

Information Memorandum regarding the allocation of the newly-issued ordinary shares to the existing shareholders together with the offering of the warrants to purchase ordinary shares of the Company No. 1 (NOK-W1)

The Meeting of the Board of Directors of Nok Airlines Public Company Limited (the “Company”) No. 2/2017 held on 28 February 2017, resolved to approve the capital increase of Baht 781,250,000 from the existing registered capital of Baht 625,000,000 to Baht 1,406,250,000 by means of issuing 625,000,000 newly-issued ordinary shares with a par value of Baht 1 per share in order to accommodate the allocation of the newly-issued ordinary shares to the existing shareholders proportionate to their respective shareholdings (Rights Offering) and issuing 156,250,000 newly-issued shares to accommodate the exercise of warrants to purchase ordinary shares of the Company No. 1 (NOK-W1) (the “NOK-W1” or “Warrant”), which will be proposed to the Annual General Meeting of the Shareholders for the year 2017 on 19 April 2017, for further consideration.

Details of allocation of newly-issued ordinary shares to the existing shareholders proportionate to their respective shareholdings are enclosed in Capital Increase Report Form (F53-4) ([Enclosure 11](#)), Preliminary information of the warrants to purchase ordinary shares of the Company No. 1 (NOK-W1) ([Enclosure 13](#)) and Information Memorandum regarding the allocation of newly-issued ordinary shares offering to the existing shareholders together with the offering of the warrants to purchase ordinary shares of the Company No. 1 (NOK-W1) ([Enclosure 12](#)).

1. Details of the issuance and offering

- 1.1. To allot the newly-issued ordinary shares not exceeding 625,000,000 shares with the par value at Baht 1 to the existing shareholders proportionate to their respective shareholdings (Rights Offering) at the ratio of 1 existing ordinary shares to 1 newly-issued ordinary shares with the offering price at Baht 2.40 per share, which is the price discounted from the closing price of the Company’s shares trading on the Stock Exchange of Thailand (“the SET”) as of 27 February 2017, the business date prior on which the Board of Directors resolved to approve of this matter (the closing price as of 27 February 2017 was equivalent to Baht 8.45, therefore, such offering price of Baht 2.40 per share is a price that can be calculated as the discount of 71.60 percent of the closing price, totaling not exceeding Baht 1,500,000,000 and the subscription period of the offering newly-issued ordinary shares is 16 May, 17 May, 18 May, 19 May, and 22 May 2017 (a total of 5 business days). In this regard, the Company has approved the date for determination of shareholders’ entitled to subscribe for the newly-issued ordinary shares proportionate to their respective shareholdings (Record Date) on 27 April 2017 and the date for compiling list of shareholders according to section 225 of the Securities and Exchange Act B.E.2535 (as amended) by way of book closing on 28 April 2017.

In the allotment of newly-issued ordinary shares to the existing shareholders proportionate to their respective shareholdings, if there are newly-issued ordinary shares remaining after the first allotment to the existing shareholders proportionate to their respective shareholdings, the remaining shares shall be allotted to the oversubscribing shareholders, based on their existing shareholding and at the same offering price. With regards to such allotment, the Company shall allot the remaining shares to shareholders until there is no share remaining or until there is no shareholder express their intention to subscribe the newly-issued ordinary shares.

- 1.2. To allot the newly-issued ordinary shares not exceeding 156,250,000 shares with the par value at Baht 1 to accommodate the exercise of warrants to purchase ordinary shares of the Company No. 1 (NOK-W1) which the Company is offering together with the newly-issued ordinary shares as aforementioned in No. 1.1 with the offering price at Baht 0 per warrant. The ratio for warrant subscription is at 4 newly issued ordinary shares to 1 warrant, and 1 warrant may transfer into 1 ordinary share with the exercise price at Baht 5.00 per share, which is the price discounted from the closing price of the Company’s shares trading on the SET as of 27 February 2017, the business date prior on which the Board of Directors resolved to approve of this matter (the closing price as of 27 February 2017 was equivalent to Baht 8.45, therefore, such exercise price of Baht 5.00 per share is a price that can be calculated as the discount of 40.83 percent of the closing price).

