

*(Translation)*

The Opinion Report of the Independent Financial Advisor on  
Receiving Financial Assistance from Connected Persons

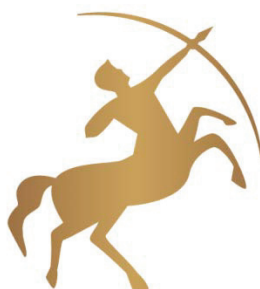
of



**NOK AIR**

Nok Airlines Public Company Limited

Prepared by



**CAPITAL LINK**  
ADVISORY LIMITED

Capital Link Advisory Limited

25 March 2019

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*(Translation)*

*This English translation has been prepared solely for the convenience of the foreign shareholders of Nok Airlines Public Company Limited and should not be relied upon as the definitive and official report regarding the opinion of the Independent Financial Advisor on receiving financial assistance from connected persons. The Thai language version of The Opinion Report of the Independent Financial Advisor on Receiving Financial Assistance from Connected Persons is the definitive and official document of the Advisor and shall prevail in all respects in the event of any inconsistency with this English translation.*

Ref: Kor.Aor. 014/2019

25 March 2019

Subject The Opinion of the Independent Financial Advisor on Receiving Financial Assistance from Connected Persons of Nok Airlines Public Company Limited

To Shareholders  
Nok Airlines Public Company Limited

The Meeting of the Board of Directors of Nok Airlines Public Company Limited (the "Company") No. 2/2019, held on 28 February 2019, resolved to approve to entering into the transaction on receiving financial assistance from connected persons under the credit limit of 3,000 million Baht ("the Transaction") from Mrs. Hatairatn Jurangkool (the "Connected Person"), who is a major shareholder of the Company with the shareholding proportion of 22.15% of registered and paid-up capital.

The interest rate is a floating rate that does not exceed an average of the Minimum Loan Rates (MLR) of Bangkok Bank, Kasikorn Bank, and Siam Commercial Bank plus 1.00% per year, the current rate of which equals 7.175% per year with the loan period of no longer than 12 months. And the Company does not have to provide any collateral for the Connected Person.

The mentioned transaction is considered as the connected transaction regarding the receipt of financial assistance under the Notification of the Capital Market Supervisory Board No. TorChor. 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 (the “Notifications on Connected Transactions”). In consideration of the size of the transaction under the Notifications on Connected Transactions, the size of such transaction is larger than 3% of net tangible assets (NTA). Therefore, the Company is required to ask for an approval of entering into the Transaction from the Board of Directors and disclose the information to the Stock Exchange of Thailand, and then request for an approval from the shareholders’ meeting with affirmative votes of not less than three-fourths of the total votes of the shareholders attending the meeting and having voting rights, excluding the votes of the shareholders with interests. In addition, the Company is obliged to appoint an Independent Financial Advisor to give opinion regarding the Transaction and prepare a report for the Company’s shareholders.

To be consistent with such criteria, the Board of Directors of the Company resolved to appoint Capital Link Advisory Limited as an Independent Financial Advisor for preparing the opinion report on receiving financial assistance from connected persons and proposing to the Company’s shareholders for approval.

The Independent Financial Advisor has prepared this opinion report by studying the information from the following sources:

1. Information and documents received from the Company including the interview with management and employees of the Company
2. Information and the auditor’s report of the Company
3. Meeting minutes of the Board of Directors of the Company
4. Meeting minutes of Audit Committees
5. Loan agreements with financial institutions and relevant documents
6. Agreements in relation to the Transaction
7. Information and documents disclosure to the public, such as information from The Stock Exchange of Thailand, The Securities and Exchange Commission, news from newspaper, and economic and relevant industrial information, etc.

The Independent Financial Advisor has used the aforementioned information as a base for considering and preparing the opinion report of the Independent Financial Advisor by assuming that all the aforementioned information is completed and accurate, and has no event that will significantly affect to the business operation of the Company. In addition, the Independent Financial Advisor cannot certify or guarantee either directly or indirectly or be responsible for the correctness of the information and any certifications of the Company.

In giving the opinion to the shareholders this time, the Independent Financial Advisor has considered the rationale of the Transaction and appropriateness of the price and conditions of the Transaction along with the relevant factors so that the shareholders can decide to “approve” or “disapprove” on the Transaction, which can be summarized as follows:

### Definitions

The Connected Person	Mrs. Hatairatn Jurangkool
The Company	Nok Airlines Public Company Limited
The Notifications on Connected Transactions	The Notification of the Capital Market Supervisory Board No. TorChor. 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
Independent Financial Advisor or IFA	Capital Link Advisory Limited
The Transaction	The transaction on receiving financial assistance from connected persons under the credit limit of 3,000 million Baht

## Summary

The Meeting of the Board of Directors of Nok Airlines Public Company Limited No. 2/2019, held on 28 February 2019, resolved to approve to entering into the transaction on receiving financial assistance from connected persons under the credit limit of 3,000 million Baht from Mrs. Hatairatn Jurangkool, who is a major shareholder of the Company with the shareholding proportion of 22.15% of registered and paid-up capital, with the floating interest rate that does not exceed an average of the Minimum Loan Rates (MLR) of Bangkok Bank, Kasikorn Bank, and Siam Commercial Bank plus 1.00% per year, the current rate of which equals 7.175% per year with the loan period of no longer than 12 months. And the Company does not provide any collateral for the Connected Person.

The Independent Financial Advisor opines that the objective of entering into the Transactions for the use of fund as working capital for general operation purposes is reasonable and appropriate.

There are advantages of entering into the Transaction for the Company, which are (1) having sufficient funds for business operation, (2) an alternative source of funding in addition to financial institutions, (3) loan conditions are more loosened than financial institutions, and (4) reducing burden on shareholders to purchase new ordinary shares from the capital increase. However, there are disadvantages of entering into the Transaction, which are (1) relying on the Connected Person as a major creditor, (2) the interest rate received is higher than the competitors' interest rates, (3) each loan depends on the consideration of the Connected Person, and (4) the possible risk of getting a default rate charged.

In contrary, there is no advantage of not entering into the Transaction. However, there are disadvantages of not entering into the Transaction, which are (1) the Company may not have sufficient liquidity for business operation, (2) unable to find funding sources that match the capabilities of the Company, and (3) the Company may have to further increase registered capital.

There is an advantage of entering into the Transaction with the Connected Person, which is the conditions and the credit line that the Company is able to follow. However, the disadvantage of entering into the Transaction with the Connected Person is that there may be a conflict of interest of the Connected Person.

There is no advantage of entering into the Transaction with third parties. However, there are disadvantages of entering into the Transaction with third parties, which are (1) the credit line received may not

be sufficient for business operation and (2) the conditions received may not match the capabilities of the Company.

Considering the loan conditions of promissory notes from financial institutions with the Company that must have a collateral in full; currently the Company has a collateral fully using deposits of the Connected Person, and the Connected Person does not charge any collateral fee, therefore, the interest rate received from financial institutions that issue the promissory notes at the rate of 2.30 – 2.55% per year will not reflect the actual cost, and can not be used to compare with the interest rate from the Transaction, and the Connected Person wishes to return the deposits used as collaterals, causing the Company not to be able to continue using such credit line.

For interest rates of overdraft loans received from financial institutions, presently they are at the Minimum Overdraft Rate (MOR) of 6.87 – 7.675% per year, close to the interest rate from this transaction, which is currently at 7.175% per year. However, the amounts of credit line received are much different. The credit line from financial institutions is not exceeding 20 million Baht from each financial institution whereas the credit line from this transaction is 3,000 million Baht, thus it can not be compared with the interest rate from the Transaction, and the credit line from financial institutions that is not exceeding 20 million Baht from each financial institution is not sufficient to use as working capital. Therefore, it is not an option that suits the current situation.

When considering the potential of the Company to find loans from financial institutions in the amount of several hundred million Baht without relying on third parties to support collateral, it is difficult for the case. For the Connected Person to lend a lot of money with an average of the Minimum Loan Rates (MLR) of Bangkok Bank, Kasikorn Bank, and Siam Commercial Bank plus 1.00% per year, which is currently at 7.175% per year, and does not limit the right of the Company to consider loans from other funding sources, it is considered as a reserve fund in the event that the Company lacks liquidity and cannot borrow money from financial institutions at a lower interest rate. Therefore, the Independent Financial Advisor opines that the interest rate that the Company receives is appropriate.

For the conditions of the Transaction, the Company can gradually withdraw as necessary by issuing promissory notes, each of which has the term of no longer than 180 days, the loan period is no longer than 12 months, the Company does not have to provide any collateral for the Connected Person, the default rate is at 15% per year, and the payment will be on the maturity date of each promissory note. When comparing with the conditions of the loans from financial institutions that the Company currently receives, the conditions are similar to the general conditions of the loans from financial institutions, except that the Company does not have to



provide any collateral, which is much better than the conditions that the Company receives from financial institutions, and the default rate is lower than the default rates charged by financial institutions.

Therefore, the Independent Financial Advisor is of the opinion that the shareholders should **approve** the Company to entering into the transaction on receiving financial assistance from connected persons this time. Moreover, the Independent Financial Advisor suggests the shareholders to consider other factors that may affect the decision making, such as the conditions of the transaction, advantages and disadvantages of entering into the transaction, advantages and disadvantages of not entering into the Transaction, advantages and disadvantages of entering into the transaction with the connected persons, advantages and disadvantages of entering into the transaction with third parties, etc.

