Pacific | Australia & New Zealand | Africa | Charter revenues and others | Insurance surcharge from passengers | Fuel surcharge collected from passengers | Interest income | Other income | Gain on deemed disposal | Gain on business acquisition | | Gain on disposal of the controlling interest |
| For the year | | | | | | | | | | | | | | | | | |
| Jan-Dec 2013 | 14,758.31 | 7,255.91 | 2,230.67 | 75,151.86 | 39,931.96 | 2,564.66 | 18,569.55 | 938.12 | 9,329.48 | 1,875.72 | 33,730.01 | 515.76 | 3,733.12 | 722.30 | - | 298.16 | 211,605.59 |
| Jan-Dec 2012 | 23,203.19 | 6,709.08 | 2,191.66 | 75,357.86 | 39,087.60 | 2,623.17 | 18,551.83 | 1,074.59 | 9,903.55 | 1,561.94 | 28,858.04 | 496.59 | 2,326.26 | - | 1,584.40 | - | 213,529.76 |

5.32 Staff Pension Fund Consolidated and Separate Financial Statements

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 statements of financial position. Interest and expenses arising from fund operations are recognized as income and expenses of the Company. The details are as follows:

| | Unit : Million Baht | |
|---------------------------|---------------------|----------|
| | 2013 | 2012 |
| Current assets | 4,844.51 | 4,652.26 |
| Others | 75.19 | 69.24 |
| Total | 4,919.70 | 4,721.50 |
| Other current liabilities | 45.29 | 51.39 |
| Pension fund | 4,874.41 | 4,670.11 |
| Total | 4,919.70 | 4,721.50 |

As at December 31, 2013, the fund balance was THB 4,874.41 million, equal to the Company's obligation to its staff under the fund. (The total Company contribution to the fund in this accounting periods was THB 263.89 million, which comes from contributions at a rate equivalent to 10% of employee salaries in the amount of THB 219.91 million plus the amount to match the Company's obligation of THB 43.98 million.)

5.33 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 927.72 million for this fiscal year.

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

5.34 Contingent Liabilities

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

| | Unit : Million Baht | |
|---|---------------------|-----------------|
| | 2013 | 2012 |
| Letters of guarantee issued by banks - Domestic | 231.09 | 220.85 |
| Letters of guarantee issued by banks - Abroad | 457.22 | 399.09 |
| The Company as defendant in | | |
| Labor dispute cases | 1,299.87 | 1,410.71 |
| Damage claims cases | 2,588.15 | 2,537.81 |
| Total | 4,576.33 | 4,568.46 |

5.34.2 There are antitrust cases and other cases which have been filed alleged and conducted a criminal investigation against the Company as follows:

1. Regarding a Passenger US DOJ Investigation conducted by the United States' Department of Justice (DOJ), it can be divided into 2 cases.

1.1 Cargo US DOJ Investigation: The Company was unofficially informed that DOJ has already terminated the investigation.

1.2 Passenger US DOJ Investigation: The Company has not been contacted by DOJ and therefore it is assumed that DOJ should terminate any proceedings against the Company.

2. With respect to the investigation by the Australian Competition and Consumer Commission (ACCC), on October 28, 2009, the ACCC has subsequently filed a lawsuit against the Company for violating Trade Practices Act 1974. Yet, the amount of fines and expenses has not yet been specified by the ACCC in the lawsuit.

At present, the Company has already entered into a settlement with ACCC in order to pay a fine in the amount of AUD 7.5 million including the legal fees of ACCC in the amount of AUD 0.5 million, the total amount is AUD 8 million. On December 14, 2012, the court rendered a judgment as per the settlement agreed between the Company and ACCC. The Company can pay the fine by 7 installments within 3 years period.

The Company has already paid for the fine of the first, second and third installments as per the settlement agreement.

3. On the subject of an investigation by the Korean Fair Trade Commission (KFTC), the Company received an official decision of the KFTC on November 30, 2010 which imposed a fine totaling an amount of KRW 2,877 million but dropped the criminal charges against the Company and the relevant staff. The Company has appealed the KFTC Commissioners' decision to the competent court. Then, the appeal of the Company for both ex Korea route and ex Hong Kong route was dismissed i.e. the Company shall pay for the fine totaling an amount of KRW 2,198 million for ex Korea route and an amount of KRW 679 million for ex Hong Kong route. The Company has already appealed to the Supreme Court and the case is currently undergoing the Supreme Court procedures.

4. As for the case involving the New Zealand Commerce Commission (NZCC) filing a lawsuit against the Company and other 13 airlines at the Auckland High Court and alleging that the Company, jointly with other airlines, fixed the fuel surcharge and security surcharge, constituting a violation against the Commerce Act of New Zealand, the NZCC requested the court to impose a fine and expenses to the Company according to the law. However, these fine and expenses remained unspecified at the time of filing the lawsuit.

At present, the Company has already entered into a settlement with NZCC. On April 22, 2013, the court in New Zealand rendered a judgment as per the settlement agreed between the Company and NZCC. The Company was allowed by the court to pay the fine in the amount of NZD 2.7 million and pay the legal fees of NZCC in the amount of NZD 259,079.18, the total amount is NZD 2,959,079.18 by 4 installments within 18 months period.

The Company has already paid for the fine of the first and second installments as per the settlement agreement.

5. For the case where lawsuits were filed against the Company at the Superior Court of Los Angeles and the San Francisco County Superior Court alleging that the Company had violated the Antitrust law of the United States by committing fares and surcharges fixing conspiracy. Presently, the Judicial Panel on Multi-district Litigation has ordered to combine the cases to be considered by the court at San Francisco as a single case, however, the disputed amount of claims has not yet been determined until the court makes a final decision that the Company is guilty.

At present, the Company has agreed to settle with the plaintiffs in the amount of USD 9.7 million including expenses for delivery of notice to class action members and legal fees of the plaintiffs' lawyers. The Company can pay for the settlement amount by 2 installments. However, the settlement agreement has to be approved by the Federal Court of San Francisco, California, the United States before the settlement can be legally enforced. The Company's lawyer expected that there will be a hearing and the Court will render a judgment as per the settlement agreement within the next 6-8 months. With respect to the payment of the settlement amount according to the settlement agreement, the payment shall be made to an escrow account in which an escrow agent will transfer the settlement amount to the plaintiffs once the Court renders a judgment as per the settlement agreement. In case that the Court does not do so, the settlement amount shall be transferred back to the Company.

In this regard, the Company has already paid for the settlement amount of the first installment as per the settlement agreement.

5.35 Actions Taken in Relation to Entering to Block Space Agreement With Southern Air Inc. (SAI)

Since Southern Air Inc. (SAI) has files an application for the rehabilitation (Chapter 11) with the bankruptcy court in Delaware, the United States of America, on November 28, 2012, the Company filed a debt repayment application in the case where Southern Air Inc. (SAI) requested for the rehabilitation by assigning SKADDEN, ARPS, SLATE, MEAGHER & FLOM to be a local lawyer of the Company. The case is currently undergoing the court's consideration.

5.36 Actions Taken in Relation to Claiming for Damages Arising from the Delay of KOITO Economy Class Seats Delivery

On December 9, 2011, Macfarlanes LLP, the Company's lawyer, filed a lawsuit against Koito Industries Limited and Asia Fleet Services(s) Pte., Ltd. at the court in England for breaching of general terms agreements (economy class seats) for Airbus A330-300 and A380-800 and Boeing 777-300 aircraft. At present, Koito Industries Limited (KI Holding Limited) and Asia Fleet Services(s) Pte., Ltd. has already files their defence and counter claim. The case is currently undergoing the court's consideration.

5.37 Disclosure of Financial Instruments Separate financial statements

5.37.1 Interest rate risk

Interest rate risk in financial statements arises from changes in market interest rates which have an effect on the Company's operating results at present and in the future.

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

Unit : Million Baht

| Financial Liabilities | 2013 | | | | | | | Total |
|-----------------------|--------------------------------|--|------------------|------------------|---|------------------|------------------|-------------------|
| | Weighted Average Interest Rate | Outstanding Balances Floating Interest Rates | | | Outstanding Balances Fixed Interest Rates | | | |
| | | Less than 1 year | 1 to 5 years | Over 5 years | Less than 1 year | 1 to 5 years | Over 5 years | |
| By currency | | | | | | | | |
| USD | - | - | - | - | - | - | - | - |
| JPY | 1.17 | 1,893.41 | 5,346.84 | 5,911.55 | - | - | - | 13,151.80 |
| EUR | 1.83 | 7,321.63 | 28,916.64 | 20,046.29 | 2,463.62 | 8,268.16 | 17,375.52 | 84,391.86 |
| THB | 4.42 | 9,401.47 | 28,334.16 | - | 3,720.00 | 20,550.00 | 16,850.00 | 78,855.63 |
| Total | | 18,616.51 | 62,597.64 | 25,957.84 | 6,183.62 | 28,818.16 | 34,225.52 | 176,399.29 |

Unit : Million Baht

| Financial Liabilities | 2012 | | | | | | | Total |
|-----------------------|--------------------------------|--|------------------|------------------|---|------------------|------------------|-------------------|
| | Weighted Average Interest Rate | Outstanding Balances Floating Interest Rates | | | Outstanding Balances Fixed Interest Rates | | | |
| | | Less than 1 year | 1 to 5 years | Over 5 years | Less than 1 year | 1 to 5 years | Over 5 years | |
| By currency | | | | | | | | |
| USD | 7.07 | - | - | - | 1,225.26 | - | - | 1,225.26 |
| JPY | 1.15 | 2,637.29 | 6,881.77 | 7,988.01 | - | - | - | 17,507.07 |
| EUR | 1.54 | 6,017.78 | 24,974.50 | 16,617.00 | 1,283.43 | 5,149.55 | - | 54,042.26 |
| THB | 4.62 | 8,823.37 | 33,680.89 | 4,054.74 | 3,956.79 | 18,295.00 | 17,100.00 | 85,910.79 |
| Total | | 17,478.44 | 65,537.16 | 28,659.75 | 6,465.48 | 23,444.55 | 17,100.00 | 158,685.38 |

For Interest Rate Risk Management policy, 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, 2013, the portion of the Company's debt after swap with floating to fixed interest rate is 46 : 54.

At the moment, the Company has the total of 10 IRS transactions, swapping debt with floating interest rate to fixed interest rate. Seven of these transactions are in EUR and three transactions in THB. As at December 31, 2013, IRS transactions' total notional amount was THB 21,242.20 million of which interest exchange payments are done monthly and quarterly. The three transactions in EUR currency will expire in 2017 and the other four transactions in EUR currency will expire in 2018. One transaction in THB currency will expire in 2016 and two transactions in THB currency will expire in 2017.

5.37.2 Foreign Currency Exchange Rate Risk

The Company generates revenues in THB and more than 50 currencies, mainly in USD, THB, EUR and JPY while incurring liabilities mainly in 3 major currencies : EUR, THB and JPY as well as expenses mainly in USD and THB. Fluctuations in exchange rates affect on long-term liabilities and operating expenses denominated in foreign currencies. Therefore, the Company has adopted "Natural Hedging" strategy to manage this risk by increasing the matching of currency between the revenues and expenses and to arrange for loan and restructure loan to coincide with net operating cash flow, and at the same time,

to decrease foreign currency debt risk partially by relying on Thai baht loan in order to decrease the fluctuation of gain or loss from foreign exchange in the financial statements. In addition, the Company has a policy to enter into Cross Currency Swap (CCS) when the financial market benefits to the Company. As at December 31, 2013, the proportion of the Company's debts after swap in each currency i.e. EUR : JPY : THB is 55 : 8 : 37. Gradually, the Company also used hedging strategy named Forward Contracts, by providing various degrees of participation in favorable currency exchange rate movement to hedge the future obligation that has underlying exposures.

At present, the Company has seven CCS transactions. One transaction is that of swapping debt in THB currency with floating interest rate to JPY currency with fixed interest rate, with notional as at December 31, 2013, of JPY 2,026.54 million, or equivalent to THB 836.25 million. The other 6 transactions are of swapping debt in THB currency to EUR currency with fixed interest rate, with notional amount as at December 31, 2013, of EUR 287.78 million, or equivalent to THB 11,740 million of which payments, both principal and interest, are done every 3 and 6 months. These 7 transactions will terminate between the year 2015 and 2023.

