

Management's Discussion and Analysis for the first nine-month period ended September 30, 2021, for Thai Airways International Public Company Limited and Its Subsidiaries

1. Executive summary

The International Monetary Fund reported the global economic outlook would increase by 6.0% in July 2021 to 5.9% as many countries throughout the world were facing uncertainty and the challenge from the epidemic of COVID-19, Delta species, which caused the return of spreading more quickly. The number of new infections was likely to increase which resulting many countries to raise higher measures. As a result, the economic growth had slowed; however, many countries were accelerating the vaccination process to cover 70% of the country's population which hoped to reduce the severe morbidity and mortality rate to be ready to drive economic activities to resume in the middle of 2022.

The global aviation industry in the first nine months of 2021 indicated the recovery symbols; however, the recovery varied by region. According to the International Air Transport Association (IATA), international travel continued to slow recovery due to the restrictions by countries. In addition the number of COVID-19 cases has been rising again since the end of June 2021 resulting the increasing the number of infected people. On the contrary, the number of advance bookings in the fourth quarter of 2021 was likely to increase because the vaccination rates around the world were increasing and normally a high season. According to the Asia-Pacific Airlines Association (AAPA), international passenger traffic started to recover by more easing measures resulting the number of international passengers during the third quarter (July – September) 2021 increased by 59.7% compared to the same period last year. Revenue Passenger Kilometers (RPK) and Production of Available Seat Kilometers (ASK) increased by 44.4% and 48.4%, respectively resulting in a decrease in cabin factor compared to last year's 34.1% and 33.2% while Revenue Freight Ton-Kilometers (RFTK) increased by a 25.3% while Available Dead Load Kilometer (ADTK) increased by 16.3%, resulting freight Load factor increased from 70.6% to 76.1%, this year. For the nine months of 2021, the number of passengers decreased by 83.2% compared to the same period last year. RPK, ASK decreased by 80.5% and 57.6% respectively, Cabin factor decreased from 65.1% in 2020 to 29.9% this year. Also, RFTK increased by a 21.0% while ADTK increased by 5.8% resulting in freight load factor equaled 74.5% compare to 65.1% of last year.

For the Thai economy, on September 28, 2021 the World Bank revised its economic growth forecast of 2021 down to 1.0% and forecasted that it would take about 3 years to recover which was in line with the results of the Bank of Thailand's (BOT) Monetary Policy Committee meeting in September 2021, which reported that the Thai economy is likely to expand by 0.7% and 3.9 % in 2021 and 2022, respectively. In the third quarter of 2021, the Thai economy was affected by epidemic control measures and exports slower than expected. However the improvement in vaccine distribution and the relaxation of epidemic control measures on September 1, 2021 which increased affecting the recovery of both Thai and foreign tourists. According to the number of tourists from the Ministry of Tourism and Sports In the third quarter (July - September 2021) totaled 45,398 people compared to third quarter of 2020 where was no foreign tourist restricted regulations to control policy of Thai government. From January - September 2021, there were 85,845 tourists, decreased by 98.7% when compared to the previous year. However, the number of tourists in the Phuket Sandbox project from July 1 – September 30, 2021 of 38,699 people, most of them were from the United States, Britain, Israel, Germany and France.

Thai aviation industry encountered a new wave of COVID-19 epidemic domestic since April 2021 with more severe until recently, on July 12, 2021. The Government announced the Emergency Decree in emergency situations which finally extended until September 30, 2021, and the Civil Aviation Authority of Thailand (CAAT) announced that air operators are prohibited operations to fly passengers into or out of the maximum control area since July 21, 2021 which directly affected the domestic passengers and the confidence of foreign tourists causing domestic airlines including THAISmile Airways Co., Ltd. (ThaiSmile) to stop its operation then resumed service back from September 1, 2021, under the restriction of flight operations from 09.00 P.M. to 4.00 A.M. with 75% of passengers capacity. However, international routes were allowed to fly with semi-commercial flights. The uncertainty about the situation, however, caused the limited number of international passengers. For air cargo side its growth rate was close to the first half of 2021.

During the first 9 months of 2021, Thai Airways International PCL (Thai) had not been able to resume its normal flights because it temporarily had canceled both domestic and international flights since the end of March 2020 onwards. ThaiSmile a subsidiary would be able to operate some domestic flights from June 2020, but due to the new epidemic situation and travel restrictions, therefore, it was necessary to consider reducing the number of flights according to the reduced passenger demand. Currently, most of Thai's revenue came from international freight forwarding services and some passenger flights.

According to THAI filed a petition for business rehabilitation with the Central Bankruptcy Court and the Central Bankruptcy Court issued an order accepting the petition for business rehabilitation on May 27, 2020. On June 15, 2021, the Central Bankruptcy Court issued an order approving the resolution of a meeting of creditors on May 19, 2021, resulting in executives' plan being nominated under the rehabilitation plan and the request for any amendment to the plan was made by the plan administrator. The two plan administrators have the power to sign jointly to bind the company as well as the further implementation of the business rehabilitation plan the essence of the business rehabilitation plan is capital restructuring debt settlement by a group of creditors and the success of the business rehabilitation plan (Details are in the notes to the financial statements No. 4).

Under the Rehabilitation plan, a new vision and mission had been established consisted of "High Quality Full Service Carrier with Strong Thai Brand, Connecting Thailand to the World and Generating Consistently Healthy Profit Margin." The mission is defined as four pillars: 1. Customer Centric; 2. Commercial Excellence; 3. Cost Competitiveness; and 4. Continuous Improvement. Thai Implemented the projects according to the business reform plan (Transformation Initiatives) over 600 projects aimed to improve efficiency in reducing costs and expenses, simultaneously, increasing income as well as adjusting the organizational structure to suitably prepare to provide services and increase the competitiveness in the aviation industry market As the COVID-19 situation unfolds.

During nine months of 2021 there have been many progresses based on the rehabilitation plan including:

1. Simplify organization: Thai improved many areas including concise organizational structure, more work collaboration, less redundancy process, appropriate number of staff in line with fleet size and production capability.
2. Human Resource cost Reduction: THAI modified conditions and compensation of employment with apprising welfare in line with today's business and aviation industry. Thai also announced various projects such as the Leave without pay scheme (Together We Can Project), and Mutual Separate Plan (MSP).
3. Lease of aircraft cost reduction: THAI prepared a Letter of Intent (LOI) with the aircraft lessor to express the intention of the parties to amend the current operating and financial lease agreements which also stipulated that rent payments for the specified period must be calculated based on the actual operating hours of the aircraft known as Power by the Hour.
4. Operating costs reduction in other areas: THAI reduced the use of products and services according to the current situation and negotiating with trade creditors and service providers to negotiate the terms of the contract and manage budgets more efficiently.

5. Revenue increasing when the flight situation has not returned to normal by
 - 5.1 Revenue from aviation business: Thai operates cargo and repatriation Flight, the special flights to pick up passengers back to the country during the severe period of the COVID-19 pandemic. Thai adjusted its flights by providing flights to support the Phuket Sandbox policy as planned but increasing more cargo flights.
 - 5.2 Revenue from supporting business: Thai has been trying to adjust and initiate new notions to increase revenue such as the Delicious in the sky and Flight Simulator. Moreover, Thai planned to expand its bakery “Puff&Pie” throughout Thailand via master franchise business model.
 - 5.3 Other revenues to increase cash flow: Thai has taken various actions to increase cash flow to use as working capital and prepare for business recovery, such as filing a petition to the court for permission to sell secondary assets that are not needed for operations or are unused assets and has the burden of maintenance expenses such as shares that the company holds in the company Bangkok Aviation Fuel Services Public Company Limited (BAFS) and Nok Airlines Public Company Limited (NOK) and Land with buildings used as training center buildings at Laksi and engines that are no longer in use. In the third quarter of 2021 Thai also sold more shares that the company holds in BAFS, Land at Chiang Mai. About the land and office buildings at Lan Luang and, sale office in Phuket, buy and sell contract were done.
6. Debt Restructuring: Thai extended the repayment period by moratorium principal and interest for 2-3 years. Thai reduced the debt burden in accordance with the original obligation and reduced the obligation under the aircraft lease/purchase contract. Thai increased payment options according to the action framework specified in the business rehabilitation plan by such adjustments, Thai recognized gains from debt restructuring in the first 9 months of 2021 totaling THB 60,730 million (Also see note to the financial statements No. 4.3).
7. On July 8, 2021, there was a resolution of the Plan Administrative Committee Meeting No. 5/2021 that approved the reduction of the Company's registered capital from the amount of 26,989,009,500 baht, remaining 21,827,719,170 baht by writing off 516,129,033 shares in the company that have not yet been issued and sold, as stipulated in the business rehabilitation plan. The company filed a petition with the Central Bankruptcy Court for the court to authorize the plan administrator to register the company's registered capital reduction and to proceed with the capital change registration with the Department of Business Development, Ministry of Commerce on August 17, 2021.