In considering on approval or disapproval on such Transaction this time, the shareholders could consider the rationale and the opinions, of which the Independent Financial Advisor presents in this report. Nevertheless, the shareholders could decide to “approve” or “disapprove” on the Transaction, mainly depending on the judgment of the shareholders.

1. Characteristics of the Transaction

1.1 Date of the Transaction

The Company shall enter into the transaction after the 2019 Annual General Meeting of Shareholders of the Company, being held on 25 April 2019, resolves to approve of entering into such transaction, and within April 2019.

1.2 General Information of the Transaction

Credit line : An incremental of 2,000 million Baht to be totaling of 3,000 million Baht, gradually withdraw as necessary by issuing promissory notes, each of which has the term of no longer than 180 days.

Interest rate : The interest rate is a floating rate that does not exceed an average of the Minimum Loan Rates (MLR) plus 1.00% per year (an average of MLR is the average of MLR of Bangkok Bank, Kasikorn Bank, and Siam Commercial Bank).

The current average of MLR of Bangkok Bank, Kasikorn Bank, and Siam Commercial Bank is 6.175% per year.

Loan period : No longer than 12 months

Payment of interest and principal : Payment on the maturity date of each promissory note

Collateral : The Company does not have to provide any collateral for the creditor

Type of connected transactions : Transaction on giving or receiving financial assistance

Consideration of borrowing : The Company will evaluate the amount of cash flows that are still lacking, and choose various sources of funds with the lowest financial cost first in each period.

Consideration of lending : Mrs. Hatairatn Jurangkool will consider the Company's request each time.

### 1.3 Objective of the Transaction

The Company offered to sell newly issued ordinary shares to the Company's existing shareholders by way of Rights Offering during 31 January 2019 – 6 February 2019 for the number of 836,515,960 shares at the share price of 2.75 Baht per share, which was accounted for 2,300.42 million Baht.

Although, the Company would receive money from the offer of newly issued ordinary shares as previously mentioned, together with having cash of 447.12 million Baht according to the separate financial statements as of 31 December 2018, the Company plans to use the fund as follows:

- 1) Increase capital in NokScoot Airlines Company Limited for the amount of 245 million Baht at the beginning of 2019 in accordance with the resolution of the Extraordinary General Meeting of Shareholders No. 1/2018, held on 4 October 2018
- 2) Repay promissory notes from financial institutions in reference to the separate financial statements as of 31 December 2018 for the amount of 900 million Baht which is using deposits of Mrs. Hatairatn Jurangkool as collaterals, and Mrs. Hatairatn Jurangkool wishes to return the deposits used as collaterals, causing the Company to repay for all of the amount of debts within April 2019.
- 3) Repay loans to Mrs. Hatairatn Jurangkool for the outstanding amount, as of 31 December 2018, of 800 million Baht that will be due in April 2019
- 4) Pay the Company's trade payables; in the separate financial statements, trade payables increased significantly from 2,670 million Baht in 2016 to 3,282 million Baht in 2018 due to insufficient liquidity of the Company.

According to the operation plan and the forecast of the Company's cash flows in 2019, the Company expects not to use the credit line of the loan of 3,000 million Baht from the Connected Person, because the Company's performance will continually be better, therefore, the Company will request the credit line of the loan to use as working capital for general operation purposes.

1.4 Related Parties and Relationship with Nok Airlines Public Company Limited

Lender : Mrs. Hatairatn Jurangkool

Relationship : (1) A major shareholder of the Company holding 688,505,942 shares, or equivalent to 22.15% (information as of 15 March 2019)

(2) The mother of 2 major shareholders of the Company, who are Mr. Nuttapol Jurangkool holding 24.32% of shares and Mr. Thaveechat Jurangkool holding 20.94% of shares (information as of 15 March 2019)

Borrower : Nok Airlines Public Company Limited

1.5 Total Value and the Criteria to Determine Total Value of the Transaction

1.5.1 Size of the connected transactions

Loan (million Baht)	The average of Minimum Loan Rate (MLR) plus 1.00% per Year (%)	Loan Period (Day)	Interest Payment (million Baht)
3,000	7.175% per year	180	107.63
3,000	7.175% per year	180	107.63
		<b>Total</b>	<b>215.25</b>

Total estimated amount of interest payment that will occur within 1 year equals 215.25 million Baht.

1.5.2 Connected transactions occurred during the period of 6 months prior to the date of agreement for entering into the transaction which are from the same person or related persons and close relatives of such person

Loan (million Baht)	Interest Rate (% per Year)	Starting Date	Ending Date	Period (Day)	Interest Payment (million Baht)
100.00	6	15 Aug 18	13 Dec 18	120	1.97
300.00	6	30 Aug 18	25 Feb 19	179	8.83
100.00	6	25 Sep 18	24 Oct 18	29	0.48
100.00	6	26 Oct 18	25 Dec 18	60	0.99
100.00	6	24 Dec 18	6 Mar 19	72	1.18

Loan (million Baht)	Interest Rate (% per Year)	Starting Date	Ending Date	Period (Day)	Interest Payment (million Baht)
100.00	6	24 Dec 18	19 Mar 19	85	1.40
100.00	6	24 Dec 18	28 Mar 19	94	1.55
100.00	6	24 Dec 18	4 Apr 19	101	1.66
100.00	6	25 Dec 18	11 Apr 19	107	1.76
				<b>Total</b>	<b>19.81</b>

Remark: \* Information as of 28 February 2019, the Company had promissory notes that were not due for the amount of 500 million Baht.

Total interest amount equals 19,808,219.18 Baht.

### 1.5.3 Total size of the connected transactions

The total value of the transactions equals 235,058,219.18 Baht.

The calculation of net tangible assets (NTA) in reference to the consolidated financial statements as of 31 December 2018

Item	Amount (million Baht)
Total assets	14,074.06
<u>Less</u> Intangible assets	45.72
<u>Less</u> Total liabilities	17,105.69
<u>Add</u> Non-controlling interests	1,564.08
<u>Add</u> Capital increase as of 8 February 2019	2,300.42
Net tangible assets (NTA)	787.15
3% of net tangible assets (NTA)	23.61

The mentioned transaction is considered as the connected transaction regarding the receipt of financial assistance pursuant to the Notifications on Connected Transactions. In consideration of the size of the transaction under the Notifications on Connected Transactions, the size of such transaction is larger than 3% of net tangible assets (NTA). Therefore, the Company is required to ask for an approval of entering into the Transaction from the Board of Directors and disclose the information to the Stock Exchange of Thailand, and then request for an approval from the shareholders' meeting with affirmative votes of not less than three-fourths of the total votes of the shareholders attending the meeting and

having voting rights, excluding the votes of the shareholders with interests. In addition, the Company is obliged to appoint an Independent Financial Advisor to give opinion regarding the Transaction and prepare a report for the Company's shareholders.

1.6 Characteristics and Scope of Interests of Connected Persons when Agreeing to Enter into Such Connected Transactions

Mrs. Hatairatn Jurangkool is a major shareholder of the Company holding 688,505,942 shares, or equivalent to 22.15%, and the mother of 2 major shareholders of the Company, who are Mr. Nuttapol Jurangkool holding 24.32% of shares and Mr. Thaveechat Jurangkool holding 20.94% of shares (information as of 15 March 2019).

1.7 Directors with Interests

- None -

1.8 Conditions which may Affect the Right of Shareholders

- None -

1.9 Opinion of the Board of Directors concerning the Agreement for Entering into the Transaction

The Board of Directors approved the borrowing transaction from Mrs. Hatairatn Jurangkool to use as working capital for general operation purposes of the Company. From receiving financial assistance this time, the Company receives the interest rate that is similar to financial institution's reference rate of interest, and flexible to manage liquidity and spending of cash flow according to the financial plan.

1.10 Opinion of the Audit Committees and/or the Directors that differs from the Board of Directors

The Audit Committees have the opinion in correspondence with the opinion of the Board of Directors of the Company, and none of the directors has different opinion or abstention.

1.11 Summary of Credit Lines and Loan Interest Rates with Mrs. Hatairatn Jurangkool

The Meeting of the Board of Directors	Credit Line	Interest Rate
No. 2/2018 on 15 August 2018	500 million Baht	6% per year
No. 12/2018 on 21 December 2018	Additional 500 million Baht	6% per year
No. 2/2019 on 28 February 2019 (the transaction this time)	Additional 2,000 million Baht	Not exceeding MLR* + 1% per year = 7.175% per year

Remark: \* Currently, an average of the Minimum Loan Rates (MLR) of Bangkok Bank, Kasikorn Bank, and Siam Commercial Bank equals 6.175% per year.

## 2. Opinion of the Independent Financial Advisor

### 2.1 Rationale and Benefits of the Transaction to the Registered Company

According to the resolution of the Meeting of the Board of Directors (special agenda) No. 2/2018, held on 15 August 2018, approved to borrow 500 million Baht from the Connected Person, and use the full amount of loan limit since October 2018. Therefore, the Meeting of the Board of Directors No. 12/2018, held on 21 December 2018, resolved to approve to increase the credit limit of the loan from previously 500 million Baht to 1,000 million Baht with the Connected Person, and there was a maximum loan outstanding at the end of December 2018 of 800 million Baht and a loan outstanding at the end of February 2019 of 500 million Baht.

