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31 August 2021

RE: Management Discussion and Analysis for the year 2020
To: 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 2020, the Company and its subsidiaries reported that total comprehensive loss was 7,295.86 million baht. This total comprehensive loss was divided into parent company and non-controlling interests, 7,895.49 and 599.63 million baht, respectively. Considering the comprehensive loss only for the part of the parent company in amount of 7,895.49 million baht, it was significantly increased by 5,967.15 million baht or 309.45% compared to the same period of last year. As a result, the Company would clarify the factors causing overall operating outcome as follow:

1. The ongoing outbreak of Covid-19 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 remained as the only carrier that continued to operate domestic services during the shutdown as the Company considers air transport deemed vital to the community even if it results in financial loss.
2. While there was higher passenger demand during the third quarter, there was also increased competition 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 has long-term leasing contracts with foreign partners.
4. The liquidation of Nok Scoot Company Limited (the Subsidiary) on 29 July 2020 as a result of continued financial losses.



The Company's revenue was 6,735.39 million baht which decreased by 66.27% from last year. This is due mainly to the Covid-19 situation. The Company had operating cost of 16,173.75 million baht which was lower by 29.87% from corresponding period last year. The losses were mainly from 607.43 million baht of interests from right to use of land/office leases, the allowance for doubtful accounts for 3,104.62 million baht, based on the implementation of the new accounting standard for lease contract and Impairment loss on right-of-use assets accounts for 3,446.30 million baht. As a result, the Company had a comprehensive loss of 7,295.86 million baht. In addition, the Company recognized a loss from dissolution of the Company Nok Scoot Airlines Company Limited, a subsidiary. As a result, the loss attributable to the shareholders of the parent company increased to 7,895.49 million baht.

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

	Unit	2019	2020	Change	
				Amount	Percent (%)
Number of Aircrafts (at the end of period)					
- Boeing 737-800 New Generation	Aircraft	16	14	(2)	(12.50)
- Q400 NextGen	Aircraft	8	8	-	-
- Average Number of Aircraft	Aircraft	24	22	(2)	(8.33)
Available Seat Kilometers: ASK	Mil. Seat-Km	6,426	3,711	(2,715)	(42.25)
Revenue Passenger Kilometers: RPK	Mil. Seat-Km	5,608	2,598	(3,010)	(53.67)
No. of Sectors	Flights	61,881	39,031	(22,850)	(36.93)
Cabin Factor	%	87.27	67.93	(19.34)	(22.16)
Passenger Carried	Million	8.25	4.19	(4.06)	(49.21)
Passenger Yield	baht/Seat-Km.	1.93	2.13	0.20	10.36
Revenue per Available Seat Kilometers: RASK	baht/Seat-Km.	1.92	1.72	(0.20)	(10.42)
Cost per Available Seat Kilometers: CASK	baht/Seat-Km.	2.18	2.28	0.10	4.59
Cost per Available Seat Kilometers exclude Fuel: CASK ex-fuel	baht/Seat-Km.	1.54	1.86	0.32	20.78
Average Aircraft Utilization Hours	Operating Hours/Day	9.96	6.41	(2.95)	(31.52)



The Company's Performance

Revenue for the period

Unit : million baht	2019		2020		Change	
	Amount	Percent (%) to total revenue	Amount	Percent (%) to total revenue	Amount	Percent (%)
Passenger Revenue	16,758.56	83.92	5,784.22	85.88	(10,974.34)	(65.48)
Service Revenue	2,847.72	14.26	777.09	11.54	(2,070.63)	(72.71)
Other Income	362.84	1.82	174.08	2.58	(188.76)	(52.02)
Total Revenue	19,969.12	100.00	6,735.39	100.00	(13,233.73)	(66.27)

Data: Revenue

The Company's revenue was 6,735.39 million baht or decreased by 66.27% from last year. It consists of 5,784.22 million Baht of passenger revenue or 85.88% of total revenue, 777.09 million baht of service revenue or 11.54% of total revenue and 174.08 million baht of other income or 2.58% of total revenue. RASK was reported at 1.72 baht/seat/km, reflecting a reduction of 10.42% from the same period in 2019 while the ASK reduced by 42.25% to 3,711 million seat-km.