In the first nine-month period of 2021, compared to the same period last year when the first quarter was still operating normally due to the start of the COVID-19 pandemic, Thai, and its subsidiaries had a decrease production traffic (ASK) by 70.7 % while passenger traffic (RPK) decreased by 93.9%. The average Cabin Factor was 13.9 % lower than 67.0% of last year. The numbers of passengers carried totaled 0.82 million, 83.8% down from the previous year. The cargo production (ADTK) was 65.2 % lower than last year while freight traffic (RFTK) was 38.4% lower than the year while freight load factor was 99.7 % higher than the previous year at an average of 56.2%.

The total revenue of Thai and its subsidiaries was THB 14,990 million, lower than last year's by THB 29,230 million or 66.1%, mainly due to a decrease in passenger and cargo revenue by THB 29,185 million (76.5%) a decrease of THB 1,288 million (24.1%) from other services due to international travel restrictions both in Thailand and other countries. Moreover, other incomes increased THB 1,243 million due to revenue from offsetting the outstanding monthly service and maintenance fees under the contract and service fee for engine maintenance under a dispute settlement agreement. Total expenses totaled THB 36,481 million, THB 41,695 million (53.3%) lower than last year. mainly due to the variable operating expenses and rigid cost reduction program but was insufficient to offset decreasing revenue. As a result, the operating loss excluded the one-time items was THB 21,491 million, a decrease of THB 12,465 million (36.7%) from last year.

In the first nine-months of 2021, Thai and its subsidiaries reported net one-time revenue totaled THB 73,084 million consisted of

- Profit from the sale of investment amounted to THB 2,202 million,
- Profit from the sale of assets amounted to THB 628 million,
- Profit from debt restructuring amounted to THB 60,730 million,
- Compensation for the Mutual Separation Plan amounted to THB 4,936 million,
- Compensation of employee termination amounted to THB 1,222 million,
- Employee benefit adjustment amounted to THB 8,323 million from the reorganization structure and amendment in employee benefits,
- Impairment Loss of aircraft, rights-of-use assets and rotatable spare parts (reversal) amounted to THB 18,440 million,
- Impairment loss under Thai Financial Reporting Standard No. 9 (reversal) amounted to THB 116 million,
- Loss on foreign exchange amounted to THB 11,197 million, mainly from estimated book value valuation of foreign currency liabilities including total liabilities under operating leases aircraft under TFRS 16.

Thai and its subsidiaries reported net profit of THB 51,115 million while last year reported a net loss of THB 49,561 million. Profit attributable to owners of the parent amounted to THB 51,121 million. Profit per share was THB 23.42 compared to last year's loss per share THB 22.70. EBITDA was THB -9,639 million decreased THB 5,044 million from last year with an EBITDA Margin equal -64.2% compared with the previous year was -10.4 %.

2. Summary of Operating Results for Thai Airways International PCL. and its subsidiaries

The consolidated financial statements for the first nine months of 2021 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) THAISmile Airways Co., Ltd., 4) THAI Flight Training Co., Ltd., and 5) Tour Eurng Luang Co., Ltd.

Financial Performance: Thai and its subsidiaries

	Jan - Sep			
	2021	2020	Variance	
			MTHB	%
Total operating revenues	14,990	44,220	-29,230	-66.1
- Passenger and excess baggage revenue	2,529	32,348	-29,819	-92.2
- Freight and mail revenue	6,435	5,801	+634	+10.9
- Revenue from other activities	4,058	5,346	-1,288	-24.1
- Other income	1,968	725	+1,243	+171.4
Total operating expenses	36,481	78,176	-41,695	-53.3
- Fuel and oil	2,933	11,795	-8,862	-75.1
- Non-fuel operating expenses	29,194	58,200	-29,006	-49.8
- Net finance cost	4,354	8,181	-3,827	-46.8
Operating loss excluded the one-time	(21,491)	(33,956)	+12,465	+36.7
<u>Add</u> Gain from sale of investment	2,202	-	+2,202	-
<u>Add</u> Gain from sale of asset	628	-	+628	-
<u>Add</u> Gain from debt restructuring	60,730	-	+60,730	-
<u>Add</u> Adjust Employee Benefit	8,323	-	+8,323	-
<u>Less</u> Mutual Separation Plan (MSP)	4,936	-	+4,936	-
<u>Less</u> Severance Pay	1,222	-	+1,222	-
<u>Less</u> Impairment loss on aircraft, right-of-use assets and aircraft spare parts	(18,440)	3,498	-21,938	-627.2
<u>Less</u> Impairment loss in accordance with TFRS 9	(116)	186	-302	-162.4
<u>Add</u> Gain from change in ownership interest	-	206	-206	-100.0
<u>Add</u> Gain (Loss) on foreign currency exchange	(11,197)	(6,425)	-4,772	-74.3
<u>Less</u> Loss for hedge of group of items with offsetting risk positions	-	5,227	-5,227	-100.0
Profit (Loss) before tax	51,593	(49,086)	+100,679	+205.1
Net Profit (Loss)	51,115	(49,561)	+100,676	+203.1
Profit (Loss) attribute to owners of the parent	51,121	(49,553)	+100,674	+203.2
Net Profit (Loss) per share (THB)	23.42	(22.70)	+46.12	+203.2
Significant operating data				
EBITDA (MTHB)	(9,639)	(4,595)	-5,044	-109.8
Number of passengers (Million)	0.82	5.05	-4.23	-83.8
Available Seat-Kilometers (Million)	6,469	22,070	-15,601	-70.7
Revenue Passenger-Kilometers (Million)	897	14,781	-13,884	-93.9
Cabin factor (%)	13.9	67.0	-53.1	-53.1
Passenger yield (THB/RPK)	2.71	2.14	+0.57	+26.6
Available Dead Load Ton-Kilometers (Million)	332	955	-623	-65.2
Revenue Freight Ton-Kilometers (Million)	331	537	-206	-38.4
Freight load factor (%)	99.7	56.2	+43.5	+43.5
Freight carried (Ton)	82,980	149,924	-66,944	-44.7
Freight Yield (THB/RFTK)	18.61	10.27	+8.34	+81.2
Number of aircraft (As of Sep 30) (Aircraft)	103	103	-	-
Flight hours (Hours)	33,162	103,189	-70,027	-67.9
Aircraft utilization (Hours/Aircraft/Day)	4.7	7.0	-2.3	-32.9
Average foreign currency exchange rate				
1 USD : THB	31.5100	31.5200	-0.0100	-
1 EUR : THB	37.6893	35.4118	+2.2775	+6.4
100 JPY : THB	29.0659	29.3266	-0.2607	-0.9
Average jet fuel price (USD/BBL)	73.94	75.29	-1.35	-1.8

Note : 1) EBITDA = Total Revenue (exclude gain on foreign exchange, gain from debt restructuring and gain from change in ownership interest)
 - Expenses (exclude finance cost, tax, depreciation and amortization, adjust employee benefit, Impairment loss on aircraft, right-of-use assets and aircraft spare parts, estimate service compensation, impairment loss in accordance with TFRS 9, loss for hedge of group of items with offsetting risk positions and loss on foreign currency exchange)

Summary of the operating results of THAI and its subsidiaries

Revenues

In the first nine-month period of the year 2021, total revenue was THB 14,990 million, a decrease of THB 29,230 million (66.1%). Details are as follows:

- **Passenger and excess baggage revenue**

Passenger and excess baggage revenue amounted to THB 2,529 million, THB 29,819 million (92.2%) down from last year's, mainly from a decrease in passenger traffic by 93.9% resulting from the temporary cancellation of all regular flights since the second quarter of 2020. Fortunately, ThaiSmile had started to resume its domestic routes again from June 1, 2020. However, due to a new wave of outbreaks at the end of the year and the third wave in April 2021 until July 12, 2021 resulting, the announcement of the Emergency Decree on Public Administration in Emergency Situations was extended to September 30, 2021 and the Civil Aviation Authority of Thailand (CAAT) issued a notice prohibiting air operators from flying passengers into or out of the maximum control area from 21 July 2021, as a result ThaiSmile had to stop operating all flights and then resumed service from 1 September 2021, onwards, coupled with international travel restrictions both in Thailand and other countries that still existed made the necessary to consider adjusting the number of flights in accordance with the reduced number of passenger demands. However, during the third quarter, THAI started providing flights to support the Phuket Sandbox Policy since July 1, 2021.

- **Freight and mail revenue**

Freight and mail revenue amounted to THB 6,435 million, an increase of THB 634 million (10.9%) resulting from increasing freight yield by 81.2% while freight traffic decreased by 38.4 % resulting from the temporary cancellation of all regular flights as well as passengers. Most of the revenue since the second quarter onwards was charter flights to the destination based on customer demands.

- **Other revenues from other activities**

Other revenues from other activities consisted of revenues from business units which include Ground services, Catering, Cargo handling services, and other supporting activities totaled THB 4,058 million, a decrease of THB 1,288 million (24.1%) over last year mainly due to a decrease in the number of customer airlines, as CAAT established conditions for allowing aircraft to fly in and out of Thailand to prevent the spread of the COVID-19 virus, resulting in revenue from all business units lower than the previous year.