Also, to propose to the Annual General Shareholders' Meeting for the year 2017 to approve the authorization of the Board of Directors, authorized directors of the Company according to the Company's Affidavit or any person entrusted by the Board of Directors or authorized directors of the Company according to the Company's Affidavit to do the following:

- (1) to determine or amend the details, procedures and other conditions related to the issuance and offering of Warrant, as deemed appropriate, including but not limited to, the terms and conditions of Warrant, issuing date, the determination of date on which the shareholders will be entitled to be offered Warrant, the number of ordinary underlying shares to accommodate the exercise of Warrant, exercise period, or to determine the adjustment events requiring the Company to issue additional underlying shares to accommodate the exercise of Warrant; and
- (2) to enter into negotiations, agreements, execution of and amendment to agreements, documents, sale report, information disclosure, requests for waiver, reports, applications for approval and necessary evidence required in relation to the issuance and offering of Warrant, as well as to communicate and submit the aforementioned documents for approval, together with the relevant documents and evidence to, and make any arrangement, or contact and/or perform any acts with, the Office of the Securities and Exchange Commission (the "Office of the SEC"), the SET, government agencies and/or any other relevant authorities concerning the issuance and offering of Warrant, the listing of Warrant and the listing of the newly issued ordinary shares from the exercise of Warrant on the SET, and to have authority to take any other actions which are deemed necessary and appropriate for all of the aforementioned matters

In this regards, the issuance and offering of newly-issued ordinary shares to the existing shareholders and the Warrant to subscribe for the ordinary shares of Nok Airlines Public Company Limited (NOK-W1) is subject to the approval by the Annual General Meeting of Shareholders for the year 2017 of the Company.

2. Objectives of the issuance of new ordinary shares and Warrant and Plan for utilization of proceeds

The Company has necessity to raise fund for increasing efficiency in its operation and expanding new route, which the Company expects to spend approximately Baht 2,281 million. The Company also expects that the plan of capital increase will be sufficient for utilizing proceeds plan.

3. Effect to the existing shareholders from the issuance and offering newly-issued ordinary shares together with the Warrant to the existing shareholders

1. Effect on Control Dilution

Effect to the Existing Shareholders from the Issuance of Right Offering Shares and Warrants (NOK-W1)

1.1 Existing shareholders of the Company exercise the whole amount of NOK-W1

The shareholders will not be affected because the issuance and offering of shares and warrants (NOK-W1) are made to existing shareholders in proportion to their respective shareholdings.

1.2 If non-existing shareholders exercise the whole amount of NOK-W1

If NOK-W1 are fully exercised by non-existing shareholders, the dilution effects to the Company's existing shareholders can be determined as follows:

Control Dilution	=	No. of shares to be increased upon the exercise of NOK-W1

		No. of existing paid-up shares + No. of right offering shares + No. of shares to be increased upon the exercise of NOK-W1
	=	156,250,000

	=	625,000,000 + 625,000,000+156,250,000
	=	11.11%

2. Effect on Price Dilution

$$\begin{aligned}
 \text{Price Dilution} &= \frac{(\text{Market Price before the offering} - \text{Market Price after the offering})}{\text{Market Price before the offering}} \\
 \text{Where;} \\
 \text{Market Price before the offering} &= \text{Weighted average closing price of the Company's ordinary shares during 15 business days consecutively before the date of the Board of Directors' meeting No. 2/2017 held on 28 February 2017, i.e. from 6-27 February 2017, which equals to Baht 8.01 per share (information from SETSMART)} \\
 \text{Market Price after the offering} &= \frac{\text{Market Price} \times \text{No. of existing paid-up shares} + (\text{Right offering share price} \times \text{No. of right offering shares}) + (\text{Exercise Price of NOK-W1} \times \text{No. of shares increased upon the exercise of NOK-W1})}{\text{No. of existing paid-up shares} + \text{No. of right offering shares} + \text{No. of shares increased upon the exercise of NOK-W1}} \\
 &= \frac{(8.01 \times 625,000,000) + (2.4 \times 625,000,000) + (5 \times 156,250,000)}{(625,000,000 + 625,000,000 + 156,250,000)} \\
 &= 5.19 \\
 \text{Price Dilution} &= 35.21\%
 \end{aligned}$$

3. Effect on Earnings Per Share Dilution (EPS Dilution)

The Company has suffered loss from the operation.

