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13 November 2019

Subject: Management Discussion and Analysis for the Third Quarter of 2019

Attention: President
The Stock Exchange of Thailand

According to the financial reports of Nok Airlines Public Company Limited (the company) for the third quarter of 2019 (Q3/2019) ended on 30 September 2019, the Company and its subsidiaries reported that total comprehensive loss was 1,093.16 million Baht, compared to 1,515.26 million Baht in the same quarter last year or decreased by 27.86 percent. This total comprehensive loss was divided into parent company and non-controlling interests, 633.95 and 459.21 million Baht respectively. In spite of considering the comprehensive loss only the part of the parent company in amount of 633.95 million Baht, it was significantly decreased 42.68 percent or 472.02 million Baht from the same period of last year. As a result, The Company would clarify the factors causing overall operating outcome as follow:

Executive Summary of the financial reports in the third quarter of 2019

During the low season, both Available Seat Kilometers (ASK) and numbers of flights decreased by 0.64 percent and 4.07 percent respectively, compared with same period last year, attributable to phased out the old operating aircraft out of fleet therefore number of aircrafts were decreased to 22 aircrafts by the end of third quarter 2019 or decreased by 15.38 percent. Nevertheless, Average aircraft utilization hours increased by 13.14 percent from same period last year, Revenue per Available Seat-Kilometers (RASK) slightly decreased 0.57 percent and Cost per Available Seat-Kilometers (CASK) also decreased 15.64 percent from the third quarter of 2018 because the company could manage intensely both of direct and indirect costs more efficiency attributable to deep-down analysis of management team, leading to cost saving according to the company's turnaround plan. Furthermore, On-time performance improvement continuously can decrease compensation of flight delay as well.

In Q3/2019, the company and its subsidiaries generated total revenue of 4,357.84 million Baht and reported the total comprehensive loss of 1,093.16 million Baht. This total comprehensive loss was attributable to the loss from the parent company 633.95 million Baht and net loss of non-controlling interests 459.21 million Baht.

For separated financial statements, the company's revenue in Q3/2019 was 2,783.67 million Baht which decreased 2.79 percent from the same period last year. The company had operating cost in amount of 3,273.52 million Baht, which decreased 14.70 percent in the same period of last year. As a result, the net loss in the third quarter of year 2019 decreased to be 489.86 million Baht, or decreased by 49.70 percent from the same period of last year.



Key Statistics and Business Ratio (Excluding subsidiaries)

	Unit	Q3/2018	Q3/2019	Change Percent	9M/2018	9M/2019	Change Percent
Number of Aircrafts (at the end of period)							
- Boeing 737-800 Next Generation	Aircraft	16	14	(12.50)	16	14	(12.50)
- ATR 72-500	Aircraft	2	0	(100.00)	2	0	(100.00)
- Q400 NextGen	Aircraft	8	8	0.00	8	8	0.00
- Average Number of Aircraft	Aircraft	26.00	22.00	(15.38)	26.88	22.86	(14.96)
Available Seat Kilometers: ASK	Mil. Seat-Km	1,554	1,544	(0.64)	5,275	4,722	(10.48)
Revenue Passenger Kilometers: RPK	Mil. Seat-Km	1,348	1,316	(2.37)	4,743	4,123	(13.07)
No. of Sectors	Flights	15,127	14,511	(4.07)	50,242	46,073	(8.30)
Cabin Factor	%	86.77	85.23	(1.54)	89.91	87.31	(2.60)
Passenger Carried	Million	1.95	1.89	(3.08)	6.67	6.15	(7.80)
Passenger Yield	Baht/Seat-Km.	1.76	1.78	1.14	1.87	1.91	2.14
Revenue per Available Seat Kilometers: RASK	Baht/Seat-Km.	1.75	1.74	(0.57)	1.91	1.91	0.00
Cost per Available Seat Kilometers: CASK	Baht/Seat-Km.	2.43	2.05	(15.64)	2.29	2.17	(5.24)
Cost per Available Seat Kilometers exclude Fuel: CASK ex-fuel	Baht/Seat-Km.	1.70	1.44	(15.29)	1.60	1.52	(5.00)
Average Aircraft Utilization Hours	Operation Hours/Day	8.37	9.47	13.14	9.31	9.74	4.62



The Company's Performance for Q3/2019

Revenue for the third quarter and 9 months of 2018 and 2019 (Excluding subsidiaries)

