

**Information on Acquisition of Asset and Connected Transaction of (IM2)  
Nok Airlines Public Company Limited**

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The Board of Directors' Meeting of Nok Airlines (the "Company" or "NOK") No. 2/2014 on 27 February 2014 has passed a resolution to approve the investment in a low-cost airline business ("JV Company") and to enter into the acquisition of assets of listed companies and the connected transactions; whereby the Company is considering either to invest in a new JV Company which is to be established in the future or to invest in an existing JV Company. However, the Company is considering this point for the best interest of the Company. In this regard, the Company will invest in the JV Company via a subsidiary which will be set up for this investment purpose ("NOK SPV"). Then, the Company will propose to the shareholders' meeting to approve the transactions. Details of the acquisition of assets and the connected transactions are as follows;

- 1) Approved the establishment of subsidiary company ("NOK SPV") and holding shares together with Mr. Patee Sarasin (shareholder, director and management of the Company). The Company and Mr. Patee Sarasin will hold shares in NOK SPV of not more than 49% (ordinary shares), and not more than 50% (preference shares) of the total authorized and issued shares of NOK SPV, respectively. The rest of shares in NOK SPV (preference shares) will be held by a natural person holding Thai nationality which is not a director, staff, or employee of the Company, spouse or minor child of such director, staff, or employee, including not a related person of the Company. The dividend for shareholders of preference shares is in consideration at fixed rate not more than 6% per annum of invested capital on cumulative basis. The meeting also approved the entering into the Joint Venture Agreement by the Company, NOK SPV, SCOOT PTE. LTD. ("SCOOT"), and a company established by the managements of the Company to invest in such venture ("Company A."). NOK SPV which is the Company's subsidiary and Company A. will invest in the JV Company aggregately of not more than 51% of the total authorized and issued shares of the JV Company. And SCOOT will invest of not more than 49% of the total authorized and issued shares of the JV Company. Company A. will invest in not more than 2% of the total authorized and issued shares of the JV Company. The Company will pay the investment in the JV Company amounted of THB 974.9 million out of the total initial investment of the JV Company at not more than THB 2,000 million. (the "Transaction 1").

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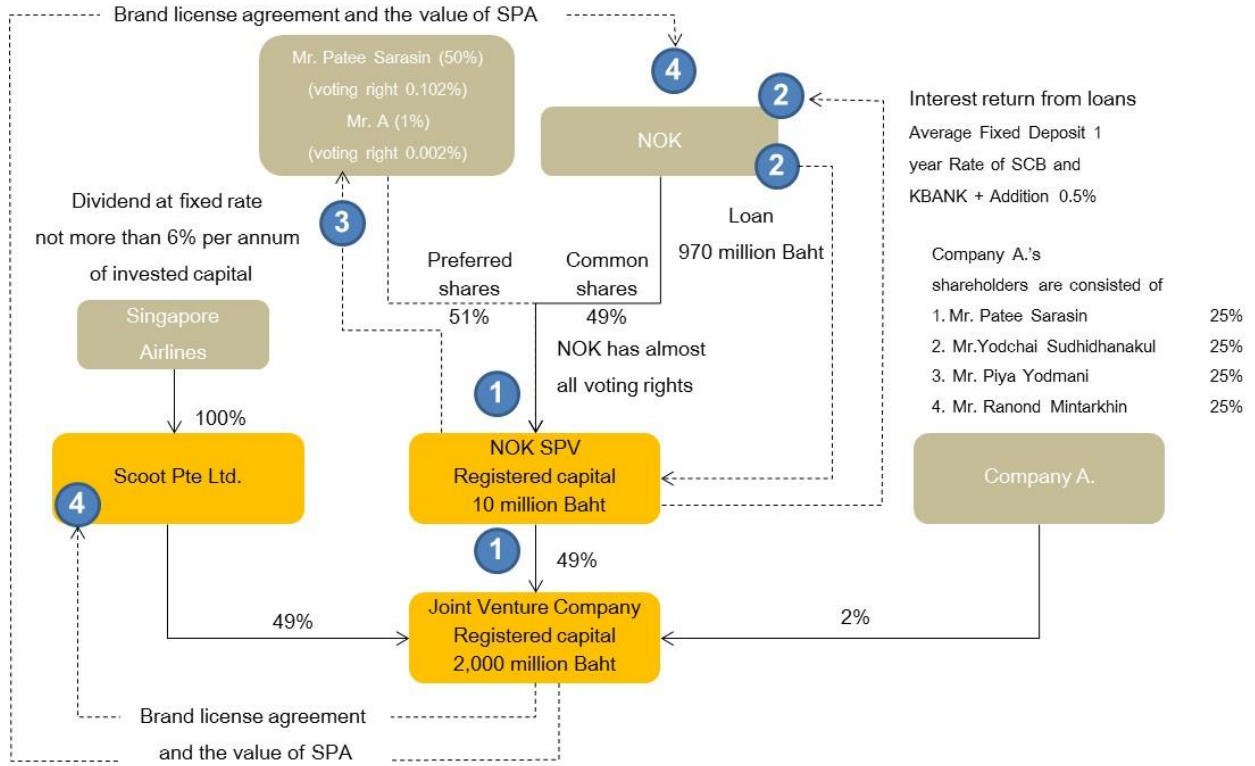
- 2) Approved to grant a loan to NOK SPV so that the Company is able to invest in JV Company via NOK SPV. The Company will grant a loan to NOK SPV in the amount of not more than THB 970 million. (the “Transaction 2”)
- 3) Approved NOK SPV to distribute return to preference shares’ shareholders as dividend at fixed rate of not more than 6 percent per annum of invested capital amounting of THB 5.1 million (the “Transaction 3”)
- 4) Approved the entering into the relevant agreements in relation to the investment in the JV Company, including, the Brand License Agreement, and the Special Prorate Agreement(s). After the Company has entered into the Joint Venture Agreement. The Company and/or NOK SPV will enter into the Brand License Agreement with SCOOT and the JV Company in order for the Company and/or NOK SPV and/or SCOOT and/or the JV Company to obtain the right to use name, brand, trademarks, service marks and/or any other marks of the Company and SCOOT. Additionally, the Company and/or NOK SPV will enter into the Special Prorate Agreement(s) with SCOOT and/or the JV Company for the purpose of determination a sharing of income or special prices from sale of air tickets with an aim to build and expand airline network for the JV Company; in this regard, the relevant parties will later agree in details. (the “Transaction 4”)

The details of acquisition of assets of listed companies and the connected transactions as follows;

**Part I: Information on Acquisition of Asset and Connected Transaction**

Transaction structure

(Translation)



**Transaction 1: The acquisition of assets in the JV Company**

**1) Date of transaction**

The Company will enter into the transaction upon the approval from the 2014 Annual General Meeting of the Shareholders, as at 9 April 2014.

**2) Parties Involved and their Relationships with the Company**

2.1 The establish of subsidiary NOK SPV

The parties involved in the establishment of NOK SPV

1. The Company
2. Mr. Patee Sarasin
3. Mr. A

Relationships with the Company

- Mr. Patee Sarasin is a shareholder of the Company representing 4% of the paid up capital of the Company, and director and management of the Company whereas holding of not more than 50% (preference shares) of the total authorized and issued shares of NOK SPV due to shareholding restriction of a shareholder in a company operating airline business according to aviation law; therefore it is necessary for NOK SPV to have natural person holding Thai nationality as shareholder of not less than 51%.
- Mr. A is a natural person holding Thai nationality which is not a director, staff, or employee of the Company, or spouse or minor child of such director, staff, or employee, including not a related person of the Company.

2.2 The entering into Joint Venture Agreement

The parties involved in the entering into the Joint Venture Agreement

1. SCOOT
2. NOK SPV
3. Company A.

Relationships with the Company

- SCOOT does not have any relationship and any connected with the Company
- NOK SPV is a subsidiary company and its shares will be held by the Company and Mr. Patee Sarasin of not more than 49% (ordinary shares) and not more than 50% (preference shares) of the total authorized and issued shares of NOK SPV, respectively. The rest of shares in NOK SPV (preference shares) will be held by a natural person holding Thai nationality who is not a director, staff, or employee of the Company, or

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spouse or minor child of such director, staff, or employee, including not a related person of the Company due to shareholding restriction of a shareholder in a company operating airline business according to aviation law.

- Company A, a company which its shares are held by Mr. Patee Sarasin, Mr. Piya Yodmani, Mr. Yodchai Sudhidhanakul who are director and/or management of the Company, and Mr. Ranond Mintarkhin in proportion of 25% each of the total authorized and issued shares of Company A. because of their experience and capability to operate and develop the JV Company.
- List of shareholders in Company A.

