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27 February 2020

Subject: Management Discussion and Analysis for the year 2019

Attention: President
The Stock Exchange of Thailand

According to the financial reports of Nok Airlines Public Company Limited (the Company) for the year ended on 31 December 2019, the Company and its subsidiaries reported that total comprehensive loss was 2,972.34 million Baht. This total comprehensive loss was divided into parent company and non-controlling interests, 1,928.34 and 1,044.00 million Baht respectively. Once considering the comprehensive loss only the part of the parent company in amount of 1,928.34 million Baht, it was significantly decreased 854.23 percent or 30.70 million Baht from the same period of last year. As a result, The Company would clarify the factors causing overall operating outcome as follow:

In 2019, with the turnaround plan, the company phased out the old operating aircraft out of fleet therefore the number of aircrafts were decreased from 25 to 24 aircrafts by the end of year 2019 or decreased by 4.00 percent, both Available Seat Kilometers (ASK) and numbers of flights also decreased by 7.03 percent and 7.95 percent respectively compared to last year. Nevertheless, Average aircraft utilization hours increased by 6.41 percent from last year, Revenue per Available Seat-Kilometers (RASK) slightly decreased 0.52 percent and Cost per Available Seat-Kilometers (CASK) also decreased more over 6.03 percent from last year 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.

An average Jet fuel price in 2019 was 77.73 USD per barrel which decreased from 85.77 USD per barrel from last year. It was an impact on company's fuel cost to 4,102.66 million Baht or decreased 16.00 percent from last year. However, the Company enter into fuel hedging contracts partially as per the Company policy to reduce the exposure of fuel price volatility.

For separated financial statements, the company's revenue in 2019 was 12,708.63 million Baht which decreased 8.47 percent from last year. The company had operating cost in amount of 14,422.81 million Baht, which decreased 11.46 percent from last year. As a result, the net loss in the year 2019 decreased from 2,404.84 million Baht to be 1,591.12 million Baht or decreased significantly by 33.84 percent from the last year.

**Key Statistics and Business Ratio (Excluding subsidiaries)**

	Unit	2018	2019	Change	
				Amount	Percent
Number of Aircrafts (at the end of period)					
- Boeing 737-800 New Generation	Aircraft	15	16	1	6.67
- ATR 72-500	Aircraft	2	0	(2)	(100.00)
- Q400 NextGen	Aircraft	8	8	0	0.00
- Average Number of Aircraft	Aircraft	25	24	(1)	(4.00)
Available Seat Kilometers: ASK	Mil. Seat-Km	6,912	6,426	(486)	(7.03)
Revenue Passenger Kilometers: RPK	Mil. Seat-Km	6,127	5,608	(519)	(8.47)
No. of Sectors	Flights	67,228	61,881	(5,347)	(7.95)
Cabin Factor	%	88.65	87.27	(1.38)	
Passenger Carried	Million	8.86	8.25	(0.61)	(6.88)
Passenger Yield	Baht/Seat-Km.	1.91	1.93	0.02	1.05
Revenue per Available Seat Kilometers: RASK	Baht/Seat-Km.	1.93	1.92	(0.01)	(0.52)
Cost per Available Seat Kilometers: CASK	Baht/Seat-Km.	2.32	2.18	(0.14)	(6.03)
Cost per Available Seat Kilometers exclude Fuel: CASK ex-fuel	Baht/Seat-Km.	1.61	1.54	(0.07)	(4.35)
Average Aircraft Utilization Hours	Operating Hours/Day	9.36	9.96	0.60	6.41



The Company's Performance

Revenue for the period (Excluding subsidiaries)

Unit : million Baht	2018		2019		Change	
	Amount	Percent to total revenue	Amount	Percent to total revenue	Amount	Percent
Passenger Revenue	12,014.19	86.53	11,227.89	88.35	(786.30)	(6.54)
Service Revenue	1,476.95	10.64	1,291.54	10.16	(185.41)	(12.55)
Other Income	393.02	2.83	189.20	1.49	(203.82)	(51.86)
Total Revenue	13,884.16	100.00	12,708.63	100.00	(1,175.53)	(8.47)