And according to the resolution of the Extraordinary General Meeting of Shareholders No. 1/2019, held on 22 January 2019, approved to increase registered capital of the Company for the number of 908,799,918 shares to offer newly issued ordinary shares to the Company's existing shareholders by way of Rights Offering at the share price of 2.75 Baht per share. The Company sold during 31 January 2019 – 6 February 2019 for the number of 836,515,960 shares, which was accounted for 2,300.42 million Baht.

Although, the Company would receive money from the offer of newly issued ordinary shares as previously mentioned, together with having cash of 447.12 million Baht according to the separate financial statements as of 31 December 2018, the Company plans to use the fund as follows:

- 1) Increase capital in NokScoot Airlines Co., Ltd. for the amount of 245 million Baht at the beginning of 2019 in accordance with the resolution of the Extraordinary General Meeting of Shareholders No. 1/2018, held on 4 October 2018
- 2) Repay promissory notes from financial institutions in reference to the separate financial statements as of 31 December 2018 for the amount of 900 million Baht which is using deposits of Mrs. Hatairatn Jurangkool as collaterals, and Mrs. Hatairatn Jurangkool wishes to return the deposits used as collaterals, causing the Company to repay for all of the amount of debts within April 2019.
- 3) Repay loans to Mrs. Hatairatn Jurangkool for the outstanding amount, as of 31 December 2018, of 800 million Baht that will be due in April 2019



- 4) Pay the Company's trade payables; in the separate financial statements, trade payables increased significantly from 2,670 million Baht in 2016 to 3,282 million Baht in 2018 due to insufficient liquidity of the Company.

Therefore, the Meeting of the Board of Directors No. 2/2019, held on 28 February 2019, resolved to offer to the shareholders' meeting in order to approve to entering into the transaction on receiving financial assistance from connected persons under the credit limit of 3,000 million Baht from the Connected Person, the previous amount of which was 1,000 million Baht without collateral for the use of fund as working capital for general operation purposes of the Company.

Nevertheless, according to the operation plan and the forecast of the Company's cash flows in 2019, the Company expects not to use the credit line of the loan of 3,000 million Baht from the Connected Person, because the Company's performance will continually be better. Therefore, such credit line will only be used as a reserve fund.

The Independent Financial Advisor opines that there is still no indication that the Company's performance will improve in 2019 as the Company expects. From the separate financial statements in the below table;

Unit : million Baht

Item	2016	2017	2018	Comment
Net cash flows used in operating activities	(1,660)	(2,834)	(2,611)	Continuously be negative
Loss for the year	(2,627)	(1,826)	(2,405)	Continuous loss
Debt to equity ratio (times)	4.80	5.14	(21.61)	Capital deficiency in 2018

From the numbers in the financial statements during the past years, the Company has performed continuous losses, net cash flows used in operating activities have been continually negative, and the debt to equity ratio has been increased until it became negative in 2018. This will cause the Company not to be able to borrow money from financial institutions with the conditions of not having to place any collateral. In addition, most of the Company's fixed assets were tools and computer equipment, which cannot be used as collateral.

In reference to the 2018 separate financial statements, net working capital of the Company was calculated only by the change in operating assets and operating liabilities. The Company had net working capital in the 1<sup>st</sup> quarter of (386) million Baht, the 2<sup>nd</sup> quarter of (227) million Baht, the 3<sup>rd</sup> quarter of 1,297 million Baht, and the 4<sup>th</sup> quarter of (587) million Baht. As can be seen, for some periods, the amounts of net working capital were negative. The Company needed to use

cash of the Company to compensate for such negative amounts of net working capital. Or in the case of insufficient cash, the Company needs to use loans from financial institutions or other persons to compensate with negative net working capital.

From the capital increase of 2,300.42 million Baht together with having cash of 447.12 million Baht according to the separate financial statements as of 31 December 2018, the Company has an obligation to increase capital in NokScoot Airlines Co., Ltd. for the amount of 245 million Baht, repay promissory notes from financial institutions for the amount of 900 million Baht, and repay loans to Mrs. Hatairatn Jurangkool for the outstanding amount of 800 million Baht, causing the Company to have a small amount of cash left. As a result, there is a possibility for the Company to use the credit line of such loan of 3,000 million Baht as working capital for general operation purposes during the period of having negative net working capital.

The Independent Financial Advisor opines that the objective of entering into the Transaction this time is reasonable and appropriate.

## 2.2 Advantages and Disadvantages of Entering into the Transaction

### 2.2.1 Advantages of entering into the Transaction

#### (1) Having sufficient funds for business operation

In the case of the Company having insufficient liquidity for business operation and not being able to withdraw loans from financial institutions with lower interest rates than a loan rate from the Connected Person, to enter into the Transaction will help the Company to continuously have sufficient funds for business operation.

#### (2) An alternative source of funding in addition to financial institutions

Such credit limit will provide an alternative for the Company to enhance liquidity in addition to borrowing money from financial institutions. With the current operating results of the Company that has performed continuous losses in reference to the separate financial statements from 2016 to the present, the loss is at least 1,800 million Baht per year, the debt to equity ratio is rising continuously from 4.80 times in 2016 to (21.61) times in 2018 because of the Company's capital deficiency,

causing borrowing money from financial institutions to require collateral. At present, for most of the revolving loans that have been borrowed in 2018, the Company must place the collateral in the full amount, causing the ability to borrow money of the Company to be greatly limited. But for the conditions of borrowing this time, the Company does not have to provide any collateral and no fees charged. Therefore, this is a good option for the Company.

(3) Loan conditions are more loosened than financial institutions

Such credit limit has more loosened conditions than the conditions from financial institutions that the Company receives currently, for example, the Company does not have to provide any collateral and the lender does not charge any fees, no conditions for maintaining financial ratios (current ratio is greater than 1.20 times, debt service coverage ratio (DSCR) is greater than 1.50 times, and debt to equity ratio is less than 2 times), no fines charged, etc., which gives the Company more flexibility to borrow.

(4) Reducing burden on shareholders to purchase new ordinary shares from the capital increase

The Company offered to sell newly issued ordinary shares of 1,135,999,882 shares to the Company's existing shareholders by way of Rights Offering at the share price of 1.50 Baht per share during 16 – 20 October 2017 for the whole number of shares, which was accounted for 1,704 million Baht.

And the Company further offered to sell newly issued ordinary shares of 908,799,918 shares to the Company's existing shareholders by way of Rights Offering at the share price of 2.75 Baht per share, and sold during 31 January 2019 – 6 February 2019 for the number of 836,515,960 shares, which was accounted for 2,300.42 million Baht.

As previously mentioned, the Company has offered to sell newly issued ordinary shares to shareholders for 2 times within the past 3 years, causing burden to the shareholders of the Company significantly, and causing the shareholders who did not exercise the right for subscription to purchase newly issued ordinary shares to have a significant share dilution. Therefore, to enter into the Transaction will

reduce burden on shareholders for the capital increase in the future, or extending to slow the period of capital increase, and the shareholding proportion of the minority shareholders will not be diluted.

#### 2.2.2 Disadvantages of entering into the Transaction

(1) Relying on the Connected Person as a major creditor

According to the separate financial statements of the Company ended 31 December 2018, the Company had short-term borrowings of 1,700 million Baht, which were borrowings from financial institutions of 900 million Baht (using deposits of the Connected Person as collateral in the full amount) and loans from the Connected Persons of 800 million Baht. As can be seen, the Company fully relies on the Connected Persons.

For other liabilities of financial institutions that the Company had, there were Letter of Guarantee (LG), Standby Letter of Credit, Forward contracts and Derivatives, which were not current liabilities.

Therefore, to enter into the Transaction will allow the Company to rely on more number of the Connected Persons.

(2) The interest rate received is higher than the competitors' interest rates

The interest rate for the loan this time is a floating rate that does not exceed an average of the Minimum Loan Rates (MLR) of Bangkok Bank, Kasikorn Bank, and Siam Commercial Bank plus 1.00% per year, the current rate of which equals 7.175% per year.

Whereas, the competitor, Thai AirAsia Co., Ltd., has short-term borrowings from financial institutions as promissory notes with the fixed interest rates at 2.40% and 3.25% per year.

Because of the Company's greater finance costs, the competitive potential of the Company is inferior to the competitor.

- (3) Each loan depends on the consideration of the Connected Person

According to the contents of the loan agreement with the Connected Person currently, the loan agreement has no condition for the Connected Person that he/she must give a loan to the Company every time the Company requests. Therefore, the Connected Person has the right to consider not to provide any loan, which will require the Company to find other funding sources as a replacement, or adjust the Company's financial plan to be in line with the liquidity.

- (4) The possible risk of getting a default rate charged

From the loan agreement with the Connected Person according to the resolution of the Meeting of the Board of Directors (special agenda) No. 2/2018, held on 15 August 2018, which approved to borrow money for the amount of 500 million Baht, the loan agreement has a condition in the case of a default in payment by the borrower; the borrower agrees to the lender to allow him/her to charge a default rate of 15% per year, and according to the resolution of the Meeting of the Board of Directors No. 12/2018, held on 21 December 2018, on the matter of increasing the credit line of additional 500 million Baht, the Company made a memorandum of agreement to amend additional terms of the previous loan agreement. However, the Company does not have the draft of the loan agreement of this transaction yet, the Independent Financial Advisor will, therefore, refer to the default rate from the loan agreement according to the resolution of the Meeting of the Board of Directors (special agenda) No. 2/2018.

With the operating results of the Company that has performed continuous losses, the Company may not be able to find money to repay principal and interest over the maturity dates of promissory notes, and will be charged a default rate of 15% per year.