Unit : Million Baht

| Currency | Foreign Currency Liabilities | | | | | |
|----------|------------------------------|------------------|------------------|-------------------|------------------|------------------|
| | 2013 | | | 2012 | | |
| | Due within 1 year | Due 1 to 5 years | Due over 5 years | Due within 1 year | Due 1 to 5 years | Due over 5 years |
| USD | - | - | - | 1,225.26 | - | - |
| JPY | 1,893.41 | 5,346.84 | 5,911.55 | 2,637.29 | 6,881.77 | 7,988.01 |
| EUR | 9,785.25 | 37,184.80 | 37,421.81 | 7,301.21 | 30,124.05 | 16,617.00 |

5.37.3 Fuel Price Risk

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

This was in accordance with the Company's policy, specifying that fuel hedging be conducted on a regular basis at not lower than 20 percent and not more than 80 percent of annual fuel consumption. Whereby the tenor of each contract would be for a period of not more than 18 months. The Company selected a financial tool that was suitable for the market situation by establishing the lowest and highest prices of jet fuel, whereby the Company would incur the difference in USD currency, should the price of jet fuel falls below the lowest price. On the contrary, the Company would be compensated should the price of jet fuel rises higher than the highest price. In this fiscal year 2013, the Company's hedge portion account to 71 percent of its annual fuel consumption. As at December 31, 2013, the Company still has an obligation from fuel price hedging until December 2014 amount of 10,850,000 barrels of Jet fuel whereby the average lowest and the highest jet fuel prices are at USD 105 per barrel and USD 116.63 per barrel, respectively.



5.37.4 Fair Value of Financial Instruments

Fair value is the amount for which the buyer and the seller agree to exchange an asset, or settle a liability, while both parties are knowledgeable, willing, independent 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 payables, loans, and accrued expenses are stated at the carrying value.

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

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

Financial derivative transaction is a fair value derived from value adjustment of contract between the Company and the bank with market price as at the report release date to more currently reflect the value of the contract.

5.38 Contractual Obligations

5.38.1 Obligation to Purchase Aircraft

The Company has a payment obligation to purchase, 5 A320-200, 4 A350-900XWB, and 6 B777-300ER aircraft amount of THB 49,432.27 million, expected to take delivery during the year 2014-2022 which consisted of:

| Unit : Million Baht | | |
|----------------------|---------------|-----------------------|
| Obligation | Within 1 year | Over 1 year – 5 years |
| Purchase of aircraft | 13,050.68 | 36,381.59 |

5.38.2 Leases and Obligations of Aircraft

The Company has obligations from entering into operating leases for 47 aircraft amount of USD 4,818.35 million or approximately to THB 158,761.77 million consisting of 15 A320-200, 2 A330-300, 8 A350-900, 3 B737-400, 2 B777-200, 9 B777-300ER, 6 B787-8, and 2 B787-9 aircraft. There is 1 B777-300ER which the lease term ended in the fourth quarter 2013. However, such aircraft is under the return process to the leaser in the first quarter 2014. Also, there are 7 and 39 aircraft which the lease will expire in 2014 - 2018 and 2019 - 2029, respectively.

There are 26 aircraft which have been already taken the delivery during the year 2013, including 5 delivered aircraft in the fourth quarter 2013. Such aircraft are 4 A320-200 aircraft which the Company signed the operating lease with AWAS Aviation Trading Limited with 6-year lease terms as well as 1 B777-300ER signed the operating lease with BOC Aviation Pte. Ltd. with 12-year lease terms. In addition, there are the 21 aircraft which have not been taken deliver yet.

Lease obligation and commitment fee can be classified as follows:

| Unit : Million Baht | | | |
|---------------------|---------------|-----------------------|--------------|
| Obligation | Within 1 year | Over 1 year – 5 years | Over 5 years |
| Rent | 6,447.87 | 43,790.29 | 108,523.61 |

5.39 Damages from the Flood Disaster

On October 26, 2011, the flood reached Don Muang Airport causing the damages to the Company's assets which the insurance will cover for such damages.

The Company has recorded the damages from flood disaster, which consisted of two Airbus A300-600 aircraft, consumable parts and supplies of Technical Department, tool repairment of Technical Department and raw material of Catering. As at December 31, 2013, the Company received the insurance compensation amount of THB 1,594.32 million and after the reporting period amount of THB 151.15 million. The Company recognized the insurance compensation from the flood disaster as an income amount of THB 1,594.32 million. Such compensation has been recognized in the statements of comprehensive income for the year 2011, 2012 and 2013 at the amount of THB 175 million, THB 284.23 million, and THB 1,135.09 million, respectively. However, all the damaged assets which are covered by the insurance policy are under claiming process with the insurance company.

5.40 Damages from the Aircraft Flights TG679

On September 8, 2013, Flight TG697 (Aircraft Type Airbus A330-300/Registration HS-TEF) skidded off run-way after landing at Suvarnabhumi International Airport. 80 passengers were reported injury and there was no fatality in this incident. Aircraft sustained severe damage. The aircraft is insured with the Agreed Value of USD 32.45 million or approximately to THB 1,014.01 million.

In this cases, the Company's Aviation Insurers are fully aware of the matter and already appointed Lawyers and Loss Adjusters to coordinate and work with THAI in respect of claims, litigation and settlement for passengers. The Team appointed by Insurers shall also make assessment for the damage of the aircraft under these cases. On September 18, 2013, the Company received the first interim payment from Insurers in the amount of USD 250,000 or approximately to THB 7.92 million.

5.41 Events after the Reporting Period

5.41.1 The Company is scheduled to take delivery of 1 B777-300ER No.1 (MSN 42110) on January 21, 2014. This aircraft was acquired by the hire purchase method. The aircraft was used as collateral with the lease term of 12 years.

5.41.2 On February 7, 2014, the Company has issued THB Debentures No.1/2557 for an aggregate of THB 3,200 million which were offered in 3 tranches - the first tranche amount of THB 1,200 million due in 2019, the second tranche amount of THB 1,000 million due in 2021 and the third tranche amount of THB 1,000 million due in 2024. Such debentures were offered to institution investors and high net worth investors.

5.41.3 The Company is scheduled to take delivery of operating lease aircraft, A320-200 with the lease term of 6 years, in the first quarter of 2014.

5.42 Approval of Financial Statements

These financial statements were approved by the Audit Committee, the Authorized Board of Directors, on February 20, 2014.

Five-Year Financial Review

| | | 2013 | 2012 | 2011 | 2010 | 2009 |
|------------------------------------|----------------|----------|---------|---------|---------|---------|
| Number of Aircraft | (Aircraft) | 100 | 95 | 89 | 90 | 91 |
| Flight Hours | (Block Hours) | 384,069 | 364,536 | 355,815 | 341,165 | 326,008 |
| Available Ton-Kilometers | (Million) | 12,728 | 12,023 | 11,987 | 11,516 | 10,499 |
| Revenue Ton-Kilometers | (Million) | 8,388 | 8,230 | 7,836 | 7,997 | 6,908 |
| Load Factor | (%) | 65.9 | 68.4 | 65.4 | 69.4 | 65.8 |
| Number of Passengers | (000) | 21,510 | 20,615 | 18,398 | 18,165 | 18,477 |
| Available Seat-Kilometers | (Million) | 85,655 | 79,231 | 78,533 | 75,600 | 72,031 |
| Revenue Passenger-Kilometers | (Million) | 63,479 | 60,679 | 55,267 | 55,676 | 52,593 |
| Cabin Factor | (%) | 74.1 | 76.6 | 70.4 | 73.6 | 73.0 |
| Available Dead Load Ton-Kilometers | (Million) | 5,019 | 4,892 | 4,919 | 4,708 | 4,016 |
| Revenue Freight Ton-Kilometers | (Million) | 2,565 | 2,653 | 2,766 | 2,895 | 2,092 |
| Freight Load Factor | (%) | 51.1 | 54.2 | 56.2 | 61.5 | 52.1 |
| Number of Personnel | (People) | 25,323 | 25,412 | 25,848 | 25,884 | 27,002 |
| Profit (losses) before Tax | (Million Baht) | (12,929) | 7,104 | (7,917) | 16,657 | 8,107 |

Definition of Aviation Terms

- Available Ton-Kilometers (ATK) Capacity offered for sale expressed as aircraft payload multiplied by flown kilometers.
- Revenue Ton-Kilometers (RTK) Capacity sold expressed as tons of load carried multiplied by flown kilometers.
- Load Factor Revenue ton-kilometers expressed as percentage of available ton-kilometers.
- Available Seat-Kilometers (ASK) Passenger capacity offered for sale expressed as number of seats multiplied by flown kilometers.
- Revenue Passenger-Kilometers (RPK) Passenger capacity sold expressed as number of passengers multiplied by flown kilometers.
- Cabin Factor Revenue passenger-kilometers expressed as percentage of available seat-kilometers.
- Available Dead Load Ton-Kilometers (ADTK) Capacity offered of aircraft payload after deduction of weight of the load of passenger multiplied by flown kilometers.
- Revenue Freight Ton-Kilometers (RFTK) Freight capacity sold expressed as tons of freight carried multiplied by flown kilometers.
- Freight Load Factor Revenue freight-kilometers expressed as percentage of available dead load ton-kilometers.
- Aircraft Payload Weight of the load of passengers, cargo and other load carried on a fully loaded aircraft using the average density of cargo.



Management's Discussion and Analysis



for the year ended December 31, 2013 for Thai Airways International Public Company Limited and Its Subsidiaries

Executive summary

The global economic overview in 2013 is likely to improve as there are signs of recovery for the European Union economies since 2Q2013 despite the U.S. ongoing uncertainties. Most of Asian countries could handle better than last year. The major factors were from the recovery of export sector as well as economic stimulus packages from China and Japan administrations. These expanded world traffic demand in both passenger and cargo. The average growth of passenger and cargo was 5.2% and 1.4% from last year, respectively. For Asia-Pacific airlines which THAI is a member of this group, the international passenger traffic was 5.2% greater than last year while the recession of manufacturing and export sectors made lower cargo traffic down to 0.6%. However, the diminishing figure is decreased in the lower rate than the past 2 years.

THAI's economy expanded in the lower rate related to the recession in consumption and investment which still worried about the economic and political situation. The export sector cannot fully recover due to the shortage of raw materials in various industries and the limitation of modern technology. Moreover, the public sector had paid less attention to motivate the national economic.

However, the high development rate of tourism sector is the protagonist to drive the economic in 2013. Unfortunately, during the last quarter of 2013, the issuance of the special edition of the new Chinese National Tourism Law, effective from October, and the nation's political turbulence made the significant slow down in Thai's tourism.

THAI is adhering to its long-term business roadmap and business strategies to enhance the competitive ability and ensure the sustainability in the long run by becoming the elite airline among the Asian airlines. In 2013 THAI strictly followed its long-term plan in regards to its network and fleet development strategy by receiving 17 aircraft aiming to replace the 6 THAI's own aging aircraft and return 5 aircraft to leaser due to the expire of contract and by launching new routes, especially on regional routes. To do so, THAI opened new routes to Sendai- Japan while THAI Smile opened its new routes to Mandalay-Myanmar, Luang Prabang-Laos, Chongqing and Changsha – China. THAI established and registered on October 17, 2013 THAISmile Airways Limited, a wholly owned subsidiary of THAI, to efficiently manage and independently operate as a part of Corporate Portfolio Strategy that aim mainly on sustainable growth and proactive act to all groups of customer's requirement which THAI's target market is middle-class customer, and to create more opportunity on Asian open skies policy. THAISmile expected to launch its own code in 3Q2014.



THAI continues to emphasize on risk management by implementing the proactive fuel hedging management to fix the fuel price in the frame construction and, mitigating risk of fluctuations in foreign exchange rates, providing expenses are denominated in the same income as much as possible :so-called Natural Hedging. However, on the part of the Baht has appreciated strongly in the year 2013, THAI has expanded its revenue in the amount of Baht term to balance and reduce the impact of fluctuations in foreign exchange and also considered taking a loan together with loan restructuring to balance between the foreign currency and cash flow from operations.

In 2013 airline business expanded but the temperature of competition among airlines were higher from the emerging of new players: premium airlines and low cost carriers, both foreign and domestic. Also, all airlines took delivery of new aircraft as same as THAI which received more new aircraft than decommissioned aircraft which made traffic production in 2013 was higher than in 2012. Passenger traffic production was 8.1% higher than the average growth of entire industry and Asia-Pacific. Unfortunately, THAI could not immediately increase its passenger traffic at the same growth rate as production traffic which made lower cabin factor dropped from 76.6% last year to 74.1% this year. On the cargo side which has been impacted from recession since 2011 together with the belly production increased both THAI and other airlines made higher competition to wrest other market shares as well as the volume of export goods in every THAI's routes was lower than expected. THAI's own freight production increased 2.6% from last year while freight traffic decreased 3.3% from last year which made lower freight load factor down from 54.2% last year to 51.1% this year.

Amidst the severe storm of competition, the strengthen value of Thai Baht during the fiscal year 2013 was the negative factor to THAI's operation since the THAI's major proportion of revenue was foreign currency around 70%. According to the strong value of Baht made 4.3% decrease of revenue from sales or revenue from services when compared to the average foreign exchange rate of 2012 while the proportion of expenses in the foreign currencies were less than revenue. Thus, the strengthen Baht only made 1.1% decrease of operating expenses. The situation got worse during the last quarter of 2013, internal political dilemma and enforcing the special edition of the new Chinese National Tourism Law which impacted the international tour price packages made Chinese tourists who are the high growth rate remarkably diminished. These made lower number of passenger in 4Q2013 3.5% dropped when compared to the same period last year. Noticeably during the first nine month of 2013 the number of passenger increased from last year around 7.1%. THAI realized to the problems by reducing unnecessarily cost and postponed the investment, especially the non-impact item to services and safety by monitoring the situation closely. Unfortunately, they made the significant negative results: THB 2,322 million in 4Q2013.

