

## **Management's Discussion and Analysis for three months ended March 31, 2020 for Thai Airways International Public Company Limited and Its Subsidiaries**

### **1. Executive summary**

In the first quarter of 2020, the outbreak of the novel coronavirus 2019 (COVID-19) in Wuhan China in late January has expanded throughout the world, causing the number of infected and deaths worldwide has increased rapidly since late February. Many governments need to take strict measures to control and restrict both domestic and international travel. Moreover, the closure of the venue and the use of social distancing measures resulted in a large disruption of economic and social activity. As a result, the economies of many countries have started to slow down or fall to the lowest level in many years since the financial crisis in 2009. In addition, crude oil prices in the world market dropped sharply as a result of a drop in crude demand coupled with the increase in production capacity of key trading partners countries.

The Thai economy in the first quarter of 2020 declined by 1.8% from the previous year. Foreign tourists entering the country totaled 6.69 million, a decrease of 38.0%, the lowest drop in 13 quarters since the fourth quarter of 2016. However, household spending continued to expand well. Driven by purchasing essential items before the announcement of the lockdown in April 2020.

The strict domestic and international travel restrictions in order to control the spread of the COVID-19 have resulted in a decrease in the demand for both domestic and international travel which severely affected the global aviation industry. According to data from the International Air Transport Association (IATA), reports of contraction in both passenger traffic demand and traffic production in the first quarter of 2020, which decreased by 22.2% and 14.7% respectively. The average cabin factor was 73.7%, down from the same quarter last year which averaged 80.6%. In March 2020, passenger traffic rapidly dropped to a record low of 52.9%. Cargo transportation continued to decline. The freight production was 9.5% lower than the previous year, but freight traffic decreased by 7.7% which decreased at lower rate than the production. As a result, the average freight load factor was 48.2%, higher than the same period last year which averaged 46.5%.

Thai Airway International Public Company Limited (THAI) had implemented its measures to manage the impact of the epidemic of COVID-19 by prioritizing the severities that affects financial performance and its cash flow situation closely. Under the Covid-19 Readiness Condition plan (COCON) which had been implemented since January 25, 2020. Since the severity of the epidemic, each country has added strict measures to control the epidemic. Including the issuance of strict screening and prohibition measures for entry and exit of the country both from the Ministry of Public Health and the civil aviation offices of various countries, THAI therefore has to gradually cancel the regular flights coupled with strict reduction of fixed costs in order to mitigate the effects of the said situation. THAI has implemented the following COCON plans

- Flight reduction in accordance with the situation
  - Reduced flights to various cities In China from February 6, 2020 to all routes on February 17, 2020 onward.
    - From March 25, 2020 onwards, international flights are reduced to Hong Kong, Taipei, Tokyo (Narita and Haneda), Osaka, Nagoya, Seoul, Phnom Penh, Vientiane, Ho Chi Minh City, Hanoi, Yangon, Singapore, Jakarta, Denpasar, Karachi, Kathmandu, Lahore, Dhaka, Islamabad, Colombo and transfer domestic flights to Thai Smile.
    - From March 27, 2020 onwards, cancel flights to Australia, including Brisbane, Sydney, Melbourne, Perth
    - From April 1, 2020 THAI has temporarily canceled all flights to comply with the epidemic control measures of each country. THAI would assess the situation to return to fly immediately when the situation improves.
    - Thai Smile Airway has temporarily suspended its flight to all international routes effective from March 23, 2020 onwards and domestic routes from 7 April - May 31, 2020

However, THAI also provided cargo transportation services on certain routes by organizing special flights in case there are a lot of passengers left behind and has been contacted by the relevant government agencies

- THAI reduced personnel expenses such as remuneration for directors including compensation and salaries of executives at the level of the Executive Vice President (EVP), the Managing Director (MD) and the Vice President (VP) 40-50%. Stop paying all types of vehicles to employees at all levels. And reduce salaries including compensation of stair step employees from 10-40% from April - May 2020. Control overtime (Zero overtime). Reducing the number of outsourcing staffs at the necessary level. Reduce the cost of employees residing abroad by returning to the head office. Postpone hiring new personnel and establish measures for the use of annual holidays as per all rights for employees retiring on September 30, 2020.

- THAI maintained financial liquidity by negotiating with various parties to enable THAI to maintain as much cash as possible while there is no cash flow received from operating the aviation business and from other sources of funds.

- THAI also delayed investment and procurement.

- Reduced costs not related to operations and safety and rules prescribed by law.

The situation of COVID-19 has significantly affected the operating results in the 1st quarter of 2020, which is normally a tourist season. THAI and its subsidiaries had total 103 aircraft in operation as of March 31, 2020, equal to the same quarter of the previous year. Aircraft Utilization was 10.5 hours, lower than 12.5 hours in the same period last year. Passenger production (ASK) decreased by 11.7% due to flight reduction. Passenger traffic (RPK) decreased by 22.1%, the average cabin factor of 70.9%, lower than last year at an average of 80.3% and the total number of passengers transported 4.49 million people, down 28.6% from last year.

In the first quarter of the year 2020, THAI and its subsidiaries (the Group) earned total revenue of THB 38,001 million, which were lower than the same quarter of last year by THB 11,790 million or 23.7%. The main reason was because both revenue from passenger and cargo transportation decreased by THB 10,864 million or 23.8% due to production and traffic decreased while the average passenger yield decreased due to the appreciation of the Baht per major currency, resulting in reduced revenue when calculated in Thai Baht. In addition, revenue from other activities decreased by THB 844 million or 23.0%. Total expenses were THB 42,609 million, THB 8,010 million (15.8%) lower than the previous year. The main reason was mainly due to the reduction in operating expenses which was in line with the decreased in production and traffic volume. Resulting in operating loss of THB 4,608 million, higher loss of THB 3,780 million from the same quarter last year.

