



**Management
Discussion and Analysis
For the Full Year of 2021**

Executive Summary

The global economy in 2021 grew by 5.9 percent from a slump of 3.1 percent in the previous year, driven by global economic activities recovering from the easing of government's measures, fiscal and monetary stimulus policies, progress in vaccine distribution as well as the efficacy of vaccines. Nevertheless, global economic activity has begun to grow slower following a new wave of outbreaks in many countries. In the fourth quarter of 2021 ("4Q/2021"), the US economy grew 6.9 percent, reflecting economic recovery despite the outbreak of the new variant virus ("Omicron"). As a result, the US economy grew by 5.7 percent in 2021 from a contraction of 3.4 percent in 2020, driven by exports, domestic consumer spending, and spending in the business sector in its inventory. Likewise, the Chinese economy in 2021 expanded to 8.1 percent from 2.2 percent in 2020, showing the most robust growth rate in a decade as domestic demand recovers from the coronavirus pandemic ("COVID-19"). However, the Chinese economy in 4Q/2021 expanded at the lowest rate of the year, primarily due to the unrelenting real estate credit issues, COVID-Zero policy, and the high cost of production from the supply chain disruption. Meanwhile, the Eurozone economy in 4Q/2021 grew at a slower pace compared to the previous quarter due to the increase in the number of COVID-19 cases and the enforcement of travel restrictions that affect the service sector. Thus, the Eurozone economy grew by 5.2 percent in 2021.

For Thailand's economy in 2021, several severe outbreaks resulted in delays in economic recovery. Economic activities have been limited under strict outbreak control measures amid a resurgence of the COVID-19 outbreak since late 2020, and a widespread Delta variant in the third quarter of 2021. Furthermore, the pandemic has

affected the business sector, causing production line disruptions in some industrial and construction sectors. However, the significant progress in the administration of vaccines towards the end of the year which has alleviated the outbreak situation in the country has led to the easing of control measures, allowing economic activities to resume. In terms of the tourism sector, Thai tourism depends on the easing of travel restrictions, progress in vaccine administration, and the efficacy of COVID-19 medicines. After the opening of the country on November 1, 2021, Test & Go scheme has helped stimulate the recovery of foreign tourists, more than 0.43 million tourists, mainly from Europe, the US and ASEAN (59 percent, 9 percent and 8 percent, respectively) were recorded in 2021. However, the discovery of the new variant virus in many countries is likely to cause concern for travellers worldwide. The number of tourists and tourism income in the country in 2021 contracted by 46.7 percent and 69.6 percent, respectively. Overall in 2021, Thai economy slightly grew at 1.6 percent from a contraction of 6.2 percent in 2021. As a result, Thai AirAsia served 2.93 million passengers with a 68 percent load factor in 2021.

Given the aforesaid impact, Asia Aviation Public Company Limited ("Asia Aviation") posted total revenues in 2021 of Baht 4,508.2 million, a net loss for the year of Baht 6,647.5 million, and a net loss in the statement of comprehensive income of Baht 6,386.9 million. Meanwhile cash at the end of the year amounted to Baht 5,359.6 million. As at December 31, 2021, Asia Aviation has commenced its shareholding restructuring plan by issuing new ordinary shares and convertible debentures, as well as increasing its capital in Thai AirAsia, amounting to Baht 3,900 million to increase its shareholding from 55.0 percent to 69.2 percent on December 8, 2021.

Financial Performance Summary

Asia Aviation Public Company Limited (“Asia Aviation”) is a major shareholder of Thai AirAsia Company Limited (“Thai AirAsia”) who is an airline operator of Thai AirAsia, in which the Company currently holds 69.2 percent.