4. Opinion of the Board of Directors on the capital increase

(1) Rationale and necessity for the capital increase

The Board of Directors' meeting No. 2/2017 on 28 February 2017 had considered the Company's current financial status and operating result together with the future business plan and was of the opinion that, according to the Company's utilizing proceeds plan to expanding the business, the Company has necessity to spend approximately Baht 2,281 million. In order to strengthen the Company, the Board of Directors has passed the resolution to propose to the Annual General Meeting of Shareholders to consider and approve the increase of capital in order to raise fund successfully as planned.

(2) Feasibility of the utilization plan of proceeds from the offering of the newly issued ordinary shares and the Warrant

The Company expects to issue and offer the newly-issued shares to the existing shareholders (Rights Offering) and to receive the payment for such Rights Offering within June 2017. The Company will spend all the proceeds derived from the issuance and offering of the newly issued shares for increasing efficiency in its operation and expanding new route

(3) Reasonableness of the capital increase, plan to utilize the proceeds derived from the offering for sale, and projects to be operated, including the sufficiency of the sources of funds

The Board of Directors was of the opinion that the increase of capital is appropriate because the Company has the necessity to spend approximately Baht 2,281 million to increase efficiency in its operation and expand new route. After considering options for fund raising, the Board of Directors considered that the issuance of shares is the most appropriate way because it is in line with the Company's business plan and there will be no cost of fund.

(4) The potential impact which may occur to the business operation of the Company, as well as its financial positions, and operational results, due to the capital increase and the proceeds utilization plan or projects:

The proceed from the issuance and offering of newly-issued ordinary shares will be an important portion of Company's capital to develop the Company's business so that the Company can compete with other operators, by increasing efficiency in its operation and expanding new route resulting in increase of revenue and better operation and benefit to the shareholders in long term.

(5) Expected effects to the Company in the case that the newly-issued ordinary shares are not fully subscribed and/or the issued and offered Warrant are not fully exercised by the existing shareholders

If the Company cannot fully offer shares to the existing shareholders proportionate to their respective shareholdings (Rights Offering) and/or the existing shareholders do not fully exercise their rights according to the Warrants, the Company will consider and allocate the proceeds received as it deems necessary and appropriate according to the objective.

5. Certification of the Board of Directors regarding the capital increase

In the case that the directors of the Company do not comply with the laws, the objectives, the articles of association of the Company, and the resolution of the meeting of shareholders in good faith and with care to preserve the interest of the Company on matters relating to the capital increase, resulting that the performance of any act or non-performance of any act which fails to comply with the aforementioned duties and causes damages to the Company, the Company may claim compensation from the directors. In the case where the Company fails to make such claim, any one or more shareholders holding shares amounting to not less than 5% of the total number of issued shares of the Company may issue a written notice requesting the Company to make such a claim. If the Company fails to take action as directed by the said shareholders, such shareholders may bring a suit to the court to claim compensation on behalf of the Company in compliance with the Section 85 of the Public Company Limited Act B.E. 2535 (as amended). In addition, in the case where the director acts or omits to act in such a way that not comply with the laws, the objectives, the articles of association and the resolution of the meeting of shareholders with due care and loyalty to preserve the interest of the Company on the matters relating to the capital

increase, resulting that the director obtain undue benefits, the Company may bring an action against the director for disgorgement of such benefits to the Company. In this regard, a shareholder or shareholders who hold shares and have the right to vote amounting to not less than 5% of the total number of voting rights of the Company may issue a written notice requesting the Company to bring the aforementioned action and the Company fails to proceed as requested within one month from the date of the notice, such shareholder or shareholders may bring an action for disgorgement of benefits on behalf of the Company in compliance with the Section 89/18 of the Securities and Exchange Act B.E.2535 (as amended).

Please be informed accordingly

Sincerely yours,

Nok Airlines Public Company Limited



(Mr. Montree Jumrieng)
Director



(Mr. Patee Sarasin)
Director