

COVID-19 Pandemic: Impact on ASKs

APAC Region

December 2020



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Asia is the least impacted region by the pandemic

Gradual 2020 recovery expected to pick up pace in 2021

Source: OAG Schedules published 23 Nov 2020; Analysis by AviaSolutions

- 2020 began with strong growth in available seat kilometres (ASKs)
- Capacity decline occurred in two waves (Mid-February and mid-March)

- Thai Airways is the hardest hit Asian airline (by ASKs)
- China's major airlines performed better than average

2021 – Recovery likely to continue at a higher pace

2021 – Recovery likely to be driven by Low Cost and domestic airlines in Chinese and Indian markets

Chart 1: Asia-Originating ASKs Change 2020 vs 2019

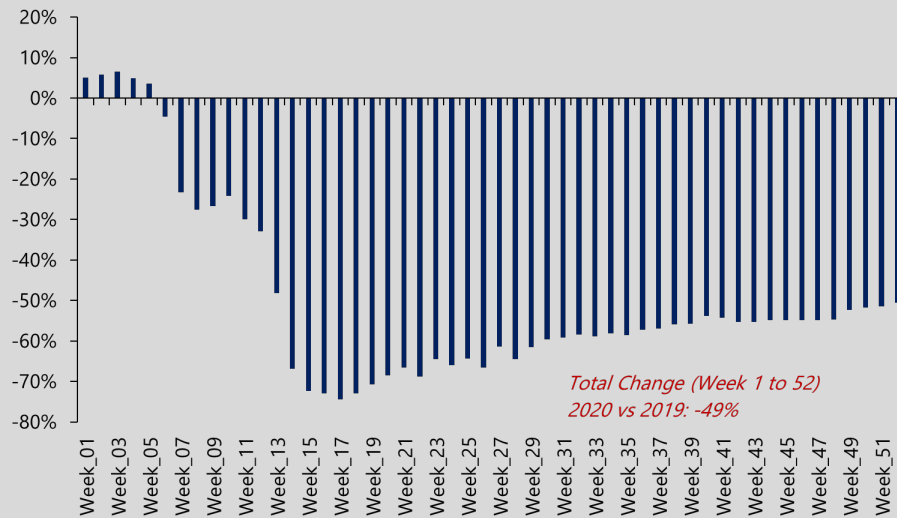
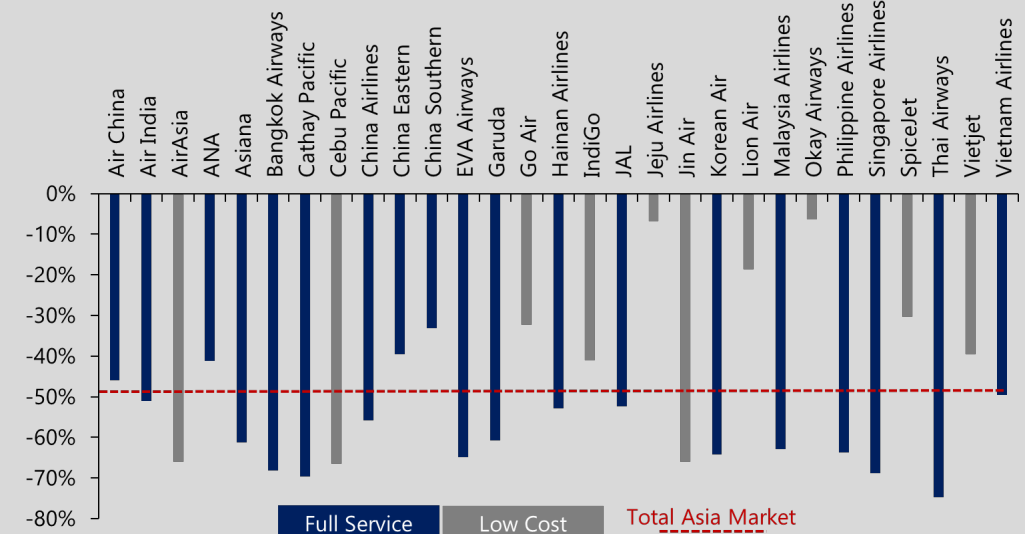


