

**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
BY THE INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

**TO THE BOARD OF DIRECTORS
THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED**

We have reviewed the consolidated statement of financial position of Thai Airways International Public Company Limited and its subsidiaries (the “Group”) and the separate statement of financial position of Thai Airways International Public Company (the “Company”) as at June 30, 2020, and the related consolidated and separate statements of profit or loss and other comprehensive income for the three-month and six-month periods ended June 30, 2020, and the related consolidated and separate statements of changes in shareholders’ equity and cash flows for the six-month period ended June 30, 2020, and the condensed notes to the financial statements. The Company’s management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard No. 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Thai Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Thai Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Disclaimer of Conclusion

As we considered the situations that had impact to the uncertainty of the Group’s and the Company’s operations as follows:

1. Lack of liquidity and default of debt payment

As disclosed in Note 1 to the interim financial statements regarding the financial position of the Group and the Company as at June 30, 2020, the Group had significant current liabilities in excess of current assets by Baht 262,224 million and had capital deficiency of Baht 18,228 million in the consolidated financial statements and the Company had current liabilities in excess of current assets by Baht 259,238 million and had capital deficiency of Baht 17,120 million in the separate financial statements. The Group and the Company had loss from operations since year 2013 which resulted in capital deficiency and lack of financial liquidity. In the second quarter of year 2020, the Company was under the Automatic Stay status according to the order to accept the rehabilitation petition of the Central Bankruptcy Court on May 27, 2020. As a result, the Company has triggered the event of default of outstanding liabilities and has not paid liabilities when due, including trade account payables, short-term borrowings, long-term borrowings, debentures and lease liabilities.

2. Effect of Coronavirus Disease 2019 Pandemic to the operations of the Group

As disclosed in Note 1 to the interim financial statements, the Coronavirus disease 2019 (“COVID-19”) pandemic is continuing to evolve, resulting in an economic slowdown and adversely impacting most businesses and industries, especially aviation industry. Since March 23, 2020 and March 25, 2020, Thai Smile Airways Company Limited, a subsidiary, and the Company have suspended domestic and international flight operations, respectively. However, Thai Smile Airways Company Limited and the Company have resumed some flight services on June 18, 2020 and August 5, 2020, respectively, but not yet resumed normal operation. The subsidiary and the Company are assessing the situation to resume the flight operations and will resume as soon as the situation improves as a result of preventive measure for controlling the spread of COVID-19 by government of each country. This situation may have a significant impact on the flight plan, the financial position, the ability to generate revenues and current and future cash flows of the Group.

3. Entering into the rehabilitation process

As disclosed in Note 4 to the interim financial statements, on May 26, 2020, the Company submitted a petition to enter into a business rehabilitation process and propose the rehabilitation planners to the Central Bankruptcy Court under the Bankruptcy Act B.E. 2483. On May 27, 2020, the Central Bankruptcy Court issued an order to accept the rehabilitation petition of the Company and set the hearing date on rehabilitation petition of the Company on August 17, 2020. Currently, the Company is in the process of preparing the rehabilitation plan for approval from the creditors. The Company’s ability to continue as a going concern depends on several factors of business management, including the creditors’ approval of the rehabilitation plan as well as the successful implementation of the rehabilitation plan and the Company’s ability to continue to operate the business.

The aforementioned situations in No.1 to No.3. have impact and inter-related to the material uncertainty to the ability to continue as going concern of the Company which may affect valuation of assets and liabilities. Those may have significant impact to the consolidated and separate interim financial information for the six-month period ended June 30, 2020.

Disclaimer of Conclusion

Because of the significance of the matters described in the Basis for Disclaimer of Conclusion section of our report, we do not express a conclusion on the accompanying consolidated interim financial information of Thai Airways International Public Company Limited and its subsidiaries and separate interim financial information of Thai Airways International Public Company Limited as at June 30, 2020 and for the three-month and six-month periods then ended.

Emphasis of Matter

We draw attention to Note 2.7 to the interim financial statements that the Group have adopted the Group of Financial Instruments Standards and Thai Financial Reporting Standard 16 “Leases” which become effective for fiscal years beginning on or after January 1, 2020. The Group elected to recognize the cumulative effect of initially applying such Standards as an adjustment to the beginning balance of retained earnings and other components of shareholders’ equity of the reporting period. However, such matter did not affect our disclaimer of conclusion.

Other Matters

The consolidated statement of financial position of Thai Airways International Public Company Limited and its subsidiaries and the separate statement of financial position of Thai Airways International Public Company Limited as at December 31, 2019 (before reclassification as disclosed in Note 28 to the interim financial statements), presented herein as comparative information, were audited by another auditor, whose report the Company’s consolidated and the Company’s separate financial statements for the year ended December 31, 2019 on dated February 28, 2020 expressed an unmodified opinion on those statements with an emphasis of matter paragraph relating to the adjustments of the insignificant errors of prior periods, the adoption of the new Thai Financial Reporting Standards, corporate transformation plans for the year 2019, liquidity management, and transferring the legal reserve and share premium amount to compensate the deficits.

The consolidated and separate statements of profit or loss and other comprehensive income for the three-month and six-month periods ended June 30, 2019, the related consolidated and separate statements of changes in shareholders’ equity and cash flows for the six-month period end June 30, 2019 (before reclassification as disclosed in Note 28 to the interim financial statements), presented herein as comparative information, were reviewed by another auditor, who concluded that nothing had come to their attention that caused them to believe that such interim financial information were not prepared, in all material respects, in accordance with Thai Accounting Standard No. 34 “Interim Financial Reporting”, and whose report the Company’s consolidated and the Company’s separate financial statements for the three-month and six-month periods ended June 30, 2019 on dated August 9, 2019, with an emphasis of matter paragraph relating to the adjustments of the adoption of the new Thai Financial Reporting Standards, corporate transformation plans for the year 2019, liquidity management, and transferring the legal reserve and share premium amount to compensate the deficits.

BANGKOK
August 13, 2020

Dr. Suphamit Techamontrikul
Certified Public Accountant (Thailand)
Registration No. 3356
DELOITTE TOUCHE TOHMATSU JAIYOS AUDIT CO., LTD.

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
AS AT JUNE 30, 2020

UNIT : THOUSAND BAHT

| | Notes | CONSOLIDATED | | SEPARATE | |
|-----------------------------------------------|----------|------------------------------------------|-------------------------------|------------------------------------------|-------------------------------|
| | | FINANCIAL STATEMENTS | | FINANCIAL STATEMENTS | |
| | | As at June 30, 2020 “Unaudited” | As at December 31, 2019 | As at June 30, 2020 “Unaudited” | As at December 31, 2019 |
| ASSETS | | | | | |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | 6.1 | 13,963,000 | 21,663,207 | 13,304,040 | 20,873,088 |
| Current investments | | - | 39 | - | - |
| Trade and other current receivables | 5, 7 | 8,211,684 | 17,464,388 | 11,241,378 | 22,895,793 |
| Inventories and supplies | | 4,466,817 | 4,696,672 | 4,424,582 | 4,655,962 |
| Current tax assets | | 136,159 | 558,003 | 136,159 | 558,003 |
| Short-term derivatives assets | 25.4 | 1,115,119 | - | 1,115,119 | - |
| Other current assets | | 1,675,268 | 1,270,433 | 1,674,997 | 1,252,837 |
| Non-current assets held for sale | 8 | 23,657 | 22,854 | 23,657 | 22,854 |
| Total Current Assets | | 29,591,704 | 45,675,596 | 31,919,932 | 50,258,537 |
| NON-CURRENT ASSETS | | | | | |
| Other non-current financial assets | 17, 25.4 | 3,979,014 | - | 3,973,154 | - |
| Investments in associates | 9.1 | 1,740,269 | 2,100,845 | 889,879 | 1,234,107 |
| Investments in subsidiaries | 9.2 | - | - | 10,210 | 1,810,210 |
| Other long-term investments | | - | 64,065 | - | 60,830 |
| Non-current receivable under lease agreements | 5 | - | - | 5,778,510 | - |
| Property, plant and equipment | 10 | 69,901,024 | 171,116,231 | 69,871,146 | 171,082,997 |
| Right-of-use assets | 11 | 176,481,310 | - | 169,390,454 | - |
| Intangible assets | | 247,924 | 283,631 | 187,058 | 213,438 |
| Deferred tax assets | | 7,505,190 | 7,685,760 | 7,488,771 | 7,669,941 |
| Maintenance reserves | 12 | 14,196,204 | 13,004,318 | 14,196,204 | 12,956,242 |
| Other non-current assets | 13 | 10,400,903 | 14,877,726 | 10,201,557 | 14,736,082 |
| Total Non-Current Assets | | 284,451,838 | 209,132,576 | 281,986,943 | 209,763,847 |
| TOTAL ASSETS | | 314,043,542 | 254,808,172 | 313,906,875 | 260,022,384 |

See condensed notes to the financial statements

.....
(Mr.Chansin Treenuchagron)

Director of the Board
Acting President

.....
(Mr.Chai Eamsiri)

Vice President, Petroleum, Corporate Insurance and Aviation Environmental Department
Acting Executive Vice President, Finance and Accounting

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
AS AT JUNE 30, 2020

UNIT : THOUSAND BAHT

| | Notes | CONSOLIDATED | | SEPARATE | |
|---------------------------------------------------|----------|------------------------------------------|-------------------------------|------------------------------------------|-------------------------------|
| | | FINANCIAL STATEMENTS | | FINANCIAL STATEMENTS | |
| | | As at June 30, 2020 “Unaudited” | As at December 31, 2019 | As at June 30, 2020 “Unaudited” | As at December 31, 2019 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | |
| CURRENT LIABILITIES | | | | | |
| Short-term borrowings from financial institutions | 6.3,14.1 | 3,729,637 | - | 3,729,637 | - |
| Trade and other current payables | 16 | 31,046,903 | 26,270,296 | 30,917,745 | 25,188,407 |
| Unearned transportation revenue | | 16,728,332 | 29,689,159 | 16,270,422 | 28,994,168 |
| Current portion of long-term liabilities | | | | | |
| Long-term borrowings from financial institutions | 6.3,14.2 | 8,511,346 | 3,768,077 | 8,511,346 | 3,768,077 |
| Long-term borrowings from related parties | 5.2,6.3 | 14,156,897 | 1,624,675 | 14,156,897 | 1,624,675 |
| Liabilities under finance leases | 2.7.2 | - | 7,253,020 | - | 7,253,020 |
| Leases liabilities | 6.3,15 | 132,551,896 | - | 132,534,916 | - |
| Debentures | 6.3,14.3 | 71,608,000 | 9,085,000 | 71,608,000 | 9,085,000 |
| Short-term borrowings from related parties | 5.2,6.3 | 11,413,827 | 3,500,000 | 11,413,827 | 3,500,000 |
| Income tax payable | | 1,148 | 1,133 | - | - |
| Accrued dividends | | 100,148 | 57,039 | 54,237 | 54,261 |
| Short-term derivatives liabilities | 25.4 | 1,454,540 | - | 1,454,540 | - |
| Other current liabilities | | 512,683 | 510,654 | 506,158 | 505,507 |
| Total Current Liabilities | | 291,815,357 | 81,759,053 | 291,157,725 | 79,973,115 |
| NON-CURRENT LIABILITIES | | | | | |
| Long-term liabilities | | | | | |
| Long-term borrowings from financial institutions | 6.3,14.2 | - | 5,105,288 | - | 5,105,288 |
| Long-term borrowings from related parties | 5.2,6.3 | - | 12,790,069 | - | 12,790,069 |
| Liabilities under finance leases | 2.7.2 | - | 39,202,993 | - | 39,202,993 |
| Leases liabilities | 6.3,15 | 10,561 | - | - | - |
| Debentures | 6.3,14.3 | - | 65,023,000 | - | 65,023,000 |
| Staff pension fund | 17 | 3,688,858 | 3,673,751 | 3,688,858 | 3,673,751 |
| Non-current provisions for employee benefit | 18 | 17,518,926 | 17,197,470 | 17,382,388 | 17,081,056 |
| Other non-current provisions | 19 | 19,005,195 | 18,155,947 | 16,863,807 | 16,212,969 |
| Other non-current liabilities | | 159,750 | 134,896 | 1,934,091 | 1,792,938 |
| Total Non-Current Liabilities | | 40,383,290 | 161,283,414 | 39,869,144 | 160,882,064 |
| TOTAL LIABILITIES | | 332,198,647 | 243,042,467 | 331,026,869 | 240,855,179 |

(Mr.Chansin Treenuchagron)

Director of the Board

Acting President

(Mr.Chai Eamsiri)

Vice President, Petroleum, Corporate Insurance and Aviation Environmental Department

Acting Executive Vice President, Finance and Accounting

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
AS AT JUNE 30, 2020

UNIT : THOUSAND BAHT

| Notes | CONSOLIDATED | | SEPARATE | |
|------------------------------------------------------------|----------------------|--------------------|----------------------|--------------------|
| | FINANCIAL STATEMENTS | | FINANCIAL STATEMENTS | |
| | As at | As at | As at | As at |
| | June 30, | December 31, | June 30, | December 31, |
| | 2020 | 2019 | 2020 | 2019 |
| | “Unaudited” | | “Unaudited” | |
| LIABILITIES AND SHAREHOLDERS' EQUITY (CONTINUED) | | | | |
| SHAREHOLDERS' EQUITY | | | | |
| SHARE CAPITAL | | | | |
| Authorized share capital | | | | |
| 2,698.90 million ordinary shares par value of Baht 10 each | 26,989,010 | 26,989,010 | 26,989,010 | 26,989,010 |
| Issued and paid-up share capital | | | | |
| 2,182.77 million ordinary shares par value of Baht 10 each | 21,827,719 | 21,827,719 | 21,827,719 | 21,827,719 |
| Premium on ordinary shares | 1,862,979 | 1,862,979 | 1,862,979 | 1,862,979 |
| Deficit | | | | |
| Unappropriated (deficit) | (48,771,699) | (19,383,394) | (47,661,259) | (11,875,510) |
| Other components of equity | 6,853,194 | 7,352,018 | 6,850,567 | 7,352,017 |
| Total shareholders' equity arributable | | | | |
| to owners of the parent (capital deficiency) | (18,227,807) | 11,659,322 | (17,119,994) | 19,167,205 |
| Non-controlling interests | 72,702 | 106,383 | - | - |
| TOTAL SHAREHOLDERS' EQUITY | | | | |
| (CAPITAL DEFICIENCY) | (18,155,105) | 11,765,705 | (17,119,994) | 19,167,205 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 314,043,542 | 254,808,172 | 313,906,875 | 260,022,384 |

See condensed notes to the financial statements

.....
(Mr.Chansin Treenuchagron)

Director of the Board

Acting President

.....
(Mr.Chai Eamsiri)

Vice President, Petroleum, Corporate Insurance and Aviation Environmental Department

Acting Executive Vice President, Finance and Accounting

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2020
“UNAUDITED”

UNIT : THOUSAND BAHT

| | Notes | CONSOLIDATED FINANCIAL STATEMENTS | | SEPARATE FINANCIAL STATEMENTS | |
|-------------------------------------------------------------------|------------|--------------------------------------|--------------------|----------------------------------|--------------------|
| | | 2020 | 2019 | 2020 | 2019 |
| Revenues | 24.1,24.2 | | | | |
| Revenues from sales or services | 20 | | | | |
| Passenger and excess baggage | | 467,891 | 34,598,098 | 298,546 | 33,143,091 |
| Freight | | 909,825 | 4,280,195 | 884,954 | 4,280,386 |
| Mail | | 30,471 | 134,051 | 30,471 | 134,051 |
| Other business | | 991,766 | 3,156,906 | 1,196,182 | 3,589,216 |
| Total revenues from sales or rendering services | | 2,399,953 | 42,169,250 | 2,410,153 | 41,146,744 |
| Other income | | | | | |
| Interest income | | 24,577 | 49,294 | 24,398 | 49,469 |
| Net foreign exchange gain | | 7,422,001 | 522,345 | 7,010,879 | 560,879 |
| Other income - others | | 91,614 | 339,572 | 277,596 | 642,910 |
| Total other income | | 7,538,192 | 911,211 | 7,312,873 | 1,253,258 |
| Total revenues | | 9,938,145 | 43,080,461 | 9,723,026 | 42,400,002 |
| Expenses | 24.1 | | | | |
| Aircraft fuel expenses | | 88,266 | 13,863,982 | 63,333 | 12,897,683 |
| Employee benefits expenses | | 4,295,893 | 7,622,638 | 4,150,072 | 7,417,185 |
| Flight service expenses | | 33,123 | 5,077,715 | 5,105 | 4,640,349 |
| Crew expenses | | 56,206 | 1,538,691 | 17,587 | 1,407,301 |
| Aircraft repair and maintenance costs | | 731,946 | 4,829,393 | 383,300 | 4,240,056 |
| Depreciation and amortization expenses | | 6,878,509 | 4,333,952 | 6,521,414 | 4,325,432 |
| Lease of aircraft and spare parts | | 8,731 | 3,669,450 | 5,750 | 5,774,344 |
| Inventories and supplies expenses | | 133,482 | 2,208,596 | 129,151 | 2,063,119 |
| Selling and advertising expenses | | 5,485 | 2,513,131 | (90,583) | 2,315,685 |
| Impairment loss on fixed assets | 21 | 73,425 | 171,631 | 73,425 | 171,631 |
| Other expenses | 22 | 1,228,959 | 2,819,039 | 1,152,210 | 2,696,689 |
| Total expenses | | 13,534,025 | 48,648,218 | 12,410,764 | 47,949,474 |
| Loss from operating activities | | (3,595,880) | (5,567,757) | (2,687,738) | (5,549,472) |
| Finance costs | | 2,644,235 | 1,091,881 | 2,607,529 | 1,091,881 |
| Impairment loss determined in accordance with TFRS 9 (reversal) | | 86,249 | - | (53,031) | - |
| Share of loss of associates accounted for using equity method | | 111,393 | 101,804 | - | - |
| Hedging gain for hedge of group of items with offsetting risk pos | 25.2, 25.3 | (1,230,739) | - | (1,230,739) | - |
| Loss before income tax | | (5,207,018) | (6,761,442) | (4,011,497) | (6,641,353) |
| Income tax expense | | (146,201) | (116,183) | (147,399) | (112,835) |
| Loss for the periods | | (5,353,219) | (6,877,625) | (4,158,896) | (6,754,188) |

.....
(Mr.Chansin Treenuchagron)

Director of the Board
Acting President

.....
(Mr.Chai Eamsiri)

Vice President, Petroleum, Corporate Insurance and Aviation Environmental Department
Acting Executive Vice President, Finance and Accounting

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2020
“UNAUDITED”