Name	NOK	Proportion in the Company A.
1. Mr. Patee Sarasin	4% shareholder, director and CEO (Management as defined by SEC)	25%
2. Mr. Piya Yodmani	Deputy CEO (Management as defined by SEC)	25%
3. Mr. Yodchai Sudhidhanakul	Chief Commercial Officer (Management as defined by SEC)	25%
4. Mr. Ranond Mintarkhin	Vice President – Revenue Management and Planning (Staff of the Company)	25%

### 3) General Characteristics of the Transactions

The Board of Directors' meeting no. 2/2014 on February 27, 2014 has a resolution to set up NOK SPV jointly owned up to 49% (ordinary shares) and 50% (preference shares) held by the Company and Mr. Patee Sarasin (shareholder, director and management of the Company) respectively. The rest of the shares (preference shares) is held by a natural person holding Thai nationality who is not a director, staff, or employee of the Company, or spouse or minor child of such director, staff, or employee, including not a related person to the Company. The shareholder of preference shares will receive cash dividends of which rate are fixed up to 6% per annum of invested capital on cumulative basis. The objective of setting up NOK SPV is to either establish and/or acquire shares and/or acquire business of the JV Company which will operate medium-haul and long-haul low-cost airline with international routes. The Joint Venture Agreement which will be entered into by the Company, NOK SPV, SCOOT and Company A. mutually defines characteristics of joint investment structure and business operation, management in the JV Company, right and duty, returns from the JV Company and compliance with related legal procedures. The Company and

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SCOOT will each invest in the JV Company of not more than 49% of the total authorized and issued shares. Company A. will invest in the JV Company of not more than 2% of the total authorized and issued shares. The Company will totally invest THB 974.9 million in the JV Company via NOK SPV which the investment consists of THB 4.9 million (the registered capital of NOK SPV is THB 10 million) and THB 970 million by way of loans to NOK SPV.

The total investment of the Company of THB 974.9 million accounts for the transaction size at 15.5% of total assets as at 31 December 2013 equivalent to THB 6,271.7 million. This transaction is classified as type 2 transaction under the Acquisition or Disposition Notification.

**Key Terms and Conditions of the Draft Joint Venture Agreement**

Parties	<ul style="list-style-type: none"><li>• SCOOT PTE. LTD. (“<b>SCOOT</b>”)</li><li>• NOK AIRLINES PUBLIC COMPANY LIMITED (“<b>NOK AIR</b>”)</li><li>• NOK SPV (“<b>NOK SPV</b>”)</li><li>• Company A. (“<b>Company A.</b>”)</li></ul>
Business of Joint Venture Company	Joint Venture Company shall carry on the business of an airline operating wide-body aircraft to provide flights primarily on international routes from Don Mueang airport in Bangkok, Thailand and other airports in Thailand, and other activities in relation thereto.
Share Capital	<ul style="list-style-type: none"><li>• The Parties agree to invest an aggregate share capital of THB 2,000 million in Joint Venture Company, to be injected in tranches and at such times as may be agreed.</li><li>• It is contemplated that Joint Venture Company will eventually have a project investment of THB 3,000 million.</li><li>• The shareholding proportion of SCOOT, NOK SPV and Company A. shall be 49:49:2 (respectively).</li></ul>
Board of Directors	The Board consists of 7 directors: 3 directors nominated by SCOOT, 3 directors nominated by NOK SPV, and 1 director nominated by Company A.
Issue of New Shares	<ul style="list-style-type: none"><li>• The shareholders shall have the first right to subscribe for any new or additional shares of Joint Venture Company.</li><li>• Each of the shareholders other than the non-subscribing shareholder shall have a right to subscribe for the shares of the non-subscribing shareholder. Any</li></ul>

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	shares not taken up by any shareholder may be taken up by any other shareholders.
Transfer of Shares	<ul style="list-style-type: none"><li>• If any shareholder wishes to transfer all or any of its shares, it shall first offer the shares to the other shareholders.</li><li>• Unless otherwise provided in the Agreement, the Parties shall not, without the unanimous agreement of the other Parties, transfer all or any of their shares during the Lock-Up Period, which is the period of 5 years.</li></ul>
Termination	This Agreement shall continue in force without limit in point of time until terminated in accordance with the provisions of this Agreement or by agreement of all shareholders in writing.
Governing Law	Save for any claim or dispute arising in relation to corporate governance or administration which shall be governed by the laws of Thailand, this Agreement shall be governed by, and construed in accordance with, the laws of England.

#### 5) Features of the Assets Acquired

JV Company purposes the Joint Venture Agreement which will conduct a low-cost airline business served international routes including medium-haul and long-haul by using wide body aircrafts.

The preliminary features of the joint venture are as follows:

- An Initial Investment Not over THB 2,000 million.
- Board of directors
  - SCOOT 3 persons
  - NOK SPV 3 persons
  - Company A. 1 person
- Shareholders
  - NOK SPV, a connected person of the Company, holding shares in the JV Company of 49%;
  - SCOOT, has no relationship and is not a connected person with the Company, holding shares the JV Company of 49%; and
  - Company A., a connected person of the Company, holding shares in the JV Company of 2%.

#### 5) Total Value of the Transaction and the Criteria for Determination of the Value for Consideration

The Company will invest in the JV Company of THB 974.9 million, dividing into registered capital in NOK SPV of THB 4.9 million (the registered capital of NOK SPV is THB 10 million) and loans of THB 970 million. The invested amount reflects the shareholding portion in the JV Company.

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The JV Company shall have initial investment of not more than THB 2,000 million. Moreover, the investment will affect the Company and/or NOK SPV to enter into the Brand License Agreement and the Special Prorate Agreement(s) which will be effective after the JV Company commences the operation and enter into the Cost Apportionment Letter.

#### 6) Transaction size

Calculation of transaction size is in accordance with Acquisition or Disposition Notification as follows:

Unit : THB million

Financials as of 31 December 2013	Company
Total Asset	6,271.7
<u>Deduct</u> Intangible asset	(54.1)
<u>Deduct</u> Total liability	(1,728.2)
<u>Deduct</u> Minority Interest	-
Net tangible asset (NTA)	4,489.4
Profit (Loss) attributable to stockholders of the parent company	1,065.9
Consideration value	
% shares	49

#### Acquisition transaction

Calculation basis	Calculation	Transaction size
1. Net Tangible Assets (NTA) Basis	Not applicable as Joint Venture Company has not operated	N/A
2. Net Profit Basis	Not applicable as Joint Venture Company has not operated	N/A
3. Consideration Value Basis	THB 974.9 million / THB 6,271.7 million	15.5%
4. Equity Share Value Basis	Not applicable as shares are not issued to make payment for this transaction	N/A
<b>Highest criteria</b>		<b>15.5%</b>



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### **Connected Transaction**

It is calculated from consideration value of THB 974.9 million divided by net tangible asset of the Company THB 4,489.4 million, which is equal to 21.7% of net tangible asset as of 31 December 2013. The transaction value is more than 3% of net tangible asset. Therefore, the transaction has to be approved by shareholders before entering into the agreement.

#### **7) Characteristics and scope of interest of connected person**

Please see details in 2) relationship with listed companies

#### **8) Expected Benefits from the Transaction**

Having entered into the Joint Venture Agreement by the Company and/or NOK SPV with SCOOT and the Company A., it will unlock new opportunities and enhance flexibility of investment. And the JV Company will be operated as a low-cost airline business for international route with Wide Body airplanes. Moreover, operating in new international routes will enhance new market opportunity for the Company, and partnering with SCOOT would give benefit to the Company as it can utilize know-how from SCOOT at lower amount of initial investment and promptly operate the business.

#### **9) Source of fund**

The Company will utilize cash flows generated from its current business to invest via NOK SPV in form of loans to its subsidiary.

#### **10) Conditions of the Transaction**

By successfully entering into this acquisition of assets and connected transaction, the 2014 Annual General Meeting of the Shareholders of the Company which will be held on 9 April 2014 must approve the Transaction with affirmative votes of not less than three-fourths of the total number of votes of the shareholders attending the meeting and having the right to vote, excluding the votes of the shareholders who have interest.

#### **11) Opinion of the Board of Directors**

The Board of Directors, excluding 3 interested director and/or management being connected persons who did not attend the meeting and had no voting right in this agenda, had taken the transaction into consideration and had opinion which are the Transaction is reasonable while the benefits towards the Company are enhanced. In additional, the Company shall experience long-

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term return. Thus, the Board of Directors has passed an unanimous vote to approve the investment in a business of low-cost airlines and to enter into the acquisition of assets of listed companies and the connected transactions; and approved to propose for approval to the Company's shareholders' meeting.

The interested directors had no voting right and did not attend the meeting and the interested management are as follows:

1. Mr. Patee Sarasin
2. Mr. Piya Yodmani
3. Mr. Yodchai Sudhidhanakul

**12) Opinion of the Audit Committee and/or Directors of the Company which is Different from the Board of Directors**

-None-

**13) Other information that may materially affect the decision of investors**

-None-

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**Transaction 2: Loan to NOK SPV**

**1) Date of Transaction**

The Company will enter into the transaction upon the approval from the 2014 Annual General Meeting of the Shareholders, as at April 9, 2014.

**2) Parties Involved and Relationship to the Listed Company**

Loaner	Nok Airlines Public Company Limited (“the Company” or “NOK”)
Loanee	NOK SPV, the subsidiary
Relationship with the listed company	Mr. Patee Sarasin, who is a shareholder representing 4% in NOK, director and management in the Company, holds 50% of (Preference Shares) in NOK SPV, a subsidiary of the Company

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**3) General Characteristics of the Transaction**

Details of financial subsidy as follows;

Types of Transaction:	Financial support provided to a subsidiary
Line of Credit:	Not more than THB 970 million
Interest Rate	Average Fixed Deposit 1 year Rate of SCB and KBANK + 0.5%, as at February 27, 2014 = 1.85% + 0.5%
Duration	10 years
Interest Payment term:	Annually
Principal Payment term	Total amount at 10 <sup>th</sup> year
Collateral:	None
Objective:	To set up and/or acquire shares and/or acquire business of a joint venture via NOK SPV

**4) Calculation of the Size of the Transaction**

Transaction size is accounted for 26.7% of net intangible assets as at 31 December 2013 which is higher than 3%. (Calculated by THB 970 million of loan + THB 227.9 million of Cumulative Interest Payment / THB 4,489.4 million of the Company's Net intangible assets) Therefore, this transaction needs approval from shareholder meeting before entering into the transaction.

