

Management's Discussion and Analysis for the year ended December 31, 2020 for Thai Airways International Public Company Limited and Its Subsidiaries

1. Executive summary

Since early 2020, the pandemic situation of the novel coronavirus 2019 (COVID-19) activated many governments to take the Great Lockdown measures to limit the spread of the virus by strictly regulating and restricting both domestic and international travel including the use of social distancing policy resulting in the linkage between economic activities of different countries throughout the world at the same interruption. World Bank estimated that this year's global economy would contract by 5.2%, the largest recession in 80 years. The epidemic has damaged the world economies. Although governments of various countries have issued remedial measures to support the economy, this pandemic was the worst crisis in 150 years,

The world's aviation industry in 2020 has suffered an unprecedented level of impact from the control measures to contain travel of various countries causing all airlines to stop operating their normal operation. According to the International Air Transport Association (IATA), the passenger production (ASK) and passenger traffic (RPK) declined by 56.5% and 65.9%, respectively while the reduction in international passenger traffic which decreased by 75.6%. ICAO projected that airlines encounter declining revenues as much as USD 371 billion while there was a lot of cost burdens such as employee expenses, lease of aircraft, and etc., causing the great suffer from severe liquidity difficulties resulting many governments had to introduce financial assistant measures such as capital increase or loan guarantee.

In 2020 the COVID-19 pandemic has had a significant impact on the Thai economy, especially the tourism sector is considered the main revenue which accounted for 16% of GDP in 2019. 10% of GDP was from foreign tourist income, which accounted for 61% of total tourism revenue. In 2020, According to the Ministry of Tourism and Sports, the number of foreign tourists decreased by 83.2% from the previous year resulting from a temporary prohibit air travel into the country during the end of March - June 2020. There only were special flights. However, Authority has allowed special semi-commercial flight since October 2020 due to the regulations to entry Thailand there were slight passengers on the international route. Later, Thai government has implemented domestic tourism stimulus packages. Later, the Cabinet approved two packages, namely the "Khamlungjai" and "We Travel Together" on June 16, 2020 which would stimulate in the second half of 2020. Unfortunately, at the end of the year due to a new wave of pandemic this spread more widely and faster than the first wave which disrupted the tourism situation during the last quarter of 2020. In addition, the announcement of the suspension of New Year's Eve activities to welcome the New Year celebration affecting the tourism industry across the country. For the Thai export sector has begun to recover since the mid-2020 benefited from the recovery of the global economy causing more imports of industrial goods for export.

Since the early 2020, the pandemic of COVID-19 caused Thai Airways International Public Company Limited (THAI) and Thai Smile Airways Company Limited (ThaiSmile), a subsidiary of THAI gradually reduced their flights to match the declining traffic demand since late February 2020 until temporary extract all flights in April 2020 to comply with the epidemic control measures of each country by providing cargo services in certain routes including special flights to bring Thais home only causing the enormous impacts of total revenue. In the Board of Directors meeting held on May 20, 2020 and May 25, 2020 had resolved to approve to file for rehabilitation to the Central Bankruptcy Court with the objective to reach its objectives of rehabilitation plans even more effective step by step supported by laws which provided equitable protection to relevant parties. Moreover, THAI would still be able to conduct its normal business operations whether both passenger and cargo transportation of which would be carried out simultaneously with the rehabilitation in order to enhance operational efficiently and further improve the quality of products and services.

In 2020 there are significant events for the operations of THAI as follows:

- On May 19, 2020, Thai Cabinet passed a resolution approving Thai Airways International Public Company Limited to proceed with the business rehabilitation plan under the rehabilitation process of the Central Bankruptcy Court.

- On May 22, 2020, Ministry of Finance reduced its shareholding in THAI down below 50% of the total issued and paid-up shares by selling 3.17 percent of shares to Vayupak One Fund. Nevertheless, Ministry of Finance is still a major shareholder and holds 47.86% of the total issued and paid-up shares. After the reduction of the said shareholding, THAI had ceased from being a state enterprise under the relevant laws.

- Board of Directors' meeting held on May 20, 2020 and May 25, 2020 had a resolution to the Company to submit a petition to enter into a business rehabilitation process and propose the rehabilitation planners ("the Planner") to the Central Bankruptcy Court under the Bankruptcy Act B.E. 1940, on May 26, 2020 the Company submitted a petition to enter into a business rehabilitation and proposed the rehabilitation planners to the Central Bankruptcy Court and on May 27, 2020, the Central Bankruptcy Court has issued an order to accept the business rehabilitation petition, resulting THAI being under automatic stay and allowing certain transactions to be done as much as necessary for continuing the company's operation. In this connection, the Central Bankruptcy Court has set the hearing date on rehabilitation petition of the Company on August 17, 2020.

- On September 14, 2020, the Central Bankruptcy Court granted THAI's business reorganization petition and appointed the planner as nominated by THAI, which are: Air Chief Marshal Chaiyapruk Didyasarin, Mr.Chakkrit Parapuntakul, Mr. Pirapan Salirathavibhaga, Mr. Boontuck Wungcharoen, Mr.Piyasvasti Amranand. and Mr.Chansin Treenuchagron together with EY Corporate Advisory Services Co., Ltd., at this time, the planning team is in the process of preparing the business reorganization plan.

In 2020, THAI issued and implemented various measures to reduce costs and mitigate the impact of the COVID 19 situation from the previous quarter, especially by reducing personnel expenses while still reducing salaries of senior management compensation and ask for cooperation for employees to join the project on leave without salary and compensation (Together We Can Project). The two packages are the Mutual Separation Plan A ("MSP A") and Long-term Leave program ("LW20") both of them will take effect in the fourth quarter 2020 to reserve as much cash on hand as possible while no cash inflow from the aviation business and other sources of fund. THAI also halted investment and delayed procurement as well as reducing costs not related to operations, safety and rules prescribed by law. THAI attempted to earn additional revenues from unrelated passenger transportation by penetrating the market to more ground customers.