In the case of the Company possibly having insufficient cash, the Company will request to negotiate to extend the payment period with the creditors, causing less use of cash during that period. And if cash remains insufficient, the Company will choose to borrow money to compensate it by considering the issuance of

promissory notes with appropriate issued periods to be in line with the forecast of excess cash flows that will come in to pay promissory notes.

In reference to the 2018 separate financial statements, net working capital of the Company was calculated only by the change in operating assets and operating liabilities. The Company had net working capital in the 1<sup>st</sup> quarter of (386) million Baht, the 2<sup>nd</sup> quarter of (227) million Baht, the 3<sup>rd</sup> quarter of 1,297 million Baht, and the 4<sup>th</sup> quarter of (587) million Baht. As can be seen, the Company was able to manage working capital to be positive in the 3<sup>rd</sup> quarter, and since the loan period of the promissory notes is not more than 180 days each time, which is a short-term, this will allow the Company to evaluate cash flows correctly, and is able to manage sufficient cash for each debt repayment. This will cause a fewer chance to have a default in payment. And from the past, the Company does not have any record of default in payment, including Jurangkool's family holding more than 60% of registered and paid up capital. Therefore, the IFA is confident that the Company will continually be provided the financial support even though the performance may not be as expected.

In the case of getting a default rate charged by 15% per year for the whole amount of the loan of 3,000 million Baht for a period of 1 year, the Company will have the total interest payment of 450 million Baht.

## 2.3 Advantages and Disadvantages of Not Entering into the Transaction

### 2.3.1 Advantages of not entering into the Transaction

- None -

### 2.3.2 Disadvantages of not entering into the Transaction

- (1) The Company may not have sufficient liquidity for business operation

In the case of funding raised from the offer of newly issued ordinary shares during 31 January 2019 – 6 February 2019 for the amount for 2,300.42 million Baht is fully used, the Company's performance remains loss, and also the Company is

not able to find funding from other sources, such as financial institutions, it could cause the Company to lack liquidity, and affect the Company's business operation.

(2) Unable to find funding sources that match the capabilities of the Company

From the Company's current performance that has continuous loss for several years in the past, the conditions of loans from financial institutions in the past year, the request for the credit line, or the withdrawal of the loans that already has the credit line with a low interest rate, the financial institutions require the conditions to have collateral in the full amount, and most of the Company's fixed assets are tools and computer equipment, which cannot be used as collateral, the Company will need to use only deposits/cash as collateral, causing the conditions from the financial institutions not to match the current capabilities of the Company.

(3) The Company may have to further increase registered capital

In the case of the Company's lack of liquidity and unable to borrow money from financial institutions or any persons, the Company may consider to sell newly issued ordinary shares again, which will be burden on shareholders if the shareholders purchase newly issued ordinary shares, and if not purchasing newly issued ordinary shares, the shareholding proportion of the shareholders will be diluted.

2.4 Advantages and Disadvantages of Entering into the Transaction with the Connected Person and Third Parties

2.4.1 Advantages of entering into the Transaction with the Connected Person

The conditions and the credit line for borrowing money that the Company is able to follow

The Connected Person holds 22.15% of registered and paid-up capital in the Company, and the Connected Person would expect the Company to constantly have liquidity to operate business. For this reason, the conditions and the credit line for borrowing money are appropriate for the Company and is able to follow, which will be for the benefit of the Company and the Connected Person as a shareholder as well.

2.4.2 Disadvantages of entering into the Transaction with the Connected Person

There may be a conflict of interest of the Connected Person

Due to the fact that the Connected Person is a major shareholder, he/she may exercise control over the Board of Directors or the management to use loans from the Connected Person more than using loans from financial institutions under better conditions so that the Connected Person could receive a benefit from the loan interest.

Nevertheless, the Board of Directors has representatives from other groups of shareholders and the Audit Committee, who are qualified persons, and have knowledge of laws and finance are independent, and no directors are representatives from Jurangkool Group. They have the duty to consider the appropriateness of the connected transactions, thus, reducing the risk of such conflict of interest that might occur.

2.4.3 Advantages of entering into the Transaction with third parties

None, because there is no financial institution or other person offering the loan conditions in the same or better conditions as the offer from the Connected Person.

2.4.4 Disadvantages of entering into the Transaction with third parties

- (1) The credit line received may not be sufficient for business operation

Due to the fact that the Company's performance has continuous losses for several years in the past, causing the Company's cash flows to decrease quickly. The credit line of the loan received may not be sufficient for the need if the Company continues to generate losses in the future.

- (2) The conditions received may not match the capabilities of the Company

Due to the facts that the Company's current performance and various financial ratios are not good, as well as the Company does not have any assets that financial institutions accept as collaterals for the loans, the Company often has problems to request for loans.



### 3. Appropriateness of the Price and Conditions of the Transaction

The credit line of revolving loans that the Company receives from financial institutions can presently be classified into 2 types; which are Overdraft loan (OD) and Promissory Note (PN). The Overdraft loan will have a credit line of not exceeding 20 million Baht from each financial institution, and the interest rate received is at the Minimum Overdraft Rate (MOR) of 6.87 – 7.675% per year. For promissory notes, currently the Company has the credit line for several hundred million Baht, but under the conditions to withdraw loans, providing a collateral in the full amount is required with an interest rate according to the interest of the collateral, which is a deposit plus 0.85 - 1.00% per year. Currently it is approximately 2.30 - 2.55% per year.

Although the interest rate received from financial institutions that issue the promissory notes at the rate of 2.30 – 2.55% per year will be lower than the interest rate from the Transaction, which equals an average of the Minimum Loan Rates (MLR) of Bangkok Bank, Kasikorn Bank, and Siam Commercial Bank plus 1.00% per year, the current rate of which equals 7.175% per year, it cannot be compared. This is because to withdraw promissory notes, a full collateral is required. Currently the Company has collateral fully using deposits of the Connected Person, and the Connected Person does not charge any collateral fee, therefore, the interest rate received from financial institutions that issue the promissory notes will not reflect the actual cost, and cannot be used to compared with the interest rate from the Transaction, and the Connected Person wishes to return the deposits used as collaterals, causing the Company not to be able to continue using such credit line.

For interest rates of overdraft loans received from financial institutions, presently they are at the Minimum Overdraft Rate (MOR) of 6.87 – 7.675% per year, close to the interest rate from this transaction, which is currently at 7.175% per year. However, the amounts of credit line received are much different. The credit line from financial institutions is not exceeding 20 million Baht from each financial institution whereas the credit line from this transaction is 3,000 million Baht, thus it cannot be compared with the interest rate from the Transaction. and the credit line from financial institutions that is not exceeding 20 million Baht from each financial institution is not sufficient to use as working capital. Therefore, it is not an option that suits the current situation.

When considering the potential of the Company to find loans from financial institutions in the amount of several hundred million Baht without relying on third parties to support collateral, it is difficult for the case. From the separate financial statements in the below table;

Unit : million Baht

Item	2016	2017	2018	Comment
Net cash flows used in operating activities	(1,660)	(2,834)	(2,611)	Continuously be negative
Loss for the year	(2,627)	(1,826)	(2,405)	Continuous loss
Debt to equity ratio (times)	4.80	5.14	(21.61)	Capital deficiency in 2018

From the numbers in the financial statements during the past years, the Company has performed continuous losses, net cash flows used in operating activities have been continually negative, and the debt to equity ratio has been increased until it became negative in 2018. This will cause the Company not to be able to borrow money from financial institutions with the conditions of not having to place any collateral. In addition, most of the Company's fixed assets were tools and computer equipment, which cannot be used as collateral. For the Connected Person to lend a lot of money with an average of the Minimum Loan Rates (MLR) of Bangkok Bank, Kasikorn Bank, and Siam Commercial Bank plus 1.00% per year, which is currently at 7.175% per year, and does not limit the right of the Company to consider loans from other funding sources, it is considered as a reserve fund in the event that the Company lacks liquidity and cannot borrow money from financial institutions at a lower interest rate. Therefore, the Independent Financial Advisor opines that the interest rate that the Company receives is appropriate.

In the case of the Company's borrowing for the full amount of 3,000 million Baht within 12-month period from the Connected Person, the Company will have to pay the total amount of interest of approximately 215 million Baht, which is worth borrowing. If the Company lacks liquidity, and cannot find other sources of fund including not having such credit line of 3,000 million Baht, the Company might not be able to operate business constantly, causing the Company's yearly revenues of approximately 14,000 million Baht to reduce or the Company might have to temporarily suspend the business.

For the conditions of the Transaction, the Company can gradually withdraw as necessary by issuing promissory notes, each of which has the term of no longer than 180 days. It is the Company's objective to be in line with the use of fund each time in the short-term. Therefore, the use of 180-day promissory notes is appropriate, because in general, the airline business will have high seasons in the 1<sup>st</sup> and the 4<sup>th</sup> quarters, and low seasons in the 2<sup>nd</sup> and the 3<sup>rd</sup> quarters, which are 2 consecutive quarters or 180 days. And the Company will use such loan as working capital for the short-term. The interest payment will also be less along with a shorter period of borrowing, and from the loan history with the Connected Person in the past, the issued periods of promissory notes were from 29 to 179 days.

The Company does not have to provide any collateral for the Connected Person, which is much better than the conditions that the Company receives from financial institutions which require the Company to provide collaterals in the full amount.