Chart 2: Asia-Originating ASKs Change by Main Asia-based Airlines 2020 vs 2019



- The pandemic impacted Asia ASKs in two waves. Firstly, in mid-February 2020, capacity declined -25% (when China imposed travel restrictions). Secondly, in mid-March, capacity declined -70% (when the rest of the world began imposing restrictions).
- Recovery in capacity has been slow but steady since April 2020.
- Summer 2020 season did not show any significant increase in capacity.

- All Asian airlines were affected by the pandemic, regardless of business model.
- Jeju Airlines (-7% ASKs), Okay Airways (-6%) and Lion Air (-19%) were least impacted.
- Thai Airways (-75% ASKs) was most impacted.
- Indian LCCs (Go Air, IndiGo, Spicejet) were much less impacted than flag carrier Air India.
- Only three LCCs performed below average: Air Asia, Cebu Pacific and Jin Air.
- Asia's largest LCC, Air Asia (-66% ASKs), fared much worse than others.

Both FSCs and LCCs show similar capacity changes

Asia Domestic traffic is recovering much faster than International traffic

Source: OAG Schedules published 23 Nov 2020; Analysis by AviaSolutions

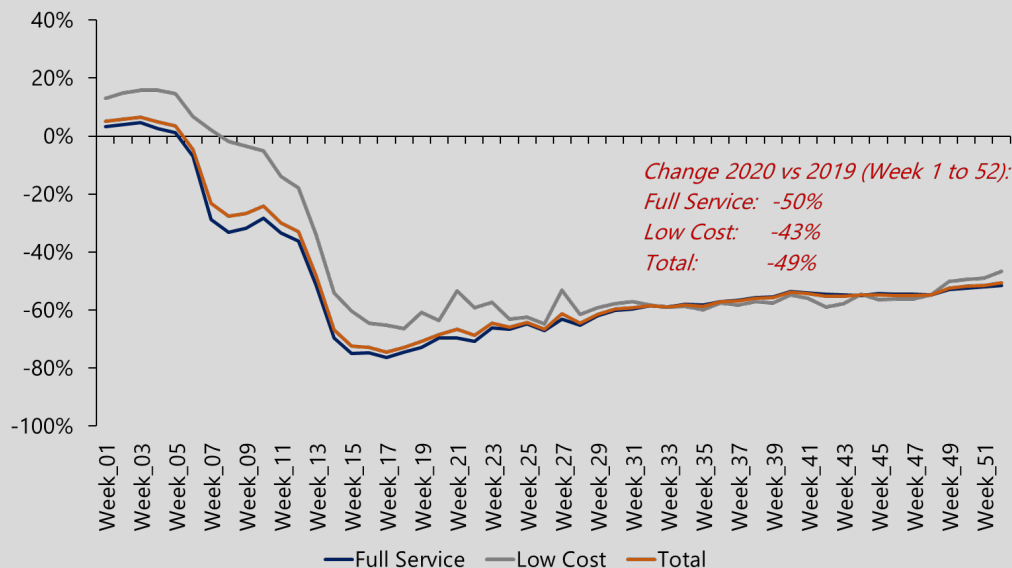
- Low Cost and Full Service (FSC) airlines showed a similar response to changing demand

- Domestic capacity in Asia has fully recovered
- International capacity not recovered (down by -67%)