Data: Revenue

The company's revenue was 12,708.63 million Baht or decreased 8.47 percent from last year. It consists of 11,227.89 million Baht to passenger revenue which was 88.35 percent of total revenue, 1,291.54 million Baht to service revenue which was 10.16 percent of total revenue and 189.20 million Baht to other income which was 1.49 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 2019, passenger revenue increased 6.54 percent or 786.30 million Baht from last year which resulting from reduction of aircraft fleet according to the company's turnaround plan. Consequently, the Number of Aircraft decreased from 25 aircrafts at the end of 2018 to 24 aircrafts at the end of 2019 which affected to decrease of both Available Seat Kilometers (ASK) and number of flights which decreased at 7.03 and 7.95 percent respectively, especially the Chinese charter flight. Conversely, an average domestic air fares slightly increased from last year. Additionally, Average aircraft utilization hours also increased from 9.36 operation hours per day to be 9.96 operation hours per day or 13.14 percent improvement from last year.

Service revenue: In 2019, service revenue decreased 185.41 million Baht, or 12.55 percent from last year. The main causes from decrement of baggage load revenue decreased from last year.

Other income: In 2019, other income decreased 203.82 million Baht, or 51.86 percent from last year. It resulted mainly from decrease in Realized/Unrealized Gain on Exchange Currency and Revenue from Insurance claim in amount of 129.69 million Baht and 83.06 million Baht respectively from the last year.

**Expenses for the period (Excluding subsidiaries)**

Unit : million Baht	2018		2019		Change	
	Amount	Percent to total expense	Amount	Percent to total expense	Amount	Percent
Cost of passenger and services	15,482.81	95.05	13,566.22	94.06	(1,916.59)	(12.38)
Selling expenses	111.78	0.69	102.98	0.71	(8.80)	(7.87)
Administrative expenses	680.04	4.17	670.77	4.65	(9.27)	(1.36)
Financial Costs	14.37	0.09	82.84	0.58	68.47	476.48
Total Expenses	16,289.00	100.00	14,422.81	100.00	(1,866.19)	(11.46)

Data: Cost & Expenses

The company's operating expense in total was 14,422.81 million Baht decreased from 16,289.00 million Baht, or 11.46 percent from 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 and strategic planning of management team, leading to cost saving according to the company's turnaround plan. Consequently, Cost per Available Seat-Kilometers (CASK) decreased from 2.32 to 2.18 Baht per seat-kilometers or decreased by 6.03 percent. Similarly, Cost per Available Seat-Kilometers exclude Fuel (CASK ex-fuel) decreased from 1.61 to 1.54 Baht per seat-kilometers, or 4.35 percent from the last year.

Variable cost: In 2019, variable costs were at 10,342.31 million Baht, or decreased 11.09 percent from last year mainly from cost control intensification in aircraft maintenance expenses as well as Ground handling service costs. Furthermore, not only On-time performance improvement continuously but also availability of spare parts management efficiently can decrease compensation of flight delay as well. Consequently, Fuel cost per ASK (Fuel/ASK) decreased from 0.71 to 0.64 Baht per seat-kilometers or 6.41 percent from last year.

Fixed costs: In 2019, fixed cost was 3,997.66 million Baht which was decreased at 14.15 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 0.62 Baht per seat-kilometers or decreased 7.46 percent from last year.

Finance cost: In 2019, the company's financing cost increased in amount of 68.47 million Baht attributable to Interest expense from Short-term borrowings.

**Profit (Loss) (Excluding subsidiaries)**

Unit : million Baht	2018		2019		Change	
	Amount	Percent to total revenue	Amount	Percent to total revenue	Amount	Percent
Profit (Loss) before income	(2,404.84)	(17.32)	(1,714.17)	(13.49)	690.67	(28.72)
Income tax expense (income)	0.00	0.00	0.00	0.00	0.00	0.00
Profit (Loss) for the period	(2,404.84)	(17.32)	(1,714.17)	(13.49)	690.67	(28.72)
Total comprehensive income (loss) for the period	(2,404.84)	(17.32)	(1,591.12)	(12.52)	813.72	(33.84)
Basic Earning per Share (Baht)	(1.06)		(0.57)		0.49	

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 severe market price competition including the Number of Chinese tourists decrease from last year.

As a result, the total comprehensive loss in year 2019 equal to 1,591.12 million Baht decreased from the last year 813.72 million Baht or decreased significantly by 33.84 percent.

Operating Performance for NokScoot Airlines Co., Ltd.