THAI and its subsidiaries' financial performance in 2013 showed a loss before foreign currency exchange and income tax (exclude impairment loss of aircraft and assets) of THB 3,608 million when compared to last year where reported profit of THB 4,662 million. Combined with a THB 5,426 million impairment loss and a THB 3,895 million loss on foreign currency exchange, THAI and its subsidiaries recorded a net loss for the period totaling THB 12,000 million compared to last year's net profit of THB 6,510 million.

Summary of Operating Results for Thai Airways International PCL. and its subsidiaries

Financial Performance

The consolidated financial statements for the year 2013 consists of THAI's financial statement and 5 subsidiary companies which are 1) THAI-Amadeus Southeast Asia Co.,Ltd., 2) Wingspan Services Co., Ltd., 3) THAI Flight Training Co., Ltd., 4) Tour Eurng Luang Co., Ltd., and 5) THAI Smile Airways Co., Ltd. which was incorporated on October 17, 2013 with registered capital of 1,800 million baht or 100% holding by THAI but not operates under its own airline code.

This year's 2013 financial statement excludes that of Nok Airlines PCL. (Nok Air) resulting from the change in shareholding structure along with the change in composition of the board of directors with a greater number of board members since January 18, 2013. The result was THAI no longer having controlling power over Nok Air through THAI's representation on Nok Air's Board of Directors. In order to facilitate the year on year comparison, THAI has restated the statements of income for the year 2012 (excluded Nok Air) as if Nok Air is an associated company.

| Unit : Million Baht | Consolidated | | | | | | |
|--|-----------------|------------------|----------------|---------------|------------------|----------------|---------------|
| | 2013 | 2012 | | | | | |
| | | Included Nok Air | Variance | | Excluded Nok Air | Variance | |
| | | | MTHB | % | | MTHB | % |
| Total Operating Revenues | 206,336 | 209,123 | -2,787 | -1.3 | 201,384 | +4,952 | +2.5 |
| Less Total Operating Expenses | 209,232 | 202,967 | +6,265 | +3.1 | 195,631 | +13,601 | +7.0 |
| Operating profit (loss) | (2,896) | 6,156 | -9,052 | -147.0 | 5,753 | -8,649 | -150.3 |
| Add Other revenues | 5,269 | 4,407 | +862 | +19.6 | 4,334 | +935 | +21.6 |
| Less Other expenses | (76) | 65 | -141 | -216.9 | (183) | +107 | +58.5 |
| Less Finance cost | 6,057 | 5,836 | +221 | +3.8 | 5,836 | +221 | +3.8 |
| Profit (Loss) before foreign currency exchange and income tax | (3,608) | 4,662 | -8,270 | -177.4 | 4,434 | -8,042 | -181.4 |
| Less Impairment loss of asset and aircraft | 5,426 | 771 | +4,655 | +603.8 | 771 | +4,655 | +603.8 |
| Add Gain(loss) on foreign currency exchange | (3,895) | 3,213 | -7,108 | -221.2 | 3,212 | -7,107 | -221.3 |
| Profit (loss) before tax | (12,929) | 7,104 | -20,033 | -282.0 | 6,875 | -19,804 | -288.1 |
| Net Profit(Loss) | (12,000) | 6,510 | -18,510 | -284.3 | 6,297 | -18,297 | -290.6 |
| Profit(Loss) attributable to owners of the parent | (12,047) | 6,229 | -18,276 | -293.4 | 6,251 | -18,298 | -292.7 |
| Net Profit (loss) per share (THB) | (5.52) | 2.85 | -8.37 | -293.7 | 2.86 | -8.38 | -293.0 |
| EBITDA (MTHB) | 22,474 | 31,022 | -8,548 | -27.6 | 30,699 | -8,225 | -26.8 |
| Operating Profit(Loss) Margin (%) | (1.4) | 2.9 | | -4.3 | 2.9 | | -4.3 |
| EBITDA Margin (%) | 10.9 | 14.8 | | -3.9 | 15.2 | | -4.3 |
| Net Profit(Loss) Margin (%) | (5.8) | 3.1 | | -8.9 | 3.1 | | -8.9 |

EBITDA = Total Revenue - Total Expenses(exclude financial cost, tax, depreciation and amortization, gain/loss on foreign currency and impairment loss of assets and aircraft)

In 2013, THAI's consolidated operating loss totaled THB 2,896 million, which is lower than last year's reported profit excluded Nok Air of THB 5,753 million since

- Total operating revenue increased by THB 4,952 million or by 2.5%. The slight increase in operating revenue due to the high competition, latest China legislation tour edition, and impact from internal political crisis during the 4Q2013, a peak period of tourism in Thailand, which decreased the number of passenger down from last year. Consequently, total traffic (Revenue Ton-Kilometers: RTK) slightly increased only 1.9%. Also, the impact from the strong Thai Baht against foreign currencies, especially the Japanese Yen which is one of major currencies in terms of revenue, reduced operating revenue by approximately 4.3%. Passenger and excess baggage revenue increased by THB 6,849 million or 4.1% over last year due to increase of passenger traffic while average passenger yield was lower than last year. Revenue from business units and other activities also increased, totaling THB 334 million or 3.6% while revenue from freight and mail decreased by THB 2,231 million or 8.3% due to high competition which reduced both cargo traffic and average freight yield.

- Total operating expenses increased THB 13,601 million or 7.0%. Although THAI benefitted from the baht appreciation, reducing operating cost by approximately 1.1%, the increase in total production (ATK) by 5.9% increased expenses related to traffic production. The major expenses which extraordinarily increased were Aircraft maintenance and overhaul, Selling and advertising, Lease of aircraft and spare parts and Crew expenses.

THAI's consolidated loss before foreign currency exchange and income tax (exclude the loss of impairment both aircraft and assets) was THB 3,608 million when compared to last year where THAI reported a gain of THB 4,662 million. The loss of impairment from aircraft and other assets which is one-time item, totaled THB 5,426 million. THAI's consolidated loss on foreign currency exchange was THB 3,895 million. Consequently, THAI and its subsidiaries reported a net loss of THB 12,000 million compared to last year's gain of THB 6,297 million. Loss attributable to owners of the parent was THB 12,047 million or a loss of 5.52 baht per share, a decrease from last year's gain of 2.86 baht per share.

EBITDA was THB 22,474 million, which decreased by THB 8,225 million or 26.8% over last year. EBITDA margin was 10.9%, as compared to last year's reported 15.2%.

Operating performance: The Company

| The Company | | 2013 | 2012 | %Change |
|---------------------------------|---------------------|---------|---------|---------|
| Production | (MATK) | 12,728 | 12,023 | +5.9% |
| Traffic | (MRTK) | 8,388 | 8,229 | +1.9% |
| Load Factor | (%) | 65.9 | 68.4 | -2.5 |
| Total yield | (THB/RTK) | 23.05 | 23.37 | -1.4% |
| Passenger carried | (Million) | 21.51 | 20.61 | +4.4% |
| Passenger Production | (MASK) | 85,655 | 79,231 | +8.1% |
| Passenger Traffic | (MRPK) | 63,479 | 60,679 | +4.6% |
| Cabin Factor | (%) | 74.1 | 76.6 | -2.5 |
| Passenger yield | (THB/RPK) | 2.65 | 2.72 | -2.6% |
| Freight Production | (MADTK) | 5,019 | 4,892 | +2.6% |
| Freight Traffic | (MRFTK) | 2,565 | 2,653 | -3.3% |
| Freight Load Factor | (%) | 51.1 | 54.2 | -3.1 |
| Freight loaded | (Ton) | 655,570 | 679,132 | -3.5% |
| Freight yield | (THB/RFTK) | 9.22 | 9.78 | -5.7% |
| Flight Hours | (Hours) | 384,069 | 364,536 | +5.4% |
| Average of Aircraft Utilization | (Hour/Aircraft/Day) | 11.2 | 11.5 | -2.6% |
| Number of flight | (Flight) | 97,438 | 90,447 | +7.7% |

Revenues of Thai Airways International PCL. and its subsidiaries

Total revenues of 2013 earned was THB 211,605 million, a decrease of THB 1,925 million or 0.9% lower

than last year. It should be noted that last year Nok Air's revenues was included in the Company's top line revenue. Without including the operating revenue of Nok Air, operating revenue of THAI and its subsidiaries increased by THB 5,887 million. Details are as follows:

| | Consolidated | | | | | | | | | |
|---|----------------|-------------------|------------------|-------------------|---------------|-------------|------------------|--------------------|---------------|-------------|
| | 2013 | %of Total Revenue | 2012 | | | | | | | |
| | | | Included Nok Air | %of Total Revenue | Variance | | Excluded Nok Air | % of Total Revenue | Variance | |
| | | | | | MTHB | % | | | MTHB | % |
| Revenues from Transportation activities | | | | | | | | | | |
| Passenger and excess baggage revenue | 172,335 | 81.4 | 173,458 | 81.2 | -1,123 | -0.6 | 165,486 | 80.4 | +6,849 | +4.1 |
| Freight and mail revenue | 24,515 | 11.6 | 26,764 | 12.6 | -2,249 | -8.4 | 26,746 | 13.0 | -2,231 | -8.3 |
| Total Revenue from Transportation activities | 196,850 | 93.0 | 200,222 | 93.8 | -3,372 | -1.7 | 192,232 | 93.4 | +4,618 | +2.4 |
| Revenue from business units | 7,256 | 3.4 | 6,709 | 3.1 | +547 | +8.2 | 6,709 | 3.3 | +547 | +8.2 |
| Revenue from other activities | 2,230 | 1.1 | 2,192 | 1.0 | +38 | +1.7 | 2,443 | 1.2 | -213 | -8.7 |
| Total operating revenue | 206,336 | 97.5 | 209,123 | 97.9 | -2,787 | -1.3 | 201,384 | 97.9 | +4,952 | +2.5 |
| Interest income | 516 | 0.3 | 497 | 0.2 | +19 | +3.8 | 456 | 0.2 | +60 | +13.2 |
| Other incomes | 3,733 | 1.8 | 2,326 | 1.1 | +1,407 | +60.5 | 2,294 | 1.1 | +1,439 | +62.7 |
| Gain on deemed disposal | 722 | 0.3 | - | - | +722 | - | - | - | +722 | - |
| Profitability on business acquisition | - | - | 1,584 | 0.8 | -1,584 | -100.0 | 1,584 | 0.8 | -1,584 | -100.0 |
| Gain on reclassified investment | 298 | 0.1 | - | - | +298 | - | - | - | +298 | - |
| Total revenues | 211,605 | 100.0 | 213,530 | 100.0 | -1,925 | -0.9 | 205,718 | 100.0 | +5,887 | +2.9 |

Revenues from transportation activities, totaling THB 196,850 million, constituting 93.0% of total revenues, increased by THB 4,618 million or 2.4% over the same period last year. It should be noted that in September last year THAI developed a new passenger revenue accounting system has enabled THAI no longer reports its revenue on a net basis but now revenue constitutes of two parts - ticket sales and commissions due to agencies. In 2013, the amount of commission amounted to THB 2,679 million was booked as part of the passenger and excess baggage revenue account, the same amount was booked in the selling and advertising expenses account. The simultaneous booking in the revenue and expense accounts bears no overall effect to THAI's profit and loss statement.

- **Passenger and excess baggage revenue**

Passenger and excess baggage revenue totaled THB 172,335 million, an increase of THB 6,849 million or 4.1% since THAI recognized sales commission, amount of THB 2,679 million, due to the new passenger revenue accounting system mentioned above and passenger traffic (Revenue Passenger Kilometers: RPK) increased by 4.6%, approximately THB 7,400 million, even average passenger yield (including fuel and insurance surcharge) decreased by 0.07 THB/RPK or 2.6% resulting from the Baht strength compared to the same period last year which finally decreased the revenue in Baht term around 0.13 THB/RPK or around THB 8,071 million.