UNIT : THOUSAND BAHT

| | Note | CONSOLIDATED FINANCIAL STATEMENTS | | SEPARATE FINANCIAL STATEMENTS | | |
|---------------------------------------------------------------------------------------------------|------|--------------------------------------|---------------------------|----------------------------------|---------------------------|--------|
| | | 2020 | 2019 | 2020 | 2019 | |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | | | |
| Components of other comprehensive income that will be reclassified to profit or loss | | | | | | |
| Gains (losses) on cash flow hedges | | (323,893) | 226,495 | (323,893) | 226,495 | |
| Income tax relating to gains on cash flow hedges | | - | (45,299) | - | (45,299) | |
| Total components of other comprehensive income that will be reclassified to profit or loss | | <u>(323,893)</u> | <u>181,196</u> | <u>(323,893)</u> | <u>181,196</u> | |
| Components of other comprehensive income that will not be reclassified to profit or loss | | | | | | |
| Gains on remeasuring equity securities through other comprehensive income | | 2,711 | - | 85 | - | |
| Share of other comprehensive income of associates | | - | 19,615 | - | - | |
| Other comprehensive income (loss) for the periods - net of tax | | <u>(321,182)</u> | <u>200,811</u> | <u>(323,808)</u> | <u>181,196</u> | |
| Total comprehensive loss for the periods | | <u>(5,674,401)</u> | <u>(6,676,814)</u> | <u>(4,482,704)</u> | <u>(6,572,992)</u> | |
| Profit (loss) attributable to : | | | | | | |
| Owners of the parent | | (5,339,928) | (6,883,815) | (4,158,896) | (6,754,188) | |
| Non-controlling interests | | (13,291) | 6,190 | - | - | |
| | | <u>(5,353,219)</u> | <u>(6,877,625)</u> | <u>(4,158,896)</u> | <u>(6,754,188)</u> | |
| Total comprehensive income (loss) attributable to: | | | | | | |
| Owners of the parent | | (5,661,110) | (6,683,004) | (4,482,704) | (6,572,992) | |
| Non-controlling interests | | (13,291) | 6,190 | - | - | |
| | | <u>(5,674,401)</u> | <u>(6,676,814)</u> | <u>(4,482,704)</u> | <u>(6,572,992)</u> | |
| Losses per share | | | | | | |
| Basic losses per share | Baht | 23 | (2.45) | (3.15) | (1.91) | (3.09) |

See condensed notes to the financial statements

.....
(Mr.Chansin Treenuchagron)

Director of the Board
Acting President

.....
(Mr.Chai Eamsiri)

Vice President, Petroleum, Corporate Insurance and Aviation Environmental Department
Acting Executive Vice President, Finance and Accounting

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020
“UNAUDITED”

UNIT : THOUSAND BAHT

| | Notes | CONSOLIDATED | | SEPARATE | |
|---------------------------------------------------------------------------|------------|----------------------|----------------------|----------------------|----------------------|
| | | FINANCIAL STATEMENTS | FINANCIAL STATEMENTS | FINANCIAL STATEMENTS | FINANCIAL STATEMENTS |
| | | 2020 | 2019 | 2020 | 2019 |
| Revenues | 24.1, 24.2 | | | | |
| Revenues from sales or services | 20 | | | | |
| Passenger and excess baggage | | 31,132,721 | 75,621,875 | 29,722,940 | 71,191,960 |
| Freight | | 4,949,770 | 8,804,002 | 4,924,899 | 8,805,492 |
| Mail | | 133,587 | 258,467 | 133,587 | 258,467 |
| Other business | | 3,821,018 | 6,829,585 | 4,390,025 | 7,759,221 |
| Total revenues from sales or rendering services | | 40,037,096 | 91,513,929 | 39,171,451 | 88,015,140 |
| Other Income | | | | | |
| Interest income | | 87,802 | 88,929 | 85,304 | 86,785 |
| Net foreign exchange gain | | - | 1,888,168 | - | 1,938,198 |
| Gain on changes in ownership interest | | 205,606 | 273,178 | - | - |
| Other income - Others | | 455,991 | 785,849 | 646,523 | 1,095,781 |
| Total other income | | 749,399 | 3,036,124 | 731,827 | 3,120,764 |
| Total revenues | | 40,786,495 | 94,550,053 | 39,903,278 | 91,135,904 |
| Expenses | 24.1 | | | | |
| Aircraft fuel expenses | | 11,502,377 | 27,908,519 | 10,713,715 | 25,943,519 |
| Employee benefits expenses | | 11,154,776 | 14,843,727 | 10,819,565 | 14,441,536 |
| Flight service expenses | | 4,582,503 | 10,462,733 | 4,227,565 | 9,640,339 |
| Crew expenses | | 1,368,868 | 3,163,945 | 1,196,914 | 2,890,985 |
| Aircraft repair and maintenance costs | | 4,585,305 | 10,052,745 | 3,579,287 | 9,018,405 |
| Depreciation and amortization expenses | | 14,053,392 | 8,695,185 | 13,336,229 | 8,683,710 |
| Lease of aircraft and spare parts | | 44,017 | 7,601,002 | 1,919,845 | 10,110,658 |
| Inventories and supplies expenses | | 1,884,147 | 4,590,557 | 1,775,759 | 4,293,194 |
| Selling and advertising expenses | | 1,695,318 | 5,319,695 | 1,452,139 | 4,856,737 |
| Impairment loss on fixed assets | 21 | 3,054,090 | 384,839 | 3,054,090 | 384,839 |
| Loss from foreign exchange rate - net | | 1,118,635 | - | 1,031,562 | - |
| Other expenses | 22 | 3,169,369 | 5,435,035 | 5,123,519 | 5,084,800 |
| Total expenses | | 58,212,797 | 98,457,982 | 58,230,189 | 95,348,722 |
| Loss from operating activities | | (17,426,302) | (3,907,929) | (18,326,911) | (4,212,818) |
| Finance costs | | 4,430,197 | 2,195,458 | 4,314,574 | 2,195,458 |
| Impairment loss determined in accordance with TFRS 9 | | 150,931 | - | 6,169,106 | - |
| Share of loss of associates accounted for using equity method | | 419,320 | 59,687 | - | - |
| Hedging losses for hedge of group of items with offsetting risk positions | 25.2, 25.3 | 5,258,315 | - | 5,258,315 | - |
| Loss before income tax | | (27,685,065) | (6,163,074) | (34,068,906) | (6,408,276) |
| Income tax expense | | (344,458) | (258,737) | (344,996) | (249,382) |
| Loss for the periods | | (28,029,523) | (6,421,811) | (34,413,902) | (6,657,658) |

(Mr.Chansin Treenuchagron)

Director of the Board
Acting President

(Mr.Chai Eamsiri)

Vice President, Petroleum, Corporate Insurance and Aviation Environmental Department
Acting Executive Vice President, Finance and Accounting

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020
“UNAUDITED”

UNIT : THOUSAND BAHT

| | Note | CONSOLIDATED | | SEPARATE | |
|---------------------------------------------------------------------------------------------------|------|----------------------|--------------------|----------------------|--------------------|
| | | FINANCIAL STATEMENTS | | FINANCIAL STATEMENTS | |
| | | 2020 | 2019 | 2020 | 2019 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | | |
| Components of other comprehensive income that will be reclassified to profit or loss | | | | | |
| Gains (losses) on cash flow hedges | | (3,619,276) | 853,367 | (3,619,276) | 853,368 |
| Income tax relating to gains (losses) on cash flow hedges | | 163,826 | (170,673) | 163,826 | (170,674) |
| Total components of other comprehensive income that will be reclassified to profit or loss | | <u>(3,455,450)</u> | <u>682,694</u> | <u>(3,455,450)</u> | <u>682,694</u> |
| Components of other comprehensive income that will not be reclassified to profit or loss | | | | | |
| Gains on remeasuring equity securities through other comprehensive income | | 2,711 | - | 85 | - |
| Share of other comprehensive income of associates | | - | 23,413 | - | - |
| Other comprehensive income (loss) for the periods - net of tax | | <u>(3,452,739)</u> | <u>706,107</u> | <u>(3,455,365)</u> | <u>682,694</u> |
| Total comprehensive loss for the periods | | <u>(31,482,262)</u> | <u>(5,715,704)</u> | <u>(37,869,267)</u> | <u>(5,974,964)</u> |
| Profit (loss) attributable to : | | | | | |
| Owners of the parent | | (28,016,458) | (6,438,371) | (34,413,902) | (6,657,658) |
| Non-controlling interests | | (13,065) | 16,560 | - | - |
| | | <u>(28,029,523)</u> | <u>(6,421,811)</u> | <u>(34,413,902)</u> | <u>(6,657,658)</u> |
| Total comprehensive income (loss) attributable to: | | | | | |
| Owners of the parent | | (31,469,197) | (5,732,264) | (37,869,267) | (5,974,964) |
| Non-controlling interests | | (13,065) | 16,560 | - | - |
| | | <u>(31,482,262)</u> | <u>(5,715,704)</u> | <u>(37,869,267)</u> | <u>(5,974,964)</u> |
| Earnings (losses) per share | | | | | |
| Basic losses per share | Baht | 23 | (12.84) | (2.95) | (15.77) |
| | | | (3.05) | | |

See condensed notes to the financial statements

.....
(Mr.Chansin Treenuchagron)

Director of the Board
Acting President

.....
(Mr.Chai Eamsiri)

Vice President, Petroleum, Corporate Insurance and Aviation Environmental Department
Acting Executive Vice President, Finance and Accounting

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020
"UNAUDITED"

UNIT : THOUSAND BAHT

| Note | Consolidated financial statements | | | | | | | | | | | |
|---------------------------------------------------------------------------------------------|-----------------------------------|----------------------------|-----------------------------|---------------------|----------------------------------------------|--------------------------------------------|------------------------------------------------------------------------------------|----------------------------|----------------------------------|----------------------------|---------------------------|----------------------------|
| | Issued and Paid-up Share Capital | Premium on Ordinary Shares | Retained Earnings (deficit) | | Owners of the parent | | | Other Components of Equity | | Total Owners of the Parent | Non-controlling Interests | Total Shareholders' Equity |
| | | | Appropriated | Unappropriated | Gain (loss) on cash flow hedges - net of tax | Revaluation surplus on assets - net of tax | Other Comprehensive Income (loss) | | Total other components of equity | | | |
| | | | Legal reserve | | | | Gains (losses) on remeasuring equity securities through other comprehensive income | | | | | |
| Balance as at January 1, 2019 | 21,827,719 | 25,545,316 | 2,691,276 | (33,747,559) | (524,958) | 6,696,714 | 1 | 6,171,757 | 22,488,509 | 127,290 | 22,615,799 | |
| Changes in Shareholders' Equity | | | | | | | | | | | | |
| Transfer of legal reserve and premium on ordinary shares to offset deficit | - | (23,682,337) | (2,691,276) | 26,373,613 | - | - | - | - | - | - | - | |
| Dividends paid | - | - | - | - | - | - | - | - | - | (47,250) | (47,250) | |
| Dividends paid to cumulative preferred shares | - | - | - | - | - | - | - | - | - | (45) | (45) | |
| Total comprehensive (loss) income for the period | - | - | - | (6,414,958) | 682,694 | - | - | 682,694 | (5,732,264) | 16,560 | (5,715,704) | |
| Balance as at June 30, 2019 | 21,827,719 | 1,862,979 | - | (13,788,904) | 157,736 | 6,696,714 | 1 | 6,854,451 | 16,756,245 | 96,555 | 16,852,800 | |
| Balance as at January 1, 2020 - as under previous Thai Financial Reporting Standards | 21,827,719 | 1,862,979 | - | (19,383,394) | 655,303 | 6,696,714 | 1 | 7,352,018 | 11,659,322 | 106,383 | 11,765,705 | |
| Effect from adoption of Thai Financial Reporting Standards No.9 | 2.7.1 | - | - | (1,371,847) | 2,948,231 | - | 5,684 | 2,953,915 | 1,582,068 | - | 1,582,068 | |
| Balance as at January 1, 2020 - as under new Thai Financial Reporting Standards | 21,827,719 | 1,862,979 | - | (20,755,241) | 3,603,534 | 6,696,714 | 5,685 | 10,305,933 | 13,241,390 | 106,383 | 13,347,773 | |
| Changes in Shareholders' Equity | | | | | | | | | | | | |
| Dividends paid | - | - | - | - | - | - | - | - | - | (20,570) | (20,570) | |
| Dividends paid to cumulative preferred shares | - | - | - | - | - | - | - | - | - | (46) | (46) | |
| Total comprehensive income (loss) for the period | - | - | - | (28,016,458) | (3,455,450) | - | 2,711 | (3,452,739) | (31,469,197) | (13,065) | (31,482,262) | |
| Balance as at June 30, 2020 | 21,827,719 | 1,862,979 | - | (48,771,699) | 148,084 | 6,696,714 | 8,396 | 6,853,194 | (18,227,807) | 72,702 | (18,155,105) | |

See condensed notes to the financial statements

(Mr.Chansin Treenuchagron)

Director of the Board

Acting President

(Mr.Chai Eamsiri)

Vice President, Petroleum, Corporate Insurance and Aviation Environmental Department

Acting Executive Vice President, Finance and Accounting

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020
"UNAUDITED"

UNIT : THOUSAND BAHT

| Note | Issued and Paid-up Share Capital | Premium on Ordinary Shares | Retained Earnings (deficit) | | Separate financial statements | | | Total Shareholders' Equity | |
|-------------------------------------------------------------------------------------------------|----------------------------------------|----------------------------------|-------------------------------|---------------------|----------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|----------------------------------|----------------------------------------|
| | | | Appropriated Legal reserve | Unappropriated | Gain (loss) on cash flow hedges - net of tax | Other Components of Equity Other Comprehensive Income (loss) Revaluation surplus on assets - net of tax | Gains (losses) on remeasuring equity securities through other comprehensive income | | Total other components of equity |
| Balance as at January 1, 2019 | 21,827,719 | 25,545,316 | 2,691,276 | (26,373,613) | (524,958) | 6,696,714 | - | 6,171,756 | 29,862,454 |
| Changes in Shareholders' Equity | | | | | | | | | |
| Transfer of legal reserve and premium on ordinary shares to offset deficit | - | (23,682,337) | (2,691,276) | 26,373,613 | - | - | - | - | - |
| Total comprehensive income (loss) for the period | - | - | - | (6,657,658) | 682,694 | - | - | 682,694 | (5,974,964) |
| Balance as at June 30, 2019 | 21,827,719 | 1,862,979 | - | (6,657,658) | 157,736 | 6,696,714 | - | 6,854,450 | 23,887,490 |
| Balance as at January 1, 2020 - as under previous Thai Financial Reporting Standards | 21,827,719 | 1,862,979 | - | (11,875,510) | 655,303 | 6,696,714 | - | 7,352,017 | 19,167,205 |
| Effect from adoption of Thai Financial Reporting Standards No.5 2.7.1 | - | - | - | (1,371,847) | 2,948,231 | - | 5,684 | 2,953,915 | 1,582,068 |
| Balance as at January 1, 2020 - as under new Thai Financial Reporting Standards | 21,827,719 | 1,862,979 | - | (13,247,357) | 3,603,534 | 6,696,714 | 5,684 | 10,305,932 | 20,749,273 |
| Total comprehensive income (loss) for the period | - | - | - | (34,413,902) | (3,455,450) | - | 85 | (3,455,365) | (37,869,267) |
| Balance as at June 30, 2020 | 21,827,719 | 1,862,979 | - | (47,661,259) | 148,084 | 6,696,714 | 5,769 | 6,850,567 | (17,119,994) |

See condensed notes to the financial statements

.....
(Mr.Chansin Treenuchagron)
Director of the Board
Acting President

.....
(Mr.Chai Eamsiri)
Vice President, Petroleum, Corporate Insurance and Aviation Environmental Department
Acting Executive Vice President, Finance and Accounting

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020
“UNAUDITED”

UNIT : THOUSAND BAHT

| | Notes | CONSOLIDATED | | SEPARATE | |
|--------------------------------------------------------------------------|-------|----------------------|-------------|----------------------|-------------|
| | | FINANCIAL STATEMENTS | | FINANCIAL STATEMENTS | |
| | | 2020 | 2019 | 2020 | 2019 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Loss for the periods | | (28,029,523) | (6,421,811) | (34,413,902) | (6,657,658) |
| Adjustment to reconcile profit (loss) | | | | | |
| Income tax expense | | 344,458 | 258,737 | 344,996 | 249,382 |
| Depreciation and amortization | | 14,053,392 | 8,695,185 | 13,336,229 | 8,683,710 |
| Dividend received | | (907) | (944) | (173,499) | (298,423) |
| Share of loss from associates by equity method | | 419,320 | 59,687 | - | - |
| Gain on changes in ownership interest | | (205,606) | (273,178) | - | - |
| Interest income | | (87,802) | (88,929) | (85,304) | (86,785) |
| Interest expenses | | 4,430,197 | 2,195,458 | 4,314,574 | 2,195,458 |
| Gain on sales of assets | | (2,366) | (5,972) | (2,360) | (5,973) |
| Loss on sales of aircraft | | - | 75,041 | - | 75,041 |
| Unrealized loss (gain) on exchange rates | | 2,812,777 | (1,684,961) | 2,452,189 | (1,714,509) |
| Loss of risk being hedge of financial instruments | | 5,258,315 | - | 5,258,315 | - |
| Unrealized loss from remeasurement | | | | | |
| at fair value thorough profit or loss | | 321 | - | 321 | - |
| Provisions for pension fund | 17 | 69,892 | 104,584 | 69,892 | 104,584 |
| Provisions for employee benefits | 18 | 493,820 | 463,890 | 473,697 | 435,873 |
| Provision for long-term aircraft maintenance | | 2,087,589 | 2,394,605 | 2,016,767 | 2,544,576 |
| Obsolete on inventories and supplies | | 162,323 | 60,128 | 162,323 | 60,129 |
| Impairment loss on investment | 9 | - | - | 2,144,228 | - |
| Credit loss on financial assets | | 150,931 | 40,856 | 6,169,106 | 41,129 |
| Impairment loss on fixed assets | 21 | 3,054,090 | 384,840 | 3,054,090 | 384,839 |
| Profit from operating before changes in operating assets and liabilities | | 5,011,221 | 6,257,216 | 5,121,662 | 6,011,373 |
| Operating assets decrease (increase) | | | | | |
| Trade and other current receivables | | 8,218,328 | (1,625,912) | 6,067,454 | (93,255) |
| Lease receivables | | - | - | 488,543 | - |
| Inventories and supplies | | 67,531 | 115,299 | 69,057 | 112,768 |
| Other current assets | | (404,796) | 70,513 | (422,160) | 51,581 |
| Non-current assets classified as held for sales | | 3,102 | 495,437 | 3,102 | 495,437 |
| Derivative asset and liabilities | | (4,965,919) | - | (4,965,919) | - |
| Maintenance reserves | | (1,018,188) | (1,271,143) | (1,066,264) | (1,278,355) |
| Other non-current financial assets | | (46,812) | - | (46,812) | - |
| Other non-current assets | | 566,862 | (37,524) | 626,035 | (39,768) |

.....
(Mr.Chansin Treenuchagron)

Director of the Board
Acting President

.....
(Mr.Chai Eamsiri)

Vice President, Petroleum, Corporate Insurance and Aviation Environmental Department
Acting Executive Vice President, Finance and Accounting

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020
“UNAUDITED”

