



Ref. PE085/2560

8 November 2017

Subject : Management Discussion and analysis for the third quarter of 2017

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 2017 (Q3/2017) ended on 30 September 2017, the Company and its subsidiaries reported that a net comprehensive loss was 652.73 million Baht, compared to 1,071.82 million Baht in the same quarter last year. This net loss was divided into the loss from the parent company 683.54 million Baht, but the profit from non-controlling interests 30.81 million Baht. The Company would like to clarify the following causes:

Executive Summary of the financial reports in the third quarter of 2017

In Q3/2017, the company and its subsidiaries generated total revenue of 4,648.61 million Baht and reported the net loss of 652.73 million Baht. This net loss was attributable to the loss from the parent company 683.54 million Baht, but the profit from non-controlling interests 30.81 million Baht. The Company's operating loss of the parent company was a result of higher operating cost than passenger revenue and service revenue. The main operating cost is that fuel cost increased from incremental Jet fuel price compared to the amount of the same period in last year.

For separated financial statements, the company's revenue in total was 3,264.01 million Baht, which increased a 1.55 percent from the same period last year. This is the result of service revenue from an additional subleased aircraft under operating lease to other companies which increased at 54.05 percent from the same period in last year. A revenue per available seat-kilometer (RASK) also rose from 1.89 to 1.99 Baht/Seat-Kilometer, or increased 5.26 percent from the third quarter in Year 2016.

The company had operating cost in amount of 3,953.39 million Baht, which decreased 4.34 percent in the same period of last year. The cause of decrease resulted from reduction in aircraft maintenance expense even if fuel cost increased from incremental Jet fuel price. Consequently, a cost per available seat-kilometer (CASK) decreased from 2.54 to 2.50 Baht/seat- kilometer



Key Factors and Events affecting the Company performance

In Q3/2017, Thailand's economy expanded gradually by contributed factors to support a private sector. That was the same direction of an investment of private sectors starting positive signs in several industries of Thailand, especially growing tourism industry. A number of tourists in Q3/2017 increased at the higher rate to 6.26 percent from the same period in last year, so for nine months in year 2017 the number of foreign tourists increased from 25.2 to 26.4 million people, 5.05 percent from the same period of last year. As revenue from the tourism industry increased 9.93 percent, the number of Chinese tourists also increased at the same quarter in last year. Additionally, for the third quarter of year 2017 the company expanded international charter routes to China in order to meet the growth of tourists that reflected on an increasing number of flights to China dramatically from 472 to 1,742 flights, or 269.07 percent of the growth rate at the same period in last year.

Regarding to external factors, it affected to overall operating cost, substantially such as a foreign exchange rate and Jet fuel price.

A fluctuation of foreign exchange rates brought about total operating cost which was 63.97 percent. It is comprised of Jet fuel price, aircraft operating lease, aircraft maintenance and aircraft insurance which are all above mentioned paid by US dollar currency. In the second quarter of year 2017, an average foreign exchange rate was 33.55 from 35.01 USD per THB. As a consequence, the company gained benefit to operating cost from a depreciate US exchange rate.

An average Jet fuel price in the third quarter of year 2017 was 63.56 USD per barrel which increased from 54.30 US dollar per barrel at the same period in last year. Furthermore, Excise Department started to collect the excise tax on Jet fuel price for domestic routes. It was an impact on company's fuel cost to 879.70 million Baht increased 23.70 percent in the same period in last year



Key Statistics and Business Ratio (excluding Subsidiaries)