Asia Aviation’s financial performance for the three-month and the year ended 31 December 2020 and 2021 have been summarised below:

Statement of Comprehensive Income

Asia Aviation Public Company Limited Unit: Baht million	Consolidated			Consolidated		
	For the three-month period		Change	For the year		Change
	ended 31 December			ended 31 December		
	2021	2020 ⁽¹⁾		2021	2020 ⁽¹⁾	
Total revenues	1,619.3	4,158.6	-61%	4,508.2	16,237.3	-76%
Total expenses	3,733.3	5,423.2	-31%	16,358.9	23,788.1	-31%
Profit (loss) from operating activities	(2,114.0)	(1,264.6)	-67%	(11,850.6)	(7,550.8)	-57%
Profit (loss)	(1,671.4)	(2,028.6)	18%	(11,957.9)	(8,666.9)	-38%
Equity holders of the Company	(992.8)	(1,114.4)	11%	(6,647.5)	(4,764.1)	-40%
Non-controlling interests of the subsidiary	(678.6)	(914.2)	26%	(5,310.4)	(3,902.8)	-36%
Total comprehensive income	(1,486.3)	(1,489.7)	0.2%	(11,531.5)	(8,882.7)	-30%
Equity holders of the Company	(865.0)	(818.0)	-6%	(6,386.9)	(4,882.8)	-31%
Non-controlling interests of the subsidiary	(621.3)	(671.7)	7%	(5,144.6)	(3,999.9)	-29%
Earnings (loss) Per Share (Baht)	(0.1939)	(0.2298)	16%	(1.2985)	(0.9823)	-32%
Diluted earnings (loss) Per Share (Baht)	(0.1917)	(0.2298)	17%	(1.2833)	(0.9823)	-31%

⁽¹⁾ Reclassification of the comprehensive income statement

For the year ended 2021 (“FY2021”), Asia Aviation had total revenues of Baht 4,508.2 million, which decreased by 72 percent compared to the same period last year. Meanwhile, total expenses were Baht 16,358.9 million, declined by 31 percent from the year ended 2020 (“FY2020”). As a result, a net loss for the year attributable to equity holders of the Company in FY2021 amounted to Baht 6,647.5 million compared to the net loss in an amount of Baht 4,764.1 million for the previous year. During the said year, there was a shareholding restructuring plan in which Asia Aviation issued additional shares, resulting in a diluted loss at Baht 1.2833 per share from a basic loss at Baht 1.2985 per share. With other comprehensive income from the gain on cash flow hedges - net of income tax in an amount of Baht 260.7 million and the actuarial gain - net of income tax in an amount of Baht 165.7 million, the Company posted a loss in total comprehensive income attributable to equity holders in an amount of Baht 6,386.9 million from a net loss in an amount of Baht 4,882.8 million in FY2020.

In 4Q/2021, Asia Aviation had total revenues of Baht 1,619.3 million, decreased by 61 percent compared to the same period last year. Total expenses were Baht 3,733.3 million, declined by 31 percent the same period last year. Consequently, a net loss for the period attributable to equity holders of the Company in 4Q/2021 amounted to Baht 992.8 million, from the net loss of Baht 1,114.4 million for the fourth quarter of 2020 ("4Q/2020"), and having a basic loss was at Baht 0.1939 per share. With other comprehensive income from the gain on cash flow hedges - net of income tax in an amount of Baht 19.3 million and the actuarial gain - net of income tax in an amount of Baht 165.7 million, the Company had a loss in total comprehensive income attributable to equity holders in an amount of Baht 865.0 million, from the net loss in an amount of Baht 818.0 million in Q4/2020.

Statement of Financial Position

Asia Aviation Public Company Limited	Consolidated		Change
Unit: Baht million	As at 31 December 2021	As at 31 December 2020	
Total assets	71,208.3	67,977.7	5%
Total liabilities	54,379.5	50,617.4	7%
Equity attributable to owners of the Company	20,201.1	14,266.1	42%
Non-controlling interests of the subsidiary	(3,372.3)	3,094.2	- >100%
Total shareholders' equity	16,828.8	17,360.3	-3%

Assets

As at 31 December 2021, total assets amounted to Baht 71,208.3 million, increased by 5 percent compared to as at 31 December 2020, due to;

- (1) Current assets increased by Baht 4,912.8 million, primarily due to an increase in cash and cash equivalents in an amount of Baht 4,249.2 million from capital increase from the Group's shareholding restructuring plan.
- (2) Non-current assets decreased by Baht 1,682.1 million, primarily due to the decrease in the property, aircraft, leasehold improvements and equipment from entering into the aircraft sale and leaseback transaction, as well as the amortisation of aircraft maintenance reserves.