UNIT : THOUSAND BAHT

| | Notes | CONSOLIDATED | | SEPARATE | |
|------------------------------------------------------------------|-------|----------------------|------------------|----------------------|------------------|
| | | FINANCIAL STATEMENTS | | FINANCIAL STATEMENTS | |
| | | 2020 | 2019 | 2020 | 2019 |
| CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED) | | | | | |
| Operating liabilities increase (decrease) | | | | | |
| Trade and other current payables | | 1,946,183 | 2,603,407 | 3,198,485 | 1,009,761 |
| Unearned transportation revenues | | (12,961,274) | (1,598,958) | (12,724,192) | (1,480,775) |
| Other current liabilities | | (34,836) | 234,215 | (36,216) | 234,215 |
| Staff pension fund | | (54,785) | (32,840) | (54,785) | (32,840) |
| Employee benefit paid | | (172,365) | - | (172,365) | - |
| Long-term provisions | | (1,913,092) | (1,392,707) | (1,913,092) | (1,392,695) |
| Other non-current liabilities | | 142,049 | 215,973 | 141,153 | 215,973 |
| Net cash provided by (used in) operations | | (5,616,791) | 4,032,976 | (5,686,314) | 3,813,420 |
| Income tax paid | | (146,954) | (317,101) | (136,159) | (281,222) |
| Income tax refund | | 900,751 | - | 900,751 | - |
| Net cash flows provided by (used in) operating activities | | (4,862,994) | 3,715,875 | (4,921,722) | 3,532,198 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Cash paid for purchase of fixed assets | | (407,727) | (1,037,287) | (407,442) | (1,032,062) |
| Cash paid for purchase of intangible assets | | (6,105) | (26,542) | (6,090) | (16,102) |
| Cash received from sales of assets | | 7 | 2,968 | - | 2,968 |
| Interest received | | 192,170 | 69,452 | 189,672 | 67,165 |
| Dividend received | | 147,769 | 240,085 | 148,357 | 269,548 |
| Net cash flows used in investing activities | | (73,886) | (751,324) | (75,503) | (708,483) |

.....
(Mr.Chansin Treenuchagron)

Director of the Board
Acting President

.....
(Mr.Chai Eamsiri)

Vice President, Petroleum, Corporate Insurance and Aviation Environmental Department
Acting Executive Vice President, Finance and Accounting

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020
“UNAUDITED”

UNIT : THOUSAND BAHT

| | Notes | CONSOLIDATED | | SEPARATE | |
|--------------------------------------------------------------------------|-------|----------------------|--------------------|----------------------|--------------------|
| | | FINANCIAL STATEMENTS | | FINANCIAL STATEMENTS | |
| | | 2020 | 2019 | 2020 | 2019 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Cash received from short-term borrowings | | | | | |
| from financial institutions | 6.3 | 4,000,000 | 5,000,000 | 4,000,000 | 5,000,000 |
| Cash paid for short-term borrowings from financial institutions | 6.3 | (270,363) | (5,000,000) | (270,363) | (5,000,000) |
| Cash received from short-term borrowings from related parties | 6.3 | 15,500,000 | 9,000,000 | 15,500,000 | 9,000,000 |
| Cash paid for short-term borrowings from related parties | 6.3 | (7,586,173) | (7,000,000) | (7,586,173) | (7,000,000) |
| Cash paid for long-term borrowings from financial institution | 6.3 | (362,019) | (2,030,769) | (362,019) | (2,030,769) |
| Cash paid for long-term borrowings from related parties | 6.3 | (725,023) | (827,056) | (725,023) | (827,056) |
| Cash received from debentures | 6.3 | - | 10,000,000 | - | 10,000,000 |
| Cash paid for repayment of debentures | 6.3 | (2,500,000) | (5,800,000) | (2,500,000) | (5,800,000) |
| Cash paid for lease liabilities | 6.3 | (7,597,180) | (4,679,293) | (7,588,639) | (4,679,293) |
| Cash paid for borrowings interest | | (3,117,251) | (1,971,507) | (3,117,251) | (1,971,507) |
| Dividends paid | | (24) | (96) | (24) | (96) |
| Dividends of subsidiary paid to non-controlling interests | | (2,625) | (21,092) | - | - |
| Net cash flows used in financing activities | | (2,660,658) | (3,329,813) | (2,649,492) | (3,308,721) |
| Net decrease in cash and cash equivalents before effect of exchange rate | | (7,597,538) | (365,262) | (7,646,717) | (485,006) |
| Effect of exchange rate changes on cash and cash equivalents | | (93,091) | (97,865) | 87,247 | (69,437) |
| Effects of changes in credit loss allowance on cash on hand | | (9,578) | - | (9,578) | - |
| Cash and cash equivalents at beginning of the periods | 6.1 | 21,663,207 | 13,691,849 | 20,873,088 | 12,523,361 |
| Cash and cash equivalents at ending of the periods | 6.1 | 13,963,000 | 13,228,722 | 13,304,040 | 11,968,918 |

See condensed notes to the financial statements

.....
(Mr.Chansin Treenuchagron)
Director of the Board
Acting President

.....
(Mr.Chai Eamsiri)
Vice President, Petroleum, Corporate Insurance and Aviation Environmental Department
Acting Executive Vice President, Finance and Accounting

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2020
(UNAUDITED)

1. GENERAL INFORMATION

Thai Airways International Public Company Limited (the “Company”) was registered as a Public Limited Company in Thailand and was listed on the Stock Exchange of Thailand on July 19, 1991. The registered address is located at 89 Vibhavadee Rungsit Road, Chom Phon, Chatuchak District, Bangkok, Thailand.

As at June 30, 2020, the Company’s major shareholder and ultimate parent company is the Ministry of Finance by holding 47.86% of the Company’s issued and paid-up shares. On May 22, 2020, the Ministry of Finance reduced its shareholding percentage from 51.03% to 47.86% of the Company’s issued and paid-up shares. Therefore, after the reduction of shareholding percentage held by the Ministry of Finance, the Company ceased to be a state enterprise under the relevant laws.

The Company’s principal activities are the operation of airline business and business units which related directly with transportation. As at June 30, 2020, the Company had the routes network servicing to 58 destinations in 30 countries all over the world, whereas 2 destinations were domestic (excluding Bangkok). Thai Smile Airways Company Limited, a subsidiary, had the routes network servicing to 14 destinations in 6 countries, whereas 10 were domestic (excluding Bangkok).

As at June 30, 2020, the Company and its subsidiaries (the “Group”) had current liabilities exceeded current assets by Baht 262,224 million and had capital deficiency of Baht 18,228 million in the consolidated financial statements and the Company had current liabilities exceeded current assets by Baht 259,238 million and had capital deficiency of Baht 17,120 million in the separate financial statements. The Group and the Company had loss from operations since year 2013 resulting in the Group and the Company having a capital deficiency and lack of financial liquidity.

In addition, the Coronavirus disease 2019 (“COVID-19”) pandemic is continuing to evolve, resulting in an economic slowdown and adversely impacting most businesses and industries, especially aviation industry. Since March 23, 2020 and March 25, 2020, Thai Smile Airways Company Limited, a subsidiary, and the Company has suspended domestic and international flights, respectively. However, Thai Smile Airways Company Limited and the Company has resumed some flight services on June 18, 2020 and August 5, 2020, respectively, but not yet operated as normal. The subsidiary and the Company are assessing the situation to resume the flight operation and will resume as soon as the situation improves as a result of preventive measure over controlling the spread of COVID-19 by government in each country. The Company’s management has monitored the progress of the such situation and is in the process of assessing the impact on business operations and financial impact on the value of assets and liabilities.

On May 26, 2020, the Company submitted a petition to enter into a business rehabilitation process and propose the rehabilitation planner (the “Planner”) to the Central Bankruptcy Court. On May 27, 2020, the Central Bankruptcy Court accepted the business rehabilitation petition for further consideration. (see Note 4) As a result, the Company is under the automatic stay provisions status under the Bankruptcy Act B.E. 2483. Such situation may affect to the Company has to maintain automatic stay status and unable debt repayment, which is considered as default debt payment conditions. Therefore, the Company recorded the default interest at the rate of 2.37% to 23.00% per annum according to the terms of each contract, which consisted of loan agreements, debentures, financial leases, and aircraft operating leases. In addition, such events may affect assets and liabilities recorded as at June 30, 2020. However, the Company’s management believes that the preparation of financial statements on a going concern basis is still appropriate because the Company is in the process to request for the rehabilitation and will prepare the rehabilitation plan for approval from the creditors. During this period, the Company is able to continue its necessary activities for operation as usual in order to enable the Company to continue as a going concern for at least 12 months from the date in the statements of financial position. However, the financial position and the Company’s ability to continue as going concern depends on several factors of business management, including the creditors’ approval of the rehabilitation plan as well as the successful implementation of the rehabilitation plan and the Company’s ability to operate the business.

2. BASIS FOR PREPARATION AND PRESENTATION OF THE INTERIM FINANCIAL STATEMENTS

2.1 These interim consolidated and separate financial statements are prepared in Thai Baht and in compliance with Thai Accounting Standard No. 34 “Interim Financial Reporting” and accounting practices generally accepted in Thailand. The Company presents the condensed notes to interim financial statements and the additional information is disclosed in accordance with the regulations of the Office of the Securities and Exchange Commission.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Thai language financial statements. In the event of any conflict or different interpretation in the two languages, the Thai version of the financial statements, in accordance with Thai laws will prevail.

2.2 The consolidated and separate statements of financial position as at December 31, 2019, (before reclassification) presented herein for comparison, have been derived from the consolidated and separate financial statements of the Company for the year then ended which had been audited.

2.3 The unaudited results of operations presented in the statement of profit or loss and other comprehensive income for the three-month and six-month periods ended June 30, 2020 are not necessarily an indication nor anticipation of the operating results for the full year.

- 2.4 Certain financial information which is normally included in the annual financial statements prepared in accordance with TFRS, but which is not required for interim reporting purposes, has been omitted. Therefore, the interim financial statements for the three-month and six-month periods ended June 30, 2020 should be read in conjunction with the audited financial statements for the year ended December 31, 2019 which had been audited.
- 2.5 In the preparation of interim financial statements in compliance with Thai Accounting Standard No. 34 “Interim Financial Reporting”, the Company requires management to make judgments, estimates and assumptions that affect the application of accounting policies, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the end of the reporting period and the reported amounts of revenue and expense during the period. Although these estimates are based on management’s reasonable consideration of current events, actual results may differ from these estimates
- 2.6 Material intercompany transactions between the Company and its subsidiaries (“the Group”) have been eliminated from the interim consolidated financial statements, which the subsidiaries are as follows:

| Company’s Name | Type of business | Main location of incorporation | Percentage of ownership | |
|--------------------------------------------------------|---------------------------------------------------------|--------------------------------|-------------------------|-------------------------|
| | | | As at June 30, 2020 | As at December 31, 2019 |
| Held by the Company: | | | | |
| 1. Thai-Amadeus Southeast Asia Company Limited | Information technology for travel services | Thailand | 55 | 55 |
| 2. WingSpan Services Company Limited | Providing specialized personnel services to the Company | Thailand | 49 | 49 |
| 3. Thai Flight Training Company Limited | Aviation training services | Thailand | 49 | 49 |
| 4. Thai Smile Airways Company Limited | Air transportation services | Thailand | 100 | 100 |
| Held by the subsidiary of the Company | | | | |
| A subsidiary held by WingSpan Services Company Limited | | | | |
| Tour Eurng Luang Company Limited | Tourism Business | Thailand | 49 | 49 |

- 2.7 Thai Financial Reporting Standards affecting the presentation and disclosure in the current period financial statements.

During the period, the Group has adopted the revised and new financial reporting standards and guidelines on accounting issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after January 1, 2020. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Group’s interim financial statements except the following financial reporting standards:

- Group of Financial Instruments Standards (see Note 2.7.1)
- Thai Financial Reporting Standards No. 16 “Leases” (“TFRS 16”) (see Note 2.7.2)
- Accounting Treatment Guidances (see Note 2.7.3)

2.7.1 Group of Financial Instruments Standards

In the current year, the Group has initially applied the Group of Financial Instruments Standards. The Group has elected to recognize the cumulative effect of initially adopting of Thai Financial Reporting Standard No. 9 (“Financial Instruments”) (“TFRS 9”) as an adjustment to the opening balance of retained earnings and other component of shareholders’ equity of the reporting period.

The group of Financial Instruments Standards introduce new requirements for:

- 1) The classification and measurement of financial assets and financial liabilities;
- 2) Impairment of financial assets; and
- 3) General hedge accounting

Details of these new requirements as well as their impact on the Group’s financial statements are described below.

1) **Classification and measurement of financial instruments**

TFRS 9 requires financial assets to be classified into three measurement categories: amortized cost, fair value through other comprehensive income (“FVTOCI”) and fair value through profit or loss (“FVTPL”). The classification depends on the Group’s business model for managing its financial instruments and the contractual cash flow characteristics of the instruments.

Financial liabilities are generally subsequently measured at amortized cost. With regard to the measurement of financial liabilities designated as FVTPL, TFRS 9 requires that the amount of change in fair value of such financial liability that is attributable to changes in the credit risk be presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would not create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to the financial liability’s credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognized.

2) **Impairment**

In relation to the impairment of financial assets, TFRS 9 requires an expected credit loss model. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

Specifically, TFRS 9 requires the Group to recognize a loss allowance for expected credit losses on:

- (1) Debt investments measured subsequently at amortized cost or at FVTOCI;
- (2) Lease receivables;
- (3) Trade receivables and contract assets; and
- (4) Financial guarantee contracts to which the impairment requirement of TFRS 9 apply.

In particular, TFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group are required to measure the loss allowance for that financial instrument at an amount equal to 12-month ECL. TFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

3) General hedge accounting

The general hedge accounting defines the three types of hedge accounting. In addition, the effectiveness test has been assessed. Disclosure requirements about the Group's risk management activities have also been introduced.

The Group has applied the TFRS 9 hedge accounting requirements prospectively from the date of initial application on January 1, 2020. The Group's qualifying hedging relationships in place as at January 1, 2020 also qualify for hedge accounting in accordance with TFRS 9 and were therefore regarded as continuing hedging relationships. No rebalancing of any of the hedging relationships was necessary on January 1, 2020. As the critical terms of the hedging instruments match those of their corresponding hedged items, all hedging relationships continue to be effective under TFRS 9's effectiveness assessment requirements.

TFRS 9 requires hedging gains and losses to be recognized as an adjustment to the initial carrying amount of non-financial hedged items (basis adjustment). In addition, transfers from the hedging reserve to the initial carrying amount of the hedged item are not reclassification adjustments under Thai Accounting Standard No. 1 "Presentation of Financial Statements" hence they do not affect other comprehensive income. Hedging gains and losses subject to basis adjustments are categorized as amounts that will not be subsequently reclassified to profit or loss in other comprehensive income.

When an interest rate swap contract is used in a cash flow hedge or fair value hedge relationship, the Group has designated the change in fair value of the entire interest rate swap as the hedging instrument.

The application of the TFRS 9 hedge accounting requirements has had no other impact on the results and financial position of the Group for the current year.

The table below shows the impact of adopting TFRS 9 on the Group's financial statements.

| Items | Consolidated statement of financial position | | | Category |
|---------------------------------------------------------------------------------------------------|----------------------------------------------|--------------------------------------|-----------------------------|--------------------------------------------------|
| | As at December 31, 2019 | Effect from adoption of TFRS 9 | As at January 1, 2020 | |
| Unit : Million Baht | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 21,663 | (16) | 21,647 | Amortized cost |
| Trade and other current receivables | 17,464 | 53 | 17,517 | Amortized cost |
| Short-term derivative assets | - | 1,179 | 1,179 | Fair value through profit or loss |
| Non-current assets | | | | |
| Other long-term investments | 64 | (64) | - | |
| Deposit for staff pension fund (present as other non-current assets) | 3,859 | (3,859) | - | |
| Other non-current financial assets | | | | |
| Investment in equity securities | - | 19 | 19 | Fair value through other comprehensive income |
| Investment in debt securities | - | 50 | 50 | Fair value through profit or loss |
| Investment in mutual fund | - | 1 | 1 | Fair value through profit or loss |
| Deposit for staff pension fund | - | 3,859 | 3,859 | Amortized cost |
| Long-term derivative assets | - | 2,011 | 2,011 | Fair value through profit or loss |
| Maintenance reserves | 12,966 | (10) | 12,956 | Amortized cost |
| Deposit for aircraft rental and other non-current assets (present as non-current assets) | 5,504 | (4) | 5,500 | Amortized cost |
| Total effect on assets | | 3,219 | | |
| Current liabilities | | | | |
| Short-term derivative liabilities | - | 236 | 236 | Fair value through profit or loss |
| Non-current liabilities | | | | |
| Long-term derivative liabilities | - | 1,401 | 1,401 | Fair value through profit or loss |
| Shareholders' equity | | | | |
| Unappropriated (deficit) | (19,383) | (1,372) | (20,755) | |
| Other components of shareholders' equity | 7,352 | 2,954 | 10,306 | |
| Total effect on liabilities and shareholders' equity | | 3,219 | | |

| Items | Separate statement of financial position | | | Unit : Million Baht |
|---------------------------------------------------------------------------------------------------|------------------------------------------|--------------------------------------|-----------------------------|--------------------------------------------------|
| | As at December 31, 2019 | Effect from adoption of TFRS 9 | As at January 1, 2020 | Category |
| Current assets | | | | |
| Cash and cash equivalents | 20,873 | (16) | 20,857 | Amortized cost |
| Trade and other current receivables | 22,896 | 53 | 22,949 | Amortized cost |
| Short-term derivative assets | - | 1,179 | 1,179 | Fair value through profit or loss |
| Non-current assets | | | | |
| Other long-term investments | 61 | (61) | - | |
| Deposit for staff pension fund (Present as other non-current assets) | 3,859 | (3,859) | - | |
| Other non-current financial assets | | | | |
| Investment in equity securities | - | 16 | 16 | Fair value through other comprehensive income |
| Investment in debt securities | - | 50 | 50 | Fair value through profit or loss |
| Investment in mutual fund | - | 1 | 1 | Fair value through profit or loss |
| Deposit for staff pension fund | - | 3,859 | 3,859 | Amortized cost |
| Long-term derivative assets | - | 2,011 | 2,011 | Fair value through profit or loss |
| Maintenance reserves | 12,956 | (10) | 12,946 | Amortized cost |
| Deposit for aircraft rental and other non-current assets (present as non-current assets) | 5,440 | (4) | 5,436 | Amortized cost |
| Total effect on assets | | 3,219 | | |
| Current liabilities | | | | |
| Short-term derivative liabilities | - | 236 | 236 | Fair value through profit or loss |
| Non-current liabilities | | | | |
| Long-term derivative liabilities | - | 1,401 | 1,401 | Fair value through profit or loss |
| Shareholders' equity | | | | |
| Unappropriated (deficit) | (11,876) | (1,372) | (13,248) | |
| Other components of shareholders' equity | 7,352 | 2,954 | 10,306 | |
| Total effect on liabilities and shareholders' equity | | 3,219 | | |

Statements of changes in shareholders' equity as at January 1, 2020

| | Unit : Million Baht | | | |
|-----------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|---------------------------------------------------|---------------------------------------------------------|---------------------------------------------------|
| | Consolidated financial statements Accumulated deficit | Other components of shareholders' equity | Separate financial statements Accumulated deficit | Other components of shareholders' equity |
| As at December 31, 2019 - as reported | | | | |
| Increase (decrease) due to: | (19,383) | 7,352 | (11,875) | 7,352 |
| Adoption of TFRSs, group of Financial Instruments Standards | | | | |
| Gain on fair value measurement of investment measured at fair value through other comprehensive income | - | 6 | - | 6 |
| Gain on impairment of financial assets | 23 | - | 23 | - |
| Gain (loss) on Hedge accounting and derivatives | (1,395) | 2,948 | (1,395) | 2,948 |
| As at January 1, 2020 - as restated | <u>(20,755)</u> | <u>10,306</u> | <u>(13,247)</u> | <u>10,306</u> |

2.7.2 Thai Financial Reporting Standards No. 16 “Leases” (“TFRS 16”)

The Company has applied TFRS 16 using the cumulative catch-up approach which:

- Requires the Group to recognize the cumulative effect of initially applying TFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.
- Does not restate the comparative information and continue to present comparative information under Thai Accounting Standard No. 17 “Leases” (“TAS 17”) and Thai Financial Reporting Standard Interpretation No. 4 “Determining whether an Arrangement contains a Lease” (“TFRIC 4”).

a) Impact of the new definition of a lease

The change in definition of a lease mainly relates to the concept of control. TFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on “risk and rewards” in TAS 17 and TFRIC 4.