- THAI Catering Offers Royal Orchid Dining Experience. Customers can taste the food like serving on a plane by providing services at Thai Airways Head Office and Silom Office. It will serve international food served on only Business Class and First Class aircraft. In addition, THAI Catering has also launched patong-go, or deep-fried dough served with a cup of dipping sauce made from purple sweet potato and egg custard which has become very popular product.

- Thai Flying Experience & Beyond project which offer interested people to visit and experiment flight simulators to create a real flight experience.

- Tour Eurng Luang, a subsidiary of THAI in conjunction with the Tourism Authority of Thailand organized a special flight TG8999 "Fly to the sky through 99 sacred sites in Thailand" held on November 30, 2020, the first special flight for Thailand to promote and stimulate Thai tourism according to the government policy and open up new travel experiences Under the THAI Magical Flying Experience project "Auspicious in the Sky" campaign as well as to expand the campaign "Travel Thailand, get positive energy" of the Tourism Authority of Thailand (TAT) by traveling with an Airbus A350-900 plane, flying without landing. Fly over 99 sacred sites in 31 provinces of Thailand with a prayer on the plane in order to enhance the prosperity of life which has received very positive feedback.

In 2020, THAI and its subsidiaries recounted passenger production (ASK) decreased by 73.7% while passenger traffic (RPK) decreased by 78.5%. Average cabin factor was 64.7% lower than last year which averaged 79.1%. Passengers carried were 5.87 million people, a decrease of 76.1% from the previous year. For cargo transportation, freight production (ADTK) was 74.3% lower than the previous year, while freight traffic (RFTK) was 72.0% lower than the previous year. Average Freight load Factor was 58.6% higher than the previous year at 53.8%.

Total revenues of THAI and its Subsidiaries were THB 48,311 million, lower than last year by THB 135,735 million or 73.8%. The main reason was because both revenue from passenger and cargo transportation decreased by THB 125,772 million (75.4%). Revenue from other activities decreased by THB 7,554 million (53.1%) due to the measure to restrict international travel, both of Thailand and other countries that still exist. Total expenses were of THB 96,430 million, THB 100,040 million or 50.9% lower than last year, mainly due to operating expenses that varied with traffic production, traffic demand and number of passengers decreased in line with production and traffic demand. Moreover, fixed expense was still high while reducing revenue decreased greater than reducing expenses which was inadequate to compensate resulting in operating loss of THB 48,119 million, higher loss of THB 35,695 million (287.3%) from last year

In 2020, THAI and its subsidiaries one-time expenses totaled THB 91,978 million consisting of

- Reserve employee compensation in the Mutual Separation Plan A (“MSP A”), amount of THB 3,098 million
- Impairment loss on aircraft, right-of-use assets and aircraft spare parts, amount of THB 82,703 million
- Impairment losses in accordance with TFRS 9 amount of THB 261 million
- Gain from changes in ownership interest in NOK Airline PCL. amount of THB 206 million.
- Loss on foreign exchange, amount of THB 895 million, which mainly caused by the revaluation of foreign currency liabilities including aircraft operating lease liabilities in accordance with TFRS16.
- Losses for hedge of group of items with offsetting risk positions in the amount of THB 5,227 million.

THAI and its Subsidiaries had net loss of THB 141,180 million, greater loss of THB 129,163 million from the previous year. Loss attributable to owners of the parent company was THB 141,171 million, representing a loss of THB 64.68 per share while last year had a loss of 5.51 baht per share. EBITDA was negative of THB 11,319 million, while the previous year was positive THB 9,345 million. EBITDA margin equal to -23.4% compared to previous year’s 5.1%.

2. Management’s Decision and Analysis of Operating Results of 2020

The consolidated financial statements for 2020 consists of THAI’s financial statement and 5 subsidiaries including 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.

As announced by the Federation of Accounting Professions Thai Financial Reporting Standard No. 9 Financial Instruments and No. 16 Lease Agreement. which was effective for accounting periods beginning on or after January 1, 2020 onwards affecting the financial statements as detailed in Note 2.6 to the financial statements.

Financial Performance: THAI and its subsidiaries

Unit : Million Baht	Jan - Dec			
	2020	2019	Variance	
			MTHB	%
Total operating revenues	48,311	184,046	-135,735	-73.8
- Passenger and excess baggage revenue	34,163	149,044	-114,881	-77.1
- Freight and mail revenue	6,893	17,784	-10,891	-61.2
- Revenue from other activities	6,660	14,214	-7,554	-53.1
- Other income	595	3,004	-2,409	-80.2
Total operating expenses	96,430	196,470	-100,040	-50.9
- Fuel and oil	12,386	54,675	-42,289	-77.3
- Non-fuel operating expenses	71,970	137,550	-65,580	-47.7
- Net finance cost	12,074	4,245	+7,829	+184.4
Operating loss	(48,119)	(12,424)	-35,695	-287.3
<u>Less</u> Mutual Separation Plan A ('MSP A')	3,098	-	+3,098	+100.0
<u>Less</u> Estimate service compensation (400 days)	-	2,689	-2,689	-100.0
<u>Less</u> Impairment loss on aircraft, right-of-use assets and aircraft spare parts	82,703	634	+82,069	
<u>Less</u> Impairment loss in accordance with TFRS 9	261	-	+261	-
<u>Add</u> Gain from change in ownership interest	206	273	-67	-24.5
<u>Add</u> Gain (Loss) on foreign currency exchange	(895)	4,439	-5,334	-120.2
<u>Less</u> Loss for hedge of group of items with offsetting risk positions	(5,227)	-	-5,227	-
Loss before tax	(140,097)	(11,035)	-129,062	-
Net Loss	(141,180)	(12,017)	-129,163	-
Loss attribute to owners of the parent	(141,171)	(12,042)	-129,129	-
Net Loss per share (THB)	(64.68)	(5.51)	-59.17	-
<u>Significant operating data</u>				
EBITDA (MTHB)	(11,319)	9,345	-20,664	-221.1
Number of passengers (Million)	5.87	24.51	-18.64	-76.1
Available Seat-Kilometers (Million)	23,789	90,622	-66,833	-73.7
Revenue Passenger-Kilometers (Million)	15,398	71,695	-56,297	-78.5
Cabin factor (%)	64.7	79.1		-14.4
Passenger yield (THB/RPK)	2.17	2.04	+0.13	+6.4
Available Dead Load Ton-Kilometers (Million)	1,015	3,950	-2,935	-74.3
Revenue Freight Ton-Kilometers (Million)	595	2,127	-1,532	-72.0
Freight load factor (%)	58.6	53.8		+4.8
Freight carried (Ton)	167,531	587,953	-420,422	-71.5
Freight Yield (THB/RFTK)	11.06	7.84	+3.22	+41.1
Number of aircraft (As of December 31) (Aircraft)	103	103	-	-
Flight hours (Hours)	116,526	420,723	-304,197	-72.3
Aircraft utilization (Hours/Aircraft/Day)	6.6	11.9	-5.3	-44.5
Average foreign currency exchange rate				
1 USD : THB	31.2937	31.0476	+0.2461	+0.8
1 EUR : THB	35.6769	34.7548	+0.9221	+2.7
100 JPY : THB	29.3258	28.4806	+0.8452	+3.0
Average jet fuel price (USD/BBL)	74.11	84.04	-9.93	-11.8

