



# Management Discussion and Analysis

For the Second Quarter of 2020

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## Executive Summary

The coronavirus (COVID-19) pandemic triggered the global economic recession globally during the second quarter of 2020 (Q2/2020). In many countries, the lockdown measures were introduced to contain the spreading of the COVID-19, thereby abruptly halting the global economic activity and affecting the Company's performance. The US economy in Q2/2020 contracted by 39.2 percent compared to the same period last year, resulting mainly from the fall in personal consumption expenditures, private domestic investment as well as exports. Meanwhile, China's economy during Q2/2020 expanded at a rate of 3.2 percent compared to the same period last year, which exceeded market expectation at 2.4 percent, due to the effective containment of the COVID-19 pandemic and its government's economic stimulus package in both financial and treasury aspects which led to the easing the lockdown measures. China's manufacturing and non-manufacturing PMI, including exports, in June indicated recovery. While the Eurozone economy was severely affected by the outbreak of COVID-19, despite that the composite PMI and the consumer confidence index rebounded in June, they were considered lower than those before the outbreak. The economy in several countries severely impacted by the pandemic such as Italy and Spain, manage to gradually recover, while Germany's economic revival is notably faster.

In Q2/2020, Thai economy was headed for a recession and expected that it was bottoming out as a result of the stagnant tourism industry and restrictions for entry and exit. Therefore, no international tourists were visiting Thailand during April - June 2020. The revenue made by Thai and international tourists during January - June 2020 declined by 61.2 percent and 65.2 percent

compared to the same period last year, respectively, while the number of Thai and international travellers decreased by 63.1 percent and 66.2 percent compared to the same period last year, respectively. Besides, the domestic outbreak of COVID-19 also led to imposing lockdown measures to limit the epidemic which caused temporary business closure and the unemployment rate to rise. Meanwhile, the exports and private domestic consumption and investment continued to contract due to weak domestic and foreign demands.

In Q2/2020, Thai AirAsia Company Limited resumed its flight operations on selected domestic routes since 1 May 2020 being Bangkok to Chiang Mai, Chiang Rai, Hat Yai, Khon Kaen, Nakhon Phanom, Nakhon Sri Thammarat, Roi Et, Surat Thani, Trang, Ubon Ratchathani, Udon Thani, Buriram, Krabi, Nan, Narathiwat, Phitsanulok, Phuket and Sakon Nakhon of which the flight frequencies were rearranged to align with the travel demand. While flight operations on international routes are still being subject to approval from both Thai authorities and those of destination countries. As a result, Thai AirAsia's passengers carried in Q2/2020 were 283,601, decreased by 95 percent compared to the same period last year, and its capacity was cut down to 8 percent of the same in the previous year.

Given the aforesaid impacts, Asia Aviation Public Company Limited's operating performance resulted in total revenues of Baht 2,221.0 million and a net loss for the period of Baht 1,141.3 million, being a further loss of Baht 658.8 million from that in the previous year, including a net loss in the statement of comprehensive income of Baht 665.7 million.



## Financial Performance Summary

Asia Aviation Public Company Limited (“Asia Aviation”) is a major shareholder of Thai AirAsia Company Limited (“Thai AirAsia”) who is an airline operator of Thai AirAsia, in which the Company currently holds 55 percent.

Asia Aviation’s financial performance for the three-month and the six-month periods ended 30 June 2019 and 2020 have been summarised below:

### Statement of Comprehensive Income

Asia Aviation Public Company Limited Unit: Baht million	Consolidated			Consolidated		
	For the three-month period		Change	For the six-month period		Change
	ended 30 June			ended 30 June		
	2020	2019	2020	2019		
Total revenues	2,221.0	10,006.4	-78%	9,675.5	21,624.6	-55%
Total expenses	4,021.4	10,804.3	-63%	12,844.6	21,297.7	-40%
Profit (loss) from operating activities	(1,800.4)	(798.0)	>100%	(3,169.1)	326.8	->100%
Profit (loss) for the period	(2,075.4)	(878.1)	>100%	(3,297.4)	25.4	->100%
Equity holders of the Company	(1,141.3)	(482.5)	>100%	(1,812.8)	14.7	->100%
Non-controlling interests of the subsidiary	(934.1)	(395.6)	>100%	(1,484.6)	10.7	->100%
Total comprehensive income for the period	(1,210.6)	(878.1)	>100%	(4,869.8)	25.4	->100%
Equity holders of the Company	(665.7)	(482.5)	>100%	(2,677.6)	14.7	->100%
Non-controlling interests of the subsidiary	(544.9)	(395.6)	>100%	(2,192.2)	10.7	->100%
Earnings (loss) Per Share (Baht)	(0.2353)	(0.0995)	>100%	(0.3738)	0.0030	->100%

In Q2/2020, Asia Aviation had total revenues of Baht 2,221.0 million, decreased by 78 percent compared to the same period last year at Baht 10,006.4 million. Meanwhile, total expenses were in a total of Baht 4,021.4 million, declined by 63 percent from the same period of last year. In Q2/2020, a net loss for the period attributable to equity holders of the Company amounted to Baht 1,141.3 million, compared to the net loss in an amount of Baht 482.5 million for the same period last year, and a basic loss was at Baht 0.2353 per share. With other comprehensive income from a gain on cash flow hedges in an amount of Baht 864.8 million, it had a loss in total comprehensive income for the period attributable to equity holders of the Company in an amount of Baht 665.7 million compared to the same in an amount of Baht 482.5 million for the last year.

For the first half year of 2020 (1H2020), Asia Aviation had total revenues of Baht 9,675.5 million, decreased by 55 percent compared to the same period last year. Moreover, a loss before finance cost and income tax amounted to Baht 3,169.1 million, reversed from the profit in an amount of Baht 326.8 million compared to the same period last year. Consequently, a net loss for the period attributable to equity holders of the Company in 1H2020 amounted to Baht 1,812.8 million, reversed from the net profit of Baht 14.7 million for the first half year of 2019 (1H2019), and a



basic loss was at Baht 0.3738 per share. With other comprehensive income from a loss on cash flow hedges in an amount of Baht 1,572.4 million, it had a loss in total comprehensive income attributable to equity holders of the Company in an amount of Baht 2,677.6 million, reversed from the net profit in an amount of Baht 14.7 million for 1H2019.

#### Statement of Financial Position

Asia Aviation Public Company Limited	Consolidated		Change
Unit: Baht million	As at 30 June 2020	As at 31 December 2019	
Total assets	73,491.8	62,902.6	17%
Total liabilities	52,118.6	35,214.1	48%
Equity attributable to owners of the Company	16,471.2	19,943.9	-17%
Non-controlling interests of the subsidiary	4,902.0	7,744.6	-37%
Total shareholders' equity	21,373.2	27,688.5	-23%

#### Assets

As at 30 June 2020, total assets amounted to Baht 73,491.8 million, increased by Baht 10,589.2 million or 17 percent compared to as at 31 December 2019, due to;

- (1) Current assets decreased by Baht 3,039.3 million, mainly from a decrease in the amounts due from related parties of Baht 1,426.7 million. Meanwhile, cash and cash equivalents decreased in an amount of Baht 1,148.8 million, mainly from the redemption of debenture of which principal amounted to Baht 1,000.0 million.
- (2) Non-current assets increased by Baht 13,628.5 million due to a recognition of the right of use assets in an amount of Baht 32,418.8 million from TFRS16 adoption. Whereas, the aircraft, leasehold improvement and equipment decreased in an amount of Baht 18,913.2 million, mainly from ten aircraft disposal.