In addition, in the first quarter of 2020, the group had one-time charge consisting of

- Gain on changes in ownership interest in Nok Airlines PCL., of THB 206 million.
- Impairment loss on fixed assets in the amount of THB 2,981 million.
- Impairment loss in accordance with TFRS 9 in the amount of THB 65 million
- Loss on foreign exchange was THB 8,541 million, which mainly caused by the accounting revaluation, including aircraft operating lease liabilities in accordance with TFRS16.
- Losses for hedge of group of items with offsetting risk positions in the amount of THB 6,489 million.

THAI and its subsidiaries had a net loss of THB 22,676 million, while the previous year had a profit of THB 456 million. Loss attributable to owners of the parent was THB 22,676 million, representing a loss per share of THB 10.39 while last year had an earning per share of THB 0.20.

EBITDA was THB 4,353 million which is lower than the previous year by THB 284 million (6.1%). EBITDA margin was 11.4% compared to 9.3% in the previous year.

## **2. Summary of Operating Results for Thai Airways International PCL. and its Subsidiaries (the Group) Financial Performance**

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

According to the announcement of the Thai Financial Reporting Standard (TFRS) No.9 : Financial Instruments, and No.16 : Leases, which are effective for the accounting period beginning on or after January 1, 2020 onwards have the following impact as following details:

- TFRS No.16 Leases requires the Group to recognize assets, right-of-use assets and lease liabilities in the consolidated statement of financial position for 39 aircraft under operating leases including land , buildings and other assets, resulting as at 1 January 2020, the Company and its subsidiaries have right-of-use assets (only operating lease) increased by THB 95,086 million, lease liabilities increased by THB 94,318 million, estimated expenses after contract expiration amount of THB 178 million and prepaid expenses amount of THB 590 million. Details as in Note 2.7.2 to the financial statements.
- TFRS No.9 Financial Instruments requires the Group to recognize the fair value of derivatives at the end of the period and recognize the impairment of financial assets resulting, as of 1 January 2020, the assets of the Group increased by THB 3,219 million, liabilities increased by THB 1,637 million and shareholders' equity increased by THB 1,582 million. Detail as in Note 2.7.1 to the financial statements.

## Financial Performance : THAI and its subsidiaries

	Jan - Mar			
	2020	2019	Variance	
			MTHB	%
<b>Total operating revenues</b>	<b>38,001</b>	<b>49,791</b>	<b>-11,790</b>	<b>-23.7</b>
- Passenger and excess baggage revenue	30,665	41,024	-10,359	-25.3
- Freight and mail revenue	4,143	4,648	-505	-10.9
- Revenue from other activities	2,829	3,673	-844	-23.0
- Other income	364	446	-82	-18.4
<b>Total operating expenses</b>	<b>42,609</b>	<b>50,619</b>	<b>-8,010</b>	<b>-15.8</b>
- Aircraft fuel expenses	11,414	14,045	-2,631	-18.7
- Non-fuel operating expenses	29,472	35,510	-6,038	-17.0
- Net finance cost	1,723	1,064	+659	+61.9
<b>Operating Loss</b>	<b>(4,608)</b>	<b>(828)</b>	<b>-3,780</b>	<b>-456.5</b>
<u>Add</u> Gain on change in ownership interest	206	273	-67	-24.5
<u>Less</u> Impairment loss on fixed assets	2,981	213	+2,768	-
<u>Less</u> Impairment loss in accordance with TFRS 9	65	-	+65	-
<u>Add</u> Gain (Loss) on foreign currency exchange	(8,541)	1,366	-9,907	-725.3
<u>Less</u> Losses for hedge of group of items with offsetting risk positions	6,489	-	+6,489	-
Profit (Loss) before tax	(22,478)	598	-23,076	-
Net Profit (Loss)	(22,676)	456	-23,132	-
<b>Profit (Loss) attribute to owners of the parent</b>	<b>(22,676)</b>	<b>445</b>	<b>-23,121</b>	<b>-</b>
Net Profit (Loss) per share (THB)	(10.39)	0.20	-10.59	-
<b>Significant operating data</b>				
EBITDA (MTHB)	4,353	4,637	-284	-6.1
Number of passengers (Million)	4.49	6.29	-1.80	-28.6
Available Seat-Kilometers (Million)	20,185	22,871	-2,686	-11.7
Revenue Passenger-Kilometers (Million)	14,309	18,362	-4,053	-22.1
Cabin factor (%)	70.9	80.3	-9.4	-9.4
Passenger yield (THB/RPK)	2.10	2.20	-0.10	-4.5
Available Dead Load Ton-Kilometers (Million)	882	996	-114	-11.4
Revenue Freight Ton-Kilometers (Million)	467	531	-64	-12.1
Freight load factor (%)	53.0	53.3	-0.3	-0.3
Freight carried (Ton)	124,872	146,870	-21,998	-15.0
Freight Yield (THB/RFTK)	8.39	8.17	+0.22	+2.7
Number of aircraft(As of March 31) (Aircraft)	103	103	-	-
Flight hours (Hours)	91,373	106,744	-15,371	-14.4
Aircraft utilization (Hours/Aircraft/Day)	10.5	12.5	-2.0	-16.0
Average foreign currency exchange rate				
1 USD : THB	31.2859	31.6112	-0.3253	-1.0
1 EUR : THB	34.4861	35.9008	-1.4147	-3.9
100 JPY : THB	28.7338	28.7103	+0.0235	+0.1
Average jet fuel price (USD/BBL)	77.48	81.07	-3.59	-4.4