Note : 1) EBITDA = Total Revenue (exclude gain on foreign exchange and gain from change in ownership interest) - Expenses (exclude finance cost, tax, depreciation and amortization, 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

Total revenues of **THAI and its subsidiaries** of 2020 was THB 48,311 million, decreased by THB 135,735 million (73.8%). Details are as follows:

- **Passenger and excess baggage revenue**

Passenger and excess baggage revenue were THB 34,163 million, decreased by THB 114,881 million (77.1%) resulting from decrease in passenger traffic (Revenue Passenger-Kilometers: RPK) by 78.5% from last year due to the temporary cancellation all regular flights since the second quarter of 2020 onwards while ThaiSmile had resumed its domestic flights since June 1, 2020, while main revenue was from repatriation flights of Thai citizens.

- **Freight and mail revenue**

Freight and mail revenue were THB 6,893 million, decreased by THB 10,891 million (61.2%) from last year due to the decrease of freight traffic (Revenue Freight Ton-Kilometers: RFTK) which decreased by 72.0 % due to temporary cancellation of all regular flights as well as passenger transportation. Since the second quarter of 2020, main revenue was from charter flight operated to the required destinations by customers.

- **Revenue from other activities**

Revenues from other activities consists of revenues from business units which are Ground services, Catering, Cargo handling services, and other activities revenue, were THB 6,660 million, decreased by THB 7,554 million (53.1%) from last year because of the drop in number of customers airline's flights in line with the Notification of the Civil Aviation Authority of Thailand on Conditions for Aircraft Permission to Enter Thailand to control the Outbreak of the Coronavirus 2019 (COVID-19) causing decrease in revenue from all other activities.

- **Other revenues**

Other revenues totaled THB 595 million, decreased from last year by THB 2,409 million (80.2%) mainly since last year there was the adjustment item: passenger airport tax liability which is a part of ticket fare collected from passenger before 2016 was adjusted to be other revenue amounted of THB 1,976 million since no obligation for refunding that have not been charged for more than 3 years since the day had recorded this liability.

Expenses

Total expense of **THAI and its subsidiaries** of 2020 was THB 96,430 million, decreased by THB 100,040 million (50.9%) from last year. A summary of operating expenses is as follows:

- **Fuel and oil expense** was THB 12,386 million representing 12.8% of total expenses, decreased by THB 42,289 million (77.3%) resulting from flight reduction which caused the decreasing in fuel consumption while average fuel prices decreased when compared to the same period last year by 11.8%.

- **Non-fuel operating expense** was THB 71,970 million or THB 65,580 million (47.7%) lower than last year. Details as follows:

Unit : Million Baht	Jan - Dec			
	2020	2019	Variance	
			MTHB	%
Expense				
Employee benefit expenses	17,448	28,483	-11,035	-38.7
Flight service expenses	6,727	21,058	-14,331	-68.1
Crew expenses	1,552	6,242	-4,690	-75.1
Aircraft maintenance and overhaul costs	7,872	19,321	-11,449	-59.3
Depreciation and amortization expenses	27,704	17,328	+10,376	+59.9
Lease of aircraft and spare parts	219	14,489	-14,270	-98.5
Inventories and supplies	2,111	9,101	-6,990	-76.8
Selling and advertising expenses	1,952	10,637	-8,685	-81.6
Other expenses	5,874	10,668	-4,794	-44.9
Share of losses of associates	511	223	+288	+129.1
Non-fuel Operating Expense	71,970	137,550	-65,580	-47.7

The summary of expenses that significantly changed consisted of

- Variable cost which consisted of flight service expenses, crew expenses, aircraft maintenance and overhaul cost, inventories and supplies expenses, selling and advertising expenses totaled THB 20,214 million, THB 46,145 million (69.5%) lower than last year resulting from temporary flight cancellation.

- Fixed cost comprised of Employee benefits expenses, depreciation and amortization expenses, lease of aircraft and spare parts, and other expenses which totaled THB 51,245 million, THB 19,723 million (27.8%) lower than last year.