#### Liabilities

As at 30 June 2020, total liabilities amounted to Baht 52,118.6 million, increased by Baht 16,904.5 million or 48 percent compared to as at 31 December 2019, due to;

- (1) Current liabilities increased by Baht 4,156.7 million, resulting largely from an increase in liabilities under lease agreements net with liabilities under finance lease agreements in an amount of Baht 4,783.5 million mainly due to TFRS16 adoption. Whereas, the unearned income decreased by Baht 1,707.1 million as tightened infection control measures and travel restrictions have slashed advance bookings and as a portion of the long-term debenture in an amount of Baht 1,500.0 million was reclassified from non-current liabilities to current liabilities.

- (2) Non-current liabilities increased by Baht 12,747.8 million, resulting largely from an increase in liabilities under lease agreements net with liabilities under finance lease agreements in an amount of Baht 16,112.2 million mainly due to TFRS16 adoption. Whereas, long-term borrowings from financial institutions decreased by Baht 1,435.7 million, owing to the repayments of liabilities and the interest paid.

## Equity

As at 30 June 2020, total shareholders' equity amounted to Baht 21,373.2 million, decreased by Baht 6,315.2 million or 23 percent compared to as at 31 December 2019, mainly due to the loss for the period in an amount of Baht 1,812.8 million, the loss of other comprehensive income for the period in an amount of Baht 975.6 million, and the accumulative effect of change in accounting policy in an amount of Baht 684.2 million. Hence, equity attributable to owners of the Company and non-controlling interests of the subsidiary as at 30 June 2020 amounted to Baht 16,471.2 million and Baht 4,902.0 million, respectively.

## Statement of Cash Flows

Asia Aviation Public Company Limited	Consolidated	
Unit: Baht million	For the six-month period 30 June	
	2020	2019
Net cash generated from (used in) operating activities	(774.2)	(84.6)
Net cash generated from (used in) investing activities	12,558.1	(674.7)
Net cash generated from (used in) financing activities	<u>(12,972.0)</u>	<u>(333.3)</u>
Net increase (decrease) in cash and cash equivalents	(1,188.1)	(1,092.6)
Unrealised exchange gain (loss) on cash and cash equivalents	39.3	(99.6)
Cash and cash equivalents at the beginning of the period	<u>3,982.2</u>	<u>4,122.6</u>
Cash and cash equivalents at the end of the period	<u>2,833.4</u>	<u>2,930.5</u>

For the six-month period ended 30 June 2020, Asia Aviation had net cash used in operating activities in an amount of Baht 774.2 million mainly due to the operating loss in the period under review. Meanwhile, net cash generated from investing activities was at Baht 12,558.1 million, mainly from proceed of ten aircraft disposal. Net cash used in financing activities was Baht 12,972.0 million, mainly due to payments for early termination of lease agreements and long-term borrowings together with repayment for liabilities under lease agreements and interest paid as well as repayment of long-term debenture. As a result, the net decrease in cash and cash equivalents amounted to Baht 1,188.1 million, while the cash and cash equivalents at the end of the period amounted to Baht 2,833.4 million.

Thai AirAsia's financial performance for the three-month and the six-month periods ended 30 June 2019 and 2020 have been summarised below

#### Statement of Comprehensive Income

Thai AirAsia Company Limited Unit: Baht million	For the three-month period			For the six-month period		
	ended 30 June		Change	ended 30 June		Change
	2020	2019		2020	2019	
Total Revenues	2,221.0	10,006.4	-78%	9,675.3	21,624.0	-55%
Total Expenses	4,021.7	10,815.6	-63%	12,846.6	21,299.1	-40%
Profit (loss) from operating activities	(1,800.7)	(799.2)	>100%	(3,171.2)	324.8	->100%
Net Profit (loss) for the period	(2,075.6)	(879.1)	>100%	(3,299.1)	23.8	->100%
Total comprehensive income for the year	(1,210.9)	(879.1)	38%	(4,871.4)	23.8	->100%
Earnings (loss) per share (Baht)	(47.66)	(20.18)	>100%	(75.74)	0.55	->100%

