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Subject: Management Discussion and Analysis for the First Quarter of 2019

Attention: President  
The Stock Exchange of Thailand

According to the financial reports of Nok Airlines Public Company Limited (the company) for the first quarter of 2019 (Q1/2019) ending 31 March 2019, the Company and its subsidiaries reported that a net loss was 391.29 million Baht, compared to 1.18 million Baht in the same quarter last year. This net loss was divided into parent company and non-controlling interests, 304.16 and 87.13 million Baht respectively. As a result, The Company would clarify the factors causing overall operating outcome as follow:

With the turnaround plan, The Company urgently recover its business by releasing 2 operating aircrafts, ATR 72-500, out of fleet for cost efficiency. Consequently, the total numbers of operating aircrafts were decreased from 25 Aircrafts at the end of 2018 down to 23 aircrafts by end of first quarter, 2019. It was correspondingly aligning with Flight Schedules in low season regarding aircraft utilization. Nonetheless, reducing in numbers of aircrafts had caused several effects such the decrease in both available Seat Kilometers (ASK), numbers of flights, and especially the Chinese charter. Furthermore, another effect was the price war causing the declining in average air fare.

**Key Statistics and Business Ratio (excluding Subsidiaries)**

	Unit	Q1/2018	Q1/2019	Change	
				Amount	Percent
Number of Aircrafts (at the end of period)					
- Boeing 737-800 New Generation	Aircraft	19	15	(4)	(21.05)
- ATR 72-500	Aircraft	2	0	(2)	(100.00)
- Q400 NextGen	Aircraft	8	8	0	0.00
- Average Number of Aircraft	Aircraft	29.33	23.64	(6)	(19.40)
Available Seat Kilometers: ASK	Mil. Seat-Km	1,976	1,610	(366)	(18.52)
Revenue Passenger Kilometers: RPK	Mil. Seat-Km	1,853	1,444	(409)	(22.07)
No. of Sectors	Flights	18,202	16,397	(1,805)	(9.92)
Cabin Factor	%	93.76	89.69	(4.07) PPT	
Passenger Carried	Million	2.52	2.24	(0.28)	(11.11)
Passenger Yield	Baht/Seat-Km.	1.99	2.03	0.04	2.01
Revenue per Available Seat Kilometers: RASK	Baht/Seat-Km.	2.12	2.10	(0.02)	(0.94)
Cost per Available Seat Kilometers: CASK	Baht/Seat-Km.	2.19	2.25	0.06	2.74
Cost per Available Seat Kilometers exclude Fuel: CASK ex-fuel	Baht/Seat-Km.	1.53	1.59	0.06	3.92
Average Aircraft Utilization Hours	Operation Hours/day	9.97	9.71	(0.26)	(2.61)



## The Company's Performance for Q1/2019

### Revenue for the first quarter of 2018 and 2019 (Separate Financial Statement)

Unit : million Baht	Q1/2018		Q1/2019		Change	
	Amount	Percent to total revenue	Amount	Percent to total revenue	Amount	Percent
Passenger Revenue	3,789.29	87.78	3,034.68	87.49	(754.61)	(19.91)
Service Revenue	406.88	9.43	383.82	11.06	(23.06)	(5.67)
Other Income	120.67	2.79	50.27	1.45	(70.40)	(58.34)
Total Revenue	4,316.84	100.00	3,468.77	100.00	(848.07)	(19.65)

### Data: Revenue

In Q1/2019, the company's revenue was 3,468.77 million Baht decreased 19.65 percent. It consists of 3,034.68 million Baht to passenger revenue which was 87.49 percent of total revenue, 383.82 million Baht to service revenue which was 11.06 percent of total revenue and 50.27 million Baht to other income which was 1.45 percent of total revenue. Therefore, revenue per available seat-kilometer (RASK) was at 2.10 Baht per seat-kilometers, decreased 0.94 percent from the same period last year. Furthermore, Available Seat Kilometers (ASK) decreased by 18.52 percent in Q1/2019 as a result of reduction of Aircraft fleet which the Average Number of Aircraft decreased 19.40 percent from the same period of last year.