2021 – Recovery is expected to continue in 2021

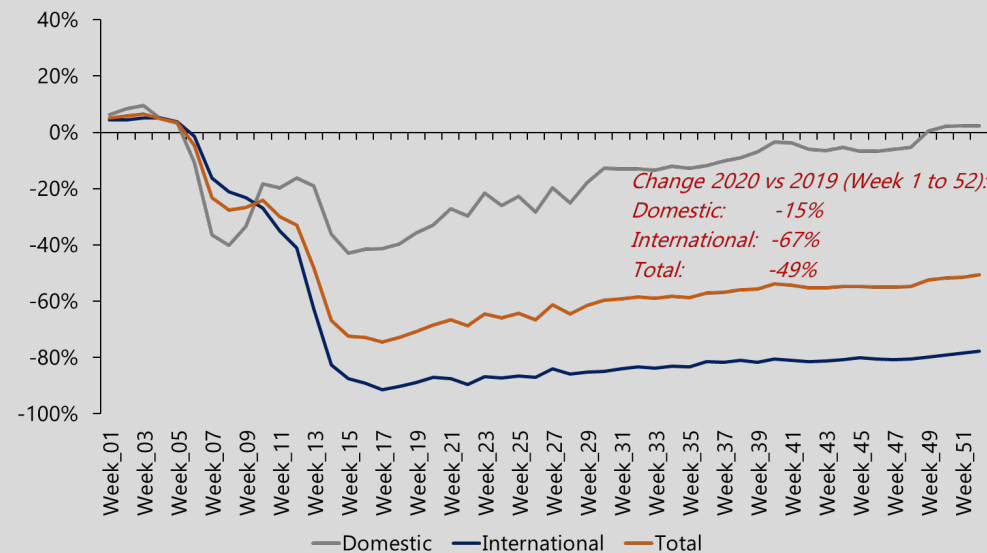
2021 – Domestic capacity is expected to be a major growth driver in 2021

Chart 3: Asia Full Service vs Low Cost ASKs Change 2020 vs 2019



- Asian LCCs were growing strongly in January 2020 (up to +16% ASKs).
- LCC capacity started declining gradually in mid-February, reaching -66% by May. It only recovered to -47% by December.
- FSC capacity first declined -33% in mid-February when China imposed travel restrictions. The second decline to -75% occurred at the start of April when other countries imposed restrictions.
- FSC capacity has been recovering at a similar pace to LCCs; by December ASKs were -52% year-on-year.

Chart 4: Asia Domestic vs International ASKs Change 2020 vs 2019



- Asia Domestic capacity declined to -40% in mid-February, recovered briefly to -16% in March, before declining again to -43% in April. Capacity slowly recovered back to 2019 levels by December. By end of December, Asia Domestic capacity will be +2% vs 2019 and the only world region to fully recover in terms of domestic flights.
- Asia International capacity gradually declined in February, March and April, reaching -91%. Since then, International ASKs have increased slightly, however, by the end of December, capacity will still down -67% and the least recovered region for International capacity.

Asia: Decline in ASKs by Country

China was one of the least impacted countries in 2020

Source: OAG Schedules published 23 Nov 2020; Analysis by AviaSolutions

Table 1: Asia Decline in ASKs per country

Country	ASKs (m) - 2019	ASKs (m) - 2020	% Change
China	788,113	466,742	-41%
Japan	286,563	120,156	-58%
India	214,320	106,658	-50%
Thailand	185,477	62,164	-66%
Korea Republic of	167,590	67,521	-60%
Hong Kong (sar) China	154,217	39,820	-74%
Singapore	149,292	43,494	-71%
Indonesia	125,231	68,550	-45%
Malaysia	99,828	34,048	-66%
Chinese Taipei	89,735	31,232	-65%
Viet Nam	79,819	39,435	-51%
Philippines	79,207	31,282	-61%
Pakistan	26,874	16,031	-40%
Sri Lanka	18,127	6,831	-62%
Bangladesh	17,408	9,778	-44%
Kazakhstan	13,240	5,847	-56%
Cambodia	10,602	3,479	-67%

