

## **Management's Discussion and Analysis for the second quarter 2020 ended June 30, 2020 for Thai Airways International Public Company Limited and Its Subsidiaries**

### **1. Executive summary**

Impacts from the pandemic of COVID-19 caused damage to the global economy which moved in the worst recession in 150 years although the governments of various countries has attempted to issue remedial measures. World Bank estimated that the global economy in 2020 would be negative by 5.2% while crude oil prices in the second quarter of 2020 gradually increased resulting from an agreement to reduce oil production capacity both inside and outside OPEC which was the largest reduction in the historical records.

Thai economy in the second quarter of 2020 contracted strongly as a result of the strict city shutdown measures to control the spread of the COVID-19 virus both domestic and abroad consequentially many economic activities had to break operation temporarily. Foreign demand decreased strongly. The export sector was affected by a much weaker demand from trading partners affecting the economic activities in the country. Furthermore, the tourism sector, which was affected by international travel restrictions which brought about in the absence of foreign tourists for the third consecutive month since April 2020. The number of foreign tourists contracted at 100 percent from the same period last year. However, the storage and logistics business expanded slightly due to the increasing demand for warehouses in line with the growth of E-Commerce business

The COVID-19 outbreak severely hit the global aviation industry in history in the second quarter of 2020 causing both domestic and international travels were completely interrupted. However, in June 2020, demand of passenger and cargo transportations started presenting symbols of regaining from the lowest point in April 2020 from domestic travel but the recovery rate was still much lower than normal levels. According to the International Air Transport Association (IATA), traffic demand in April, May and June 2020 were 94.3%, 91.3% and 86.5%, lower than the same period last year, consecutively. These resulted lower traffic demand and traffic production in the first six months of 2020 which decreased by 58.4% and 51.0%, respectively, with an average cabin factor of 69.6%, a decrease of 81.9% of the same period last year. For the freight in general, the improvement in June 2020 which was a 17.6% drop from the previous year from the lowest point in April 2020, a 27.7% drop from the previous year, resulting in a 23.2% lower than the previous year for freight production in the first six months of 2020. However freight traffic decreased by 14.5% at a rate less than production. As a result, the average freight load factor was 52.3%, higher than the same period last year's 46.3%.

Thai Airways International Public Company Limited ("THAI") temporary cancelled all schedule flights since April 1, 2020 to comply with the epidemic control measures of each country but still operated freight operation in some routes and special flights for large numbers of residual passengers which were coordinated by relevant government agencies.

Thai Smile Airways has temporarily suspended its flight to all international routes effective from March 23, 2020 onwards and domestic routes from April 7 - May 31, 2020. In June 1, 2020 Thai Smile Airways has resumed some domestic flights to 7 cities: Chiang Mai, Khon Kaen, Udon Thani, Ubon Ratchathani, Surat Thani, Phuket and Songkhla, and on 15 June 2020 which were Chiang Rai and Krabi.

The situation of the spread of the COVID-19 virus that causes THAI and its subsidiary had to temporarily suspend their flights which significantly affected on the total revenues. In the second quarter of 2020, there are significant events for THAI's operation as follows:

- On 19 May 2020, the Cabinet approved the 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 shares in THAI down low 50% of the total issued and paid-up shares by selling 3.17% 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 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.

In the second quarter of 2020, THAI continued to implement various measures from the previous quarter in strict order to mitigate the impact of the situation, such as reducing personnel expenses, maintaining liquidity to reserve as much cash on hand as possible while no cash inflow from the aviation business and other sources of fund. THAI 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.

In the second quarter of 2020, THAI and its subsidiaries must temporarily suspend their schedule flights. THAI only operated charter flights resulting 96.5% decrease in passenger production (ASK). Passenger traffic (RPK) decreased by 99.5%. Average cabin factor was 10.3% lower than last year which averaged 74.7%. Passengers carried were 0.08 million people, a decrease of 98.6% from the previous year. For cargo transportation, freight production (ADTK) was 96.1% lower than the previous year, while freight traffic (RFTK) was 92.7% lower than the previous year. Average Freight load Factor was 99.9% higher than the previous year at 52.8%.

Total revenues of THAI and its Subsidiaries were THB 2,492 million, lower than the same quarter of last year by THB 40,017 million or 94.1%. The main reason was because both revenue from passenger and cargo transportation decreased by THB 37,604 million (96.4%). Revenue from other activities decreased by THB 2,165 million (68.6%) as the Civil Aviation Authority of Thailand (CAAT) announced a temporary prohibition on passenger transport aircraft from April 3 to June 30, 2020. Total expenses were of THB 16,193 million, THB 33,428 million or 67.4% 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. Resulting in operating loss of THB 13,701 million, higher loss of THB 6,589 million (92.6%) from the same quarter last year.

In the second quarter of 2020, THAI and its subsidiaries had a one-time cost consisting of

- Impairment loss on fixed assets in the amount of THB 73 million.
- Impairment loss in accordance with TFRS 9 in the amount of THB 86 million.
- Gain on foreign exchange was THB 7,422 million, which mainly caused by the revaluation of foreign currency liabilities including aircraft operating lease liabilities in accordance with TFRS16.
- Gain for hedge of group of items with offsetting risk positions in the amount of THB 1,231 million.

In the second quarter of 2020, THAI and its Subsidiaries had net loss of THB 5,353 million, a decrease of THB 1,525 million (22.2%) from the previous year. Loss attributable to owners of the parent company was THB 5,340 million, representing a loss of THB 2.45 per share while last year had a of 3.15 baht per share.

EBITDA was negative of THB 4,178 million, while the previous year was negative THB 1,686 million. EBITDA margin equal to -166.1% compared to previous year at -4.0%

## **2. Management's Decision and Analysis of Operating Results for the Second Quarter of 2020**

The consolidated financial statements for the second quarter of 2020 consists of THAI's financial statement and 5 subsidiary companies which are 1) THAI-Amadeus Southeast Asia Co.,Ltd., 2) Wingspan Services co., Ltd., 3) THAI Flight Training Co., Ltd, 4) Tour EurngLuang co.,Ltd., and 5) THAI Smile Airways Co., Ltd.