Liabilities

As at 31 December 2021, total liabilities amounted to Baht 54,379.5 million, increased by 7 percent compared to as at 31 December 2020, due to;

- (1) Current liabilities decreased by Baht 263.0 million, due to a decrease in the amounts due to related parties in an amount of Baht 1,754.5 million mainly from the repayment of debts of affiliated companies which are expenses related to operations. Meanwhile, accrued expenses increased Baht 743.7 million, due to the aircraft maintenance reserves. In addition, long-term debentures increased by Baht 300.1 million from the debentures due in May 2022 of Baht 600 million and the partial repayment of debentures due in June 2021 of Baht 300 million.

(2) Non-current liabilities increased by Baht 4,025.2 million, primarily due to an increase in lease liabilities from the restructuring of the operating lease agreements of 25 aircraft in an amount of Baht 6,869.0 million. Meanwhile, derivative liabilities decreased by Baht 540.6 million mainly from the fuel price swap agreements and foreign exchange rate forward contracts. Additionally, current portion of long-term debentures decreased by Baht 599.1 million.

Equity

As at 31 December 2021, total shareholders' equity amounted to Baht 16,828.8 million, decreased by 3 percent compared to as at 31 December 2020, mainly due to the issuance of Baht 8,800.0 million of newly issued ordinary shares and the issuance of convertible debentures of Baht 2,200.0 million. While the loss in total comprehensive income for the year amounted to Baht 6,535.3 million. Hence, equity attributable to owners of the Company and non-controlling interests of the subsidiary as at 31 December 2021 were in an amount of Baht 20,201.1 million and a deficit of Baht 3,372.3 million, respectively.

Statement of Cash Flows

Asia Aviation Public Company Limited	Consolidated	
Unit: Baht million	For the year 31 December	
	2021	2020
Net cash generated from (used in) operating activities	(4,347.0)	(897.9)
Net cash generated from (used in) investing activities	1,283.7	12,064.4
Net cash generated from (used in) financing activities	<u>7,313.6</u>	<u>(14,031.4)</u>
Net increase (decrease) in cash and cash equivalents	4,250.3	(2,864.9)
Unrealised exchange gain (loss) on cash and cash equivalents	(1.1)	(6.9)
Cash and cash equivalents at the beginning of the year	<u>1,110.4</u>	<u>3,982.2</u>
Cash and cash equivalents at the end of the year	<u>5,359.6</u>	<u>1,110.4</u>

For the year ended 31 December 2021, Asia Aviation had net cash used in operating activities in an amount of Baht 4,347.0 million mainly due to the operating loss in the year and debt repayment to related parties. Meanwhile, net cash generated from investing activities was at Baht 1,283.7 million, primarily from cash received from the sale of 2 aircraft. Net cash generated from financing activities was Baht 7,313.6 million, mainly due to the capital raising and convertible debentures, whereas there were payments for early termination of lease agreements and the repayment for liabilities under lease agreements. As a result, the net increase in cash and cash equivalents amounted to Baht 4,250.3 million, while the cash and cash equivalents at the end of the year amounted to Baht 5,359.6 million.

Thai AirAsia's financial performance for the three-month and the year ended 31 December 2020 and 2021 have been summarised below

Statement of Comprehensive Income

Thai AirAsia Company Limited Unit: Baht million	For the three-month period			For the year		
	ended 31 December		Change	ended 31 December		Change
	2021	2020 ⁽¹⁾		2021	2020 ⁽¹⁾	
Total Revenues	2,152.1	4,157.8	-48%	4,507.5	16,236.3	-72%
Total Expenses	4,211.6	5,426.0	-22%	16,255.9	23,794.6	-32%
Profit (loss) from operating activities	(2,059.5)	(1,268.3)	-62%	(11,748.4)	(7,558.3)	-55%
Net Profit (loss)	(1,537.7)	(2,031.5)	24%	(11,785.7)	(8,673.0)	-36%
Total comprehensive income	(1,352.6)	(1,492.6)	9%	(11,359.3)	(8,888.7)	-28%
Earnings (loss) per share (Baht)	(34.26)	(46.64)	27%	(262.62)	(199.12)	-32%