The details of revenue based on territories as follows:

| Unit : Million Baht | 2013 | 2012 | Variance | |
|---|----------------|----------------|---------------|-------------|
| | | | MTHB | % |
| Passenger and excess baggage revenue | | | | |
| Regional | 66,986 | 65,744 | +1,242 | +1.9 |
| Intercontinental | 54,945 | 53,878 | +1,067 | +2.0 |
| Domestic | 14,336 | 14,691 | -355 | -2.4 |
| Non-schedule flight | 462 | 753 | -291 | -38.6 |
| Passenger insurance surcharge | 1,876 | 1,562 | +314 | +20.1 |
| Passenger fuel surcharge | 33,730 | 28,858 | +4,872 | +16.9 |
| Total passenger and excess baggage revenue | 172,335 | 165,486 | +6,849 | +4.1 |

- **Regional passenger and excess baggage revenue** amounted to THB 66,986 million, which was an increase of THB 1,242 million or 1.9%. In 2013, THAI adjusted its plan in accordance with the national networking development strategy to promote Thailand as the aviation hub of Asia by route, flight frequency and capacity adjustment along with launching new destinations to Japan: city of Sendai, China: city of Chongqing and Changsha, Myanmar: city of Mandalay and Laos: city of Luang Prabang which increased passenger production by 3,883 million seat-kilometers or 11.5%. On the

contrary, passenger traffic increased but not much as expected due to the aggressive competition, especially in India and Middle East market and new China's legislation tour edition, effective from October 1, 2013 which impacted the number of Chinese tourists, a group of tourists at the rate of growth, declined in the last quarter of 2013. As a result, the increase of production was higher than the increase of traffic which increased by 2,431 million passenger-kilometers or 9.5% while average cabin factor was 74.3%, lower than the 75.7% achieved in 2012. Another significant factor was the strengthen value of Baht term compared

to other currencies in the region, especially Japanese Yen, and Indian Rupee, which lower revenue when translated to Thai Baht.

- **Intercontinental passenger and excess baggage revenue** amounted to THB 54,945 million, which was an increase of THB 1,067 million or 2.0%. In 2013, THAI adjusted flight plans to suit the operating environment by increasing flight frequency in the high demand routes and expanding the cooperation with alliances for more routes. As a result, ASKs increased by 2,444 million seat-kilometers or 6.0% but RPKs increase by 319 million passenger-kilometers or 1.0%, while cabin factor was 73.8% which was lower than the 77.5% average in 2012.

- **Domestic passenger and excess baggage revenue** amounted to THB 14,336 million, which was a decrease of THB 355 million or 2.4% due to the penetration from Low Cost Carriers using the discount fare as the strategy to expand their market shares. This year, THAI increased flight frequency in the high traffic demand by using THAISmile for additional flights and replacement flights in some routes. As a result, ASKs increased by 193 million seat-kilometers or 4.2% and RPKs increased by 93 million passenger-kilometers or 2.7% while cabin factor was 75.7% lower than 76.9% over the same period the year before.

- **Passenger fuel surcharge** amounted to THB 33,730 million, which was an increase of THB 4,872 million or 16.9% mainly due to efficient and effective fuel surcharge adjustment and the increase in number of passenger.

- **Freight and mail revenue**

Freight and mail revenue amounted to THB 24,515 million, which was a decrease of THB 2,231 million or 8.3% due to the fierce war price, over supply situation and, greater competition amongst sea, land and air transport companies, and other airlines lowering the Company's freight traffic

(Revenue Freight Ton-Kilometers: RFTK) by 3.3% and average freight yield (including fuel and insurance surcharge) decreased 0.56 THB/RFTK or 5.7% over last year. The baht strength also contributed to the weaker yield around 0.27 THB/RFTK or around THB 700 million.

Revenues from Business Units

Revenue from Business Units amounted to THB 7,256 million, an increase of THB 547 million or 8.2% resulting from higher revenue generated from all business units which was mainly derived from the increase of customer airlines's flights.

Revenue from other activities

Other activities revenue amounted to THB 2,230 million, which decreased by THB 213 million or 8.7% over last year. The main reason was the decrease in lease aircraft to Nok Air revenue since Nok returned the expiry aircraft to THAI.

Other income

- interest income totaled THB 516 million, an increase of THB 60 million or 13.2%, due to increase of cash on hand

- other income amounted to THB 3,733 million, an increase of THB 1,439 million or 62.7% higher than last year as recognition of compensation received from the insurance company of the 2011 floods, which was THB 851 million higher than last year, recognition of passenger airport fees that were not billed to THAI for over 3 years which was THB 318 million higher than last year and Technical Department's other revenue increased THB 173 million.

- gain on deemed disposal amount of THB 722 million was the recognition of investment portion in Nok Airlines Public Company Limited amount of THB 1,241 million or the Company's portion of 39.2 percent, net of the difference from changing in share portion of Nok Airlines Public Company Limited, which decreased from 49 to 39.2 percent, amount of THB 519 million after the sale of shares of the Nok 's 125

million shares at a price of 26 Baht per share on June 20, 2013.

- gains on reclassified investment totaled THB 298 million which was a gain on reclassified investment of Nok Air from a subsidiary company to an associated company

Expenses for Thai Airways International PCL. and its subsidiaries

In 2013, total expenses (included loss on foreign currency exchange) amounted to THB 224,534 million, which was THB 18,108 million or 8.8% higher than the same period last year. Without including the operating expenses of Nok Air last year, operating expenses of THAI and its subsidiaries increased by THB 25,691 million or 12.9 percent. A summary of operating expenses is as follows:

| | Consolidated | | | | | | | | | |
|---|----------------|---------------------|------------------|---------------------|----------------|-------------|------------------|---------------------|----------------|--------------|
| | 2013 | % of Total Expenses | 2012 | | | | | | | |
| | | | Included Nok Air | % of Total Expenses | Variance | | Excluded Nok Air | % of Total Expenses | Variance | |
| | | | | | MTHB | % | | | MTHB | % |
| Operating expenses | | | | | | | | | | |
| Fuel and oil | 80,525 | 35.9 | 80,179 | 38.9 | +346 | +0.4 | 77,481 | 38.9 | +3,044 | +3.9 |
| Employee benefit expenses | 33,109 | 14.7 | 32,087 | 15.6 | +1,022 | +3.2 | 31,550 | 15.9 | +1,559 | +4.9 |
| Flight service expenses | 21,727 | 9.7 | 21,321 | 10.3 | +406 | +1.9 | 20,693 | 10.4 | +1,034 | +5.0 |
| Crew expenses | 6,009 | 2.7 | 5,707 | 2.8 | +302 | +5.3 | 5,547 | 2.8 | +462 | +8.3 |
| Aircraft maintenance and overhaul costs | 13,447 | 6.0 | 12,600 | 6.1 | +847 | +6.7 | 11,288 | 5.7 | +2,159 | +19.1 |
| Depreciation and amortization expenses | 20,025 | 8.9 | 20,524 | 9.9 | -499 | -2.4 | 20,429 | 10.3 | -404 | -2.0 |
| Lease of aircraft and spare parts | 4,699 | 2.1 | 4,552 | 2.2 | +147 | +3.2 | 3,683 | 1.9 | +1,016 | +27.6 |
| Inventories and supplies | 9,625 | 4.3 | 9,530 | 4.6 | +95 | +1.0 | 9,416 | 4.7 | +209 | +2.2 |
| Selling and advertising expenses | 9,496 | 4.2 | 6,833 | 3.3 | +2,663 | +39.0 | 6,539 | 3.3 | +2,957 | +45.2 |
| Insurance expenses | 628 | 0.3 | 893 | 0.4 | -265 | -29.7 | 760 | 0.4 | -132 | -17.4 |
| Other operating expenses | 9,942 | 4.4 | 8,741 | 4.2 | +1,201 | +13.7 | 8,245 | 4.1 | +1,697 | +20.6 |
| Total Operating Expenses | 209,232 | 93.2 | 202,967 | 98.3 | +6,265 | +3.1 | 195,631 | 98.4 | +13,601 | +7.0 |
| Impairment loss of assets and aircraft | 5,426 | 2.4 | 771 | 0.4 | +4,655 | +603.8 | 771 | 0.4 | +4,655 | +603.8 |
| Loss on foreign currency exchange | 3,895 | 1.7 | (3,213) | -1.5 | +7,108 | +221.2 | (3,212) | -1.6 | +7,107 | +221.3 |
| Financial cost | 6,057 | 2.7 | 5,836 | 2.8 | +221 | +3.8 | 5,836 | 2.9 | +221 | +3.8 |
| Share of profits of associates | (836) | -0.4 | (363) | -0.2 | -473 | -130.3 | (611) | -0.3 | -225 | -36.8 |
| Other expenses | 760 | 0.4 | 428 | 0.2 | +332 | +77.6 | 428 | 0.2 | +332 | +77.6 |
| Total Expenses | 224,534 | 100.0 | 206,426 | 100.0 | +18,108 | +8.8 | 198,843 | 100.0 | +25,691 | +12.9 |

Total operating expenses amounted to THB 209,232 million which was THB 13,601 million or 7.0% higher than last year. Significant changes of expenses for this year include:

- Fuel and oil expense amounted to THB 80,525 million, 35.9% of total expenses, was THB 3,044 or 3.9% higher with an increase in production which caused the higher volume of fuel consumption by 5.2%. Average jet fuel price was 3.1% lower than the same period last year; moreover, the stronger Thai Baht further benefitted THAI lowering fuel cost in baht

terms. Compensation from fuel hedging during the period totaled THB 1,885 million, THB 1,879 million lower than last year.

- Employee benefits expenses consisting of personnel expense, employee benefits, management benefits and board of directors' benefits amounted to THB 33,109 million, which was an increase of THB 1,559 million or 4.9% over last year mainly due to the increment in employee benefits obligation, annual staff salary, higher overtime pay and holiday work, and a higher number of outsourced expense as

compared to last year. These mainly were caused by the increase of production, Government's minimum wage policy and shortage of outsourced staff. Other items contributing to the rise in employee benefits include increase in professional license fee for the Technical Department to ensure compliance with international standards.

- Flight related expenses consisted of flight service expenses and crew expenses totaled THB 27,736 million, an increase of THB 1,496 million or 5.7% due to the increase in production.

- Depreciation and amortization expenses totalled THB 20,025 million, a decrease of THB 404 million or 2.0% since THAI took delivery of 5 new aircraft this year (own aircraft and aircraft under finance lease); however, the change of estimate useful life of the aircraft and engines from 15 to 20 years decreasing the depreciation expense by THB 2,512 million.

- Maintenance and overhaul costs totaled THB 13,447 million, an increase of THB 2,159 million or 19.1% due to an increase in average rate of repaired engine and maturity of spare parts and engines maintenance which was higher than the same period last year

- Selling and advertising expenses totaled THB 9,496 million, an increase of THB 2,957 million or 45.2% due to the increase of selling expense, amount of THB 2,533 million resulting from the implementation of a new passenger revenue accounting system mentioned above. (see also Passenger and excess baggage revenue) The reservation expense increased THB 270 million due to the increase in number of passenger and revenue.

- Lease of aircraft and spare parts totaled THB 4,699 million, an increase of THB 1,016 million or 27.6% due to the greater number of aircraft under operating lease totaled 7 aircraft.

- Other operating expenses consisted of inventory, insurance and other expenses totaled THB 20,195 million, an increase of THB 1,774 million or 9.6%.

Impairment loss of aircraft and assets totaled THB 5,426 million, an increase of THB 4,655 million or 603.8% as the following details:

- **Impairment loss of aircraft** was THB 5,092 million, THB 4,911 million higher than last year, due to the provision for impairment loss of 11 aircraft including 4 Airbus A340-500 aircraft, 3 Airbus A300-600 aircraft, and 4 Boeing B737-400 aircraft when compared to last year' where were 2 aircraft. Most of such expenses was from Airbus A340-500 fleet.

- **Impairment loss of assets** was THB 334 million, THB 256 million or 43.4% lower than last year, due to lower reserved for damaged rotatable spare parts and could not be repaired decreased from last year.

Loss on foreign currency exchange of THAI and its subsidiaries totaled THB 3,895 million which consists of realizing foreign currency gain of THB 1,961 million resulting from active natural hedging to mitigate the impact from foreign currency fluctuation and the unrealized loss portion totaling THB 5,856 million resulting from the translation of the Company's outstanding foreign currency loans into Baht terms at the end of the period.

Finance cost amounted to THB 6,057 million, an increase of THB 221 million or 3.8% since the increase of long-term liabilities (including liabilities under finance lease, long-term borrowing, and debentures) which increased from the same period last year by THB 17,665 million even THAI has been able to raise cheaper cost of funds since average interest rate was lower than last year.

Share of profits of associates amounted to THB 836 million. Details as follow:

- Nok Airlines PCL's amount of THB 489 million. It should be noted that last year, Nok Airlines PLC was recognized as a subsidiary company of THAI.

- Bangkok Aviation Fuel Services PCL's amount of THB 189 million, an increase of THB 28 million,

- Phuket Air Catering Ltd.'s amount of THB 85 million, an increase of THB 33 million,

- Royal Orchid Hotel (Thailand) PCL's amount of THB 38 million a decrease of THB 110 million,

- Donmuang International Airport Hotel Ltd.'s amount of THB 22 million, while last year reported profit of THB 0.24 million, and

- Suvarnabhumi Airport Hotel Ltd.'s amount of THB 14 million, an increase of THB 12 million.

Other expenses totaled THB 760 million, an increase of THB 332 million, mostly due to provision for obsolescence of aircraft spare parts increased from the previous year, THB 353 million, for the Antitrust which set aside in fiscal year 2008 and has revised it down so the results considering that occur periodically balances at year-end 2012 total THB 769 million that, this year, THAI has cut another THB 372 million to THB 397 million to spare (see also detailed in the notes to the financial statements 5.17.6).