- **Other income**

Other income amounted to THB 1,968 million, an increase of THB 1,243 million compared to the same period last year mainly from the revenue from offsetting service and maintenance services for engines amounted to USD 45.5 million or approximately THB 1,457 million as specified in the rehabilitation plan.

Expenses

Total expenses of the first nine months of 2021 amounted to THB 36,481 million, a decrease of THB 41,695 million (53.3%). A summary of the operating expenses was as follows:

- **Fuel and oil expenses**, amount of THB 2,933 million or represented 8.0% of total expenses, a decrease of THB 8,862 million (75.1%) resulting of a decrease in the number of flights. Consequently, oil consumption was lower than the previous year, along with the decrease in oil prices compared to the same period last year by 1.8 %.

- **Non-fuel operating expenses** totaled THB 29,194 million, a decrease of THB 29,006 million (49.8%), details as follows:

Unit: Million Baht	Jan – Sep			
	2021	2020	Variance	
			MTHB	%
Expense				
Employee benefit expenses	7,715	15,882	-8,167	-51.4
Flight service expenses	1,392	4,913	-3,521	-71.7
Crew expenses	367	1,437	-1,070	-74.5
Aircraft maintenance and overhaul costs	4,133	5,766	-1,633	-28.3
Depreciation and amortization expenses	10,809	21,072	-10,263	-48.7
Lease of aircraft and spare parts	705	117	+588	+502.6
Inventories and supplies	245	1,932	-1,687	-87.3
Selling and advertising expenses	500	1,750	-1,250	-71.4
Other expenses	3,260	4,856	-1,596	-32.9
Share of losses of associates	68	475	-407	-85.7
Non-fuel Operating Expense	29,194	58,200	-29,006	-49.8

Summary of expenses that have changed significantly are as follows:

- Variable cost which consisted of flight service expenses, crew expenses, aircraft maintenance and overhaul cost, inventories and supplies and selling and advertising expenses totaled THB 6,637 million, lower than the previous year THB 9,161 million (58.0%) resulting from the temporary flights' cancellation of THAI since the second quarter of 2020.

- Fixed cost comprised of Employee benefits expenses, depreciation, and amortization expenses, lease of aircraft and spare parts, and other expenses totaled THB 22,489 million ,THB 19,438 million (46.4 %) lower than last year. Details are as follows:

- Employee benefits expenses (Excluding compensation reserves for employees participating in Mutual Separation Program, the termination compensation and the improvement of employee benefits from the reorganization restructure) were THB 7,715 million, decreased by THB 8,167 million (51.4%) due to the decrease in the number of employees and outsources. Since the end of 2020, THAI announced two packages consisted of the Mutual Separation Plan A (“MSP A”) and Long-Term Leave program (“LW20”). Later in 2021, Thai declared the 3 additional programs which were Mutual Separation Plan B ("MSP, B "), Plan C ("MSP C ") and Plan D ("MSP D ") with a total of 10,736 staffs was approved including terminated staff both domestic and international.

- Depreciation and amortization amounted to THB 10,809 million, a decrease of THB 10,263 million (48.7%), mainly due to aircraft impairment at the end of 2020.

- Lease of aircraft and spare parts amounted to THB 705 million, increased by THB 588 million (502.6%) mainly due to the Power by the Hour according to THAI had entered the Letter of Intent (LOI) with lessor of operating lease aircraft and financial lease aircraft which stipulates the payment of rent calculated from the actual use of aircraft (Power by the Hour) by calculating total 9 months usage around THB 550 million.

- Other expenses amounted to THB 3,260 million, a decrease of THB 1,596 million (32.9%) due to the strict cost reduction measures. For instance, office rent and utilities, outside labor charge, etc.

- Share of losses of associates amounted to THB 68 million, lower than the previous year by THB 407 million (85.7%) because THAI was no longer recognized the share of loss in NOK because the investment value under the equity method is equal to zero while last year THAI recognized the shares of loss amounted to THB 393 million. Due to the situation of Covid, Thai recognized more losses from other associates.

- **Net finance cost** amounted to THB 4,354 million, a decrease of THB 3,827 million (46.8%) mainly due to The Central Bankruptcy Court's order approving the business rehabilitation plan of THAI. According to the resolution of the creditors' meeting on May 19, 2021, THAI recorded interest expense on loans debentures and lease creditors under the rehabilitation plan while the previous year recorded with the default rate.

Profit from sale of investment amounted to THB 2,202 million, mainly due to

- Gain on sale of shares of Bangkok Aviation Fuel Services Public Company Limited (“BAFS”) of THB 2,082 million, on January 19, 2021 Thai sold more 98.98 million shares. Later during September 21 – 30, 2021 Thai sold more 3.26 million shares.
- Gain on sale of investment in NOK in the amount of THB 120 million, sold during June 10- July 1, 2021, of 163.01 million shares.

Gain on sales of assets amounted to THB 628 million from sale of land and building at Laksi training center amounted of THB 415 million, non-core assets at U-tapao amounted to THB 204 million, and sale of land at Chiang Mai amounted to THB 9 million.

Gain on debt restructuring amounted to THB 60,730 million, comprising of gain from adjustments to defaulted interest, derecognition, and adjustment of financial liabilities including loans and debentures from revaluation pursuant to the rehabilitation plan and orders from the Official Receiver. The debt adjustment was in accordance with the order from the Receiver and adjustment of liabilities for creditors under the engine maintenance service. (Also see Note to the financial statements No. 4.3)

Employee benefit adjustment amounted to THB 8,323 million from the reorganization structure and amendment in employee benefits including various welfares.

Mutual Separation Plan (“MSP”)

THAI announced three programs consisted of Mutual Separation Plan B ("MSP, B"), Plan C ("MSP C") and Plan D ("MSP D") in 2021. The “MSP B” is an ongoing project by project “LW20” in 2020 that allowed participants to join and leave voluntarily. The employees will be paid compensation as stated in the resignation with employees participating in all 8,486 people, THAI reserved Severance pay for these programs, a total of THB 4,936 million

The termination compensation amounted to THB 1,222 million, the severance pay for both domestic and foreign employees after entering the rehabilitation process. THAI must improve every aspect to manage costs, increase competitiveness as well as cash flow under the rehabilitation plan.

Impairment loss on aircraft, right-of-use assets and aircraft spare parts (reversal) amounted to THB 18,440 million, a decrease of THB 21,938 million due to the reduction in the value of the new right of use by the conditions in the letter of intent (LOI).

The result of the measurement of financial instruments from the adoption of TFRS No.9 (reversal), amounting to THB 116 million.

Loss on foreign currency exchange was THB 11,197 million consisted of THB 11,088 million unrealized FX loss resulting from the revaluation of foreign currency loans for operating lease aircraft, assets, and liabilities, especially the depreciation of Thai Baht against the Euro, YEN, and US Dollar as of September 30, 2021, when compared to December 31, 2020, and realized FX loss of THB 109 million.

EBITDA for the nine-month period of 2021 amounted to THB -9,639 million, decreased by THB 5,044 million. EBITDA Margin -64.2% compared with the previous year was -10.4 %

3. Financial Position and Liquidity

Capital Expenditures

Unit: Million Baht	Jan – Sep	
	2021	2020
Aircraft and aircraft spare parts	82	430
Non-Aircraft	17	457
Total	99	887

In the first nine-month period of 2021, Capital expenditures totaled THB 99 million, a decrease of THB 788 million from last year. The investment expenses were mainly from procurements of rotatable aircraft spare part.

Financing

In the first-nine months of 2021, THAI does not provide additional funding since it is in the process of restoring the business.

Summary of cash from and used in each activity are as follows:

Unit : Million Baht	Jan – Sep	
	2021	2020
Net cash from (used in) operating activities	(7,919)	(7,254)
Net cash from (used in) investing activities	5,354	(20)
Net cash from (used in) financing activities	(826)	(3,519)
Effect from changing in exchange rate on cash and cash equivalents	153	275
Effects of reversal (loss) of credit loss on cash and cash equivalents	2	(6)
Increase(decreases) in cash and cash equivalents	(3,236)	(10,524)

In the first nine-month period of 2021, Thai and its subsidiaries had cash used in operating activities of THB 7,919 million, THB 665 million higher than last year. The net cash used in financing activities amounted to THB 826 million while last year's cash used in financing activities amounted to THB 3,519 million mainly due to less cash paid for debt repayments than the previous year from the automatic stay until June 15, 2021 the Central Bankruptcy Court ordered to approve the Business Rehabilitation plan. Moreover, the net cash received from investing activities amounted to THB 5,354 million, THB 5,374 million higher than last year's from the cash received from the sale of investments amounted to THB 3,089 million and non-core assets amounted to THB 2,342 million. As a result, cash and cash equivalents as of September 30, 2021, amounted to THB 5,438 million, decreased by THB 3,236 million due to cash and cash equivalents as of December 31, 2020, amounted to THB 8,674 million.

Fleet

As of September 30, 2021, the total active aircraft was 103 aircraft (including 20 Airbus A320-200 under the operation of ThaiSmile) which equaled to the numbers of aircraft as of December 31, 2020, Thai had 13 decommissioned aircraft and held for sale comprised of 3 Airbus A340-500, 6 Airbus A340-600, 1 Airbus A300-600, and 3 Boeing B737-400 aircraft.