According to the announcement of the Thai Financial Reporting Standard (TFRS) No.9 : Financial Instruments, and No.16 : Leases, which are effective for the accounting period beginning on or after January 1, 2020 onwards affecting the financial statements as detailed in Note 2.7 to the financial statements.

## Financial Performance: THAI and its subsidiaries

	Apr - Jun			
	2020	2019	Variance	
			MTHB	%
<b>Total operating revenues</b>	<b>2,492</b>	<b>42,509</b>	<b>-40,017</b>	<b>-94.1</b>
- Passenger and excess baggage revenue	468	34,598	-34,130	-98.6
- Freight and mail revenue	940	4,414	-3,474	-78.7
- Revenue from other activities	992	3,157	-2,165	-68.6
- Other income	92	340	-248	-72.9
<b>Total operating expenses</b>	<b>16,193</b>	<b>49,621</b>	<b>-33,428</b>	<b>-67.4</b>
- Aircraft fuel expenses	88	13,864	-13,776	-99.4
- Non-fuel operating expenses	13,485	34,714	-21,229	-61.2
- Net finance cost	2,620	1,043	+1,577	+151.2
<b>Operating Loss</b>	<b>(13,701)</b>	<b>(7,112)</b>	<b>-6,589</b>	<b>-92.6</b>
<u>Less</u> Impairment loss on Fixed assets	73	172	-99	-57.6
<u>Less</u> Impairment loss in accordance with TFRS 9	86	-	+86	-
<u>Add</u> Gain on foreign currency exchange	7,422	522	+6,900	-
<u>Add</u> Gain for hedge of group of items with offsetting risk positions	1,231	-	+1,231	-
Loss before tax	(5,207)	(6,762)	+1,555	+23.0
Net Loss	(5,353)	(6,878)	+1,525	+22.2
<b>Net Loss attribute to owners of the parent</b>	<b>(5,340)</b>	<b>(6,884)</b>	<b>+1,544</b>	<b>+22.4</b>
Net Loss per share (THB)	(2.45)	(3.15)	+0.70	+22.2
<b><u>Significant operating data</u></b>				
EBITDA (MTHB)	(4,178)	(1,686)	-2,492	-147.8
Number of passengers (Million)	0.08	5.72	-5.64	-98.6
Available Seat-Kilometers (Million)	758	21,897	-21,139	-96.5
Revenue Passenger-Kilometers (Million)	78	16,353	-16,275	-99.5
Cabin factor (%)	10.3	74.7		-64.4
Passenger yield (THB/RPK)	6.54	2.07	+4.47	+215.9
Available Dead Load Ton-Kilometers (Million)	37	958	-921	-96.1
Revenue Freight Ton-Kilometers (Million)	37	505	-468	-92.7
Freight load factor (%)	99.9	52.8		+47.1
Freight carried (Ton)	12,719	139,979	-127,260	-90.9
Freight Yield (THB/RFTK)	24.74	8.21	+16.53	+201.3
Number of aircraft(As of June 30) (Aircraft)	103	103	-	-
Flight hours (Hours)	3,857	101,737	-97,880	-96.2
Aircraft utilization (Hours/Aircraft/Day)	1.3	11.5	-10.2	-88.7
Average foreign currency exchange rate				
1 USD : THB	31.9473	31.5890	+0.3583	+1.1
1 EUR : THB	35.1512	35.4815	-0.3303	-0.9
100 JPY : THB	29.7158	28.7468	+0.9690	+3.4
Average jet fuel price (USD/BBL)	32.76	87.11	-54.35	-62.4

Note : 1) EBITDA = Total Revenue (exclude gain on foreign exchange) - Expenses (exclude finance cost, tax, depreciation and amortization, impairment loss on fixed assets, impairment loss in accordance with TFRS 9, Hedging losses 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** for the second quarter of 2020 was THB 2,492 million, decreased by THB 40,017 million (94.1%). Details are as follows:

- **Passenger and excess baggage revenue**

Passenger and excess baggage revenue were THB 468 million, decreased by THB 34,130 million (98.6%) from decreasing in passenger traffic (Revenue Passenger-Kilometers:RPK) by 99.5% from last year which was main revenue from repatriation flights of Thai citizens.

- **Freight and mail revenue**

Freight and mail revenue were THB 940 million, decreased by THB 3,474 million (78.7%) due to the decrease in freight traffic (Revenue Freight Ton-Kilometers: RFTK) by 92.7 %. During this period, 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 992 million, decreased by THB 2,165 million (68.6%) from last year. This is because of the notification from Civil Aviation Authority of Thailand prohibited restrict the travel aviation vessels to the Kingdom of Thailand during April 3 to June 30, 2020, causing decreased in revenue from all other activities in line with the drop in number of customers airline' s flights.

- **Other revenues**

Other revenues totaled THB 92 million, decreased from last year by THB 248 million (72.9%) mainly from reducing in line maintenance service and lounge service at station abroad.

### Expenses

Total expenses of **THAI and its subsidiaries** for the second quarter of 2020 were THB 16,193 million, decreased by THB 33,428 million (67.4%) from last year. A summary of operating expenses is as follows:

- Aircraft fuel expenses was THB 88 million representing 0.5% of total expenses, decreased by THB 13,776 million (99.4%) resulting from temporary flight suspension which decreased fuel consumption by 97.0% while average fuel prices decreased when compared to the same period last year by 62.4%.