Asia: State Support for Airlines

Positive outlook for 2021 – but significant airline restructuring underway

Source: Ishka 3rd September 2020; Analysis by AviaSolutions

- Asia-based carriers benefitted from \$23B confirmed government support as of 3rd September 2020.
- **Singapore** provided the most support in Asia with \$9B.
- **Hong Kong** allocated \$4.4B in favour of any aviation business that employed workforce in the territory.
- **South Korea** and **Japan** provided \$3.5B and \$3.3B respectively and major industry restructuring is underway, e.g. the planned merger between Korean Air and Asiana.
- **Taiwan** provided \$1.6B in the form of state loan guarantees.
- The **Indonesian** government allocated \$1B to the aviation sector, of which \$580M for national flag carrier Garuda Indonesia.
- In **Thailand**, the plan for the government to rescue Thai Airways failed after citizens protested against a large injection of public funds into the airline. As a consequence, Thai Airways was forced to file for bankruptcy protection and other rescue measures are being discussed.
- State aid measures are also being discussed in **Malaysia**, where both Malaysia Airlines and Air Asia are struggling. Even prior to the pandemic, Malaysia Airlines was in a difficult position. Air Asia is currently working on a restructuring plan but is not assuming any government help.
- No major airline bailout plans were introduced by **India**.
- Airlines in **China** have already seen some traffic recovery, especially on domestic routes. Despite this, it has recently been reported that China Eastern is receiving a Yuan 31B cash bailout from the state.

Table 2: State Support for Airlines in Asia as of 3rd September 2020*

Government / authority	Stage	(USD millions)			Measures
		Confirmed	Unconfirmed	Total	
Bangladesh	Confirmed state aid	118	0	118	State bank loans
China	Unclear or N/A	0	0	0	Flight subsidies
Hong Kong	Confirmed state aid	4,398	0	4,398	State loans State equity injection Operational fee waivers
India	Some relief measures introduced or being considered	0	120	120	State loan guarantee
Indonesia	Confirmed state aid	1,031	25	1,056	State bank loans Flight subsidies
Japan	Confirmed state aid	3,250	0	3,250	State bank loans Tax waivers or deferrals Operational fee waivers
Kazakhstan	Government considering requests for state aid	0	0	0	State loan guarantee
Malaysia	State financial aid under negotiation	0	1,320	1,320	Sovereign wealth fund contribution Merger
Myanmar	Government considering requests for state aid	0	0	0	State budget subsidy / not specified
Philippines	Government considering requests for state aid	0	0	0	
Singapore	Confirmed state aid	9,080	0	9,080	Sovereign wealth fund contribution State budget subsidy / not specified
South Korea	Confirmed state aid	3,548	3	3,550	State bank loans State equity injection Operational fee waivers
Taiwan	Confirmed state aid	1,600	0	1,600	State loan guarantee
Thailand	State airline rescue rejected, government considering or implementing other measures	0	769	769	Operational fee waivers
<i>Total Asia</i>		<i>23,024</i>	<i>2,237</i>	<i>25,261</i>	
<i>Total All Regions</i>		<i>128,211</i>	<i>32,674</i>	<i>160,884</i>	

*Source: Ishka

Asia Traffic – 2020 Summary and 2021 Outlook

Analysis by AviaSolutions

Summary 2020	Outlook 2021
<p>Overall, the Asia region has been impacted the least. Total ASKs declined -49% in 2020 YoY, compared to the worldwide average of -51%. China has been the least affected country by the pandemic with the lowest capacity decline of -41%. The most affected country in the region is Hong Kong with capacity decline of -74%.</p> <p>Asia International ASKs declined -67% in 2020, the largest International decline of any world region. The global average decline in International ASKs was -63%.</p>	<p>In 2021, International capacity is expected to remain very low due to strong travel restrictions in the region, and the unclear situation on vaccine availability.</p> <p>International capacity (ASKs) is expected to be -75% in Q1 2021 and -65% in Q2 2021.</p>
<p>Domestic traffic in Asia has shown very strong performance, given the pandemic. In 2020, Domestic Asia capacity only declined -15%, compared to the worldwide average of -30%. By December 2020, domestic capacity had recorded positive growth, with +2% YoY growth in ASKs for the last week of December.</p>	<p>Unlike international traffic, domestic traffic in Asia is expected to continue recovering and to post positive growth. Given the international travel restrictions, many people will chose to travel within the country, further driving domestic capacity growth.</p> <p>Domestic capacity (ASKs) is expected to grow +5% in Q1 2021 and +10% in Q2 2021.</p>
<p>Low cost airlines in Asia had a strong January, with capacity growth rates of 18%-20%. The decline in capacity occurred over a 2 month period.</p> <p>Full Service capacity first dropped -33% in mid-February when China imposed travel restrictions. The second drop to -75% occurred at the start of April when other countries imposed restrictions.</p> <p>Unlike other continents, low cost and full service airlines in Asia showed very similar capacity recovery in Q3 and Q4 2020.</p>	<p>We expect low cost and full service airlines to show similar growth performance throughout 2021.</p>
<p>Asian countries received differing Covid-related state aid for airlines. Some countries have adopted extensive support measures (Singapore) while others have been more conservative (India).</p>	<p>State aid is likely to continue throughout 2021 and to be introduced by most Asian countries.</p>