The Group applies the definition of a lease and related guidance set out in TFRS 16 to all lease contracts entered into or changed on or after January 1, 2020 (whether it is a lessor or a lease in the lease contract). In preparation for the first-time application TFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in TFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

The Group has made use of the practical expedient available on transition to TFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with TAS 17 and TFRIC 4 will continue to be applied to those leases entered or changed before January 1, 2020.

b) Impact on Lessee Accounting

Former operating leases

TFRS 16 changes how the Group account for lease previously classified as operating leases under TAS 17, which were off balance sheet.

Applying TFRS 16, for all leases (except as noted below), the Group:

- 1) Recognizes right-of-use assets and lease liabilities in the statements of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with TFRS 16.
- 2) Recognizes depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss and other comprehensive income.
- 3) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statements of cash flows.

Lease incentives (e.g. rent free period) are recognized as part of the measurement of the right-of-use assets and lease liabilities whereas under TAS 17 they resulted in the recognition of a lease incentive, amortized as a reduction of rental expenses on a straight line basis.

Under TFRS 16, right-of-use assets are tested for impairment in accordance with Thai Accounting Standard No. 36 “Impairment of Assets” (“TAS 36”).

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items such as office furniture and telephones), the Group has opted to recognize a lease expense on a straight-line basis as permitted by TFRS 16. This expense is presented within “other expenses” in the statement of profit or loss and other comprehensive income.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying TAS 17.

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has adjusted the right-of-use asset at the date of initial application by the amount of provision for onerous leases recognized under Thai Accounting Standard No. 37 “Provisions, Contingent Liabilities and Contingent Assets” (“TAS 37”) in the statements of financial position immediately before the date of initial application as an alternative to performing an impairment review.
- The Group has elected not to recognize right-of-use assets and lease liabilities to leases for which the lease term end within 12 months of the date of initial application.
- The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

Former finance leases

For leases that were classified as finance leases applying TAS 17, the carrying amount of the leased assets and obligations under finance leases measured applying TAS 17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in case where the Group has elected to apply the low-value lease recognition exemption.

The right-of-use asset and the lease liability are accounted for applying TFRS 16 from January 1, 2020.

c) Impact on Lessor Accounting

TFRS 16 does not change substantially how a lessor accounts for leases. Under TFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, TFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under TFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head (and not by reference to the underlying asset as was the case under TAS 17).

Because of this change, the Group has reclassified certain of its operating sublease agreements as finance leases and accounted for them as new finance leases entered into at the date of initial application. As required by TFRS 9, an allowance for expected credit losses has been recognized on the finance lease receivables.

Financial impact of the initial application of TFRS 16

The Group recognized lease liabilities in relation to leases, which had previously been classified as operating leases under the principles of TAS 17. The right-of-use assets were measured at amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rates. The weight average lessees incremental borrowing rate applied to lease liabilities recognized in the statement of financial position on January 1, 2020 is 2.3780% to 4.0952% per annum.

The following table shows the operating lease commitments disclosed applying TAS 17 at December 31, 2019, discounted using incremental borrowing rate at the date of initial application and the lease liabilities recognized in the statement of financial position at the date of initial application.

| | Consolidated financial statements | Unit : Million Baht Separate financial statements |
|----------------------------------------------------------------------------|----------------------------------------------|------------------------------------------------------------------|
| Operating lease commitments | | |
| - Aircraft as at December 31, 2019 | 108,854 | 108,819 |
| Operating lease commitments | | |
| - Other fixed assets as at December 31, 2019 | 13,211 | 13,211 |
| <u>Less</u> Aircraft lease commitments | | |
| which had not been delivered | (11,523) | (11,523) |
| Short-term leases and leases of low-value assets | (97) | (85) |
| Effect of discounting the above amounts | (16,127) | (16,126) |
| Transfer classified lease liabilities as previously recognized from TAS 17 | 46,456 | 46,456 |
| Lease liabilities recognized as at January 1, 2020 | 140,774 | 140,752 |

Transitions of TFRS 16 as at January 1, 2020, are as follows:

| | Consolidated financial statements | Unit : Million Baht Separate financial statements |
|-------------------------------------------------------|----------------------------------------------|------------------------------------------------------------------|
| Right-of-use assets | 191,382 | 191,360 |
| Lease liabilities | 94,318 | 94,296 |
| Estimated expenses after contract expiration | 178 | 178 |
| Prepaid expenses | 590 | 590 |
| Transfer classified liability under lease liabilities | 96,296 | 96,296 |

2.7.3 Accounting Treatment Guidances

In addition, the Federation of Accounting Professions has announced two Accounting Treatment Guidances, which have been announced in the Royal Gazette on April 22, 2020, detail as follows:

Accounting Treatment Guidance on “The temporary relief measures for entities supporting their debtors who effected from the situations that affected Thailand’s economy”

The objective of this accounting treatment guidance is to grant the temporary relief measures for entities helping their debtors who effected from the situations that affected Thailand’s economy with the helping period during January 1, 2020 to December 31, 2021 or until there are any changes from the Bank of Thailand, which require the compliance for such changes. The entities who support their debtors and elect to apply this accounting treatment guidance should be comply with all relief measures specified in this accounting treatment guidance.

The Group has not adopted such accounting treatment guidance in the preparation of the interim financial statements for the three-month and six-month periods ended June 30, 2020.

Accounting Treatment Guidance on “The temporary relief measures for additional accounting alternatives to alleviate the impacts from COVID-19 outbreak”

This accounting treatment guidance is the option for all entities applying Financial Reporting Standards for Publicly Accountable Entities. Since the preparation of financial statements during the period, which COVID-19 situation still be highly uncertainty as at the end of reporting period may cause the entities’ management to use the critical judgment in the estimation or the measurement and recognition of accounting transactions. Objective of this accounting treatment guidance is to alleviate some of the impact of applying certain financial reporting standards, and to provide clarification about accounting treatments during the period of uncertainty relating to this situation. The entities can apply this accounting treatment guidance for the preparation of financial statements with the reporting period ending within the period from January 1, 2020 to December 31, 2020.

The Group has elected to apply the following temporary relief measures for alternatives are as follows:

- Not to take into account forward-looking information when determining expected credit losses, in cases where the Group uses a simplified approach to determine expected credit losses.
- To measure the fair value of investments in unquoted equity instruments using the fair value as at January 1, 2020.
- To lightly weight information relating to the COVID-19 situation in applying the valuation technique to measure the fair value of financial assets in the form of debt instruments using Level 2 inputs.

- Not to account for any information relating to the COVID-19 situation that may affect the financial forecasts applying for the valuation technique to measure the fair value of non-financial assets such as property, plant and equipment.
- Not to account for any reduction in lease payments by lessors resulting from the COVID-19 situation as a lease modification, with the lease liabilities that come due in each period reduced in proportion to the reduction and depreciation of right-of-use assets and interest on lease liabilities recognised in each period reversed in proportion to the reduction, with any differences then recognised in profit or loss.
- Not to use information relating to the COVID-19 situation in determining whether sufficient taxable profits will be available in future periods against which deferred tax assets can be utilised.
- Not to consider the COVID-19 situation as an indication that an asset may be impaired in accordance with TAS 36, Impairment of Assets.
- Not to use information relating to the COVID-19 situation that may affect the cash flow forecasts used in testing goodwill for impairment or an intangible asset with an indefinite useful life.
- Not to consider the COVID-19 situation as an event that causes current obligations resulting from past events in provision contingent liabilities and contingent assets.

3. SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements have been prepared based on the basis, accounting policies and method of computation consistent with those used in the financial statements for the year ended December 31, 2019, except the adoption of new and revised Thai Financial Reporting Standards as mentioned in Note 2. Accounting policies which significantly changed are as follows:

3.1 Financial instruments

Classification and measurement

Financial assets that are debt securities are measured at fair value through profit or loss, or amortized cost. The classification is derived by the Group's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

Financial assets which is equity securities are measured at fair value through other comprehensive income, which is presented under other non-current financial assets.

Financial liabilities are classified and measured at amortized cost. The Group has elected to measure liabilities at fair value through profit or loss when stipulated conditions are met.

Derivatives are classified and measured at fair value through profit or loss unless hedge accounting is applied to the derivative contracts.

Impairment of financial assets

The Group recognize an allowance for expected credit losses on its financial assets which measured at amortized cost and lease receivable, without requiring a credit - impaired event to have occurred prior to the recognition. The Group accounts for changes in credit risk losses in stages, with differing methods of determining allowance for credit losses and the effective interest rate applied at each stage. An exception from this approach is that for trade receivables or contract asset that do not contain a significant financing component and lease receivable, the Group applies a simplified approach to determine the lifetime expected credit losses.

Hedge accounting

The Group Considered hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Fair value hedges - the change in the fair value of a hedging instrument and the hedged item attributable to the risk are recognized in profit or loss.

Cash flow hedges - the effective portion of the gain or loss on the hedging instrument is recognized in other comprehensive income, while any ineffective portion is recognized immediately in profit or loss.

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions. The fair value of a hedging derivative is classified as a non-current asset or non - current liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or current liability when the remaining maturity of the hedged item is less than 12 months. The Group classified trading derivatives as a current asset or current liability.

The Group recognized effective portion of changes in the fair value of derivatives that are designated and qualify of cash flow hedges in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, within other gains or losses.

Amounts accumulated in equity are reclassified as profit or loss in the periods when the Group recognized hedged item as profit or loss.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, the Group will classified gain or loss and cumulative hedging costs and previously presented included in equity until the forecast transaction occurs or when the forecast transaction is no longer expected to occur, the Group will classified gain or loss and cumulative hedging costs and previously presented in equity are immediately reclassified to profit or loss.

3.2 Leases

The Group has applied TFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under TAS 17. The details of accounting policies under both TAS 17 and TFRS 16 are as follows:

a) Policies applicable from January 1, 2020

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lease, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets i.e. tablets and personal computers, small items such as office furniture and telephones. For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leases assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lease under residual value guarantees;
- The exercise price of purchase options, if the lease is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified or/and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under TAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use assets is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statements of financial position.

The Group applies TAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the “Property, Plant and Equipment” policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line “Other expenses” in profit or loss.

As a practical expedient, TFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has used this practical expedient.

The Group as lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance lease or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Policies applicable prior to January 1, 2020

Aircraft under finance leases are presented at cost including engines and other flight equipment as well as cost of decoration incurred prior to the aircraft being placed into service, excluding passenger seats and the first estimated overhaul cost, and less any concessions for the acquisition of aircraft. Depreciation is calculated on a straight-line basis over an estimated useful life of 20 years, using a residual value 6 percent of cost.

Aircraft under operating leases are recognized as expense throughout the lease period on an accrual basis

4. REHABILITATION PLANS

The situation of the epidemic of the coronary virus infection 2019 (“COVID-19”) that is now continuously expanding throughout all regions of the world causing each country to escalate preventive epidemic control measures by strict screening and prohibiting travelling from both departure and arrival causing the Company suspended domestic and international flights from March 25, 2020 which had significant impact to revenue of the Company.

On May 20, 2020, The Extraordinary Meeting of the Board of Directors No. 10/2020, and the Extraordinary Meeting of the Board of Directors No. 10-1/2020, held on May 25, 2020, passed 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. 2483, 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. In this connection, the Central Bankruptcy Court has set the hearing date on rehabilitation petition of the Company on August 17, 2020. The summarized details of the actions relating to the filing for rehabilitation of the Company are as follows:

- The Company, as the debtor, has filed for rehabilitation with the Central Bankruptcy Court.
- The Company has proposed to appoint EY Corporate Advisory Services Limited together with ACM Chaiyapruk Didyasarin, Mr. Chakkrit Parapuntakul, Mr. Pirapan Salirathavibhaga, Mr. Boontuck Wungcharoen, and Mr. Piyasvasti Amranand, the Company’s directors to jointly be the Planner. In this connection, once the Court renders the business rehabilitation order and appoint the Planner, the appointed Planner will have the authority and duty in managing the business and assets of the Company.
- This rehabilitation process is supported by the laws, which provides equitable protection to relevant parties. The Company is still able to continue normal business while in the business rehabilitation process, including passenger transportation services to Thai Airways’ destinations in various countries or mail transportation with the business rehabilitation.

On June 4, 2020, the Extraordinary Meeting of the Board of Directors No. 12/2563 passed the resolution to propose Mr. Chansin Treenuchagron being the Planner. The Company submitted a petition to amend the business rehabilitation petition to the Central Bankruptcy Court and the Central Bankruptcy Court has issued an order granting the amendment business rehabilitation petition on June 5, 2020.

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 implemented, the investigation of debt repayment petition and other legal proceedings until the Central Bankruptcy Court approves the rehabilitation plan and issue an order to execute the rehabilitation plan. The Company expects to manage the operations in according to the objectives of the rehabilitation plan in March 2021.

5. RELATED PARTIES TRANSACTIONS

Related parties of the Company are defined as persons or entities that control the Company or are controlled by the Company, whether directly or indirectly or are under the same control as the Company including holding companies. In addition, related parties also include individuals owning, directly or indirectly, and interest in the voting shares of the Company, and have significant influence over the Company, key management personnel, directors or officers of the Company. This also applies to the close members of the family of such individuals and companies associated with these individuals.

In considering each possible related person or parties relationship, attention is directed to the substance of the relationship, not merely the legal form.

Transactions with related parties are conducted at market prices or, where no market price exists, at contractually agreed prices.

5.1 Significant related parties transactions for the three-month and six-month periods ended June 30, 2020 and 2019 are as follows:

For the three-month periods ended June 30,

| | Consolidated | | Unit : Million Baht | |
|----------------------------------------------|--------------|------|---------------------|-------|
| | 2020 | 2019 | 2020 | 2019 |
| Major shareholder | | | | |
| Sales and rendering of services | - | 1 | - | 1 |
| Purchases and services | 8 | 75 | 8 | 75 |
| Interest expense | 316 | 101 | 316 | 101 |
| Subsidiaries | | | | |
| Sales and rendering of services | - | - | 432 | 2,397 |
| Purchases and services | - | - | 108 | 1,916 |
| Dividend received | - | - | 25 | 59 |
| Associates | | | | |
| Sales and rendering of services | 36 | 43 | 36 | 43 |
| Purchases and services | 75 | 123 | 75 | 123 |
| Dividend received | - | - | 147 | 239 |
| Director and managements remuneration | | | | |
| Short-term management remuneration | 7 | 18 | 6 | 17 |
| Directors' remuneration | 2 | 4 | 1 | 4 |

For the six-month periods ended June 30,

| | Consolidated | | Unit : Million Baht | |
|----------------------------------------------|----------------------|------|---------------------|-------|
| | financial statements | | Separate | |
| | 2020 | 2019 | 2020 | 2019 |
| Major shareholder | | | | |
| Sales and rendering of services | 1 | 2 | 1 | 2 |
| Purchases and services | 10 | 77 | 10 | 77 |
| Interest expense | 399 | 179 | 399 | 179 |
| Subsidiaries | | | | |
| Sales and rendering of services | - | - | 2,853 | 4,831 |
| Purchases and services | - | - | 2,522 | 3,915 |
| Dividend received | - | - | 26 | 59 |
| Associates | | | | |
| Sales and rendering of services | 71 | 109 | 71 | 109 |
| Purchases and services | 210 | 285 | 210 | 285 |
| Dividend received | - | - | 147 | 239 |
| Director and managements remuneration | | | | |
| Short-term management remuneration | 22 | 37 | 19 | 34 |
| Directors' remuneration | 6 | 9 | 4 | 8 |

Management remuneration considered in accordance with the Securities and Exchange Law, whereby the executive is the managing director of the Company. The first 4 level of executives of the Company and all positions equivalent to the 4th management level, following the Company's managing director, including some executive management of Accounting and Finance.

The Group recognized post-management benefit in the consolidated and separate statements of profit or loss and other comprehensive income for the three-month periods ended June 30, 2020 and 2019 of Baht 380,000 and Baht 350,000, respectively, and for the six-month periods ended June 30, 2020 and 2019 of Baht 760,000 and Baht 700,000, respectively.

5.2 Balances as at June 30, 2020 and December 31, 2019 with related parties are as follows:

| | Consolidated | | Unit : Million Baht | |
|--------------------------------------------|----------------------|----------------------|---------------------|----------------------|
| | financial statements | | Separate | |
| | June 30, 2020 | December 31, 2019 | June 30, 2020 | December 31, 2019 |
| Trade and other current receivables | | | | |
| Subsidiaries | - | - | 6,024 | 5,673 |
| Associates | 55 | 56 | 55 | 56 |
| Total | 55 | 56 | 6,079 | 5,729 |

Trade and other current receivables presented balances before deduct expected credit loss (see Note 7).

| | Consolidated | | Unit : Million Baht Separate | |
|----------------------------------------------------------------|------------------|----------------------|---------------------------------|----------------------|
| | June 30, 2020 | December 31, 2019 | June 30, 2020 | December 31, 2019 |
| Current lease receivable (see Note 7) | | | | |
| Subsidiary | - | - | 1,588 | - |
| Total | <u>-</u> | <u>-</u> | <u>1,588</u> | <u>-</u> |
| Non-current lease receivable | | | | |
| Subsidiary | - | - | 5,779 | - |
| Total | <u>-</u> | <u>-</u> | <u>5,779</u> | <u>-</u> |
| Trade and other current payables | | | | |
| Subsidiaries | - | - | 104 | 1 |
| Associates | 75 | 2 | 75 | 2 |
| Total | <u>75</u> | <u>2</u> | <u>179</u> | <u>3</u> |
| Short-term borrowings from related parties | | | | |
| Domestic financial institution controlled by major shareholder | 11,414 | 3,500 | 11,414 | 3,500 |
| Total | <u>11,414</u> | <u>3,500</u> | <u>11,414</u> | <u>3,500</u> |

Short-term borrowings from domestic financial institution controlled by major shareholder had fixed interest rate at 1.14% - 3.40% p.a. and floating interest rate at 6 Month Fixed Deposit Rate + 2.5% p.a. The Company did not use fixed assets or other securities as collateral.