Assets of Thai Airways International PCL. and its subsidiaries

As of September 30, 2021, total assets totaled THB 163,703 million, a decrease of THB 45,594 million (21.8%) from December 31, 2020.

	Consolidated					
	Sep 30, 2021		Dec 31, 2020		Variance	
	MTHB	% of Total Assets	MTHB	% of Total Assets	MTHB	%
Current assets						
Cash and cash equivalents	5,438	3.3	8,674	4.1	-3,236	-37.3
Non-current assets held for sale	652	0.4	793	0.4	-141	-17.8
Other current assets	13,752	8.4	10,784	5.2	+2,968	+27.5
Current Assets	19,842	12.1	20,251	9.7	-409	-2.0
Property, plant and equipment-net	36,775	22.5	42,127	20.1	-5,352	-12.7
Right-of-use Assets	77,898	47.6	116,822	55.8	-38,924	-33.3
Other non-current assets	29,188	17.8	30,097	14.4	-909	-3.0
Total Assets	163,703	100.0	209,297	100.0	-45,594	-21.8

Current assets were THB 19,842 million or represented 12.1% of total assets, an decrease of THB 409 million (2.0%) from as of December 31, 2020. The significant items consisted of

- Cash and cash equivalent decreased by THB 3,236 million (37.3%) mainly from less net cash from operating activities. However, there were cash received from the sale of asset and investment total amounted to THB 5,430 million.
- Non-current assets held for sale decreased by THB 141 million (17.8%), mainly due to the sale of investments in BAFS which has a book value under the equity method amount of THB 708 million. Moreover, there were the transfer land and buildings at Lan Luang and Phuket under sell agreement which has total book value THB 593 million (Also see Note to the financial statements No.8,10) and five CFM56 engines with a book value of THB 19 million which were approved for sale from Property, Plant and Equipment to noncurrent asset held for sale.

- Other current assets increased by THB 2,968 million (27.5%) mainly due to an increase in trade and other current receivables of THB 2,870 million (47.2%) from the sale of property amount of THB 1,116 million. Moreover, there were receivables from government agencies together with the increase in prepaid expenses from maintenance and fuel.

- Property, Plant and Equipment-net amounted to THB 36,775 million or 22.5% of total assets, a decrease from December 31, 2020 by THB 5,352 million (12.7%), mainly due to the transfer of land and buildings of Laski Training Center, Land at Chiang Mai, land and office buildings at Lan Luang and Phuket and five CFM56 engines to noncurrent asset held for sale as mentioned earlier. (Also see Note to the financial statements No.8,10) with the depreciation estimate of the aircraft.

- Right of use amounted to THB 77,898 million or 47.6% of total assets which consists of assets under finance lease agreements and obligations under the aircraft operating lease agreement and other fixed asset operating leases decreased from December 31, 2020, amounting to THB 38,924 million (33.3%), resulting from the new conditions in the letter of intent (LOI) for 39 operating lease aircraft the and 15 aircraft under the finance lease agreement, together with and the depreciation estimate.

- Other non-current assets amounted to THB 29,188 million or represented 17.8% of total assets which decreased from December 31, 2020, in the amount of THB 909 million (3%), partly from transferring deposit of pension fund for payment to the disengage member amount of THB 1,200 million while the increase in aircraft maintenance reserve amount of THB 1,713 million (12.1%), mainly due to adjustment of the exchange rate of the aircraft maintenance deposit under return condition agreement. Even, there was a partial reduction in the maintenance reserve for the aircraft according to the conditions stipulated in the LOI.

Return on Asset for the first nine months of 2021 was 30.0% while last year's -14.7%

Liabilities of Thai Airways International PCL.and its subsidiaries

Total liabilities as of September 30, 2021 were THB 240,196 million a decrease of THB 97,766 million (28.9%) from December 31, 2020. These comprised of:

	Consolidated					
	Sep 30, 2021		Dec 31, 2020		Variance	
	MTHB	% of Total Liabilities	MTHB	% of Total Liabilities	MTHB	%
Current liabilities	56,034	23.3	83,285	24.6	-27,251	-32.7
Current portion of long-term liabilities	523	0.2	218,811	64.8	-218,288	-99.8
Long-term liabilities	143,553	59.8	5	-	+143,548	-
Other non-current liabilities	40,086	16.7	35,861	10.6	+4,225	+11.8
Total Liability	240,196	100.0	337,962	100.0	-97,766	-28.9

On June 15, 2021, due to the Central Bankruptcy Court's order approving the business rehabilitation plan following the resolution of the creditor's meeting on May 19, 2021, it is, therefore,

- Short-term loans under the rehabilitation plan, the business has not received payment within one year, amounting to THB 14,990 million, has been classified as a non-current liability under long-term liabilities according to the conditions specified in the rehabilitation plan. The same is true for long-term loans, debentures, and lease liabilities portion of the previous year were classified as current liabilities. This year, it was reclassified as non-current liabilities under long-term liabilities under the conditions stipulated in the rehabilitation plan.

- Trade and some other payables that Thai had received the official receiver's order to the end according to the rehabilitation plan; the first payment was scheduled for June 30, 2024. Thai had adjusted the liabilities and reclassified as trade payables and other non-current payables totaling THB 14,692 million.

Current liabilities which accounted for 23.3 % of the total liabilities amounted to THB 56,034 million, a decrease of THB 27,251 million (32.7%) from December 31, 2020, due to a reclassified of short term liabilities, trade payables and some creditors that the official receiver's order to the end as mentioned earlier.

Long-term liabilities (including the current portion of long-term liabilities) represented 60.0 % of total liabilities, a decrease of THB 74,740 million (34.2%) resulting from rental and lease period conditions as specified in the LOI or new lease agreements with lessors of each lease agreement and measurement of financial liabilities as for the whole amount of debentures and long-term loans which was effective since the Central Bankruptcy Court issued an order to approve the business rehabilitation plan and orders from the Receiver officer. (Also see Note to the financial statements No.14,15)

Other non-current liabilities accounted for 16.7% of total liabilities, an increase of THB 4,225 million (11.8%). The main reason was trade payable and other non-current liabilities increased by THB 14,692 million from reclassification and a transfer from current liabilities while a decrease in non-current liabilities for employee benefits by THB 10,330 million due to the reorganization structure and new employee benefits based on the new regulations.

As of September 30, 2021, the Interest Bearing Debt to equity was -1.88 times, compare with as of December 31, 2020, at -1.79 times and total debt to equity ratio of -3.14 times, while the nine months of 2020 was -8.48 times.

Shareholders' Equity of Thai Airways International PCL., and its subsidiaries

On July 8, 2021, there was a resolution of the Plan Administrative Committee Meeting No. 5/2021 that approved the reduction of the Company's registered capital from the amount of 26,989,009,500 baht, remaining 21,827,719,170 baht by writing off 516,129,033 shares in the company that have not yet been issued and sold, as stipulated in the business rehabilitation plan. The company filed a petition with the Central Bankruptcy Court for the court to authorize the plan administrator to register the company's registered capital reduction and to proceed with the capital change registration with the Department of Business Development, Ministry of Commerce on August 17, 2021.

As of September 30, 2021, the shareholders' equity of Thai and its subsidiaries amounted to THB -76,493 million, a negative decrease from December 31, 2020, amounting to THB 52,172 million, mainly due to profit from the operations of THAI and its subsidiaries

Liquidity

As of September 30, 2021, Thai and its subsidiaries there were cash and cash equivalents of THB 5,438 million, accounting for 3.3 % of total assets, a decrease from 31 December 2020 of THB 3,236 million from use in business operations. Although there was cash received from the sale of asset and investment.

Contingent Liabilities

As of September 30, 2021, Thai and its subsidiaries had contingent liabilities arising from obligations that are not presented in the financial statements from the letter of guarantee issued by local and foreign banks and commitments from 3 lease aircraft for a period of 10 years which were not yet due for delivery (Details are in the notes to the financial statements No. 26).

Financial Performance Summary, Thai Airways Public Company Limited (Thai)

In the nine months of 2021, Thai had total revenue of THB 14,352 million; lower than the previous year by THB 28,756 million or 66.7%, a decrease in passenger and cargo revenue totaling THB 28,249 million or 78.5% resulting from lower production and traffic from suspended regular flights since the second quarter of 2020. In addition, other service revenues decreased by THB 1,494 million or 24.1% due to a decrease in the number of customer airlines while other income increased by THB 987 million. Total expenses were THB 32,172 million, lower than last year by THB 41,554 million (56.4%), mainly due to lower operating expenses in line with lower production and traffic and the strict reduction of other operating expenses. However, it was not enough to offset the decreasing revenue as mentioned earlier. These resulted in an operating loss excluded the one-time of THB 17,820 million, a decrease of THB 12,798 million (41.8%) from the previous year.