Pacific is the hardest hit region

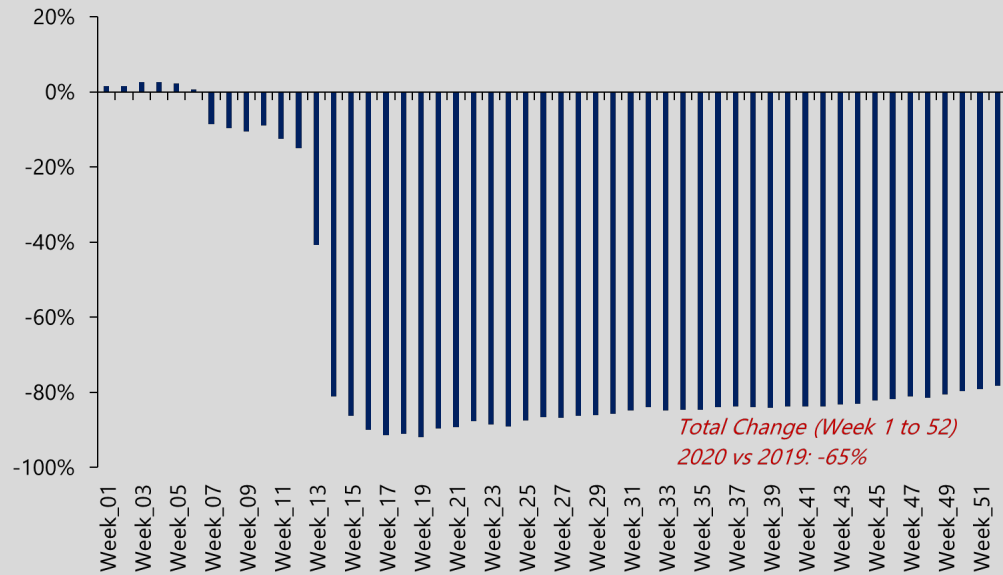
Recovery unlikely to start until Q3 2021

Source: OAG Schedules published 23 Nov 2020; Analysis by AviaSolutions

- Pacific capacity collapsed by -90% in April 2020 with no significant recovery throughout the year