⁽¹⁾ Reclassification of the comprehensive income statement

In FY2021, total revenues of Thai AirAsia amounted to Baht 4,507.5 million, decreased by 72 percent from Baht 16,236.3 million in FY2020. Primarily, revenues from sales and services, amounted to Baht 3,828.5 million, decreased by 72 percent compared to the same period last year due to the COVID-19 pandemic in late December 2020 and mid-April 2021. The Civil Aviation Authority of Thailand also declared a restriction on carriers transporting passengers between Maximum and Strict Control Zones (Red Zones), which led to almost all domestic flights being temporarily suspended during the third quarter. Positively, Thai AirAsia resumed international flights to the Maldives and Cambodia in late 2021 on the back of the government's easing travel restrictions along with the policy of opening the country through the Test & Go scheme. However, temporary suspension of the Test & Go Programme had now been put in place by the Thai government from December 22, 2021 after the arrival of the Omicron variant, adversely affecting Thai AirAsia's plan to resume its international flights. As a result, the passenger carried in FY2021 recorded at 2.93 million people or down by 69 percent from FY2020, and the load factor for FY2021 was posted at 68 percent or down by 7 percentage points ("ppts") from the same period last year. Besides, the average fare in FY2021 decreased by 9 percent from last year to Baht 1,090 per passenger, as revenue was generated mainly from domestic flights, despite a limited number of international flights in late 2021. The total ancillary revenues, amounted to Baht 651.3 million, decreased by 71 percent compared to last year, due to the shrinking passenger traffics, which led to a decline in checked baggage fees and in-flight services.

In FY2021, total expenses of Thai AirAsia amounted to Baht 16,255.9 million, decreased by 32 percent compared to the same period last year at Baht 23,794.6 million. The cost of sales and services amounted to Baht 11,167.1 million, reduced by 45 percent from Baht 20,484.2 million in FY2020. Primarily, the fuel cost decreased 78 percent from FY2020, in part from lower fuel consumption along with a decrease in the number of flights and no fuel hedging losses. The decrement also reflected in staff costs from the leave without pay and furlough schemes. Moreover, the ramp and airport operations, and guest services and distribution expenses decreased in line with the number of flights. Besides,

a decrease in depreciation expenses was partly from the impairment of the right-of-use asset at the end of 2020. Meanwhile, aircraft maintenance rose mainly from cost of aircraft redeliveries in FY2021. Furthermore, the selling and administrative expenses declined by 29 percent, mainly from the advertising and promotional expenses. The cost per available seat kilometres excluding fuel cost (“CASK ex-fuel”) was at Baht 4.04, increased from Baht 1.66 compared to the same period last year, due to a decrease in the available seat kilometres (“ASK”) outpacing a decline in the operating cost. Consequently, the aircraft utilisation in operation was at 5.6 hours per day of the active aircraft, declining from 7.4 hours per day from the previous year. In addition, Thai AirAsia continuously monitors its punctuality, reflected in the strong full-year the on-time-performance (“OTP”) of 97 percent, which increased from 96 percent compared to the previous year. This key performance metric is better than the company's strategic target, following our sustainable development framework goal of 90 percent.

In FY2021, Thai AirAsia recorded the other expenses at 3,900.0 million, in part from a loss on the exchange rate in an amount of Baht 3,654.4 million, from the gain of Baht 545.6 million in FY2020, due to the unrealised loss on the exchange rate difference of lease liabilities where Thai Baht weaken against US Dollar. Whereas, the other income was Baht 679.0 million, in part from the gain on derivatives of Baht 391.2 million, reversed from the loss of Baht 37.2 million in FY2020. Hence, loss from operating activities in FY2021 amounted to Baht 11,748.4 million. Besides, finance costs amounted to Baht 1,811.8 million, slightly increased from the previous year. Meanwhile, the income tax revenue amounted to Baht 1,724.5 million, mainly from the carry forward of unused tax loss to calculate income tax for the period and the restructuring of the liabilities under the operating lease agreements. Consequently, Thai AirAsia had a net loss for the year of Baht 11,785.7 million. With other comprehensive income from the gain on cash flow hedges - net of income tax in an amount of Baht 260.7 million and the actuarial gain- net of income tax in an amount of Baht 165.7 million, it had a loss in total comprehensive income for the year amounted to Baht 11,359.3 million.