In Q2/2020, the tourism industry has been challenged with the impact of COVID-19 pandemic and the pressured travel demand, especially on international routes, as a result of the tightened step to control the spread of the virus in various countries, including the banning on tourism activities, travel restriction, and the suspension of inbound foreign travellers. Therefore, total revenues of Thai AirAsia amounted to Baht 2,221.0 million, decreased by 78 percent from the same for the second quarter of 2019 (Q2/2019) at Baht 10,006.4 million. Primarily, revenues from sales and services amounted to Baht 266.5 million, decreased by 97 percent from Baht 9,608.7 million in Q2/2019. This was mainly due to the number of passengers carried in Q2/2020 slumped by 95 percent, standing at 0.3 million, driven by a 100 percent decrease in international visitors compared to the same period last year. Thus, the capacity was rearranged to align with the lower travel demand. Consequently, the available seat kilometres ("ASK") in the said quarter was down by 95 percent compared to the same period last year in accordance with the capacity management plan to align with the travel demand. Thai AirAsia imposed social distancing measures as per the standards and guidelines prescribed by the Office of the Civil aviation Authority of Thailand ("CAAT") and the Ministry of Health, causing the load factor in the said quarter to stand at 52 percent or declined by 31 percentage points ("ppts") for the same period last year.

In Q2/2020, total expenses of Thai AirAsia amounted to Baht 4,021.7 million, decreased by 63 percent from Baht 10,815.6 million in Q2/2019. However, the cost of sales and services amounted to Baht 3,520.1 million, decreased by 65 percent from Baht 9,987.5 million in Q2/2019, attributable to a 93 percent decrease in fuel cost (before hedging) resulted from lower fuel consumptions align with the capacity management, and lower fuel prices. Meanwhile, the net fuel cost (including net loss from fuel hedging) decreased by 81 percent compared to the same period last year. This also reflected a decline in staff costs, expenses related to ramp and airport operations, guest services and distribution as well as the maintenance and overhaul expenses. The depreciation expense increased due to a recognition of the right of use assets according to TFRS16. Furthermore, the selling and administrative expenses amounted to

Baht 332.0 million, declined by 59 percent compared to the same period last year at an amount of Baht 818.1 million, mainly from the cost reduction on non-essential expenses. In Q2/2020, Thai AirAsia continuously monitors our punctuality, resulting in the on-time performance (“OTP”) of 98 percent, increased from 86 percent compared to the same period last year.

In Q2/2020, Thai AirAsia recorded an unrealised gain on exchange in an amount of Baht 1,814.5 million, increased from the same in Q1/2019 which stood at Baht 212.5 million, mainly due to the exchange rate difference of lease liabilities where Thai Baht appreciated compared to US Dollar. It also recorded a loss of Baht 169.9 million as a result of hedging ineffectiveness. Hence, loss from operating activities in Q2/2020 amounted to Baht 1,800.7 million. Moreover, finance costs increased mainly from interest expenses of lease liabilities under TFRS 16. Whereas, the income tax revenue amounted to Baht 105.8 million, mainly from an increase in deferred tax assets regard to the adoption of new financial reporting standards. In consequence, Thai AirAsia had a net loss for the period amounted to Baht 2,075.6 million. With other comprehensive income from the gain on cash flow hedges in an amount of Baht 864.8 million, it had a loss in total comprehensive income for the period amounted to Baht 1,210.9 million.

Thai AirAsia Company Limited	Q2/2020	Q2/2019	Change	1H/2020	1H/2019	Change
Passenger Carried (Million)	0.28	5.58	-95%	4.81	11.44	-58%
Capacity (Million seats)	0.54	6.75	-92%	5.97	13.26	-55%
Load Factor (%)	52	83	-31 ppts	81	86	-5 ppts
Revenue Passenger Kilometres (Million seats-km)	172	5,643	-97%	4,159	11,794	-65%
Available seat kilometres (Million seats-km)	329	6,903	-95%	5,163	13,777	-63%
Average fare (Baht)	1,031	1,390	-26%	1,379	1,474	-6%
Revenue per Available seat kilometres (Baht)	0.81	1.39	-42%	1.56	1.51	4%
Cost per Available seat kilometres (Baht)	12.63	1.57	>100%	2.53	1.55	64%
Cost per Available seat kilometres (ex-fuel)(Baht)	10.48	1.02	>100%	1.87	1.01	85%