**5) The value of consideration**

Line of credit amounted of 970 million THB with interest rate average Fixed Deposit 1 year Rate of SCB and KBANK + 0.5% as at 27 February 2014, equivalent to 1.85% + 0.5% with the objective to set up and/or acquire shares and/or acquire business of a joint venture via NOK SPV at duration of 10 years from the calculation in 4) mentioned above, having transaction value of 26.7% of net tangible assets which is above 3% of net tangible assets calculated from the financial statement ended 31 December 2013

**6) Details of characteristics and scope of interests of connected persons**

Refer to the detail in 2) "Parties Involved and Relationship to the Listed Company"

**7) Conditions that may affect Shareholders' Right**

- None -

**8) Source of Fund**

Internal cash flow from the Company's current operation to invest in NOK SPV in form of loans to its subsidiary.

**9) Condition of the Transaction**

The success of this connected transaction depends on the resolution of the 2014 Annual General Meeting of the Shareholders of the Company which will be held on 9 April 2014 to approve this transaction. The approval of this transaction must obtain not less than three fourth of total shareholders attending the meeting and having the right to vote, excluding the votes of the shareholders who have interest.

**10) Opinion of Board of Director on the Transaction**

According to the board of directors' opinions, excluding 1 interested director and/or connected person who did not attend the meeting and had no voting right in this agenda, this transaction is beneficial to the Company in the long run. Therefore, board of directors has a unanimous resolution to approve to grant the loan to NOK SPV to enable NOK SPV to establish and/or acquire shares and/or acquire business in the JV Company. Also, the board of directors will propose the Annual General Meeting of the Shareholders to consider approving the transaction later on.

The director who has interest and/or director who is a connected person does not attend the meeting and has no right to vote in the board of directors' meeting is:

1. Mr. Patee Sarasin

**11) Opinion of the Audit Committee and/or directors of the Company which is different from the board of directors**

- None –

**12) Other information that may materially affect the decision of investors**

-None-

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**Transaction 3: Distribution of return to preference shares' shareholders as dividend at fixed rate of not more than 6 percent per annum of invested capital amounting of THB 5.1 million**

**1) Date of Transaction**

The Company will enter into the transaction upon the approval from the 2014 Annual General Meeting of the Shareholders, as at April 9, 2014.

**2) Parties Involved and Relationship to the Listed Company**

Dividend payer	NOK SPV
Dividend receiver	Mr. Patee Sarasin
Relationship with the listed company	NOK SPV is the Company's subsidiary which has Mr. Patee Sarasin held preference shares of 50 percent of total issued shares of NOK SPV, which has voting right ratio of 1,000 preference shares equal to 1 vote. And Mr. Patee Sarasin also held 4 percent of the Company's shares.

**3) General Characteristics of the Transaction**

Details of dividend payment as follows:

Type:	Cumulative Preference Shares
Return:	Cumulative dividend at fixed rate of not more than 6 percent per annum of invested capital
Dividend Payment Condition:	Only in the year where dividends are declared and preference shares shall be entitled before ordinary shares
Voting right:	1,000 preference shares equal to 1 vote
Other matters:	Selling, Transferring, Assignment, Disposing by other means, Pledging or Creating any encumbrances on preference shares (Group B shareholders) are not permitted, unless a prior consent from all ordinary shares' shareholders (Group A shareholders).
Related person:	Mr. Patee Sarasin who holds 50,000 preference shares of NOK SPV's shares.

**4) Calculation of the Size of the Transaction**

- Transaction cannot be calculated -

(Translation)

**5) The value of consideration**

- Transaction cannot be calculated -

**6) Expected Benefits from the Transaction**

Distribution of return to preference shares' shareholders as dividend at fixed rate of not more than 6 percent per annum of invested capital amounting of THB 5.1 million is a distribution of return to a natural person holding Thai nationality who holds preference shares in NOK SPV in order for NOK SPV to comply with the aviation law; therefore, it is necessary for NOK SPV to have natural person holding Thai nationality as shareholder of not less than 51% to enable NOK SPV to establish and/or acquire shares and/or business in the JV Company.

**7) Characteristics and Scope of Interests of Connected Persons in the Transaction**

See details in 2) Relationship with the Listed Company

**8) Condition of the Transaction**

By successfully entering into this connected transaction, the 2014 Annual General Meeting of the Shareholders of the Company which will be held on 9 April 2014 shall approve the Transaction. In order to enter into the transaction, the Company shall seek approval from shareholders' meeting with affirmative votes of not less than three-fourths of the total number of votes of the shareholders attending the meeting and having the right to vote, excluding the votes of the shareholders who have interest.

**9) Opinion of the Board of Directors**

The Board of Directors, excluding 1 interested director and/or connected person who did not attend the meeting and had no voting right, had taken the transaction into consideration and had opinion which are the Transaction is reasonable while the benefits towards the Company are enhanced. In addition, the Company shall experience long-term return. Thus, the Board of Directors has passed a resolution to distribute return to preference shares' shareholders as dividend at fixed rate of not more than 6 percent per annum of invested capital and proposed to have the Transaction considered for approval by the Company's shareholders' meeting.

The interested directors had no voting right and did not attend the meeting is as follows:

1. Mr. Patee Sarasin

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**10) Opinion of the Audit Committee and/or Directors of the Company which is Different from the Board of Directors**

-None-

**11) Conditions that may affect Shareholders' Right**

- None -

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**Transaction 4: To approve the Company and/or NOK SPV enter into the Brand License Agreement with SCOOT and the JV Company and to approve the Company and/or NOK SPV enter into the Special Prorate Agreement(s) with SCOOT and the JV Company**

**1) Date of transaction**

The Company will enter into the transaction upon the approval from the 2014 Annual General Meeting of the Shareholder, as at 9 April 2014.

**2) Involved Parties and Relationship with Listed Company**

**1.1 Brand License Agreement**

Licensor: The Company and/or NOK SPV and SCOOT  
Licensee: The JV Company

Relationship with the Listed Company:

- NOK SPV, a subsidiary, the Company holds 49% of shares.
- The JV Company is jointly established and/or will be acquired by shares and/or business by SCOOT, NOK SPV and the Company A. with the shareholding portion of 49:49:2 in order to engage in the low-cost airline business for international routes.
- SCOOT has no relationship and is not connected person with listed company.

**1.2 Special Prorate Agreement(s)**

Licensor: The Company and/or NOK SPV and SCOOT  
Licensee: The JV Company

Relationship with the Listed Company:

- NOK SPV, a subsidiary, the Company holds 49% of shares.

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- The JV Company is jointly established and/or will be acquired by shares and/or business by SCOOT, NOK SPV and the Company A with the shareholding portion of 49:49:2 in order to engage in the low-cost airlines business for international routes.
- SCOOT has no relationship and is not connected person with listed company.

### 3) General Characteristics of the Transaction

#### 1.1 Brand License Agreement

The Brand License Agreement is entered into between the Company and/or NOK SPV, and/or SCOOT and/or the JV Company to obtain the right to use name, brand, trademarks, service marks and/or any other marks of the Company and SCOOT. The agreement is entered into between the Company and/or NOK SPV and SCOOT and the JV Company after the Company and/or NOK SPV enter into Joint Venture Agreement, the rate of service is charged at 0.5% of earning before tax.

#### 1.2 Special Prorate Agreement(s)

Special Prorate Agreement is entered into between the Company and/or NOK SPV, and/or SCOOT and/or the JV Company for the purpose of determination a sharing of income or special prices of the sale of air tickets with an aim to build and expand airline network for the JV Company; in this regard, the relevant parties will later agree in details.

### 4) Total Value of the Transaction and the Criteria for Determination of the Value for Consideration

#### Total Value of the Transaction

Brand License Agreement: Rate of service is charged at 0.5% of earning before tax.

Special Prorate Agreement(s): The relevant parties will later agree in details.

#### Transaction Size

Transaction size cannot be calculated, since both agreements will be effective after the JV Company operates.

### 5) Expected Benefits from the Transaction

By entering into the relevant agreements in relation to the investment in the JV Company, including the Brand License Agreement and the Special Prorate Agreement(s), the Company and/or NOK SPV and/or SCOOT and/or the JV Company shall obtain the right to use name, brand, trademarks,



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service marks and/or any other marks of the Company and SCOOT. Additionally, SCOOT and/or the JV Company can determine and negotiate a sharing of income or special prices of the sale of air tickets with an aim to build and expand airline network for the JV Company.

**6) Characteristics and Scope of Interests of Connected Persons in the Transaction**

See details in 2) Relationship with the Listed Company

**7) Condition of the Transaction**

By successfully entering into this connected transaction, the 2014 Annual General Meeting of the Shareholders of the Company which will be held on 9 April 2014 shall approve the Transaction. In order to entering into the transaction, the Company shall seek approval from shareholders' meeting with affirmative votes of not less than three-fourths of the total number of votes of the shareholders attending the meeting and having the right to vote, excluding the votes of the shareholders who have interest.

**8) Opinion of the Board of Directors**

The Board of Directors, excluding 3 interested director and/or management being connected person who did not attend the meeting and had no voting right, had taken the transaction into consideration and had opinion which are the Transaction is reasonable while the benefits towards the Company are enhanced. In additional, the Company shall experience long-term return. Thus, the Board of Directors has passed a resolution to enter into the Brand License Agreement and the Special Prorate Agreement(s), in order to have the JV Company to operate its business after the establishment and/or the acquisition of shares and/or business and proposed to have the Transaction considered for approval by the Company's shareholders' meeting.