Unit : million Baht	Q3/2018		Q3/2019		Percent Change	9M/2018		9M/2019		Percent Change
	Amount	Percent to Total Revenue	Amount	Percent to Total Revenue		Amount	Percent to Total Revenue	Amount	Percent to Total Revenue	
Passenger Revenue	2,436.03	85.07	2,437.76	87.57	0.07	9,091.88	86.30	8,175.35	88.02	(10.08)
Service Revenue	329.36	11.50	293.30	10.54	(10.95)	1,105.91	10.50	973.76	10.48	(11.95)
Other Income	98.28	3.43	52.61	1.89	(46.47)	337.41	3.20	138.95	1.50	(58.82)
Total Revenue	2,863.67	100.00	2,783.67	100.00	(2.79)	10,535.20	100.00	9,288.06	100.00	(11.84)

Data: Revenue

Q3/2019

The company's revenue was 2,783.67 million Baht decreased 2.79 percent. It consists of 2,437.76 million Baht to passenger revenue which was 87.57 percent of total revenue, 293.30 million Baht to service revenue which was 10.54 percent of total revenue and 52.61 million Baht to other income which was 1.89 percent of total revenue. It was mainly caused by declining in service revenue, aligned with the reduction of aircraft fleet nevertheless overall passenger revenue could still be stabilized from the same period of last year.

Passenger revenue: In the third quarter of year 2019, passenger revenue increased 0.07 percent or 1.73 million Baht from the same period of last year which resulting from reduction of aircraft fleet according to the company's turnaround plan. Consequently, the Average Number of Aircraft decreased from 26 aircrafts at the end of Q3/2018 to 22 aircrafts at the end of Q3/2019 which affected to decrease of both Available Seat Kilometers (ASK) and number of flight which decreased at 0.64 and 4.07 percent respectively, especially the Chinese charter flight. Conversely, an average domestic air fares slightly increased from the same period last year. Additionally, Average aircraft utilization hours also increased from 8.37 operation hours per day to be 9.47 operation hours per day or 13.14 percent improvement from Q3/2018.

Service revenue: In the third quarter of year 2019, service revenue decreased 36.06 million Baht, or 10.95 percent from the same period of last year. The main causes from decrement of baggage load revenue decreased from the same period of last year.



Other income: In the third quarter of year 2019, other income decreased 45.67 million Baht, or 46.47 percent from the same period of last year. It resulted mainly from decrease in Realized/Unrealized Gain on Exchange Currency in amount of 49.74 million Baht from the same period of last year.

9M/2019

The company had a volume of Available Seat Kilometers (ASK) decreased 10.48 percent mainly from the reduction of aircraft fleet. Nonetheless, Revenue per Available Seat-Kilometer (RASK) remains as 1.91 Baht per seat-kilometers, passenger revenue and service revenue decreased in 9 months at 10.08 and 11.95 percent respectively. In addition, other income decreased from declining in Service revenue and Realized/Unrealized Gain on Exchange Currency. Inclusive, total revenue decreased 11.84 percent from the same period in last year.

Expenses for the third quarter and 9 months of 2018 and 2019 (Excluding subsidiaries)

Unit : million Baht	Q3/2018		Q3/2019		Percent Change	9M/2018		9M/2019		Percent Change
	Amount	Percent to Total Expense	Amount	Percent to Total Expense		Amount	Percent to Total Expense	Amount	Percent to Total Expense	
Cost of passenger and service	3,642.85	94.93	3,004.27	91.77	(17.53)	11,682.82	95.11	9,911.38	93.05	(15.16)
Selling expenses	2.01	0.05	32.58	1.00	1,520.90	86.65	0.71	81.1	0.76	(6.41)
Administrative expenses	190.21	4.96	209.65	6.40	10.22	511.81	4.17	611.74	5.74	19.52
Financial Cost	2.38	0.06	27.03	0.83	1,035.71	2.38	0.02	47.85	0.45	1,910.50
Total Expense	3,837.45	100.00	3,273.53	100.00	(14.70)	12,283.67	100.00	10,652.07	100.00	(13.28)

Data: Cost & Expenses

Q3/2019

The company's operating expense in total was 3,273.53 million Baht decreased from 3,837.45 million Baht, or 14.70 percent from the same period of last year mainly from the reduction of aircraft fleet. Additionally, the company could manage intensely both of direct and indirect costs more efficiency attributable to deep-down analysis of management team, leading to cost saving according to the company's turnaround plan. Consequently, Cost per Available Seat-Kilometers (CASK) decreased from 2.43 to 2.05 Baht per seat-kilometers, or decreased by 15.64 percent. Similarly, Cost per Available Seat-Kilometers exclude Fuel (CASK ex-fuel) decreased from 1.70 to 1.44 Baht per seat-kilometers, or 15.29 percent from the same period of last year.