According to the contents of the loan agreement with the Connected Person currently, the loan agreement has a condition in the case of a default in payment by the borrower; the borrower agrees to the lender to allow him/her to charge a default rate of 15% per year, which is better than the loans from financial institutions which could charge the maximum interest rate of 18 – 28% per year depending on each financial institution, including charging the default rate of 20 – 28% per year depending on each financial institution.

The loan period is no longer than 12 months, and the interest payment will be on the maturity date of each promissory note. When comparing with the conditions of the loans from financial institutions that the Company currently receives, the conditions are similar to the general conditions of the loans from financial institutions.

Therefore, the Independent Financial Advisor is of the opinion that under the conditions of the loans from the Connected Person, the interest rate is appropriate, the conditions to borrow is better than the current conditions, and no limitation toward the right of the Company on business operation, including the consideration on loans from other funding sources which may have better conditions and interest rate. Therefore, the mentioned conditions for entering into the Transaction are appropriate.

#### 4. Summary of the Opinion of the Independent Financial Advisor

As the Meeting of the Board of Directors of Nok Airlines Public Company Limited No. 2/2019, held on 28 February 2019, resolved to approve to entering into the transaction on receiving financial assistance from connected persons under the credit limit of 3,000 million Baht from Mrs. Hatairatn Jurangkool, who is a major shareholder of the Company with the shareholding proportion of 22.15% of registered and paid-up capital, with the floating interest rate that does not exceed an average of the Minimum Loan Rates (MLR) of Bangkok Bank, Kasikorn Bank, and Siam Commercial Bank plus 1.00% per year, the current rate of which equals 7.175% per year with the loan period of no longer than 12 months. And the Company does not have to provide any collateral for the Connected Person.

The Independent Financial Advisor opines that the objective of entering into the Transactions for the use of fund as working capital for general operation purposes is reasonable and appropriate.

There are advantages of entering into the Transaction for the Company, which are (1) having sufficient funds for business operation, (2) an alternative source of funding in addition to financial institutions, (3) loan conditions are more loosened than financial institutions, and (4) reducing burden on shareholders to purchase new ordinary shares from the capital increase. However, there are disadvantages of entering into the Transaction, which are (1) relying on the Connected Person as a major creditor, (2) the interest rate received is higher than the competitors' interest rates, (3) each loan depends on the consideration of the Connected Person, and (4) the possible risk of getting a default rate charged.

In contrary, there is no advantage of not entering into the Transaction. However, there are disadvantages of not entering into the Transaction, which are (1) the Company may not have sufficient liquidity for business operation, (2) unable to find funding sources that match the capabilities of the Company, and (3) the Company may have to further increase registered capital.

There is an advantage of entering into the Transaction with the connected person, which is the conditions and the credit line that the Company is able to follow. However, the disadvantage of entering into the Transaction with the connected person is that there may be a conflict of interest of the Connected Person.

There is no advantage of entering into the Transaction with third parties. However, there are disadvantages of entering into the Transaction with third parties, which are (1) the credit line received may not be sufficient for business operation and (2) the conditions received may not match the capabilities of the Company.

Considering the loan conditions of promissory notes from financial institutions with the Company that must have a collateral in full; currently the Company has a collateral fully using deposits of the Connected Person, and the Connected Person does not charge any collateral fee, therefore, the interest rate received from financial institutions that issue the promissory notes at the rate of 2.30 – 2.55% per year will not reflect the actual cost, and can not be used to compared with the interest rate from the Transaction, and the Connected Person wishes to return the deposits used as collaterals, causing the Company not to be able to continue using such credit line.

For interest rates of overdraft loans received from financial institutions, presently they are at the Minimum Overdraft Rate (MOR) of 6.87 – 7.675% per year, close to the interest rate from this transaction, which is currently at 7.175% per year. However, the amounts of credit line received are much different. The credit line from financial institutions is not exceeding 20 million Baht from each financial institution whereas the credit line from this transaction is 3,000 million Baht, thus it can not be compared with the interest rate from the Transaction, and the credit line from financial institutions that is not exceeding 20 million Baht from each financial institution is not sufficient to use as working capital. Therefore, it is not an option that suits the current situation.

When considering the potential of the Company to find loans from financial institutions in the amount of several hundred million Baht without relying on third parties to support collateral, it is difficult for the case. For the Connected Person to lend a lot of money with an average of the Minimum Loan Rates (MLR) of Bangkok Bank, Kasikorn Bank, and Siam Commercial Bank plus 1.00% per year, which is currently at 7.175% per year, and does not limit the right of the Company to consider loans from other funding sources, it is considered as a reserve fund in the event that the Company lacks liquidity and cannot borrow money from financial institutions at a lower interest rate. Therefore, the Independent Financial Advisor opines that the interest rate that the Company receives is appropriate.

For the conditions of the Transaction, the Company can gradually withdraw as necessary by issuing promissory notes, each of which has the term of no longer than 180 days. The loan period is no longer than 12 months, the Company does not have to provide any collateral for the Connected Person, the default rate is at 15% per year, and the payment will be on the maturity date of each promissory note, and the Company does not have to provide any collateral for the Connected Person. When comparing with the conditions of the loans from financial institutions that the Company currently receives, the conditions are similar to the general conditions of the loans from financial institutions, except that the Company does not have to provide any collateral, which is much better than the conditions that the

Company receives from financial institutions, and the default rate is lower than the default rates charged by financial institutions.

Therefore, the Independent Financial Advisor is of the opinion that the shareholders should approve the Company to entering into the transaction on receiving financial assistance from connected persons this time. Moreover, the Independent Financial Advisor suggests the shareholders to consider other factors that may affect the decision making, such as the conditions of the transaction, advantages and disadvantages of entering into the transaction, advantages and disadvantages of not entering into the Transaction, advantages and disadvantages of entering into the transaction with the connected persons, advantages and disadvantages of entering into the transaction with third parties, etc.

In considering on approval or disapproval on such Transaction this time, the shareholders could consider the rationale and the opinions, of which the Independent Financial Advisor presents in this report. Nevertheless, the shareholders could decide to “approve” or “disapprove” on the Transaction, mainly depending on the judgment of the shareholders.

Yours sincerely,

Capital Link Advisory Limited

- Mr. Kriangkrai Siravanichkan -

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(Mr. Kriangkrai Siravanichkan)

Authorized Director

- Mr. Kasin Theanchai -

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(Mr. Kasin Theanchai)

Authorized Director

- Mr. Kriangkrai Siravanichkan -

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(Mr. Kriangkrai Siravanichkan)

Operational Controller

Appendix  
Information of the Company

1. Information of the Company

1.1 History and Major Development of the Company

Year	Major Development
2015	<ul style="list-style-type: none"> <li>- Was delivered two Boeing 737-800 Next Generation aircraft, and two Bombardier Q400 NextGen aircraft.</li> <li>- The ICAO's audit of Thailand's aviation system standards had no significant impact on the Company's business.</li> <li>- Increased the number of Bangkok-Yangon return flights from 2 to 3 flights per day to enhance passengers' travel time convenience, starting on 2 September 2015.</li> <li>- Invested in Air Black Box Asia Pacific Pte. Ltd., which was established in Singapore, to develop inter-airline ticket reservation systems, with registered capital of 4 million US dollars. The shareholder structure consisted of Nok Airlines Public Company Limited with investment representing 25%, Scoot Pte. Ltd. 25%, and TOD Holdings Co., Ltd. 50%.</li> </ul>
2016	<ul style="list-style-type: none"> <li>- Was delivered additional three Boeing 737-800 aircraft, and two Bombardier Q400 NextGen aircraft</li> <li>- Cooperated with alliance airlines within the Asia-Pacific region under "Value Alliance" in order to enhance competitive edge and be able to offer various routes provided by alliance airlines.</li> <li>- Reduced the shareholding stake in Air Black Box Asia Pacific Pte. Ltd., with registered capital increased from 4 to 5.6 million US dollars. The shareholders consisted of Nok Airlines PCL with investment representing 15% (decreased from 25%), Scoot Pte. Ltd. 15% (decreased from 25%), ANA Holdings Inc. 15%, Cebu Air Inc. 15%, and VaultPAD Ventures Ltd. (previously named TOD Holdings Co., Ltd.) 40%.</li> </ul>
2017	<ul style="list-style-type: none"> <li>- The new way booking from Nok Air "Choose Your NOK", and hot food services on flight</li> <li>- Took the aircraft out of the fleet total four aircraft, according to the Company's business plan and took the delivery of brand-new aircraft, which were two Boeing 737-800 New Generation</li> <li>- Increased the number of Charter flights, such as Don Mueang - Nanning, Don Mueang - Yancheng, Don Mueang - Yinchuan, Don Mueang - Zhengzhou, U-Tapao - Haikou, U-Tapao - Yichang and so on.</li> </ul>



