



PE001/2563

13 August 2020

Subject: Management Discussion and Analysis for the 1st Quarter 2020

Attention: President

The Stock Exchange of Thailand

According to the quarterly financial reports of Nok Airlines Public Company Limited (the Company) for the first quarter of 2020, the Company and its subsidiaries reported that total comprehensive loss was 2,963.40 million Baht. A change from the same period in 2019 which was reportedly 391.29 million Baht. This total comprehensive loss was divided into parent company and non-controlling interests, 2,330.05 and 633.35 million Baht respectively. The Company wishes to clarify the factors causing overall operating outcome as follow:

The outbreak of Covid-19 causes adverse impacts on the global airline industry as a results of travel restrictions in both international and domestic markets. As a consequence, the company was forced to temporarily suspending all international flight operations, in which the Chinese market is heavily impacted. The affected international routes include Vietnam, Myanmar and Japan. Domestically, the flight operations have also been impacted. The aircraft utilization reduces from 9.71 hours to 8.35 hours per day on a year-on-year basis or a reduction of 14.01%. This results in significant reduction in the company's revenue while having to bear the burden of the same level of fixed costs.

For separated financial statements, the company's revenue during the quarter was 2,614.21 million Baht which decreases by 24.64 percent from the same period in 2019. This is owed to the Covid-19 situation. The company had operating cost of 6,986.28 million Baht compare to 3,750 million Baht of the same period in 2019. The major increase from 2,402.10 million Baht of expected credit loss and 1,054 million Baht of unrealized exchange gain/loss from the implementation of the 16th financial report standard for lease contract, cost absorption, and allowance allocation for Nok Scoot Co.,Ltd which ceased trading on 26th June 2020 as per Nok Scoot's executive meeting.

As a result, the net loss in the first quarter of 2020 is 4,372.07 million Baht, increase from the same period of prior year which was reportedly 281.27 million Baht.

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

	Unit	Q1 2019	Q1 2020	Change	
				Amount	%
No. of aircraft (at the end of period)					
- Boeing 737-800 New Generation	Aircraft	15	16	1	6.67
- Q400 NextGen	Aircraft	8	8	0	0.00
- Average Number of Aircraft	Aircraft	23.64	24.00	0.36	1.52
Available Seat Kilometers: ASK	Mil Seat-Km	1,610	1,416	(194)	(12.05)
Revenue Passenger Kilometers: RPK	Mil Seat-Km	1,444	1,122	(322)	(22.30)
No. of Sectors	Flights	16,397	13,817	(2,580)	(15.73)
Cabin Factor	%	89.69	79.24	(10.45) PPT	
Passenger Carried	Mil Pax	2.24	1.65	(0.59)	(26.34)
Passenger Yield	Baht/Pax-Km	2.03	1.91	(0.12)	(5.91)
Revenue per Available Seat Kilometers: RASK	Baht/Pax-Km	2.10	1.79	(0.31)	(14.76)
Cost per Available Seat Kilometers: CASK	Baht/Pax-Km	2.25	2.36	0.11	4.89
Cost per Available Seat Kilometers exclude Fuel: CASK ex-fuel	Baht/Pax-Km	1.59	1.77	0.18	11.32
Average Aircraft Utilization Hours	Operating Hours/day	9.71	8.35	(1.36)	(14.01)



The Company's Performance

Revenue for the period (Excluding subsidiaries)

Unit : million Baht	Q1 2019		Q1 2020		change	
	Amount	% of total revenue	Amount	% of total revenue	Amount	%
Passenger Revenue	3,034.68	87.49	2,293.12	87.72	(741.56)	(24.44)
Service Revenue	383.82	11.06	287.00	10.98	(96.82)	(25.23)
Other Income	50.27	1.45	34.09	1.30	(16.18)	(32.19)
Total Revenue	3,468.77	100.00	2,614.21	100.00	(854.56)	(24.64)

Data: Revenue

The company's revenue for the period was 2,614.21 million Baht or a decrease of 24.64 percent from last year. It consists of 2,293.12 million Baht to passenger revenue which was 87.72 percent of total revenue, 287.00 million Baht earned as service revenue which was 10.98 percent of total revenue and 34.09 million Baht from other incomes which was 1.30 percent of total revenue. RASK was reported at 1.79 baht/seat km. A reduction of 14.76 percent from the same period in 2019 while the ASK reduced by 12.05%