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

## Summary of the operating results of THAI and its subsidiaries

### Revenues

Total revenues of **THAI and its subsidiaries** for the first quarter of 2020 was THB 38,001 million, decreased by THB 11,790 million (23.7%). Details are as follows:

- **Passenger and excess baggage revenue**

Passenger and excess baggage revenue were THB 30,665 million, decreased by THB 10,359 million (25.3%) from last year as follow:

- Passenger traffic (Revenue Passenger-Kilometers:RPK) decreased by 22.1%, or approximately THB 8,920 million. Production traffic (Available Seat-Kilometers: ASK) decreased by 11.7% due to flight cancellations from the COVID-19 epidemic impact in February and March 2020, as mentioned earlier. The average cabin factor was 70.9% which was lower than 80.3% of last year and 73.7% of industry average.

- Average passenger yield (including fuel and insurance surcharge) were 2.10 THB/RPK decreased by 0.10 THB/RPK (4.5%) or approximately THB 1,431 million. However, the appreciation of Thai Baht against EURO Dollar, Australian Dollar and US Dollar partially affected less revenue by 0.11 THB/RPK (5.0%) or THB 1,515 million. When excluding such effect, the approximate passenger yield increased by 0.5% which was close to last year.

- **Freight and mail revenue**

Freight and mail revenue were THB 4,143 million, decreased by THB 505 million (10.9%) Details are as follows:

- Freight traffic (Revenue Freight Ton-Kilometers: RFTK) decreased by 12.1 % or around THB 523 million resulting from flight cancellations from the COVID-19 epidemic during February and March 2020, as mentioned earlier with the world economic recession, and continuing impact from, trade war between USA and China since last year. Average freight load factor was 53.0% which was closed to last year's 53.3% but better than industry average of 48.2%.

- Average freight yield (including fuel and insurance surcharge) was 8.39 THB/RFTK, an increase of 0.22 THB/RFTK (2.7%) over last year or approximately THB 103 million. Such reduction was partly from the appreciation of Thai Baht partially affected less revenue by 0.32 THB/RFTK (3.9%). When exclude foreign exchange impact, the average freight yield increased approximately by 6.6% resulting from cargo charter flights agreement together with the cargo transportation in the route that still has demand for cargo such as Bangkok – Hong Kong, Bangkok- Narita etc. This was the policy to increase revenue to mitigate the impact of COVID19 which diminished passenger demand.

- **Revenue from other activities**

Revenues from other activities consists of revenues from business units which are Ground services, Catering, Cargo handling services, and other activities revenue, were THB 2,829 million, decreased by THB 844 million (23.0%) from last year due to revenue from all business units decreased in line with the decrease in number of customers airline' s flights.

## Expenses

Total expenses of **THAI and its subsidiaries** for the first quarter 2020 were THB 42,609 million, decreased by THB 8,010 million (15.8%) from last year. A summary of operating expenses is as follows:

- Aircraft fuel expense was THB 11,414 million representing 26.8% of total expenses, decreased by THB 2,631 million (18.7%) resulting by 15.9% decreasing in fuel consumption while average fuel prices were lower than last year's by 4.4%. Moreover, the fuel hedging loss was THB 620 million, THB 307 million was higher than last year.

- Non-fuel operating expense was THB 29,472 million or THB 6,038 million (17.0%) lower than last year. Details as follows:

	Jan-Mar			
	2020	2019	Variance	
			MTHB	%
<b>Expense</b>				
Employee benefit expenses	6,859	7,221	-362	-5.0
Flight service expenses	4,549	5,385	-836	-15.5
Crew expenses	1,312	1,625	-313	-19.3
Aircraft repair and maintenance costs	3,853	5,223	-1,370	-26.2
Depreciation and amortization expenses	7,175	4,361	+2,814	+64.5
Lease of aircraft and spare parts	35	3,932	-3,897	-99.1
Inventories and supplies expenses	1,751	2,382	-631	-26.5
Selling and advertising expenses	1,690	2,807	-1,117	-39.8
Other expenses	1,940	2,616	-676	-25.8
Share of loss (profit) of associates	308	(42)	+350	+833.3
<b>Non-fuel Operating Expense</b>	<b>29,472</b>	<b>35,510</b>	<b>-6,038</b>	<b>-17.0</b>

The summary of expenses that significantly changed consisted of

- Employee benefits expenses consisting of personnel expense, employee benefits, management benefits and board of directors' benefits were THB 6,859 million, decreased by THB 362 million (5.0%) due to the decrease of salary due to the decreasing number of employees from last year and reducing overtime.

- Flight related expenses consisted of flight service expenses, crew expenses, and
- Inventories and supplies expenses totaled THB 7,612 million a decreased by THB 1,780 million (18.9%) due to the reduction of production and traffic.

