



PE021/2563

31 August 2020

Subject: Management Discussion and Analysis for the first half of 2020

Attention: President

The Stock Exchange of Thailand

According to the financial reports of Nok Airlines Public Company Limited (the Company) for the first half of 2020 ending 30 June 2020. The Company and its subsidiaries reported that total comprehensive loss was 3,750.61 million Baht. A change from the same period in 2019 which was reportedly 1,187.70 million Baht. The Company wishes to clarify the factors causing overall operating outcome as follow;

1. The ongoing outbreak of Covid-19 which poses severe impacts on global demand for air transportation. The industry has been impacted from the international travel restrictions and local shutdown from March to May 2020 resulting in temporary suspensions of international flight operations. Nevertheless, the Company was the only carrier that continues to operate domestic services during the shutdown as the Company considers air transport to be vital to the community even if it results in financial loss.
2. The new accounting standard which has been enforced since 1 January 2020 resulting in new reporting on foreign exchange loss as the company is in long-term leasing contracts with foreign partners.
3. The liquidation of NokScoot Company Limited (the Subsidiary) on 29 July 2020 as a result of financial loss.

The company's revenue during the first half was 3,367.61 million Baht which decreases by 47.96 percent from the same period in 2019. This is owed to the Covid-19 situation. The company had operating cost of 5,425.03 million Baht lower by 26.45 % from the same period in 2019. The losses were mainly from 299.74 million Baht of unrealized exchange gain/loss, 307.48 from the loss of interests from right to use of land/office leases and the allowance for doubtful accounts for 246.80 million Baht based on the implementation of the new accounting standard for lease contract. It also reported the loss from the liquidation of NokScoot Company Limited which was 1,693.19 million Baht. As a result, the net loss in the first half of 2020 is 3,750.61million Baht, an increase from the same period of prior year which was reportedly 1,187.70million Baht.



Key Statistics and Business Ratio (Excluding Subsidiaries)

Description	Units	Q2 2019	Q2 2020	Change	H1 2019	H1 2020	Change
No. of aircraft (at the end of period)							
- Boeing 737-800 New Generation	Aircraft	14	14	0.00	14	15	7.14
- Q400 NextGen	Aircraft	8	8	0.00	8	8	0.00
- Average Number of Aircraft	Aircraft	22.90	22.00	(3.93)	23.28	23.00	(1.20)
Available Seat Kilometers: ASK	Mil seat-km	1,568	345	(78.00)	3,177	1,761	(44.56)
Revenue Passenger Kilometers: RPK	Mil Seat-km	1,363	272	(80.04)	2,807	1,394	(50.33)
No. of sectors	sectors	15,165	3,775	(75.11)	31,562	17,592	(44.26)
Cabin factor	%	86.93	78.84	(8.09)	88.35	79.16	(9.20)
Passenger Carried	Mil pax	2.02	0.44	(78.22)	4.26	2.10	(50.70)
Passenger Yield	Baht/pax-km	1.91	2.29	19.90	1.97	1.98	0.51
Revenue per Available Seat Kilometers: RASK	Baht/pax-km	1.89	2.05	8.47	2.00	1.84	(8.00)
Cost per Available Seat Kilometers: CASK	Baht/pax-km	2.21	3.60	62.90	2.23	2.60	16.59
Cost per Available Seat Kilometers exclude Fuel: CASK ex-fuel	Baht/pax-km	1.54	3.37	118.83	1.56	2.08	33.33
Average Aircraft Utilization Hours	Hours/day	9.61	2.17	(77.42)	9.84	5.64	(42.68)



Revenue for the period (Excluding subsidiaries)

Unit : million Baht	Q2/2019		Q2/2020		Change	H1/2019		H1/2020		change
	Amount	%	Amount	%		Amount	%	Amount	%	
Passenger revenue	2,702.91	89.48	634.53	41.7	(76.52)	5,737.59	88.67	2,919.21	86.68	(49.12)
Service revenue	286.01	9.47	135.57	8.78	(52.60)	658.87	10.18	415.81	12.35	(36.88)
Other income	31.62	1.05	774.80	50.15	2,350.40	74.30	1.15	32.55	0.97	(56.20)
Total Revenue	3,020.54	100.00	1,544.90	100.00	(48.85)	6,470.76	100.00	3,367.61	100.00	(47.96)

Revenue Breakdowns

The company's revenue for the six-month period was 3,367.61 million Baht or a decrease of 47.96 percent from last year. It consists of 2,919.21 million Baht of passenger revenue which was 86.68 percent of total revenue, 415.81 million Baht earned as service revenue which was 12.35 percent of total revenue and 32.55 million Baht from other incomes which was 0.97 percent of total revenue. RASK was reported at 1.84 Baht/seat/km. A reduction of 8.00 percent from the same period in 2019 while the ASK reduced by 44.56% to 1,761 million seat-km.