The interested director had no voting right and did not attend the meeting and the interested management are as follows:

2. Mr. Patee Sarasin
3. Mr. Piya Yodmani
4. Mr. Yodchai Sudhidhanakul

**9) Opinion of the Audit Committee and/or Directors of the Company which is Different from the Board of Directors**

-None-

**10) Other information that may materially affect the decision of investors**

-None-

In this regard, the investment in a business of low-cost airlines as per details mentioned in Transaction 1, is an acquisition of assets of listed companies, The transaction value in aggregate is 15.5% calculated by Consideration Value method according to the Company's financial statements as of 31 December 2013, under the Notification of the Capital Market Supervisory Board No. TorJor. 20/2551 Re: Rules on Entering in to Material Transactions Deemed as Acquisition or Disposition of Assets and the Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition and Disposition of Assets B.E. 2547 (2004) (the "**Acquisition or Disposition Notification**")

However, the investment in a business of low-cost airlines as per details mentioned in Transaction 2 may considered a connected transaction, having the total value of the connected transaction according to the Company's financial statements as of 31 December 2013, equal to 26.7% of the Company's NTA which exceeds THB 100 million or 3% of the Company's NTA; according to the Notification of the Capital Market Supervisory Board No. TorJor. 21/2551 Re: Rules on Connected Transactions and the Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transactions B.E. 2546 (2003) (the "**Connected Transaction Notification**"). However, the entering into the Transaction 1 and Transaction 2 as mentioned above, which are connected transactions, having total maximum value of not exceeding 26.7% of the Company's NTA.

Therefore, to comply with the Acquisition or Disposition Notification, the transaction value of the transaction 1 is in the threshold between 15% but less than 50%, the Company; therefore, the Company shall disclose the information to the SET in accordance with the SET regulation regarding the acquisition and disposition of assets. However, for the transaction 2,3 and 4, to comply with the Connected Transaction Notification, the Company has to convene a shareholders' meeting for approval for entering into the transaction by the votes of not less than  $\frac{3}{4}$  of the total number of votes of the shareholders attending the meeting and having the right to vote, excluding the votes of the shareholders who have interest. In this regard, the Company is required to appoint the independent financial advisor to render opinions relating to such transaction whether it is reasonable and beneficial to the Company or not, as well as the appropriateness of the Transaction's price and conditions to the shareholders.

## **Part II: Company Information**

### **1) Business Overview**

Nok Airlines Public Company Limited operates a budget airline or Low-cost Airline providing domestic air transport services. Nok Air serves point-to-point routing by using single-aisle aircrafts with routing about 4 hours from main hub to destinations, including South Eastern Asia and a part of the Great of China. The Company provides flights from the main hub, which is located at Don Mueang International Airport and secondary hub located at Chiangmai International Airport to airports in other regions.

The Company is Low-cost Airline which has differentiated with others as follows:

#### **1. To provide the most coverage route in Thailand.**

With the kinds of aircrafts which are suitable with each route. The Company can provide the most coverage route both main route, second route. The Company is the one of provider new route continuously for 9 years. In order to provide the demand of passengers for all purpose, including business, visiting family and travelling, and to support economics growth in each provinces.

#### **2. The more convenience in distribution center both reservation channel and payment channel.**

Currently, the Company is low-cost Airline which has the most coverage and convenience means in reservation channel and payment channel

#### **3. The premium services to passengers.**

The Company is considered as the leading domestic budget airline with the most domestic route coverage and is the airline that has outstanding services which is in accordance with the Company's slogan "We fly Smiles". The Company provides free seat assignment, free snack and drinks In-flight and allowed minimum baggage weight without any additional charges.

As at 31 December 2013, the Company has totaling aircrafts 16 aircrafts which are 1) Boeing 737-800 14 aircrafts, 186 and 189 seats 2) ATR 72-500 2 aircrafts, 66 and 72 seats. Moreover, the Company is in corporate with business alliance, Siam General Aviation Co., Ltd. ("SGA") who operates with SAAB 340, 34 seats. SGA provides charter flight service for the uncrowned route. The Company has flexibility to adjust flight schedule appropriately with demand of passengers and also cost management efficiently.

## **Nature of Business**

Nok Airlines Public Company Limited operates as a budget airline or Low-cost Airline under the brand "Nok Air" providing domestic air transport services. Nok Air serves point-to-point routing by using single-aisle aircrafts. The Company has the most domestic route coverage and is the airline that has outstanding services which is in accordance with the Company's slogan "We fly Smiles". The Company provides free

(Translation)

seat assignment, free snack and drinks In-flight and allowed minimum baggage weight without any additional charges.

### **Business Trend**

The business objective of the Company is to maintain leader in LCC business by focusing on flight coverage over Thailand. And then, the Company plan to increase demanded flight in order to increase passengers convenience. In year 2012, the Company move the main hub operation from Suvarnabhumi International Airport to Don Mueang International Airport in accordance with government's policy to reduce crowded of Suvarnabhumi International Airport. The Company plan to service international flight with duration not more than 4.5 hours which will increase more coverage of passengers.

The business plan in next 3 years (within year 2015) will increase number of existing flights in current route which has high potential growth, and expand both international and local flights.

### **2) Shareholders Structure**

Top ten shareholders as at 30 September 2013 has details as below

<b>Shareholders</b>	<b>Number of Shares</b>	<b>% of Total Shares</b>
1. Thai Airways International Public Company Limited	245,000,000	39.2
2. Aviation Investment International Limited <sup>(1)</sup>	625,000,000	10.0
3. State Street Bank Europe Limited	39,886,200	6.4
4. Ladawan Capital Co.,Ltd <sup>(2)</sup>	30,000,000	4.8
5. The Siam Commercial Bank Public Company Limited	25,000,000	4.0
6. Mr. Patee Sarasin	25,000,000	4.0
7. Mr. Supapong Asvinvichit	23,560,000	3.8
8. SOMER (U.K.) Limited	10,221,000	1.6
9. Thai NVDR	6,740,200	1.1
10. Mr. Suwat Niyomsathien	6,074,400	1.0

Remark: (1) Aviation Investment International Co., Ltd. is held shares by Lombard Asia III L.P. fund at 100%  
(2) Ladawan Capital Co.,Ltd is held shares by Crown Property Bureau at 100%

(Translation)

### 3) Board of Directors

The Board of Directors of the Company as of 3 March 2014 is listed in the following table. The BOD consists of 10 persons which are representative of each group of shareholders;

Name - Surname	Position
1. Mr. Apiporn Pasawat <sup>(1)</sup>	Chairman and Director
2. Mr. Chokchai Panyayong <sup>(2)</sup>	Director
3. Mr. Teerapol Chotichanapibal <sup>(2)</sup>	Director
4. Mr. Niphon Hakimi <sup>(2)</sup>	Director
5. Mr. Surasak Khaoroptham <sup>(3)</sup>	Director
6. Mr. Patee Sarasin <sup>(4)</sup>	Director
7. Mr. Paroche Hutachareon	Independent director
8. Mr. Pimol Srivikorn	Chairman of audit committee and Independent director
9. Mr. Apichart Chirabandhu	Audit Committee and Independent director
10. Mr. Padungdej Indralak	Audit Committee and Independent director

Mr. Panya Chutisiriwong is a company secretary

Remark: \*Mr. Sorachak Kasemsuwan has resigned effective on dated 2 January 2014

(1) Representative from CPB Equity Co.,Ltd.

(2) Representative from Thai Airways International Public Company Limited

(3) Representative from Aviation Investment International Limited

(4) Representative as CEO

### 4) Management

Management of the Company as of January 1, 2014 is listed in the following table

Name – Surname	Position
1. Mr. Patee Sarasin	Chief Executive Officer
2. Mr. Piya Yodmani	Deputy Chief Executive Officer
3. Miss Nuanwan Bhuprasert	Chief Financial Officer
4. Mr. Yodchai Sudhidhanakul	Chief Commercial Officer
5. Captain Sanjai Boonma	Chief Operating Officer

(Translation)

## 5) Historical financial information for past 3 years

### 5.1 Financial Statements of the Company for the year ended December 31, 2011 - 2013

#### Financial status

Unit: million THB

Description	2011	2012	2013
<b><u>Assets</u></b>			
<b>Current Assets</b>			
Cash and Cash equivalents	197.10	246.46	565.43
Short-term investment	1,050.00	1,410.00	4,800.00
Accounts receivable – net	26.33	29.57	41.41
Other receivable	302.19	317.75	274.93
Inventory	4.65	3.74	10.93
Other current assets - net	276.64	89.98	331.34
<b>Total current assets</b>	<b>1,856.90</b>	<b>2,097.51</b>	<b>6,024.04</b>
<b>Non-current assets</b>			
Long-term investment	4.47	5.29	5.97
Equipment – net	70.59	80.69	92.59
Intangible assets - net	37.61	33.53	54.09
Assets deferred tax	26.64	18.20	19.14
Other non-current assets	19.61	16.82	75.81
<b>Total non-current assets</b>	<b>158.92</b>	<b>154.52</b>	<b>247.61</b>
<b>Total assets</b>	<b>2,015.82</b>	<b>2,252.03</b>	<b>6,271.65</b>
<b><u>Liabilities</u></b>			
<b>Current liabilities</b>			
Accounts payable	517.05	419.86	410.53
Other payable	483.40	683.70	1,033.64
Corporate income tax payable	26.75	-	6.41
Provision for maintenance liabilities (short-term)	37.70	102.11	64.77
Provision for promotion liabilities	60.62	34.27	39.02
Other current liabilities	19.36	30.98	26.39
<b>Total current liabilities</b>	<b>1,144.88</b>	<b>1,270.92</b>	<b>1,580.77</b>
<b>Non-current liabilities</b>			
Employee benefits	73.50	91.21	109.15
Provision for maintenance liabilities	-	1.77	38.32
<b>Total non-current liabilities</b>	<b>73.50</b>	<b>92.98</b>	<b>147.47</b>
<b><u>Shareholders' equity</u></b>			
Issued and paid up share capital	500.00	500.00	625.00
Premium	-	-	3,042.49
Retain earnings	297.44	388.12	875.93
<b>Total shareholders' equity</b>	<b>797.44</b>	<b>888.12</b>	<b>4,543.42</b>
<b>Total liabilities and equity</b>	<b>2,015.82</b>	<b>2,252.03</b>	<b>6,271.65</b>