- Aircraft repair and maintenance cost totaled THB 3,853 million, decreased by THB 1,370 million (26.2%) mainly from the reduction of engine maintenance cost under the Total Care Agreement of Trent 875 engines used in 6 Boeing B777-200 aircraft and Trent 892 engines used in 2 Boeing B777-300 aircraft which accrued expenses from October 2018 to December 31, 2019 in the amount of USD 39.1 million or approximately THB 1,285 million due to the negotiation of the contract and there is quite a possibility that the contract will be continued. However, due to the epidemic of COVID-19, THAI had a plan for long-term parking of such aircrafts, therefore reducing such expenses

- Depreciation and amortization and lease of aircraft and spare parts were THB 7,210 million decreased by THB 1,083 million (13.1%) As a result of the adoption of Thai Financial Reporting Standard No. 16 : leases, since January 1, 2020 onward, which required to recognize right-of-use assets and lease liabilities in the statement of financial position and recognized depreciation of rights-of-use assets and interest from lease liabilities in the statement of profit and loss which affects expenses in the group of depreciation and amortization, lease of aircraft and spare parts and finance costs, with details as follows

- Depreciation and amortization increased by THB 2,814 million (64.5%), mainly due to the adoption of TFRS No.16 : Leases. Resulting in depreciation of the right-of-use assets of the company and Thai Smile Airways Co., Ltd. increased by THB 3,281 million , mainly due to the right-of-use of 39 aircraft under operating lease and engine in the amount of THB 3,036 million. If excluded such impact, depreciation will be lower than last year THB 467 million resulting from the fully depreciated aircraft, aircraft seat and other assets.

- Leases of aircraft and spare parts decreased by 3,897 million (99.1%) mainly due to the adoption of TFRS No.16 : Leases as mentioned above. If combined depreciation of right-of- use, amount of THB 3,036 million which included in depreciation and amortization and interest from lease liabilities which included in financial cost, amount of THB 455 million. Lease of aircraft and spare parts in the first quarter of 2020 will be THB 406 million lower than last year. The main reason is because the aircraft lease rates were lower than previous year, together with the appreciation of the baht compared to the US dollar as of January 1, 2020, which was used to record the right-of-use assets compared to the 1st quarter of 2019

- Selling and advertising expenses totaled THB 1,690 million, decreased by THB 1,117 million (39.8%) resulting from reservation expense and sale related expenses decreased in line with sell volume, while the advertising expense was lower than last year.

- Share of loss of associates reported the total amount of THB 308 million while last year's profit of THB 42 million. Details as follow:

- Bangkok Aviation Fuel Services PCL's profit of THB 35 million, decreased by THB 48 million.

- Suvarnabhumi Airport Hotel Co.,Ltd.'s profit of THB 4 million, decreased by THB 10 million.

- Donmuang International Airport Hotel Ltd.'s loss of THB 2 million while last year's profit of THB 6 million.

- Phuket Air Catering Ltd.'s profit of THB 10 million, a decrease of THB 1 million, and

- Nok Airlines PCL.'s loss of THB 355 million, a loss increased by THB 283 million.

- **Net finance cost** was THB 1,723 million, increased by THB 659 million (61.9%) resulting from interest from lease liabilities for both aircraft and right-of-use of land, buildings, and other assets totaled THB 498 million from the adoption of TFRS 16. If excluded such impact, finance cost will increase by THB 161 million due to the issuance of debentures during 2019.

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

**Impairment loss on fixed assets** was THB 2,981 million, an increase of THB 2,768 million with the following details:

- Impairment loss of aircraft was THB 2,846 million, THB 2,652 million higher than last year. This year impairment loss comprised of 14 aircrafts totaled THB 2,846 million which 12 aircraft were still in aircraft fleet but has discontinuation plan which were 6 Boeing B747-400 aircraft, amount of THB 1,773 million, 6 Boeing B777-200, amount of THB 1,073 million. THAI would not ground these aircraft and would be able to use them for operation when needed. In addition, there are additional impairment loss for 2 B737-400 aircraft that were discharged in 2018 of THB 0.1 million, while in the previous year, impairment loss was provided for 7 aircraft and 1 spare engine, totaling THB 194 million

- Impairment loss of assets was THB 135 million, THB 116 million higher than last year due to higher reserve for damaged rotatable spare parts which were unrepairable from last year.

**Loss on foreign currency exchange** was THB 8,541 million consisted of THB 9,475 million unrealized loss resulting from revaluation of foreign currency loans, assets and liabilities, especially the depreciation of Euro dollars, Japanese Yen, and US Dollar when compared to December 31, 2019, and realized gain of THB 934 million.

**The result of the measurement of financial instruments from the adoption of TFRS No.9.**

- Impairment loss in accordance with TFRS 9 in the amount of THB 65 million
- Losses for hedge of group of items with offsetting risk positions in the amount of THB 6,489 million mainly was as of March 31, 2020, fuel price hedging was ineffective because of the significant continuously decreasing in fuel price from the pandemic of COVID-19. As a result, the Company recognized loss from ineffective hedging in the amount of THB 6,263 million, which was loss from derivatives. These was recognized as expenses in the consolidated and separate statements of income and other comprehensive income for the three-month period ended March 31, 2020.

**3. Financial Position and Liquidity**

**Capital Expenditures – The Group**

Unit : Million Baht	Jan - Mar	
	2020	2019
Aircraft and aircraft spare parts	431	294
Non-Aircraft	211	301
<b>Total</b>	<b>642</b>	<b>595</b>

Capital expenditures for the first quarter of 2020 was THB 642 million which was closed to than last year's. Capital expenditures in this quarter were

- Investment in aircraft and aircraft spare parts was THB 431 million, THB 137 million higher than last year which mostly were rotatable spare parts.
- Investments in other fixed assets amounted to THB 211 million mainly from the investment in equipment for catering and cargo and mail services.

**Financing**

In the first quarter of 2020, THAI financed by withdrawing both committed and uncommitted credit lines total amount of THB 19,500 million from local financial institutions in order to repay short-term loans, lease liabilities and used as working capital.