Variable cost: In Q3/2019, variable costs were at 2,278.40 million Baht, or decreased 7.49 percent from the same period of last year mainly from cost control intensification in aircraft maintenance expenses and Ground handling service costs more competence. Furthermore, On-time performance improvement continuously can decrease compensation of flight delay as well. Consequently, Fuel cost per ASK (Fuel/ASK) decreased from 0.73 to 0.61 Baht per seat-kilometers or 16.44 percent from the same period of last year.

Fixed costs: In Q3/2019, fixed cost was 968.10 million Baht which was decreased at 29.57 percent. It was caused by fixed cost management efficiently regarding human resource management and aircraft fleet management, reduction in aircraft operating lease by cost saving of the company's turnaround plan. Therefore, Fixed cost per Available Seat-Kilometers (FC/ASK) was 0.63 Baht per seat-kilometers, or decreased 17.11 percent from the same period of last year due to although Available Seat Kilometers (ASK) decreased by 0.64 percent compared to same period last year.

Finance cost: In Q3/2019, the company's financing cost increased in amount of 24.65 million Baht attributable to Interest expense from Short-term borrowings.

9M/2019

The company's expense in total was 10,652.07 million Baht decreased from 12,283.67 million Baht, or 13.28 percent from the same period in last year aligned with the reduction of aircraft fleet. The company could manage intensely both of direct and indirect costs more efficiency, leading to cost saving according to the company's turnaround plan. Furthermore, On-time performance improvement continuously can decrease compensation of flight delay. Subsequently, Cost per Available Seat-Kilometers (CASK) decreased from 2.29 to 2.17 Baht per seat-kilometers, or decreased by 5.24 percent from the same period in last year.



Profit (Loss) for the third quarter and 9 months of 2018 and 2019 (Excluding subsidiaries)

Unit : million Baht	Q3/2018		Q3/2019		Percent Change	9M/2018		9M/2019		Percent Change
	Amount	Percent to Total Revenue	Amount	Percent to Total Revenue		Amount	Percent to Total Revenue	Amount	Percent to Total Revenue	
Profit (Loss) before income	(973.79)	(39.97)	(489.86)	(17.60)	(49.70)	(1,748.47)	(16.60)	(1,364.01)	(14.69)	(21.99)
Income tax expense (income)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Profit (Loss) for the period	(973.79)	(39.97)	(489.86)	(17.60)	(49.70)	(1,748.47)	(16.60)	(1,240.95)	(13.36)	(29.02)
Total comprehensive income (loss) for the period	(973.79)	(39.97)	(489.86)	(17.60)	(49.70)	(1,748.47)	(16.60)	(1,240.95)	(13.36)	(29.02)
Basic Earning per Share (Baht)	(0.43)		(0.15)	(0.01)	(65.12)	(0.77)		(0.46)	(0.00)	(40.26)

From the above mentioned, the company could manage intensely both of direct and indirect costs more efficiency, leading to cost saving according to the company's turnaround plan. However, total company's revenue decreased from the reduction of aircraft fleet, also market price competition into the low season period including the Number of Chinese tourists decrease.

As a result, the total comprehensive loss in the third quarter of year 2019 equal to 489.86 million Baht decreased from the same period of last year 483.93 million Baht, or decreased by 49.70 percent. For the 9 months of year 2019, the Company was 1,240.95 million Baht of net loss which decreased from the same period in last year 507.52 million Baht, or decreased by 29.02 percent.



Operating Performance for NokScoot Airlines Co., Ltd.

For Q3/2019 performance of NokScoot Airlines Co., Ltd., total revenue was 1,597.44 million Baht, increasing from 1,433.96 million Baht of the same period in last year, or increased by 11.40 percent, mainly from the total number of flight which increased at 27.88 percent from the same period in last year, with the total number of passenger increased by 33.93 percent from 0.29 to 0.36 million passengers. In this quarter, NokScoot Airlines Co., Ltd. has an average number of operating aircraft in fleet increased 40.00 percent compared with the same period last year, as a result the company could increase both of flight frequency in the existing routes and aircraft utilization hours. Company's operating expenses was in total 2,203.16 million Baht increased from 1,973.92 million Baht, or 11.61 percent from the same period last year. Additionally, the operating expense increased mainly from the increasing number of aircraft from 5 aircraft to 7 aircraft in the current year. The net loss of operating performance in Q3/2019 was 596.33 million Baht which increased from the net loss of the same period of last year by 535.11 million Baht or 11.44 percent.