(Translation)

## Comparative Income Statement

Unit: million THB

Description	2011	2012	2013
<b>Revenue</b>			
Passenger Revenue	5,749.27	7,821.38	10,542.00
Services Revenue	289.89	396.23	637.76
Interest income	32.94	40.68	106.47
Other income	5.26	1.27	28.51
<b>Total Revenue</b>	<b>6,077.36</b>	<b>8,259.56</b>	<b>11,314.73</b>
<b>Expenses</b>			
Operating expenses and costs of services	5,301.27	7,175.32	9,478.38
Selling Expenses	197.74	229.95	251.83
Administrative Expenses	286.24	334.42	485.04
<b>Total Expenses</b>	<b>5,785.25</b>	<b>7,739.68</b>	<b>10,215.24</b>
Profit before Income Taxes Expenses	292.11	519.88	1,099.49
Net Income Tax Expenses	92.29	15.19	33.40
<b>Profit for the periods</b>	<b>199.82</b>	<b>504.68</b>	<b>1,066.10</b>
<b>Other comprehensive income (loss) for the periods</b>	<b>-</b>	<b>-</b>	<b>9.21</b>
<b>Total Comprehensive Income for the periods</b>	<b>199.82</b>	<b>504.68</b>	<b>1,075.31</b>

## Cash Flow Statement

Unit: million THB

Description	2011	2012	2013
Cash Flow from Operating Activities - net	320.46	843.54	1,138.00
Cash Flow from Investing Activities - net	(372.48)	(379.94)	(3,411.46)
Cash from Financing Activities - net	(100.00)	(414.00)	2,579.99
Effect from Exchange rate in Cash and Cash equivalent	0.21	(0.24)	12.45
Increase (Decrease) in Cash and Cash equivalent - net	(151.81)	49.36	318.98
Cash and Cash equivalent – Beginning of Year	348.91	197.10	246.46
Cash and Cash equivalent – End of Year	197.10	246.46	565.43

## 5.2 Management Discussion and Analysis (MD&A)

### Operating Results

In 2013, The Company had experienced several significant events. Firstly, the Company was listed in the Stock Exchange of Thailand on 20<sup>th</sup> June 2013 in the Transportation and Logistics sector under Services Industry. While in the business operation, there was a complete change of Jet fleet from Boeing 737-400 to Boeing 737-800. All Boeing 737-400 were returned to the lessors in the mid-year 2013 due to end of lease agreement, and the additional 6 Boeing 737-800 aircrafts were delivered into fleet. Consequently, the Available Seat Kilometers (ASK) significantly increased for the second year in a row by 29.9 and 45.7 percent in 2012-2013, respectively.

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An increase of ASK was in accordance with the Company business plan which would enhance flight services for both international and domestic flights in order to support air travel demand that tends to grow continuously. During 2011-2013, the compound annual growth rate (CAGR) of domestic passengers in Thailand was 20.4 percent.

According to the results of operations, the Available Seat Kilometers (ASK) increased 45.7 percent to 4,247.1 million seat-kilometers compared to the previous year and the Revenue Passenger Kilometers (RPK) increased of 3,567.4 million seat-kilometers or 45.3 percent over the prior year. In addition, The Company was able to maintain cabin factor at 84.0 percent which was over than 80.0 percent for the fourth year in a row. For the year 2013, the average fare was 1,788 Baht per passenger per sector, decreasing by 5.1 percent from the year earlier due to competitive market regarding the capacity expansion of domestic market. Moreover, the political unrest in the fourth quarter of 2013 moderately impacted on the Company's performance as it occurred during high season.

Therefore, the operation result of the year 2013 grew greatly over the previous year that is the total revenue increased by 37.0 percent from 8,259.6 million Baht to 11,314.7 million Baht; the total expense rose 32.0 percent from 7,739.7 million Baht to 10,215.2 million Baht. The growth rate of the total expense was at the lower rate than that of the total revenue as the Company was able to reduce cost through replacing more efficient aircraft fleets and the economy of scale of the fixed cost and of the selling and of administrative expenses. Besides, the Company paid the corporate income tax by 33.4 million Baht or 3.0% of earnings before income tax due to the corporate income tax exemption under Thailand Board of Investment (BOI) privileges on jet aircraft (Boeing 737-800) and the turbo propellers (ATR 72-500). For the year 2013, the net profit of the Company was 1,066.1 million Baht and its total comprehensive income totaled 1,075.3 million Baht.

### **Passenger Revenues**

The revenue from scheduled flights was considered as the primary revenue of the Company. In 2013, its revenue from scheduled flights was 10,282 million Baht or 90.9 percent of the total revenue, which rose 34.7 percent over the prior year. An increase of the scheduled revenue was due to the growth of the scheduled revenue in the primary routes, secondary routes, and feeder routes. The revenue of the primary routes was the main passenger revenue, at which account for 71.7 percent of total passenger revenues.

Moreover, the Company launched three new international routes in the 3<sup>rd</sup>-4<sup>th</sup> quarter of 2013, including Mae Sot-Mawlamyine, Mae Sot-Rangoon, and Bangkok-Rangoon, of which passenger revenue was 23.8 million Baht.

An increase of the scheduled flights revenue from the previous year was a result from the fleet expansion, fleet modernization, adding new routes and increase in flight frequencies. Therefore, the Company's Available Seat Kilometers (ASK) for the year 2013 was 4,247.1 million seat-kilometers, increasing 45.6 percent from the year earlier. In addition, the Company was able to maintain 84.0 percent of cabin factor in 2013. The average passenger revenue was 1,788 Baht per passenger per flight and the passenger yield was 2.96 Baht per passenger-kilometers.

In 2013, the revenue from charter flights was 260 million Baht, 39.0 percent increase over the previous year. This revenue have grown continuously since 2012, as the Company expand the charter services to international destinations, particularly, the routes between Don Mueang and cities in the People's Republic of China.



(Translation)

### Service Revenues and Other Revenues

The Company gained its major services revenue from changes fees, excess baggage fees, booking and payment fees, cargo fees and travel insurance fees. In the year 2013, Company's service revenue is equivalent to 637.8 million Baht, increased by 61 percent from the previous year due to the expansion of capacity, as well as adjustment of service fees to increase service revenues such as excess baggage, processing fees etc. Passenger services revenue increased from 95.33 Baht to 108.19 Baht per person; while, other revenues are equivalents to 134.9 million Baht, which increased at 221.6 percent from the previous year. Other revenues mainly came from interest income from short-term investment of excess cash.

### **EXPENSES AND PROFIT ANALYSIS**

Modernizing the fleet decreased aircraft-related expenses such as aircraft maintenance expenses and led to less fuel consumption per seat comparing to the old fleet; resulting in the decreased of operating cost. In 2013, Company's total expenses was 10,215.2 million Baht or 32.0 percent which increased from the year 2012. Comparison details of the Company expenses for year 2012 and 2013 are as follows:

### **OPERATING COST STRUCTURE**

	2012		2013		Change	
	Mil. THB	%	Mil. THB	%	Mil. THB	%
<b><u>Variable Costs</u></b>						
Fuel Cost	2,694.5	34.9	3,473.6	34.0	775.66	28.7%
<b><u>Other Variable Costs</u></b>						
Aircraft maintenance Expense	1,276.4	16.5	1,787.6	17.5	511.16	40.0%
Airport fees	352.3	4.6	464.1	4.6	111.78	31.7%
Airport service fees expenses	339.7	4.4	426.9	4.2	87.17	25.7%
Lease for Chartered flight	298.5	3.9	384.0	3.8	85.50	28.6%
Total Other Variables costs	863.7	11.2	885.2	7.3	-114.65	-13.3%
<b>Variable Costs</b>	<b>5,828.6</b>	<b>75.3</b>	<b>7,421.3</b>	<b>72.7</b>	<b>1,592.72</b>	<b>27.3%</b>
<b><u>Fixed Cost</u></b>						
Aircraft operating lease expense	769.5	9.9	1331.4	13.0	561.90	73.0%
Personnel and Station expense	423.4	5.5	585.8	5.7	162.40	38.4%
Aircraft insurance fees	96.0	1.2	75.2	0.7	-20.80	-21.7%
Aircraft delivery and redelivery	55.2	0.7	62.4	0.6	7.20	13.0%
Other fixed costs	2.6	0	2.3	0.0	-0.30	-11.5%
<b>Total fixed costs</b>	<b>1,346.7</b>	<b>17.4</b>	<b>2,057.1</b>	<b>20.1</b>	<b>710.35</b>	<b>52.7%</b>
<b>SG&amp;A expenses</b>	<b>564.4</b>	<b>7.3</b>	<b>736.9</b>	<b>7.2</b>	<b>172.47</b>	<b>30.6%</b>
<b>Total Operating Expenses</b>	<b>7,739.7</b>	<b>100.0</b>	<b>10,215.2</b>	<b>100.0</b>	<b>2,475.54</b>	<b>32.0%</b>