Passenger revenue: In the first quarter of year 2019, passenger revenue decreased 19.91 percent or 754.61 million Baht from the same period of last year which resulting from reduction of aircraft fleet according to the company's turnaround plan. Consequently, the Average Number of Aircraft decreased from 29.33 aircrafts at the end of Q1/2018 to 23.64 aircrafts at the end of Q1/2019 which affected to decrease of both Available Seat Kilometers (ASK) and number of flight which decreased at 18.52 and 9.92 percent respectively. Moreover, an average air fares decreased 10.71 percent from the same period in last year mainly from market price competition including the number of charter flights to China decrease. Additionally, Average aircraft utilization hours also slightly decreased from 9.97 operation hours per day to be 9.71 operation hours per day or 2.61 percent from the same period of last year.

Service revenue: In the first quarter of year 2019, service revenue slightly decreased 23.06 million Baht, or 5.67 percent from the same period of last year mainly from decrement of baggage revenue. In the meanwhile, the Company continually pushed the new strategy to boost up service revenue by giving a level of service to our passengers beyond their expectations via our new special



product/service such as NOK First (Priority Boarding service), NOK Premium Seat (Fly with extra large legroom with extra benefits e.g. Priority Check-in, Priority Boarding, Priority Baggage as well as Sit in the front rows/emergency exit rows with Hot tea or Coffee on board) and NOK Happy Seat (All seats except NOK Premium Seat. No seat fee for Nok X-tra and Nok MAX passenger. For Nok Lite Passenger, no seat fee when assign seat within 1 day before departure date) etc.

Other income: In the first quarter of year 2019, other income decreased 70.40 million Baht, or 58.34 percent from the same period of last year. It resulted mainly from decrease in Realized Gain on Exchange Currency from insurance claim in amount of 46.67 million Baht and decrease in Insurance Claim in amount of 42.73 million Baht from the same period of last year.

### **Expenses for the first quarter of 2018 and 2019 (Separate Financial Statement)**

Unit : million Baht	Q1/2018		Q1/2019		Change	
	Amount	Percent to total expense	Amount	Percent to total expense	Amount	Percent to total expense
Cost of passenger and services	4,157.76	95.60	3,531.37	94.17	(626.39)	(15.06)
Selling expenses	42.56	0.98	19.60	0.52	(22.96)	(53.97)
Administrative expenses	148.59	3.42	185.66	4.95	37.07	24.94
Financial Costs	0.00	0.00	13.41	0.36	13.41	N/A
Total Expenses	4,348.91	100.00	3,750.04	100.00	(598.87)	(13.77)

### **Data: Cost & Expenses**

In Q1/2019, the company's operating expenses in total was 3,750.04 million Baht decreased from 4,348.91 million Baht, or 13.77 percent from the same period of last year mainly from the reduction of aircraft fleet as well as decrement of Jet fuel price which affected to company's fuel cost (variable cost) also decreased by 18.10 percent.

At the same time, aircraft operating lease reduced 8.71 percent by cost saving according to the company's turnaround plan. However, Cost per Available Seat-Kilometers (CASK) increased from 2.19 to 2.25 Baht/seat-kilometers, or increased by 2.76 percent. Similarly, Cost per Available Seat-Kilometers exclude Fuel (CASK ex-fuel) increased from 1.53 to 1.59 Baht/seat-kilometers, or 4.00 percent from the same period of last year.