- Non-fuel operating expense was THB 13,485 million or THB 21,299 million (61.2%) lower than last year. Details as follows:

	Apr - Jun			
	2020	2019	Variance	
			MTHB	%
<b>Expense</b>				
Employee benefit expenses	4,296	7,623	-3,327	-43.6
Flight service expenses	33	5,078	-5,045	-99.4
Crew expenses	56	1,539	-1,483	-96.4
Aircraft maintenance and overhaul costs	732	4,829	-4,097	-84.8
Depreciation and amortization expenses	6,879	4,334	+2,545	+58.7
Lease of aircraft and spare parts	9	3,669	-3,660	-99.8
Inventories and supplies	134	2,208	-2,074	-93.9
Selling and advertising expenses	6	2,513	-2,507	-99.8
Other expenses	1,229	2,819	-1,590	-56.4
Share of losses of associates	111	102	+9	+8.8
<b>Non-fuel Operating Expense</b>	<b>13,485</b>	<b>34,714</b>	<b>-21,229</b>	<b>-61.2</b>

The summary of expenses that significantly changed consisted of

- Variable cost which consisted of flight service expenses, crew expenses, aircraft repair and maintenance costs, inventories and supplies expenses, selling and advertising expenses totaled THB 961 million, THB 15,206 million (94.1%) lower than the previous year resulting from temporary flight suspension.

- Fixed cost comprised of Employee benefits expenses, depreciation and amortization expenses, lease of aircraft and spare parts, and other expenses which totaled THB 12,413 million, THB 6,032 million (32.7%) lower than last year. Details as follows:

- Employee benefits expenses consisting of personnel expense, employee benefits, management benefits and board of directors' benefits were THB 4,296 million, decreased by THB 3,327 million (43.6 %) due to the reducing of personnel costs in accordance with the company's cost reduction measures, decreasing number of outsource in line with reducing work load and reducing overtime.

- Depreciation and amortization and lease of aircraft and spare parts were THB 6,888 million decreased by THB 1,115 million (13.9%) As a result 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 2,545 million (58.7%), mainly due to the adoption of TFRS No.16 : Leases. Resulting in depreciation of the right-of-use assets of the company and Thai Smile Airways Co., Ltd. increased by THB 3,163 million , mainly due to the right-of-use of 39 aircraft under operating lease and engine in the amount of THB 2,959 million. If excluding such impact, depreciation will be lower than last year THB 618 million resulting from the fully depreciated aircraft, aircraft seat and other assets.

- Leases of aircraft and spare parts decreased by 3,660 million (99.8%) mainly due to the adoption of TFRS No.16 : Leases as mentioned above. If combined depreciation of right-of- use, amount of THB 2,959 million which included in depreciation and amortization and interest from lease liabilities which included in financial cost, amount of THB 721 million. Lease of aircraft and spare parts in the second quarter of 2020 would be closed to the same period last year.

- Other expenses amounted to THB 1,229 million, a decrease of THB 1,590 million (56.4%) due to the Company's strict cost reduction measures.

- Share of loss of associates reported the total amount of THB 111 million, more loss than last year by THB 9 million (8.8%). In most cases, associated companies had lower profits from the same quarter of last year. Details as follow:

- Bangkok Aviation Fuel Services PCL's loss of THB 56 million while last year reported profit of THB 41 million,
- Suvarnabhumi Airport Hotel Ltd.'s loss of THB 10 million while last year reported profit of THB 3 million,
- Donmuang International Airport Hotel Ltd. loss of THB 0 million while last year's profit of THB 4 million,
- Phuket Air Catering Ltd. reported loss of THB 7 million a loss increase by 5 million, and
- Nok Airlines PCL.'s loss of THB 38 million, a loss decreased by THB 110 million. In this regard, THAI recognized the share of loss in Nok Airlines Public Company Limited equal to the investment using the equity method remaining as of March 31, 2020.

- **Net finance cost** was THB 2,620 million, increased by THB 1,577 million (151.2%) resulting from interest from lease liabilities for both aircraft and right-of-use of land, buildings, and other assets totaled THB 753 million from the adoption of TFRS 16. If excluded such impact, finance cost will increase by THB 824 million mainly due to the bank adjusting interest rate to the default rate of short-term loans increased. In addition, profits from interest rate swap contracts were lower than last year.

**Impairment loss on fixed assets** were THB 73 million, decrease by THB 99 million with the following details:

- Impairment loss of aircraft were THB 56 million, THB 66 million lower than last year. This quarter impairment loss comprised of 6 aircrafts, amount of THB 50 million and 3 spare engines consisted of 1 TRENT 553 engine and 2 TRENT 556 engines whose total amount was THB 6 million while last year there was a provision for impairment for 8 aircraft totaling THB 122 million.

- Impairment loss of assets was THB 17 million lower than last year's by THB 33 million due to lower reserve for damaged rotatable spare parts which were unrepairable from last year.

**Gain on foreign currency exchange** was THB 7,422 million consisted of THB 6,843 million unrealized gain resulting from revaluation of foreign currency loans, assets and liabilities, especially the depreciation of Euro dollars, Japanese Yen, and US Dollar when compared as at June 30, 2020 to March 31, 2020, and realized gain of THB 579 million.

**The result of the measurement of financial instruments from the adoption of TFRS 9.**

- Impairment loss in accordance with TFRS 9 in the amount of THB 86 million
- Gain for hedge of group of items with offsetting risk positions in the amount of THB 1,231 million mainly due to the reversal of the fair value adjustment of the fuel price hedging contract which recognized as a loss in previous quarter of THB 6,263 million and recognized loss from ineffective fuel price hedging in the amount of USD 157.2 million or approximately THB 4,900 million. As a result, net profit was approximately THB 1,363 million. In the process of filing business rehabilitation plan under the Central Bankruptcy Court. Therefore, the fuel hedging derivative has been entered the default state according to ISDA (International Swaps and Derivative Association). As of June 30, 2020, the financial institution has submitted the Close-out of all fuel Hedging Transaction.

In addition, most of the Cross Currency Swap (CCS) and Forwarded Contracts have been closed out in June 2020, in conjunction with the COVID-19 epidemic situation, causing uncertainty in net cash flow from operation in each contracted currency and the default of the loan agreement. As a result, the fair value of the remaining SWAP contract would recognized in the statement of comprehensive income from previously in other comprehensive income /loss( OCI) resulted in a loss from the change in the fair value of such agreement amounting to approximately THB 132 million.