During the six-month period ended June 30, 2020, the Company had additional short-term borrowings from related parties of Baht 15,500 million and repayment the principal of Baht 7,586 million which was included the set off of the borrowing with deposit at bank of Baht 586 million.

Long-term borrowings from related parties as at June 30, 2020 and December 31, 2019 are consisted of:

| | Unit : Million Baht Consolidated and separate financial statements | |
|---------------------------------------------------------------------|--------------------------------------------------------------------------|----------------------|
| | June 30, 2020 | December 31, 2019 |
| Long-term borrowings from related parties | | |
| From foreign financial institution through major shareholder | 11,764 | 11,978 |
| From domestic financial institution controlled by major shareholder | 2,393 | 2,437 |
| Total | <u>14,157</u> | <u>14,415</u> |

Details of long-term borrowings from related parties as at June 30, 2020 and December 31, 2019 are as follows:

| | Unit : Million Baht | | | | |
|----------------------------------------------------------------------------------------|-------------------------------------------------|-------------------|-------------------|-------------------|--------|
| | Consolidated and separated financial statements | | | | |
| | Interest rate | Repayment date | | Amount | |
| % per annum | June 30, 2020 | December 31, 2019 | June 30, 2020 | December 31, 2019 | |
| Long-term borrowings from related parties | | | | | |
| Current portion | | | | | |
| From foreign financial institution through major shareholder ⁽¹⁾ | 2.31 | at call | July 15, 2020 | 11,764 | 1,090 |
| From domestic financial institution controlled by the major shareholder ⁽²⁾ | 1.95 | at call | June 30, 2020 | 393 | 235 |
| From domestic financial institution controlled by the major shareholder ⁽³⁾ | 1.97 | at call | April 30, 2020 | 2,000 | 300 |
| | | | | 14,157 | 1,625 |
| Amount over one year | | | | | |
| From foreign financial institution through major shareholder ⁽¹⁾ | 2.31 | - | July 15, 2030 | - | 10,888 |
| From domestic financial institution controlled by the major shareholder ⁽²⁾ | 1.95 | - | December 31, 2021 | - | 202 |
| From domestic financial institution controlled by the major shareholder ⁽³⁾ | 1.97 | - | January 17, 2025 | - | 1,700 |
| | | | | - | 12,790 |
| Total | | | | 14,157 | 14,415 |

⁽¹⁾ Borrowings from foreign financial institutions through major shareholder was the loans that the Ministry of Finance entered into the borrowings agreements with foreign financial institution and the Ministry of Finance had given such borrowings to the Company in Euro currency. The Company agreed to make repayment of such borrowings and interest to the major shareholder in the borrowed currency.

On May 22, 2020, the Ministry of Finance sent the notice of request to make the debt payment of Euro 355 million to the Company, including fee relating to such borrowings within June 15, 2020. However, the Company was in Automatic Stay status for protect the receivable and could not be able to make repayment. Therefore, the Company reclassified the borrowings due over one year to be the current portion.

⁽²⁾ Borrowings from domestic financial institution controlled by the major shareholder was the borrowings in Japanese currency, having the requirement to register the aircraft (A330-300, 2 aircraft) as business collateral, with the total credit of Yen 4,200 million as a repayment collateral (see Note 10). According to the business rehabilitation process, the Company unable to pay for interest and principal to lender which caused the default of payment. As a result, the lender has the right to call for immediate repayment of the entire amount. Therefore, the Company classifies long-term borrowings as current-liabilities due within one year.

⁽³⁾ On April 29, 2020, the Company entered into the amendment to change the condition of long-term borrowings agreement with domestic financial institution controlled by the major shareholder of Baht 2,000 million which was previously had first maturity period in April 2020 and last maturity period in January 2025 to the first maturity period in April 2021 and last maturity period in January 2026. Subsequently on May 18, 2020, the debtor sent the notice of request to make the repayment of the principle of the promissory note and its interest to the Company on May 22, 2020. Therefore, the Company reclassified such long-term borrowings to be the current liabilities due within one year.

During the six-month period ended June 30, 2020, the Company made repayment of long-term borrowings from related parties of Baht 725 million and no additional long-term borrowings from related parties was made.

5.3 Significant agreement with related parties

Aircraft leases

The Company entered into A320-200 aircraft sublease agreements with Thai Smile Airways Company Limited with lease period of 3 - 12 years, totaling 20 aircraft, consisted of 15 aircraft which were under operating lease agreements with monthly lease payment and 5 aircraft which were under finance lease agreements with quarterly lease payment. As a result of sublease agreement, the Company had current lease receivables (recognized as trade and other current receivables) and non-current lease receivable in the separate financial statements as at June 30, 2020 of Baht 1,588 million and Baht 5,779 million, respectively.

Services agreement

The Company entered into services agreement with Thai Smile Airways Company Limited for providing maintenance service and repair aircraft and aircraft's equipment which Thai Smile Airways Company Limited leased from the Company under the price and conditions stated in the agreements.

Leasing Space Agreement and license to operate business

The Company entered into leasing space agreement and license to operate business agreement with Airports of Thailand Public Company Limited under the price and conditions stated in the agreements (see Notes 10 and 27.4).

6. ADDITIONAL CASH FLOWS INFORMATION

6.1 Cash and Cash Equivalents

Cash and cash equivalents as at June 30, 2020 and December 31, 2019, consist of:

| | Consolidated | | Unit : Million Baht Separate | |
|---------------------------------|------------------------------------------|----------------------|------------------------------------------|----------------------|
| | financial statements June 30, 2020 | December 31, 2019 | financial statements June 30, 2020 | December 31, 2019 |
| Cash on hand - Domestic | 9 | 13 | 7 | 10 |
| Cash on hand - Foreign | 5 | 18 | 4 | 18 |
| Cash at banks - Domestic | 10,873 | 12,561 | 10,360 | 12,032 |
| Cash at banks - Foreign | 3,086 | 9,071 | 2,943 | 8,813 |
| Total cash and cash equivalents | 13,973 | 21,663 | 13,314 | 20,873 |
| Less Expected credit loss | (10) | - | (10) | - |
| Total cash and cash equivalents | 13,963 | 21,663 | 13,304 | 20,873 |

6.2 Non-cash items for the six-month periods ended June 30, 2020 and 2019 are as follows:

| | Consolidated | | Unit : Million Baht | |
|----------------------------------------------------------------------|----------------------|------------------|---------------------|------------------|
| | financial statements | | Separate | |
| | June 30, 2020 | June 30, 2019 | June 30, 2020 | June 30, 2019 |
| Payable for purchase of assets | 443 | 161 | 443 | 161 |
| Lease payable | 1,278 | - | 1,278 | - |
| Right-of-use assets ⁽¹⁾ | 191,382 | - | 191,360 | - |
| Lease liabilities ⁽¹⁾ | 94,318 | - | 94,296 | - |
| Estimated expenses after contract expiration ⁽¹⁾ | 178 | - | 178 | - |
| Prepaid expenses ⁽¹⁾ | 590 | - | 590 | - |
| Transfer classified liability under lease liabilities ⁽¹⁾ | 96,296 | - | 96,296 | - |
| | <u>384,485</u> | <u>161</u> | <u>384,441</u> | <u>161</u> |

⁽¹⁾ List of the impact of non-cash items as at January 1, 2020, from the initial adoption of TFRS 16 (see Note 2.7.2).

6.3 Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities, including cash items and non-cash items that are classified as financing activities in the statements of cash flow, are as follows:

| As at June 30, 2020 | Consolidated financial statements | | | | | Unit : Million Baht |
|---------------------------------------------------|-----------------------------------|---------------------------------|-----------------------------|---------------------------------------|-----------------------|---------------------------|
| | Balance | Cash flows | Changes from non-cash items | | | Balance |
| | as at January 1, 2020 | from financing activities | Exchange rate | Effect from TFRS 16 ⁽¹⁾ | Others ⁽²⁾ | as at June 30, 2020 |
| Short-term borrowings from financial institutions | - | 3,730 | - | - | - | 3,730 |
| Short-term borrowings from related parties | 3,500 | 7,914 | - | - | - | 11,414 |
| Long-term borrowings from financial institutions | 8,873 | (362) | - | - | - | 8,511 |
| Long-term borrowings from related parties | 14,415 | (725) | 467 | - | - | 14,157 |
| Lease liabilities | - | (7,597) | 677 | 140,774 | (1,292) | 132,562 |
| Debentures | 74,108 | (2,500) | - | - | - | 71,608 |
| Total | <u>100,896</u> | <u>460</u> | <u>1,144</u> | <u>140,774</u> | <u>(1,292)</u> | <u>241,982</u> |

| As at June 30, 2019 | Consolidated financial statements | | | | | Unit : Million Baht |
|---------------------------------------------------|-----------------------------------|---------------------------------|-----------------------------|---------------------------------------|-----------------------|---------------------------|
| | Balance | Cash flows | Changes from non-cash items | | | Balance |
| | as at January 1, 2019 | from financing activities | Exchange rate | Effect from TFRS 16 ⁽¹⁾ | Others ⁽²⁾ | as at June 30, 2019 |
| Short-term borrowings from financial institutions | 2,000 | - | - | - | - | 2,000 |
| Short-term borrowings from related parties | 1,000 | 2,000 | - | - | - | 3,000 |
| Long-term borrowings from financial institutions | 7,358 | (2,031) | (30) | - | - | 5,297 |
| Long-term borrowings from related parties | 17,086 | (827) | (714) | - | - | 15,545 |
| Lease liabilities | 58,982 | (4,679) | (2,286) | - | - | 52,017 |
| Debentures | 64,850 | 4,200 | - | - | - | 69,050 |
| Total | <u>151,276</u> | <u>(1,337)</u> | <u>(3,030)</u> | <u>-</u> | <u>-</u> | <u>146,909</u> |

⁽¹⁾ Financial impact as at January 1, 2020 from the initial adoption of TFRS 16 (see Note 2.7.2)

⁽²⁾ Remeasurements variable rates of lease agreement (see Note 15)

Unit : Million Baht

| As at June 30, 2020 | Balance as at January 1, 2020 | Cash flows from financing activities | Separate financial statements | | | Balance as at June 30, 2020 |
|---------------------------------------------------|-------------------------------|--------------------------------------|-------------------------------|----------------------------------------------------------------|-----------------------|-----------------------------|
| | | | Exchange rate | Changes from non-cash items Effect from TFRS 16 ⁽¹⁾ | Others ⁽²⁾ | |
| Short-term borrowings from financial institutions | - | 3,730 | - | - | - | 3,730 |
| Short-term borrowings from related parties | 3,500 | 7,914 | - | - | - | 11,414 |
| Long-term borrowings from financial institutions | 8,873 | (362) | - | - | - | 8,511 |
| Long-term borrowings from related parties | 14,415 | (725) | 467 | - | - | 14,157 |
| Lease liabilities | - | (7,589) | 677 | 140,752 | (1,305) | 132,535 |
| Debentures | 74,108 | (2,500) | - | - | - | 71,608 |
| Total | 100,896 | 468 | 1,144 | 140,752 | (1,305) | 241,955 |

Unit : Million Baht

| As at June 30, 2019 | Balance as at January 1, 2019 | Cash flows from financing activities | Separate financial statements | | | Balance as at June 30, 2019 |
|---------------------------------------------------|-------------------------------|--------------------------------------|-------------------------------|----------------------------------------------------------------|-----------------------|-----------------------------|
| | | | Exchange rate | Changes from non-cash items Effect from TFRS 16 ⁽¹⁾ | Others ⁽²⁾ | |
| Short-term borrowings from financial institutions | 2,000 | - | - | - | - | 2,000 |
| Short-term borrowings from related parties | 1,000 | 2,000 | - | - | - | 3,000 |
| Long-term borrowings from financial institutions | 7,358 | (2,031) | (30) | - | - | 5,297 |
| Long-term borrowings from related parties | 17,086 | (827) | (714) | - | - | 15,545 |
| Lease liabilities | 58,982 | (4,679) | (2,286) | - | - | 52,017 |
| Debentures | 64,850 | 4,200 | - | - | - | 69,050 |
| Total | 151,276 | (1,337) | (3,030) | - | - | 146,909 |

⁽¹⁾ Financial impact as at January 1, 2020 from the initial adoption of TFRS 16 (see Note 2.7.2)

⁽²⁾ Remeasurements variable rates of lease agreement (see Note 15)

7. TRADE AND OTHER CURRENT RECEIVABLES

Trade and other current receivables as at June 30, 2020 and December 31, 2019, are as follows:

Unit : Million Baht

| | Consolidated financial statements | | Separate financial statements | |
|----------------------------------------|-----------------------------------|----------------------|-------------------------------|----------------------|
| | June 30, 2020 | December 31, 2019 | June 30, 2020 | December 31, 2019 |
| Trade Receivables | | | | |
| Related parties (see Note 5) | 55 | 56 | 1,444 | 1,967 |
| Others | 2,972 | 10,460 | 2,636 | 9,240 |
| <u>Less</u> Expected credit loss | (1,285) | (1,278) | (2,643) | (1,248) |
| Total Trade Receivables | <u>1,742</u> | <u>9,238</u> | <u>1,437</u> | <u>9,959</u> |
| Other Receivables | | | | |
| Related parties (see Note 5) | - | - | 4,635 | 3,762 |
| Others | 3,242 | 3,610 | 4,716 | 4,318 |
| <u>Less</u> Expected credit loss | (335) | (255) | (4,966) | (255) |
| Total other receivables | <u>2,907</u> | <u>3,355</u> | <u>4,385</u> | <u>7,825</u> |
| Current lease receivables (see Note 5) | - | - | 1,588 | - |
| Accrued income | 1,713 | 2,008 | 1,875 | 2,031 |
| Receivable - Revenue Department | 562 | 905 | 562 | 905 |
| Prepaid expenses and deposits | 1,288 | 1,958 | 1,394 | 2,176 |
| Total | <u>8,212</u> | <u>17,464</u> | <u>11,241</u> | <u>22,896</u> |

As at June 30, 2020, the Company recognized expected credit loss on trade receivables and other current receivables of Baht 2,643 million and Baht 4,966 million, respectively, in the separate financial statements because of the expected credit loss in accordance with TFRS 9, most of them were expected credit loss of receivables of Thai Smile Airways Company Limited, a subsidiary, of Baht 6,018 million and other receivables of Baht 1,591 million.

Aging analysis of trade receivables are as follows:

| | Consolidated financial statements | | Unit : Million Baht Separate financial statements | |
|----------------------------------|--------------------------------------|----------------------|---------------------------------------------------------|----------------------|
| | June 30, 2020 | December 31, 2019 | June 30, 2020 | December 31, 2019 |
| Aging Periods: | | | | |
| Not over 6 months | 1,242 | 8,776 | 1,909 | 9,336 |
| Over 6 months to 1 year | 367 | 439 | 784 | 599 |
| Over 1 year to 2 years | 162 | 233 | 162 | 233 |
| Over 2 years | 1,256 | 1,068 | 1,225 | 1,039 |
| Total | 3,027 | 10,516 | 4,080 | 11,207 |
| <u>Less</u> Expected credit loss | (1,285) | (1,278) | (2,643) | (1,248) |
| Total trade receivables | 1,742 | 9,238 | 1,437 | 9,959 |

8. NON-CURRENT ASSETS HELD FOR SALE

During the six-month period ended June 30, 2020, the Company transferred an aircraft B737-400 from non-performing asset to be non-current asset held for sale in the amount of Baht 10 million, there is possibility to complete the sales plan within 1 year from the date of signing the sale-purchase contract (see Note 13).

During the three-month and six-month periods ended June 30, 2020, the Company recognized loss on impairment of asset held for sale to be non-current asset held for sale which was an aircraft B747-400 in the amount of Baht 9.2 million in statements of profit or loss and other comprehensive income.

9. INVESTMENTS

9.1 Investments in associates

Investments in associates which are recorded by equity method for the consolidated financial statements and cost method for the separate financial statements as at June 30, 2020 and December 31, 2019 and dividend received for the three-month and six-month periods ended June 30, 2020 and 2019 are as follows:

| | Country of incorporation | Nature of business | Percentage of shareholding | | Paid up capital | | Consolidated financial statements | | Separate financial statements | | | |
|----------------------------------------------------------------------|--------------------------|------------------------------------------------|----------------------------|-------------------|-----------------|-------------------|-----------------------------------|-------------------|-------------------------------|-------------------|-------------------|-------------------|
| | | | June 30, 2020 | December 31, 2019 | June 30, 2020 | December 31, 2019 | Equity method | | Cost method | | Cost method - net | |
| | | | June 30, 2020 | December 31, 2019 | June 30, 2020 | December 31, 2019 | June 30, 2020 | December 31, 2019 | June 30, 2020 | December 31, 2019 | June 30, 2020 | December 31, 2019 |
| Associated companies | | | | | | | | | | | | |
| Donmuang International Airport Hotel Company Limited | Thailand | Hotel business | 40.00 | 40.00 | 120 | 120 | 99 | 101 | 48 | 48 | 48 | 48 |
| Bangkok Aviation Fuel Services Public Company Limited ⁽¹⁾ | Thailand | Fuel service in the airport | 22.59 | 22.59 | 637 | 637 | 1,103 | 1,272 | 115 | 115 | 115 | 115 |
| Phuket Air Catering Company Limited | Thailand | Produce food and provide products for airlines | 30.00 | 30.00 | 100 | 100 | 232 | 229 | 30 | 30 | 30 | 30 |
| Suvarnabhumi Airport Hotel Company Limited | Thailand | Hotel business | 30.00 | 30.00 | 1,018 | 1,018 | 306 | 312 | 305 | 305 | 305 | 305 |
| Nok Airlines Public Company Limited ⁽²⁾ | Thailand | Air transportation services | 13.28 | 15.94 | 3,729 | 3,109 | - | 187 | 736 | 736 | 392 | 736 |
| Total | | | | | | | 1,740 | 2,101 | 1,234 | 1,234 | 890 | 1,234 |

⁽¹⁾ As at June 30, 2020 and December 31, 2019, fair value of Bangkok Aviation Fuel Services Public Company Limited were Baht 2,684 million and Baht 3,456 million, respectively.

⁽²⁾ In February 2020, Nok Airlines Public Company Limited offered new ordinary shares 888,147,358 shares at the par value of Baht 1 per share, at the offering price of Baht 2.50 per share. However, the Company did not subscribe to the newly ordinary shares that caused decreasing the Company's shareholding percentage from 15.94% as at December 31, 2019 to 13.28% as at June 30, 2020. Nok Airlines Public Company Limited received net cash after deduction of expenses from such offering of 620,670,967 shares in the amount of Baht 1,548.24 million and registered its capital increased on February 18, 2020.