For 4Q/2021, total revenues of Thai AirAsia amounted to Baht 2,152.1 million or decreased by 48 percent from the same period as last year. Mainly, revenues from sales and services amounted to Baht 1,528.9 million, decreased by 55 percent compared to the same period last year, due to the traveller's anxiety caused by the new variant of COVID-19 outbreak, together with the strictly travel restrictions. Consequently, Thai AirAsia recorded a 59 percent decrease in passengers to 1.15 million people with a load factor of 76 percent or declined by 2 ppts from 4Q/2020. Besides, the average fare in 4Q/2021 increased 10 percent from 4Q/2020 to Baht 1,130 per passenger, thanks to the unlimited pass campaign. The ancillary revenues in 4Q/2021 amounted to Baht 235.7 million, or down by 58 percent compared to the same period last year, which was impacted by a decrease in passenger traffic and a suspension on the in-flight services.

For 4Q/2021, total expenses of Thai AirAsia amounted to Baht 4,211.6 million, decreased by 22 percent from Baht 5,426.0 million in 4Q/2020. The cost of sales and services amounted to Baht 3,799.1 million, decreased by 16 percent from the same period last year. Primarily, the fuel cost decreased by 64 percent from 4Q/2020, in part from lower fuel consumptions in line with operating flight and there were fuel hedging losses in 4Q/2020. Staff costs also decreased in line with the number of flights. On the other hand, maintenance and overhaul expenses increased from the

amortisation of aircraft maintenance reserves from aircraft sale and leaseback transactions. As a result, the CASK ex-fuel was at Baht 3.75, rose from Baht 1.15 in 4Q/2020, due to a decrease in ASK outpacing a decline in the operating cost. Consequently, Thai AirAsia had the utilisation of aircraft in operations at 5.4 hours per day of the active aircraft, declining from 6.3 hours per day in 4Q/2020.

Thai AirAsia recorded the other expense less than the same period last year, primarily from a loss from impairment asset of Baht 1,416.0 million in 4Q/2020. Whereas, a gain on exchange in 4Q/2021 amounting to Baht 532.8 million, due to the unrealised gain on exchange rate difference of lease liabilities where Thai Baht strengthen against US Dollar. Hence, loss from operating activities in 4Q/2021 amounted to Baht 2,059.5 million. Moreover, finance costs were Baht 484.8 million, or increased by 8 percent from 4Q/2020, mainly due to interest expenses from the postponement of aircraft rental payments. Whereas, the income tax revenue amounted to Baht 1,000.6 million, mainly from the carry forward of unused tax loss to calculate income tax for the period and the restructuring of the liabilities under the operating lease agreements. In consequence, Thai AirAsia had a net loss for the period in amount of Baht 1,537.7 million. With other comprehensive income from the gain on cash flow hedges net of income tax in an amount of Baht 19.3 million and the actuarial gain net of income tax in an amount of Baht 165.7 million, Thai AirAsia had a loss in total comprehensive income for the period in an amount of Baht 1,352.6 million.