	Unit	Q3/2016	Q3/2017	Change Percent	9M/2016	9M/2017	Change Percent
Number of Aircrafts (at the end of period)							
- Boeing 737-800 Next Generation	Aircraft	22	21	(4.55)	22	21	(4.55)
- ATR 72-500	Aircraft	2	2	0.00	2	2	0.00
- Q400 NextGen	Aircraft	8	8	0.00	8	8	0.00
- Average Number of Aircraft	Aircraft	31.15	28.11	(9.78)	30.58	30.43	(0.47)
Available Seat Kilometers: ASK	Mil. Seat-Km	1,619	1,565	(3.35)	4,583	4,852	5.87
Revenue Passenger Kilometers: RPK	Mil. Seat-Km	1,392	1,318	(5.32)	3,958	4,107	3.77
No. of Sectors	Flights	15,986	15,605	(2.38)	46,383	49,495	6.71
Cabin Factor	%	86.01	84.22	(2.08)	86.37	84.62	(2.03)
Passenger Carried	Million	2.14	1.96	(8.35)	6.28	6.37	1.37
Passenger Yield	Baht/Seat-Km.	2.02	2.13	5.52	2.16	1.90	(11.82)
Revenue per Available Seat Kilometers: RASK	Baht/Seat-Km.	1.89	1.99	5.26	2.03	2.09	2.86
Cost per Available Seat Kilometers: CASK	Baht/Seat-Km.	2.54	2.50	(1.74)	2.51	2.50	(0.40)
Cost per Available Seat Kilometers exclude Fuel: CASK ex-fuel	Baht/Seat-Km.	2.10	1.93	(7.88)	2.09	1.92	(8.32)



The Company's Performance for Q3/2017

Revenue for the third quarter and the first nine months of 2016 and 2017 (Excluding subsidiaries)

Unit : million Baht	Q3/2016		Q3/2017		Percent Change	9M/2016		9M/2017		Percent Change
	Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent	
Passenger Revenue	2,812.86	87.51	2,809.13	86.06	(0.13)	8,545.67	89.33	9,241.25	86.04	8.14
Service Revenue	197.12	6.13	303.66	9.30	54.05	591.32	6.18	890.03	8.29	50.52
Other Income	204.26	6.35	151.22	4.63	(25.97)	429.35	4.49	609.62	5.68	41.99
Total Revenue	3,214.24	100.00	3,264.01	100.00	1.55	9,566.34	100.00	10,740.90	100.00	12.28

Data: Revenue

Q3/2017

The company's revenue was 3,264.01 million Baht increased 1.55 percent. It consists of 2,809.13 million Baht to passenger revenue which was 86.06 percent of total revenue, 303.66 million Baht to service revenue which was 9.30 percent of total revenue and 151.22 million Baht other income which was 4.63 percent of total revenue. Therefore, revenue per available seat-kilometer (RASK) was at 1.99 Baht per seat-kilometer, rose by 5.26 percent from the same period last year.

Passenger revenue : In the third quarter of year 2017, passenger revenue decreased 0.13 percent at the same period of last year which resulting from decreased in both an average air fares and the volume of revenue passenger kilometer (RPK). Yet, the reduction an average air fare was at lower rate than the decreased volume of revenue passenger kilometer (RPK). Therefore, passenger yield rose from 2.02 to 2.13 Baht/passenger-kilometer from the same period in last year.

Service revenue : In the third quarter of year 2017, service revenue increased 106.54 million Baht, or 54.05 percent from the same period in last year. Moreover, an additional subleased aircraft under operating lease to other companies which encouraged more efficiency on aircraft utilization.

Other income : In the third quarter of year 2017, other income decreased 53.04 million Baht, or 25.97 percent from the same period in last year. It resulted from decrease in received refund of aircraft maintenance expense and gain on sale and lease back for new aircraft. Moreover, the company gained more benefit from gain on foreign exchange rate thanks to the depreciate of US exchange rate to Baht at the same period in last year.



9M/2017

The company had a volume of available seat kilometer (ASK) increased 5.87 percent. It was result in cabin factor at 84.62 percent. However, revenue per available seat kilometer (RASK) booted 2.86 percent, or 2.09 Baht/seat-kilometer, it led to an adjustment of number of domestic flights to meet our market and incremental international charter flights to China as well. As a result, passenger revenue increased at 8.14 percent in nine months. Additionally, service revenue increased 50.52 percent from the first nine months of year 2016 as above mentioned. Overall, total revenue increased 12.28 percent from the same period in last year.