For 1H2020, total revenues of Thai AirAsia amounted to Baht 9,675.3 million, decreased by 55 percent from Baht 21,624.0 million in 1H2019. Mainly, revenues from sales and services amounted to Baht 8,079.2 million, decreased by 61 percent compared to the same period last year due to the COVID-19 outbreak, whereby Thai AirAsia temporarily and indefinitely hibernated operations on all international flights from 22 March 2020 and temporarily suspended operations on all domestic flights during 1-30 April 2020 with a restriction on the inflight services, resulting in a 58 percent decrease in passengers to 4.8 million in 1H2020, especially for international passengers declined by 69 percent from last year. Meanwhile, the utilisation of aircraft in operations was at 8.8 hours per day of the operating aircraft, declining from 12.5 hours per day in 1H2019. Thai AirAsia rearranged its capacity to match the travel demand, resulting in a load factor of 81 percent, declined by 5 ppts from last year. Moreover, the average fare in 1H2020 stood at Baht 1,379 per passenger, decreased by 6 percent from the same period last year. In 1H2020, Thai AirAsia continuously monitors our punctuality, reflecting in the OTP of 93 percent, increased from 85 percent in 1H2019.



For 1H2020, total expenses of Thai AirAsia amounted to Baht 12,846.6 million, decreased by 40 percent from Baht 21,299.1 million in 1H2019. The cost of sales and services amounted to Baht 11,570.7 million, decreased by 41 percent from Baht 19,606.5 million in 1H2019, mainly from the fuel cost that declined due to less fuel consumption in relation to the decrease in number of flights, especially on international routes due to the temporary hibernation. This also reflected a decline in staff costs, expenses related to ramp and airport operations, guest services and distribution as well as the maintenance and overhaul expenses. Furthermore, the selling and administrative expenses amounted to Baht 954.0 million, declined by 44 percent compared to the same period last year, mainly from the cost reduction on non-essential expenses. However, the ASK declined by 63 percent with regards to capacity management in order to match the travel demand. For this reason, cost per available seat kilometres excluding fuel cost (CASK ex-fuel) was at Baht 1.87, rose by 85 percent from the same period last year, taking into account of the lease interest and depreciation expenses from the implementation of TFRS16. Whereas, fuel cost per available seat kilometres was at Baht 0.66, up by 24 percent from the same period last year, in part, due to the loss from the fuel hedging.

In 1H2020, Thai AirAsia recorded an unrealised loss on exchange in an amount of Baht 282.3 million, reversed from the profit of Baht 351.3 million in 1H2019, due to the exchange rate difference of lease liabilities. It also recorded a loss of Baht 39.5 million from derivatives. While the other income amounted to Baht 1,596.2 million, it was mainly from the recognition of gain on the aircraft disposal in an amount of Baht 1,331.6 million. Hence, loss from operating activities in 1H2020 amounted to Baht 3,171.2 million, given a negative earning before finance cost, income tax, depreciation and amortisation (EBITDA) margin of 15.7 percent. Moreover, finance costs increased mainly from interest expenses of lease liabilities under TFRS 16. Whereas, the income tax revenue amounted to Baht 796.2 million, mainly from an increase in deferred tax assets regard to the adoption of new financial reporting standards. In consequence, Thai AirAsia had a net loss for the period amounted to Baht 3,299.1 million, representing a net loss margin of 41 percent. With other comprehensive income from a loss on cash flow hedges in an amount of Baht 1,572.3 million, it had a loss in total comprehensive income for the period amounted to Baht 4,871.4 million.