Thai AirAsia Company Limited	Q4/2021	Q4/2020 ⁽¹⁾	Change	2021	2020 ⁽¹⁾	Change
Passenger Carried (Million)	1.15	2.81	-59%	2.93	9.49	-69%
Capacity (Million seats)	1.51	3.82	-60%	4.31	12.64	-66%
Load Factor (%)	76%	74%	2 ppts	68%	75%	-7 ppts
Revenue Passenger Kilometres (Million seats-km)	783	2,368	-67%	2,083	7,735	-73%
Available seat kilometres (Million seats-km)	1,030	3,158	-67%	3,002	10,174	-70%
Average fare (Baht)	1,130	1,023	10%	1,090	1,199	-9%
Revenue per Available seat kilometres (Baht)	1.49	1.09	37%	1.28	1.34	-5%
Cost per Available seat kilometres (Baht)	4.33	1.67	>100%	4.51	2.29	97%
Cost per Available seat kilometres (ex-fuel)(Baht)	3.75	1.15	>100%	4.04	1.66	>100%

⁽¹⁾ Reclassification of the comprehensive income statement

Statement of Financial Position

Thai AirAsia Company Limited	As at	As at	Change
Unit: Baht million	31 December 2021	31 December 2020	
Total assets	45,508.7	45,129.8	1%
Total liabilities	56,463.8	48,625.6	16%
Total shareholders' equity (Capital deficits)	(10,955.0)	(3,495.8)	->100%

Assets

As at 31 December 2021, total assets amounted to Baht 45,508.7 million, slightly increased by 1 percent compared to as at 31 December 2020, due to;

- (1) Current assets increased by Baht 362.0 million, primarily due to an increase in other current financial assets of Baht 316.5 million from the aircraft's deposit of the sale and leaseback transaction, amounts due from related parties increased Baht 279.5 million, as well as, an increase in trade and other receivables by Baht 275.7 million from value-added tax (VAT) refund. Whereas, cash and cash equivalents decreased by Baht 301.1 million.
- (2) Non-current assets increased by Baht 17.0 million, primarily due to an increase in deferred tax assets by Baht 1,640.4 million on the back of the unused tax loss carry forward. While, the property, aircraft, leasehold improvements and equipment decreased from the entering into the aircraft sale and leaseback transaction, as well as amortisation of aircraft maintenance reserves as expenses.

Liabilities

As at 31 December 2021, total liabilities amounted to Baht 56,463.8 million, increased by 16 percent compared to as at 31 December 2020, due to;

- (1) Current liabilities increased by Baht 2,155.0 million, primarily due to an increase in short term borrowing from parent company in an amount of Baht 2,450.0 million.
- (2) Non-current liabilities increased by Baht 5,683.3 million, primarily due to an increase in liabilities under lease agreements in an amount of Baht 6,869.0 million from the restructuring of the liabilities under the operating lease agreements of 25 aircraft. Whereas, long-term debentures net of current portion decreased by Baht 599.1 million.

Equity

As at 31 December 2021, total shareholders' equity deficit amounted to Baht 10,995.0 million, from the deficit of Baht 3,495.8 million the previous year, mainly due to the operating loss for the year. Meanwhile, Thai AirAsia received money from the additional capital issuance of Baht 3,900.0 million. Thai AirAsia's Debt-to-Equity ratio (Interest Bearing Debt) and Net Gearing ratio as at 31 December 2021 were -4.34x and -4.28x, respectively. Excluding the operating lease liabilities, D/E Ratio and Net Gearing Ratio were -1.19x and -1.12x, respectively.

Statement of Cash Flows

Thai AirAsia Company Limited	For the year 31 December	
Unit: Baht million	2021	2020
Net cash generated from (used in) operating activities	(4,327.9)	(903.5)
Net cash generated from (used in) investing activities	1,280.8	12,064.3
Net cash generated from (used in) financing activities	<u>2,747.1</u>	<u>(14,031.4)</u>
Net increase (decrease) in cash and cash equivalents	(300.0)	(2,870.6)
Unrealised exchange gain (loss) on cash and cash equivalents	(1.1)	(6.9)
Cash and cash equivalents at the beginning of the year	<u>1,012.1</u>	<u>3,889.6</u>
Cash and cash equivalents at the end of the year	<u>711.0</u>	<u>1,012.1</u>

For the year ended 31 December 2021, Thai AirAsia had net cash used in operating activities in an amount of Baht 4,327.9 million mainly due to the operating loss in the year and debt repayment to related parties. Meanwhile, net cash generated from investing activities was at Baht 1,280.8 million, primarily from the sale of 2 aircraft. Net cash generated from financing activities was Baht 2,747.1 million, mainly due to the sale of newly issued shares and short-term loans from Asia Aviation, whereas there were payments for early termination of lease agreements and the repayment for liabilities under lease agreements. As a result, the net decrease in cash and cash equivalents amounted to Baht 300.0 million, while the cash and cash equivalents at the end of the year amounted to Baht 711.0 million.