For 2019 performance of NokScoot Airlines Co., Ltd., total revenue was 7,207.46 million Baht, increasing from 5,828.52 million Baht last year, or increased by 23.66 percent, mainly from the total number of flight which increased at 32.60 percent from last year, with the total number of passenger increased by 36.66 percent from 1.16 to 1.59 million passengers. In this year, NokScoot Airlines Co., Ltd. has an average number of operating aircraft in fleet increased 20.00 percent compared with the 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 8,666.64 million Baht increased from 7,388.22 million Baht, or 17.30 percent from the last year. Additionally, the operating expenses 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 2019 was 1,352.18 million Baht which decreased from the net loss of the last year by 1,528.33 million Baht or decreased 11.53 percent.

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

**Financial Statement Position (Consolidated)**

Unit : Million Baht	Consolidated Financial Statement			
	As of 31 Dec 2018	As of 31 Dec 2019	Change	Percent
Total Assets	14,074.06	15,170.96	1,096.90	7.79
Total Liabilities	17,105.69	18,639.17	1,533.48	8.96
Total Owners of the Parent	(1,467.55)	(1,095.47)	372.08	(25.35)
Non-Controlling Interests	(1,564.08)	(2,372.74)	(808.66)	51.70
Total Shareholders' Equity	(3,031.63)	(3,468.21)	(436.58)	14.40

Assets

As of 31 December 2019, the Company and its subsidiaries had total assets of 15,170.96 million Baht or increased by 7.79% from year-end 2018. Total assets can be divided into current assets of 4,246.59 million Baht and non-current assets of 10,924.36 million Baht, accounting for 27.99% and 72.01%, respectively.

Total Current Assets: As of 31 December 2019, the Company and its subsidiaries had total current assets of 4,246.59 million Baht or increased by 7.10% from as of 31 December 2018. It was attributable to the decreasing in Cash and Cash equivalents by 24.11% caused by Trade and Other current receivables increased by 38.60% from year-end 2017.

Total Non-Current Assets: As of 31 December 2019, the Company and its subsidiaries had total non-current assets of 10,924.36 million Baht or increased by 8.07% from as of 31 December 2018. It was attributable to the increasing in Aircraft Maintenance Reserve by 7.11% and Long-term aircraft deposits and prepayments by 28.53% from year-end 2018.

Liabilities and Shareholder's Equities

Total liabilities: As of 31 December 2019, the Company and its subsidiaries had total liabilities of 18,639.17 million Baht or increased by 8.96% 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 31 December 2019, the company and its subsidiaries had negative shareholder's equities of 3,468.21 million Baht or negative decreased 14.40% from the deficit as of 31 December 2018. It was composed of 1,095.47 million Baht to the parent company and negative 2,372.74 million Baht to non-controlling interests.

**Cash Flow Statement (Consolidated)**

Unit: Million Baht	Consolidate Financial Statement			
	As of 31 Dec 2018	As of 31 Dec 2019	Change	Percent Change
Net cash provided by (used in) operating activities	(3,755.69)	(3,816.66)	(60.97)	1.62
Net cash provided by (used in) investing activities	193.08	149.94	(43.13)	(22.34)
Net cash provided by (used in) financing activities	1,663.90	3,402.26	1,738.36	104.47
Effect from foreign exchange rate in cash and cash equivalents	148.75	78.35	(70.40)	(47.33)
Net increase (decrease) in cash and cash equivalents	(1,749.96)	(186.10)	1,563.85	(89.37)
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 31 December	1,419.89	1,233.79	(186.10)	(13.11)

In 2019, the Company and its subsidiaries had net cash flow used in operating activities totaled 3,816.66 million Baht increased from 3,755.69 million Baht, or 1.62 percent. The significant items which highly affected to the cash flow were Trade and other current payables, Aircraft Maintenance Reserve and Aircraft maintenance paid.

Net cash flows provided by investing activities was 140.94 million Baht, mainly due to Proceeds from the shares in the subsidiary to non-controlling interests.

Net cash flows provided by financing activities was 3,402.26 million Baht, mainly attributable to Proceeds from share capital increase in amount of 2,300.42 million Baht, Cash received from short-term borrowings 3,420.00 million Baht and Cash paid for short-term borrowing in amount of 2,200.00 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 78.35 million Baht.

Nevertheless, as of 31 December 2019, net cash and cash equivalents decreased by 186.10 million Baht.