



Ref: PE 044/2015

14 May 2015

Subject: Management Discussion and Analysis of 1st quarter 2015
Nok Airlines Public Company Limited

Attention: President
The Stock Exchange of Thailand

According to financial performance report of Nok Airlines Public Company Limited (the Company) in 1st quarter ended 31st March 2015, the Company and its subsidiaries reported that net profit was 1.79 million Baht which had changed over 20% comparing to the number of same period of the previous fiscal year. As a consequence, the Company would like to clarify the causes of change in overall operational results as following:

Executive Summary

In 1Q2015, Nok Air and its subsidiaries generated total revenues of 3,647.2 million Baht and reported net profit of 1.79 million Baht. One of the main contributors for the results was a recognition of 53.9 million Baht loss in subsidiaries. The majority was from loss in NokScoot Airlines Co.,Ltd. as its business was in the beginning stage.

The total revenue for Nok Air only was 3,502 million Baht or 11.7 % increase compared to the same period of previous year. The increase in revenue were mainly due to 11.1% increase in passenger revenue as the capacity (Available Seat Kilometers: ASK) had expanded 20%, as well as, 31.1% growth in number of passengers compared to the same period of 2014. Nok Air recorded the net profit of 55.6 million Baht or 35.9% increase from the same period of previous year.

During 1Q2015, there were some key factors and events that had affected the Company's performance as follows:

1. The Recovery of Domestic Air Passenger

According to the economic outlook of the National Economic and Social Development Board (NESDB), NESDB forecasted that the economy of the first quarter of 2015 would expand 2.3% approximately by the recovery of the economy after the resolve of the instability of political situation. One of the main driven industries is tourism sector. The recovery of economy had led to the growth of number of domestic passengers at 24.1% in 1Q2015, compared to the same period of last year. Nok Air's passenger growth had outpaced the growth rate of industry with 31.1% increase from the same period



of last year. Moreover, Nok Air's cabin factor for 1Q2015 reached 84.7%, comparing to only 79.9% of 1Q2014.

2. Drop in Jet Fuel Price

Continuous drop in Jet Fuel Price from 121.4 USD/barrel in 1Q2014 to 68.8 USD/barrel in 1Q2015 had significantly benefited on Nok Air's cost in 1Q2015, as fuel cost per ASK decreased from 0.87 Baht/seat/Km. during 1Q2014 to 0.60 Baht/seat/Km. or 30.7% decline during 1Q2015.

Revenue Analysis

Unit: Million Baht	1Q2014		1Q2015		Change	
	Amount	Common size	Amount	Common size	Amount	Percent
Revenues						
Passenger revenue	2,881.9	91.9%	3,202.5	91.4%	320.59	11.1%
Service revenues	214.2	6.8%	282.6	8.1%	68.43	32.0%
Other income	39.9	1.3%	17.0	0.5%	-23.03	-57.6%
Total revenues	3,136.1	100.0%	3,502.1	100.0%	365.99	11.7%
Expenses						
Operating expenses and Costs of services	2,909.9	92.8%	3,268.9	93.3%	358.98	12.3%
Selling Expenses	65.7	2.1%	41.9	1.2%	-23.77	-36.2%
Administrative Expenses	110.3	3.5%	135.7	3.9%	25.44	23.1%
Total expenses	3,085.9	98.4%	3,446.5	98.4%	360.65	11.7%
Profit Before Income Tax Expenses	50.2	1.6%	55.6	1.6%	5.34	10.6%
Net Income Tax Expenses	9.3	0.3%	-0.1	0.0%	-9.36	-100.8%
Profit for the periods	40.9	1.3%	55.6	1.6%	14.71	35.9%
Actuarial Gain(Loss) on defined employee	-	-	-	-	-	-
Total Comprehensive Income for the periods	40.9	1.3%	55.6	1.6%	14.71	35.9%
Basic Earnings per Share (Baht)	0.07		0.09		0.02	28.6%
Number of Weighted Average Ordinary Share (Million Shares)	625.0		625.0			



	Unit	1Q2014	1Q2015	Change	
				Amount	Percent
Number of aircrafts (at the end of quarter)	Aircraft				
• Jet		15	18	3	20%
• Turbo Propeller					
- ATR72-200		2	2	0	-
- Bombardier Q400		0	4	4	N/A
Number of Flights	Sector	15,203	16,567	1,364	9.0%
Number of Passengers Carried	Million	1.77	2.32	0.55	31.1%
Passenger Yield	Baht/Pax/Kilometer	2.76	2.41	-0.35	-12.6%
Unit Revenue (RASK)	Baht/Seat/Kilometer	2.37	2.22	-0.15	-6.2%
Unit Cost (CASK)	Baht/Seat/Kilometer	2.37	2.19	-0.18	7.7%