Due to the impact of COVID-19 pandemic, which affected to airline business including the performance of Nok Airlines Public Company Limited. The Company considered such situation that indicated the impairment indicator in the investment of Nok Airlines Public Company Limited. The Company considered to record an allowance for the impairment of the investment in amount of Baht 344 million. As a result, the Company's investment in Nok Airlines Public Company Limited as at June 30, 2020 was equaled to Baht 392 million in the separate financial statements. As at June 30, 2020 and December 31, 2019, Nok Airline Public Company Limited had the fair value in amount of Baht 461 million and Baht 991 million, respectively.

For the three-month and six-month periods ended June 30, 2020, the Company had dividend received from Bangkok Aviation Fuel Service Public Company Limited in amount of Baht 147 million. For the three-month and six-month periods ended June 30, 2019, the Company had dividend received from Donmuang International Airport Hotel Company Limited in amount of Baht 24 million, from Bangkok Aviation Fuel Service Public Company Limited in amount of Baht 164 million and from Phuket Air catering Company Limited in amount of Baht 51 million.

9.2 Investments in subsidiaries

Investments in subsidiaries recorded by cost method for the separate financial statements as at June 30, 2020 and December 31, 2019 and dividend received for the three-month and six-month periods ended June 30, 2020 and 2019 are as follows:

Unit : Million Baht

| Subsidiaries | Country of incorporation | Nature of business | Percentage of shareholding | Separate financial statements | | | | | | | | | | |
|---------------------------------------------------|--------------------------|--------------------------------------------------|----------------------------|-------------------------------|-------------------|---------------|-------------------|---------------------|-------------------|-----------------------------------------------------|-------------------|---------------------------------------------------|---------------|---------------|
| | | | | Paid up capital | | Equity Method | | Equity Method - net | | Dividend received For the three-month periods ended | | Dividend received For the six-month periods ended | | |
| | | | | June 30, 2020 | December 31, 2019 | June 30, 2020 | December 31, 2019 | June 30, 2020 | December 31, 2019 | June 30, 2020 | December 31, 2019 | June 30, 2020 | June 30, 2019 | June 30, 2020 |
| Thai-Amadeus Southeast Asia Company Limited | Thailand | Integrated travel information technology service | 55.00 | 55.00 | 15 | 15 | 8 | 8 | 8 | 8 | 25 | 58 | 25 | 58 |
| WingSpan Services Company Limited | Thailand | Specialized personnel services for companies | 49.00 | 49.00 | 2 | 2 | 1 | 1 | 1 | 1 | - | - | - | - |
| Thai Flight Training Company Limited | Thailand | Training service aviation | 49.00 | 49.00 | 2 | 2 | 1 | 1 | 1 | 1 | - | 1 | 1 | 1 |
| Thai Smile Airways Company Limited ⁽¹⁾ | Thailand | Air transportation services | 100.00 | 100.00 | 1,800 | 1,800 | 1,800 | 1,800 | - ⁽¹⁾ | 1,800 | - | - | - | - |
| Total | | | | | | 1,810 | 1,810 | 10 | 1,810 | 25 | 59 | 26 | 59 | |

- (1) During the six-month period ended June 30, 2020, the Company had assessed the performance of Thai Smile Airways as at June 30, 2020 which continuously had accumulated loss and capital deficiency in the amount of Baht 10,305 million and considered the impact of the COVID - 19 pandemic to airline business. The Company assessed as there had 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. Therefore, the Company recognized an allowance for impairment of such investment for whole amount.

10. PROPERTY PLANT AND EQUIPMENT

Movements of the property, plant and equipment for the six-month period ended June 30, 2020 are as follows:

| | Consolidated financial statements | Unit : Million Baht Separate financial statements |
|-------------------------------------------------------------------------|--------------------------------------------------|----------------------------------------------------------------------|
| Net book value as at January 1, 2020 | 171,116 | 171,083 |
| Acquisitions during the period - at cost | 898 | 897 |
| Disposals during the period - net carrying amount at disposal date | (16) | (14) |
| Transfers to non-performing assets | (1) | (1) |
| Reclassify to right-of-use assets due to TFRS 16 adoption (see Note 11) | (96,296) | (96,296) |
| Adjust/ transfers of aircraft | 1,961 | 1,961 |
| Depreciation for the period | (4,723) | (4,721) |
| Allowance for impairment for the period | (3,038) | (3,038) |
| Net book value as at June 30, 2020 | 69,901 | 69,871 |

As at June 30, 2020, the Company had 103 aircraft represented in the Company's fleet, which consisted of 33 own aircraft and 70 aircraft under lease agreements presented as right-of-use assets (see Note 11).

As at June 30, 2020, there had 33 aircrafts represented in the Company's fleet, consisting of 2 own aircraft with the net book value of Baht 4,171 million were pledged as collateral (see Note 5.2) and 31 aircrafts under finance lease with the net book value of Baht 93,066 million were pledged as collateral for Asset-based Financing. The ownership of these aircraft under finance lease will be transferred to the Company when the conditions, terms and payments are paid and fulfilled by the end of lease term. During the six-month period ended June 30, 2020, the Company transfer 1 aircraft under the conditions of the finance lease in the amount of Baht 1,954 million (see Note 11).

As at June 30, 2020, property, plant and equipment included the building on leased land which were leased from Airports of Thailand Public Company Limited at Suvarnabhumi Airport with the net book value of Baht 3,346 million, with a lease term of 30 years starting from September 28, 2006 to September 27, 2036 and will renew the contract period for 4 years from September 28, 2036 to September 27, 2040. At the end of contract, the ownership of the buildings and their component parts will be transferred to the Ministry of Finance. Moreover, the Company had building on leased land which are leased from Airports of Thailand Public Company Limited at Don Muang Airport, which were fully depreciated. The lease agreement at Donmuang Airport is currently under the negotiation with Airports of Thailand Public Company Limited (see Notes 5.3 and 27.4).

During the three-month and six-month periods ended June 30, 2020, the Company recognized an allowance for impairment in the amount of Baht 57 million and Baht 3,038 million, respectively, which were mainly from impairment of 12 aircrafts which consisted of 6 747-400 aircraft and 6 777-200 aircraft, in the amount of Baht 2,886 million that had discontinue plan.

11. RIGHT-OF-USE ASSETS

Movements of right-of-use assets during the six-month period ended June 30, 2020 are as follows:

| | Consolidated financial statements | Unit : Million Baht Separate financial statements |
|---------------------------------------------------------------------------------------------------------------|----------------------------------------------|------------------------------------------------------------------|
| Net book value as at January 1, 2020 | - | - |
| Reclassify of right-of-use assets due to TFRS 16 adoption (see Note 2.7.2) | 95,086 | 95,064 |
| Reclassify of finance lease assets due to TFRS 16 adoption (see Note 10) | 96,296 | 96,296 |
| Decrease on asset transfer due to sublease agreement with a subsidiary as at January 1, 2020 | - | (7,759) |
| Remeasurement of right-of-use assets | (3,603) | (3,616) |
| Transfer aircraft under finance lease which were matured to property, plant and equipment (see Note 10) | (1,954) | (1,954) |
| Decrease during the period | (28) | (28) |
| Depreciation for the period | (9,316) | (8,613) |
| Net book value as at June 30, 2020 | <u>176,481</u> | <u>169,390</u> |

12. MAINTENANCE RESERVES FOR AIRCRAFT

Movements of maintenance reserves for aircraft during the six-month period ended June 30, 2020 are as follows:

| | Consolidated financial statements | Unit : Million Baht Separate financial statements |
|-----------------------------------------------------------|----------------------------------------------|------------------------------------------------------------------|
| Maintenance reserves for aircraft at the beginning period | 13,004 | 12,956 |
| <u>Add</u> Payment | 1,105 | 1,105 |
| <u>Less</u> Receive | (39) | (39) |
| <u>Add</u> Adjusted from exchange rate | 137 | 185 |
| <u>Less</u> Expected credit losses | (11) | (11) |
| Maintenance reserves for aircraft at the ending period | <u>14,196</u> | <u>14,196</u> |

Maintenance reserve for aircraft under lease agreement was secured for lessors as a guarantee for engine and aircraft maintenance in accordance with flight condition and maintenance schedule which can be refunded when the aircraft was overhauled according to the maintenance plan under conditions specified in the contract.

13. OTHER NON-CURRENT ASSETS

Other non-current assets as at June 30, 2020 and December 31, 2019 are as follows:

| | Consolidated | | Unit: Million Baht Separate | |
|--------------------------------------------------|------------------------------------------|----------------------------------------------|------------------------------------------|----------------------------------------------|
| | Financial Statements June 30, 2020 | Financial Statements December 31, 2019 | Financial Statements June 30, 2020 | Financial Statements December 31, 2019 |
| Deferred charges | 1,689 | 1,865 | 1,616 | 1,787 |
| Non-performing assets | 3,632 | 3,650 | 3,632 | 3,650 |
| Security deposits under aircraft lease agreement | 4,336 | 4,793 | 4,336 | 4,793 |
| Cash at bank for pension fund (see Note 17) | - | 3,859 | - | 3,859 |
| Others | 748 | 711 | 622 | 647 |
| <u>Less</u> Expected credit losses | (4) | - | (4) | - |
| Total | 10,401 | 14,878 | 10,202 | 14,736 |

As at June 30, 2020, the Company had non-performing assets in the consolidated and separate financial statements in the amount of Baht 3,632 million, which presented in the net amount after deducting allowance for impairment.

Movements of the non-performing asset on consolidated and separated financial statements for the six-month period ended June 30, 2020 are as follows:

| | As at January 1, 2020 | Impairment | Adjustments/ Transfer | Unit: Million Baht As at June 30, 2020 |
|-----------------------|--------------------------|------------|--------------------------|----------------------------------------------|
| Aircraft (see Note 8) | 2,921 | (1) | (10) | 2,910 |
| Aircraft engines | 424 | (6) | - | 418 |
| Land | 243 | - | - | 243 |
| Others assets | 62 | - | (1) | 61 |
| Total | 3,650 | (7) | (11) | 3,632 |

As at June 30, 2020, the Company had 13 non-performing aircraft consisted of 1 A300-600 aircraft, 3 A340-500 aircraft, 6 A340-600 aircraft and 3 B737-400 aircraft, totaling amount of Baht 2,910 million.

During the three-month and six-month periods ended June 30, 2020, the Company recognized impairment losses on non-performing aircraft of Baht 1.4 million and Baht 1.5 million, respectively, in the consolidated and separate statements of profit or loss and other comprehensive income.

14. INTEREST BEARING LIABILITIES

14.1. Short-term borrowings from financial institutions

Short-term borrowings from financial institutions as at June 30, 2020 and December 31, 2019 are as follows:

| | Fix Interest rate (% per annum) | | Unit: Million Baht Consolidated and separate financial statements | |
|--------------|---------------------------------------------------|----------------------|-------------------------------------------------------------------------|----------------------|
| | June 30, 2020 | December 31, 2019 | June 30, 2020 | December 31, 2019 |
| | Short-term borrowings from financial institutions | 2.15 - 2.85 | - | 3,730 |
| Total | | | <u>3,730</u> | <u>-</u> |

During the six-month period ended June 30, 2020, the Company had additional short-term borrowings from financial institutions of Baht 4,000 million and made repayment of principle amounting to Baht 270 million. The Company already recognized default interest rate. (see Note 1)

The Company did not use fixed assets or other securities as collateral for any borrowings.

14.2. Long-term borrowings from financial institutions

Long-term borrowings from financial institutions as at June 30, 2020 and December 31, 2019 are as follows:

| Maturity Date | Floating Interest rate (% per annum) | | Unit: Million Baht Consolidated and separate financial statements | |
|--------------------------------------------------|-----------------------------------------|----------------------|-------------------------------------------------------------------------|----------------------|
| | June 30, 2020 | December 31, 2019 | June 30, 2020 | December 31, 2019 |
| | December 31, 2020 | 2.69 | 3.41 | 2,920 |
| March 31, 2024 | 2.94 | 3.66 | 2,400 | 2,700 |
| September 30, 2021 | 3.56 | 4.26 | 754 | 784 |
| August 27, 2023 | 2.25 | 2.98 | 437 | 469 |
| October 8, 2022 | 2.18 | 2.92 | 2,000 | 2,000 |
| Total | | | <u>8,511</u> | <u>8,873</u> |
| <u>Less</u> Due within 1 year | | | <u>(8,511)</u> | <u>(3,768)</u> |
| Remaining portion of long-term borrowings | | | <u>-</u> | <u>5,105</u> |

During the six-month period ended June 30, 2020, the Company did not have additional long-term borrowings from financial institutions. The Company had repayment of principle amounting to Baht 362 million.

On May 27, 2020, the Central Bankruptcy Court has issued an order to accept the business rehabilitation petition, caused the Company entered into a business rehabilitation process. As a result, the financial institutions have the rights to claim the loan debt under contracts immediately. In addition to the default on payment of outstanding debts and debts that are gradually due, as a reason of the conditions of default on long-term loan debt. Long-term loans which are due for more than one year of Baht 8,511 million have been classified as current liabilities in the consolidated and separate financial statements according to the conditions in the agreement and the Company already recognized default interest rate as at June 30, 2020 (see Note 1).

During the six-month period ended June 30, 2020, the Company did not use fixed assets or other securities as collateral for any borrowings.

14.3. Debentures

The Company issued and offered debentures in Thai Baht to investors which debenture type was name-registered, unsubordinated and unsecured.

Movements of debenture as at June 30, 2020 are as follows :

| | Unit : Million Baht | | | |
|-----------------------------|----------------------------------|----------------------------------------------|------------------|--------------------------|
| | Consolidated and separate | | | |
| | financial statements | | | |
| | January 1, 2020 | Classified as current portion | Repayment | June 30, 2020 |
| Debenture due within 1 year | 9,085 | 65,023 | (2,500) | 71,608 |
| Long-term debenture | 65,023 | (65,023) | - | - |
| Total | <u>74,108</u> | <u>-</u> | <u>(2,500)</u> | <u>71,608</u> |

On April 30, 2020, the Company repaid of debentures of the period of April 2015, No. 1/2015 series 2 amount of Baht 1,500 million and on May 3, 2020, the Company repaid of debentures of the period of May 2019, No. 1/2019 series 1 amount of Baht 1,000 million.

On May 27, 2020, the Central Bankruptcy Court has issued an order to accept the business rehabilitation petition, causing the Company entered into a business rehabilitation process, which constitutes a default according to the rights terms of the prospectus. Debenture holders by not less than 25 percent of outstanding debenture holders are able to request the Company to immediately pay all debentures that are not yet due, by sending a letter to the Company which will be the reason for a default conditions. During the six-month period ended June 30, 2020, the Company received such letter from the debenture holder to pay back all debentures. As a result, as at June 30, 2020, the debentures due for more than one year amounting of Baht 65,023 million were classified as current liabilities in the consolidated and separate financial statements according to the conditions in the prospectus and the Company already recognized default interest (see Note 1).

15. LEASE LIABILITIES

Changing in lease liabilities for the six-month period ended June 30, 2020 are as follows:

| | Consolidated financial statements | Unit : Million Baht Separate financial statements |
|---------------------------------------------------------------------------|----------------------------------------------|------------------------------------------------------------------|
| Beginning Balance as at January 1, 2020 | - | - |
| Classified Lease Liabilities due to TFRS 16 adoption (see Note 2.7.2) | 94,318 | 94,296 |
| Transfer classified financial lease liability recognized due to TAS 17 | 46,456 | 46,456 |
| Remeasurement lease liabilities ⁽¹⁾ | (14) | (27) |
| Payment during the period | (7,597) | (7,589) |
| Reclassified to lease payables | (1,278) | (1,278) |
| Adjusted from exchange rate | 677 | 677 |
| Balance as at June 30, 2020 | <u>132,562</u> | <u>132,535</u> |

⁽¹⁾ During the six-month period ended June 30, 2020, the Company remeasured lease liabilities from the modification of variable rental which was depend on reference interest rate and default interest rate. (see Note 1)

Lease liabilities as at June 30, 2020 consisted of the following:

| | Consolidated financial statements | Unit : Million Baht Separate financial statements |
|---------------------------------------------|----------------------------------------------|------------------------------------------------------------------|
| Lease liabilities | 132,562 | 132,535 |
| <u>Less</u> Lease liabilities within 1 year | <u>(132,552)</u> | <u>-</u> |
| Net from lease liabilities within 1 year | <u>10</u> | <u>132,535</u> |

On May 27, 2020, the Central Bankruptcy Court has issued an order to accept the business rehabilitation petition, caused the Company entered into a business rehabilitation process, in addition to the default on payment of outstanding lease liabilities and lease liabilities that are gradually due, as a reason of the conditions of default on long-term lease liabilities which is causes the lessors under the lease to have the rights to claim all lease liabilities immediately. Lease liabilities which are due for more than one year of Baht 132,562 million for consolidated financial statements and Baht 132,535 million for separate financial statements have been classified as current liabilities in the consolidated and separate financial statements, respectively, according to the conditions in the agreement as at June 30, 2020.

16. TRADE AND OTHER CURRENT PAYABLES

Trade and other current payable as at June 30, 2020 and December 31, 2019 are as follows:

| | Consolidated | | Unit : Million Baht Separate | |
|--------------------------------|------------------|----------------------|---------------------------------|----------------------|
| | June 30, 2020 | December 31, 2019 | June 30, 2020 | December 31, 2019 |
| Trade Payables | | | | |
| Related Companies (see Note 5) | 75 | 2 | 179 | 3 |
| Other companies | 12,130 | 4,189 | 11,760 | 4,189 |
| Total Trade Payables | <u>12,205</u> | <u>4,191</u> | <u>11,939</u> | <u>4,192</u> |
| Other Payables | | | | |
| Airport fees payable | 1,971 | 4,456 | 1,979 | 4,456 |
| Other companies | 10,182 | 3,463 | 10,049 | 3,382 |
| Total other payables | <u>12,153</u> | <u>7,919</u> | <u>12,028</u> | <u>7,838</u> |
| Accrued Expenses | <u>6,689</u> | <u>14,160</u> | <u>6,951</u> | <u>13,158</u> |
| Total | <u>31,047</u> | <u>26,270</u> | <u>30,918</u> | <u>25,188</u> |

17. STAFF PENSION FUND

The Company has established pension fund of Thai Airways International Public Company Limited's staff. The Company contributed to the fund at a rate of 10% of employee salaries. The fund's assets, liabilities and fund balance are presented in the Company's statements of financial position. Interest and expenses arising from fund operations are recognized as income and expenses of the Company. The details are as follows:

| | Unit : Million Baht Consolidated and Separate | |
|------------------------------------------------------------------------------------------|--------------------------------------------------|----------------------|
| | June 30, 2020 | December 31, 2019 |
| Cash at bank (Presented as other non-current financial assets) | 1,630 | - |
| Receivable - Government Saving Bank (Presented as other non-current financial assets) | 2,275 | - |
| Cash at bank (Presented as other non-current assets (see Note 13)) | - | 3,859 |
| Others | <u>47</u> | <u>29</u> |
| Total Assets | <u>3,952</u> | <u>3,888</u> |
| Other current liabilities | 263 | 214 |
| Staff pension fund | <u>3,689</u> | <u>3,674</u> |
| Total Liabilities | <u>3,952</u> | <u>3,888</u> |

As at June 30, 2020, the staff pension fund has remaining balances of Baht 3,689 million equaled to the Company's obligations to employees.