- Employee benefits expenses consisting of personnel expense, employee benefits, management benefits and board of directors' benefits were THB 17,448 million, decreased by THB 11,035 million (38.7 %) due to the decrease of salary and other benefits from top executive level, leave without pay and compensation known as "Together We Can" program by requesting cooperation from employees since April 2020 and two packages are the Mutual Separation Plan A ("MSP A") and Long-Term Leave program ("LW20"). Total participants "MSP A" were 2,202 people and "LW20" totaled 2,620 people, respectively. In addition to the reduction of the provision for employee benefits, "MSP A" was set the estimation under this scheme included in one-time expenses.

- Depreciation and amortization and aircraft rental and spare parts totaled THB 27,923 million, a decrease of THB 3,894 million (12.2%) resulting of the adoption of Thai Financial Reporting Standard No. 16: leases, since January 1, 2020 onward, which required to recognize right-of-use assets and lease liabilities in the statement of financial position and recognized depreciation of rights-of-use assets and interest from lease liabilities in the statement of profit and loss which affects expenses in the group of depreciation and amortization, lease of aircraft and spare parts and finance costs, with details as follows.

- Depreciation and amortization increased by THB 10,376 million(59.9%) mainly due to the adoption of Thai Financial Reporting Standard No. 16: lease resulting depreciation of right of use of THAI and ThaiSmile increased by THB 12,381 million, mainly due to right of use in 39 operating leased aircraft and aircraft engines, amount of THB 11,624 million. If excluded such adoption, depreciation would be lower than last year THB 2,005 million resulting from having aircraft and aircraft seat including other assets that have been fully depreciated.

- Lease of aircraft and spare parts decreased by THB 14,270 million (98.5%) mainly due to the adoption of TFRS 16 as mentioned above. If combined depreciation of right-of- use of aircraft operating lease, amount of THB 11,624 million which included in depreciation and amortization and interest from lease liabilities which included in financial cost amounted to THB 2,601 million, aircraft rental and spare parts in 2020 totaled THB 14,444 million, THB 45 million lower than last year.

- Other expenses amounted to THB 5,874 million, a decrease of THB 4,794 million (44.9%). If combined depreciation of right of use in assets amounted of THB 756 million which included in depreciation and amortization and interest from lease liabilities which include in financial cost amounted to THB 143 million, other expenses in 2020 amounted to THB 6,773 million, THB 3,895 million (36.5%) lower than the previous year resulting from rigorous cost reduction program.

• Share of loss in associates reported the total amount of THB 511 million, THB 288 million (129.1%) higher than last year resulting from the impact from COVID-19 except for the share of loss in Nok Airline PCL. which was lower than last year since in the third quarter of 2020 THAI was no longer recognized the share of loss because the investment value under the equity method is equal to zero. Details as follows:

- Bangkok Aviation Fuel Services PCL's loss amount of THB 95 million while reported profit in 2019, amount of THB 218 million,
- Suvarnabhumi Airport Hotel Co. Ltd.'s loss amount of THB 3 million while reported profit in 2019, amount of THB 29 million,
- Donmuang International Airport Hotel Co. Ltd.'s loss amount of THB 13 million while reported profit in 2019, amount of THB 15 million,
- Phuket Air Catering Co. Ltd.'s loss amount of THB 8 million while reported profit in 2019, amount of THB 11 million, and
- Nok Airlines PCL.'s loss amount of THB 392 million, less loss by THB 103 million from last year.

• **Net finance cost** was THB 12,074 million, increased by THB 7,829 million (184.4%) resulting from interest from operating lease agreements for both aircraft and right to use in land, buildings, and other assets totaled THB 2,743 million according to the adoption of TFRS 16. If excluded such adoption, finance cost would increase by THB 5,086 million mainly due to the bank adjusting interest rate to the default rate according to the Terms of each contract, which consisted of loan agreement, debenture, financial lease and aircraft operating lease. In addition, gains from interest rate swap contracts were lower than last year.

Mutual Separation Plan A (“MSP A”)

On October 16, 2020, THAI launched two packages: Mutual Separation Plan A ("MSP A") and Long-Term Leave program (“LW20”), a project that allows staff to scarify to join the program and resign voluntarily. The employees would have remuneration as specified in the project. For the “MSP A” program, the resignation would be effective on December 1, 2020, with a total of 2,202 employees participating in the program while THAI reserves the employee compensation for this project totaling THB 3,098 million.

Impairment loss on aircraft, right-of-use assets and aircraft spare parts were THB 82,703 million, increased by THB 82,069 million with the following details:

- Impairment loss on aircraft and right-of-use totaled THB 78,875 million, an increase of THB 78,494 million comprised of impairment loss of aircraft which included in Property, Plant and Equipment amounted of THB 26,540 million, Right-of-Use aircraft amounted of THB 49,630 million, aircraft held for sale amounted of THB 2,756 million, and reverse of impairment loss of aircraft in none current assets held for sale amounted of THB 51 million.
- Impairment loss of engines and rotatable spare parts amounted of THB 3,827 million, THB 3,574 million higher than last year

- **Gain on change in ownership interest** In February 2020, Nok Airlines PCL., offered 888.15 million ordinary shares with a par value of 1 baht per share at a price of 2.50 Baht per share. However, THAI did not exercise the right to purchase such shares causing the shareholding proportion of THAI in Nok Airlines PCL., decreased from 15.94% as of December 31, 2019 to 13.28% as of December 31, 2020 and recognizing gain on change in ownership interest amount of THB 206 million.

- **Loss on foreign currency exchange** was THB 895 million consisted of THB 2,125 million unrealized loss resulting from revaluation of foreign currency loans including liability under operating lease of aircraft, assets and liabilities, especially the depreciation of Euro dollars and Japanese Yen as of December 31, 2020 when compared to as of December 31, 2019, and realized gain of THB 1,230 million.

Result of the measurement of financial instruments from the adoption of TFRS No.9.

- Impairment loss in accordance with TFRS 9 in the amount of THB 261 million from the allowance of expected credit loss of account receivable and other receivable.