(Translation)

### Business Ratio: (Unit Cost)

	2012	2013	Change	
	Baht/seat/km.	Baht/seat/km.	Baht/seat/km	%
Cost per Available Seat-Kilometer (CASK)	2.65	2.39	-0.26	-9.8%
Variable cost per Available Seat Kilometer (VC/ASK)	2.00	1.74	-0.26	-12.7%
Variable cost excluding fuel expense per Available Seat-Kilometer (VC exc. fuel/ASK)	1.07	0.93	-0.14	-13.7%
Fuel expenses per Available Seat-Kilometer (Fuel/ASK)	0.92	0.82	-0.10	-11.5%
Fixed cost per Available Seat Kilometer (FC/ASK)	0.46	0.48	0.02	4.9%
Selling, General and Administrative Expense per Seat-Kilometer (SG&A/ASK)	0.19	0.17	-0.02	-14.6%

The Company was able to manage cost and expenses more efficiently in 2013, resulting from change of fleets, economy of scale and expenses control. Total costs and expenses were amounted to 10,215.2 million Baht which increased by 31.5 percent from the year 2012. Cost per Available Seat-Kilometer (CASK) was 2.39 Baht/seat/Km decreased from 2.65 Baht/seat/Km. or 9.8 percent decrease from the previous year. However, fleet change in 2012 generated redelivery expenses at the amount of 247.4 million Baht, which was recorded as one time expense item causing CASK ratio in 2012 to be quite high. If the aforementioned expense was excluded CASK will be at 2.57 Baht/seat/Km in 2012.

- Fuel Cost was the main operating cost. In 2013, it was 3,473.6 million Baht or increased 28.7 percent comparing to the previous year, resulting from fleet expansion and increased in flight frequency. However, fuel cost per available seat per kilometer (Fuel/ASK) decreased by 0.82 Baht/seat/km. or 11.5 percent comparing to last year. This is due to the decreased in Jet fuel price, decreasing from 127.4 US Dollar per barrel in 2012 to 121.8 US Dollar per barrel in 2013. Moreover, in 2013 Thai Baht appreciated to 30.83 Baht per US Dollar or 1.2 percent comparing to 2012, causing fuel cost per unit decrease because jet fuel price was determined in US Dollar but settlement between Thai entities was made in Thai Baht.
- Other variable cost for the year 2013 is equivalent to 7,421.3 million Baht or increased 27.3 percent comparing to last year. Considering on the variable cost per ASK (VC/ASK) for year 2012, the cost decreased from 2.00 Baht/seat/km to 1.74 Baht/seat/km or decreased 12.7 percent as comparing with the previous year, effecting from the expansion in capacity, increase seat per aircraft and longer stage length.
- Fixed Cost for 2013 was 2,057.1 million Baht or 52.7 percent increase, while fixed cost per ASK (FC/ASK) was 0.48 Baht/seat/km, which increased 4.9 percent comparing to previous year. Main contribution to increase in fixed cost was higher aircraft lease rate as the Company was leasing the younger fleet comparing to previous year. The company was leasing one new aircraft, the other 15 were used aircraft.
- Selling and Administrative Expense was 736.9 million Baht, increased at 30.6 percent. Selling and administrative expense per ASK tended to decrease from the previous year. The Company's selling and administrative expense per ASK was at 0.17 Baht/seat/km decreased 14.6 percent

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from the previous year, as the Company benefits from economies of scale in operation and was able to control selling and administrative to be more efficient.

## **OPERATING PROFIT AND NET PROFIT**

Operating profit of the year 2013 increased to 1,099.4 million Baht or 111.5 percent year on year. Increase in profitability was mainly due to cost efficiency especially fuel cost which is a largest proportion of cost structure. Fuel cost per ASK decreased from 0.92 Baht/seat/Km. in 2012 to 0.82 Baht/seat/Km. in 2013 or decreased 11.5 percent year on year.

The Company's corporate income tax was 33.4 million Baht which account for 3.0 percent of Earnings before Tax. Saving in corporate income tax resulted from investment promotion privilege from Thailand Board of Investment (BOI) for the entire fleet both jet (B737-800) and turbo propeller (ATR72-500).

The total comprehensive income was 1,075.31 million Baht or 9.5 percent profit margin. It increased 113.0 percent year on year. Profitability growth was mainly due to production expansion which is 45.2 percent increasing in Available Seat-Kilometer year on year while the Company was able to maintain high level of passenger cabin factor at 84 percent and gained passenger yield 2.96 Baht/passenger/kilometer. Moreover, unit cost (CASK) decreased significantly from 2.65 Baht/seat/kilometer in 2012 to 2.39 Baht/seat/kilometer in 2013 which decrease 9.8 percent year on year.

## **FINANCIAL POSITION ANALYSIS**

### **ASSETS**

As 2013 year end, total asset was 6,271.7 million Baht which increased 178 percent year on year, mainly due to fund raising for initial public offering with cash received from capital increase of 3,250 million Baht. The Company will use the proceeds of IPO for aircraft procurement and working capital in the business. Part of the proceeds from IPO was used as a deposit of aircraft procurement and the rest was temporary investment. Therefore, most of the assets are in form of cash and cash equivalents and temporary investments in the amount of 565.4 and 4,800 million Baht, respectively. Besides, aircraft deposit both jet and turbo propeller was 367 million Baht (including current and non-current assets) which increased from the previous year at 287.3 million Baht. These deposit were for the aircrafts delivered in 2014 onwards.

The trade receivables increased 40 percent year on year, from 29.6 million Baht in 2012 to 41.4 million Baht in 2013, due to the expansion of business. The balance of trade receivables belonged to corporate clients with credit terms, such as government authorities, Member of Parliament and public and private companies. However, in 2013, the allowance of doubtful debt was recorded at the amount of 18.9 million Baht or 0.18 percent of passenger revenues, resulting from the overdue of more than 12 months. Other receivables are prepaid expenses, advance payment for aircraft maintenance and accrued revenues, these items occurred from normal course of business transaction with the total of 274.9 million Baht, decreased 13.5 percent year on year.

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For non-current asset, the Company invested on equipment and intangible assets (computer program), the equipment net increase was at 11.9 million Baht (14.7 percent increase) to 92.6 million Baht. Mostly are investment in computer programs, tools and equipment for aircraft maintenance, office supplies. For computer programs net increase at 20.6 million Baht, mostly are for Microsoft Office copyrights.

## **LIABILITIES**

Company liabilities as of December 31, 2013 was 1,728.2 million Baht, 26.7 percent increased year on year and still in accordance with Company normal business transactions. Main contributor of the increase was unearned income from advanced reservation, which was 613 million Baht or 184.6 million Baht (43 percent) increased from previous year. This is due extended period of advance booking and continuously marketing campaign to stimulate sales. Accrued expenses increased 68 percent year on year, from 156 million Baht to 385.5 million Baht, while the trade payables slightly decreased at 2.2 percent to 410.5 million Baht.

Provisions on aircraft maintenance consisted of 2 parts which are (1) Current liabilities: a reserve for heavy maintenance (C-Check) at the amount of 64.8 million Baht; decreased 37.3 million Baht or 36.6 percent year on year and (2) Non-Current Liabilities: to reserve for aircraft redelivery expenses, which the accounting policy had been changed in 2013. The former accounting policy, which recorded redelivery cost one time only when the aircraft were redelivered to lessors, had been changed to gradually record the reserve along the lease period until aircraft lease agreement maturity. As of the end of 2013, the total amount was 38.3 million Baht increased from 1.8 million Baht in 2012.

Provisions on promotion privilege increased 4.8 million Baht or 13.9 percent into 39.0 million Baht. This was a reserve for the privilege of bonus points which will be redeemed Nok Fan Club rewards. The reserve increased as rising of the number of members. The main privilege for members to redeem are Nok Air ticket. The Company offered marketing promotion in redeeming points into other goods and services from time to time.

As of 2013, the Company recorded employees benefit obligation reserve at the amount of 109.1 million Baht, increased 17.9 million Baht or 19.7 percent year on year, resulting from higher number of employees and increased in the year of services of employee.

The Company had off-balance sheet liabilities such as aircraft operating lease rent, office space rent, leasehold improvement and car rental fees. As of December 31, 2013, off-balance sheet liabilities expenses within 1 year period is equal to 1,616.4 million Baht, within 1-5 years is equal to 6,346.1 million Baht and exceed 5 years is equal to 3,315.1 million Baht.

## **SHAREHOLDERS' EQUITY**

The Company increases registered capital and paid-up capital from 500 into 625 million Baht by IPO on June 20, 2013 and decreased par value of 10 Baht per share to 1 Baht per share. As of the end of 2013, Company's total shareholders' equity is at 4,543.4 million Baht, which increased from the previous year at 3,655.3 million Baht. The shareholders' equity consisted of registered capital at 625 million Baht, premium

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on share capital at 3,042.5 million Baht, legal reserved of 62.5 million Baht and unallocated of 813.4 million Baht. The Company also paid a total dividend of 587.5 million Baht; separated into interim dividend payment of 337.5 million Baht and annual dividend of 250 million Baht.

