



PE 025/2563

16 November 2020

Subject: Management Discussion and Analysis for the Third Quarter of 2020

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 2020 (Q3/2020) ending 30 September 2020. The Company and its subsidiaries reported that total comprehensive loss for the period was 2,598.71 million Baht, compare to the same period in 2019 which was reportedly loss 2,280.91 million Baht. Attributable to equity holders of the Company was 3,935.96 million Baht. A change from the same period in 2019 which was reportedly loss 1,634.97 million Baht.

The Company wishes to clarify the causes and events impacting the financial performance 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. While there were higher passenger demand during the third quarter, there were also increased in supplies causing the reduction in air fare and cabin factors.
3. 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.
4. The liquidation of NokScoot Company Limited (the Subsidiary) on 29 July 2020 as a result of financial loss.

The company's revenue during the Q3/2020 was 4,827.74 million Baht which decreases by 47.68 percent from the same period in 2019. This is owed to the Covid-19 situation. The company had operating cost of 9,473.19 million Baht lower by 10.74 % from the same period in 2019. The losses were mainly from 656.11 million Baht of unrealized exchange gain/loss, 462.65 from the loss of interests from right to use of land/office leases and the allowance for doubtful accounts for 1,446.02 million Baht based on the implementation of the new accounting standard for lease contract. As a result, the company had a comprehensive loss of 2,598.71 million baht. In addition, the company Recognize loss from dissolution of the company NokScoot Airlines Company Limited, a subsidiary As a result, the loss attributable to the shareholders of the parent company increased to 3,935.96 million baht.



Key Statistics and Business Ratio

Description	Unit	Q3	Q3	Change	Q3	Q3	Change
		2019	2020	%	2019	2020	%
No. of aircraft (at the end of period)							
- Boeing 737-800 New Generation	Aircraft	14	14	0	14	15	7.14
- Q400 NextGen	Aircraft	8	8	0	8	8	0
- Average Number of Aircraft	Aircraft	22	22	0	22.86	22.7	-0.7
Available Seat Kilometers: ASK	Mil seat-km	1,544	846	-45.21	4,722	2,607	-44.79
Revenue Passenger Kilometers: RPK	Mil Seat-km	1,316	542	-58.81	4,123	1,936	-53.04
No. of sectors	sectors	14,511	9,310	-35.84	46,073	26,902	-41.61
Cabin factor	%	85.23	63.98	(24.93)	87.31	71.57	(18.03)
Passenger Carried	Mil pax	1.89	0.94	-50.26	6.15	3.03	-50.73
Passenger Yield	Baht/pax-km	1.78	2.22	24.72	1.91	2.05	7.33
Revenue per Available Seat Kilometers: RASK	Baht/pax-km	1.74	1.61	-7.47	1.91	1.77	-7.33
Cost per Available Seat Kilometers: CASK	Baht/pax-km	2.05	2.23	8.78	2.17	2.48	14.29
Cost per Available Seat Kilometers exclude Fuel: CASK ex-fuel	Baht/pax-km	1.44	1.94	34.72	1.52	2.04	34.21
Average Aircraft Utilization Hours	Hours/day	9.47	5.44	-42.56	9.74	5.31	-45.48
No. of aircraft (at the end of period)							

**Revenue for the period**

Unit : million Baht	Q3/2019		Q3/2020		Change	Q3/2019		Q3/2020		Change
	Amount	%	Amount	%		Amount	%	Amount	%	
Passenger revenue	2,437.76	88.46	1,243.82	85.19	(48.98)	8,175.35	88.61	4,163.03	86.23	(49.08)
Service revenue	282.35	10.25	183.22	12.55	(35.11)	941.22	10.20	599.07	12.41	(36.35)
Other income	35.57	1.29	33.09	2.26	(6.96)	109.88	1.19	65.64	1.36	(40.26)
Total Revenue	2,755.68	100.00	1,460.13	100.00	(47.01)	9,226.45	100.00	4,827.74	100.00	(47.68)

Revenue Breakdowns

The company's revenue for the Q3/2020 was 4,827.74 million Baht or a decrease of 47.68 percent from last year. It consists of 4,163.03 million Baht of passenger revenue which was 86.23 percent of total revenue, 599.07 million Baht earned as service revenue which was 12.41 percent of total revenue and 65.64 million Baht from other incomes which was 1.36 percent of total revenue. RASK was reported at 1.77 Baht/seat/km. A reduction of 7.33 percent from the same period in 2019 while the ASK reduced by 44.79% to 2,607 million seat-km.