- Loss for hedge of group of items with offsetting risk positions amounted to THB 5,227 million mainly due to losses from fuel price hedging amounted to THB 4,955 million from the close-out of all oil price hedging transactions and loss from measurement of the fair value of Cross Currency Swap (CCS) amount of THB 272 million which mainly due to the financial institution canceling all Cross Currency Swap and Forward Contracts.

EBITDA was negative of THB 11,319 million, greater loss of THB 20,664 million (221.1%). EBITDA margin equal to -23.4% compared to previous year's 5.1%.

3. Financial Position and Liquidity

Capital Expenditures – The Group

Unit: Million Baht	Jan - Dec	
	2020	2019
Aircraft and aircraft spare parts	428	2,410
Non-Aircraft	335	1,062
Total	763	3,472

Capital expenditures in 2020 were THB 763 million, THB 2,709 million lower than last year which consisted of

- investment in aircraft and aircraft spare parts amounted to THB 428 million, lower than last year by THB 1,982 million which was, the procurement rotatable spare parts while last year were rotatable spare parts and an prepayment for a GE90-115B spare engine.

- Investment in other fixed assets of THB 335 million, lower than last year by THB 727 million mainly due to the lower investment in service equipment of business units.

Financing

In 2020, THAI executed financing only during the first quarter by withdrawing credit lines for both committed and uncommitted credit line totaling THB 19,500 million from other financial institutions and related parties in order to repay short-term loans, lease liabilities and to maintain the liquidity.

Unit : Million Baht	Jan - Dec	
	2020	2019
Net cash from (used in) operating activities	(9,814)	13,573
Net cash used in investing activities	(35)	(1,726)
Net cash used in financing activities	(3,292)	(3,725)
Effect from changing in exchange rate on cash and cash equivalents	157	(151)
Effect of changes in credit loss on cash and cash equivalents	(5)	-
Increase(decreases) in cash and cash equivalents	(12,989)	7,971

In 2020 cash used in operating activities of THB 9,814 million due to the operations loss while last year there was net cash from operating activities amounted to THB 13,573 million. Net cash used in financing activities was THB 3,292 million, THB 433 million lower than the previous year by staying debt repayment. Net cash used in investing activities amounted to THB 35 million lower than last year by THB 1,691 million resulting from cash used in fixed assets procurement was lower than last year. Consequently, cash and cash equivalents as of December 31, 2020 were THB 8,674 million, a decrease of THB 12,989 million from as of 31 December 2019 by THB 21,663 million.

Fleets

The total active aircraft was 103 aircrafts as of December 31, 2020 (including 20 Airbus A320-200 under ThaiSmile's operations) which equaled to number of aircraft as of December 31, 2019. THAI had aircraft held for sale as of December 31, 2020 total 14 aircraft comprised of 3 Airbus A340-500, 6 Airbus A340-600, 1 Airbus A300-600, 3 Boeing B737-400 and 1 Boeing B747-400 aircraft.

Total Assets

As of December 31, 2020, total assets totaled THB 208,791 million, decreased by THB 46,017 million (18.1%) from as at December 31, 2019.

	Consolidated					
	Dec 31, 2020		Dec 31, 2019		Variance	
	MTHB	% of Total Assets	MTHB	% of Total Assets	MTHB	%
Current assets						
Cash and cash equivalents	8,674	4.2	21,663	8.5	-12,989	-60.0
Non-current assets held for sale	793	0.4	23	-	+770	-
Other current assets	10,278	4.9	23,990	9.4	-13,712	-57.2
Current Assets	19,745	9.5	45,676	17.9	-25,931	-56.8
Property, plant and equipment-net	42,127	20.2	171,912	67.5	-129,785	-75.5
Right-of-use Assets	116,822	55.9	-	-	+116,822	-
Other non-current assets	30,097	14.4	37,220	14.6	-7,123	-19.1
Total Assets	208,791	100.0	254,808	100.0	-46,017	-18.1

Current assets amounted to THB 19,745 million or represented 9.5 % of total assets which decreased from December 31, 2019 in the amount of THB 25,931 million (56.8%), with significant changes in items as follows:

- Cash and cash equivalents decreased by THB 12,989 million (60.0%) from operating usage.
- Non-current assets held for sale increased by THB 770 million mainly due to investment in Bangkok Aviation Fuel Service Public Company Limited which is sold to RATCH Group Public Company Limited on January 19, 2021, which transferred parts of the disposed portion from investment in associates to non-current assets held for sale. (Also see Note No. 37 to financial statements).
- Other current assets decreased by THB 13,712 million (57.2%), mainly due to the decrease in trade receivables and other current receivables THB 11,895 million (68.1%) from deeply drop of sales in the 2020 resulting from temporarily suspended their flights.

Property, plant and equipment-net totaled THB 42,127 million or represented 20.2% of total assets, decreased from December 31, 2019 by THB 129,785 million (75.5%), resulting from the reclassification of finance lease aircraft amount of THB 96,296 million as of January 1, 2020 due to TFRS 16 adoption, the normal calculation of aircraft depreciation and impairment loss of aircraft.

The right-of-use assets totaled THB 116,822 million or represented 55.9% of the total assets which consisted of finance lease assets and commitment under operating lease of aircraft and other lease assets in accordance with TFRS 16 adoption. THAI and its subsidiaries set up the provision impairment of right of use in operating lease aircraft amounted of THB 49,630 million.

Other non-current assets amounted to THB 30,097 million or represented 14.4% of total assets which decreased from December 31, 2019 in the amount of THB 7,123 million, mainly due to a decrease in investment in associates of THB 1,191 million of Bangkok Aviation Fuel Service Public Company Limited (BAFS) which transferred parts of the disposed portion to non-current assets held for sale. In addition, the share of loss from investments in associates increased and deposited for operating lease of aircraft decreased by THB 1,523 million due to default of payment in operating lease aircraft resulting in offsetting by deducting security deposit.