**Operating results of THAI and its subsidiaries of the first six months of 2020 (January - June 2020)**
**Financial Performance: THAI and its subsidiaries**

	Jan - Jun			
	2020	2019	Variance	
			MTHB	%
<b>Total operating revenues</b>	<b>40,493</b>	<b>92,300</b>	<b>-51,807</b>	<b>-56.1</b>
- Passenger and excess baggage revenue	31,133	75,622	-44,489	-58.8
- Freight and mail revenue	5,083	9,062	-3,979	-43.9
- Revenue from other activities	3,821	6,830	-3,009	-44.1
- Other income	456	786	-330	-42.0
<b>Total operating expenses</b>	<b>58,801</b>	<b>100,239</b>	<b>-41,438</b>	<b>-41.3</b>
- Aircraft fuel expenses	11,502	27,908	-16,406	-58.8
- Non-fuel operating expenses	42,957	70,225	-27,268	-38.8
- Net finance cost	4,342	2,106	+2,236	+106.2
<b>Operating Loss</b>	<b>(18,308)</b>	<b>(7,939)</b>	<b>-10,369</b>	<b>-130.6</b>
<u>Add</u> Gain on change in ownership interest	205	273	-68	-24.9
<u>Less</u> Impairment loss on Fixed assets	3,054	385	+2,669	+693.2
<u>Less</u> Impairment loss in accordance with TFRS 9	151	-	+151	-
<u>Add</u> Gain (Loss) on foreign currency exchange	(1,119)	1,888	-3,007	-159.3
<u>Less</u> Loss for hedge of group of items with offsetting risk positions	(5,258)	-	-5,258	-
Loss before tax	(27,685)	(6,163)	-21,522	-349.2
Net Loss	(28,030)	(6,422)	-21,608	-336.5
<b>Loss attribute to owners of the parent</b>	<b>(28,016)</b>	<b>(6,438)</b>	<b>-21,578</b>	<b>-335.2</b>
Net Loss per share (THB)	(12.84)	(2.95)	-9.89	-335.3
<b><u>Significant operating data</u></b>				
EBITDA (MTHB)	175	2,951	-2,776	-94.1
Number of passengers (Million)	4.57	12.01	-7.44	-61.9
Available Seat-Kilometers (Million)	20,944	44,768	-23,824	-53.2
Revenue Passenger-Kilometers (Million)	14,387	34,715	-20,328	-58.6
Cabin factor (%)	68.7	77.5	-8.8	-8.8
Passenger yield (THB/RPK)	2.12	2.14	-0.02	-0.9
Available Dead Load Ton-Kilometers (Million)	919	1,953	-1,034	-52.9
Revenue Freight Ton-Kilometers (Million)	504	1,036	-532	-51.4
Freight load factor (%)	54.8	53.1	+1.7	+1.7
Freight carried (Ton)	137,591	286,849	-149,258	-52.0
Freight Yield (THB/RFTK)	9.58	8.19	+1.39	+17.0
Number of aircraft(As of Jun 30) (Aircraft)	103	103	-	-
Flight hours (Hours)	95,230	208,481	-113,251	-54.3
Aircraft utilization (Hours/Aircraft/Day)	5.9	12.0	-6.1	-50.8
Average foreign currency exchange rate				
1 USD : THB	31.6166	31.6001	+0.0165	+0.1
1 EUR : THB	34.8187	35.6912	-0.8725	-2.4
100 JPY : THB	29.2248	28.7285	+0.4963	+1.7
Average jet fuel price (USD/BBL)	76.09	84.02	-7.93	-9.4



Note : 1) EBITDA = Total Revenue (exclude gain on foreign exchange and gain on change in ownership interest) - Expenses (exclude finance cost, tax, depreciation and amortization, impairment loss on fixed assets, impairment loss in accordance with TFRS 9, Hedging losses for hedge of group of items with offsetting risk positions and loss on foreign currency exchange)

THAI and its subsidiaries' had operating loss for the first half-year 2020 of THB 18,308 million more loss from last year by THB 10,369 million (130.6%).

Total revenue was THB 40,493 million, decreased by THB 51,807 million (56.1%), mainly due to a decrease in transportation revenue of THB 48,468 million (57.2%) especially in the second quarter as mentioned above. Revenue from passenger and excess baggage decreased by 58.8% from passenger traffic which decreased by 58.6%. Passenger yield (including fuel and insurance surcharge) were 0.9% lower than last year as well as impact from foreign currency exchange which caused less average passenger yield by 4.7%. Freight and mail revenues decreased by 43.9%, mainly due to the decrease by 51.4% in freight traffic (Revenue Freight Ton-Kilometres: RFTK) while average freight yield increased by 17.0% due to the freight charter flight. Revenue from other activities also decreased by 44.1% from the previous year. The main reason was from less customer airlines' flight.

Total expenses were THB 58,801 million, decreased by THB 41,438 million (41.3%) since variable cost decreased by 58.0% in line with the decrease in production and traffic resulting from temporary halt operation in this quarter. Fixed Cost decreased by 22.3% from employee benefits and other operating expenses were reduced in accordance with cost control measures, especially in the second quarter of which THAI and its subsidiaries suspended their flights.

This quarter THAI and its subsidiaries had one-time expenses consisted of

- Gain on change in ownership interest in Nok Airlines PCL. was THB 205 million.
- Loss impairment of fixed assets amounted to THB 3,054 million, an increase of THB 2,669 million mainly due to in the first quarter of 2020, there was an impairment loss of 12 aircrafts which were still in aircraft fleet but has discontinuation plan totaled THB 2,846 million which were 6 Boeing B747-400 aircraft, amount of THB 1,773 million, 6 Boeing B777-200 aircraft, amount of THB 1,073 million. THAI would not ground these aircraft and would be able to use them for operation when needed.