Passenger revenue: In 2020, passenger revenue was 5,784.22 million baht, a reduction of 65.48% from last year. This was mainly caused by Covid-19 pandemic which reduced air transport demand for both domestic and international markets. Cabin factor declined from 87.27% to 67.93% or by 22.16% points. Flight movements reduced by 36.93% from 61,881 to only 39,031 achieved last year. The aircraft utilization reduced from 9.96 hours/day to 6.41 hours or a reduction of 31.52%. As for the fourth quarter, the number of domestic flights increased significantly from the third quarter. But the competition in ticket prices was also increased. All airline operators were limited to domestic flights, as a result, the ticket price and passenger carrying ratio decreased.

Service revenue: In 2020, service revenue was 777.09 million baht, a reduction of 72.71% from last year. 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. to improve on ancillary income.



Other income: In 2020, other income was 174.08 million baht, a reduction of 52.02% from last year, which was impacted by the reduction in passenger revenue.

Expenses for the period

Unit : million baht	2019		2020		Change	
	Amount	Percent (%) to total expense	Amount	Percent (%) to total expense	Amount	Percent (%)
Cost of passenger and services	21,770.89	94.40	7,439.35	46.00	(14,331.54)	(65.83)
Selling expenses	210.46	0.91	37.04	0.23	(173.42)	(82.40)
Administrative expenses	956.67	4.15	1,236.43	7.64	279.76	29.24
Financial Costs	125.09	0.54	910.01	5.63	784.92	627.48
Impairment loss on right-of-use assets	0.00	0.00	3,446.30	21.30	3,446.30	100.00
Expected credit losses	0.00	0.00	3,104.62	19.20	3,104.62	100.00
Total Expenses	23,063.11	100.00	16,173.75	100.00	(6,889.36)	(29.87)

Data: Cost & Expenses

The Company's expense was 16,173.75 million baht or a decrease of 29.87% from last year. However, if not taking the new accounting standard into consideration along with the liquidation of Nok Scoot Co., Ltd., the CASK increased from 2.18 to 2.28 baht/seat-km, representing an increase of 4.59%. Ex-fuel CASK increased from 1.54 to 1.86 baht/seat-km, an increase of 20.78%

Transportation and service costs: In 2020, Transportation and service costs was 7,439.35 million baht, a reduction of 65.83% from last year as a result of reduced flight operations and cheaper fuel cost. The Company's fuel cost was 1,547.97 million baht, a decline of 78.58% from the same period in 2019. The fuel cost/ASK reduced from 1.12 baht/seat-km to 0.42 baht/seat-km.

Administrative costs: In 2020, Administrative costs was 1,236.43 million baht, an increase of 29.24% from last year. This is a significant increase due to Penalty from Aircraft Termination 794.60 million baht.



Financial costs: In 2020, Financial costs was 910.01 million ah., an increase of 627.48% from last year. This is a significant increase due to recording interest for right to use of Aircraft and Building as per the new accounting standard.

Impairment loss on right-of-use assets: In 2020, impairment loss on right-of-use assets was 3,446.30 million baht, an increase of 100.00% from last year. This significant increase is due to recording of impairment loss on right-of-use assets of aircraft.

Expected credit losses: In 2020, expected credit losses was 3,104.62 million baht, an increase of 100.00% from last year. This significant increase is due to recording of allowance for doubtful as per the new accounting standard.

Profit (Loss)

Unit : million baht	2019		2020		Change	
	Amount	Percent (%) to total revenue	Amount	Percent (%) to total revenue	Amount	Percent (%)
Profit (Loss) for the period	(3,095.40)	(15.50)	(7,391.62)	(109.74)	(4,296.22)	138.79
Total comprehensive income (loss) for the period	(2,972.34)	(14.88)	(7,295.86)	(108.32)	(4,323.52)	145.46
Profit (Loss) for the periods attributable to equity holders of the Company	(1,928.34)	(0.10)	(7,895.49)	(1.17)	(5,967.15)	309.45
Basic Earning per Share (baht)	(0.68)		(2.19)		(1.51)	

Given the on-going outbreak of Covid-19 pandemic 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 7,295.86 million baht which is higher than the last year's loss of 4,323.52 million Bath. Furthermore, the Company reported the loss from the liquidation of Nok Scoot Company Limited as its subsidiary for 7,895.49 million baht, an increase of 5,967.15 million baht from last year.