Net income tax expenses(revenue)

Net income tax revenue of Thai Airways International PCL. and its subsidiaries amounted to THB 929 million, compared to last year where's recognized as expense amounted to THB 578 million. The main reasons were mainly from the impact of recording deferred income from the recognition of an impairment loss of assets and the benefit from the promotion certificate for the investment of air transport aircraft which reduced tax burden.

Net Profit(Loss)

Net loss amounted to THB 12,000 million or net loss margin of 5.82% which consisted of loss attributable to owners of the parent amounted

to THB 12,047 million and profit attributed non-controlling interests amounted to THB 47 million when compared to last year where THAI and its subsidiaries reported profit of THB 6,297 million or a 3.11% net profit margin.

Financial Position and Liquidity

Capital Expenditures

Capital expenditures for 2013 totaled THB 38,088 million, a decrease of THB 2,488 million from last year where THAI took delivery of 5 new own aircraft and aircraft under finance lease while 6 new aircraft were added to the fleet last year. Capital expenditures for this year mainly were prepayments for acquiring aircraft and engines totaling THB 30,556 million for aircraft and engines delivered from 2014-2018 as well as investment in in-flight equipment consisted of current aircraft and new aircraft, including the cabin reconfiguration programs with a total investment value of THB 6,017 million. Other fixed assets amounted to THB 1,515 million. Details as follows:

| Unit : Million Baht | Jan - Dec | |
|-----------------------------------|---------------|---------------|
| | 2013 | 2012 |
| Aircraft and aircraft spare parts | 36,573 | 39,956 |
| Non-Aircraft | 1,515 | 620 |
| Total | 38,088 | 40,576 |

Financing

In 2013 THAI financed based on financing plans to use as its working capital, amount of THB 31,762 million as the following details

- 1) acquired long-term funding, amount of EUR 296 million, using aircraft as collateral to finance its new 2 Airbus A330-300 and 1 Airbus A380-800 aircraft,

- 2) sought a 17-year USD 500 million loan facility from the Ministry of Finance to finance its 2 Airbus A380-800 aircraft

- 3) issued THB 9,000 million in new debentures for investing in various assets and repaying the loan with a higher cost in order to reduce the financial burden

4) sought USD 200 million loan facility from a domestic financial institution to be used as repayment for outstanding obligations on the 3 Airbus A340-500 aircraft.

Summary of cash from and used in each activity are as follows:

| Unit : Million Baht | Consolidated | | The Company | |
|--|----------------|--------------|----------------|--------------|
| | 2013 | 2012 | 2013 | 2012 |
| Net cash from operating activities | 25,734 | 31,163 | 25,588 | 30,224 |
| Net cash used in investing activities | (27,220) | (14,764) | (27,011) | (14,441) |
| Net cash used in financing activities | (7,363) | (12,426) | (7,228) | (12,080) |
| Effect from changing in exchange rate on cash and cash equivalents increase (decrease) | 559 | (591) | 559 | (591) |
| Increase(decreases) in cash and cash equivalents | (8,290) | 3,382 | (8,092) | 3,112 |

Cash and cash equivalents for the year ended December 31, 2013 totaled THB 11,758 million, a decreased of THB 8,290 million from December 31, 2012 mainly due to cash from operations totaling THB 25,734 million which was THB 5,429 million lower than last year. Cash used in investing activities totaled THB 27,220 million, increased THB 12,456 million compared to last year. Cash from financing activities totaled THB 7,363 million decreased THB 5,063 million.

Fleet

In 2013, THAI took delivery of total 17 aircraft which consisted of THAI's own aircraft: 2 Airbus A380-800 aircraft, aircraft under finance lease: 2 Airbus A330-300 and 1 Airbus A380-800 aircraft, and operating lease aircraft: 6 Boeing B777-300ER and 6 Airbus A320-200 aircraft, respectively. THAI also decommissioned 2 Boeing B747-400, 5 Boeing B777-300ER, 2 Airbus A300-600, and 1 Airbus A330-300 aircraft that has been damaged from skidding off the runway after landing at Suvarnabhumi Airport on September 8, 2013 the above aircraft movement puts THAI's net active aircraft fleet at 100. (As of December 31, 2012, THAI had 95 active aircraft)

Fleet details are as follow

| Aircraft type | Number of Aircraft | Owned | Financial Lease | Operating Lease | Aircraft in Services | | |
|------------------|--------------------|------------------|-----------------|-----------------|----------------------|----------------------------|----------------------|
| | | | | | As at Dec 31, 2013 | Variance from Dec 31, 2012 | New(+)/Decom(-) 2014 |
| Boeing 747-400 | 16 | 14 | 2 | - | 12 | -2 | |
| Boeing 777-300 | 6 | 6 | - | - | 6 | | |
| Boeing 777-200ER | 6 | - | 6 | - | 6 | | |
| Boeing 777-200 | 8 | 6 | - | 2 | 8 | | |
| Boeing 737-400 | 9 | 6 | - | 3 | 5 | | -3 |
| Boeing 777-300ER | 9 | - | - | 9 ¹⁾ | 8 | +1 | +3 |
| Boeing 787-8 | | | | | | | +4 |
| Airbus 340-600 | 6 | - | 6 | - | 6 | | |
| Airbus 340-500 | 4 | 4 | - | - | - | | |
| Airbus 330-300 | 27 | 10 ²⁾ | 15 | 2 | 26 | +1 | -5 |

| Aircraft type | Number of Aircraft | Owned | Financial Lease | Operating Lease | Aircraft in Services | | |
|--------------------------------------|--------------------|-----------|-----------------|-----------------|----------------------|----------------------------|----------------------|
| | | | | | As at Dec 31, 2013 | Variance from Dec 31, 2012 | New(+)/Decom(-) 2014 |
| Airbus 320-200 | 10 | - | - | 10 | 10 | +6 | +7 |
| Airbus 380-800 | 6 | 2 | 4 | - | 6 | +3 | |
| Airbus 300-600R | 9 | 9 | - | - | 5 | -4 | -5 |
| ATR 72 | 2 | 2 | - | - | - | | |
| Freighter aircraft Boeing 747-400 | 2 | 2 | - | - | 2 | | |
| Total | 120 | 61 | 33 | 26 | 100 | +5 | +1 |

Remarks : 1) Included 1 Boeing B777-300ER aircraft: expiry of operating lease
 2) Included 1 Airbus A330-300 aircraft grounded and pending for damage inspection
 3) 20 decommissioned aircraft owned by THAI and held for sales

According to THAI's fleet development program, aircraft delivery commitments are as follows:

- Obligation to purchase 15 aircraft expected delivery during the year 2014 – 2022 which consists of 5 Airbus A320-200, 4 Airbus A350-900XWB, and 6 Boeing B777-300ER aircraft worth a total of THB 49,432 million

- Lease obligations and commitment fees for 26 operating lease aircraft which are now in service and 21 aircraft which have not been scheduled for delivery totaling THB 158,762 million. The lease terms of 47 operating lease aircraft will be for the period between 2014-2029.

Assets of Thai Airways International PCL. and its subsidiaries

As of December 31, 2013, total assets were THB 307,085 million, an increase of THB 2,989 million or 1.0% from as at December 31, 2012.

| | Consolidated | | | | The Company | | | |
|--|----------------|-------------------|----------------|-------------------|----------------|-------------------|----------------|-------------------|
| | Dec 31, 2013 | | Dec 31, 2012 | | Dec 31, 2013 | | Dec 31, 2012 | |
| | MTHB | % of Total Assets |
| Current assets | | | | | | | | |
| Cash and cash equivalents | 11,758 | 3.8 | 20,048 | 6.6 | 11,650 | 3.8 | 19,742 | 6.6 |
| Non-current assets classified as held for sale | 7,197 | 2.3 | 7,430 | 2.4 | 7,197 | 2.4 | 7,430 | 2.5 |
| Other current assets | 39,530 | 12.9 | 44,133 | 14.5 | 39,749 | 13.1 | 42,185 | 14.1 |
| Current Assets | 58,485 | 19.0 | 71,611 | 23.5 | 58,596 | 19.3 | 69,357 | 23.2 |
| Property, plant and equipment | | | | | | | | |
| Prepaid aircraft and spare engine | 17,986 | 5.8 | 17,617 | 5.8 | 17,986 | 5.9 | 17,617 | 5.9 |
| Aircraft | 64,091 | 20.9 | 51,661 | 17.0 | 64,091 | 21.1 | 51,661 | 17.3 |
| Aircraft under finance leases | 124,091 | 40.4 | 122,707 | 40.4 | 124,091 | 40.9 | 122,707 | 41.0 |
| Aircraft spare parts | 12,504 | 4.1 | 12,506 | 4.1 | 12,504 | 4.1 | 12,506 | 4.2 |
| Work in process | 1,113 | 0.4 | 2,488 | 0.8 | 1,113 | 0.4 | 2,488 | 0.8 |
| Land, building and improvements | 6,711 | 2.2 | 7,020 | 2.3 | 6,711 | 2.2 | 7,020 | 2.3 |
| Other plant and equipment | 4,953 | 1.6 | 4,569 | 1.5 | 4,945 | 1.6 | 4,479 | 1.5 |
| Property, plant and equipment-net | 231,449 | 75.4 | 218,568 | 71.9 | 231,441 | 76.2 | 218,478 | 73.0 |
| Other non-current assets | 17,151 | 5.6 | 13,917 | 4.6 | 13,639 | 4.5 | 11,521 | 3.8 |
| Total Assets | 307,085 | 100.0 | 304,096 | 100.0 | 303,676 | 100.0 | 299,356 | 100.0 |

Current assets were THB 58,485 million or accounted for 19.0% of total assets, a decrease of THB 13,126 million from as of December 31, 2012. The main reason was

- a decrease in cash and cash equivalents of THB 8,290 million, mainly from investing in fixed assets and taking delivery of and repaying advance payment of the aircraft, the amount of up to THB 28,803 million, while net financing was only THB 7,363

million. Moreover, cash from operations was less than a previous year since operating expenses was higher than income from operations.

- a decrease in trade receivables of THB 2,098 million mainly from the diminished sales during the fourth quarter of 2013 when compared to last year. It should be noted that this year THAI has been able to better manage faster collection period by speeding up from 31 days in 2012 to 29 days this year.

Comparison between trade receivables as of December 31, 2013 and 2012 classified by aging period as the following details

| | Consolidates | | The Company | |
|-------------------------------------|---------------|---------------|---------------|---------------|
| | Dec 31, 2013 | Dec 31, 2012 | Dec 31, 2013 | Dec 31, 2012 |
| Aging Periods: | | | | |
| Not over 6 months | 13,512 | 15,525 | 13,476 | 15,466 |
| Over 6 months to 1 year | 358 | 398 | 355 | 398 |
| Over 1 year to 2 years | 350 | 157 | 350 | 157 |
| Over 2 years | 1,309 | 1,451 | 1,285 | 1,426 |
| Total | 15,529 | 17,531 | 15,466 | 17,447 |
| Less Allowance for doubtful account | (1,889) | (1,793) | (1,863) | (1,768) |
| Trade receivables - net | 13,640 | 15,738 | 13,603 | 15,679 |

Trade receivables, not government agencies and state enterprises, are set an allowance for doubtful accounts by analyzing a payment history and connection data together with aging analysis of each trade receivables as a criteria. The ratio between trade receivables aging over 6 months and allowance for doubtful account was 94.0%. Thus, THAI has confidence in its adequacy of the allowance for doubtful accounts.

Property, plant and equipment-net totaled THB 231,449 million or represented 75.4 % of total assets, which saw an increase of THB 12,881 million or 5.9% from December 31, 2012 resulting from the increase in the number of aircraft and aircraft under finance lease, totaled 5 aircraft. There were 12 decommissioned aircraft transferred to non-current assets classified as held for sales this year.

Non-current assets totaled THB 17,151 million or represented 5.6% of total assets, which increased THB 3,234 million from as of December 31, 2012 resulting from

- the change in position of Nok Air from a subsidiary to an associated company. Hence, the investments in associated company increased THB 3,338 million. Goodwill, recorded in the first quarter last year was lower by THB 1,391 million. The intangible assets decreased THB 559 million.

- Other non-current assets increased THB 774 million due to the increase of deferred charges, amount of THB 658 million, from loan guarantee fee aircraft: A380-800 and A330-300 aircraft

- Deferred tax assets increased by THB 775 million mainly due to the recording of deferred tax assets from the increase of impairment, amount of THB 781 million.



Return on assets of 2013 was -2.25% lower than last year's 4.48% due to the impairment of aircraft consisted of 3 Airbus A300-600 aircraft and 4 Airbus A340-500 aircraft, and 4 Boeing B737-400 aircraft the total amount was THB 5,092 million. Unless excluded such expense, return on assets would be -0.58% which

is still lower than the same period last year due to the great number of delivered aircraft this year. However, it is unable to effectively increase revenue to retain speed with the assets growth and last year THAI earned gain on acquisition of subsidiary and consolidated Nok Airline PCL's financial statement.