#### **The 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 151 million
- Hedging Loss for hedge of group of items with offsetting risk positions in the amount of THB 5,258 million mainly due to
  - Losses from fuel price hedging in the amount of THB 4,900 million as mention earlier.
  - Losses from the change in the fair value for Cross Currency Swap was THB 358 million due to the process of filing business rehabilitation plan, the financial institution has submitted the Close-out most of the CCS Contract. Therefore, the fair value of the remaining SWAP contract would recognized in the statement of comprehensive income from previously in other comprehensive income /loss (OCI)
- Loss on foreign currency exchange was THB 1,119 million consisted of THB 2,633 million unrealized loss resulting from revaluation of foreign currency loans, assets and liabilities, especially the depreciation of Baht against Euro dollars, Japanese Yen, and US Dollar when compared as at June 30, 2020 to December 31, 2019, including aircraft operating lease liabilities in accordance with TFRS16, and realized gain of THB 1,514 million.

In the first half of 2020, THAI and its subsidiary had a net loss of THB 28,030 million, higher loss than last year by THB 21,608 million. Loss attributable to owners of the parent company was

THB 28,016 million, representing a loss of THB 12.84 per share, higher loss than last year of THB 9.89 per share.

EBITDA was THB 175 million, which is lower than the previous year by THB 2,776 million (94.1%). EBITDA margin was 0.4% compared to 3.2% in the previous year.

### 3. Financial Position and Liquidity Capital Expenditures – The Group

Unit : Million Baht	Apr-Jun		Jan -Jun	
	2020	2019	2020	2019
Aircraft and aircraft spare parts	37	279	468	573
Non-Aircraft	171	324	382	625
<b>Total</b>	<b>208</b>	<b>603</b>	<b>850</b>	<b>1,198</b>

Capital expenditures for the second quarter of 2020 was THB 208 million, lower than last year by THB 395 million. Such capital expenditures consisted of an investment in aircraft and aircraft spare parts, the amount of THB 37 million which mostly were rotatable spare parts. Investments in other fixed assets amounted to THB 171 million which were the investment in equipment used for ground equipment services and technical service.

When combining with the first quarter of 2020, amounted of THB 642 million, THAI and its subsidiaries had total investment expenditure of THB 850 million for the first six months of 2020.

### Financing

In the first half of 2020, THAI and its subsidiary executed financing only during the first quarter by withdrawing both committed and uncommitted credit lines total amount of 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 – Jun	
	2020	2019
Net cash from (used in) operating activities	(4,863)	3,716
Net cash used in investing activities	(74)	(751)
Net cash used in financing activities	(2,661)	(3,330)
Effect from changing in exchange rate on cash and cash equivalents decrease	(93)	(98)
Effect of changes in credit loss on cash and cash equivalents decrease	(9)	-
<b>Decrease in cash and cash equivalents</b>	<b>(7,700)</b>	<b>(463)</b>

In the first half of 2020, THAI had net cash used in operating activities, the amount of THB 4,863 million due to the negative result while last year's net cash from operating activities amounted to THB 3,716 million. Net cash used in financing activities was THB 2,661 million, THB 669 million

lower than last year. Net cash used in investing activities was THB 74 million, THB 677 million lower than last year from lower cash paid for purchase of fixed assets. As a result, cash and cash equivalents as at June 30, 2020 amounted to THB 13,963 million, a decrease of THB 7,700 million from December 31, 2019.

## Fleets

The total active aircraft was 103 aircrafts as of June 30, 2020 (including 20 Airbus A320-200 under ThaiSmile's operations) which equaled to number of aircraft as of December 31, 2019 and June 30, 2019. THAI had aircraft held for sale as of June 30, 2020 total 15 aircraft comprised of 3 Airbus A340-500, 6 Airbus A340-600, 1 Airbus A300-600, 4 Boeing B737-400 and 1 Boeing B747-400.

## Total Assets

As of June 30, 2020, total assets of **THAI and its subsidiary** totaled THB 314,044 million, increased by THB 59,236 million (23.2%) from as at December 31, 2019.

	Consolidated					
	Jun 30, 2020		Dec 31, 2019		Variance	
	MTHB	% of Total Assets	MTHB	% of Total Assets	MTHB	%
Current assets						
Cash and cash equivalents	13,963	4.4	21,663	8.5	-7,700	-35.5
Non-current assets held for sale	24	-	23	-	+1	+4.3
Other current assets	15,605	5.0	23,990	9.4	-8,385	-35.0
<b>Current Assets</b>	<b>29,592</b>	<b>9.4</b>	<b>45,676</b>	<b>17.9</b>	<b>-16,084</b>	<b>-35.2</b>
Property, plant and equipment-net	69,901	22.3	171,116	67.2	-101,215	-59.1
Right-of-use Assets	176,481	56.2	-	-	+176,481	-
Other non-current assets	38,070	12.1	38,016	14.9	+54	+0.1
<b>Total Assets</b>	<b>314,044</b>	<b>100.0</b>	<b>254,808</b>	<b>100.0</b>	<b>+59,236</b>	<b>+23.2</b>

Current assets amounted to THB 29,592 million or represented 9.4% of total assets which decreased from December 31, 2019 in the amount of THB 16,084 million (35.2%), with significant changes in items as follows:

- Cash and cash equivalents decreased by THB 7,700 million (35.5%) from operating activities.
- Other current assets decreased by THB 8,385 million (35.0%) mainly due to the decrease in trade and other current receivables THB 9,253 million (53.0%) from lower sales in the first 6 months of 2020, especially during the second quarter that THAI and its subsidiaries have temporarily suspended their flights.

Property, plant and equipment-net totaled THB 69,901 million or represented 22.3 % of total assets, a decrease of THB 101,215 million (59.1%) from December 31, 2019 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 176,481 million or 56.2% 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.