Revenue Analysis (excluding subsidiaries)

The main contributor of the increase in the total revenue for 1Q2015 was 31.1% rise in number of passengers from the same period last year to 2.32 million passengers. However, comparing to the growth of passenger, the growth of total revenue on 1Q2015 only increased 11.7% from the same period last year to 3,502.1 million Baht. This was a result from high competition among domestic airlines and led to decrease in passenger yield at 12.6% from the same period last year. However, Nok Air raised its cabin factor to 84.7%, comparing to only 79.9% from the same period last year.

Besides, the Company has continuously improved its products and services to enhance overall passenger experiences from ticketing process to arriving at their destinations. During the previous year, Nok Air targeted to raise the proportion of the revenue from fees and to adjust its fees to be in line with those of other airlines in the market. Service revenues and other income for 1Q2015 was 282.6 million Baht, 32.0% increase from the same period last year, as a result of raising change fee of air ticket and credit card processing fee.

Expenses and Profits Analysis (excluding subsidiaries)

In 1Q2015, the total expenses of the Company was 3,446.5 million Baht which increased by 11.7% comparing with 1Q2014, aligned with the fleet expansion and the growth of capacity.

The increase of expenses was mainly from operating expenses and cost of services which was due to expanding business. The variable cost excluding Jet fuel cost was 1,369.5 million Baht or 24.0% increase compared to the same period last year. Fuel cost for 1Q2015 decreased to 945.7 million



Baht or 16.9% decrease from the same period last year, as a result from drop in jet fuel price from 121.4 USD/barrel to 68.8 USD/barrel. Fixed cost for 1Q2015 increased 39.9% to 872.3 million Baht. The increase in fixed cost was mainly from rise in aircraft lease rental rate for the new jet and turbo prop fleet acquired during 2H2014.

Unit cost or CASK for 1Q2015 decreased from 2.37 to 2.19 Baht/seat/Km. or decreasing by 7.7% comparing with 1Q2014. Nevertheless, CASK excluding fuel was equal to 1.58 Baht per seat per kilometer or increasing by 5.7 % which was a result of increase in aircraft lease rental expense and maintenance cost per unit.

According to the overall factors, Net Profit for 1Q2015 of Nok Air only was 55.6 or increasing by 35.9 % comparing with the same period of last year.

Financial Position Analysis (Consolidated Financial Statements)

As of 31st March 2015, total assets of the Company and its subsidiaries were 6,843.5 million Baht which was increased by 4.2 % from year end 2014. The total assets were separated into 5,549.5 million Baht or 81.1 % of current assets and 1,294.0 million Baht or 18.9 % of non-current assets. The majority of the assets were cash and cash equivalents, which was equal to 3,322.6 million Baht. The other major item of the assets was 2,164.0 million Baht of refundable deposit of aircrafts for both jet and turbo propeller which included in both current and non-current assets.

The Company's total liabilities were equal to 2,413.8 million Baht which was increased by 8.7 % from year end 2014; nonetheless, the increase of liabilities was normal course of business. The major items was unearned passenger revenue which was equal to 962.7 million Baht or increased by 20.5 % from year end 2014 according to fleet expansion. On the other hand, trade payable was 512.1 million Baht, or 5.4% decrease from year end 2014.

Furthermore, the total shareholders' equity was 4,429.7 million Baht which increased by 80.4 million Baht from year end 2014. Increase in shareholders' equity was mainly from 1.8 million baht of net profit for the period and from 78.6 million baht of increase in non-controlling interests of the subsidiaries.

Cash Flow Statement Analysis (Consolidated Financial Statements)

The Company and subsidiaries had cash and cash equivalent at the end of 1Q2015 of 3,322.6 million Baht. During the period, the Company recorded 138.8 million Baht net cash used in operating activities; 291.8 million Baht net cash provided by investing activities; 245.0 million Baht net cash provided by financing activities. Then, cash and cash equivalent increase for the period was 396.0 million Baht.



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Please be informed accordingly.

Sincerely Yours,

(Ms. Nuanwan Bhuprasert)

Chief Financial Officer

Authorized to sign on behalf of the Company