## **STATEMENT OF CASH FLOWS ANALYSIS**

In the year 2013, the company gained operating cash flow of 1,138.0 million Baht, cashflow used in investing activities of 3,411.5 million Baht, cashflows from financing activities at 2,580.0 million Baht and amounted with the effects from exchange rate in cash and cash equivalents at 12.5 million Baht. The total of cash and cash equivalents increased 318.9 million Baht causing the last quarter of the year to have cash and cash equivalents of 565.4 million Baht.

### **Cash Flow from Operating Activities**

Company's profit for the period was 1,066.1 million Baht, Adjustment to reconcile profit for the period to net cash was 133.5 million Baht, including Asset and Net Operating Liabilities utilized in operating activities was 61.6 million Baht. The total cashflow received from operating activities was 1,138 million Baht.

Asset and operating liabilities received was 472.8 million Baht which derived from increased in unearned income 184.6 million Baht, increased in accrued expenses 157.1 million Baht, Other account receivable decreased 90.7 million Baht and other items with a total of 40.4 million Baht. Asset and operating liabilities used was 534.4 million Baht, such as increased in aircraft deposit at 271 million Baht, aircraft maintenance expense 121.4 million Baht, account payable decreased 38.7 million Baht, account receivable – other activities increased 31 million Baht, income tax expense 28.2 million Baht, employees benefit 11 million Baht and other items with a total of 33.2 million Baht.

### **Cashflow from Investing Activities**

Temporary Investment are the main source of investing activities, which are short-term deposits with financial institutes. Details for the year 2013 were as follows: increase in temporary investment of 3,390 million Baht, equipment payment of 46.6 million Baht, purchase of intangible assets of 36.8 million Baht and additional purchase of long-term investment of 0.7 million Baht for the member fees of AEROTHAI, Aeronautical Radio of Thailand LTD.; due to the increasing number of flights the company offered. Sources of cashflow from investing activities include interest received 62.5 million Baht and cash inflow from sales of assets 0.13 million Baht. The total cashflow used in investing activities was at the amount of 3,411.5 million Baht.

### **Cashflow from Financial Activities**

The Company has cash received from capital increased at the amount of 3,250 million Baht and cash outflow which are 587.5 million Baht of dividend payment and 82.5 million Baht of expense on public offering of common stock. The total amounted of cashflow from financial activities was 2,580 million Baht.

## **6. Related Party Transaction**

The related transactions with connected person, directors, management and shareholders who directly and indirectly hold the Company shares more than 10%, for the year ended 2013 are as follows.

(Translation)

**Related Party Transaction**

Person/Juristic person who might have conflict of interest/relationship	Nature of Transaction	Transaction Value (Million Baht)		Reasonability and Necessity of Transaction
		2012	2013	Audit Committee Comment
<p><b>Thai Airways International PCL (“THAI”)</b>  <u>Nature of Business</u>                      THAI is a full service airline provider</p> <p><u>Relationship</u>                      Major shareholder who holds the Company’s shares of 39.2% of the Company’s shares as of December 31, 2013                      As of December 31, 2013 THAI’s representatives in the Board of Director of the Company are as follows;                      Mr. Sorachak Kasemsuwan                      Mr. Chokchai Panyayong,                      Mr. Theerapol Chotichanapibal</p>	<p><b>1. Expense</b>  <u>1.1 Aircraft rental</u>                      During 2013, the Company has an operating lease agreement with THAI for one Boeing 737-400 and two ATR 72-200 for operating an airline business.                      - Rental expense</p> <p><u>1.2 Repair and maintenance expense</u>                      THAI is an aircraft maintenance provider for the Company’s aircrafts leased from THAI                      - Repair and maintenance expense</p>	<p>137.7</p> <p>258.6</p>	<p>27.5</p> <p>87.4</p>	<p>Aircraft rental from THAI is considered as a necessary transaction since this type of fleet matched with the Company’s business model. Also, the leasing fee is quoted on par with the market rate. The Company had returned all the leased aircrafts to THAI since 2<sup>nd</sup> quarter of the year 2013 and start renting aircrafts entirely from the external lessor.</p> <p>THAI is one of the few operators that owns repair and maintenance license for the specified aircraft. Thus, the Company needs to receive a maintenance service from THAI. Also, repair and maintenance expense are charged at market rate. After the returned of all the leased aircrafts to THAI since 2<sup>nd</sup> quarter of 2013, the Company no longer hire repair and maintenance service from THAI and start hiring from the external service provider.</p>

(Translation)

Person/Juristic person who might have conflict of interest/relationship	Nature of Transaction	Transaction Value (Million Baht)		Reasonability and Necessity of Transaction  Audit Committee Comment
		2012	2013	
	<p><u>1.3 Ground handling and catering for passengers, pilots, and crews</u> Expenses on Ground handling services in the station, where the normal service provider of the Company does not have enough equipment. This also includes ground handling service at Suvarnabhumi International Airport where the Company temporary move to operate during the period of flooding crisis in 2011.</p> <ul style="list-style-type: none"> <li>- Ground handling expenses</li> <li>- Catering Expenses</li> <li>- Passenger shuttle bus expenses</li> </ul>	15.6 12.9 10.7	6.9 None 0.2	Such transaction is necessary in operating the Company business. Due to the flooding crisis, the Company has moved its operation base to Suvarnabhumi Int'l Airport, where the Company has no readiness to support its operation by its own facility. Thus, it is necessary to use the service from THAI, who has a full facility and home base at Suvarnabhumi. Also, the rate is at to the market price
	<p><u>1.4 Other expenses</u> Other services provided by THAI i.e. training, insurance premium on fleets leased from THAI</p> <ul style="list-style-type: none"> <li>- Other expenses</li> </ul>	10.7	12.9	Such transaction is necessary in operating the Company business. If the Company operates at its own expense, such expenses would be higher
	<p><b>2. Revenue</b></p> <p><u>2.1 Ticket</u> Revenue from tickets sold through THAI under code share agreement</p> <ul style="list-style-type: none"> <li>- Passenger revenue</li> </ul>	2.40	0.71	The Company has entered in code share agreement with THAI in order to expand its distribution channel. In addition, the ticket price is not lower than the rate of other passengers
	<p><u>2.2 Other revenue</u> Ground Aircraft Handling and license engineer service to THAI</p> <ul style="list-style-type: none"> <li>- Other revenues</li> </ul>	9.5	12.6	THAI hires the Company for a ground handling at airports that THAI does not have its own staffs. And, the rates are based on market prices.
	<p><b>3. Account payable</b></p> <p><b>4. Account Receivable</b></p> <p><b>5. Liability on rental and service expense according to the agreement</b></p>	94.0 1.5 36.0	55.5 1.3 36.0	
<b>Don Mueang International Airport</b>				

(Translation)

Person/Juristic person who might have conflict of interest/relationship	Nature of Transaction	Transaction Value (Million Baht)		Reasonability and Necessity of Transaction
		2012	2013	Audit Committee Comment
<p><b>Hotel Co., LTD. (“Airport Hotel”)</b>  <u>Nature of Business</u>  Airport Hotel operates hotel under Amari brand which is located nearby Don Mueang International Airport</p> <p><u>Relationship</u>  THAI is a major shareholder of the Company and has the authority to control Airport Hotel by holding 40.0% shares.</p>	<p><u>Accommodation</u>  The Company uses the services of Airport Hotel for the provincial employees who travel to Bangkok for company’s training</p> <ul style="list-style-type: none"> <li>- Accommodation expense</li> <li>- Payable on accomodation</li> </ul>	<p>0.7</p> <p>0.3</p>	<p>1.2</p> <p>0.2</p>	<p>The Company uses the services of Airport Hotel for the provincial employees who travel to Bangkok for company’s training</p> <p>Airport Hotel is the hotel that is located near Don Mueang and has a walkaway that leads directly to the terminals and company’s office, which is convenient for its employee and cost saving. Moreover, Airport Hotel offers the lowest rate comparing to other hotels nearby.</p>
<p><b>Thai Flight Training Company Limited</b>  <u>Nature of Business</u>  THAI Flight Training provides aviation training services.</p> <p><u>Relationship</u>  THAI is a major shareholder of the Company and has the authority to control in Thai Flight Training by holding 49.0% shares.</p>	<p>Service fees</p> <ul style="list-style-type: none"> <li>- Training fees</li> </ul>	<p>None</p>	<p>0.6</p>	<p>Such transaction is necessary in operating the Company business. If the Company operates at its own expense, such expenses would be higher.</p>
<p><b>Dhipaya Insuarnc PCL (“Dhipaya”)</b>  <u>Business</u>  Dhipaya operates as an insurance company covering non-life insurance service; for example, fire, marine, motor, aviation, and miscellaneous</p> <p><u>Relationship</u></p>	<p><u>Insurance premium</u>  The Company pays insurance premium for its crews</p> <ul style="list-style-type: none"> <li>- Expense on insurance premium</li> </ul>	<p>89.5</p>	<p>49.1</p>	<p>The Company provides insurance for all of its crews with Dhipaya, which is a leading aviation insurance company in Thailand. Also, Dhipaya offers the lowest premium relative to other insurance companies according to the bidding process</p>



(Translation)