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

Unit : Million Baht	Jan – Mar	
	2020	2019
Net cash from (used in) operating activities	(1,085)	3,251
Net cash used in investing activities	(251)	(427)
Net cash from (used in) financing activities	4,340	(2,848)
Effect from changing in exchange rate on cash and cash equivalents increase	186	18
Effect of changes in credit loss on cash and cash equivalents decrease	(17)	-
<b>Increase (Decrease) in cash and cash equivalents</b>	<b>3,173</b>	<b>(6)</b>

In the first quarter of 2020, THAI had net cash used in operating activities, the amount of THB 1,085 million due to the negative result while last year's net cash from operating activities amounted to THB 3,251 million. Net cash used in investing activities was THB 251 million, THB 176 million lower than last year. Net cash from financing activities was THB 4,340 million from short term loan withdrawing while last year's THB 2,848 million net cash used in financing activities from repayment of maturity debentures, short term loan, and lease liabilities. As a result, cash and cash equivalents as at March 31, 2020 amounted to THB 24,836 million, an increase of THB 3,173 million from December 31, 2019.

### Fleets

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

### Total Assets

As of March 31, 2020, total assets of **THAI and its subsidiary** totaled THB 338,486 million, increased by THB 83,678 million (32.8%) from as at December 31, 2019.

	Consolidated					
	Mar 31, 2020		Dec 31, 2019		Variance	
	MTHB	% of Total Assets	MTHB	% of Total Assets	MTHB	%
Current assets						
Cash and cash equivalents	24,836	7.3	21,663	8.5	+3,173	+14.6
Non-current assets held for sale	33	-	23	-	+10	+43.5
Other current assets	16,797	5.0	23,990	9.4	-7,193	-30.0
<b>Current Assets</b>	<b>41,666</b>	<b>12.3</b>	<b>45,676</b>	<b>17.9</b>	<b>-4,010</b>	<b>-8.8</b>
Property, plant and equipment-net	72,105	21.3	171,116	67.2	-99,011	-57.9
Right-of-use assets	183,661	54.3	-	-	+183,661	-
Other non-current assets	41,054	12.1	38,016	14.9	+3,038	+8.0
<b>Total Assets</b>	<b>338,486</b>	<b>100.0</b>	<b>254,808</b>	<b>100.0</b>	<b>+83,678</b>	<b>+32.8</b>

Current assets were THB 41,666 million or accounted for 12.3% of total assets, a decrease of THB 4,010 million (8.8%) from as of December 31, 2019. The significant items consisted of :

- Cash and cash equivalent increased by THB 3,173 million (14.6%) from withdrawing committed and uncommitted credit line in the first quarter of 2020 to stabilize liquidity condition.
- Non-current assets held for sale increased by THB 10 million (43.5%) due to transferring 1 Boeing B737-400 aircraft from Non-performing assets, amount of THB 10 million.
- Other current assets decreased by THB 7,193 million (30.0%) mainly from trade and other current receivables decreased by THB 6,941 million (39.7%) due to significantly reducing the amount of sell volume especially in March 2020 compared to December 2019.

Property, plant and equipment-net totaled THB 72,105 million or represented 21.3 % of total assets, a decrease of THB 99,011 million (57.9%) from December 31, 2019 resulting from the reclassification of finance lease assets amount of THB 96,296 million due to TFRS 16 adoption, the normal calculation of aircraft depreciation and impairment loss of aircraft.

The right-of-use assets totaled THB 183,661 million or 54.3% of the total assets which consisted of finance lease assets and commitment under operating lease of aircraft and other lease assets in accordance with TFRS 16 adoption as mentioned earlier.

Other non current assets totaled THB 41,054 million or represented 12.1% of total assets, which increased by THB 3,038 million (8.0%) from as of December 31, 2019 resulting from

- Long-term derivative assets increased by THB 1,126 million in accordance with TFRS 9 as described above.
- Maintenance reserve increased by THB 1,735 million (13.3%), this represent 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.

Return on assets of the first quarter 2020 was -7.0% when compared to last year's 0.6%

### Total Liabilities

Total liabilities of **THAI and its subsidiary** as of March 31, 2020 were THB 350,946 million, increased by THB 107,904 million (44.4%) from as of December 31, 2019. These comprise of:

	Consolidated					
	Mar 31, 2020		Dec 31, 2019		Variance	
	MTHB	% of Total Liabilities	MTHB	% of Total Liabilities	MTHB	%
Current liabilities (excluding current Portion of long-term liabilities)	66,170	18.8	60,028	24.7	+6,142	+10.2
<b>Long-term liabilities</b>						
Debentures	74,108	21.1	74,108	30.5	-	-
Liabilities under financial leases	-	-	46,456	19.1	-46,456	-100.0
Long term borrowings	23,101	6.6	23,288	9.6	-187	-0.8
Leases liabilities	145,266	41.4	-	-	+145,266	-
<b>Total long-term liabilities</b>	<b>242,475</b>	<b>69.1</b>	<b>143,852</b>	<b>59.2</b>	<b>+98,623</b>	<b>+68.6</b>
Other non-current liabilities	42,301	12.1	39,162	16.1	+3,139	+8.0
<b>Total Liabilities</b>	<b>350,946</b>	<b>100.0</b>	<b>243,042</b>	<b>100.0</b>	<b>+107,904</b>	<b>+44.4</b>

Current liabilities (excluding current portion of long term liabilities' amount of THB 35,681 million) represented 18.8% of total liabilities, an increase of THB 6,142 million (10.2%) from December 31, 2019. The significant items consisted of :

- Short-term borrowings from financial institutions and related parties increased by THB 12,500 million from withdrawing committed and uncommitted credit in the first quarter of 2020 amount of THB 19,500 million.
- Short-term derivatives liabilities increased by THB 6,669 million due to TFRS 9 adoption. Most of these are liabilities under fuel price option agreements.
- Unearned transportation revenue decreased by THB 11,133 million from reducing sell volume.
- Trade and other current payables decreased by THB 1,731 million in line with reducing traffic production.