Business Outlook

In January 2022, the IMF projects the world economic growth to grow by 4.4 percent in 2022, lower than 5.9 percent in 2021. The vaccines' distribution and efficacy will primarily be critical factors in driving global economic activities and gaining consumer confidence and global trade volume. Furthermore, the government stimulus plan and the supporting policies from the leading economic countries such as the US, Japan, China, and Eurozone will fuel the global economic recovery. However, the economic recovery remains under pressure from several aspects such as the new wave of COVID-19, new variants of the virus, the delay in vaccines distribution, and the re-implementing of lockdown measures. Therefore, in order to respond to the risks that may arise and affect the company's operation, the company has analysed possible factors that may prevent the company in achieving its goals and mitigate its risks as follows;

(1) Interest rate fluctuation: the US economy tends to improve following the global economic recovery. As a result, the Federal Reserve (Fed) kept a stable interest rate at 0 to 0.25 percent in January 2022. However, Fed is likely to raise interest rates at least four times in 2022 on the back of high inflation expectations after the tapering ends, and the labour market is likely to meet the Fed's targets. While Bank of Thailand (BoT) maintained its policy rate at 0.50 percent in February 2021 as Thailand has decent foreign stability while the maintaining of low-interest rates to support the economic recovery is still needed. As the company might incur substantial debt to operate the business in the future, the uncertainty of the interest rate would impact the company's borrowing cost. Thus, the company has set a measure to alleviate interest rates from aircraft lease agreements by fixing interest rates during the negotiation for financial lease contracts and

by considering using financial instruments at an appropriate time. As of December 31, 2021, Thai AirAsia has a ratio of long-term debts after a swap between floating interest rates and fixed rates of approximately 11 to 89.

(2) Currency fluctuation: the Thai Baht is predicted to slightly strengthen throughout the year in the range of 32 – 33 per US dollars as capital flows that tend to flow into emerging markets in line with investor confidence in the economic recovery of emerging markets that will accelerate following the opening of the country. As a result, Thai AirAsia benefits from expenses in foreign currencies such as maintenance expenses, aircraft leases, and etc.

(3) Fuel costs fluctuation: Thai AirAsia forecasts the average jet kerosene price in a range of 85-95 US dollars per barrel according to the average Brent price of 75 US dollars per barrel forecasted by the U.S. Energy Information Administration (EIA), tended to rise gradually from the increasing oil consumption demand. The easing of the government's measures and opening of the country will fuel global economic activities, logistics, and tourism. However, the Organization of the Petroleum Exporting Countries and allies led by Russia (OPEC+) agreed to increase monthly output to 400,000 barrels per day, plus the United States and major oil importers will drain around 80 million barrels of strategic reserves, adding pressure to oil prices as the supply increases. As a result, the company had no fuel price swap agreements at the end of 2021.

In February 2022, The Office of the National Economic and Social Development Council ("NESDC") forecasts Thailand economic growth for 2022 in the range of 3.5 – 4.5 percent, which continues to recover from the latter half of 2021. Positively, the rebound will accelerate from the progress in vaccines' distribution, the

continuous expansion of the export sector, the improving trend in tourism, and the government's economic stimulus measures, which have resulted in a steady recovery in both domestic and international demand. The improvement of the Thai economy was supported mainly by an increase in household consumption from implementing the government's economic stimulus plan such as "Half-Half" co-payment scheme, and "We travel together" project. However, the economic recovery may be delayed from the risks of the global economy and finance volatilities as mentioned above. For the tourism industry, the recovery will primarily depend on the efficacy of vaccines amid the mutation of the virus. The foreign tourists are expected to return since the 4Q/2021, positively, on the supported of the success in the COVID-19 containment, the wide distribution of the vaccines, the aggressive marketing with the travel packages, and the resumption of Test & Go programme in February 2022. Hence, NESDC predicts the inbound tourists at 5.5 million with an estimated revenue of Baht 0.47 trillion. Meanwhile, the Tourism Authority of Thailand (TAT) has set a target of 10 million foreign tourists, predictably generating revenue of Baht 0.63 trillion.