Variable cost: In Q1/2019, variable costs were at 2,678.42 million Baht, or decreased 3.88 percent from the same period of last year mainly due to decrement of Jet fuel cost. In Q1/2019, the



company's fuel cost in total was 1,065.26 million Baht, or decreased 18.10 percent from last year. Fuel cost per ASK (Fuel/ASK) still was 0.60 Baht/Seat-Kilometers. Also, Aircraft maintenance per ASK increased 10.81 percent to be 0.41 Baht/Seat-Kilometers

**Fixed costs:** In Q1/2019, fixed cost was 1,058.21 million Baht which was decreased at 11.35 percent. It was caused by reduction in aircraft operating lease in this quarter, the company phased out 2 operating aircrafts (ATR 72-500) out of fleet according to cost saving of the company's turnaround plan. However, Fixed cost per Available Seat-Kilometers (FC/ASK) was 0.66 Baht/seat-kilometers, or increased 10.00 percent from the same period of last year because of Available Seat Kilometers (ASK) decreased especially from the number of charter flights to China.

**Finance cost:** In Q1/2019, the company's financing cost increased in amount of 13.41 million Baht due to Interest expense from Short-term borrowings.

### **Profit for the period (Separate Financial Statement)**

Unit : million Baht	Q1/2018		Q1/2019		Change	
	Amount	Percent to total revenue	Amount	Percent to total revenue	Amount	Percent to total revenue
Profit (Loss) for the period	(32.07)	(0.74)	(281.27)	(8.10)	(249.20)	777.05
Total comprehensive income (loss) for the period	(32.07)	(0.74)	(281.27)	(8.10)	(249.20)	777.05
Basic Earning Per Share (Baht)	(0.01)		(0.10)		(0.00)	

From the above mentioned, the total cost of company decreased owing to Jet fuel cost decrease significantly as well as the company also can reduce aircraft operating lease by cost saving according to the company's turnaround plan. However, total company's revenue decreased from the reduction of aircraft fleet, also an average air fares decreased from market price competition including the Number of Chinese tourists decrease. As a result, the net loss in the first quarter of year 2019 increased to be 281.27 million Baht from 32.07 million Baht, or increased by 777.05 percent at the same period of last year.



## Operating Performance for NokScoot Airlines Co., Ltd.

For Q1/2019 performance of NokScoot Airlines Co., Ltd., total revenue was 1,984.59 million Baht, increasing from 1,772.61 million Baht of the same period in last year, or increased by 11.96 percent, mainly from the total number of flight which increased at 36.92 percent from the same period in last year, in-line with the total number of passenger increased by 31.66 percent to 0.41 million passengers. In this quarter, NokScoot Airlines Co., Ltd. has one more operating aircraft in fleet compared with the same period last year, as a result the company can continually launched new route in China and Japan as well as increased flight frequency in the existing routes, and thus resulting in higher aircraft utilization. Company's operating expenses was in total 2,083.82 million Baht increased from 1,738.45 million Baht, or 19.87 percent from the same period last year. Additionally, the main increased in operating expenses resulted from variable cost according to increasing in a volume of Available Seat-Kilometers (ASK) and aircraft lease increase by fleet expansion. The net loss of operating performance in Q1/2019 was 109.79 million Baht which increased from the net loss of the same period of last year by 37.04 million Baht or 396.35 percent.

Currently, NokScoot Airlines Co., Ltd operates schedule routes to China, Taiwan, India and Japan with Don Muang international airport being the center of six destinations to China; such as Nanjing, Tianjin, Qingdao, Xi'an, Shenyang and Shanghai, one destination to Taipei, Taiwan, one destination to Delhi, India and three destinations to Japan; such as Tokyo (Narita), Osaka (Kansai) and Charter flight to Sapporo (Chitose).

At the end of Q1/2019, NokScoot had total operating lease of 5 Boeing 777-200. The company plans to increase frequency flights in the same routes and expand new routes later this year.