Passenger revenue: In Q1 2020, passenger revenue reduced from Q1 2019 by 24.44% or 741 million Baht as a result of Covid-19 which sees reductions in air transport demand for both domestic and international markets. Cabin factor declined from 89.69% to 79.24% or 10.45 percentage points. Flight movements reduced by 15.73 percent while the average fare reduced by 11.48 percent. The aircraft utilization reduced from 9.71 hours/day to 8.35 hours or 14.01%

Service revenue: During Q1 2020, service revenue reduced to 96.82 million baht or a reduction of 25.23% in comparison to Q1 2019. This corresponds to the reduction in the decline in air passenger carried which results in the decline in checked luggage fee. The company attempted to expand service revenue opportunities by offering NOK Premium Seat, NOK Happy Seats, Priority boarding, NOK First and air cargo services, etc.

Other revenues: During the period, other revenues decline by 16.18 million Baht or 32.19 percent in comparison to the same period last year which was an impact from the reduction of passenger revenue.



Expenses for the period (Excluding subsidiaries)

Unit : million Baht	Q1 2019		Q1 2020		Change	
	Amount	% of total expenses	Amount	% of total expenses	Amount	%
Cost of passenger and services	3,531.37	94.17	2,989.32	42.79	(542.05)	(15.35)
Selling expenses	19.60	0.52	19.70	0.28	0.10	0.51
Administrative expenses	185.66	4.95	3,791.91	54.28	3,606.25	1,942.39
Financial Costs	13.41	0.36	185.33	2.65	171.92	1,282.03
Total Expenses	3,750.04	100.00	6,986.26	100.00	3,236.23	86.30

Data: Costs % Expenses

Transportation and service costs: 2,989.32 million Baht or a reduction of 15.35% from the same period of 2019 as a results of reduced flight operations and cheaper fuel cost. The company's fuel cost was 840.77 million baht, a decline of 21.07 percent from Q1 2019. The fuel cost/ASK reduced from 0.66 baht/seat-km to 0.59 baht/seat-km

Management costs: 3,791.91 million baht, an increase significantly owing to cost absorption as a results of the implementation of the 16th financial standard report on leasing contract and allowance for Nok Scoot Co., Ltd. cessation of trading. On 26th June 2020, major from 2,402.10 million Baht of expected credit loss and 1,054 million Baht of unrealized exchange gain/loss

Financial costs: Increased by 171.92 baht in Q1 2020 from the interest right of aircraft use as per 16th financial report standard.

As a consequence, the total expense for Q1 2020 was 6,986.26 million Bath, and increase of 86.30% from 3,750.04 million Baht from Q1 2019. However, if not taking the new financial reporting standard in to consideration whereby allowance was required for losses and depreciation of Nok Scoot Co., Ltd., the CASK increased from 2.25 to 2.36 baht/seat-km, an increase of 4.89% And ex-fuel CASK increased from 1.59 to 1.77 baht/seat-km, an increase of 11.32%

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

Unit : Million Baht	Q1 2019		Q1 2020		Change	
	Amount	%	Amount	%	Amount	%
Profit (Loss) for the period	(281.27)	(8.10)	(4,372.07)	(167.24)	(4,090.80)	1,454.40
Total comprehensive income (loss) for the period	(281.27)	(8.10)	(4,372.07)	(167.24)	(4,090.80)	1,454.40
Basic Earning per Share (Baht)	(0.10)		(1.29)		(0.00)	

Given the on-going outbreak of Covid-19 and other aforementioned factors, the company reported a decline in earning and increase in expenses owing to the new financial report standard and allocation for Nok Scoot Co., Ltd. Losses and depreciation. This results in a total loss of 4,372.07 million baht, an increase of 1,454.40 percent from 281.27 million bath reported on Q1 2019.

Operating Performance for NokScoot Airlines Co., Ltd.

In Q1 2020, NokScoot Airlines Co., Ltd. Reported net revenue of 1,299.88 million baht, a reduction of 34.50 from 1,984.59 million bath during the same period of 2019. The airline had been severely impacted by Covid-19 which experienced a 39.80% reduction in passenger number from 0.41 million to 0.25 million passengers while the flight numbers reduced by 32.18%. During the period, the company reported a total expenses of 1,745.58 million Bath. A reduction from 2,083.82 or 16.23% from Q1 2019. The decline in expenses owed to the reduction in productivity. The company reported a total loss during the period of 456.48 million baht, an increase of 315.78% from 109.79 million baht from the same period last year.