Long-term liabilities (Including current portion of long-term liabilities amounted of THB 35,681 million) or represented 69.1% of total liabilities increased by THB 98,623 million (68.6%) mainly from the TFRS 16 adoption, the total amount was THB 94,318 million and remeasurement of lease liabilities from the modification of variable rental which was depend on reference interest rate which increased by THB 610 million. When excluded such items long term liabilities would increase by THB 3,695 million due to the depreciation of Thai Baht against EURO dollar, Japanese Yen, and US dollar as of March 31, 2020 when compare to as of December 31, 2019 caused an increase in long term liabilities in Baht term totaled THB 10,196 million but there were repayment of long term loan and liabilities under lease of aircraft totaled THB 6,501 million.

Other non-current liabilities represented 12.1% of total liabilities which increased by THB 3,139 million (8.0%). The main reason was the increase of other non-current provisions of THB 2,048 million due to 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. In addition, long-term derivative liabilities increased by THB 892 million due to the TFRS 9 adoption.

At the end of the first quarter 2020, interest bearing debt to equity was -20.7 times, increased from the end of 2019's 12.5 times. Debt to equity ratio was -28.2 times, greater than 20.8 times of last year.

### **Shareholders' Equity**

As of March 31, 20120, shareholders' equity totaled THB -12,460 million, a decrease of THB 24,226 million (205.9%) from December 31, 2019. The main reason is the negative performance in this quarter.

### **Liquidity**

As of 31 March 2020, THAI and its subsidiaries had cash and cash equivalents amounted to THB 24,836 million or represented 7.3% of total assets, higher than the amount as of December 31, 2019 by THB 3,173 million or 14.6%. In the first quarter of 2020, THAI and its subsidiaries withdrew both committed and uncommitted credit lines total amount of THB 19,500 million from financial institutions and related parties in order to protect the shortage of liquidity due to the pandemic of COVID 19 which heavily impacted revenues which approximately 90% came from passenger and cargo transportation.

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

In the first quarter of 2020, THAI had total revenue of THB 37,130 million, lower than the same quarter last year by THB 10,191 million or 21.5%. The main reason is due to both revenue from passenger and cargo transportation decreased by THB 9,131 million or 21.4% resulting from the decrease in production and traffic while average passenger yield decreased due to the appreciation of the Baht per major currency causing less revenue when translated into Baht term. Moreover, revenues from other activities reduced by THB 976 million or 23.4%. Total expense totaled THB 41,309 million, THB 6,943 million or 14.4% less than last year mainly due to the decrease of traffic production and passenger traffic causing operating loss of THB 4,179 million, more loss than last year by THB 3,248 million or 348.9%.

In addition, in the first quarter of 2020, THAI had one-time expenses consisting of

- Impairment loss on fixed assets in the amount of THB 2,981 million.
- Impairment loss in accordance with TFRS 9 in the amount of THB 6,222 million. Most of them are expected credit loss of receivables of Thai Smile Airways Company Limited of THB 6,157 million.
- Impairment loss from investment in the amount of THB 2,144 million. The main reason is due to the impairment of investment in Thai Smile Airways Company Limited in the amount of THB 1,800 million. THAI had assessed the performance of Thai Smile Airways which continuously has accumulated loss and capital deficiency and considered the impact of the COVID - 19 pandemic to airline business. THAI assessed the impairment indicator in investment in Thai Smile Airways Company Limited and considered the recoverable amount of such investment was less than net carrying amount. THAI considered an allowance for impairment of such investment for whole amount.

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

- Loss on foreign currency exchange was THB 8,042 million mainly caused by the accounting valuation including liabilities under operating lease aircraft in accordance with TFRS16
- Losses for hedge of group of items with offsetting risk positions according to TFRS9 in the amount of 6,489 million as mentioned earlier.

THAI had a net loss of THB 30,255 million, while the previous year had a profit of THB 97 million, representing a loss of THB 13.86 per share while the previous year had a profit of THB 0.04 per share.

EBITDA was THB 4,343 million, which is lower than the previous year by THB 188 million (4.1%). EBITDA margin was 11.7% compared to 9.6% in the previous year.