During the six-month period ended June 30, 2020, the Company paid the amount of Baht 55 million to retired staff and recognized pension expense in the amount of Baht 70 million. (During the three-month period ended June 30, 2020, the Company recognized pension expense in the amount of Baht 30 million.)

18. NON-CURRENT PROVISIONS FOR EMPLOYEE BENEFITS

Movements of non-current provisions for employee benefits for the six-month period ended June 30, 2020 are as follows:

| | Consolidated financial statement | Unit : Million Baht Separate financial statement |
|------------------------------------------------------------------|---------------------------------------------|-----------------------------------------------------------------|
| Beginning balances - non-current for provision employee benefits | 17,197 | 17,081 |
| <u>Add</u> Current service costs | 226 | 206 |
| <u>Add</u> Current service costs - foreign staff | 37 | 37 |
| <u>Add</u> Interest costs | 231 | 230 |
| <u>Less</u> Benefit paid | (105) | (105) |
| <u>Less</u> Benefit paid during the year 2020 - foreign staff | (67) | (67) |
| Ending balances - non-current for provision employee benefits | 17,519 | 17,382 |

19. OTHER NON-CURRENT PROVISIONS

Movements of other non-current provisions during the six-month period ended June 30, 2020 are as follows:

| | Consolidated financial statements | Unit : Million Baht Separate financial statements |
|-----------------------------------------------------------------------|----------------------------------------------|------------------------------------------------------------------|
| Other non-current provisions at the beginning balance | 18,156 | 16,213 |
| Movement during the period - recognized as expenses for the period | 849 | 651 |
| Other non-current provisions at the ending balance | 19,005 | 16,864 |

Other non-current provisions consist of long-term provision 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 accordance with the agreement. The Company has obligation under operating lease of aircraft maintenance, aircrafts' engines and other components maintenance over the lease period including preparation of aircraft conditions before handover to lessors at the end of the lease. The Company shall estimate expected maintenance expenses upon flight hour, flight cycle, overhaul period, and lease period which were calculated along with usage time proportion.

20. REVENUE FROM CONTRACT WITH CUSTOMERS

Revenue from sales and services for the three-month and six-month periods ended June 30, 2020 and 2019 were classified revenue by point of and type of goods and services as follows:

| | Consolidated financial statements For the three-month periods ended June 30, | | Unit : Million Baht Separate financial statements For the three-month periods ended June 30, | |
|-------------------------------------------------------|---------------------------------------------------------------------------------------|---------------|----------------------------------------------------------------------------------------------------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| Revenue Recognize by Point in Time | | | | |
| Revenue from passenger and excess baggage | 468 | 34,598 | 299 | 33,143 |
| Revenue from freight | 910 | 4,280 | 885 | 4,280 |
| Revenue from mail | 30 | 134 | 30 | 134 |
| Revenue from other activities | 832 | 3,156 | 911 | 3,346 |
| Revenue Recognize Over Time | | | | |
| Revenue from aircraft repair and maintenance services | 160 | 1 | 285 | 244 |
| Total Revenue from contract with customer | 2,400 | 42,169 | 2,410 | 41,147 |

| | Consolidated financial statements For the six-month periods ended June 30, | | Unit : Million Baht Separate financial statements For the six-month periods ended June 30, | |
|-------------------------------------------------------|-------------------------------------------------------------------------------------|---------------|--------------------------------------------------------------------------------------------------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| Revenue Recognize by Point in Time | | | | |
| Revenue from passenger and excess baggage | 31,133 | 75,622 | 29,723 | 71,192 |
| Revenue from freight | 4,950 | 8,804 | 4,925 | 8,805 |
| Revenue from mail | 134 | 258 | 134 | 258 |
| Revenue from other activities | 3,406 | 6,578 | 3,918 | 7,162 |
| Revenue Recognize Over Time | | | | |
| Revenue from aircraft repair and maintenance services | 414 | 252 | 471 | 598 |
| Total Revenue from contract with customer | 40,037 | 91,514 | 39,171 | 88,015 |

21. IMPAIRMENT LOSS ON FIXED ASSETS

Impairment loss of fixed asset for the three-month and six-month periods ended June 30, 2020 and 2019 consisted of ;

| | Consolidated financial statements For the three-month periods ended June 30, | | Unit : Million Baht Separate financial statements For the three-month periods ended June 30, | |
|----------------------|---------------------------------------------------------------------------------------|------------|----------------------------------------------------------------------------------------------------------|------------|
| | 2020 | 2019 | 2020 | 2019 |
| Aircraft | 50 | 121 | 50 | 121 |
| Engines | 6 | - | 6 | - |
| Aircraft Spare Parts | 17 | 51 | 17 | 51 |
| Total | 73 | 172 | 73 | 172 |

| | Consolidated financial statements For the six-month periods ended June 30, | | Unit : Million Baht Separate financial statements For the six-month periods ended June 30, | |
|----------------------|-------------------------------------------------------------------------------------|------------|--------------------------------------------------------------------------------------------------------|------------|
| | 2020 | 2019 | 2020 | 2019 |
| Aircraft | 2,896 | 309 | 2,896 | 309 |
| Engines | 6 | 6 | 6 | 6 |
| Aircraft Spare Parts | 152 | 70 | 152 | 70 |
| Total | 3,054 | 385 | 3,054 | 385 |

Impairment loss on fixed assets for the three-month period ended June 30, 2020, mainly consisted of impairment loss from 2 B737-400 aircraft and 1 B747-400 aircraft (such aircraft recorded as non-performing aircraft) and 1 B777-200 aircraft and 3 B747-400 aircraft (such aircraft recorded as property, plant and equipments). Total impairment loss was Baht 50 million. For the six-month period ended June 30, 2020, impairment loss on fixed assets mostly came from of impairment loss of 15 aircraft, which consisted of 2 B737-400 aircraft (such aircraft recorded as non-performing aircraft), 1 B747-400 aircraft (Such aircraft recorded as non-current assets held for sale), 6 B747-400 aircraft (Such aircraft recorded as property, plant and equipment) and 6 B777-200 aircraft (such aircraft recorded as property, plant and equipment). Total impairment loss was Baht 2,896 million.

22. OTHER EXPENSE

Other expenses for the three-month and six-month periods ended June 30, 2020 and 2019 consisted of ;

| | Consolidated financial statements For the three-month periods ended June 30, | | Unit : Million Baht Separate financial statements For the three-month periods ended June 30, | |
|--------------|---------------------------------------------------------------------------------------|--------------|----------------------------------------------------------------------------------------------------------|--------------|
| | 2020 | 2019 | 2020 | 2019 |
| Others | 1,229 | 2,819 | 1,152 | 2,696 |
| Total | 1,229 | 2,819 | 1,152 | 2,696 |

| | Consolidated financial statements For the six-month periods ended June 30, | | Unit : Million Baht Separate financial statements For the six-month periods ended June 30, | |
|----------------------------------------------|-------------------------------------------------------------------------------------|--------------|--------------------------------------------------------------------------------------------------------|--------------|
| | 2020 | 2019 | 2020 | 2019 |
| Impairment loss from investment (see Note 9) | - | - | 2,144 | - |
| Others | 3,169 | 5,435 | 2,980 | 5,085 |
| Total | 3,169 | 5,435 | 5,124 | 5,085 |

23. LOSS PER SHARE

Basic loss per share for the three-month and six-month periods ended June 30, 2020 and 2019 were calculated based on the loss for the periods attributable to shareholders of the Group and the Company and the number of weighted average ordinary shares outstanding during the periods as follows:

| | Consolidated financial statements For the three-month periods ended June 30, | | Unit : Million Baht Separate financial statements For the three-month periods ended June 30, | |
|----------------------------------------------------------------------|---------------------------------------------------------------------------------------|---------|----------------------------------------------------------------------------------------------------------|---------|
| | 2020 | 2019 | 2020 | 2019 |
| Basic loss per share | | | | |
| Profit attributable to shareholders of the Company (Million Baht) | (5,340) | (6,884) | (4,159) | (6,754) |
| Number of weighted shares (Million share) | 2,183 | 2,183 | 2,183 | 2,183 |
| Basic loss per share (Baht) | (2.45) | (3.15) | (1.91) | (3.09) |

| | Consolidated financial statements For the six-month periods ended June 30, | | Unit : Million Baht Separate financial statements For the six-month periods ended June 30, | |
|----------------------------------------------------------------------|-------------------------------------------------------------------------------------|---------|--------------------------------------------------------------------------------------------------------|---------|
| | 2020 | 2019 | 2020 | 2019 |
| Basic loss per share | | | | |
| Profit attributable to shareholders of the Company (Million Baht) | (28,016) | (6,438) | (34,414) | (6,658) |
| Number of weighted shares (Million share) | 2,183 | 2,183 | 2,183 | 2,183 |
| Basic loss per share (Baht) | (12.84) | (2.95) | (15.77) | (3.05) |

24. OPERATING SEGMENT

Segments Information

The Company determines reportable segments based on the nature of the products and services provided, which the management has considered the organization structure in relation to commercial airline operation.

The Company has 3 reportable segments, consisting of

1. Air transportation activities segment composed of passenger, freight, and mail services.
2. The business units segments related directly to transportation activities, which include cargo and mail commercial, ground customer services, ground support equipment services, and catering services.
3. Other activities segment are transportation supporting activities, which include flight management services, sale of duty-free goods, sale of souvenir products from maintenance division and operation of subsidiaries.

Measurement Criteria

The Company records revenue transfer between segments with sale prices charged to the unaffiliated customers net of discount. For ground customer services segment recorded at cost net of discount. For other activities, segment recorded mutual agreements. Those transferred transaction will be eliminated in consolidated financial statements.

Total gain (loss) before income tax by segments was derived from revenue net of costs and operating expenses.

Segment assets are the assets used for the operation or related to such activities.

Segment liabilities are the liabilities used for the operation or related to such activities.

24.1 Financial Information by Segment

The operating segments are classified in the consolidated financial statements for the three-month and six-month periods ended June 30, 2020 and 2019 consisted of the following:

For the three-month periods end June 30, 2020 and 2019

| | Unit : Million Baht | | | | | | | |
|------------------------------------------------|-----------------------------------|-----------------|----------------|----------------|------------------|----------------|-----------------|-----------------|
| | Consolidated financial statements | | | | | | | |
| | Air Transportation | | Business Units | | Other Activities | | Total | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| External Revenue (see Note 20) | 1,408 | 39,018 | 618 | 2,627 | 374 | 524 | 2,400 | 42,169 |
| Inter - segment revenue (expenses) | (336) | (3,597) | 64 | 2,315 | 272 | 1,282 | - | - |
| Interest income | 25 | 49 | - | - | - | - | 25 | 49 |
| Other income | 92 | 303 | 13 | 14 | (14) | 23 | 91 | 340 |
| Gain (loss) on foreign rate exchange | 7,011 | 561 | - | - | 411 | (39) | 7,422 | 522 |
| Total Revenue | 8,200 | 36,334 | 695 | 4,956 | 1,043 | 1,790 | 9,938 | 43,080 |
| Fuel expense | (63) | (12,898) | - | - | (25) | (966) | (88) | (13,864) |
| Employee benefits expenses | (2,542) | (4,003) | (995) | (1,963) | (759) | (1,656) | (4,296) | (7,622) |
| Flight service expenses | (7) | (4,630) | 2 | (11) | (28) | (437) | (33) | (5,078) |
| Depreciation and amortization expenses | (6,106) | (4,009) | (184) | (97) | (589) | (228) | (6,879) | (4,334) |
| Impairment loss on fixed assets | (73) | (171) | - | - | - | - | (73) | (171) |
| Other expenses | 121 | (11,389) | (305) | (1,831) | (837) | (4,359) | (1,021) | (17,579) |
| Finance costs | (2,608) | (1,092) | - | - | (36) | - | (2,644) | (1,092) |
| Share of profit on investment in associates | (111) | (102) | - | - | - | - | (111) | (102) |
| Total Expenses | (11,389) | (38,294) | (1,482) | (3,902) | (2,274) | (7,646) | (15,145) | (49,842) |
| Profit (loss) before income tax expense | (3,189) | (1,960) | (787) | 1,054 | (1,231) | (5,856) | (5,207) | (6,762) |
| Income tax revenue (expense) | (147) | (113) | - | - | 1 | (3) | (146) | (116) |
| Profit (loss) by segments | (3,336) | (2,073) | (787) | 1,054 | (1,230) | (5,859) | (5,353) | (6,878) |

For the six-month periods ended June 30, 2020 and 2019

| | Unit : Million Baht | | | | | | | |
|------------------------------------------------|-----------------------------------|-----------------|----------------|----------------|------------------|-----------------|-----------------|------------------|
| | Consolidated financial statements | | | | | | | |
| | Air Transportation | | Business Units | | Other Activities | | Total | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| External Revenue (see Note 20) | 34,781 | 84,684 | 2,995 | 5,607 | 2,261 | 1,223 | 40,037 | 91,514 |
| Inter - segment revenue (expenses) | (3,180) | (7,336) | 1,991 | 4,738 | 1,189 | 2,598 | - | - |
| Interest income | 85 | 87 | - | - | 2 | 2 | 87 | 89 |
| Other income | 648 | 980 | 29 | 35 | (15) | 44 | 662 | 1,059 |
| Gain (loss) on foreign rate exchange | - | 1,938 | - | - | - | (50) | - | 1,888 |
| Total Revenue | <u>32,334</u> | <u>80,353</u> | <u>5,015</u> | <u>10,380</u> | <u>3,437</u> | <u>3,817</u> | <u>40,786</u> | <u>94,550</u> |
| Fuel expense | (10,714) | (25,944) | - | - | (788) | (1,965) | (11,502) | (27,909) |
| Employee benefits expenses | (6,430) | (8,030) | (2,647) | (3,689) | (2,077) | (3,125) | (11,154) | (14,844) |
| Flight service expenses | (4,221) | (9,619) | (7) | (21) | (355) | (822) | (4,583) | (10,462) |
| Depreciation and amortization expenses | (12,464) | (8,044) | (403) | (197) | (1,186) | (454) | (14,053) | (8,695) |
| Impairment loss on fixed assets | (3,054) | (385) | - | - | - | - | (3,054) | (385) |
| Other expenses | (23,355) | (28,700) | (1,721) | (3,740) | 5,801 | (3,723) | (19,275) | (36,163) |
| Finance costs | (4,315) | (2,195) | - | - | (116) | - | (4,431) | (2,195) |
| Share of profit on investment in associates | (419) | (60) | - | - | - | - | (419) | (60) |
| Total Expenses | <u>(64,972)</u> | <u>(82,977)</u> | <u>(4,778)</u> | <u>(7,647)</u> | <u>1,279</u> | <u>(10,089)</u> | <u>(68,471)</u> | <u>(100,713)</u> |
| Profit (loss) before income tax expense | <u>(32,638)</u> | <u>(2,624)</u> | <u>237</u> | <u>2,733</u> | <u>4,716</u> | <u>(6,272)</u> | <u>(27,685)</u> | <u>(6,163)</u> |
| Income tax revenue (expense) | (345) | (249) | - | - | 1 | (10) | (344) | (259) |
| Profit (loss) by segments | <u>(32,983)</u> | <u>(2,873)</u> | <u>237</u> | <u>2,733</u> | <u>4,717</u> | <u>(6,282)</u> | <u>(28,029)</u> | <u>(6,422)</u> |

As at June 30, 2020 and December 31, 2019, assets and liabilities of the Group are classified by segment consisted of the following:

Unit : Million Baht

| | Consolidated financial statements | | | | | | | |
|----------------------------------------------------------|-----------------------------------|----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|
| | Air Transportation | | Business Units | | Other Activities | | Total | |
| | June 30, 2020 | December 31, 2019 | June 30, 2020 | December 31, 2019 | June 30, 2020 | December 31, 2019 | June 30, 2020 | December 31, 2019 |
| Current assets | 23,952 | 38,274 | 564 | 668 | 2,406 | 2,893 | 26,922 | 41,835 |
| Investments in associates and other long-term investment | 1,834 | 2,101 | - | - | - | - | 1,834 | 2,101 |
| Property, plant and equipment | 62,147 | 163,314 | 5,311 | 5,340 | 2,443 | 2,462 | 69,901 | 171,116 |
| Right of-use-assets | 158,846 | - | 5,153 | - | 12,124 | - | 176,123 | - |
| Other non-current assets | 35,102 | 33,963 | - | - | 2,079 | 1,952 | 37,181 | 35,915 |
| Non-allocated assets | | | | | | | 647 | 3,841 |
| Total assets | | | | | | | <u>312,608</u> | <u>254,808</u> |
| Current liabilities | 94,642 | 72,139 | 381 | 432 | 9,685 | 8,053 | 104,708 | 80,624 |
| Non-current liabilities | 209,466 | 157,777 | - | - | 13,157 | 3,506 | 222,623 | 161,283 |
| Non-allocated liabilities | | | | | | | 3,392 | 1,135 |
| Total Liabilities | | | | | | | <u>330,723</u> | <u>243,042</u> |

24.2 Revenues by Geographical Segment

Operating segments classified by geographical in the consolidated financial statements for the three-month and six-month periods ended June 30, 2020 and 2019 are as follows:

Unit: Million Baht

| | Consolidated financial statements | | | |
|--------------------------------|-------------------------------------------|---------------|-----------------------------------------|---------------|
| | For the three-month periods ended June 30 | | For the six-month periods ended June 30 | |
| | 2020 | 2019 | 2020 | 2019 |
| Domestic Revenues | | | | |
| Transportation | 197 | 2,269 | 2,301 | 5,879 |
| Business Unit | 618 | 2,627 | 2,995 | 5,607 |
| Others | 374 | 530 | 826 | 1,222 |
| Foreign Revenues | | | | |
| Asia | 721 | 21,728 | 17,214 | 46,545 |
| Europe | 321 | 11,711 | 12,688 | 25,332 |
| Australia & New Zealand | 160 | 3,275 | 3,923 | 6,815 |
| Charter flights | 9 | 29 | 89 | 114 |
| Other income | | | | |
| Interest income | 25 | 49 | 88 | 89 |
| Gain on foreign exchange rates | 7,422 | 522 | - | 1,888 |
| Other income | 92 | 340 | 662 | 1,059 |
| Total Revenues | <u>9,939</u> | <u>43,080</u> | <u>40,786</u> | <u>94,550</u> |

25. DISCLOSURE OF FINANCIAL INSTRUMENTS

25.1 Interest rate risk

The Company has a policy to manage the risk of interest rates' fluctuations by using financial instruments in the derivatives market which are Cross Currency Swap (CSS) or Interest Rate Swap (IRS) to convert floating interest rates that tend to increase to fixed interest rates. As at June 30, 2020, The Company had long-term borrowings and the liabilities under finance leases which had floating interest rates to fixed interest rates after CCS transactions of 35% to 65%, excluding short-term borrowings and lease of aircraft.

Such swap contracts was exchanged the principal and interest on a monthly, quarterly and semi - annually basis, depending on contracts, starting from contracts' commencement date until expiration of contracts.