As of Q1 2020, NokScoot Airlines Co., Ltd. Operated scheduled services to the People's Republic of China, Taiwan, India and Japan operating from its hub at Donmueang International Airport to six destinations in China; namely, Nanjing, Tianjin, Qingdao, Shenyang and Dalian. Along with services to Taipei, New Delhi, Tokyo-Narita, Osaka-Kansai and chartered service to Sapporo-Chitose with a fleet of 6 leased Boeing 777-200s

**Financial Statement Position (Consolidated)**

Unit : Million Baht	Consolidated Financial Statement			
	As of 31st March 2019	As of 31st March 2020	Change	%
Total Assets	15,170.96	31,148.53	15,977.57	105.32
Total Liabilities	18,639.17	36,286.36	17,647.19	94.68
Total Owners of the Parent	(1,095.47)	(2,131.74)	(1,036.27)	94.60
Non-Controlling Interests	(2,372.74)	(3,006.09)	(633.35)	26.69
Total Shareholders' Equity	(3,468.21)	(5,137.83)	(1,669.62)	48.14

Assets

As of 31 March 2020, the Company and its subsidiaries had total assets of 31,148.53 million Baht or an increase of 105.32% from year-end 2019. Total assets can be divided into current assets of 9,449.01 million Baht and non-current assets of 21,699.52 million Baht, accounting for 30.34% and 69.66%, respectively.

Total Current Assets: As of 31 March 2020, the Company and its subsidiaries had total current assets of 9,449.01 million Baht, an increase of 122.50% from the ending of 31 December 2019. It was attributable to the increase in aircraft maintenance amount 3,023.41 million Baht and short-term asset's right of use amount 2,255.47 million Baht as a results of the 16th financial report standard implementation.

Total Non-Current Assets: As of 31 March 2020, the Company and its subsidiaries had total non-current assets of 21,699.52 million Baht or an increased by 98.63% from as of 31 December 2019. It was attributable to the right of use valued at 13,021.27 million Baht as a results of the 16th financial report standard implementation in the amount of 15,276.74 million Baht

Liabilities and Shareholder's Equities

Total liabilities: As of 31 March 2020, the Company and its subsidiaries had total liabilities of 36,286.36 million Baht or increased by 94.68% from the end of 2019, which is attributable to asset's right of use amounting at 16,532.15 million Baht

Shareholder's equities: as of 31 March 2020, the company and its subsidiaries had negative shareholder's equities of 5,137.83 million Baht or negative increase of 48.14% from the deficit as of 31 December 2019. It was composed of 2,131.74 million Baht to the parent company and negative 3,006.09 million Baht to non-controlling interests.

Furthermore, the company addressed the issue of financial lossy by approving approving the increase of registered capital 888.15 million Baht valued by issuing ordinary shares at the par value of 1 baht per share by allocating the capital increase shares at the 3.5 original share per 1 ordinary share valued at 2.50 baht. On 11st February 2020, the company received capital increase of 1,551.68 million baht

**Cash Flow Statement (Consolidated)**

Unit: Million Baht	Consolidated Cash Flow Statement			
	Quarterly ending at 31 MAR 19	Quarterly ending at 31 MAR 19	Change	%
Net cash provided by (used in) operating activities	(284.64)	(494.00)	(209.36)	73.55
Net cash provided by (used in) investing activities	2.67	(65.72)	(68.39)	(2,561.42)
Net cash provided by (used in) financing activities	871.17	762.78	(108.39)	(12.44)
Effect from foreign exchange rate in cash and cash equivalents	20.96	81.11	60.15	286.98
Net increase (decrease) in cash and cash equivalents	610.15	284.18	(325.97)	(53.42)
Cash and cash equivalents as of 1 January	1,419.89	1,233.79	(186.10)	(13.11)
Cash and cash equivalents as of 31 March	2,030.05	1,517.96	(512.09)	(25.23)

For the first quarter 2020, the Company and its subsidiaries had net cash flow used in operating activities totaled 494.00 million Baht an increased from 209.36 million Baht, or 73.55 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 65.72 million Baht, mainly due to Proceeds from the shares in the subsidiary to non-controlling interests.

Net cash flows provided by financing activities was 762.78 million Baht, mainly attributable to Proceeds from share capital increase in the amount of 1,551.68 million Baht and lease payment of 718.07 million baht. Nevertheless, as of 31 March 2020, net cash and cash equivalents decreased by 284.18 million baht.