Passenger revenue: In H1 2020, passenger revenue was 2,919.21 million Baht. A reduction of 49.12% from same period of prior year. This caused by Covid-19 which sees reductions in air transport demand for both domestic and international markets. Cabin factor declined from 88.35% to 79.16% or 9.20 percentage points. Flight movements reduced by 44.26 percent from 31,562 to only 17,592 during H1/2020. The aircraft utilization reduced from 9.48 hours/day to 5.64 hours or 42.68%.

Service revenue: During H1 2020, service revenue was 415.81 million Baht or a reduction of 36.88% in comparison to H1 2019. This corresponds to the reduction in the decline in air passenger carried which results in the decline in checked luggage fee and the restriction on the sale of inflight meals. 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 revenue was 32.55 million Baht or a decline of 56.20 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	Q2/2019		Q2/2020		Change	H1/2019		H1/2020		Change
	Amount	%	Amount	%		Amount	%	Amount	%	
Cost of passenger and services	3,375.74	92.90	1,106.05	74.94	(67.24)	6,907.11	93.65	4,053.04	74.71	(41.32)
Selling expenses	28.92	0.80	4.72	0.32	(83.68)	48.52	0.66	24.42	0.45	(49.66)
Administrative expenses	221.84	6.10	163.26	11.06	(26.41)	399.23	5.41	960.40	17.70	140.57
Financial Costs	7.42	0.20	201.83	13.68	2,621.61	20.83	0.28	387.16	7.14	1,758.91
Total Expenses	3,633.91	100.00	1,475.86	100.00	(59.39)	7,375.68	100.00	5,425.03	100.00	(26.45)

Expenses Breakdowns

Transportation and service costs: 4,053.04 million Baht or a reduction of 41.32% from the same period of 2019 as a results of reduced flight operations and cheaper fuel cost. The company's fuel cost was 919.61 million Baht, a decline of 56.69 percent from H1 2019. The fuel cost/ASK reduced from 0.67 baht/seat-km to 0.52 Baht/seat-km

Administrative costs: 960.40 million Baht, an increase significantly owing to cost absorption as a result of the implementation of the new accounting standard on leasing contract which was reportedly 299.74 million Baht. The allowance for doubtful accounts of 246.80 million Baht. Contract termination fee and associated costs of 221.75 million Baht.

Financial costs: 387.16 million Bath increase significantly due to recording interest for right to use of Aircraft and Building as per the new accounting standard.

As a consequence, the total expense for H1 2020 was 5,425.03 million Bath a decline of 26.45 % in comparison with H1 2019. However, if not taking the new accounting standard into consideration along with the liquidation of Nok Scoot Co., Ltd., the CASK increased from 2.23 to 2.60 Baht/seat-km, an increase of 16.59% And ex-fuel CASK increased from 1.56 to 2.08 Baht/seat-km, an increase of 33.33%

Consolidated Profit (Loss)

Unit : Million Baht	Q2/2019		Q2/2020		change	H1/2019		H1/2020		change
	Amount	%	Amount	%		Amount	%	Amount	%	
Profit (Loss) for the period	(919.47)	(30.44)	(787.21)	(50.96)	(14.38)	(1,310.76)	(20.26)	(3,750.61)	(111.37)	186.14
Total comprehensive income (loss) for the period	(796.41)	(26.37)	(787.21)	(50.96)	(1.15)	(1,187.70)	(18.35)	(3,750.61)	(111.37)	215.79
Basic Earning per Share (Baht)	(0.23)		(0.04)		(82.61)	(0.34)		(0.69)		102.94



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 the liquidation of Nok Scoot Co., Ltd. This results in a total loss of 3,750.61 million Baht an increase from 1,187.70 million Bath loss reported on H1 2019.