In addition, in nine month period of 2021, Thai had a net one-time revenue of THB 72,566 million consisting of

- Profit from the sale of investment in BAFS and NOK amounting to THB 2,848 million,
- Profit from the sale of assets in amounting to THB 628 million,
- Profit from debt restructuring of THB 60,730 million,
- Compensation for the Mutual Separation Plan amounted to THB 4,936 million,
- Compensation of employee termination amounted to THB 1,222 million,
- Employee benefit adjustment amounted to THB 8,323 million from the reorganization structure and amendment in employee benefits,
- Impairment loss of aircraft and right to use and rotatable flight equipment (reversal) amounted to THB 18,440 million.
- The result of the measurement of financial instruments from the adoption of TFRS No.9 amounted to THB 1,721 million mainly due to the allowance for impairment on receivables of ThaiSmile amounting to THB 1,866 million,
- Loss on Foreign Exchange of THB 10,524 million, comprising of unrealized FX loss of THB 10,410 million, which was caused by the adjustment of the total amount of liabilities of operating lease aircraft and assets and liabilities denominated in foreign currencies in Baht at the end of the period, especially the depreciated of Baht against Euro Yen and USD compared to December 31, 2020, and realized FX loss of THB 114 million.

THAI had a net profit of THB 54,268 million compared to last year's loss of THB 55,590 million, representing a profit per share of 24.86 baht while last year's loss of 25.47 baht per share. EBITDA was THB -6,449 million, lower than last year's THB 3,879 million, with EBITDA Margin of -44.9% compared to the previous year which was -6.0%.

Financial Performance: Thai

	Jan - Sep			
	2021	2020	Variance	
			MTHB	%
Total operating revenues	14,352	43,108	-28,756	-66.7
- Passenger and excess baggage revenue	1,320	30,230	-28,910	-95.6
- Freight and mail revenue	6,421	5,760	+661	+11.5
- Revenue from other activities	4,706	6,200	-1,494	-24.1
- Other income	1,905	918	+987	+107.5
Total operating expenses	32,172	73,726	-41,554	-56.4
- Fuel and oil	2,573	10,845	-8,272	-76.3
- Non-fuel operating expenses	25,419	54,921	-29,502	-53.7
- Net finance cost	4,180	7,960	-3,780	-47.5
Operating loss excluded the one-time	(17,820)	(30,618)	+12,798	+41.8
<u>Add</u> Gain from sale of investment	2,848	-	+2,848	-
<u>Add</u> Gain from sale of asset	628	-	+628	-
<u>Add</u> Gain from debt restructuring	60,730	-	+60,730	-
<u>Add</u> Adjust Employee Benefit	8,323	-	+8,323	-
<u>Less</u> Mutual Separation Plan (MSP)	4,936	-	+4,936	-
<u>Less</u> Severance Pay	1,222	-	+1,222	-
<u>Less</u> Impairment loss on aircraft, right-of-use assets and aircraft spare parts	(18,440)	3,498	-21,938	-627.2
<u>Less</u> Impairment loss in accordance with TFRS 9	1,721	7,373	-5,652	-76.7
<u>Less</u> Impairment loss from investment in subsidiaries and associates	-	2,223	-2,223	-100.0
<u>Add</u> Gain (Loss) on foreign currency exchange	(10,524)	(6,178)	-4,346	-70.3
<u>Less</u> Loss for hedge of group of items with offsetting risk positions	-	5,227	-5,227	-100.0
Profit (Loss) before tax	54,746	(55,117)	+109,863	+199.3
Net Profit (Loss)	54,268	(55,590)	+109,858	+197.6
Net Profit (Loss) per share (THB)	24.86	(25.47)	+50.33	+197.6
Significant operating data				
EBITDA (MTHB)	(6,449)	(2,570)	-3,879	-150.9
Number of passengers (Million)	0.07	3.51	-3.44	-98.0
Available Seat-Kilometers (Million)	5,708	20,127	-14,419	-71.6
Revenue Passenger-Kilometers (Million)	444	13,590	-13,146	-96.7
Cabin factor (%)	7.8	67.5	-59.7	-59.7
Passenger yield (THB/RPK)	2.78	2.10	+0.68	+32.4
Available Dead Load Ton-Kilometers (Million)	332	955	-623	-65.2
Revenue Freight Ton-Kilometers (Million)	331	537	-206	-38.4
Freight load factor (%)	99.7	56.2	+43.5	+43.5
Freight carried (Ton)	80,401	145,331	-64,930	-44.7
Freight Yield (THB/RFTK)	18.57	10.19	+8.38	+82.2
Number of aircraft (As of Sep 30) (Aircraft)	83	83	-	-
Flight hours (Hours)	23,437	80,700	-57,263	-71.0
Aircraft utilization (Hours/Aircraft/Day)	4.5	7.6	-3.1	-40.8
Average foreign currency exchange rate				
1 USD : THB	31.5100	31.5200	-0.0100	-
1 EUR : THB	37.6893	35.4118	+2.2775	+6.4
100 JPY : THB	29.0659	29.3266	-0.2607	-0.9
Average jet fuel price (USD/BBL)	73.94	75.29	-1.35	-1.8

Note: 1) EBITDA = Total Revenue (exclude gain on foreign exchange, gain from debt restructuring and gain from change in ownership interest) - Expenses (exclude finance cost, tax, depreciation and amortization, adjust employee benefit, Impairment loss on aircraft, right-of-use assets and aircraft spare parts, estimate service compensation, impairment loss in accordance with TFRS 9, loss for hedge of group of items with offsetting risk positions and loss on foreign currency exchange)

Assets of Thai Airways International PCL.

As of September 30, 2021, total assets totaled THB 166,130 million, a decrease of THB 43,359 million (20.7%) from December 31, 2020.

	Separate Financial Statement					
	Sep 30, 2021		Dec 31, 2020		Variance	
	MTHB	% of Total Assets	MTHB	% of Total Assets	MTHB	%
Current assets						
Cash and cash equivalents	5,198	3.1	7,961	3.8	-2,763	-34.7
Non-current assets held for sale	653	0.4	164	0.1	+489	+298.2
Other current assets	17,245	10.4	14,398	6.9	+2,847	+19.8
Current Assets	23,096	13.9	22,523	10.8	+573	+2.5
Property, plant and equipment-net	36,733	22.1	42,093	20.1	-5,360	-12.7
Right-of-use Assets	72,878	43.9	110,921	52.9	-38,043	-34.3
Other non-current assets	33,423	20.1	33,952	16.2	-529	-1.6
Total Assets	166,130	100.0	209,489	100.0	-43,359	-20.7

- Current assets increased by THB 573 million (2.5%) mainly due to an increase in trade and other current receivables as well as prepaid expenses. Moreover, non-current assets held for sale increased by THB 489 million from the transfer of land and office buildings at Lan Luang and Phuket under sell agreement which has total book value THB 593 million (Also see Note to the financial statements No.8,10) and five CFM56 engines from Property, Plant and Equipment to noncurrent asset held for sale with total book value of THB 19 million. They had been approved for sale from property, plant classified as non-current asset held for sale while cash and cash equivalents decreased by THB 2,763 million (34.7%) due to the use of business operations.

- Property, Plant and Equipment-net decreased by THB 5,360 million (12.7%) mainly due to the transfer of land and buildings of Laski Training Center, Land at Chiang Mai, land and office buildings at Lan Luang and Phuket and five CFM56 engines to noncurrent asset held for sale as mentioned earlier and depreciation estimate of the aircraft

- Right of use consists of assets under finance lease and operating lease aircraft and other fixed assets decreased from December 31, 2020, by THB 38,043 million resulting from the new conditions in the letter of intent (LOI) and the depreciation estimate.

Liabilities of Thai Airways International PCL.

Total liabilities as of September 30, 2021 were THB 238,040 million a decrease of THB 98,684 million (29.3%) from December 31, 2020. These comprised of:

	Separate Financial Statement					
	Sep 30, 2021		Dec 31, 2020		Variance	
	MTHB	% of Total Liabilities	MTHB	% of Total Liabilities	MTHB	%
Current liabilities	55,364	23.3	82,598	24.5	-27,234	-33.0
Current portion of long-term liabilities	511	0.2	218,802	65.0	-218,291	-99.8
Long-term liabilities	143,547	60.3	-	-	+143,547	-
Other non-current liabilities	38,618	16.2	35,324	10.5	+3,294	+9.3
Total Liabilities	238,040	100.0	336,724	100.0	-98,684	-29.3

- Current liabilities decreased by THB 27,234 million (33%), mainly due to decrease in short-term loans of THB 14,990 million from the group move to long-term loans under the rehabilitation plan and a new classification of trade payable and some other payables that Thai received the official receiver's order to the end to trade and other non-current payables, totaling THB 14,692 million.

- Long-term liabilities, including the portion of long-term liabilities, decreased by THB 74,744 million (34.2%) because of the decrease in lease liabilities and financial liabilities measurement. The complete number of debentures and long-term loans was in line with the business rehabilitation plan and the official receiver's order as mentioned above. (Also see Note to the financial statements No. 14, 15)

- Other non-current liabilities increased by THB 3,294 million (9.3%). The main reason was trade payable and other non-current liabilities increased by THB 14,692 million from reclassification and a transfer from current liabilities while a decrease in non-current liabilities for employee benefits by THB 10,340 million due to the reorganization structure and new employee benefits based on the new regulations

Shareholders' Equity of Thai Airways International PCL.