Liabilities of Thai Airways International PCL. and its subsidiaries

Total liabilities as of December 31, 2013 totaled THB 250,166 million, which was an increase of THB 15,888 million or 6.8% from as of December 31, 2012. These comprise of:

| | Consolidated | | | | The Company | | | |
|--|----------------|------------------------|----------------|------------------------|----------------|------------------------|----------------|------------------------|
| | Dec 31, 2013 | | Dec 31, 2012 | | Dec 31, 2013 | | Dec 31, 2012 | |
| | MTHB | % of Total Liabilities |
| Current liabilities (including current Portion of long-term liabilities) | 82,369 | 32.9 | 82,683 | 35.3 | 83,155 | 33.1 | 81,632 | 35.0 |
| Long-term liabilities | | | | | | | | |
| Debentures | 37,400 | 15.0 | 32,120 | 13.7 | 37,400 | 14.9 | 32,120 | 13.8 |
| Liabilities under financial leases | 63,319 | 25.3 | 61,611 | 26.3 | 63,319 | 25.2 | 61,611 | 26.4 |
| Long term borrowings | 50,831 | 20.3 | 41,011 | 17.5 | 50,831 | 20.3 | 41,011 | 17.6 |
| Total long-term liabilities | 151,550 | 60.6 | 134,742 | 57.5 | 151,550 | 60.4 | 134,742 | 57.8 |
| Other non-current liabilities | 16,247 | 6.5 | 16,853 | 7.2 | 16,211 | 6.5 | 16,738 | 7.2 |
| Total Liabilities | 250,166 | 100.0 | 234,278 | 100.0 | 250,916 | 100.0 | 233,112 | 100.0 |

The increase in liabilities was primarily a result of long-term liabilities as of December 31, 2013 (including liabilities under finance lease, long-term borrowings, and debentures) amounted to THB 151,550 million or represented 60.6% of total liabilities, which was an increase of THB 16,808 million from December 31, 2012. Consequently, interest bearing debt to equity increased from 2.27 times from the end of last year to 3.10 times at the end of this year. In 2013, THAI obtained a total of THB 31,762 million in long-term financing, (Also see page 10 for details) while current liabilities as of December 31, 2013 were THB 82,369 million or represented 32.9% of total liabilities which was similar to the previous year.

Shareholders' Equity of Thai Airways International PCL. and its subsidiaries

As of December 31, 2013, shareholders' equity totaled THB 56,919 million, a decrease of THB 12,899 million from December 31, 2012 due to loss from operations. A dividend payment was made to shareholders totaling THB 1,226 million in 2013 and the effect of losing control in Nok Airlines PCL., decreased THAI's equity by THB 721 million. Moreover, the gain on actuarial estimates for employee benefit obligations amounted THB 1,306 million. Consequently, return on equity for 2013 decreased from 9.76 last year to -19.04 this year.

Factors affecting future operations

World economy forecast in 2014 is projected to be more improvement in numerous countries due to economic stimulus packages such as USA,

China and Japan. Meanwhile, the economy of the European Union, which has probably passed the worst situation already, was expected to be back on track and started to expand once again. However, the political opposition in many countries both domestically and internationally might have a direct impact on the economy in 2014. Also, sharpened competition in the aviation business, the exchange rate fluctuations, and higher production costs are the key risk factors that may affect the operations of THAI.

The impact of the political turmoil in the country that lasted from the end of 2013 is expected to affect the confidence of investors and tourists to travel into the country in 1Q2014 more severe than in 4Q2013. Moreover, the results of the latest China legislation tour edition, effective from October 1, 2013, reduced the number of Chinese tourists in 4Q2013 noticeably and was estimated to continue to drop in the beginning of 2014, especially Chinese New Year, where normally the spectacular number of Chinese traveler normally came to Thailand for celebration. The significant impact clearly demonstrated that the number of foreign visitors in the first 9 months of 2013 was up to 23.2 % from 2012, but fourth quarter, tourist arrivals increased merely 10.7 percent from 2012. To mitigate the impact which expected to occur during the 1Q2014, the high season period, and the 2Q2014, the low season period, THAI planed to reduce number of flights to suit the market demand while focus on revenue increasing from Business units and other ancillary revenues along with intensive cost management program. Nevertheless, the Department of Tourism. Ministry of Tourism and Sports also predicted that the number of tourists in 2014 will increase by about 13.0%. THAI has high hope that the situation would be recovered since the 3Q2014 onward.

According to those events which directly impacted THAI's performance and competition becoming more intense, this year THAI prepares the Strategic plan 2014 in line with the internal situation by implementing the enhancing plan to deal with the brutal competition, especially in Asia-Pacific region and reorganizing the structure of THAI, changes in corporate culture to be able to conduct business in a sustainable manner under unfavorable factors. This concentrates on routing and guidance in the development of products and services in accordance with the particular groups of customers' satisfaction. Changing work processes in order to optimize and control costs in the action as well as improving the management of human resources, and the organizational structure to be able to respond quickly to changes in business. THAI also plans to improve communication both internally and externally in order to get the information correctly and timely.

In 2014, THAI plans to take delivery of 14 aircraft consists of 3 Boeing B777-300ER, 7 Airbus A320-200, and 4 Boeing B787-8 aircraft. The B787-8 is quite a remarkable aircraft with lighter weight and fuel-saving ability up to 25% when compared to the other types of aircraft. THAI has schedule to continually decommission aging aircraft and operating lease aircraft which their contracts were expired totaled 13 aircraft: 5 Airbus A330-300 and 5 Airbus A300-600 aircraft and 3 Boeing B737-400 aircraft.

THAI has a financing plan by finance lease and then using aircraft as collateral to finance for 5 aircraft delivered in 2014 and expect to issue around THB 15,000 million new debentures during 2014 for working capital and investing in various assets and repaying maturity debentures and loan with a higher cost in order to reduce the financial burden. The new set of debenture will be offered in February 2014, amount of THB 3,200 million.



For financial risk management THAI stands by the credit facilities and utilization of committed revolving credit line in the amount of approximately THB 20,000 million and uncommitted credit line about THB 10,000 million to support economic fluctuations. Also, THAI has constant foreign exchange risk management plan in major currencies and considers the hedging interest rate in line with economic conditions.

THAISmile Airways Limited will begin to operate under its own airline code in 3Q2014 by using 10

Airbus A320-200 aircraft, sublease aircraft from THAI, and 7 additional aircraft delivered in 2014. Its routes consists of domestic routes between Bangkok and these cities which are Chiang Mai, Chiang Rai, Phuket, Krabi, Surat Thani, Hat Yai, Ubon Ratchathani, Udon Thani, and Khon Kaen, secondary domestic routes between Chiang Mai and these cities which are Phuket and Udon Thani, and international routes which are Macau, Xiamen, Chongqing, Changsha, Rangoon, Mandalay, Ho Chi Minh City, Hanoi, Luang Prabang, Phnom Penh, Penang, New Delhi, Calcutta, and, Colombo.

Financial Ratios

| | | Consolidated | | The Company | |
|---------------------------------|---------|--------------|------|-------------|------|
| | | 2013 | 2012 | 2013 | 2012 |
| Liquidity Ratio | | | | | |
| Current Ratio | (times) | 1.58 | 2.05 | 1.55 | 2.02 |
| Profitability Ratio | | | | | |
| Operating Profit (loss) Margin | % | (1.40) | 2.94 | (1.48) | 2.78 |
| Net Profit (loss) Margin | % | (5.82) | 3.11 | (6.52) | 2.20 |
| Return on Equity | % | (19.04) | 9.76 | (22.58) | 6.92 |
| Efficiency Ratio | | | | | |
| Return on Total Assets | % | (2.25) | 4.48 | (2.77) | 3.77 |
| Financial Policy Ratio | | | | | |
| Interest Bearing Debt to Equity | (times) | 3.10 | 2.27 | 3.34 | 2.40 |
| Interest Coverage Ratio | (times) | 3.71 | 5.32 | 3.47 | 4.93 |

GLOSSARY

EBITDA = Total Revenue - Total Expenses (exclude financial cost, tax, depreciation and amortization, gain/loss on foreign currency and impairment loss of assets and aircraft)

EBITDA MARGIN = EBITDA/ Total operating revenue

Current Ratio = Current Assets / Current Liabilities

(Excluding Current Portion of Long-Term Liabilities and Unearned Transportation Revenues)

Operating Profit Margin = (Total Operating revenue – Operating expenses)/ Total Operating revenue

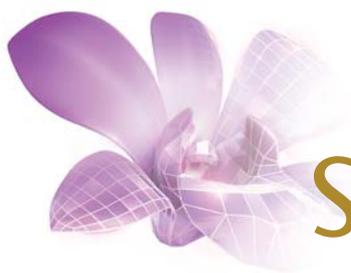
Net Profit Margin = Net Profit / Total Operating revenue

Return on Equity = Net Profit / Average Shareholders' Equity

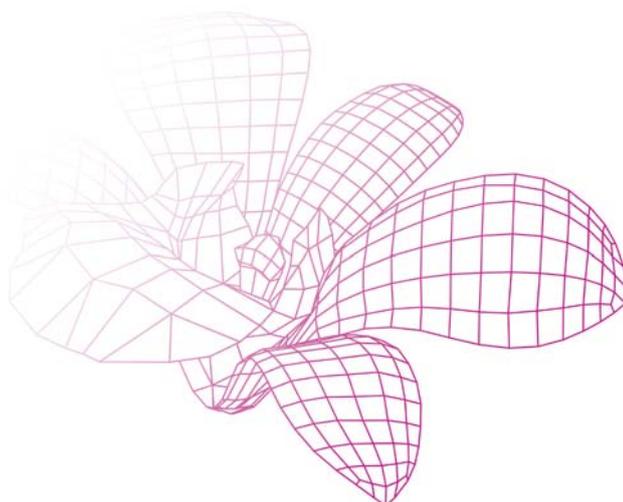
Return on Total Assets = Profit before interest and tax/ Average total assets

Interest Bearing Debt to Equity = (Short-term Loan + Long-term Loan including current portion of Long-term Loan within 1 year) / Shareholders' Equity

Interest Coverage ratio = EBITDA/interest



Smooth as silk







Board of Directors

(as of December 31, 2013)



Mr. Ampon Kittiampon Chairman and Independent Director

Education

- Ph.D. (Applied Economics)
Clemson University, South Carolina, USA

Experience

- Secretary General, Office of the Nation Economic and Social Development Board
- Deputy Permanent Secretary, Ministry of Agriculture and Cooperatives

Present Positions

- Secretary General, The Secretariat of the Cabinet
- Chairman, Bank of Thailand
- Chairman of Auditing Committee, Director, PTT Exploration and Production PCL.

Mr. Areepong Bhoocha-oom Vice Chairman and Independent Director

Education

- Ph.D. (Finance)
University of Mississippi, USA

Experience

- Permanent Secretary, Ministry of Finance
- Director General, The Excise Department, Ministry of Finance
- Director General, State Enterprise Policy Office (SEPO), Ministry of Finance

Present Positions

- Secretary General, Public Sector Development Commission, Office of Prime Minister
- Committee, PTT Global Chemical Public Company Limited
- Chairman, Government Housing Bank

Mr. Kanit Sangsubhan Independent Director

Education

- Ph.D. (Economics)
University of Toronto, Canada

Experience

- Independent Directors, Tisco Bank PCL.
- Director, Dhanarak Asset Development Co., Ltd.

Present Positions

- Director, Honorary Advisor, Fiscal Policy Research Institute Foundation, Ministry of Finance
- Board of Director, Bank of Thailand
- Board of Director, THAI Smile Airways





Mr. Chutinant Bhirom Bhakdi
Independent Director and
Audit Committee

Education

- Bachelor's Degree in Economics, Boston University, Massachusetts, USA

Experience

- Bangkok Senator
- Member of the Constituent Assembly, Chairman of the Committee on Public Relations and Dissemination

Present Positions

- Executive Vice President, Director, Boonrawd Brewery Co., Ltd.
- Managing Director, Boonrawd Trading International Co., Ltd.
- Vice Chairman of Executive Committee, Director, Bangkok Glass Industry Co., Ltd.
- Chairman of Board of Directors, Bangkok Visypak Co., Ltd. And Petpak Co., Ltd.
- President, Paralympic Committee of Thailand

Mr. Dheerasak Suwannayos
Director

Education

- Honorary Doctor of Business Administration, Yala Rajabhat University

Experience

- President, Islamic Bank of Thailand
- Chairman, Board of Directors, Krung Thai Asset Management Co., Ltd.
- Air Transport, Thai Airways International Public Company Limited
- Director, MCOT Public Company Limited

ACM Prajin Juntong
Independent Director

Education

- Doctor of Philosophy (Public Administration), Rangsit University

Experience

- Assistant Commander - in - Chief, Royal Thai Air Force
- Chief of the Air Staff
- Deputy Chief of the Air Staff
- Assistant Chief of the Air Staff for Operations
- Director of Operations

Present Positions

- Commander - in - Chief Royal Thai Air Force
- Chairman of the Board, Thai Aviation Industries Co., Ltd.