Comparisons of Consolidated and Unconsolidated Financial Statement for 1H/2020

Unit – Million Baht	Fist half 2020	
	Consolidated	Unconsolidated
Total Revenue	3,367.61	3,414.40
Total Expenses	5,425.03	7,711.13
After-tax loss from subsidiary liquidation	1,693.19	-
Total loss for 1H 2020	(3,750.61)	(4,296.72)

For the first half of 2020, the total unconsolidated expenses was 7,711.13 million baht, 2,286.10 million differ from the consolidated expenses. This was a result of the liquidation of NokScoot Company Limited which is a subsidiary at a reported amount of 1,693.19 million baht. As a consequence, the unconsolidated loss was differed from the consolidated amount by 546.11 million baht

Financial Statement Position (Consolidated)

Unit : Million Baht	Consolidated Financial Statement			
	As of 31 DEC 19	As of 30 JUN 20	Change	%
Total Assets	15,170.96	28,948.17	13,777.22	90.81
Total Liabilities	18,639.17	34,873.21	16,234.04	87.10
Total Owners of the Parent	(1,095.47)	(2,270.99)	(1,175.51)	107.31
Non-Controlling Interests	(2,372.74)	(3,654.05)	(1,281.31)	54.00
Total Shareholders' Equity	(3,468.21)	(5,925.04)	(2,456.83)	70.84

Assets

As of 30 June 2020, the Company and its subsidiaries had total assets of 28,948.17 million Baht or an increase of 90.81% from year-end 2019. Total assets can be divided into current assets of 8,068.58 million Baht and non-current assets of 20,879.59 million Baht, accounting for 27.87% and 72.13%, respectively.



Total Current Assets: As of 30 June 2020, the Company and its subsidiaries had total current assets of 8,068.58 million Baht, an increase of 90.00% from the ending of 31 December 2019. It was attributable to the increase in short-term asset's right of use amount in the amount of 2,059.03 million Baht as a results of the new accounting reporting standard and 2,948.54 million Baht for aircraft maintenance reserve.

Total Non-Current Assets: As of 30 June 2020, the Company and its subsidiaries had total non-current assets of 20,879.59 million Baht or an increased by 91.13% from as of 31 December 2019. It was attributable to the right of use valued at 12,521.45 million Baht as a results the new accounting reporting standard.

Liabilities and Shareholder's Equities

Total liabilities: As of 30 June 2020, the Company and its subsidiaries had total liabilities of 34,873.21 million Baht or increased by 87.10% from the end of 2019, which is attributable to asset's right of use amounting at 15,007.95 million Baht

Shareholder's equities: as of 30 June 2020, the company and its subsidiaries had negative shareholder's equities of 5,925.04 million Baht or negative increase of 70.84% from the deficit as of 31 December 2019. It was composed of 2,270.99 million Baht to the parent company and negative 3,654.05 million Baht to non-controlling interests which was attributable from 299.74 million Baht of unrealized exchange loss from the implementation of the new accounting standards, 1,693.19 million Baht loss for the periods from liquidation of its subsidiary and 221.75 million Baht lease contract termination and other legal related expenses according to the international Arbitration.

Furthermore, the company addressed the issue of financial loss by 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			
	H1 ending at 30 JUN 19	H1 ending at 30 JUN 20	Change	%
Net cash provided by (used in) operating activities	(2807.77)	(199.29)	2,608.48	(92.90)
Net cash provided by (used in) investing activities	214.42	20.13	(194.29)	(90.61)
Net cash provided by (used in) financing activities	2,164.15	41.68	(2,122.48)	(98.07)
Effect from foreign exchange rate in cash and cash equivalents	22.86	3.89	(18.97)	(82.97)



Net increase (decrease) in cash and cash equivalents	(406.34)	(133.59)	277.75	(67.12)
Cash and cash equivalents as of 1 January	1,419.89	1,233.79	(186.10)	(13.11)
Cash and cash equivalents as of 30 June	1,013.56	1,100.20	86.64	8.55

For the first half of 2020, the Company and its subsidiaries had net cash flow used in operating activities totaled 199.29 million Baht a decrease of 2,608.48 million Baht, or 92.90 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 20.13 million Baht, mainly due to the interests earned.

Net cash flows provided by financing activities was 41.68 million Baht, mainly attributable to Proceeds from share capital increase in the amount of 1,551.68 million Baht and lease payment of 1,356.62 million baht. Nevertheless, as of 30 June 2020, The Company had net cash and cash equivalents 1,100.20 Million Baht decreased by 133.59 million Baht from the status at 30 December 2019.