**Financial Position (Consolidated)**

Unit : Million Baht	Consolidated Financial Statement			
	As of 31 Dec 2018	As of 31 Mar 2019	Change	Percent
Total Assets	14,074.06	15,449.13	1,375.07	9.77
Total Liabilities	17,105.69	16,571.63	(534.06)	(3.12)
Total Owners of the Parent	(1,467.55)	528.71	1,996.26	(136.03)
Non-Controlling Interests	(1,564.08)	(1,651.21)	(87.13)	5.57
Total Shareholders' Equity	(3,031.63)	(1,122.50)	1,909.13	(62.97)

**Assets**

As of 31 March 2019, the Company and its subsidiaries had total assets of 15,449.13 million Baht, increased by 9.77% from year-end 2018. Total assets can be divided into current assets of 4,923.61 million Baht and non-current assets of 10,525.52 million Baht, accounting for 31.87% and 68.13%, respectively.

Total Current Assets: As of 31 March 2019, the company and its subsidiaries had total non-current assets of 4,923.61 million Baht or increased by 24.17% from as of 31 December 2018. It was attributable to the increasing in Cash and Cash equivalents by 36.01% from as of 31 December 2018 caused by the increased of cash inflow from share capital increase.

Total Non-Current Assets: As of 31 March 2019, the company and its subsidiaries had total non-current assets of 10,525.52 million Baht or increased by 4.12% from as of 31 December 2018. It was attributable to the increasing in Maintenance Reserve by 6.16%.

**Liabilities and Shareholder's Equities**

Total liabilities: As of 31 March 2019, the company and its subsidiaries had total liabilities of 16,571.63 million Baht or decreased by 3.12% from as of 31 December 2018 which aligned with the decrease of Short-term borrowings by 58.33%.

Shareholder's equities: as of 31 March 2019, the company and its subsidiaries had negative shareholder's equities of 1,122.50 million Baht or negative decreased 62.97% from the deficit as of 31 December 2018. It was composed of 528.71 million Baht to the parent company and negative 1,651.21 million Baht to non-controlling interests.



In addition, the Company has solved loss of the Company, on January 22, 2019, the Extraordinary General Meeting of Shareholders No. 1/2019 has resolved to approve the increase of registered capital of Baht 908.80 million at an offering price of Baht 2.75 per share. The Company determined the allocation ratio as 2.50 existing share to 1 newly-issued ordinary share. On February 13, 2019 the Company received subscriptions in amount of Baht 2,300.42 million from issued and paid-up share capital totaling 836.52 million shares at and offering price of Baht 2.75 per share with a par value of Baht 1 per share.

### Cash Flow Statement (Consolidated)

Unit : Million Baht	Consolidate Financial Statement			
	For three months period, As of 31 Mar 2018	For three months period, As of 31 Mar 2019	Change	Percent Change
Net cash provided by (used in) operating activities	(130.31)	(383.46)	(253.15)	194.26
Net cash provided by (used in) investing activities	(53.94)	2.67	56.61	(104.94)
Net cash provided by (used in) financing activities	(7.04)	871.17	878.21	(12,474.57)
Effect from foreign exchange rate in cash and cash equivalents	16.58	20.96	4.38	26.41
Net increase (decrease) in cash and cash equivalents	(174.71)	511.34	686.05	(392.68)
Cash and cash equivalents as of 1 January	3,169.85	1,419.89	(1,749.96)	(55.21)
Cash and cash equivalents as of 31 March	2,995.14	1,931.24	(1,063.90)	(35.52)

For the first quarter 2019, the company and its subsidiaries had net cash flow used in operating activities totaled 383.46 million Baht increased from 130.31 million Baht, or 194.26 percent. The major items which highly affected to the cash flow were the net loss of company increased significantly and paid in aircraft maintenance expenses.

Net cash flows provided by investing activities was 2.67 million Baht, mainly due to Cash received from other long-term investments and Cash received from interest income.

Net cash flows provided by financing activities was 871.17 million Baht, mainly due to Proceeds from share capital increase in amount of 2,300.42 million Baht and Cash paid for short-term borrowing in amount of 1,500.00 million Baht.

Nevertheless, In Q1/2019, net cash and cash equivalents increased by 511.34 million Baht.