2021 – Overall recovery unlikely to start until Q3 2021

Chart 5: Pacific-Originating ASKs Change 2020 vs 2019

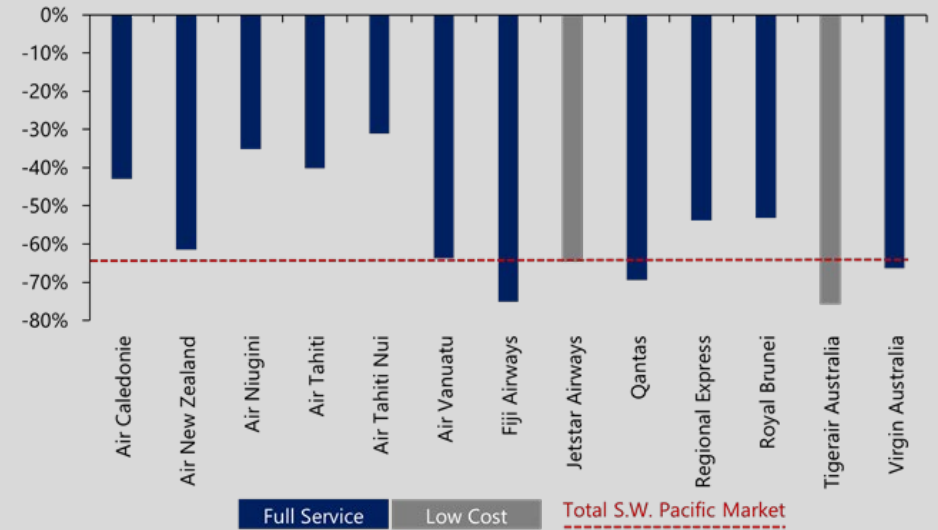


- The pandemic impacted Pacific ASKs in two waves. Firstly, in mid-February 2020, capacity declined -10% (when China imposed travel restrictions). Secondly, in mid-March, capacity declined -90% (when the rest of the world began imposing restrictions).
- There has been no significant recovery since April. Capacity increased by around +10%, however it is still -80% versus 2019.
- Australian travel restrictions have been extended until March 2021, hence no significant improvement is expected until Q2 2021.

- Tigerair Australia was the hardest hit airline in the Pacific region and has left the market

2021 – Air traffic in the Pacific will be helped by Australia/New Zealand travel bubbles

Chart 6: Pacific-Originating ASKs Change by Main Pacific-based Airlines 2020 vs 2019



- All Pacific airlines were affected by the crisis, regardless of business model.
- Air Niugini (-35% ASKs), Air Tahiti (-40%), Air Tahiti Nui (-31%) were least impacted.
- Tigerair Australia (-76% ASKs) was most impacted and ceased operations in September.
- Smaller, island based airlines have been less impacted than major carriers from Australia and New Zealand.
- Travel bubbles between and within Australia and New Zealand are likely to drive some capacity growth in the region in 2021.

Both FSCs and LCCs show similar capacity changes

Pacific Domestic traffic is recovering much faster than International traffic

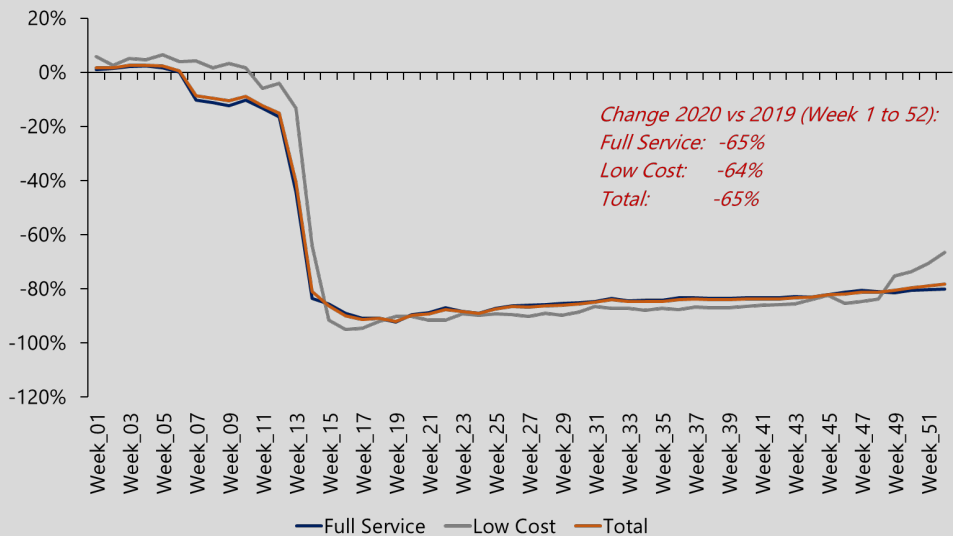
Source: OAG Schedules published 23 Nov 2020; Analysis by AviaSolutions

- Low Cost and Full Service (FSC) airlines showed a similar response to changing demand. In December, LCCs started to recover slowly.
- Domestic capacity has shown better recover since end-November
- International capacity is yet to recover significantly