Year	Major Development
	<ul style="list-style-type: none"> <li>- Nok Air reopend and operated 3 flights per week from Mae Sot – Yangon.</li> <li>- The launch of new 5 routes under "Fly 'n' Ride service" from and to the nearby destinations where the Company did not directly operate by transferring passengers to the closest airports and transporting via buses to the final destinations.</li> <li>- Increased the various payment channels in 5 options to smooth your travel planning, namely BBL Direct Debit, Big C, Rabbit LINE Pay, Apple Pay and TESCO Lotus.</li> <li>- The Company's registered capital and paid-up capital are as follows: increased registered capital to 2,499,249,882 shares with a par value of 1 Baht per share with total value of 2,499,249,882 Baht, and paid-up capital of 2,271,999,764 shares with a par value of 1 Baht per share with total value of 2,271,999,764 Baht.</li> </ul>
2018	<ul style="list-style-type: none"> <li>- Remove the aircraft from the fleet according to the turnaround plan of the Company in total of 1 aircraft.</li> <li>- Increased new international routes for Charter Flight service; Don Mueang - Yin Chuan, Don Mueang - Nantong, Chiang Mai – Nanning, Phuket – Nanning, Phuket – Chengdu, Don Mueang – Yancheng, Phuket – Xian, Phuket – Ho Hot, Phuket – Fuzhou, Phuket – Yichang, Phuket – Hefei, U-Tapao – Changsha, U-Tapao – Nanchang, U-Tapao – Linyi, U-Tapao – Datong, U-Tapao – Baotou, U-Tapao – Yun Chuan, U-Tapao – Mei Sian, Don Mueang – Phetchabun, Don Mueang – Yichang, Don Mueang – Mei Sian, Phuket – Changzhou, Phuket – Zhengzhou</li> <li>- Opened new domestic routes for scheduled direct flights; Udon Thani - Ubon Ratchathani, Don Mueang – Phetchabun, and Don Mueang - Mae Hong Son</li> <li>- Increased new routes to service passengers who wished to travel to the destinations where the Company did not directly operate by transferring passengers to the closest airports and transporting via buses to the final destinations. Under "Fly 'n' Ride" service, there were 4 routes; Sisaket, Phetchabun (Khao Kho), Chiang Rai (Mae Sai) and Lamphun, under "Fly'n'Ferry" service, there were 7 routes; Bulon Island, Jum Island, Libong Island, Railay Island, Lao Liang Island, Yao Noi Island, and Yao Ya Island.i</li> <li>- Increased payment channels for passengers; which were Alipay, WeChat Pay, UnionPay, QR Payment (the first one in Thailand to use it), and 123Myanmar</li> </ul>

Year	Major Development
	<ul style="list-style-type: none"> <li>- Passengers could travel from Chiang Mai and Hat Yai to Bangkok, and transited the flight to Tokyo, Japan or Taipei, Taiwan via one-single ticket booking on Nok Air's website without having to reload baggage by using "check-through baggage" service.</li> <li>- Nok Air received "Best Low-Cost Airline in Thailand 2018" award from Skytrax</li> <li>- Nok Air was 1 in 5 airlines that operated the on-time schedule the most up to 80% in ASEAN, ranked by OAG</li> </ul>
2019	<ul style="list-style-type: none"> <li>- The Extraordinary General Meeting of Shareholders No. 1/2019, held on 22 January 2019, resolved to approve the following:                             <ul style="list-style-type: none"> <li>- Approved to increase registered capital from 2,499.25 million Baht to 3,408.05 million Baht by allotting newly issued ordinary shares to the existing shareholders by way of Rights Offering</li> </ul> </li> </ul>

## 1.2 The Structure of Shareholding in Subsidiaries and the Nature of Business

As of 31 December 2018, the Company has 2 subsidiaries as follows;

No.	Company Name	Shareholding Proportion	Nature of Business
Subsidiaries that the Company holds shares directly			
1.	Nok Mangkang Company Limited Paid-up capital: 10 million Baht	49%	Invest in NokScoot Airlines Company Limited which operates international low-cost airline business in the middle flight route
2.	Nok Holidays Company Limited Paid-up capital: 100,000 Baht	49%	Engage in tourism business
Subsidiaries that the Company holds shares indirectly			
3.	NokScoot Airlines Company Limited* Paid-up capital: 2,000 million Baht	24.01%	Transport passengers and cargo, mail by air
Joint Venture			

No.	Company Name	Shareholding Proportion	Nature of Business
4.	Air Black Box Asia Pacific Pte Ltd. Paid-up capital: 9.26 million Singapore Dollars	13.04%	Develop a ticket reservation system between airlines

\* A subsidiary of Nok Mangkang Company Limited

At present, the Company and its subsidiaries operate the following businesses;

The Company operates a budget airline under the “Nok Air” brand where it provides domestic and international point-to-point air transport services. Nok Air provides extensive flight services covering every region across Thailand. At present, Nok Air has the most domestic route coverage in Thailand. As of 31 December 2018, the Company flew 29 routes of which 25 routes are domestic flights, and 4 international routes with a total of 673 flights per week as scheduled round-trip flights.

To extend its wing to overseas territories, the Company signed the Interline Cooperation Agreement with Scoot Airlines which allowed the Company to sell tickets from domestic destination, such as Chiang Mai, Chiang Rai, Phuket, Udon Thani, Ubon Ratchathani, Nakhon Si Thammarat, Trang, and Hat Yai to Singapore. The agreement enables passengers to buy one single ticket that covers destinations operated by these two airlines.

In addition, the Company provides Charter Flight service for the passengers who wish to travel as a group or travel to the destinations beyond normal scheduled flights of the Company.

The Company is corporate with 8 Asia-Pacific low-cost airline alliances or “Value Alliance” consisting of Nok Air, Nok Scoot, Scoot, Cebu Pacific (including Cebgo Air), Jeju Air, Tigerair Singapore, Tigerair Australia, and Vanilla Air, which create network within the alliance group, and provide more options to connect routes in Southeast Asia, North Asia, and Australia continent to facilitate passengers.

In providing outstanding services, the Company is recognized for its services like free seat assignment, complimentary in-flight drinks and WIFI onboard service (in an aircraft with supporting equipment) and free minimum check-in baggage allowance without any further charge from a passenger ticket (Economy Class).

The Company's policy is to procure aircraft that appropriately respond to flight demands in each route whether it's primary, secondary and feeder routes. As of 31 December 2018, the Company operated 3 aircraft types in its fleet; namely, Boeing 737-800 for 15 aircraft, Bombardier Q400 for 8 aircraft, and ATR-72 for 2 aircraft, for a total of 25 aircraft. The average age of the fleet was 6 years, and the aircraft usage rate on average was 9.36 hours/aircraft/day.

Boeing 737-800 is a medium-haul narrow-body aircraft with jet engines. The aircraft are required in primary and secondary routes. Meanwhile, Bombardier Q400 and ATR-72 are small two-engine turboprop aircraft designed for short-haul flight. The Company mostly flies these two aircraft types in secondary and feeder routes to suit modest demands along the routes. Moreover, the Company receives investment promotional privileges under the Investment Promotion Act B.E. 2560 (and Amendment) from The Board of Investment of Thailand (BOI) in the large mass and cargo transport business.

The revenue structure of the Company's Group during 2016 – 2018

Unit : million Baht

Item	2016		2017		2018	
	Value	%	Value	%	Value	%
1. Revenues from transportation	14,762.41	87.15	17,386.00	85.32	16,699.71	84.60
2. Ancillary revenues	1,463.21	8.64	2,186.11	10.73	2,560.12	12.97
3. Other revenues						
- Interest income	36.61	0.22	23.91	0.12	25.46	0.13
- Others	676.09	3.99	780.69	3.83	454.93	2.30
Total other revenues	712.70	4.21	804.60	3.95	480.39	2.43
<b>Total revenues</b>	<b>16,938.32</b>	<b>100.00</b>	<b>20,376.71</b>	<b>100.00</b>	<b>19,740.22</b>	<b>100.00</b>

### 1.3 The Top 10 Shareholders

The Company has registered capital of 3,408,049,800 Baht and paid-up capital of 3,108,515,756 Baht, which can be divided into 3,108,515,756 ordinary shares with a par value of 1 Baht per share. The list of top 10 shareholders of the Company as of 15 March 2019 (most updated) is shown below:

No.	Name	Number of Shares	Shareholding Proportion (%)
1.	Mr. Nuttapol Jurangkool	756,375,032	24.33
2.	Mrs. Hathairatn Jurangkool	688,505,942	22.15
	Mr. Sunsum Jurangkool	14,153	0.00
	Total	688,520,095	22.15
3.	Mr. Thaveechat Jurangkool	650,901,137	20.94
4.	Thai Airways International Public Company Limited	495,390,721	15.94
5.	Dr. Tham Chirathivat	11,600,000	0.37
6.	Mr. Patee Sarasin	11,500,000	0.37
7.	Mrs. Piriya Apithanothai	10,392,400	0.33
8.	Mr. Somkiat Chinthammit	9,730,000	0.31
9.	Mr. Sudhitham Chirathivat	9,036,800	0.29
10.	Mrs. Mantana Julsan	8,765,600	0.28
	<b>Total number of shares of top 10 shareholders</b>	<b>2,652,211,785</b>	<b>85.32</b>
	Other shareholders	456,303,971	14.68
	<b>Total number of shares</b>	<b>3,108,515,756</b>	<b>100.00</b>

#### 1.4 Board of Directors

As of 28 February 2019 (most updated), the Board of Directors of the Company consists of:

No.	Name	Position
1.	Mr. Prasert Bunsumpun	Chairman of the Board of Directors / Chairman of the Executive Committee / Independent Director
2.	Mr. Pravej Ongartsittigul	Director / Executive Committee
3.	Mrs. Nalinee Ngamsetthamas	Director / Executive Committee
4.	Mr. Sumeth Damrongchaitham	Director
5.	Mr. Wiwat Piyawiroj	Director