Mr. Pongpanu Svetarundra
Director

Education

- Master of Art (Economics), Northwestern University, USA
- Bachelor of Commerce (Economics), University of Auckland, New Zealand

Experience

- Director General, Public Debt Management Office
- Director General, Comptroller General's Department
- Director General, Excise Department

Present Positions

- Deputy Permanent Secretary
- Director, Mass Rapid Transit Authority of Thailand
- Director, TMB Bank Public Company Limited

Mr. Weerawong Chittmitrapap
Independent Director and
Audit Committee

Education

- Chulalongkorn University
- University of Pennsylvania, USA

Experience

- Executive Partner, White and Case (Thailand) Co., Ltd.
- Director, NOBLE Development PCL.
- Director, Minor International PCL.
- Director, Nok Airlines PCL.
- Director, National Power Co., Ltd.

Present Positions

- Chairman, Weerawong, Chinnavat and Peangpanor Ltd.
- Director and Audit committee, Berli Jucker PCL.
- Director and Audit committee, GMM Grammy PCL.
- Director and Audit committee, SCB Life Assurance PCL.
- Director and Chairman of Audit committee, Golden Land Property Development PCL.
- Director, National Power Supply Limited
- Director, Fraser and Neave Limited
- Director, Fraser Centrepoint Limited

ACM Satitpong Sukvimol
Independent Director

Education

- BA Chiang Mai University

Experience

- Deputy Lord Chamberlain, The Bureau of the Royal Household, The Kingdom of Thailand (level 10)

Present Positions

- Private Secretary to His Royal Highness Crown Prince Maha Vajiralongkorn
- Deputy Lord Chamberlain, The Bureau of the Royal Household, The Kingdom of Thailand (level 10)





Mr. Somchai Siritwatanachoke
Director

Education

- Bachelor of Laws, Ramkhamhaeng University
- Master of Public and Private Management, The National Institute of Development Administration (NIDA)

Experience

- Deputy Director General, Department of Land Transport
- Inspector General, Ministry of Transport
- Director General, Department of Land Transport
- Chairman of the Board of Directors, Bangkok Mass Transit Authority
- Chairman of the Board of Directors, The Transport Co., Ltd.

Present Positions

- Permanent Secretary, Ministry of Transport
- Chairman of the Board of Directors, Bangkok Mass Transit Authority
- Chairman of the Board of Directors, The Transport Co., Ltd.

Mr. Sutham Siritipsakorn
Independent Director

Education

- Bachelor of Architecture, First Class Honour Chulalongkorn University

Experience

- Board of Directors National Housing Authority
- Board of Directors MCOT Public Company Limited

Present Positions

- Managing Directors Sutham Architects and Associates Co., Ltd.
- Board of Directors Government Saving Bank
- Town and Country Planning Committee Directors
- Board of Commissioners The State Railway of Thailand

ACM M.L. Suprija Kamalasana
Independent Director

Education

- National Defence College

Experience

- President of Advisory Board Royal Thai Armed Forces Headquarters
- Commandant, Royal Thai Air Force Command and Staff College
- Superintendent Royal Thai Air Force Academy
- Chief of Staff Officers to the Supreme Commander

Present Positions

- Retired Officer



Pol. Gen. Adul Sangsingkeo
Independent Director

Education

- Bachelor of Public Administration, Royal Police Cadet Academy
- Master of Arts (Social Development), Kasetsart University

Experience

- Advisor to the Royal Thai Police (Level 10) (Security and Special Tasks)
- Deputy Commissioner, Royal Thai Police
- Secretary General, Office of the Narcotics Control Board

Present Positions

- Commissioner General, Royal Thai Police
- Director, Thai Oil Public Company Limited
- Director, Siam Commercial Bank Public Company Limited

Mr. Athapol Yaisawang
Chairman of Auditing Committee and Independent Director

Education

- LL.D. (honoris causa) Ramkhamhaeng University
- LL.M. Thammasat University
- Barrister at Law, Institute of the Thai Bar Association
- LL.B. (Hons), Thammasat University

Experience

- Director, Expressway Authority of Thailand
- Director, Government Saving Bank
- Director, Mass Rapid Transit Authority of Thailand

Present Positions

- Attorney General
- Independent Director, PTT PCL.
- Independent Director, PTT Exploration and Production Public company Limited

Mr. Sorajak Kasemsuvan
Director

Education

- Ph.D. in International Law London School of Economics, University of London, UK

Experience

- Chairman, MCOT Public Company Limited
- Advisor to Deputy Minister of Education
- President, Stamford International University
- Executive Director, International Institute for Trade and Development (ITD)

Present Positions

- Vice-Chairman, Saranrom Institute of Foreign Affairs Foundation





Management

(as of December 31, 2013)



Mr. Sorajak Kasemsuvan President

Education

- Ph.D. in International Law
London School of Economics,
University of London, UK

Experience

- Chairman, MCOT Public
Company Limited
- Advisor to Deputy Minister of Education
- President, Stamford International
University
- Executive Director, International
Institute for Trade and Development
(ITD)

Present Positions

- Vice-Chairman, Saranrom Institute of
Foreign Affairs Foundation

Mr. Chokchai Panyayong Senior Executive Vice President, Commercial

Education

- Master of Engineering, Civil Engineering,
University of Detroit, USA

Experience

- Senior Executive Vice President,
Strategy and Business Development
- Vice President, Suvannabhumi Project

Present Positions

- Director,
Nok Airlines PCL.
- Director,
Thai Smile Airways Co., Ltd.

Mr. Pandit Chanapai Managing Director Ground Services Executive Vice President Level

Education

- Master of Arts, International Relations,
University of Connecticut, USA

Experience

- Executive Vice President,
Commercial
- Executive Vice President,
Human Resources and General
Management

Present Positions

- Director,
Royal Orchid Hotel (Thailand) PCL.
- Director,
Don Muang International Airport
Hotel Co., Ltd.
- Director,
WingSpan Services Co., Ltd.



Flt. Lt. Montree Jumrieng
Executive Vice President,
Technical Department

Education

- Bachelor of Science ,
Mechanical Engineering,
Royal Thai Air Force Academy

Experience

- Executive Vice President,
Human Resources and General
Management
- Vice President, Human Resources
Management Department

**Squadron Leader Asdavut
Watanangura**
Executive Vice President
Operations
Support for H.R.H. Chairman
Operation Support Center

Education

- Master Degree
(Major in Civil Engineering)
Hochschule der
Bundeswehr Muenchen,
Federal Republic of Germany

Experience

- Executive Vice President,
Aviation Safety, Security,
Standards and
Resources Development
- Executive Vice President,
Operations Department
- Director Thai 904 Task Force
Vice President, Aviation Resources
Development Department
- Director, Flight Deck Crew Training
Department
- Executive Managing Director,
THAI Flight Training Co., Ltd.

Mr. Danuj Bunnag
Executive Vice President,
Products and Customer
Services

Education

- Master of Construction
Management, Washington
University at St. Louis, USA

Experience

- Executive Vice President,
Commercial
- Managing Director,
Ground Services
Business Unit
Executive Vice
President Level
- Vice President,
Marketing Planning and
Revenue Managements
- Managing Director,
Thai - Amadeus
Southeast Asia Co., Ltd.

Present Positions

- Director, Don Mueang
International Airport
Hotel Co., Ltd.
- Director, Royal Orchid Hotel
(Thailand) PCL.

Mr. Niruj Maneepun
Executive Vice President Human
Resources and Compliance

Education

- Barrister at Law,
Institute of Thai Bar
Association
- Master of Comparative
Jurisprudence (M.C.J.)
Howard University,
Washington D.C., USA
- Master of Laws (LL.M.)
Temple University,
Philadelphia
Pennsylvania, USA

Experience

- Executive Vice President,
Corporate
Secretariat Department
- Vice President, Legal and
Compliance Department

Present Positions

- Director, Suvannabhumi
Airport Hotel Co., Ltd.
- Director, WingSpan
Services Co., Ltd.
- Director, Tour Eurmg
Luang Co., Ltd.





Mr. Teerapol Chotichanapibal

Executive Vice President,
Strategy and Business
Development

Education

- Master of Science, Operation Research University of Southampton, UK
- Executive Vice President, Products and Customer Services
- Vice President, Commercial Development and Support Department
- Managing Director, Catering Department
- Vice President, Sales & Distribution Department

Present Positions

- Director, Phuket Air Catering Co., Ltd.
- Director, Nok Airlines PCL.

Mrs. Wasukarn Visansawatdi

Executive Vice President,
Finance and Accounting

Education

- Master of Science (Development Economics), Project Analysis and Appraisal, The National Institute of Development Administration

Education

- Vice President, Corporate Finance Department
- Vice President, Business Development and Special Project Department

Present Positions

- Director, WingSpan Services Co., Ltd.
- Director, Suvarnabhumi Airport Hotel Co., Ltd.
- Director, Bangkok Aviation Fuel Services Co., Ltd.

Lieutenant Athisak Padchuenjai

Executive Vice President,
Operations

Education

- Bachelor of Engineering, Survey Engineering, Chulachomklao Royal Military Academy

Experience

- Vice President, Flight Operations Department
- Vice President, Aviation Resources Development Department
- Mission Commander, Aviation Resources Development Department,
- Mission Commander, Flight Operations Department

Present Positions

- Director, Bangkok Aviation Fuel Services Public Company Limited
- Director, Aeronautical Radio of Thailand Limited

Mrs. Suvimol Bualerd
Corporate Secretary

Education

- Senior Executive Development Program, Office of the Civil Service Commission
- Master of Art (Communication) Chulalongkorn University
- MBA (Management) Kasetsart University
- Master of Science Southern Illinois University, USA

Experience

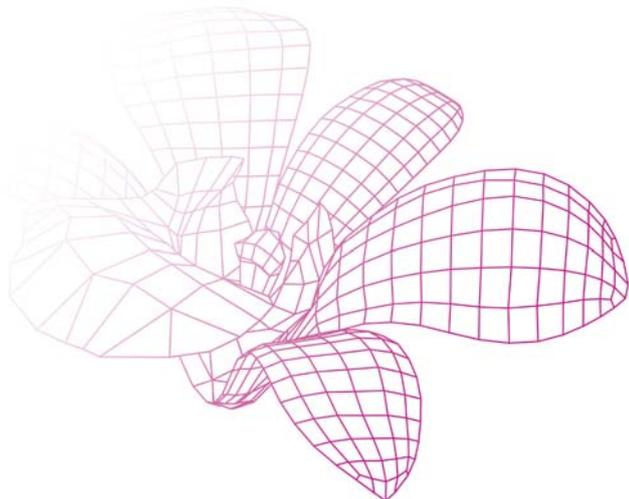
- Vice President, General Administration Department
- Director, Cargo Terminal Operations Department
- Director, Standards and Marketing Development Department