Expense for the third quarter and the first nine months of 2016 and 2017(excluding subsidiaries)

Unit : million Baht	Q3/2016		Q3/2017		Percent Change	9M/2016		9M/2017		Percent Change
	Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent	
Cost of passenger and service	3,890.38	94.14	3,720.89	94.12	(4.36)	10,905.80	94.27	11,594.18	93.96	6.31
Selling expenses	48.13	1.16	28.01	0.71	(41.80)	112.80	0.98	71.81	0.58	(36.34)
Administrative expenses	173.39	4.20	197.85	5.00	14.11	457.63	3.96	639.02	5.18	39.64
Financial Cost	20.79	0.50	6.64	0.17	(68.06)	92.60	0.80	34.28	0.28	(62.98)
Total Expense	4,132.69	100.00	3,953.39	100.00	(4.34)	11,568.83	100.00	12,339.29	100.00	6.66

Data : Expense

Q3/2017

The company's operating cost decreased 3,953.39 million Baht, or 4.34 percent from the same period in last year. Mainly, it is composed of variable cost and fixed cost. Variable costs decreased mainly due to reduction of aircraft maintenance expense, but increased fixed costs from related cost of new aircraft. In the third quarter of year 2017, cost per available seat kilometer was 2.50 decreased from 2.54 Baht/seat-kilometer, or 1.74 percent from the same period in last year and cost per available seat kilometer excluding fuel was 1.93 from 2.10 Baht/seat-kilometer which was decreased 7.88 percent.

Variable cost : In the third quarter of year 2017, variable costs was account for 2,387.18 million Baht, or decreased 8.09 percent from the same period in last year mainly due to reduction in



aircraft maintenance expense. Variable cost per unit decreased 6.36 percent to be 1.43 Baht/seat-kilometer which was a unit cost of fuel at 0.57 Baht/seat-kilometer.

Fixed costs : In the third quarter of year 2017, fixed cost was 1,333.71 million Baht which was increased at 3.14 percent. It was caused by related cost of new aircraft. Fixed cost per available seat kilometer was 0.85 Baht/seat-kilometer, or 7.08 percent.

Finance cost : Company's finance cost reduced 68.06 percent from the same period in last year to be 6.64 million Baht. It was due to a reduction of company's finance cost from the commitment fee for aircraft deposit from the same period in last year.

9M/2017

The company's operating expense in total was 12,339.29 million Baht increased from 11,568.83 million Baht, or 6.66 percent from the same period in last year. It was caused by increased from Jet fuel price increased by 45.86 percent even though maintenance aircraft expense reduced 13.27 percent. Consequently, the cost per available seat kilometer increased from 2.51 to 2.50 Baht/seat-kilometer, or decreased by 0.40 percent. However, cost per available seat kilometers exclude fuel decreased from 2.09 to 1.92 Baht/seat-kilometer, or 8.32 percent from the same period in last year.

Profit (Loss) for the second quarter and the first nine months of 2016 and 2017 (excluding subsidiaries)

Unit : million Baht	Q3/2016		Q3/2017		Percent Change	9M/2016		9M/2017		Percent Change
	Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent	
Profit (Loss) before income	(918.45)	(28.57)	(689.37)	(24.54)	(24.94)	(2,002.49)	(20.93)	(1,598.37)	(14.88)	(20.18)
Income tax expense (income)	(0.26)	(0.01)	0.00	0.00	(100.00)	0.22	0.00	0.00	0.00	(100.00)
Profit (Loss) for the period	(918.18)	(28.57)	(689.37)	(24.54)	(24.92)	(2,002.71)	(20.93)	(1,598.37)	(14.88)	(20.19)
Total comprehensive income (loss) for the period	(918.18)	(28.57)	(689.37)	(24.54)	(24.92)	(2,002.71)	(20.93)	(1,598.37)	(14.88)	(20.19)
Basic Earning per Share (Baht)	(1.47)		(0.61)		(58.48)	(3.20)		(1.85)		(42.27)

From the above mentioned, the total cost of company increased owing to Jet fuel price increase significantly. However, total revenue also increased from incremental passenger revenue and service revenue at higher amount than fuel cost. As a result, the net loss in the third quarter of year 2017 decreased to be 689.37 million Baht from 919.18 million Baht, or declined by 24.54 percent. For



the first nine months of year 2017, the company was 1,598.37 million Baht of the net loss from 2,022.71 million Baht, or decreased 20.19 percent at the same period in last year.