## Financial Performance : THAI

	Jan - Mar			
	2020	2019	Variance	
			MTHB	%
<b>Total operating revenues</b>	<b>37,130</b>	<b>47,321</b>	<b>-10,191</b>	<b>-21.5</b>
- Passenger and excess baggage revenue	29,424	38,049	-8,625	-22.7
- Freight and mail revenue	4,143	4,649	-506	-10.9
- Revenue from other activities	3,194	4,170	-976	-23.4
- Other income	369	453	-84	-18.5
<b>Total operating expenses</b>	<b>41,309</b>	<b>48,252</b>	<b>-6,943</b>	<b>-14.4</b>
- Aircraft fuel expenses	10,650	13,046	-2,396	-18.4
- Non-fuel operating expenses	29,013	34,140	-5,127	-15.0
- Net finance cost	1,646	1,066	+580	+54.4
<b>Operating Loss</b>	<b>(4,179)</b>	<b>(931)</b>	<b>-3,248</b>	<b>-348.9</b>
<u>Less</u> Impairment loss on fixed assets	2,981	213	+2,768	-
<u>Less</u> Impairment loss from investment	2,144	-	+2,144	-
<u>Less</u> Impairment loss in accordance with TFRS 9	6,222	-	+6,222	-
<u>Add</u> Gain (Loss) on foreign currency exchange	(8,042)	1,377	-9,419	-684.0
<u>Less</u> Losses for hedge of group of items with offsetting risk positions	6,489	-	+6,489	-
Profit (Loss) before tax	(30,057)	233	-30,290	-
Net Profit (Loss)	(30,255)	97	-30,352	-
<b>Profit (Loss) attribute to owners of the parent</b>	<b>(30,255)</b>	<b>97</b>	<b>-30,352</b>	<b>-</b>
Net Profit (Loss) per share (THB)	(13.86)	0.04	-13.90	-
<b>Significant operating data</b>				
EBITDA (MTHB)	4,343	4,531	-188	-4.1
Number of passengers (Million)	3.49	4.96	-1.47	-29.6
Available Seat-Kilometers (Million)	18,815	21,280	-2,465	-11.6
Revenue Passenger-Kilometers (Million)	13,447	17,161	-3,714	-21.6
Cabin factor (%)	71.5	80.6		-9.1
Passenger yield (THB/RPK)	2.07	2.17	-0.10	-4.6
Available Dead Load Ton-Kilometers (Million)	882	996	-114	-11.4
Revenue Freight Ton-Kilometers (Million)	467	531	-64	-12.1
Freight load factor (%)	53.0	53.3		-0.3
Freight carried (Ton)	122,167	144,051	-21,884	-15.2
Freight Yield (THB/RFTK)	8.39	8.17	+0.22	+2.7
Number of aircraft (As of March 31) (Aircraft)	83	83	-	-
Flight hours (Hours)	75,642	88,560	-12,918	-14.6
Aircraft utilization (Hours/Aircraft/Day)	11.0	13.1	-2.1	-16.0
Average foreign currency exchange rate				
1 USD : THB	31.2859	31.6112	-0.3253	-1.0
1 EUR : THB	34.4861	35.9008	-1.4147	-3.9
100 JPY : THB	28.7338	28.7103	+0.0235	+0.1
Average jet fuel price (USD/BBL)	77.48	81.07	-3.59	-4.4

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

## Total Assets

As of 31 March 2020, **THAI** had total assets of THB 337,812 million, an increase of THB 77,790 million (29.9%) from 31 December 2019. The significant items consisted of :

	Separate Financial Statement					
	Mar 31, 2020		Dec 31, 2019		Variance	
	MTHB	% of Total Assets	MTHB	% of Total Assets	MTHB	%
Current assets						
Cash and cash equivalents	23,992	7.1	20,873	8.0	+3,119	+14.9
Non-current assets held for sale	33	-	23	-	+10	+43.5
Other current assets	19,296	5.7	29,363	11.3	-10,067	-34.3
<b>Current Assets</b>	<b>43,321</b>	<b>12.8</b>	<b>50,259</b>	<b>19.3</b>	<b>-6,938</b>	<b>-13.8</b>
Property, plant and equipment-net	72,073	21.3	171,083	65.8	-99,010	-57.9
Right-of-use assets	176,234	52.2	-	-	+176,234	-
Other non-current assets	46,184	13.7	38,680	14.9	+7,504	+19.4
<b>Total Assets</b>	<b>337,812</b>	<b>100.0</b>	<b>260,022</b>	<b>100.0</b>	<b>+77,790</b>	<b>+29.9</b>

- Current assets decreased by THB 6,938 million (13.8%), mainly caused by other current assets decreased by THB 10,067 million (34.3%) due to expected credit loss of receivables of Thai Smile Airways Company Limited of THB 6,157 million, combined with a decrease in sell volume. However, cash and cash equivalents increased by THB 3,119 million (14.9%) due to the withdrawal of the committed and uncommitted credit line and the aircraft lease receivables for Thai Smile Airways Company Limited increased by THB 1,397 million according to TFRS 16.

- Property, plant and equipment-net decreased in amount of THB 99,010 million (57.9%), mainly resulting from the reclassification of finance lease aircraft amount of THB 96,296 million due to TFRS 16 adoption, the normal calculation of aircraft depreciation and impairment loss of aircraft.

- The right-of-use assets totaled THB 176,234 million of the total assets which consisted of finance lease assets and commitment under operating lease of aircraft and other assets in accordance with TFRS 16 adoption.

- Other non-current assets increased by THB 7,504 million (19.4%) mainly due to non-current lease receivables increased by THB 6,471 million from aircraft lease receivables for Thai Smile Airways Company Limited. Long-term derivative assets increased by THB 1,126 million. Maintenance reserve increased by THB 1,783 million but investments in subsidiaries and associates decreased by THB 2,144 million from allowance for the impairment of investment in Nok Airlines PCL. and Thai Smile Airways Company Limited

## Total Liabilities

As of 31 March 2020, **THAI** had total liabilities of THB 350,449 million, an increase of THB 109,594 million (45.5%) from 31 December 2019.