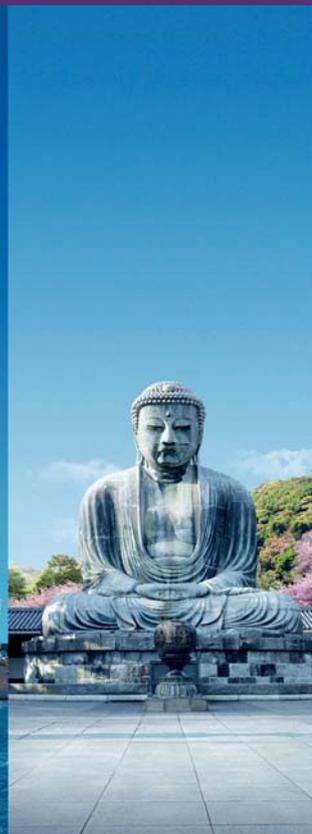
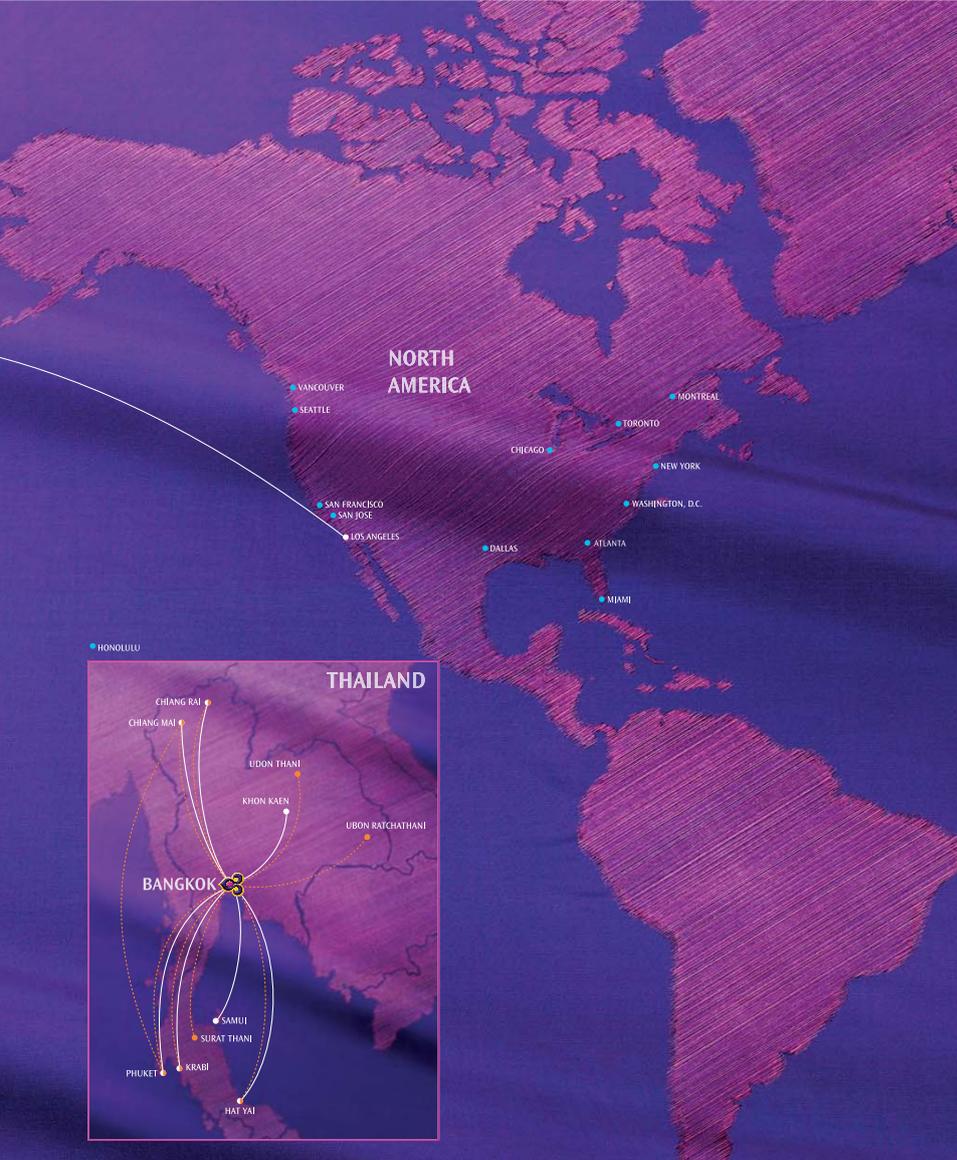
Present Positions

- Director, Thai-Amadeus South-East Asia Co., Ltd.
- Vice President, Corporate Secretariat Department Thai Airways International PCL.



Our Networks Cover the World







Thai on-Line Office Address



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AUCKLAND 1140, NEW ZEALAND

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BJSAA : MR. SIRIPHONG MANGKALEE
UNITS 303-4, LEVEL 3, OFFICE TOWER W3
ORIENTAL PLAZA, NO.1 EAST CHANG AN AVENUE
DONG CHENG DISTRICT
BEIJING, 100738 PEOPLE'S REPUBLIC OF CHINA

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BRISBANE, AUSTRALIA

BNEAA : MR. TANAWAT HIRANYALEKHA
THAI AIRWAYS INTL BRISBANE
LEVEL 10, 380 QUEEN STREET
BRISBANE QUEENSLAND 4000, AUSTRALIA

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AIRPORT : (61-7) 3860-4163
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BANGALORE, REPUBLIC OF INDIA

BLRAA : MR. KANAPORN APINONKUL
305, 3RD FLOOR EMBASSY SQUARE
148 INFANTRY ROAD
BANGALORE- 560 001, INDIA

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BRUSSELS, BELGIUM

BRUSD : MRS. KATRIEN DEPAUW
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BUSAN, REPUBLIC OF KOREA

PUSAD : MR. WEERAWAT RATTANA
88-7, 4GA 11TH FL. KYOBO BUILDING
JUNGANG-DONG, JUNG-GU
BUSAN 600-737, REPUBLIC OF KOREA

TKT : (82) 51-600-8181
RSVN :
FAX : (82) 51-463-8564
AIRPORT : (82) 51-941-8182
FAX : (82) 51-941-8183

BODHGAYA, REPUBLIC OF INDIA (TEMPORARY OFFICE)

INPAC TRAVELS (INDIA) PVT LTD.
C/O MR CB SINGH
GF, HOTEL THE ROYAL RESIDENCY
DUMUHAN ROAD, BODHGAYA
DISTT GAYA, BIHAR, REPUBLIC OF INDIA

TEL : (91-0631) 220-0124 / 220-1156
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CHENNAI, REPUBLIC OF INDIA

MAAAA : MR. CHAWARIT THANASOMBATNANTH
THAI AIRWAYS INTERNATIONAL PLC., LTD.
KGN TOWERS, 4th FLOOR, B WING
62 ETHIRAJ SALAI, EGMORE
CHENNAI 600 015, REPUBLIC OF INDIA

TKT/RSVN : (91-44) 4206-3311 / 99
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AIRPORT : (91-44) 2256-1928 / 1929
FAX : (91-44) 2256-1930

CHENGDU, PEOPLE'S REPUBLIC OF CHINA

CTUAD : MR. PEERAPONG JUTAGANOON
ROOM 02-03, 12TH FLOOR OF TOWER 1,
CENTRAL PLAZA
8 SHUNCHENG AVENUE, CHENGDU, SICHUAN
PEOPLE'S REPUBLIC OF CHINA

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AIRPORT : (86-28) 8520-5842 / 8520-5851
FAX : (86-28) 8520-5840

COLOMBO, SRI LANKA

CMBAA : MR. THONGCHAI TUNGKASAREERUK
NBR 03, SIR EARNST DE SILVA MAWATHA
COLOMBO 3, SRI LANKA

TKT/RSVN : (94-11) 230-7100-8
FAX : (94-11) 230-7111
AIRPORT : (94-11) 225-2057
FAX : (94-11) 225-2861 EXT. 4964
FAX : (94-11) 225-2057

COPENHAGEN, DENMARK

CPHAA : MR. PRICHA NAWONGS
RAADHUSPLADSEN 16
DK-1550 COPENHAGEN V
DENMARK

TKT : (45-33) 750-150
RSVN : (45-33) 750-120
FAX : (45-33) 750-121
AIRPORT : (45-32) 521-225
FAX : (45-32) 523-052

DELHI, REPUBLIC OF INDIA

DELA : MR. KORAKOT CHATASINGHA
THAI AIRWAYS INTERNATIONAL PUBLIC CO., LTD.
THE AMERICAN PLAZA
HOTEL INTERCONTINENTAL EROS, NEHRU PLACE
NEW DELHI 110 019, REPUBLIC OF INDIA

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FAX : (91-11) 4149-7788
AIRPORT : (91-11) 2565-2413 / 2565-2796
FAX : (91-11) 2565-2788

DENPASAR, INDONESIA

DPSAD : MR. PHI-ROON SAKULTHONG
THAI AIRWAYS INTERNATIONAL PCL
INNA GRAND BALI BEACH HOTEL
JL. HANG TUAH, SANUR - BALI 80032
INDONESIA

TKT/RSVN : (62-361) 288-141
FAX : (62-361) 288-063
AIRPORT : (62-361) 755-064
FAX : (62-361) 755-063

DHAKA, BANGLADESH

DACA : MR. CHAROENCHAI LAKSANAKORN
THAI AIRWAYS INTERNATIONAL PUBLIC CO., LTD.
SPL WESTERN TOWER, LEVEL-9, SPACE-903,
186 BIR UTTAM MIR SHAWKAT ALI ROAD,
TEJGAON INDUSTRIAL AREA, DHAKA-1208,
BANGLADESH

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AIRPORT : (88-02) 891-4351 / 891-4633
FAX : (88-02) 891-4343

DUBAI, U.A.E.

DXBAA : MR. SOMCHAI SUKKHASANTIKUL
THAI AIRWAYS INTERNATIONAL PCL
NO.1 BU HALEEBA PLAZA, SHOP NO. 1
AL MURAQQABAT ROAD, DEIRA
P.O. BOX 13142, DUBAI - U.A.E.

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FAX : (971-4) 266-5498 / 297-2098
AIRPORT : (971-4) 224-4305
FAX : (971-4) 224-5716

FRANKFURT, GERMANY

FRANN : "VACANT"
THAI AIRWAYS INTERNATIONAL PCL
ZEIL 127
60313 FRANKFURT, GERMANY

TKT : (49-69) 92874-446
RSVN : (49-69) 92874-444
FAX : (49-69) 92874-222
AIRPORT : (49-69) 69070-931
FAX : (49-69) 692-981

FUKUOKA, JAPAN

FUKAD : MISS CHONNAKARN AKRAPREEDEE
HINODE FUKUOKA BUILDING
12-1, TENJIN 1, CHUO-KU
FUKUOKA, 810-0001 JAPAN

TKT/RSVN : (81-92) 734-6433
FAX : (81-92) 734-9480
AIRPORT : (81-92) 477-7870
FAX : (81-92) 477-0345

GUANGZHOU, PEOPLE'S REPUBLIC OF CHINA

CANAA : MR. ANAN BUDKAEW
G3, WEST WING, THE GARDEN HOTEL
368 HUANSHI DONGLU, GUANGZHOU 510064
PEOPLE'S REPUBLIC OF CHINA

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FAX : (86-20) 8365-2488
AIRPORT : (86-20) 8613-5310 / 8613-5313
FAX : (86-20) 8613-5315

HANOI, SOCIALIST REPUBLIC OF VIETNAM

HANAD : MRS. APHITCHAYA SAISA-ARD
HANOI CENTRAL OFFICE TOWER,
GROUND FLOOR, 44B LY THUONG KIET STREET
HOAN KIEM DIST., HANOI
SOCIALIST REPUBLIC OF VIETNAM

TKT : (84-4) 3826-7921
RSVN : (84-4) 3826-7922
FAX : (84-4) 3826-7394
AIRPORT : (84-4) 3884-0530
FAX : (84-4) 3886-5574

HO CHI MINH CITY, SOCIAL REPUBLIC OF VIETNAM

SGNAA : MR. NARINTHORN PURNAGUPTA
UNITE 102, SAIGON TOWER OFFICE BUILDING
29 LE DUAN BOULEVARD, BEN NGHE WARD,
DIST. 1, HO CHI MINH CITY,
SOCIAL REPUBLIC OF VIETNAM

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FAX : (84-8) 3824-3361
AIRPORT : (84-8) 3547-0300
FAX : (84-8) 3547-0301



Thai on Line Office Address

HONG KONG, PEOPLE'S REPUBLIC OF CHINA

HKGAA : MRS. NONTHAKORN TRAKULPA
24A UNITED CENTRE
95 QUEENSWAY, HONG KONG
PEOPLE'S REPUBLIC OF CHINA

TKT : (852) 2179-7785
RSVN : (852) 2179-7777
FAX : (852) 2179-7600
AIRPORT : (852) 2769-7421-4
FAX : (852) 2382-4595

HYDERABAD, REPUBLIC OF INDIA

HYDAA : **VACANT**
THAI AIRWAYS INTERNATIONAL PUBLIC CO., LTD.
6-3-249/6, ROAD NO. 01, BANJARA HILLS
HYDERABAD - 500034, REPUBLIC OF INDIA

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AIRPORT : (91-40) 6660-5022
FAX : (91-40) 6662-2003

ISLAMABAD, ISLAMIC REPUBLIC OF PAKISTAN

ISBAA : ** VACANT **
OFFICE NO 3, 4 HOLIDAY INN ISLAMABAD HOTEL
ISLAMABAD, PAKISTAN

RSVN : (92-51) 227-2140
FAX : (92-51) 227-2141
AIRPORT : (92-51) 282-3735
FAX : (92-51) 578-1409 / 411
FAX : (92-51) 578-1410

JAKARTA, REPUBLIC OF INDONESIA

JKTAA : ** VACANT **
WISMA NUSANTARA BUILDING 26TH FLR
JL. MH. THAMRIN NO. 59
JAKARTA 10350 INDONESIA

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FAX : (62-21) 550-7137

JOHANNESBURG, CENTRAL EAST AND SOUTH AFRICA

JNBAA : MR. THAMANOON KUPRASERT
COMMERCE SQUARE, 39 RIVONIA ROAD,
SANDHURST SANTON 2196, PO BOX 781847
SANDTON CITY 2146, SOUTH AFRICA

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AIRPORT : (27-11) 390-3944
FAX : (27-11) 390-3461

KARACHI, PAKISTAN

KHIAA : MR. POLAPAT NEELABHAMORN
TECHNOLOGY PARK
7 TH FLOOR SHAHRAH-E-FAISAL
KARACHI, PAKISTAN

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FAX : (92-21) 3279-1934
AIRPORT : (92-21) 457-0847 / 907-1472
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KATHMANDU, NEPAL

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