Key milestone for Q3, 2017

1. Open new routes

In the third quarter, the company operated 1,742 flights of international charter routes. There were six additional routes to China as follows:

- i. Don Muang - Yancheng started to operate on 3 July v.v. 2 weekly round trips
- ii. Don Muang – Yinchuan started to operate on 22 July v.v. 1 weekly round trips
- iii. Don Muang – Zhengzhou started to operate on 2 August v.v. 4 weekly round trips
- iv. Don Muang – Zunyi started to operate on 30 September v.v. 1 weekly round trips
- v. Utapao – Haikao started to operate on 30 September v.v. 3 weekly round trips
- vi. Utapao – Yichang started to operate on 30 September v.v. 1 weekly round trips

2. The launch of bus transport to nearby destinations under Fly'n'Ride service

The Company provided bus services to passengers who want to transport to a route that the company did not operated them directly for destination from the airport by transferring to bus service instead. There were existing service routes to more frequency services in the third quarter of year 2017 such as

- i. Don Muang – Loei – Chiangkhan from 1 trips to 3 trips starting from 1 July 2017
- ii. Don Muang – Buriram – Surin from 4 trips to 6 trips starting from 6 July 2017

3. Resolution of approval for increase capital by extraordinary general meeting

On 20 September 2017, the resolution of approval for increase capital was that the allocation of the newly-issued ordinary shares from the capital increase of not exceeding 1,136 million shares to the existing shareholders. The Company determined the allocation ratio as 1 existing ordinary share to 1 newly-issued ordinary share at Baht 1.50 per share which was 1,704 million Baht.

4. A reduction of a proportion the company as a shareholder of Air Black Box Asia Pacific

Previously, the company had invested in Air Black Box Asia Pacific Pte Ltd (“ABB”) in total of 1,012,500 shares, or 15 percent. On 28 September 2017, ABB raised the newly-issued ordinary shares equal to 1,012,500 shares to JEJU Air Co.,Ltd. Consequently, the proportion shareholder of the company to ABB reduced from 15.00 percent, or 13.04 percent



5. The acquisition of brand-new aircraft

The company acquired a Jet aircraft (Boeing 737-800 New Generation) in September 2017

Operating Performance for NokScoot Airlines Co., Ltd.

For Q3/2017 performance of NokScoot Airlines Co., Ltd., total revenue was 1,378.34 million Baht, increasing from 1,100.00 million Baht of the same period in last year, or increased by 25.30 percent. This is due to increase in both available seat kilometers and revenue passenger kilometer. Company's operating expense was in total 1,347.73 million Baht increased from 1,245.35 million Baht, or 8.22 percent from the same period in last year. Operating expense increased at lower rate than the growth of revenue substantially. Additionally, the main increased in operating expense resulted from variable cost according to a volume of available seat kilometer. The net profit of operating performance was 43.73 million Baht significantly better than from the net loss of last year by 143.59 million Baht.

For nine months of year 2017, NokScoot Airlines's revenue was 3,983.06 million Baht from 2,931.58 million Baht, or increased by 35.87 percent and operating expense in total was 4,073.95 million Baht increased from 3,276.07 million Baht, or by 24.35 percent from the nine months of year 2016. The company's net loss was 73.80 million Baht greater than the net loss of 356.56 million Baht from the same period in last year.

Currently, NokScoot Airlines Co., Ltd operates schedule routes to China and Taiwan. There are Don Muang international airport being the center of five destinations to China and one destination to Taiwan; such as Nanjing (7 weekly flights), Tianjin (5 weekly flights), Qingdao (4 weekly flights), Shenyang (4 weekly flights) and Dalian (3 weekly flights) including Taipei, Taiwan (7 weekly flight).