Passenger revenue: In Q3 2020, passenger revenue was 4,163.03 million Baht. A reduction of 49.08% 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 87.31% to 71.57% or 18.03 percentage points. Flight movements reduced by 41.61 percent from 46,073 to only 26,902 during Q3/2020. The aircraft utilization reduced from 9.74 hours/day to 5.31 hours or 45.48%. As for the third quarter, the number of domestic flights increased significantly from the second quarter. But the competition in ticket prices has also increased. Because all airline operators are limited to domestic flights As a result, the ticket price and passenger carrying ratio decreased.

Service revenue: During Q3 2020, service revenue was 599.07 million Baht or a reduction of 36.35% in comparison to the same period in 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 65.64 million Baht or a decline of 40.26 percent in comparison to the same period last year which was an impact from the reduction of passenger revenue.



Expenses for the Period

Unit : Million Baht	Q3/2019		Q3/2020		Change	First 9 months/2019		First 9 months/2020		Change
	Amount	%	Amount	%		Amount	%	Amount	%	
Cost of passenger and services	2,978.09	91.99	1,550.60	38.30	(47.93)	9,885.20	93.14	5,603.64	59.15	(43.31)
Selling expenses	32.58	1.01	11.83	0.29	(63.68)	81.10	0.77	36.26	0.38	(55.30)
Administrative expenses	199.64	6.17	2,247.33	55.52	1,025.71	598.87	5.64	3,207.73	33.87	435.63
Financial Costs	27.02	0.83	238.40	5.89	782.12	47.85	0.45	625.56	6.60	1,207.26
Total Expenses	3,237.33	100.00	4,048.16	100.00	25.05	10,613.02	100.00	9,473.19	100.00	(10.74)

Expenses Breakdowns

Transportation and service costs: 5,603.64 million Baht for the third quarter or a reduction of 43.31% from the same period of 2019 as a results of reduced flight operations and cheaper fuel cost. The company's fuel cost was 1,166.87 million Baht, a decline of 62.01 percent from the same period of 2019. The fuel cost/ASK reduced from 0.44 baht/seat-km to 32.31 Baht/seat-km

Administrative costs: 3,207.73 million Baht for the third quarter, an increase significantly owing to unrealized exchange rate loss as a result of the implementation of the new accounting standard on leasing contract which was reportedly 656.11 million Baht. The allowance for doubtful accounts of 1,446.02 million Baht.

Financial costs: 625.56 million Bath. A significant increase 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 the third quarters of 2020 was 9,473.19 million Bath a decline of 10.74 % in comparison with the same period of 2019. However, if not taking the new accounting standard into consideration along with the liquidation of Nok Scoot Co., Ltd., the CASK increased from 2.17 to 2.48 Baht/seat-km, an increase of 14.29% And ex-fuel CASK increased from 1.52 to 2.04 Baht/seat-km, an increase of 34.21%

Consolidated Profit (Loss)

Unit : Million Baht	Q3/2019		Q3/2020		change	Three quarters/2019		Three quarters/2020		change
	Amount	%	Amount	%		Amount	%	Amount	%	
Profit (Loss) for the period	(1,093.16)	(39.67)	1,151.90	78.89	205.37	(2,403.97)	(26.06)	(2,598.71)	(53.83)	8.10
Total comprehensive income (loss) for the period	(1,093.16)	(39.67)	1,151.90	78.89	205.37	(2,280.91)	(24.72)	(2,598.71)	(53.83)	13.93
Profit(Loss) for the periods attributable to equity holders of the company	(624.41)	(22.66)	(1,466.67)	(100.45)	(134.89)	(1,615.31)	(17.51)	(3,935.96)	(81.53)	(143.66)
Basic Earning per Share (Baht)	(0.20)		(0.39)		95.00	(0.54)		(1.09)		98.18