## Statement of Financial Position

Thai AirAsia Company Limited	As at	As at	Change
Unit: Baht million	30 June 2020	31 December 2019	
Total assets	51,167.9	39,067.0	31%
Total liabilities	50,646.4	32,228.6	57%
Total shareholders' equity	521.5	6,838.4	-92%

### Assets

As at 30 June 2020, total assets amounted to Baht 51,167.9 million, increased by Baht 12,100.9 million or 31 percent compared to as at 31 December 2019, due to;

- (1) Current assets decreased by Baht 3,040.1 million, mainly from a decrease in the amounts due from related parties of Baht 1,426.4 million, while cash and cash equivalents decreased in an amount of Baht 1,151.0 million, mainly from the redemption of debenture of which principal amounted to Baht 1,000.0 million.
- (2) Non-current assets increased by Baht 15,141.0 million due to a recognition of the right of use assets in an amount of Baht 32,418.8 million from TFRS16 adoption. Whereas, the aircraft, leasehold improvement and equipment decreased by Baht 18,913.2 million, mainly from ten aircraft disposal.

### Liabilities

As at 30 June 2020, total liabilities amounted to Baht 50,646.41 million, increased by Baht 18,417.9 million or 57 percent compared to as at 31 December 2019, due to;

- (1) Current liabilities increased by Baht 4,157.6 million, resulting largely from an increase in liabilities under lease agreements net with liabilities under finance lease agreements in an amount of Baht 4,783.5 million, mainly due to TFRS16 adoption. Whereas, the unearned income decreased by Baht 1,707.1 million as tightened infection control measures and travel restrictions have slashed advance bookings and as a portion of the long-term debenture in an amount of Baht 1,500.0 million was reclassified from non-current liabilities to current liabilities.
- (2) Non-current liabilities increased by Baht 14,260.3 million, resulting largely from an increase in liabilities under lease agreements net with liabilities under finance lease agreements in an amount of Baht 16,112.2 million, mainly due to TFRS16 adoption. Whereas, long-term borrowings from financial institutions decreased by Baht 1,435.7 million, owing to the repayments of liabilities and the interest paid.

## Equity

As at 30 June 2020, total shareholders' equity amounted to Baht 521.5 million, decreased by Baht 6,316.9 million or 92 percent compared to as at 31 December 2019, mainly due to the loss for the period in an amount of Baht 3,299.1 million, the loss of other comprehensive income for the period in an amount of Baht 1,773.9 million, and the accumulative effect of change in accounting policy in an amount of Baht 1,243.9 million.

Thai AirAsia's Debt-to-Equity ratio (Interest Bearing Debt) and Net Gearing ratio as at 30 June 2020 were 76.26x and 71.01x, respectively. Excluding the lease liabilities under TFRS16, D/E Ratio and Net Gearing Ratio were 21.81x and 16.56x, respectively.

## Statement of Cash Flows

Thai AirAsia Company Limited	For the six-month period 30 June	
Unit: Baht million	2020	2019
Net cash generated from (used in) operating activities	(776.3)	(86.2)
Net cash generated from (used in) investing activities	12,558.0	(674.7)
Net cash generated from (used in) financing activities	<u>(12,972.0)</u>	<u>(333.3)</u>
Net increase (decrease) in cash and cash equivalents	(1,190.3)	(1,094.2)
Unrealised exchange gain (loss) on cash and cash equivalents	39.3	(99.6)
Cash and cash equivalents at the beginning of the period	<u>3,889.6</u>	<u>4,037.0</u>
Cash and cash equivalents at the end of the period	<u>2,738.6</u>	<u>2,843.2</u>

For the six-month period ended 30 June 2020, Thai AirAsia had net cash used in operating activities in an amount of Baht 776.3 million mainly due to the operating loss in the period under review. Meanwhile, net cash generated from investing activities was at Baht 12,558.0 million, mainly from proceed of ten aircraft disposal. Net cash used in financing activities was Baht 12,972.0 million, mainly due to payments for early termination of lease agreements and long-term borrowings together with repayment for liabilities under lease agreements and interest paid as well as repayment of long-term debenture. As a result, the net decrease in cash and cash equivalents amounted to Baht 1,190.3 million, while the cash and cash equivalents at the end of the period amounted to Baht 2,738.6 million.