On July 8, 2021, there was a resolution of the Plan Administrative Committee Meeting No. 5/2021 that approved the reduction of the Company's registered capital from the amount of 26,989,009,500 baht, remaining 21,827,719,170 baht by writing off 516,129,033 shares in the company that have not yet been issued and sold, as stipulated in the business rehabilitation plan. The company filed a petition with the Central Bankruptcy Court for the court to authorize the plan administrator to register the company's registered capital reduction and to proceed with the capital change registration with the Department of Business Development, Ministry of Commerce on August 17, 2021.

As of September 30, 2021, Thai had shareholders' equity of THB -71,910 million, a negative decrease from December 31, 2020 by THB 55,325 million, mainly due to profit from the operations for nine months of this year.

4. Outlook

The world economy in the second half of the year even the epidemic situation of the Delta strain of COVID-19 has resulted in the number of new infections rising again. Fortunately, many countries have begun to mobilize rapid vaccinations or even booster vaccinations to physique immunity to new strains of COVID-19 and hoped to reduce the rate of severe morbidity and mortality. For countries with enough vaccination numbers, lockdowns policy may not be required. but measures for wearing

masks are still necessary for continuing economic activities. However, the recovery trend of each country will vary depending on the epidemic situation and vaccination rate including the effectiveness of vaccines used in that country affecting the economic recovery. For the aviation industry, "vaccination" will be an important factor because it affects the opening policy of Thailand and the world. Moreover it directly affects the confidence of tourists in travel while the International Air Transport Association (IATA) forecasts that global air travel will return to normal in 2024. For Thailand, the first phase of the country opening is scheduled on November 1, 2021 in 17 pilot provinces such as Bangkok, Chiang Mai, Pattaya (Chonburi Province), Cha-am (Phetchaburi Province) and Hua Hin (Prachuap Khiri Khan Province), etc., with conditions that tourists must be from 63 low-risk countries, such as the UK, Singapore, Germany, China or the United States. The tourists from those countries must be fully vaccinated against COVID-19 and have evidence of COVID-19 testing by RT-PCR from the country of origin within 72 hours to be able to travel to Thailand and check for infection again upon arrival in Thailand. Importantly when the test shows negative result, tourists can travel without quarantine and unlimited areas.

As for the rehabilitation process of Thai, it will drive its business according to the business rehabilitation plan approved by the court on June 15, 2021, with a new vision: "A Private High-Quality Full-Service Carrier with a Strong Thai Brand, connecting Thailand to the World and consistently generating a sustainable profit margin", under the following pillars: "Being the preferred Customer base, Excellent Commercial, Cost competitiveness, Leading in operating and safety performance, connecting with region". In the fourth quarter of 2021, Thai resumes its flights: 36 international routes covering Asia, Europe and Australia, with full services and in accordance with the COVID-19 control measures to support the open the country policy to drive and restore the country's economy. Significantly, Thai has closely assessed the situation and assessed the impact on business operations for the safety and confidence of passengers is a crucial criteria.

5. Financial Ratios

		Jan - Sep			
		Consolidated		Separate	
		2021	2020	2021	2020
Liquidity Ratio					
Current Ratio	(times)	0.47	0.08	0.56	0.09
Profitability Ratio					
Operating Profit (Loss) Margin	%	(143.20)	(76.60)	(124.04)	(70.85)
Net Profit (Loss) Margin	%	340.61	(111.80)	377.72	(128.65)
Return on Equity	%	(49.83)	(351.75)	(54.50)	(573.45)
Efficiency Ratio					
Return on Total Assets	%	30.01	(14.73)	31.38	(16.84)
Financial Policy Ratio					
Interest Bearing Debt to Equity	(times)	(1.88)	(6.07)	(2.00)	(6.29)
Total Debt to Equity	(times)	(3.14)	(8.48)	(3.31)	(8.75)
Interest Coverage Ratio	(times)	(2.21)	(0.55)	(1.54)	(0.32)
Net Debt to EBITDA	(times)	(24.36)	(71.33)	(36.10)	(127.30)
Debt Service Coverage Ratio	(times)	(1.58)	(0.23)	(1.11)	(0.03)

GLOSSARY

Current Ratio = Current Assets (Excluding Non-Current Assets held for sale / Current Liabilities (Excluding Unearned Transportation Revenues)

Operating Profit (loss) Margin = Operating Profit (loss) / Total Revenue (excluded gain on foreign currency exchange, gain on change in ownership interest and profit from debt restructuring)

Net Profit(Loss) Margin = Net Profit(Loss) / Total Revenue (excluded gain on foreign currency exchange, gain on change in ownership interest and profit from debt restructuring)

Return on Equity = Net Profit (Loss) / Average Shareholders' Equity

Return on Total Assets = Profit (Loss) 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

Total debt to equity ratio = Total liabilities/Shareholders' Equity

Interest Coverage ratio = EBITDA/interest

Net Debt to EBITDA = (Total liabilities – Cash and cash equivalents) / EBITDA

Debt Service Coverage Ratio = EBITDAR/ (Long-term Loan repayment and Lease liabilities + Interest payment + Lease of aircraft and spare part)

6. Related Party Transactions

6.1 Significant related party transactions carried between the company and major shareholders and entities that may have conflicts of interest for the first nine months period ended September 30, 2021 are detailed as follow:

Name of Entities with Potential Conflicts of Interest	Relationship	Type of Transaction	Value (Million THB)			Terms / Pricing Policy
			For the first nine months period ended September 30 , 2021	For the year ended December 31 , 2020	For the year ended December 31 , 2019	
Ministry of Finance (MOF)	MOF is the major shareholder of THAI with 47.86% shares.	1. International loans taken through the MOF consist of:				The pricing, terms, interest rates and commitment fees are on an arms' length basis and on commercial term as unrelated parties.
		- Outstanding loans	12,508.00	12,496.88	11,977.44	
		- Interest expenses	194.50	1,158.94	310.92	
		- Accrued interest expenses	194.50	1,146.23	128.54	
		- Commitment fees/ Accrued commitment fees.	0.00	0.00	0.00	
		2. THAI leased the lands from the Treasury Department.	6.16	8.47	9.00	The pricing is on an arms' length basis and on commercial terms as unrelated parties.

Name of Entities with Potential Conflicts of Interest	Relationship	Type of Transaction	Value (Million THB)			Terms / Pricing Policy
			For the first nine months period ended September 30 , 2021	For the year ended December 31 , 2020	For the year ended December 31 , 2019	
		3. THAI sold tickets to the MOF. - Total revenue - Account receivable	0.00 0.00	0.00 0.16	0.14 0.16	The pricing is on an arms' length basis and on commercial terms as unrelated parties.
Government Savings Bank (GSB)	GSB is controlled by the MOF, a major shareholder of THAI.	1. THAI entered into a committed revolving credit line with GSB credit limit up to THB 3.5 billion, the credit line was used. - Outstanding loans - Commitment fee - Accrued commitment fee - Interest expenses - Accrued interest expenses	3,500.00 0.00 0.00 71.29 71.29	3,500.00 1.37 0.00 530.08 522.89	0.00 6.18 2.23 0.00 0.00	The pricing, terms, interest rates and commitment fees are on an arms' length basis and on commercial term as unrelated parties.
		2. THAI sold tickets, rented out space, and other services to GSB. - Total revenue - Account receivable	0.18 0.00	2.51 2.03	7.56 0.47	The pricing is on an arms' length basis and on commercial terms as unrelated parties.

Name of Entities with Potential Conflicts of Interest	Relationship	Type of Transaction	Value (Million THB)			Terms / Pricing Policy
			For the first nine months period ended September 30 , 2021	For the year ended December 31 , 2020	For the year ended December 31 , 2019	
Export-Import Bank of Thailand (EXIM)	EXIM is controlled by the MOF, a major shareholder of THAI.	1. THAI entered into a long-term loan agreement with EXIM: - Outstanding loans - Interest expenses - Accrued interests	398.12 10.36 10.36	398.74 39.92 37.62	437.31 11.41 0.02	The pricing, terms and interest rates are on an arms' length basis and on commercial term as unrelated parties.
		2. THAI entered into a committed revolving credit line with EXIM credit limit up to THB 1.5 billion, the credit line was used. - Outstanding loans - Commitment fee - Accrued commitment fee - Interest expenses - Accrued interest expenses	1,500.00 0.00 0.00 6.42 6.42	1,500.00 1.50 0.00 170.67 165.38	0.00 3.49 0.04 45.78 0.00	The pricing, terms, interest rates and commitment fees are on an arms' length basis and on commercial term as unrelated parties.