Other non-current assets amounted to THB 38,070 million or represented 12.1% of total assets, close to 31 December 2019.

Return on Asset for the six-month period of 2020 was -8.2 percent, a decrease from the same period last year which equals -1.5 percent

### Total Liabilities

As of June 30, 2020, total liabilities of **THAI and its subsidiary** totaled THB 332,199 million, increased by THB 89,157 million (36.7%) from as of December 31, 2019. These comprise of:

	Consolidated					
	Jun 30, 2020		Dec 31, 2019		Variance	
	MTHB	% of Total Liabilities	MTHB	% of Total Liabilities	MTHB	%
Current liabilities	64,988	19.6	60,028	24.7	+4,960	+8.3
Current portion of long-term liabilities	226,828	68.3	21,731	9.0	+205,097	+943.8
Long-term liabilities	10	-	122,121	50.2	-122,111	-100.0
Other non-current liabilities	40,373	12.1	39,162	16.1	+1,211	+3.1
<b>Total Liabilities</b>	<b>332,199</b>	<b>100.0</b>	<b>243,042</b>	<b>100.0</b>	<b>+89,157</b>	<b>+36.7</b>

Current liabilities amounted to THB 64,988 million or represented 19.6% of total liabilities, an increase from 31 December 2019 by THB 4,960 million (8.3%). The significant items consisted of:

- Short-term loans from financial institutions and related parties totaled THB 15,143 million, increased by THB 11,643 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.
- Short-term derivative liabilities increased by THB 1,455 million due to TFRS 9 adoption.
- Unearned transportation revenue decreased by THB 12,961 million due to lower sales from flights suspension in the second quarter.
- Trade and other current payables increased by THB 4,777 million, mainly due to creditors from settlement of fuel hedging contracts that financial institutions have close-out.

Long-term liabilities included current portion of long-term liabilities which accounted for 68.3 percent of total liabilities, an increase of THB 82,986 million (57.7%), mainly due to the recording of lease liabilities in accordance with IFRS 16 on lease agreements that were effective for the accounting period that beginning on or after January 1, 2020, in the amount of THB 94,318 million and the revision of the measurement of new lease liabilities due to changes in the payment of variable rental based on the reference interest rate decrease by THB 1,292 million if excluded such items Long-term liabilities decreased by THB 10,040 million from long-term loan repayment, liabilities under lease agreements and debentures amounted to THB 11,184 million. In addition, the depreciation of Thai Baht against the Euro, Japanese Yen, and US dollars as of June 30, 2020 compared to the end of the period of 2019, causing an increase in long term liabilities in Baht term totaled THB 1,144 million.

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 represented 12.1% of total liabilities which increased by THB 1,211 million (3.1%). The main reason was the increase in other non-current provisions of THB 849 million due to long-term provision has been set for maintenance and overhaul of aircraft, maintenance reserve for aircraft overhaul, aircrafts' engines and others component of aircraft which has to pay maintenance in the future. In addition, non-current provisions for employee benefits increased by THB 321 million.

At the end of the second quarter 2020, THAI and its subsidiary's interest bearing debt to equity was -13.3 times, increased from the end of 2019's 12.5 times. Debt to equity ratio was -18.3 times, greater than 20.8 times of last year.

### **Shareholders' Equity**

As of 30 June 2020 shareholders' equity of THAI and its subsidiaries amounted to THB -18,155 million, decreased from 31 December 2019 by THB 29,921 million (254.3%). The main reason is the negative performance in this year.

### **Liquidity**

As of 30 June 2020, THAI and its subsidiaries had cash and cash equivalents in the amount of THB 13,963 million or 4.4% of total assets, decreased from 31 December 2019 by THB 7,700 million. In the first quarter of 2020, THAI and its subsidiaries withdrew both committed and uncommitted credit lines total amount of 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)**

For the first half of 2020, THAI had total revenue of THB 39,818 million, lower than the same period last year by THB 49,293 million or 55.3%. The main reason since both revenue from passenger and cargo transportation decreased by THB 45,475 million (56.7%) resulting from the decrease in production and traffic caused by temporary operating halt in the second quarter, while average passenger yield decreased by 0.9%. Moreover, revenues from other activities reduced by THB 3,369 million or 43.4% due to decreasing in number of customer airlines. Total expense totaled THB 56,230 million, THB 40,842 million (42.1%) less than last year mainly due to the decrease of production and traffic causing operating loss of THB 16,412 million, more loss than last year by THB 8,451 million (106.6%).

For the first half of 2020, THAI had one-time expenses consisting of

- Impairment loss on fixed assets in the amount of THB 3,054 million, an increase of THB 2,669 million as mentioned earlier.
- Impairment loss from investment in the amount of THB 2,144 million. The main reason is due to the impairment 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.

The impact of COVID-19 pandemic has also affected the performance of Nok Airlines PCL. and its subsidiaries. THAI considered such situation that indicated the impairment indicator in the investment of Nok Airlines PCL. and its subsidiaries, and found that the fair value of the recoverable amount was in amount of Baht 391 million which was less than carrying amount. THAI recorded an allowance for the impairment of the investment in amount of Baht 344 million

- Impairment loss in accordance with TFRS 9 in the amount of THB 6,169 million. Most of them are expected credit loss of receivables of Thai Smile Airways Company Limited of THB 6,018 million.

- Loss on foreign currency exchange was THB 1,032 million consisted of THB 2,453 million unrealized loss resulting from revaluation of foreign currency loans, assets and liabilities, especially the depreciation of Euro dollars, Japanese Yen, and US Dollar when compared as at June 30, 2020 to December 31, 2019, including aircraft operating lease liabilities in accordance with TFRS16, and realized gain of THB 1,421 million.

- Losses for hedge of group of items with offsetting risk positions according to TFRS9 in the amount of THB 5,258 million as mentioned earlier.

THAI had a net loss of THB 34,414 million, higher loss than last year by THB 27,756 million, representing a loss of THB 15.77 per share, higher loss than last year of THB 12.72 per share.