**Comparisons of Consolidated and Unconsolidated Financial Statement for the year 2020**

Unit – Million baht	2020	
	Consolidated	Separated
Total Revenue	6,735.39	6,789.66
Total Expenses	(16,173.75)	(16,326.66)
After-tax loss from subsidiary liquidation	2,046.74	-
Total loss the period	(7,391.62)	(9,537.00)

For the year 2020, the total separated expenses was 16,326.66 million baht, a difference of 152.91 million from the consolidated expenses. This was a result of the liquidation of Nok Scoot Company Limited which is a subsidiary for the reported amount of 2,046.74 million baht. Consequently, the separated loss for the period was higher than the consolidated amount by 2,145.38 million baht.

Financial Statement Position (Consolidated)

Unit : Million baht	Consolidated Financial Statement			
	As at 31 Dec 2019	As at 31 Dec 2020	Change	Percent (%)
Total Assets	15,170.96	17,894.92	2,723.96	17.96
Total Liabilities	18,639.17	25,897.08	7,257.91	38.94
Total Owners of the Parent	(1,095.47)	(7,000.52)	(5,905.05)	539.04
Non-Controlling Interests	(2,372.74)	(1,001.64)	1,371.10	(57.79)
Total Shareholders' Equity	(3,468.21)	(8,002.16)	(4,533.95)	130.73

Assets

As at 31 December 2020, the Company and its subsidiaries had total assets of 17,894.92 million baht or increased by 17.96% from year-end 2019. Total assets can be divided into current assets of 2,582.58 million baht and non-current assets of 15,312.35 million baht, accounting for 14.43% and 85.57% of Total Assets respectively.

Total Current Assets: As at 31 December 2020, the Company and its subsidiaries had total current assets of 2,582.58 million baht or decreased by 39.18% from as of 31 December 2019. It was attributable to the decreasing in Trade and Other current receivables 2,238.18 million baht or decreased by 89.77%.



Total Non-Current Assets: As at 31 December 2020, the Company and its subsidiaries had total non-current assets of 15,312.35 million baht or an increase of 40.17% from as at 31 December 2019. It was attributable to the increase in asset's right of use in the amount of 8,038.73 million baht as a result of the new accounting reporting standard.

Liabilities and Shareholder's Equities

Total liabilities: As at 31 December 2020, the Company and its subsidiaries had total liabilities of 25,897.08 million baht or increased by 38.94% from as of 31 December 2019, which is attributable to leasing contract based on the new accounting standards at 11,694.28 million baht.

Shareholder's equities: As at 31 December 2020, the Company and its subsidiaries had negative shareholder's equities of 8,002.16 million baht or a change of 130.73% from the deficit as at 31 December 2019. It composed of a negative 7,000.52 million baht to the parent company and negative 1,001.64 million baht to non-controlling interests which was attributable from unrealized exchange loss from the implementation of the new accounting standards, 2,046.74 million baht loss for the period 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 value by issuing ordinary shares at the par value of 1 baht per share by allocating the capital increase shares at 3.5 original share per 1 new 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	Consolidate Financial Statement			
	As at 31 Dec 2019	As at 31 Dec 2020	Change	Percent (%)
Net cash provided by (used in) operating activities	(3,816.66)	46.69	3,863.35	(101.22)
Net cash provided by (used in) investing activities	149.94	(687.65)	(837.59)	(558.61)
Net cash provided by (used in) financing activities	3,402.26	729.96	(2,672.30)	(78.54)
Effect from foreign exchange rate in cash and cash equivalents	78.35	82.77	4.42	5.64
Net increase (decrease) in cash and cash equivalents	(186.10)	171.77	357.87	(192.30)
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 December	1,233.79	1,405.56	171.77	13.92



In 2020, the Company and its subsidiaries had net cash flow provided by operating activities totaled 46.69 million baht, increased from 3,863.35 million baht, or 101.22%. The significant items which highly impacted the cash flow were Trade and other current receivables, VAT, Aircraft Maintenance Reserve and Aircraft Maintenance paid.

Net cash flows used in investing activities was 687.65 million baht, or a negative change by 837.59 baht mainly due to cash paid for loan to related party and certificate of deposit.

Net cash flows provided by financing activities was 729.96 million baht, or 2,672.30 baht lower, mainly attributable to Cash paid for lease liabilities in amount of 147.22 million baht and Cash paid for short-term borrowings 500.00 million baht, utilizing Proceeds from share capital increase of 1,551.68 million baht. Moreover, the Company and its subsidiaries gained benefit from the effect from foreign exchange rate in cash and cash equivalents in amount of 82.77 million baht.

Nevertheless, as at 31 December 2020, net cash and cash equivalents increased by 171.77 million baht.