No.	Name	Position
6.	Mr. Chavalit Uttasart	Director
7.	Mr. Rathapol Bhakdibhumi	Director / Nomination and Remuneration Committee
8.	Mr. Apichart Chirabandhu	Audit Committee / Chairman of the Nomination and Remuneration Committee / Independent Director
9.	Mrs. Chiraporn Chemnasiri	Chairman of the Audit Committee / Nomination and Remuneration Committee / Independent Director
10.	Mr. Visit Tantisunthorn	Audit Committee / Risk Management Committee / Independent Director
11.	Mrs. Heather Mary Suksem	Independent Director / Corporate Governance Committee

1.5 Management of the Company

As of 11 March 2019 (most updated), the management of the Company consists of:

No.	Name	Position
1.	Mr. Pravej Ongartsittigul	Acting Chief Executive Officer
2.	Miss Umaporn Pornpimolwat	Chief Financial Officer
3.	Mr. Thaveechai Ashareyaphadkul	Chief Commercial Officer
4.	Mr. Chairat Sangchan	Chief Support Officer

1.6 Financial Position and Operating Result

1.6.1 Statement of Financial Position

Unit : million Baht

Statement of Financial Position (Consolidated)	Audited as of 31 December		
	2016	2017	2018
<b>Current assets</b>			
Cash and cash equivalents	3,231.22	3,169.85	1,419.89
Current investments	-	-	9.23
Trade and other current receivables	1,314.94	1,449.46	2,008.93
Inventories	31.40	32.24	50.20
Short-term aircraft deposits and prepayments	162.80	26.58	374.97
Other current assets	79.37	103.57	101.86
<b>Total current assets</b>	<b>4,819.74</b>	<b>4,781.69</b>	<b>3,965.07</b>
<b>Non-current assets</b>			
Deposits at bank pledged as collateral	251.42	1,300.88	1,122.86
Investment in joint venture	15.22	6.88	1.41
Other long-term investments	47.53	46.67	46.66
Maintenance reserve	-	7,192.49	7,788.30
Leasehold improvements and equipment	338.52	266.06	206.79
Intangible assets	65.20	47.46	45.72
Deferred tax assets	13.32	13.32	13.32
Long-term aircraft deposits and prepayments	417.39	827.75	820.11
Other non-current assets	32.52	39.43	63.82
<b>Total non-current assets</b>	<b>1,181.11</b>	<b>9,740.94</b>	<b>10,108.99</b>
<b>Total assets</b>	<b>6,000.85</b>	<b>14,522.63</b>	<b>14,074.06</b>
<b>Current liabilities</b>			
Short-term borrowings from financial institutions	700.00	700.00	2,400.00
Trade and other current payables	4,491.27	4,861.49	5,905.92
Deferred income from customer loyalty programmes	18.97	18.48	18.33
Provisions for aircraft return condition and short-term aircraft maintenance	128.24	108.81	120.62
Other current liabilities	45.55	31.03	15.27
<b>Total current liabilities</b>	<b>5,384.02</b>	<b>5,719.81</b>	<b>8,460.14</b>
<b>Non-current liabilities</b>			

Unit : million Baht

Statement of Financial Position (Consolidated)	Audited as of 31 December		
	2016	2017	2018
Provisions for aircraft maintenance as plan, aircraft return condition, and long-term aircraft maintenance	644.63	7,771.71	8,276.45
Provisions for employee benefit	222.90	242.22	273.87
Other non-current liabilities	89.03	97.89	95.24
<b>Total non-current liabilities</b>	<b>956.55</b>	<b>8,111.82</b>	<b>8,645.55</b>
<b>Total liabilities</b>	<b>6,340.58</b>	<b>13,831.63</b>	<b>17,105.69</b>
<b>Shareholders' equity</b>			
Share capital			
Authorized share capital	625.00	2,499.25	2,499.25
Issued and paid share capital	625.00	2,272.00	2,272.00
Share premium on ordinary shares	3,042.49	4,325.89	4,325.89
Retained earnings (deficit)			
Appropriated			
Legal reserve	62.50	62.50	62.50
Unappropriated (deficit)	(3,485.13)	(5,339.43)	(8,122.00)
Deficit arising from change in ownership interest			
In subsidiaries	(5.94)	(5.94)	(5.94)
<b>Total shareholders' equity attributable to owners of the Company</b>	<b>238.92</b>	<b>1,315.02</b>	<b>(1,467.55)</b>
Non-controlling interests	(578.64)	(624.02)	(1,564.08)
<b>Total shareholders' equity (capital deficiency)</b>	<b>(339.73)</b>	<b>691.00</b>	<b>(3,031.63)</b>
<b>Total liabilities and shareholders' equity</b>	<b>6,000.85</b>	<b>14,522.63</b>	<b>14,074.06</b>



1.6.2 Statement of Comprehensive Income

Unit : million Baht

Statement of Comprehensive Income (Consolidated)	Audited for the Annual Year		
	2016	2017	2018
<b>Revenues</b>			
Passenger revenues	14,762.41	17,386.00	16,699.71
Service revenues	1,463.21	2,186.11	2,560.12
Other income			
Interest income	36.61	23.91	25.46
Others	676.09	780.69	454.93
<b>Total revenues</b>	<b>16,938.32</b>	<b>20,376.71</b>	<b>19,740.23</b>
<b>Expenses</b>			
Costs of passenger and services	19,087.50	21,031.61	22,551.21
Selling expenses	190.28	178.49	177.17
Administrative expenses	798.23	994.11	937.25
Finance costs	118.07	63.83	44.58
<b>Total expenses</b>	<b>20,194.07</b>	<b>22,268.04</b>	<b>23,710.20</b>
Share of loss from investments in joint venture	(14.15)	(8.34)	(5.47)
<b>Loss before income tax expenses</b>	<b>(3,269.90)</b>	<b>(1,899.67)</b>	<b>(3,975.45)</b>
Income tax expenses	0.08	-	-
<b>Loss for the year</b>	<b>(3,269.98)</b>	<b>(1,899.67)</b>	<b>(3,975.45)</b>
Other comprehensive income – net from income tax	(11.80)	-	17.42
<b>Total comprehensive loss for the year</b>	<b>(3,281.79)</b>	<b>(1,899.67)</b>	<b>(3,958.02)</b>

1.6.3 Statement of Cash Flows

Unit : million Baht

Statement of Cash Flows (Consolidated)	Audited as of 31 December		
	2016	2017	2018
Net cash provided by (used in) operating activities	(1,383.30)	(2,962.27)	(3,754.39)
Net cash provided by (used in) investing activities	178.31	(8.90)	193.08
Net cash provided by (used in) financing activities	164.56	2,866.57	1,662.60
Effect of translation adjustment on foreign currency	57.89	43.22	148.75
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(982.54)</b>	<b>(61.37)</b>	<b>(1,749.96)</b>
Opening balance of cash and cash equivalents	4,213.76	3,231.22	3,169.85
<b>Closing balance of cash and cash equivalents</b>	<b>3,231.22</b>	<b>3,169.85</b>	<b>1,419.89</b>

#### 1.6.4 Financial Ratios

Financial Ratio	2016	2017	2018
<b>Liquidity Ratios</b>			
Average collection period (days)	5.79	6.97	31.54
Days sales of inventory (days)	0.49	0.54	0.67
Days sales of advance tickets <sup>1</sup> (days)	28.14	24.28	25.97
Payment days (days)	16.31	18.01	85.94
Cash cycle (days)	(38.16)	(34.77)	(79.71)
<b>Profitability Ratios</b>			
Operating profit margin before fuel costs	3.3%	18.8%	18.0%
Operating profit margin	(19.3%)	(9.3%)	(19.9%)
EBITDAR margin <sup>2</sup>	4.9%	11.7%	1.7%
Net profit margin	(19.3%)	(9.3%)	(20.1%)
Return on equity	(170.1%)	(238.7%)	N/A
<b>Efficiency Ratios</b>			
Return on assets	(49.9%)	(28.5%)	(27.8%)
Return on fixed assets	(1,022.8%)	(595.8%)	(1,639.7%)
Asset turnover (times)	2.58	3.06	1.38
<b>Financial Policy Ratio</b>			
Debt to equity ratio (times)	26.54	5.05	N/A
Commitment coverage ratio (times)	0.19	0.56	0.08
Dividend payout ratio	-	-	-

<sup>1</sup>Days sales of advance tickets equal (unearned revenue/total main revenues)x360

<sup>2</sup>EBITDAR margin equals (operating profit+aircraft operating Leases+charter flight rental)/total revenues

#### 1.6.5 The Analysis of Financial Position and Performance Results

##### The Analysis of Financial Position and Performance Results of Year 2018

##### The Company's Performance of the separate financial statements

##### Data: Revenue

The Company's total revenue was 13,884.16 million Baht, or decreased 6.10% from last year. It consists of 12,014.19 million Baht to passenger revenue which was 86.53% of total revenue, 1,476.95 million Baht to service revenue which was 10.64% of total revenue, and 393.02 million Baht to other income which was 2.83% of total revenue. Therefore, revenue per available

seat-kilometer (RASK) decreased from 2.06 to 1.93 Baht/passenger-kilometers, decreased by 6.31% from last year.

Passenger revenue: In 2018, passenger revenue decreased 854.19 million Baht, or 6.64% from year 2017, which resulting from the decrease of 0.86% in the total number of flight due to declining number of charter flights to China, also an average air fares decreased 9.85% from last year due to market price competition. Therefore, the passenger yield decreased from 2.20 to 1.91 Baht/passenger-kilometers, or decreased by 13.18% from last year.