EBITDA was THB 1,238 million, which is lower than the previous year by THB 1,680 million. EBITDA margin was 3.1% compared to 3.3% in the previous year.

## Financial Performance : THAI

	Jan-Jun			
	2020	2019	Variance	
			MTHB	%
<b>Total operating revenues</b>	<b>39,818</b>	<b>89,111</b>	<b>-49,293</b>	<b>-55.3</b>
- Passenger and excess baggage revenue	29,723	71,192	-41,469	-58.2
- Freight and mail revenue	5,058	9,064	-4,006	-44.2
- Revenue from other activities	4,390	7,759	-3,369	-43.4
- Other income	647	1,096	-449	-41.0
<b>Total operating expenses</b>	<b>56,230</b>	<b>97,072</b>	<b>-40,842</b>	<b>-42.1</b>
- Fuel and oil	10,714	25,944	-15,230	-58.7
- Non-fuel operating expenses	41,287	69,020	-27,733	-40.2
- Net finance cost	4,229	2,108	+2,121	+100.6
<b>Operating Loss</b>	<b>(16,412)</b>	<b>(7,961)</b>	<b>-8,451</b>	<b>-106.6</b>
<u>Less</u> Impairment loss on fixed assets	3,054	385	+2,669	+693.2
<u>Less</u> Impairment loss from investment	2,144	-	+2,144	-
<u>Less</u> Impairment loss in accordance with TFRS 9	6,169	-	+6,169	-
<u>Add</u> Gain (Loss) on foreign currency exchange	(1,032)	1,938	-2,970	-153.3
<u>Less</u> Loss from hedge of group of items with offsetting risk positions	(5,258)	-	-5,258	-
Loss before tax	(34,069)	(6,408)	-27,661	-431.7
<b>Net Loss</b>	<b>(34,414)</b>	<b>(6,658)</b>	<b>-27,756</b>	<b>-416.9</b>
Net Loss per share (THB)	(15.77)	(3.05)	-12.72	-417.0
<b><u>Significant operating data</u></b>				
EBITDA (MTHB)	1,238	2,918	-1,680	-57.6
Number of passengers (Million)	3.50	9.45	-5.95	-63.0
Available Seat-Kilometers (Million)	19,501	41,761	-22,260	-53.3
Revenue Passenger-Kilometers (Million)	13,482	32,426	-18,944	-58.4
Cabin factor (%)	69.1	77.6	-8.5	-8.5
Passenger yield (THB/RPK)	2.09	2.11	-0.02	-0.9
Available Dead Load Ton-Kilometers (Million)	919	1,953	-1,034	-52.9
Revenue Freight Ton-Kilometers (Million)	504	1,036	-532	-51.4
Freight load factor (%)	54.8	53.1	+1.7	+1.7
Freight carried (Ton)	134,814	281,612	-146,798	-52.1
Freight Yield (THB/RFTK)	9.53	8.19	+1.34	+16.4
Number of aircraft(As of Jun 30) (Aircraft)	83	83	-	-
Flight hours (Hours)	78,478	173,847	-95,369	-54.9
Aircraft utilization (Hours/Aircraft/Day)	6.1	12.6	-6.5	-51.6
Average foreign currency exchange rate				
1 USD : THB	31.6166	31.6001	+0.0165	+0.1
1 EUR : THB	34.8187	35.6912	-0.8725	-2.4
100 JPY : THB	29.2248	28.7285	+0.4963	+1.7
Average jet fuel price (USD/BBL)	76.09	84.02	-7.93	-9.4

Note : 1) EBITDA = Total Revenue (exclude gain on foreign exchange and gain on change in ownership interest) - Expenses (exclude finance cost, tax, depreciation and amortization, impairment loss on fixed assets, impairment loss in accordance with TFRS 9, Hedging losses for hedge of group of items with offsetting risk positions and loss on foreign currency exchange)

## Total Assets

As of 30 June 2020, **THAI** had total assets of THB 313,907 million, an increase of THB 53,885 million from 31 December 2019 (20.7%). The significant items consisted of :

	Separate Financial Statement					
	Jun 30, 2020		Dec 31, 2019		Variance	
	MTHB	% of Total Assets	MTHB	% of Total Assets	MTHB	%
Current assets						
Cash and cash equivalents	13,304	4.2	20,873	8.0	-7,569	-36.3
Non-current assets held for sale	24	-	23	-	+1	+4.3
Other current assets	18,592	5.9	29,363	11.3	-10,771	-36.7
<b>Current Assets</b>	<b>31,920</b>	<b>10.1</b>	<b>50,259</b>	<b>19.3</b>	<b>-18,339</b>	<b>-36.5</b>
Property, plant and equipment-net	69,871	22.3	171,083	65.8	-101,212	-59.2
Right-of-use Assets	169,390	54.0	-	-	+169,390	-
Other non-current assets	42,726	13.6	38,680	14.9	+4,046	+10.5
<b>Total Assets</b>	<b>313,907</b>	<b>100.0</b>	<b>260,022</b>	<b>100.0</b>	<b>+53,885</b>	<b>+20.7</b>

- Current assets decreased by THB 18,339 million (36.5%), mainly caused by cash and cash equivalents decreased by 7,569 million (36.3%), other current assets decreased by THB 10,771 million (36.7%) due to expected credit loss of receivables of Thai Smile Airways Company Limited of THB 6,018 million, combined with a decrease in sale volume. However, aircraft lease receivables for Thai Smile Airways Company Limited increased by THB 1,588 million according to TFRS 16 and short-term derivatives assets increased by THB 1,115 million.

- Property, plant and equipment-net decreased in amount of THB 101,212 million (59.2%), 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 totaled THB 169,390 million which consisted of finance lease assets and commitment under operating lease of aircraft and other lease assets in accordance with TFRS 16 adoption.