In 2021, Thai AirAsia will continue to increase flight frequencies and add routes in response to improving demand, expecting to return to 100 percent pre-COVID domestic operation within this year, while considering international service based on the government's national reopening plan. The passenger carried in 2022 is anticipated to be 12.3 million with the load factor of 78 percent, in line with the recovery of Thai tourists and the return of foreign tourists. Thai AirAsia has no receiving plan for new aircraft deliveries in the near term while plans are in place to return aircraft that will expire

under lease agreements, and to reallocate aircraft within AirAsia Aviation Group, resulting in a target fleet size of 53 aircraft at the end of the year. This downsizing in its fleet size aligns with the forecasted demand from the impact of the COVID-19, which will take time to return to normal. In addition, Thai AirAsia has strategically positioned its base at Suvarnabhumi Airport to strengthen domestic routes and air cargo routes as part of its international route expansion plan to ensure that Thai AirAsia has a competitive advantage in both passenger and freight services. Furthermore, Thai AirAsia is focusing on adding new flight experiences and promoting measures to reduce physical contact, as well as increase convenience and safety for customers through facial recognition systems in the near future. Moreover, Thai AirAsia has increased its revenue source beyond the aviation business by investing in the AirAsia Super App platform to expand its potential to meet consumer lifestyles in the digital era.

In addition, Asia Aviation increased its capital and offered new issued shares to the existing shareholders in proportion to their shareholding (Right Offering) at the price of Baht 1.75 per share, amounting to 1,714,285,714 shares, totalling Baht 3,000 million on January 19, 2022. The acquisition of shares in Thai AirAsia was completed according to the Group's capital restructuring plan on January 21, 2022. Furthermore, Thai AirAsia has delivered and received 5 aircraft under the aircraft sale and leaseback agreement as at February 23, 2022 to increase the liquidity of the company.

Glossary

Load factor : Represents the number of passengers carried as a proportion to capacity, which is the number of seats available for passengers

Available seat kilometres (ASK) : which is the total number of seats available on all flights multiplied by the number of kilometres these seats were flown

Revenue passenger kilometres (RPK) : Revenue passenger kilometres, which is the number of paying passengers carried on all flights multiplied by the number of kilometres those seats were flown

Average fare : Calculated as Thai AirAsia's total passenger revenues and fuel surcharge divided by total number of passengers carried

Revenue per ASK (RASK) : Calculated as Thai AirAsia's revenues divided by ASK

Cost per ASK (CASK) : Calculated as the sum of Thai AirAsia's operating costs, selling expenses and administrative expenses divided by ASK

Cost per ASK (CASK ex-fuel) : Calculated as the sum of Thai AirAsia's operating costs, selling expenses and administrative expenses less fuel costs divided by ASK

Average stage length (kilometres) : Represents the average number of kilometres flown per flight

Aircraft utilisation: Represents the average block hours per day per aircraft during the relevant period. Block hours is calculated by measuring the duration between the time of departure of an aircraft and the time of arrival at its destination.

Debt to Equity ratio (D/E) : Calculated as Thai AirAsia's total interest bearing debt divided by total equity

Net Gearing ratio: Calculated as Thai AirAsia's total interest bearing debt less (cash and cash equivalents + short-term investment + deposit) divided by total equity

Gross profit margin: Calculated as revenues from sales and services less cost of sales and service divided by revenues from sales and services.

The earnings before interest and tax, depreciation, and amortisation (EBITDA) margin : Calculated as total income (excluding dividend income, gain on sale of investments, gain on sale of assets, finance income, gain on exchange rate, and gain on derivative) less total expenses plus depreciation and amortisation expenses divided by revenues from sales and services

Net profit margin : Calculated as profit for the period divided by revenues from sales and services