Return on Asset for 2020 was -55.2 percent, a decrease from last year which equals -2.5 percent.

Total Liabilities

Total liabilities as of December 31, 2020 were THB 337,456 million, increased by THB 94,414 million (38.8%) from as of December 31, 2019. These comprise of:

	Consolidated					
	Dec 31, 2020		Dec 31, 2019		Variance	
	MTHB	% of Total Liabilities	MTHB	% of Total Liabilities	MTHB	%
Current liabilities	82,779	24.5	60,028	24.7	+22,751	+37.9
Current portion of long-term liabilities	218,811	64.9	21,731	9.0	+197,080	+906.9
Long-term liabilities	5	-	122,121	50.2	-122,116	-100.0
Other non-current liabilities	35,861	10.6	39,162	16.1	-3,301	-8.4
Total Liabilities	337,456	100.0	243,042	100.0	+94,414	+38.8

Current liabilities amounted to THB 82,779 million or represented 24.5 percent of total liabilities, an increase from 31 December 2019 by THB 22,751 million (37.9%). The significant items consisted of :

- Trade and other current payables increased by THB 25,067 million, mainly due to creditors from fuel hedging contracts and derivatives that financial institutions have closed-out contracts. Furthermore, THAI has been in the middle of rehabilitation process causing the automatic stay.

- Short-term loans from financial institutions and related parties totaled THB 14,990, an increased by THB 11,490 million from the drawdown of committed and uncommitted credit line with local financial institutions in the first quarter of 2020 totaling THB 19,500 million
- Unearned transportation revenue decreased by THB 14,061 million due to lower sales from temporary cancellation of regular flights since the second quarter onward.

Long-term liabilities included current portion of long-term liabilities which accounted for 64.9% of total liabilities, an increase of THB 74,964 million (52.1%), mainly due to the recording of lease liabilities in accordance with TFRS 16: Lease that was effective for the accounting period that Beginning on or after January 1, 2020, in the amount of THB 94,318 million and the remeasurement variable rates of lease agreement and reclassification of lease payables resulting the decrease in long-term liabilities by THB 8,866 million, if excluded such items Long-term liabilities decreased by THB 10,488 million from repayment of long-term borrowings, lease liabilities and debentures amounted to THB 10,397 million. In addition, the effect of foreign currency loan when translate into baht term causing a decrease in long-term liabilities.

The Central Bankruptcy Court has issued an order to accept the rehabilitation petition of the Company that resulted the Company entered into rehabilitation process. As a result, the financial institutions had right to call for settlement for borrowing obligations. Moreover, the Company has defaulted on its outstanding liabilities and liabilities which were due for payments such as trade accounts payable, short-term borrowings, including the current-portion of long-term borrowings, debentures and lease liabilities that triggered the breach of the payment condition of long-term borrowings, debentures and lease contracts. Therefore, such long-term borrowings, debentures and lease liabilities which were previously due after one year are classified as current liabilities in accordance with the terms in the relevant borrowing, debentures and lease agreements.

Other non-current liabilities which accounted for 10.6% of total liabilities, a decrease of THB 3,301 million (8.4%), mainly due to staff pension fund decreased by THB 1,711 million from transferring some amounts of staff pension funds for staff who joined the “MSP A” would be paid in January 2021 to trade and other current payables. In addition, the provision for employee benefits obligations decreased by THB 1,881 million mainly due to the reduction of the estimation in employee benefits for whom entered the “MSP A” program by setting the amount to be paid to staff under the said scheme in the same category of trade and other current payables.

In 2020, THAI and its subsidiaries had an Interest Bearing Debt to Equity ratio of -1.8 times, lower than that of December 31, 2019, that was 12.5 times. Debt to equity ratio was -2.6 times, increasing from the end of 2019 that was 20.7 times.

Shareholders' Equity

As of December 31, 2020, shareholders' equity of THAI and its subsidiaries amounted to THB -128,665 million, decreased from 31 December 2019 by THB 140,431 million. The main reason is the negative performance in this year.

Liquidity

As of December 31, 2020, THAI and its subsidiaries had cash and cash equivalents in the amount of THB 8,674 million or 4.2% of total assets, decreased from 31 December 2019 by THB 12,989 million. In the first quarter of 2020, THAI had drawn down credit lines for both committed and uncommitted credit line totaling THB 19,500 million from financial institutions and related parties to enhance liquidity during the rehabilitation plan due to the pandemic of COVID 19 which heavily impacted revenues which mainly came from passenger and cargo transportation.

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

In 2020 THAI had total revenue of THB 46,221 million, lower than last year by THB 132,208 million or 74.1%. The main reason since both revenue from passenger and cargo transportation decreased by THB 121,473 million (76.3%) resulting from temporary operating halt since the second quarters of 2020 which caused the decrease in both production traffic and passenger traffic. Moreover, revenues from other activities reduced by THB 8,118 million or 50.9% due to decreasing in number of customer airlines. Total expense totaled THB 90,417 million, THB 100,184 million (52.6%) lower than last year due to the decrease in traffic production and passenger traffic causing operating loss of THB 44,196 million, more loss than last year by THB 32,024 million (263.1%).

In 2020 THAI had one-time expenses consisting of

- Mutual Separation Plan A (“MSP A”) amounted to THB 3,098 million,
- Impairment loss on aircraft, right-of-use assets and aircraft spare parts in the amount of THB 82,703 million, an increase of THB 82,069 million as mentioned earlier.
- Impairment loss from investment in subsidiaries and associates amounted of THB 1,976 million. The main reason is due to the recognition of impairment loss of investment in Thai Smile Airways Company Limited in the amount of THB 1,800 million. THAI had assessed the performance of Thai Smile Airways which continuously has accumulated loss and capital deficiency and considered the impact of the COVID - 19 pandemic to airline business. THAI assessed the impairment indicator in investment in Thai Smile Airways Company Limited and considered the recoverable amount of such investment was less than net carrying amount. THAI considered an allowance for impairment of such investment for whole amount in the first quarter of 2020.