2021 – Low Cost airlines will drive the recovery in 2021

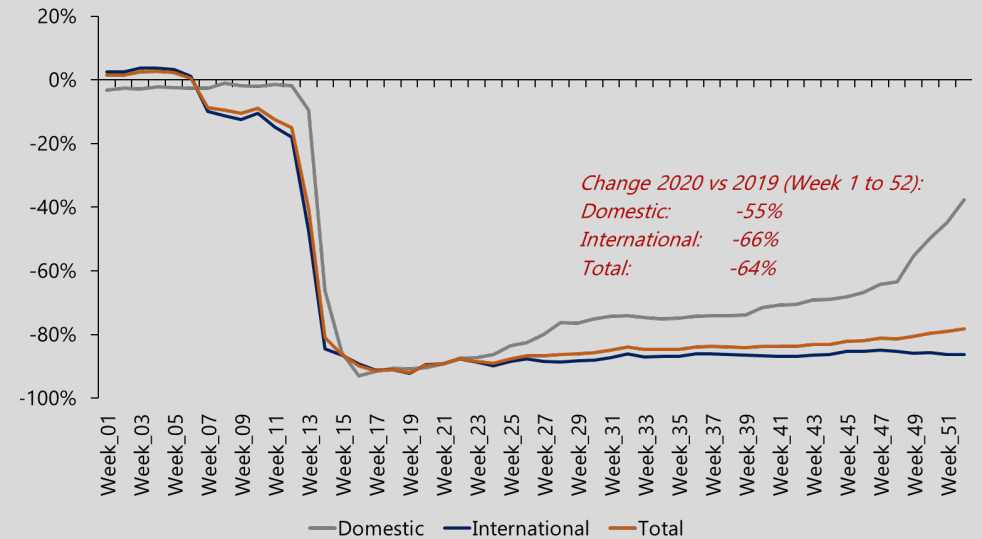
2021 – Domestic traffic is expected to recover strongly once restrictions are eased

Chart 7: Pacific Full Service vs Low Cost ASKs Change 2020 vs 2019



- Full service airlines began experiencing a minor decline in capacity in February 2020 when China imposed travel restrictions.
- By April, a second decline in capacity occurred to -92% YoY, with no sign of recovery since. By the end of December, capacity on full service airlines will still be -80%.
- Unlike full service carriers in Australia, low cost airlines did not experience the first small decline, rather the capacity dropped rapidly in April to -95% YoY, with no recovery since until a marginal increase in December. By the end of December, low cost capacity will be -67% down.

Chart 8: Pacific Domestic vs International ASKs Change 2020 vs 2019



- Pacific International capacity first dropped -10% to -12% due to travel restrictions to China. Within 6-7 weeks, international capacity experienced a second drop to -92% YoY, with no sign of recovery since. By the end of December international ASKs will still be -86% YoY.
- Domestic traffic was already in decline pre-pandemic, before a sudden drop in April.
- Intra-Australian traffic restrictions introduced in April 2020 led to capacity declining -93%. July saw marginal improvement to -76%. At the end of November, domestic capacity started to grow rapidly as restrictions eased. By the end of December domestic capacity will be -35% down, but trending upwards.

Pacific: Decline in ASKs by Country

Australia and New Zealand experienced similar ASK declines in 2020

Source: OAG Schedules published 23 Nov 2020; Analysis by AviaSolutions

Table 3: Pacific Decline in ASKs per country

Country	ASKs (m) - 2019	ASKs (m) - 2020	% Change
Australia	221,734	74,359	-66%
New Zealand	50,639	17,759	-65%
Fiji	5,434	1,238	-77%
Northern Mariana Islands	1,794	963	-46%
New Caledonia	1,293	696	-46%
Haiti	1,238	684	-45%
Cayman Islands	1,220	584	-52%
Samoa	809	432	-47%
Cook Islands	797	194	-76%
Vanuatu	499	137	-73%
Palau	322	95	-71%
Tonga	303	92	-70%
Solomon Islands	260	104	-60%
Marshall Islands	189	57	-70%
Micronesia Federated States of	143	42	-71%
American Samoa	140	30	-78%