- Other non-current assets increased by THB 4,046 million (10.5%) mainly due to non-current lease receivables increased by THB 5,779 million from aircraft lease receivables for Thai Smile Airways Company Limited. Maintenance reserve increased by THB 1,240 million but investments in subsidiaries and associates decreased by THB 2,144 million from allowance for the impairment of investment in Nok Airlines PCL. and Thai Smile Airways Company Limited



## Total Liabilities

As of 30 June 2020, **THAI** had total liabilities of THB 331,027 million, an increase of THB 90,172 million (37.4%) from 31 December 2019. The significant items consisted of :

	Separate Financial Statement					
	Jun 30, 2020		Dec 31, 2019		Variance	
	MTHB	% of Total Liabilities	MTHB	% of Total Liabilities	MTHB	%
Current liabilities	64,346	19.4	58,242	24.2	+6,104	+10.5
Current portion of long-term liabilities	226,811	68.5	21,731	9.0	+205,080	+943.7
Long-term liabilities	-	-	122,121	50.7	-122,121	-100.0
Other non-current liabilities	39,870	12.1	38,761	16.1	+1,109	+2.9
<b>Total Liabilities</b>	<b>331,027</b>	<b>100.0</b>	<b>240,855</b>	<b>100.0</b>	<b>+90,172</b>	<b>+37.4</b>

- Current liabilities increased by THB 6,104 million (10.5%) mainly due to increased in short-term loans from financial institutions and related parties and short-term derivatives liabilities while unearned transportation revenue decreased.

- Long-term liabilities included current portion of long-term liabilities increased by THB 82,959 million (57.7%) from recording lease liabilities, depreciation of Thai Baht but there were repayment of long term loan.

- Other non-current liabilities increased by THB 1,109 million (2.9%). The main reason was due to the increase of other non-current provision by THB 651 million and non-current provisions for employee benefits increased by THB 301 million.

## Shareholders' Equity

**THAI** had shareholders' equity as of 30 June 2020 of THB -17,120 million, a decrease of THB 36,287 million (189.3%) from 31 December 2020, mainly due to the negative performance in the first half of 2020.

## 4. Factors affecting future operations

International Air Transport Association (IATA) forecasted in July 2020 that the expected evolution of passenger demand will return to pre-pandemic-COVID levels in 2024 .This pandemic was extremely severe and longer-than-expected if there were the second wave of outbreaks would damage the global aviation industry. Airlines have faced some of the roughest challenges in the history to stabilize adequate cash to maintain liquidity yet have to face a path of recovery that is anxious with uncertainty that the recession is likely to hinder demand recovery. Many countries have been impacted by the disruption of the global supply chain. The closing and lockdown policies in many countries also disturb lower household incomes. These factors affect the recovery of the aviation industry.

According to the business rehabilitation process, when the Court makes an appointment for an investigation of the Company's business rehabilitation on August 17, 2020, if there is no objection to the rehabilitation petition or the Planner, then the Central Bankruptcy Court will issue an order for business rehabilitation and appoint the Planner and there will have announcements or advertisements for the appointment of the Planner in the Royal Gazette. After that the creditors who have the rights to claim the debt are able to submit the petition to the Official Receiver, the Legal Execution Department within one month from the date of the announcement of the appointment of the Planner. Subsequently the rehabilitation plan will be proceeded, the investigation of debt repayment petition and other legal proceedings until the Central Bankruptcy Court approves the rehabilitation plan and order to execute

to the rehabilitation plan. The Company expects to manage the operations in according to the objectives of the rehabilitation plan in March 2021. Details are in Note 4 to the financial statements.

THAI still continues to understand with creditors both foreign creditors which are the lessor of the aircraft, cooperative creditors and debenture payable. This is to ensure that creditors will support THAI to be the plan administrator because the plan administrators have business expertise and have specific expertise.

On July 30 2020, Nok Airlines Public Company Limited, an associate company, submitted a petition to enter into a business rehabilitation process and propose the rehabilitation planner to the Central Bankruptcy Court under the Bankruptcy Act B.E. 2483 and at the same date, the Central Bankruptcy Court has issued an order to accept the rehabilitation petition of the Company and set the hearing date on rehabilitation petition of Nok Airlines Public Company Limited on October 27, 2020. The Company's management considered the significant impact of the submission of the business rehabilitation petition of the associated company to the Company as at June 30, 2020 which was the valuation of investment in associated company in the separate financial statements. The Company has devalued the valuation of investment in an associate from at cost to the recoverable amount as at March 31, 2020 Details are in Note 29 and 9.1 to the financial statements.

## 5. Financial Ratios

		Jan – Jun			
		Consolidated		The Company	
		2020	2019	2020	2019
<b>Liquidity Ratio</b>					
Current Ratio	(times)	0.11	0.83	0.12	0.91
Current Ratio (Included Committed Credit Line)	(times)	0.11	1.03	0.12	1.13
<b>Profitability Ratio</b>					
Operating Profit (Loss) Margin	%	(45.11)	(8.59)	(41.13)	(8.93)
Net Profit (Loss) Margin	%	(69.07)	(6.95)	(86.24)	(7.46)
Return on Equity	%	-	(34.42)	-	(25.81)
<b>Efficiency Ratio</b>					
Return on Total Assets	%	(8.18)	(1.50)	(10.37)	(1.55)
<b>Financial Policy Ratio</b>					
Interest Bearing Debt to Equity	(times)	(13.33)	8.72	(14.13)	6.15
Total Debt to Equity	(times)	(18.30)	14.55	(19.34)	10.18
Interest Coverage Ratio	(times)	0.04	1.34	0.29	1.33
Net Debt to EBITDA	(times)	-	78.58	-	79.22
Debt Service Coverage Ratio	(times)	0.01	0.61	0.18	0.66

**GLOSSARY**

**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, and gain on change in ownership interest)

**Net Profit (Loss) Margin** = Net Profit (Loss) / Total Revenue (excluded gain on foreign currency exchange and 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 + Interest payment + Lease of aircraft And spare part)