As at June 30, 2020, the Company did not have IRS within the period and the Company did not have additional contracts.

25.2 Foreign Currency Exchange Rate Risk

As the Company generates revenue in THB and foreign currency by more than 50 currencies, which are mainly in USD, THB, EUR and JPY and the major expense are in currencies USD and THB while having long-term liabilities mainly in 4 major currencies as USD, EUR, THB and JPY. The Company has managed the risk of exchange rates fluctuations which is uncontrolled factors by using "Matching Currency" strategy to manage this risk by matching currency between the expense and revenue and arranging for loan and restructure loan to coincide with net operating cash flow at the same time, together with the reduction of foreign currency debt risk by entering into Thai baht loan in order to decrease the fluctuation of gain or loss from foreign exchange in the financial statements. In addition, the Company managed source of fund and has a policy to enter into CCS when the financial market is favourable to the Company and Forward Contracts to hedge the future obligation that has underlying exposures.

As at June 30, 2020, the Company has 5 CCS transactions which the notional amount is equivalent to Baht 8,818 million.

During the three-month period ended June 30, 2020, the Company recognized profit on changing in fair value of CCS transactions and forward contract in the amount of Baht 167 million and during the six-month period ended June 30, 2020, the Company recognized loss on changing in fair value of CCS transaction and forward contracts in the amount of Baht 59 million as expenses in consolidated and separate statements of profit or loss and other comprehensive income.

Subsequently in May and June 2020, the counterparty partially terminated derivative contract because the Company entered into rehabilitation process that caused the counterparty terminate the contract and in July 2020, the counterparty terminated all derivative contracts.

25.3 Fuel price risk

Fuel price fluctuation depends on demand and supply of global economic situation and uncertainty political worldwide, which has direct impact on the Company's operating result as fuel is important factor in the aviation industry. The Company has made jet fuel price hedging in order to reduce the risk of fuel price volatility, to meet the Company's operating result target and protect the value of the Company for shareholders and all stakeholders and made not intend to make income and profit from the fuel price hedging.

The Company have continuously and systematically managed the jet fuel price risk, by set the fuel price risk policy, implementing jet fuel price hedging at not lower than 20% and not more than 80% of annual fuel consumption. Whereby the tenor of each contract would be for a period of not more than 24 months. The Company specified the lowest and highest prices of jet fuel. The Company will obligate in USD if the price of jet fuel falls below the lowest price. On the contrary, the Company will be compensated in USD if the price of jet fuel rises higher than the highest price. In the first quarter of 2020, the Company's hedge fuel price risk in the significant portion of 60% of fuel consumption and the Company also have an obligation from fuel price hedging until June 30, 2021 in the portion of 38% of total fuel consumption.

During the period ended June 30, 2020, the pandemic of COVID-19 significantly affects to the aviation industry, which continuously affects to the significant decrease in demand of crude oil and jet fuel in second quarter of 2020. In addition, the Company is in the process of submitting the rehabilitation plan under the Central Bankruptcy Court. Therefore, the derivative hedging against fuel price has entered into default condition according to the standard contract under ISDA (International Swaps and Derivative Association). As a result, the Company recognized profit from ineffective hedging for the three-month period ended June 30, 2020 in the amount of Baht 1,363 million and loss from ineffective hedging for the six-month period ended June 30, 2020, in the amount of Baht 4,900 million.

25.4 Financial instruments

The following table presents the fair values of financial assets and financial liabilities, including the fair values hierarchy for financial assets and financial liabilities recognized at fair value as at June 30, 2020.

| | Level of Fair value | Consolidated financial statements | Unit : Million Baht Separate financial statements |
|-----------------------------------------------------------------------------------|------------------------|--------------------------------------|---------------------------------------------------------|
| Financial assets measured at fair value | | | |
| <i>Current derivative assets</i> | | | |
| Cross currency swap agreements - cash flow hedges | Level 2 | 1,115 | 1,115 |
| <i>Current derivative liabilities</i> | | | |
| Cross currency swap agreements - cash flow hedges | Level 2 | 1,455 | 1,455 |
| Financial assets measured at fair value through profit or loss | | | |
| <i>Other non-current financial assets</i> | | | |
| Investment in funds | Level 2 | 51 | 51 |
| Investment in bonds | Level 2 | 1 | 1 |
| Financial assets measured at fair value through other comprehensive income | | | |
| <i>Other non-current financial assets</i> | | | |
| Investment in equity securities | Level 3 | 22 | 16 |

On May 27, 2020, the Central Bankruptcy Court has issued an order to accept the business rehabilitation petition, resulting in the Company have to maintain automatic stay status that caused the counterparty terminated such derivative contracts. Accordingly, as at June 30, 2020, the Company classified derivative assets and liabilities which are due for more than one year of Baht 1,115 million and

Baht 1,455 million, respectively, to current derivative assets and liabilities.

The following table presents the disclosure of fair values of financial assets and financial liabilities, which was not recognized in the consolidated and separate financial statements and their hierarchy as at December 31, 2019 as follows:

| | Level of Fair value | Consolidated financial statements | Unit : Million Baht Separate financial statements |
|---------------------------------------------------|------------------------|--------------------------------------|---------------------------------------------------------|
| <i>Current derivative assets</i> | | | |
| Forward foreign exchange contracts | Level 2 | 1 | 1 |
| Cross currency swap agreements | Level 2 | 11 | 11 |
| Fuel price option agreements - cash flow hedges | Level 2 | 710 | 710 |
| Cross currency swap agreements - cash flow hedges | Level 2 | 457 | 457 |
| <i>Non-current derivative assets</i> | | | |
| Cross currency swap agreements - cash flow hedges | Level 2 | 2,011 | 2,011 |
| <i>Current derivative liabilities</i> | | | |
| Forward foreign exchange contracts | Level 2 | 1 | 1 |
| Cross currency swap agreements | Level 2 | 13 | 13 |
| Cross currency swap agreements - cash flow hedges | Level 2 | 222 | 222 |
| <i>Non-current derivative liabilities</i> | | | |
| Cross currency swap agreements - cash flow hedges | Level 2 | 1,401 | 1,401 |

The following table disclose valuation technique using in fair value level 2 and 3 measurement.

| Types | Valuation techniques |
|--------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Derivatives | The fair value of derivatives is calculated by using the discounted cash flows valuation model which consider the present value of expected cash flow, discounted using a related risk-adjusted discount rate. The data using in valuation are mostly observable market data, e.g. spot exchange rate, forward exchange rate, interest rate, bond yield, forward fuel prices, and contractual fuel prices. |
| Equity securities | The fair value of investments in equity instrument measured at fair value through other comprehensive income is calculated by using the net asset value as of the reporting date. |
| Debt securities | The fair value of investments in debt instruments measured at fair value through profit or loss. Calculated using valuation techniques by obtaining the observable market data and converting discounted cash flows to present values. |
| Investments in marketable unit | The fair value of investments in marketable investment units that are measured at fair value through profit or loss is calculated by using the net asset value as of the reporting date. |

During the three-month and six-month periods ended June 30 2020, the Company did not transfer financial instruments between the fair value hierarchy.

26. COMMITMENTS

The Company has contingent liabilities arising from commitments which have not been recognized in the financial statements as at June 30, 2020 and December 31, 2019 as follows:

26.1 Bank Guarantee

The Company has bank guarantees issued by domestic and foreign banks as at June 30, 2020 and December 31, 2019 in the consolidated and separate financial statements as follows:

| | Unit : Million (Currency) | |
|--------------------------|------------------------------------|----------------------------------------|
| | As at June 30, 2020 | As at December 31, 2019 |
| Bank Guarantee | | |
| Issued by domestic banks | | |
| THB Currency | 98 | 98 |
| Issued by foreign banks | | |
| BDT Currency | 10 | 10 |
| AUD Currency | 7 | 7 |
| INR Currency | 395 | 408 |
| SAR Currency | 6 | 6 |
| AED Currency | 3 | 3 |

If the Company defaults on an obligation to a beneficiary in letter of guarantee, the bank agrees to pay a specific amount to that beneficiary and will claim from the Company later.

26.2 Capital expenditure

As at June 30, 2020, the Company entered into 3 aircraft lease agreements for a period of 10 years which has not yet reached deliver schedule. The Company paid deposit of USD 7 million, and obligated to pay under operating lease agreements after receive the airplane in the amount of USD 365 million.

27. DISPUTES AND SIGNIFICANT LITIGATION

27.1 Labor disputes and damages claims

The Company has been filed as defendant in domestic and foreign labor disputes for 9 cases with claim amount of Baht 275 million and the complaints in domestic and foreign cases with claim amount of Baht 332 million. As at June 30, 2020, the Company's management considered such disputes and claims based on the facts and the laws that the impacts of such matter will not significantly effect to the financial statements.

27.2 Tax dispute

27.2.1 The Company, as an entrepreneur in the duty free zone, has received a letter from the Customs Department No. Gor Kor 0503(4)/621 dated August 28, 2017, requested the Company to clarify the completeness of the certificate license of the import food for restricted products. The customs official has assessed additional taxes and duties according to 252 import entry declarations, which consisted of price of products in amount of Baht 492.73 million, import duty in amount of Baht 244.36 million, excise tax in amount of Baht 754.47 million, interior tax in amount of Baht 75.45 million, value added tax in amount of Baht 109.69 million, the subsidies for Thai Health Promotion Foundation in amount of Baht 14.91 million, and the subsidies for Thai Public Broadcasting Service in amount of Baht 11.18 million. The Company has submitted the letter of clarification to the Customs Department for consideration. As at June 30, 2020, the dispute is under consideration by the Customs Department. The Company's management considered such disputes based on the facts and the laws that the impacts of such matter will not significantly effect to the financial statements.

27.2.2 The Panohm Penh branch in Kingdom of Cambodia had been assessed additional taxes from the Cambodia Revenue Department, related to the difference in interpretations of tax law.

The Company received the tax assessment notification for the year 2017, consisted of 3 types of tax, which were corporate income tax, special business tax and withholding tax. The total additional assessed tax, including fine and interest were Reil 10,771 million. And for the period January - September 2017, consisted of 2 types of tax, which are prepayment corporate income tax and special business tax. The total additional assessed tax, including fine and interest were Reil 7,176 million.

During the six-month period, the Company received the tax assessment notification for the year 2018, consisted of 3 types of tax, which were tax on corporate income tax, special business tax and withholding tax. The total additional assessed tax, including fine and interest were Reil 5,018 million.

The Company had filed such disputes with the above assessment through a tax advisor. Currently, they are being considered by Cambodia Revenue Department. The Company had issued a letter requesting to extend the tax audit for the year 2018 due to the impact of the situation of COVID-19 and the Company is in the process of rehabilitation plan. The Cambodia Revenue Department extended the audit period to August 31, 2020. The tax payment as assessed depended on the negotiation with the Cambodia Revenue Department based on the fact, laws and supporting documents. As at June 30, 2020, the Company's management considers the mentioned disputes based on the facts and the laws that the impacts of such matter are not significantly effect to the financial statements.

27.3 Tort case under unfair trade protection laws (Antitrust cases)

27.3.1. The Cargo Civil Case filed against the Company in the Republic of Korea:

On January 22, 2014, the Company had been informed by the branch office in the Republic of Korea that LG Group Companies, which consisted of LG Chemical, LG Electronics, LG Display and LG Life Science, had filed a civil lawsuit against 12 airlines, including the Company, on November 27, 2013 in order to claim damages arisen from the conduct of conspiracy to set fuel surcharge between each airline during the year 1999-2007. LG Group Companies had asserted the amount of claim at KRW 404,000,000 with interest in approximately to Baht 12 million and reserved their rights to amend the plaint to increase the amount of claim if they could prove their claims to the court later on. As at June 30, 2020, the Company's management considered such disputes and claims based on the facts and the laws that the impacts of such matter will not significantly effect to the financial statements.

27.3.2. The Company has been implead by British Airways, Lufthansa and KLM-AF, who are the defendants in the Cargo Civil Class Action case in the Netherlands, which they have submit the requested to exercise the right of recourse to the Company.

On July 2015, the Company had received a writ of summons for contribution claim from British Airways, Deutsche Lufthansa and Lufthansa Cargo A.G. (collectively called “Lufthansa”), and Koninklijke Luchtvaart Maatschappij N.V., Martin Air Holland N.V., Societe Air France S.A. (collectively called “KLM-AF”). These airlines had submitted such writ of summons against the Company and more than 20 other airlines in the case where a group of plaintiffs had filed a lawsuit against British Airways, Lufthansa, KLM-AF and Singapore Airlines and Singapore Airlines Cargo (collectively called “Singapore Airlines”) as defendants since December 24, 2013 by alleging that these airlines conspiracy set the price for various surcharges (Main case).

Nonetheless, the Company had not been sued as a defendant in the main case. Subsequently, British Airways, Lufthansa and Swiss International, KLM-AF, Korean Airlines and Qantas Airways, who were parties to the Contribution Claim Case, had submitted a writ of summons to exercise the contribution claim in addition to the Contribution Claim Case above (known as sub contribution claim), and the Company then submitted a writ of summons to exercise the contribution claim in the form of this sub contribution claim against all airlines as well in order to reserve the Company’s right. However, the initiation of such case in the form of contribution claim and sub contribution claim was merely for the purpose of reserving the right in the event that the court orders that each airline to pay for the damages exceeding its market share. This was not a lawsuit to demand for additional damages.

Later on December 2016 to January 2017, the Company had received a writ of summons for contribution claim from British Airways, Lufthansa and KLM-AF. These airlines had submitted such writ of summons to the Company and more than 20 other airlines in the case where a new group of plaintiffs had filed a lawsuit against British Airways, Lufthansa, KLM-AF and Singapore Airlines as defendants on November 6, 2015. The allegation had similar type as that in the first Main Proceedings in which the Company had not been sued as a major defendant. As at June 30, 2020, all the cases are under the court’s consideration. The Company’s management considered such disputes and claims based on the facts and the laws that the impacts of such matter will not significantly effect to the financial statements.

27.4 Rental agreement and license to operate business agreement at Don Mueang International Airport

The Company had rental agreement and license to operate business agreement with Airports of Thailand Public Company Limited (“AOT”), with agreement no.3-08/2552 dated December 14, 2010, the duration of the contract was 3 years period from September 28, 2009 to September 27, 2012. After September 27, 2012, the Company was out of the permission for renting and operating business at Don Mueang International Airport. The Company has continued to pay rental fee and concession fee based on the original agreement. However, AOT will reserve the rights to increase the minimum rental fee and concession fee, if the result of increment of the minimum rental fee and concession fee is final and the rate is higher than the rate specified in the original agreement or the notification letter of AOT that announced the extension of the agreement.

As at June 30, 2020, the Company was in negotiation process with AOT regarding the rules, conditions and rental fee rates and concession fee from obtaining permission to operate business that will be identified in the new agreement. The Company’s management considered such disputes base on the facts and the laws that the impact of such matters will not significantly effect to the financial statements.

28. RECLASSIFICATIONS

Certain reclassifications have been made in the financial statements for the year ended December 31, 2019, to conform to the classification used in current period’s financial statements. Such reclassifications have no effect to previously reported net profit, and shareholders’ equity. The reclassifications are as follows:

| Items | Previously presentation | Current period presentation | Unit : Million Baht | |
|--------------------------------------------------------------------------------|------------------------------------|-------------------------------------------------|-----------------------------------|-------------------------------|
| | | | Consolidated financial statements | Separate financial statements |
| Statements of financial position | | | | |
| Prepaid expenses and deposits | Prepaid expenses and deposits | Trade and other current receivables | 1,958 | 2,176 |
| Accrued income | Other current assets | Trade and other current receivables | 2,008 | 2,030 |
| Trade receivable - related parties | Other current assets | Trade and other current receivables | 56 | 1,689 |
| Other receivable - related parties | Other current assets | Trade and other current receivables | - | 3,762 |
| Other receivables - other | Other current assets | Trade and other current receivables | 3,355 | 3,774 |
| Receivable - Revenue Department | Other current assets | Trade and other current receivables | 905 | 905 |
| Withholding tax | Other current assets | Current tax assets | 558 | 558 |
| Deposit of pension fund | Other current assets | Other non-current assets | 3,859 | 3,859 |
| Aircraft equipment and decoration fees according to aircraft’s operating lease | Other non-current assets | Property, plant and equipment | 3,998 | 3,998 |
| Accrued expenses | Accrued expenses | Trade and other current payables | 14,160 | 13,159 |
| Maintenance Liabilities | Accrued expenses | Other non-current provisions | 2,190 | 2,190 |
| Retirement obligation of local staff expenses overseas | Other current liabilities - others | Non-current provisions For employee benefits | 418 | 418 |
| Airport fee payable | Other current liabilities - others | Trade and other current payables | 4,456 | 4,456 |
| Deferred revenue | Other current liabilities - others | Trade and other current payables | 5 | 4 |
| Suspense Output Tax | Other current liabilities - others | Trade and other current payables | 307 | 302 |
| Employee payables - overseas | Other current liabilities - others | Trade and other current payables | 115 | 115 |
| Deposit received | Other current liabilities - others | Trade and other current payables | 803 | 793 |
| Accounts payable - employee | Other current liabilities - others | Trade and other current payables | 1 | 1 |
| Advance received revenue | Other current liabilities - others | Trade and other current payables | 94 | 94 |
| Fixed assets payable - awaiting collection | Other current liabilities - others | Trade and other current payables | 85 | 85 |
| Other payables | Other current liabilities - others | Trade and other current payables | 1,734 | 1,991 |
| Debit notes from creditor | Other current liabilities - others | Trade and other current receivables | - | (195) |
| Unearned transportation revenue | Other current liabilities | Unearned transportation revenue | 29,689 | 28,994 |
| Accrued dividends | Other current liabilities | Accrued dividends | 57 | 54 |
| Deferred tax liabilities | Deferred tax liabilities | Deferred tax assets | 1,857 | 1,857 |

| Items | Previously presentation | Current period presentation | Unit : Million Baht | |
|--------------------------------------------------------------------|-----------------------------------|---------------------------------|-----------------------------------|-------------------------------|
| | | | Consolidated financial statements | Separate financial statements |
| Statements of profit or loss and other comprehensive income | | | | |
| For the three-month period ended June 30, 2019 | | | | |
| Write off of Aircraft equipment and decoration | Lease of aircraft and spare parts | Depreciation and amortization | 135 | 135 |
| Impairment loss of aircraft | Loss from aircraft impairment | Impairment loss of fixed assets | 121 | 121 |
| Insurance expenses | Insurance expenses | Other expenses | 155 | 133 |
| For the six-month period ended June 30, 2019 | | | | |
| Write off of Aircraft equipment and decoration | Lease of aircraft and spare parts | Depreciation and amortization | 268 | 268 |
| Impairment loss of aircraft | Loss from aircraft impairment | Impairment loss of fixed assets | 315 | 315 |
| Insurance expenses | Insurance expenses | Other expenses | 336 | 265 |

29. EVENT AFTER THE REPORTING PERIOD

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 June 30, 2020 (see Note 9.1).

30. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These interim financial information were approved by the Board of Directors of the Company on August 13, 2020.