The impact of COVID-19 pandemic has also affected the performance of Nok Airlines PCL.. THAI considered such situation that indicated the impairment indicator in the investment of Nok Airlines PCL, and found that the fair value of the recoverable amount which was less than carrying amount. THAI recorded an allowance for the impairment of the investment in amount of THB 176 million. Therefore, on November 4, 2020, Nok Airlines Public Company Limited entered the business rehabilitation process. The Central Bankruptcy Court ordered the business reorganization and the appointment of the planner team. Thus, the rights and duties of executive director of Nok Airlines Public Company Limited ended, resulting in the Company losing significant influence in. Nok Air PCL. For this reason, the Company has changed the classification of investments in associates to other long-term investments, presented in other non-current financial assets.

- Impairment loss in accordance with TFRS 9 in the amount of THB 7,939 million. The main reason is the provision for impairment of the trade receivables which were expected credit loss of receivables of ThaiSmile of THB 7,678 million.
- Loss on foreign currency exchange was THB 948 million consisted of THB 1,793 million unrealized loss resulting from revaluation of foreign currency loans including liabilities of aircraft under operating lease, assets and liabilities, especially the depreciation of Euro dollars and Japanese Yen when compared as at December 31, 2020 to December 31, 2019, and realized gain of THB 845 million.
- Loss for hedge of group of items with offsetting risk positions according to TFRS9 in the amount of THB 5,227 million as mentioned earlier.

THAI had a net loss of THB 147,168 million, higher loss than last year by THB 135,292 million, representing a loss of THB 67.42 per share, higher loss than last year of THB 61.98 per share.

EBITDA was THB -8,965 million, which is lower than the previous year by THB 18,535 million. EBITDA margin was -19.4% compared to 5.4% in the previous year.

Financial Performance: THAI

Unit : Million Baht	Jan-Dec			
	2020	2019	Variance	
			MTHB	%
Total operating revenues	46,221	178,429	-132,208	-74.1
- Passenger and excess baggage revenue	30,831	141,392	-110,561	-78.2
- Freight and mail revenue	6,874	17,786	-10,912	-61.4
- Revenue from other activities	7,839	15,957	-8,118	-50.9
- Other income	677	3,294	-2,617	-79.4
Total operating expenses	90,417	190,601	-100,184	-52.6
- Fuel and oil	11,164	50,805	-39,641	-78.0
- Non-fuel operating expenses	67,461	135,545	-68,084	-50.2
- Net finance cost	11,792	4,251	+7,541	+177.4
Operating Loss	(44,196)	(12,172)	-32,024	-263.1
<u>Less</u> Mutual separation plan A (“MSP A”)	3,098	-	+3,098	-
<u>Less</u> Estimate service compensation (400 days)	-	2,689	-2,689	-
<u>Less</u> Impairment loss on aircraft, right-of-use assets and aircraft spare parts	82,703	634	+82,069	-
<u>Less</u> Impairment loss from investment in subsidiaries and associates	1,976	-	+1,976	-
<u>Less</u> Impairment loss in accordance with TFRS 9	7,939	-	+7,939	-
<u>Add</u> Gain (Loss) on foreign currency exchange	(948)	4,584	-5,532	-120.7
<u>Less</u> Loss from hedge of group of items with offsetting risk positions	(5,227)	-	-5,227	-
Loss before tax	(146,087)	(10,911)	-135,176	-
Net Loss	(147,168)	(11,876)	-135,292	-
Net Loss per share (THB)	(67.42)	(5.44)	-61.98	-
Significant operating data				
EBITDA (MTHB)	(8,965)	9,570	-18,535	-193.7
Number of passengers (Million)	3.54	19.42	-15.88	-81.8
Available Seat-Kilometers (Million)	21,116	84,559	-63,443	-75.0
Revenue Passenger-Kilometers (Million)	13,726	67,166	-53,440	-79.6
Cabin factor (%)	65.0	79.4	-14.4	-14.4
Passenger yield (THB/RPK)	2.13	2.01	+0.12	+6.0
Available Dead Load Ton-Kilometers (Million)	1,015	3,950	-2,935	-74.3
Revenue Freight Ton-Kilometers (Million)	595	2,127	-1,532	-72.0
Freight load factor (%)	58.6	53.8	+4.8	+4.8
Freight carried (Ton)	161,096	577,179	-146,083	-72.1
Freight Yield (THB/RFTK)	11.03	7.84	+3.19	+40.7
Number of aircraft (As of Dec 31) (Aircraft)	83	83	-	-
Flight hours (Hours)	84,685	350,455	-265,770	-75.8
Aircraft utilization (Hours/Aircraft/Day)	7.2	12.5	-5.3	-42.4
Average foreign currency exchange rate				
1 USD : THB	31.2937	31.0476	+0.2461	+0.8
1 EUR : THB	35.6769	34.7548	+0.9221	+2.7
100 JPY : THB	29.3258	28.4806	+0.8452	+3.0
Average jet fuel price (USD/BBL)	74.11	84.04	-9.93	-11.8

Note : 1) EBITDA = Total Revenue (exclude gain on foreign exchange) - Expenses (exclude finance cost, tax, depreciation and amortization, Impairment loss on aircraft, right-of-use assets and aircraft spare parts, Impairment loss from investment in subsidiaries and associates, estimate service compensation, impairment loss in accordance with TFRS 9, Loss from hedge of group of items with offsetting risk positions and loss on foreign currency exchange)

Total Assets

As of 31 December 2020, **THAI** had total assets of THB 209,489 million, an decrease of THB 50,533 million (19.4%) from 31 December 2019. The significant items consisted of:

	Separate Financial Statement					
	Dec 31, 2020		Dec 31, 2019		Variance	
	MTHB	% of Total Assets	MTHB	% of Total Assets	MTHB	%
Current assets						
Cash and cash equivalents	7,961	3.8	20,873	8.0	-12,912	-61.9
Non-current assets held for sale	164	0.1	23	-	+141	+613.0
Other current assets	14,398	6.9	29,363	11.3	-14,965	-51.0
Current Assets	22,523	10.8	50,259	19.3	-27,736	-55.2
Property, plant and equipment-net	42,093	20.1	171,878	66.1	-129,785	-75.5
Right-of-use Assets	110,921	52.9	-	-	+110,921	-
Other non-current assets	33,952	16.2	37,885	14.6	-3,933	-10.4
Total Assets	209,489	100.0	260,022	100.0	-50,533	-19.4

- Current assets decreased by THB 27,736 million (55.2%), mainly caused by cash and cash equivalents decreased by 12,912 million (61.9%) ,other current assets decreased by THB 14,965 million (51.0%) due to expected credit loss of receivables of ThaiSmile Airways Company Limited, the amount of THB 7,678 million, combined with a decrease in sale volume.

- Property, plant and equipment-net decreased in amount of THB 129,785 million (75.5%), mainly resulting from the reclassification of finance lease assets amount of THB 96,296 million due to TFRS 16 adoption, the normal calculation of aircraft depreciation and impairment loss of aircraft.

- The right-of-use assets increased by THB 110,921 million compliant with TFRS 16 adoption which consisted of finance lease assets and commitment under operating lease of aircraft and other lease assets. Allowance for impairment of operating lease aircraft was THB 49,630 million.

Total Liabilities

As of 31 December 2020, **THAI** had total liabilities of THB 336,724 million, an increase of THB 95,869 million (39.8%) from 31 December 2019. The significant items consisted of:

	Separate Financial Statement					
	Dec 31, 2020		Dec 31, 2019		Variance	
	MTHB	% of Total Liabilities	MTHB	% of Total Liabilities	MTHB	%
Current liabilities	82,598	24.5	58,242	24.2	+24,356	+41.8
Current portion of long-term liabilities	218,802	65.0	21,731	9.0	+197,071	+906.9
Long-term liabilities	-	-	122,121	50.7	-122,121	-100.0
Other non-current liabilities	35,324	10.5	38,761	16.1	-3,437	-8.9
Total Liabilities	336,724	100.0	240,855	100.0	+95,869	+39.8

- Current liabilities increased by THB 24,356 million (41.8%) mainly due to the increase in short-term loans from financial institutions and related parties. Trade and other current payable increased due to automatic stay while unearned transportation revenue decreased.
- Long-term liabilities included current portion of long-term liabilities increased by THB 74,950 million (52.1%) from recording lease liabilities, depreciation of Thai Baht but there were repayment of long term loan.
- Other non-current liabilities decreased by THB 3,437 million (8.9%) resulting from the reduction of the staff pension fund by THB 1,711 million while employee benefits obligations decreased by THB 1,839 million as mention earlier.

Shareholders' Equity

THAI had shareholders' equity as of 31 December 2020 of THB -127,235 million, a decrease of THB 146,402 million from 31 December 2019, mainly due to the negative performance in 2020.

4. Factors affecting future operations

International Air Transport Association (IATA) predicts that the aviation industry has not yet recovered in a short time. Although, performance in first half of 2021 will show improvements over 2020 but are likely to remain negative. “Vaccines” will be a significant factor in the aviation industry because it affects entry restriction policy of Thailand and other countries around the world and would increase the traveling confident of tourists. However, air travel around the world is expected to return to normal in 2024. For the export sector in 2021, the global economy is expected to return to expand while many countries have taken stricter lockdown measures since late 2020 but expected to be limited impacts than the first round. In addition, the climate of global trade war is likely to ease.

The progress of the business rehabilitation process of THAI is on the process of the preparation of the rehabilitation plan. Moreover, the Central Bankruptcy Court allowed the planner to submit the rehabilitation plan to the Official Receiver with in March 2, 2021. In addition, on January 19, 2021, THAI transferred shares of Bangkok Aviation Fuel Services Public Company Limited (BAFS) amounted to 98,983,125 shares at a price of Baht 27.40 per share, totaling the amount 2,712,137,625 Baht to RATCH Group Public Company Limited (RATCH) in accordance with the share purchase agreement on December 29, 2020. After the share transfer transaction THAI will continue to hold a stake in BAFS accounting for 7.06 percent of the total paid-up shares from the original held accounting for 22.59 percent.

5. Financial Ratios

		Jan-Dec			
		Consolidated		The Company	
		2020	2019	2020	2019
Liquidity Ratio					
Current Ratio	(times)	0.07	0.81	0.08	0.91
Current Ratio (Included Committed Credit Line)	(times)	0.07	1.05	0.08	1.16
Profitability Ratio					
Operating Profit (Loss) Margin	%	(99.36)	(6.74)	(95.38)	(6.81)
Net Profit (Loss) Margin	%	(291.51)	(6.52)	(317.60)	(6.65)
Return on Equity	%	(241.54)	(74.59)	(272.36)	(50.67)
Efficiency Ratio					
Return on Total Assets	%	(55.18)	(2.52)	(57.16)	(2.42)
Financial Policy Ratio					
Interest Bearing Debt to Equity	(times)	(1.82)	12.52	(1.84)	7.69
Total Debt to Equity	(times)	(2.62)	20.66	(2.65)	12.57
Interest Coverage Ratio	(times)	(0.93)	2.10	(0.75)	2.16
Net Debt to EBITDA	(times)	(29.05)	23.69	(36.67)	22.99
Debt Service Coverage Ratio	(times)	(0.49)	0.71	(0.29)	0.76

LOSSARY

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

Current Ratio (Included Committed Credit Line) = Current Assets (Excluding Non-Current Assets classified as held for sale) + committed credit line) / 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)

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

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)