Name of Entities with Potential Conflicts of Interest	Relationship	Type of Transaction	Value (Million THB)			Terms / Pricing Policy
			For the first nine months period ended September 30 , 2021	For the year ended December 31 , 2020	For the year ended December 31 , 2019	
		3. THAI sold tickets to EXIM. - Total revenue	0.00	0.04	0.32	The pricing is on an arms' length basis and on commercial terms as unrelated parties.
Islamic Bank of Thailand (IBANK)	IBANK is controlled by the MOF, a major shareholder of THAI.	1. THAI entered into a long-term loan agreement with IBANK: - Outstanding loans - Interest expenses - Accrued Interests	2,500.00 28.76 28.76	2,000.00 186.79 168.59	2,000.00 64.84 5.14	The pricing, terms and interest rates are on an arms' length basis and on commercial term as unrelated parties.
		2. THAI entered into a committed revolving credit line with IBANK: - Outstanding loans - Interest expenses - Accrued Interests		500.00 66.93 65.09	0.00 25.36 0.00	The pricing, terms and interest rates are on an arms' length basis and on commercial term as unrelated parties.

Name of Entities with Potential Conflicts of Interest	Relationship	Type of Transaction	Value (Million THB)			Terms / Pricing Policy
			For the first nine months period ended September 30 , 2021	For the year ended December 31 , 2020	For the year ended December 31 , 2019	
Krung Thai Bank Public Company Limited (KTB)	MOF controlled via the Bank of Thailand and Financial Institutions Development Fund, which is the major shareholder of KTB.	1. THAI entered into a committed revolving credit line with KTB credit limit up to THB 3.0 billion. In 2020, the credit line was used. - Outstanding loans - Commitment fee - Interest expenses - Accrued interest expenses		2,260.73 0.86 284.66 260.69	0.00 3.23 31.82 0.00	The pricing, terms, interest rates and commitment fees are on an arms' length basis and on commercial term as unrelated parties.
		2. THAI entered into a committed revolving credit line with KTB credit limit up to THB 3.5 billion, the credit line was used. - Outstanding loans - Interest expenses - Accrued interest expenses		3,500.00 385.11 378.00	3,500.00 12.11 5.26	The pricing, terms, interest rates and commitment fees are on an arms' length basis and on commercial term as unrelated parties.

Name of Entities with Potential Conflicts of Interest	Relationship	Type of Transaction	Value (Million THB)			Terms / Pricing Policy
			For the first nine months period ended September 30 , 2021	For the year ended December 31 , 2020	For the year ended December 31 , 2019	
		3. THAI sold debentures to KTB. - Debenture value - Interest expenses - Accrued interest expenses		832.00 32.15 33.33	832.00 10.60 3.38	The pricing, terms, interest rates and commitment fees are on an arms' length basis and on commercial term as unrelated parties.
		4. THAI provided office space rental, ATM space, utilities, and leased line to KTB. - Total revenue - Account receivable		3.05 0.11	3.58 0.33	The pricing is on an arms' length basis and on commercial terms as unrelated parties.
		5. THAI paid service fees to KTB for cash delivery and debentures distribution fee. - Total expenses - Account payable		3.92 0.15	10.93 0.00	The pricing is on an arms' length basis and on commercial terms as unrelated parties.

Name of Entities with Potential Conflicts of Interest	Relationship	Type of Transaction	Value (Million THB)			Terms / Pricing Policy
			For the first nine months period ended September 30 , 2021	For the year ended December 31 , 2020	For the year ended December 31 , 2019	
Thailand Post Company Limited	Thailand Post and THAI have a common major shareholder, namely MOF.	1. THAI bought postal services, both domestic and international, and postal tools from Thailand Post. - Total expenses - Account payable	0.95 0.01	0.62 0.01	1.37 0.00	The pricing is on an arms' length basis and on commercial terms as unrelated parties.
		2. THAI sold tickets to Thailand Post. - Total revenue - Account receivable	0.00 0.00	0.22 0.00	1.73 0.14	The pricing is on an arms' length basis and on commercial terms as unrelated parties.
Tourism Authority of Thailand (TAT)	TAT is controlled by the MOF, a major shareholder of THAI.	1. THAI paid for advertising and sales promotion to TAT. - Total expenses - Account payable	0.00 0.36	0.00 0.11	1.51 0.11	The pricing is on an arms' length basis and on commercial terms as unrelated parties.
		2. THAI sold tickets and provided office space rental to TAT. - Total revenue - Account receivable	5.19 0.23	18.17 0.73	63.47 14.70	The pricing is on an arms' length basis and on commercial terms as unrelated parties.

Name of Entities with Potential Conflicts of Interest	Relationship	Type of Transaction	Value (Million THB)			Terms / Pricing Policy
			For the first nine months period ended September 30 , 2021	For the year ended December 31 , 2020	For the year ended December 31 , 2019	
MCOT Public Company Limited (MCOT)	MCOT and THAI have a common major shareholder, namely MOF.	1. THAI paid for advertising to MCOT.				The pricing is on an arms' length basis and on commercial terms as unrelated parties.
		- Total expenses	0.00	1.63	1.97	
		- Account payable	0.00	0.87	0.00	
PTT Public Company Limited (PTT)	PTT and THAI have a common major shareholder, namely MOF.	1. THAI bought fuel for its aircraft and vehicles from PTT.				The pricing is on an arms' length basis and on commercial terms as unrelated parties.
		- Total expenses	0.07	18.60	120.50	
		- Account payable	1.60	1.50	0.00	
		2. THAI sold tickets and provided AC dielectric tester service to PTT.				The pricing is on an arms' length basis and on commercial terms as unrelated parties.
- Total revenue	0.00	3.37	30.64			
		- Account receivable	0.00	0.00	4.22	

Name of Entities with Potential Conflicts of Interest	Relationship	Type of Transaction	Value (Million THB)			Terms / Pricing Policy
			For the first nine months period ended September 30 , 2021	For the year ended December 31 , 2020	For the year ended December 31 , 2019	
Airports of Thailand Public Company Limited (AOT)	AOT and THAI have a common major shareholder, namely MOF.	1. AOT provided space rental at several airports for THAI's offices, aircraft/ vehicle parking, cargo loading/ unloading, stores for ground service equipment, containers, and other services. - Total expenses - Account payable	829.34 8.83	4,577.76 4.02	6,432.68 168.15	The pricing is on an arms' length basis and on commercial terms as unrelated parties.
		2. THAI sold tickets to AOT and received 2% of passenger service charge collected for AOT. - Total revenue - Account receivable	0.31 13.76	23.18 13.42	99.49 18.36	The pricing is on an arms' length basis and on commercial terms as unrelated parties.

Name of Entities with Potential Conflicts of Interest	Relationship	Type of Transaction	Value (Million THB)			Terms / Pricing Policy
			For the first nine months period ended September 30 , 2021	For the year ended December 31 , 2020	For the year ended December 31 , 2019	
CAT Telecom Public Company Limited (CAT)	CAT and THAI have a common major shareholder, namely MOF.	1. THAI sold debentures to CAT. - Debenture value - Interest expenses - Accrued interest expenses	933.00 17.48 17.48	933.00 46.54 49.47	933.00 14.96 4.79	The pricing, terms and interest rates are on an arms' length basis and on commercial term as unrelated parties.
TOT Public Company Limited (TOT)	TOT and THAI have a common major shareholder, namely MOF.	1. THAI sold debentures to TOT - Debenture value - Interest expenses - Accrued interest expenses	415.00 7.12 7.12	415.00 15.93 16.80	415.00 5.92 1.72	The pricing, terms and interest rates are on an arms' length basis and on commercial term as unrelated parties.
Civil Aviation Training Center (CATC)	CATC is controlled by the MOF, a major shareholder of THAI.	1. CATC provided aviation training for THAI's pilots. - Total expenses - Account payable	0.00 10.00	9.34 10.00	14.95 0.00	The pricing is on an arms' length basis and on commercial terms as unrelated parties.
		2. THAI sold tickets to CATC. - Total revenue	0.00	0.00	0.18	The pricing is on an arms' length basis and on commercial terms as unrelated parties.

Name of Entities with Potential Conflicts of Interest	Relationship	Type of Transaction	Value (Million THB)			Terms / Pricing Policy
			For the first nine months period ended September 30 , 2021	For the year ended December 31 , 2020	For the year ended December 31 , 2019	
Thai-Amadeus Southeast Asia Company Limited (Subsidiary Company)	THAI is the major shareholder of Thai-Amadeus Southeast Asia, with 55% shares. THAI's executive officers: Mr. Chai Eamsiri is a Director of Thai-Amadeus Southeast Asia.	1. THAI sold tickets and provided office space and computer rental to Thai-Amadeus Southeast Asia Co., Ltd. - Total revenue - Account receivable	5.07 0.47	9.26 0.78	11.02 0.17	The pricing is on an arms' length basis and on commercial terms as unrelated parties.
Wingspan Services Company Limited (WSC) (Subsidiary Company)	THAI is the major shareholder of WSC, with 49% shares and controlling authority. THAI's executive officers: Mr. Suvadhana Sibunruang is a Director of WSC.	1. WSC outsourced its staff to THAI. - Total expenses - Account payable - Advance wages	112.77 120.18	604.38 138.81 0.00	1,119.93 298.79 238.86	The pricing is on an arms' length basis and on commercial terms as unrelated parties.
		2. THAI provided office space and equipment rental to WSC. - Total revenue - Account receivable	0.33 2.13	2.02 2.05	4.33 1.00	The pricing is on an arms' length basis and on commercial terms as unrelated parties.