Pacific: State Support for Airlines

Positive Outlook for 2021 – support schemes to be extended

Source: Ishka 3rd September 2020; Analysis by AviaSolutions

- Pacific-based carriers benefitted from \$2B confirmed government support as of 3rd September 2020.
- **Australia** made \$940M available of which \$540M as part of the Australian Airline Financial Relief Package (AARFP). This plan was originally supposed to run until December 2020 but has now been extended through 2021.
- AARFP support includes the refunding and ongoing waiving of various Government charges on the sector, including aviation fuel excise, Airservices Australia charges on domestic operations and domestic and regional aviation security charges.
- The purpose of AARFP is to reduce the cost base faced by commercial airlines to improve the viability of scheduled and commercial flights.
- The **New Zealand** Government introduced an aviation support package in March 2020 which aimed to secure a sustainable future for the country's airlines.
- Financial support to airlines includes paying passenger-based government fees and covering airways-related fees. The government has also deferred any increase in airport charges.
- The **Fiji** government was also supportive of the aviation industry, with \$203M.

Table 4: State Support for Airlines in Pacific as of 3rd September 2020*

Government / authority	Stage	(USD millions)			Measures
		Confirmed	Unconfirmed	Total	
Australia	State airline rescue rejected, government considering or implementing other measures	940	0	940	Flight subsidies Tax waivers or deferrals Operational fee waivers
Fiji	Confirmed state aid	203	0	203	State loans ADB loans
French Polynesia	Confirmed state aid	4	0	4	Flight subsidies
New Zealand	Confirmed state aid	887	0	887	State loans Flight subsidies
Samoa	Some relief measures introduced or being considered	2	0	2	State budget subsidy / not specified
<i>Total Pacific</i>		<i>2,036</i>	<i>0</i>	<i>2,036</i>	
<i>Total All Regions</i>		<i>128,211</i>	<i>32,674</i>	<i>160,884</i>	

*Source: Ishka

Pacific Traffic – 2020 Summary and 2021 Outlook

Analysis by AviaSolutions

Summary 2020	Outlook 2021
<p>Overall, the Pacific region has been the most heavily impacted. In 2020, total capacity in terms of ASKs declined -64% YoY vs. the worldwide average of -51%. This is largely due to the stringent restrictions in the region, many of which are still in place. Additionally, unlike some other regions like Europe, the restrictions in the Pacific region have not been lifted for the summer season.</p> <p>International capacity in the Pacific is down -66% in 2020, worse than the worldwide average of -63%.</p> <p>In the last week of December, international capacity will still be -86% down and total capacity -78% down, the largest declines of any region.</p>	<p>Despite a challenging 2020, we expect the Pacific region to recover from mid 2021. With vaccine availability travel restrictions should be eased which will drive capacity increases.</p> <p>International capacity (ASKs) is expected to be -80% in Q1 2021 and -70% in Q2 2021*.</p>
<p>Domestic traffic in the Pacific region has also been heavily impacted. In 2020, Domestic ASKs declined -55% YoY vs. the worldwide average of -30%, making it the worst affected region for domestic travel. However, in the last week of December, Domestic traffic recovered to -38% down, but is still the most impacted region.</p>	<p>Domestic traffic is expected to perform better than international traffic in 2021. Domestic capacity (ASKs) is expected to be -50% in Q1 2021 and -40% in Q2 2021*.</p>
<p>In 2020, low cost and full service airlines showed a similar response to the pandemic. However, by December 2020 low cost airlines began to increase capacity, linked to domestic demand for Christmas holidays.</p>	<p>It is expected that with the rise of domestic travel, low cost airlines will start gaining market share from full service carriers (that focus more on long-haul travellers).</p>
<p>Australia, New Zealand and Fiji provided particularly strong support to their aviation sectors.</p>	<p>State support in the Pacific region is expected to be extended in 2021 and the outlook remains positive in this respect.</p>