## Business Outlook

The global economic outlook in the second half of 2020 is expected to gradually recover depending on each country's ability to contain the pandemic, the continuity of introducing economic stimulus packages along with easing the lockdown measures, which would allow the economic activities to recover. However, there are risk factors to be considered being the tension in respect of trade and tech wars between the USA and China and the prolonged outbreak of COVID-19 which might lead to another lockdown and pressure the revival of the global economy. The central banks of developed countries have consistently relied upon relaxation of monetary policies. The US Federal Reserve (Fed) conducts purchases of treasury bonds and mortgage-backed securities issued by the governmental agencies and still maintains the benchmark interest rate near zero percent together with signalling that the interest rate would be maintained until the end of 2022 which would cause the US Dollar to depreciate or cause Baht to appreciate against US Dollar due to the foreign fund flows consistently moving into Thailand. As the Company's revenues and expenses are quoted in various foreign currencies such as fares, maintenance contracts as well as aircraft rental contracts, etc. Therefore, the Company has adopted the practice of natural hedging by, to the best effort, matching the currencies of expenses and revenues. Moreover, the structure of the loans in various foreign currencies is to be rearranged to align with the currency of the net cash generated from operating activities, whereby the Company would consider uses of financial instruments for the purpose of foreign exchange risk management when it deems appropriate.

The global crude oil price is foreseen to increase within a narrow range due to the decrease in supply as per

the oil production capacity cuts made by members of the Organization of the Petroleum Exporting (OPEC+) along with a continually growing oil demand, thanks to each country's easing the lockdown measures which lead to the recovery of the economic activities. In an attempt to minimise the impact of the fluctuation in fuel costs, the Company's policy is to mitigate its exposure to the volatility of oil price by fuel hedging. Thai AirAsia is currently negotiating the settlement of the fuel hedging to mitigate the impact on its operating performance this year. For 2020, it has hedged against Brent crude oil price at the average rate of USD 61.4 per barrel.

Thailand's economic outlook in 2020 is projected to decline throughout the year, but will gradually recover in accordance with the global economy in the second half thereof which is supported by the government's monetary and fiscal policies. While the Bank of Thailand (BoT) cuts its policy rate to 0.5 percent which is likely to be maintained throughout the year, it also seeks to ensure the stability and liquidity of the financial and capital market along with laying out the government's short-term economic stimulus plan to increase the domestic demand for consumptions.

The Tourism Authority of Thailand (TAT) expected the number of international tourists in 2020 to stand at 8.2 million, decreased by 79 percent from the previous year with a receipt of approximately Baht 396 billion. The number of visits by Thai tourists is estimated to decline, standing at 71 million with a receipt of approximately Baht 418 billion. In total, the revenues from tourism this year is expected to stand at Baht 0.81 trillion.

In 2H2020, Thai AirAsia is planning to increase its domestic flight routes along with the government



economic stimulus package and encouraging domestic travel demand. Besides, the Company launched new domestic regional routes, such as Chiang Mai to Hua Hin and Udon Thani to Hua Hin. It also has seized new opportunities to capture a customer base at Suvarnabhumi Airport, as a flight base serving four direct flights, which bound for Chiang Mai, Phuket, Krabi and Surat Thani together with connecting passengers to both domestic and international routes in Asia. Additionally, Thai AirAsia

expects to resume its flight operations in international routes through travelling bubble schemes with certain target customer groups, primarily Indo-China market and Chinese market as they are more effective in containing the outbreak than the other markets. Besides, CAAT has eased the restriction on the inflight services where the sales of merchandise are permitted in the early August, while the food and beverage services are expected to be allowed for upon the subsequent easing of measures.

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## Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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