Person/Juristic person who might have conflict of interest/relationship	Nature of Transaction	Transaction Value (Million Baht)		Reasonability and Necessity of Transaction  Audit Committee Comment
		2012	2013	
One of the Company's directors, Mr. Somchainuk Engtrakul is a director of Dhipaya				
<p><b>GMM Grammy PCL (“Grammy”) and its subsidiary</b>  <u>Nature of Business</u>            Grammy is a full-service entertainment provider covering record label, radio and television business as well as distribute satellite box and movie production.</p> <p><u>Relationship</u>            Mr. Weerawong Chittmitrapap, who is a director of the Company (until 25 January 2013), is a director of Grammy</p>	<p><u>Publication Expense</u>            The Company hired GMM Grammy to procure artist and produce publication to be used in promotion activities.            - Artist and publication expense</p> <p><u>Concert artist and concert promotion expense</u>            The Company hired concert artist of Grammy to participate in the marketing campaign. Also, the Company provides sponsorship to the concert held by a subsidiary of Grammy            - Concert artist and concert expense</p>	None	1.6	Grammy's artists and concerts are all well-recognized in the Company's target customer. Also, the rate is not higher than the rate that Grammy charges to others.
<p><b>Berli Jucker PCL (“Berli Jucker”)</b>  <u>Nature of Business</u>            Berli is one of the largest producers and distributors of consumer goods such as snack, tissue, soap and etc.</p> <p><u>Relationship</u>            Mr. Weerawong Chittmitrapap, who is a director of the Company (until 25 January 2013), is a director of Berli Jucker</p>	<p><u>Passenger revenues</u>            Berli purchases tickets from the Company            - Revenue on ticket            - Receivable on ticket</p>	1.0 0.1	0.2 None	Passenger revenues received from Berli is under the normal business of the Company in terms of price and condition. Its pricing is comparable with The Company's corporate customer.

(Translation)

Person/Juristic person who might have conflict of interest/relationship	Nature of Transaction	Transaction Value (Million Baht)		Reasonability and Necessity of Transaction
		2012	2013	Audit Committee Comment
<p><b>Krungthai Car Rent And Lease PCL (“Krunghai Car Rent”)</b> <u>Nature of Business</u> Krunghai Car Rent is a car rental company for both short-term and long-term lease plan to corporate and retail customers <u>Relationship</u> Ms. Supaporn Chittmittrapap, who is a spouse of Mr. Weerawong Chittmittrapap, a director of the Company (until 25 January 2013), is a director of Krunghai Car Rent.</p>	<p><b><u>Car rental</u></b> Expense for car rental utilized in giving services around aircraft parking area. - Car rental expense - Payable on car rental expense</p>	<p>1.3 0.1</p>	<p>0.4 None</p>	<p>The Company has entered in to the car rental agreement for using in the airport since 2005. Krunghai Car rent is the service provider that proposed the best price and offer.</p>

(Translation)

## 7. Summary of key contract in the past 2 years

### 7.1 Aircraft Operating Leasing Contract

As of December 31 2013, there are 2 fleet types, a total of 16 aircrafts, comprising of Boeing 737-800 and ATR 72-500. As of the end of 2013, all aircrafts are leased in the form of Dry Lease or leasing only the aircraft which excluded pilot and cabin crew. Also, the average age at the inception date of leased aircrafts is between 0-12.4 years. The Company had made Operating Lease contract with leased term ranging from 7-12 years. The Company has recorded aircraft rental as monthly expense in statement of comprehensive income, and does not record in statement of financial position. All aircrafts are registered in Thailand, by leasing from several foreign lessors.

The following table shows information of Nok Air's fleet as of December 31, 2013

	Type	Registration No.	Lessors	Inception Date	End Date	Lease Term (Month)	Age at the Inception Date (Years)
1.	Boeing 737-800	HS-DBA	SMBC Aviation Capital (UK)	25 October 11	24 October 18	84	6.9
2.	Boeing 737-800	HS-DBB	SMBC Aviation Capital (UK)	7 November 11	6 November 18	84	6.9
3.	Boeing 737-800	HS-DBC	Trojan Aircraft Leasing (France) SARL	24 November 11	23 November 18	84	12.1
4.	Boeing 737-800	HS-DBD	Sumisho Aircraft Asset Management B.V.	4 May 12	3 May 19	84	7.0
5.	Boeing 737-800	HS-DBE	GECAS Aircraft Leasing Netherland BV	7 August 12	6 August 19	84	10.9
6.	Boeing 737-800	HS-DBF	SMBC Aviation Capital (UK)	28 November 12	27 November 20	96	7.6
7.	Boeing 737-800	HD-DBG	SMBC Aviation Capital (UK) Limited	16 November 12	15 November 20	96	5.7
8.	Boeing 737-800	HS-DBH	GECAS Aircraft Leasing Netherlands BV	21 December 12	20 December 19	84	10.3
9.	Boeing 737-800	HS-DBK	Mitsubishi Corporation International (Europe) PLC	31 January 13	30 January 25	144	0
10.	Boeing 737-800	HS-DBJ	GECAS Aircraft Leasing Netherlands BV	14 February 13	13 February 20	84	10.5
11.	Boeing 737-800	HS-DBL	Cardamom Aircraft Leasing Pte.Ltd	7 May 13	6 May 22	108	7.1
12.	Boeing 737-800	HS-DBM	Sage Aircraft Leasing Pte.Ltd.	14 May 13	13 May 22	108	7.1
13.	Boeing 737-800	HS-DBN	SMBC Aviation Capital (UK) Limited	15 October 13	14 October 22	108	7.1

(Translation)

	Type	Registration No.	Lessors	Inception Date	End Date	Lease Term (Month)	Age at the Inception Date (Years)
14.	Boeing 737-800	HS-DBO	SMBC Aviation Capital (UK) Limited	16 October 13	15 October 22	108	7.1
15.	ATR-72	HS-DRC	Investec Bank PLC	28 December 12	27 December 20	96	5.5
16.	ATR-72	HS-DRD	INV-TURBO Leasing B.V	7 March 13	6 March 21	96	6

Table of leasing aircraft that have not been delivery as of 31 December 2013

	Type	Registration No.	Lessors	Expect Delivery Date	End Date	Lease Term	Age at the Inception Date (Years)
1.	Boeing 737-800	HS-DBP	GECAS Aircraft Leasing Netherland BV	March 2014	144 months since inception date	144	0
2.	Boeing 737-800	HS-DBQ	GECAS Aircraft Leasing Netherland BV	June 2014	144 months since inception date	144	0
3.	Boeing 737-800	HS-DBR	Avalon Aerospace Leasing Limited	September 2014	144 months since inception date	144	0
4.	Boeing 737-800	HS-DBS	Aircraft Leasing PTE LTD	October 2014	144 months since inception date	144	0
5.	Bombardier Q400	-	On the process of procurement	September 2014	N/A	N/A	0
6.	Bombardier Q400	-	On the process of procurement	October 2014	N/A	N/A	0

**Aircraft Charter Agreement**

Besides of schedule flight service, the Company also offers charter flight service. As of 2013, the Company only leases one charter flight which is Siam General Aviation Limited ("SGA"). The Company has leased charter flights of aircraft model SAAB340 with 34 seats, from SGA. The Company agrees to pay SGA based on the number of actual flights flown. Using smaller aircraft for some secondary and feeder routes helps the Company to capture the market demand that still considers low. Therefore, charter flight service with SGA is able to support the Company to increase coverage in secondary and feeder routes. Below is a summary of aircraft charter agreement;

Parties	The Charterer: Nok Airlines Public Company Limited (NOK) The Carrier: Siam General Aviation Company Limited (SGA)
Term of contract	The contract was signed for the first time on February 20, 2010
Payment	A Charterer shall be responsible for payment of the rental expenses which are defined in each flight path based on the number of flights serving  The Charter price shall be costs for the flight transportation including the Landing fee, Parking fee, Navigation fee and other services performed excluding fuel cost, ground handling fee and airport tax
Termination	Both parties may terminate a contract by giving the other party at least 30 days of notice.

**Aircraft Maintenance Agreement**

The Company has aircraft maintenance agreement with many service providers depending on aircraft type. At present, our main service provider is Lufthansa Technik AG which has been considered an expertise in aircraft maintenance and has been accepted in industry-standard. The agreement includes A-check, C-Check, Heavy-Check and other significant maintenance that the Company does not have the license to operate. The agreement details are summarized per below;

(Translation)

	Type	Registration No.	Maintenance Provider	Term	Begin Date	End Date
1.	Boeing 737-800	HS – DBA HS - DBB HS – DBC HS – DBD HS - DBE HS – DBF HS - DBG HS – DBH HS - DBK HS – DBJ HS - DBL HS – DBM HS - DBN HS – DBO	Lufthansa Technik AG Triump	7 years	27 July 12	31 August 18
2.	ATR 72-500	HS – DRC HS - DRD	-ATR Eastern Support -Lufthansa Technik AG -Triumph Aviation Service Asia	60 month	28 December 12	27 December 17

**8. Pending Lawsuit and Legal Dispute**

-None-

**9. Opinion of Board of Director on the sufficient of source of fund**

According to the board of directors' opinion, the Company have sufficient fund and the Company will use internal cash flow from the Company's current operation.

**10. Other Contingent liabilities**

-None-

(Translation)

Mr. Patee Sarasin, authorized director hereby certifies the correctness and completeness of the information disclosure, and that the information is not false or not misleading or lack of material information which would affect shareholders. Please be informed accordingly.

Sincerely yours,

*- Mr. Patee Sarasin -*

Mr. Patee Sarasin  
Chief Executive Officer  
Nok Airlines Public Company Limited