NokScoot Airlines's fleet remained unchanged with operating lease of 3 Boeing 777-200 from the same period in last year. The company will acquire a 777-200 Jet aircraft in October 2017 so as to expand routes by commencing at 3 weekly flights to Xi'an city in China in November 2017 and also increase frequency to those routes in the near future.



Financial Position (Consolidated)

Unit : Million Baht	Consolidated Financial Statement			
	As of 31 Dec 2016	As of 30 Sep 2017	Change	Percent
Total Assets	6,000.85	5,661.09	(339.76)	(5.66)
Total Liabilities	6,340.58	6,465.97	(125.39)	(1.98)
Total Owners of the Parent	238.92	(163.48)	(402.40)	(168.42)
Non-Controlling Interests	(578.64)	(641.40)	(62.76)	10.85
Total Shareholders' Equity	(339.72)	(804.88)	(465.16)	136.92

Assets

As of 30 September 2017, the Company and its subsidiaries had total assets of 5,661.09 million Baht, decreased by 5.66% from year-end 2016. Total assets can be divided into current assets of 3,801.00 million Baht and non-current assets of 4,819.74 million Baht, accounting for 67.14% and 32.86%, respectively.

Cash and cash equivalents: cash and cash equivalents of the company and its subsidiaries reduced by 21.64 percent, or in amount of 699.17 million Baht from 31 December 2016 mainly due to the increased of cash outflow in operating activities, whereas some cash was pledged for bank's credit facilities to financial institutions.

Trade and other receivables: trade and other receivables of the company and its subsidiaries decreased by 19.19% or 226.93 million Baht from 31 December 2016, mainly because the company received refund from advance payment for aircraft maintenance & engine and accrued income – gain on sale and leaseback aircraft.

Liabilities and Shareholder's Equities

Total liabilities: As of 30 September 2017, the company and its subsidiaries had total liabilities of 6,465.97 million Baht or increased by 1.98% from as of 31 December 2016, which aligned with the increase of trade and other payables from increased accrued aircraft maintenance compared to that of 31 December 2016

Shareholder's equities: as of 30 September 2017, the company and its subsidiaries had negative shareholder's equities of 804.88 million Baht or increased 136.92% the deficit from as of 31 December 2016. It was composed of negative both 136.92 million Baht to the parent company and 641.40 million Baht to non-controlling interests.



However, on 27 October 2017 the company received cash to increase capital in amount of 1,704.00 million Baht from issued and paid-up share capital totaling 1,136.00 million shares at an offering price of 1.50 Baht per share. In addition, the company has a plan to manage their aircraft fleet, expansion their routes and increasing utilization of aircraft so that financial performance of the company will be better.

Cash Flow Statement (Consolidated)

Unit : Million Baht	Consolidate Financial Statement			
	For nine months period as of 30 Sep 2016	For nine months period as of 30 Sep 2017	Change	Percent Change
Net cash provided by (used in) operating activities	(1,090.32)	(1,880.16)	(789.84)	72.44
Net cash provided by (used in) investing activities	154.73	(36.24)	(190.97)	(123.42)
Net cash provided by (used in) financing activities	(530.88)	1,204.10	1,734.98	(326.81)
Effect from foreign exchange rate in cash and cash equivalents	1.80	13.13	11.33	629.44
Net increase (decrease) in cash and cash equivalents	(1,464.67)	(699.17)	765.50	(52.26)
Cash and cash equivalents as of 1 January	4,213.76	3,231.22	(982.54)	(23.32)
Cash and cash equivalents as of 30 September	2,749.08	2,532.05	(217.03)	(7.89)

For the third quarter 2017, the company and its subsidiaries had net cash flow from operating activities totaled negative 1,090.32 million Baht decreased from 1,880.16 million Baht, or 72.44 percent. The significant items which highly affected to the cash flow were deposits at bank pledged as collateral and payment to trade and other payables, etc.

Net cash flows (used) from financing activities was 1,204.10 million Baht, mainly due to issued newly ordinary shares.

Nevertheless, net cash and cash equivalents decreased by 217.03 million Baht as of 30 September 2017.

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Mr. Brian Leslie Jeffery
Chief Financial Officer