Name of Entities with Potential Conflicts of Interest	Relationship	Type of Transaction	Value (Million THB)			Terms / Pricing Policy
			For the first nine months period ended September 30 , 2021	For the year ended December 31 , 2020	For the year ended December 31 , 2019	
Thai Flight Training Company Limited (TFTA) (Subsidiary Company)	THAI is the major shareholder of TFTA, with 49% shares and controlling authority THAI's executive officers: Sqn. Ldr. Anirute Sangrit is a Director of TFTA; Mr. Krisana Jaemkrajang is a Director of TFTA on March 19, 2021.	1. THAI provided aviation training equipment, office space and equipment rental to TFTA. - Total revenue	13.74	19.14	20.23	The pricing is on an arms' length basis and on commercial terms as unrelated parties. The pricing is on an arms' length basis and on commercial terms as unrelated parties and according to market price
		- Account receivable	3.96	4.18	2.58	
		2 TFTA provided flight attendant training to THAI - Total expenses	0.39	0.45	0.00	
		- Account payable	0.45	0.45	0.00	

Name of Entities with Potential Conflicts of Interest	Relationship	Type of Transaction	Value (Million THB)			Terms / Pricing Policy
			For the first nine months period ended September 30 , 2021	For the year ended December 31 , 2020	For the year ended December 31 , 2019	
Tour Eurng Luang Company Limited (Subsidiary Company)	THAI holds 49 % shares in Tour Eurng Luang Co., Ltd via WSC and with controlling authority.	1. THAI paid commission fees from the sale of Eurng Luang services to Tour Eurng Luang. - Total expenses	0.00	0.00	0.11	The pricing is on an arms' length basis and on commercial terms as unrelated parties.
		2. THAI sold Eurng Luang tours to Tour Eurng Luang. - Total revenue - Account receivable	0.02 1.56	11.79 1.55	47.60 0.33	The pricing is on an arms' length basis and on commercial terms as unrelated parties.
Thai Smile Airways Company Limited (Subsidiary Company)	THAI wholly owns Thai Smile Airways. THAI's executive officers: Mr. Chansin Treenuchagron, Mr. Suvadhana Sibunruang and Mr. Nond Kalinta are Directors of Thai Smile Airways.	1. THAI bought Block Space and other services from Thai Smile Airways. - Total expenses - Account payable	175.70 0.07	1,884.16 2.93	7,011.84 0.00	The pricing is on an arms' length basis and on commercial terms as unrelated parties.
		2. THAI provided aircraft rental, ground services, parking space, aircraft insurance premium, boarding passes, pilot training and catering to Thai Smile Airways. - Total revenue - Account receivable	2,284.10 9,573.14	5,015.00 7,763.06	9,328.93 5,486.27	The pricing is on an arms' length basis and on commercial terms as unrelated parties.

Name of Entities with Potential Conflicts of Interest	Relationship	Type of Transaction	Value (Million THB)			Terms / Pricing Policy
			For the first nine months period ended September 30 , 2021	For the year ended December 31 , 2020	For the year ended December 31 , 2019	
Don Mueang International Airport Hotel Company Limited (Associated Company)	THAI holds 40% shares in Don Mueang International Airport Hotel.	1. THAI bought hotel rooms for its passengers from Donmueang International Airport Hotel. - Total expenses	0.00	0.00	0.10	The pricing is on an arms' length basis and on commercial terms as unrelated parties.
Bangkok Aviation Fuel Services Public Company Limited (BAFS) (Associated Company)	THAI holds 4.02% shares in BAFS. THAI's executive officers: Mr. Cherdphan Chotikhun and Mr.Chai Eamsiri are Directors of BAFS.	1. THAI bought Jet fuels from BAFS. - Total expenses - Account payable	20.57 22.22	128.84 22.22	362.57 0.00	The pricing is on an arms' length basis and on commercial terms as unrelated parties.
		2. THAI provided transportation and catering services to BAFS. - Total revenue	0.00	0.00	0.01	The pricing is on an arms' length basis and on commercial terms as unrelated parties.
Phuket Air Catering Company Limited (PACCO) (Associated Company)	THAI holds 30% shares in PACCO. THAI's executive officers: Mrs. Varangkana Luerojvong is a	1. THAI bought catering services from PACCO. - Total expenses - Account payable	0.00 20.44	99.02 20.52	125.92 0.00	The pricing is on an arms' length basis and on commercial terms as unrelated parties.

Name of Entities with Potential Conflicts of Interest	Relationship	Type of Transaction	Value (Million THB)			Terms / Pricing Policy
			For the first nine months period ended September 30 , 2021	For the year ended December 31 , 2020	For the year ended December 31 , 2019	
	Director of PACCO.	2. THAI sold raw materials and services to PACCO. - Total revenue - Account receivable	0.06 0.00	0.06 0.00	0.29 0.01	The pricing is on an arms' length basis and on commercial terms as unrelated parties.
Suvarnabhumi Airport Hotel Company Limited (Associated Company)	THAI holds 30% shares in Suvarnabhumi Airport Hotel. THAI's executive officer: Ms. Piyanee Sungtong and Mrs. Varangkana Luerojvong are Director of Suvarnabhumi Airport Hotel	1. THAI bought hotel rooms for its passengers from Suvarnabhumi Airport Hotel. - Total expenses - Account payable	0.00 2.16	5.69 2.16	26.03 0.00	The pricing is on an arms' length basis and on commercial terms as unrelated parties.

Name of Entities with Potential Conflicts of Interest	Relationship	Type of Transaction	Value (Million THB)			Terms / Pricing Policy
			For the first nine months period ended September 30 , 2021	For the year ended December 31 , 2020	For the year ended December 31 , 2019	
Aeronautical Radio of Thailand Limited (AEROTHAI) (Joint-Venture Company)	AEROTHAI and THAI have a common major shareholder, namely MOF. THAI holds 0.79% shares in AEROTHAI. THAI's executive officer: Sq. Ldr. Anirute Sangrit is a Director of AEROTHAI	1. THAI bought navigation services and rented communication equipment from AEROTHAI - Total revenue - Account payable	92.00 105.61	364.52 105.53	1,388.29 115.32	The pricing is on an arms' length basis and on commercial terms as unrelated parties.
		2. THAI sold tickets and provided transportation services to AEROTHAI. - Total revenue - Account receivable	0.00 0.00	0.12 0.00	0.20 0.05	The pricing is on an arms' length basis and on commercial terms as unrelated parties.

Name of Entities with Potential Conflicts of Interest	Relationship	Type of Transaction	Value (Million THB)			Terms / Pricing Policy
			For the first nine months period ended September 30 , 2021	For the year ended December 31 , 2020	For the year ended December 31 , 2019	
Nok Airlines Public Company Limited	THAI holds 10.46% shares in Nok Airlines.	1. THAI paid for ground service equipment at Ubon Ratchathani and engineering licenses to Nok Airlines. - Total expenses - Account payable		0.00 0.00	1.16 0.00	The pricing is on an arms' length basis and on commercial terms as unrelated parties.
		2. THAI provided aviation services such as aircraft and equipment maintenance and Jet fuels to Nok Airlines. - Total revenue - Account receivable		233.15 164.89	176.40 56.44	The pricing is on an arms' length basis and on commercial terms as unrelated parties.

Note 1. Krung Thai Bank Public Company Limited is controlled through the Bank of Thailand and the Financial Institutions Development Fund holding 55 percent of the shares instead of the Ministry of Finance in 2020.

2. Nok Airlines Public Company Limited. The company has less than 20% shareholding and has no control. From November 4, 2020

In addition, THAI also has related transactions which are expenses related to utilities services (including electricity, water, and telephone bills) that THAI has transactions with government agencies, and/or state enterprises acting as service providers of such utilities in the amount of 2.28 million baht for the nine-month period ended September 30, 2021, and the outstanding balance of 6.03 million baht as of September 30, 2021.

6.2 Necessity and reasonableness of related party transactions

For the above related transactions, THAI aims to create maximum benefits. This is the normal course of business, or provide/receive services from related companies Determined from the normal price of the business as THAI has given to individuals, or other unrelated businesses This is in accordance with the appropriateness of the conditions, and the use of reference market prices which brings benefits to the whole company and related companies without the purpose of transferring benefits between each other or have any special transactions so that all shareholders and stakeholders are treated fairly and equally in accordance with the Company's good corporate governance policy.

6.3 Connected Transaction Approval Procedures

Entering the above related transactions This is in line with the normal business of the company, and has been approved according to the company's procedures which has strict measures including directors and executives who have interests in such matters will not be involved in the approval of the transaction

6.4 Future related party transaction policy

Audit Committee and THAI will jointly take care of the aforementioned related transactions that may occur in the future to be reasonable and with a fair rate of return as well as being approved in accordance with the relevant procedures and regulations properly and will disclose the type and value of the connected transactions of the Company with persons who may have conflicts of interest under the announcements and regulations of the Securities and Exchange Commission (SEC), the Capital Market Supervisory Board, the SEC Office and the Stock Exchange of Thailand (SET).