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 NokScoot Co., Ltd. This results in a total loss of 2,598.71 million Baht higher than the same period in prior year which was loss 2,280.91 million Bath. Furthermore, the company report the loss from the liquidation of NokScoot Company Limited as its subsidiary of 3,935.96 million Baht, an increase of 1,615.31 million Baht from the same period in 2019

Comparisons of Consolidated and Unconsolidated Financial Statement for Q3/2020

Unit – Million Baht	Third quarters 2020	
	Consolidated	Unconsolidated
Total Revenue	4,827.74	4,887.68
Total Expenses	(9,473.19)	(11,109.67)
After-tax loss from subsidiary liquidation	2,046.73	-
Total loss for Q3/2020	(2,598.71)	(6,221.99)

For the Third Quarters of 2020, the total unconsolidated expenses was 11,109.67 million baht. A Total of 1,636.48 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 2,046.73 million baht. As a consequence, the unconsolidated loss was differed from the consolidated amount by 3,623.28 million baht

Financial Statement Position (Consolidated)

Unit : Million Baht	Consolidated Financial Statement			
	As of 31 DEC 19	As of 30 SEP20	Change	%
Total Assets	15,170.96	21,450.79	6,279.84	41.39
Total Liabilities	18,639.17	26,238.57	7,599.40	40.77
Total Owners of the Parent	(1,095.47)	(4,514.10)	(3,418.63)	312.07
Non-Controlling Interests	(2,372.74)	(273.68)	2,099.06	(88.47)
Total Shareholders' Equity	(3,468.21)	(4,787.78)	(1,319.57)	38.05

Assets

As of 30 September 2020, the Company and its subsidiaries had total assets of 21,450.79 million Baht or an increase of 41.39% from year-end 2019. Total assets can be divided into current assets of 13,500.80 million Baht and non-current assets of 7,949.99 million Baht, accounting for 62.94% and 37.06%, respectively.



Total Current Assets: As of 30 September 2020, the Company and its subsidiaries had total current assets of 13,500.80 million Baht, an increase of 217.92% 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 11,662.23 million Baht as a results of the new accounting reporting standard.

Total Non-Current Assets: As of 30 September 2020, the Company and its subsidiaries had total non-current assets of 7,949.99 million Baht or a reduction of 27.23% from as of 31 December 2019. It was attributable to the reduction of aircraft maintenance reserves.

Liabilities and Shareholder's Equities

Total liabilities: As of 30 September 2020, the Company and its subsidiaries had total liabilities of 26,238.57 million Baht or increased by 40.77% from the end of 2019, which is attributable to leasing contract based on the new accounting standards at 12,491.65 million Baht.

Shareholder's equities: as of 30 September 2020, the company and its subsidiaries had negative shareholder's equities of 4,787.78 million Baht or a change of 38.05% from the deficit as of 31 December 2019. It was composed of a negative 4,514.10 million Baht to the parent company and negative 273.68 million Baht to non-controlling interests which was attributable from unrealized exchange loss from the implementation of the new accounting standards, 2,046.73 million Baht loss for the periods from liquidation of its subsidiary.

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			
	For nine months period as of 30 SEP 19	For nine months period as of 30 SEP 20	Change	%
Net cash provided by (used in) operating activities	(3,595.84)	(445.05)	(3,150.79)	(87.62)
Net cash provided by (used in) investing activities	210.01	(157.94)	(367.95)	(175.21)
Net cash provided by (used in) financing activities	2,634.32	1,493.28	(1,141.04)	(44.31)
Effect from foreign exchange rate in cash and cash equivalents	45.97	26.07	(19.90)	(43.29)
Net increase (decrease) in cash and cash equivalents	(705.54)	916.36	1,621.90	229.88
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 September	714.35	1,279.57	565.22	79.12

For the third quarters of 2020, the Company and its subsidiaries had net cash flow used in operating activities totaled 445.05 million Baht a decrease of 3,150.79 million Baht, or 87.62 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 157.94 million Baht, mainly from related business borrowings.

Net cash flows provided by financing activities was 1,493.28 million Baht, mainly attributable to Proceeds from share capital increase in the amount of 1,551.68 million Baht. Nevertheless, as of 30 September 2020, The Company had net cash and cash equivalents 1,279.57 Million Baht decreased by 565.22 million Baht from the status at 30 December 2019.