	Separate Financial Statement					
	Mar 31, 2020		Dec 31, 2019		Variance	
	MTHB	% of Total Liabilities	MTHB	% of Total Liabilities	MTHB	%
Current liabilities (excluding current Portion of long-term liabilities)	66,080	18.9	58,242	24.2	+7,838	+13.5
<b>Long-term liabilities</b>						
Debentures	74,108	21.2	74,108	30.8	-	-
Liabilities under financial leases	-	-	46,456	19.3	-46,456	-100.0
Long term borrowings	23,101	6.6	23,288	9.6	-187	-0.8
Leases liabilities	145,248	41.4	-	-	+145,248	-
<b>Total long-term liabilities</b>	<b>242,457</b>	<b>69.2</b>	<b>143,852</b>	<b>59.7</b>	<b>+98,605</b>	<b>+68.5</b>
Other non-current liabilities	41,912	11.9	38,761	16.1	+3,151	+8.1
<b>Total Liabilities</b>	<b>350,449</b>	<b>100.0</b>	<b>240,855</b>	<b>100.0</b>	<b>+109,594</b>	<b>+45.5</b>

- Current liabilities increased by THB 7,838 million (13.5%) mainly due to increased in short-term loans from financial institutions and related parties and short-term derivatives liabilities. Unearned transportation revenue decreased.

- Long-term liabilities increased by THB 98,605 million (68.5%) from recording lease liabilities, depreciation of Thai Baht but there were repayment of long term loan.

- Other non-current liabilities increased by THB 3,151 million (8.1%). The main reason was due to the increase of other non-current provision by THB 1,928 million and the recording of long-term derivatives liabilities of THB 892 million.

## Shareholders' Equity

**THAI** had shareholders' equity as of 31 March 2020 of THB -12,637 million, a decrease of THB 31,804 million (165.9%), mainly due to the negative performance in this quarter.

## 4. Factors affecting future operations

The aviation industry has to adjust dramatically after the COVID-19 pandemic. Causing immediate travel cuts and these events are expected to last for a long time. Negatively affect the aviation industry in terms of revenue, profit and financial status of airlines. Even if the situation is released, it is expected that it will affect future travel patterns while there is no vaccine or medication, such as adjusting the traveling behavior of passengers by reducing travel frequency as necessary to reduce the risk in infection, reducing the number of aircraft seats in order to maintain social distances as required, for example, which will have a direct negative impact on revenue. The aviation business therefore needs to be managed to balance the revenue that may be difficult to grow in the future and the increased in operating cost.

According to the Civil Aviation Authority of Thailand (CAAT), the aircraft has been temporarily banned into Thailand since 3 April 2020 to support the prevention and control of COVID-19. In July 2020, the spread of the said disease is still severe in foreign countries. Therefore need to specify measures to restrict travel to the Kingdom in accordance with the screening capability of the Competent

Official or the communicable disease control officer in accordance with the disease prevention measures and in order to effectively control and prevent the spread of the new epidemic in the country, THAI has to temporarily suspend its flight from 1 April 2020 onwards and continue to fly repatriation flight on international routes as well as providing flights for transportation of agricultural products and products to help Thai farmers.

However, the company is still considering and evaluating the situation in order to return to fly immediately when the situation of COVID-19 has been resolved by closely monitoring the situation from around the world and also consider COVID-19 virus prevention measures in each country Lock down measures and passenger travel demand.

In addition, in the second quarter of the year 2020, there are significant events for the operation of Thai Airways International Public Company Limited as follows:

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

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

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

By entering the business rehabilitation process, even if it is under the Bankruptcy Act but is not intended to terminate or THAI to go bankrupt in any way. On the contrary, entering the business rehabilitation process under this law will result THAI would be possible to achieve the objectives of the business rehabilitation plan efficiently by various procedures which is supported by law and provide fair protection to all parties involved. Also THAI would be able to continue its normal business operations throughout the period of the business rehabilitation process whether it is providing passenger transportation services to the company's destinations or continuous cargo transportation which will be carried out concurrently with the corporate rehabilitation in order to improve operational efficiency and further improve the quality of products and services.



## 5. Financial Ratios

		Jan – Mar			
		Consolidated		The Company	
		2020	2019	2020	2019
<b>Liquidity Ratio</b>					
Current Ratio	(times)	0.50	0.82	0.52	0.91
Current Ratio (Included Committed Credit Line)	(times)	0.52	0.89	0.54	0.97
<b>Profitability Ratio</b>					
Operating Profit (Loss) Margin	%	(12.10)	(1.66)	(11.24)	(1.97)
Net Profit (Loss) Margin	%	(59.57)	0.91	(81.35)	0.20
Return on Equity	%	-	2.07	-	0.33
<b>Efficiency Ratio</b>					
Return on Total Assets	%	(6.98)	0.64	(9.48)	0.49
<b>Financial Policy Ratio</b>					
Interest Bearing Debt to Equity	(times)	(20.74)	6.25	(20.45)	4.84
Total Debt to Equity	(times)	(28.17)	10.34	(27.73)	7.97
Interest Coverage Ratio	(times)	2.44	4.20	2.54	4.11
Net Debt to EBITDA	(times)	74.93	49.60	75.17	50.85
Debt Service Coverage Ratio	(times)	0.53	1.05	0.62	1.04

### GLOSSARY

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

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

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

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

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

**Return on Total Assets** = Profit (Loss) before interest and tax/ Average total assets

**Interest Bearing Debt to Equity** = (Short-term Loan + Long-term Loan including current portion of Long-term Loan within 1 year) / Shareholders' Equity

**Total Debt to Equity Ratio** = Total liabilities/Shareholders' Equity

**Interest Coverage Ratio** = EBITDA/interest

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

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