Currently, NokScoot Airlines Co., Ltd operates schedule routes to China, Taiwan, India and Japan with Don Muang international airport as a hub of five destinations to China; such as Nanjing, Tianjin, Quingdao, Shenyang and Shanghai, one destination to Taipei, Taiwan, one destination to Delhi, India and two destinations to Japan; such as Tokyo (Narita) and Osaka (Kansai).

At the end of Q3/2019, NokScoot had total operating lease of 7 Boeing 777-200. The company plans to increase frequency flights in the same routes and expand new routes in the future.



Financial Position (Consolidated)

Unit : Million Baht	Consolidated Financial Statement			
	As of 31 Dec 2018	As of 30 Sep 2019	Change	Percent
Total Assets	14,074.06	14,888.89	814.83	5.79
Total Liabilities	17,105.69	17,665.62	559.93	3.27
Total Owners of the Parent	(1,467.55)	(659.39)	808.16	55.07
Non-Controlling Interests	(1,564.08)	(2,117.34)	(553.26)	(35.37)
Total Shareholders' Equity	(3,031.63)	(2,776.73)	254.90	8.41

Assets

As of 30 September 2019, the Company and its subsidiaries had total assets of 14,888.89 million Baht, increased by 5.79% from year-end 2018. Total assets can be divided into current assets of 3,545.92 million Baht and non-current assets of 11,342.97 million Baht, accounting for 23.82% and 76.18%, respectively.

Total Current Assets: As of 30 September 2019, the company and its subsidiaries had total current assets of 3,545.92 million Baht or decreased by 10.57% from as of 31 December 2018. It was attributable to the decreasing in Cash and Cash equivalents by 49.69% from as of 31 December 2018 caused by Trade and Other current receivables increased 12.30% from year-end 2018.

Total Non-Current Assets: As of 30 September 2019, the company and its subsidiaries had total non-current assets of 11,342.97 million Baht or increased by 12.21% from as of 31 December 2018. It was attributable to the increasing in Aircraft Maintenance Reserve by 12.58% and Long-term aircraft deposits and prepayments by 24.43% from year-end 2018.

Liabilities and Shareholder's Equities

Total liabilities: As of 30 September 2019, the company and its subsidiaries had total liabilities of 17,665.62 million Baht or increased by 3.27% from as of 31 December 2018, which mainly from increased in Short-term borrowings 410.00 million Baht or increased by 17.08%.

Shareholder's equities: as of 30 September 2019, the company and its subsidiaries had negative shareholder's equities of 2,776.73 million Baht or negative decreased 8.41% from the deficit as of 31 December 2018. It was composed of 659.39 million Baht to the parent company and negative 2,117.34 million Baht to non-controlling interests.



Cash Flow Statement (Consolidated)

Unit : Million Baht	Consolidate Financial Statement			
	For nine months period as of 30 Sep 2018	For nine months period as of 30 Sep 2019	Change	Percent Change
Net cash provided by (used in) operating activities	(2,703.59)	(3,595.84)	(892.25)	(33.00)
Net cash provided by (used in) investing activities	(21.28)	210.01	231.29	1,086.89
Net cash provided by (used in) financing activities	579.48	2,634.32	2,054.84	354.60
Effect from foreign exchange rate in cash and cash equivalents	123.94	45.97	(77.97)	(62.91)
Net increase (decrease) in cash and cash equivalents	(2,021.45)	(705.54)	1,315.91	(65.10)
Cash and cash equivalents as of 1 January	3,169.85	1,419.89	(1,749.96)	(55.21)
Cash and cash equivalents as of 30 September	1,148.40	714.35	(434.05)	(37.80)

For the third quarter 2019, the company and its subsidiaries had net cash flow used in operating activities totaled 3,595.84 million Baht increased from 2,703.59 million Baht, or 33.00 percent. The significant items which highly affected to the cash flow were Trade and other current payables and Aircraft Maintenance Reserve.

Net cash flows provided by investing activities was 210.01 million Baht, mainly due to Proceeds from the shares in the subsidiary to non-controlling interests.

Net cash flows provided by financing activities was 2,634.32 million Baht, mainly attributable to Proceeds from share capital increase in amount of 2,300.42 million Baht, Cash received from short-term borrowings 2,410.00 million Baht and Cash paid for short-term borrowing in amount of 2,000.00 million Baht.

Moreover, the Company and its subsidiaries gained benefit to the effect from foreign exchange rate in cash and cash equivalents in amount of 45.97 million Baht.

Nevertheless, as of 30 September 2019, net cash and cash equivalents decreased by 705.54 million Baht.