Service revenue: In 2018, service revenue increased 218.99 million Baht, or 17.41% from last year. The main causes of incremental baggage load revenue and service revenue were because the Company had added new strategies to increase revenue from baggage storage, Priority Boarding or NOK First, and other flight services for passengers (Choose Your NOK) since 9 November 2017, and to provide add-on products and services to serve all passenger needs had received positive feedback from the customer continually.

Other income: In 2018, other income decreased 267.31 million Baht, or 40.48% from last year. It resulted mainly from the decrease in revenue from insurance claim and gain from sales and leaseback of aircraft for the amount of 113.29 million Baht and 243.40 million Baht respectively from last year.

#### Data: Cost & Expenses

In 2018, the Company's operating expenses in total were 16,289.00 million Baht decreased from 16,612.34 million Baht, or 1.95% from last year. It was caused by increased from jet fuel price increased by 19.96%, whereas aircraft maintenance expenses and aircraft operating lease reduced 12.08% and 13.23% respectively by cost saving according to the Company's turnaround plan. Consequently, Cost per Available Seat-Kilometers (CASK) decreased from 2.40 to 2.32 Baht/seat-kilometers, or decreased by 3.34%. Similarly, Cost per Available Seat-Kilometers exclude Fuel (CASK ex-fuel) decreased from 1.80 to 1.61 Baht/seat-kilometers, or 10.37% from last year.

Variable cost: In 2018, variable costs were at 11,632.51 million Baht. The Company has changed the estimation of aircraft maintenance as plan for the amount of 91.18 million Baht based on the estimates of efficiency of maintenance plan, thus costs of aircraft maintenance decreased from the same period of last year. However, the jet fuel cost continually increased. Fuel cost per ASK (Fuel/ASK) rose from 0.60 to 0.71 Baht/Seat-Kilometers, or 17.72% from last year. Moreover,

aircraft maintenance per ASK diminished from 0.46 to 0.40 Baht/Seat-Kilometers, or decreasing by 13.04%.

Fixed costs: In 2018, fixed costs were at 4,656.49 million Baht. It was caused by reduction in aircraft operating lease by cost saving of the Company's turnaround plan. Fixed cost per Available Seat-Kilometers (FC/ASK) was at 0.67 Baht/seat-kilometers.

Finance cost: Company's finance cost reduced by 58.07% from last year to be 14.37 million Baht. It was caused by a reduction of the Company's finance cost from the commitment fees for aircraft deposit from last year.

#### Profit (Loss) for the Year

From the above mentioned, the total costs of the Company increased owing to jet fuel price that still increased significantly. Moreover, the total revenues decreased mainly from market price competition, including the decreasing number of Chinese tourists, causing the passenger revenue to decline compared with last year. Eventhough the Company could reduce aircraft maintenance expenses and aircraft operating lease by cost saving according to the Company's turnaround plan, the total comprehensive loss in year 2018 increased to 2,404.84 million Baht from 1,825.68 million Baht, or the loss increased by 31.72% from last year.

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

For 2018 performance of NokScoot Airlines Co., Ltd., total revenues were 5,828.52 million Baht, increasing from 5,580.41 million Baht, or increasing by 4.45% when compared with the previous year, mainly from the total number of passengers which increased by 7.67% from 1.07 million passengers to 1.16 million passengers because of the total number of flights, which increased by 19.81% whereas the percent of Cabin factor decreased by 14.90%. In this year, NokScoot Airlines Co., Ltd. has 1 more operating aircraft in fleet compared with the previous year, as a result the Company can continually launch new routes in Japan and India as well as increasing flight frequency in the existing routes, and thus resulting in higher aircraft utilization. The Company's operating expenses were in total of 7,388.22 million Baht increasing from 5,656.82 million Baht, or increased by 30.61% from last year. As well, the main increase in operating expenses resulted from variable costs according to increasing in a volume of Available Seat-Kilometers (ASK) and jet fuel price including aircraft lease which increased by fleet

expansion. The net loss of the company's operating performance in 2018 was 1,528.33 million Baht which increased from the net loss of last year by 47.59 million Baht.

Currently, NokScoot Airlines Co., Ltd operates schedule routes to China, Taiwan, India and Japan with Don Muang international airport being the center of 4 destinations to China; such as Nanjing, Tianjin, Qingdao and Shenyang, 1 destination to Taipei, Taiwan, 1 destination to Delhi, India, and 2 destinations to Japan, such as Tokyo (Narita) and Osaka (Kansai).

NokScoot Airlines acquired 1 more aircraft (used Boeing 777-200) in Q2/2018 for business expansion purpose. Hence, at the end of 2018, NokScoot had total operating lease of 5 Boeing 777-200 aircraft. The company plans to increase frequency flights in the same routes and expand new routes in the future.

#### Assets

As of 31 December 2018, the Company and its subsidiaries had total assets of 14,074.06 million Baht, or decreased by 3.09% from 31 December 2017. Total assets could be divided into current assets of 3,965.07 million Baht and non-current assets of 10,108.99 million Baht, accounting for 28.17% and 71.83% of total assets, respectively.

Total current assets: As of 31 December 2018, the Company and its subsidiaries had total current assets of 3,965.07 million Baht, or decreased by 17.08% from 31 December 2017. It was attributable to the decreasing in cash and cash equivalents by 55.21% caused by trade and other current receivables increasing by 38.60% from 31 December 2017.

Total non-current Assets: As of 31 December 2018, the Company and its subsidiaries had total non-current assets of 10,108.99 million Baht or increased by 3.78% from 31 December 2017. Mainly from the Company and its subsidiary having reviewed the presentation in the financial statements from the present net amount of the maintenance reserve and provision for aircraft maintenance as plan to be present gross amount of them to present the remaining amounts of those items separately as asset and liability of the Company and its subsidiary.

#### Liabilities and Shareholders' Equity

Total liabilities: As of 31 December 2018, the Company and its subsidiaries had total liabilities of 17,105.69 million Baht or increased by 23.67% from 31 December 2017, which mainly from short-term borrowings to increase by 242.86% and trade payables increased by 21.48%.

Moreover, in this period the Company and its subsidiary have reviewed the presentation in the financial statements as mentioned above.

Shareholders' equity: as of 31 December 2018, the Company and its subsidiaries had negative shareholders' equity of 3,031.63 million Baht or negatively increased by 538.73% from the deficit as of 31 December 2017. It was composed of negative 1,467.55 million Baht to the parent company and negative 1,564.08 million Baht to non-controlling interests.

### **The Analysis of Financial Position and Performance Results of Year 2017**

#### The Company's Performance of the separate financial statements

##### Data: Revenue

The Company's total revenues were 14,786.67 million Baht, increased by 12.71% from the previous year. It consisted of 12,868.38 million Baht to passenger revenue which was 87.03% of total revenues, 1,257.96 million Baht to service revenue which was 8.51% of total revenues, and 660.33 million Baht to other income which was 4.47% of total revenues. Therefore, revenue per available seat-kilometer (RASK) was at 2.06 Baht/seat-kilometers, increasing by 1.98% when compared with last year.

Passenger revenue: In 2017, passenger revenue increased obviously by 10.74% from year 2016, or accounted for an increase of 1,248.53 million Baht. It was resulting from increased in both the total number of passengers and number of flights which increased at 2.57% and 6.10% respectively due to increasing number of charter flights to China, also an average air fares increased by 8.15% from the previous year. Therefore, the passenger yield rose from 2.18 to 2.20 Baht/passenger-kilometers, increased by 0.92% from last year.

Service revenue: In 2017, service revenue increased by 437.99 million Baht, or 53.42% from the previous year. The main causes of incremental baggage load revenue and service revenue were because the Company had changed the policy of baggage allowance fee by cancellation free of charge on loading a 15-kilogram baggage for NOK promotion passengers. However, those can purchase an additional baggage allowance, effective since 20 February 2017 onwards. Additionally, the new concept for booking ticket "Choose Your NOK" has been launched on 9 November 2017 to provide add-on products and services to serve all passenger needs. Furthermore, the Company subleased aircraft to other airlines for improving aircraft utilization and fixed cost management efficiently.

Other income: In 2017, other income decreased by 19.52 million Baht, or 2.87% when compared with the previous year. It resulted mainly from increase in revenue from insurance claim and gain on exchange rate for the amount of 196.86 million Baht and 106.09 million Baht respectively, whereas the decrease in receiving refund of aircraft maintenance in total of 185.13 million Baht and the decrease in gain on sale and leaseback aircraft of 69.32 million Baht.

Data: Cost & Expenses

The Company's operating expenses in total were 16,612.34 million Baht, increasing from 15,746.42 million Baht, or 5.50% when compared with the previous year. It was caused by increased from Jet fuel price, which increased by 48.30%, whereas aircraft maintenance expenses reduced by 20.30% by cost saving according to the Company's turnaround plan. Consequently, Available Seat Kilometers (ASK) rose by 8.91% in 2017, thus Cost per Available Seat-Kilometers (CASK) decreased from 2.51 to 2.40 Baht/seat-kilometers, or decreased by 4.38%. Similarly, Cost per Available Seat-Kilometers exclude Fuel (CASK ex-fuel) decreased from 2.07 to 1.80 Baht/seat-kilometers, or 13.04% from the previous year.

Variable cost: In 2017, variable costs were at 9,866.97 million Baht, or increased by 1.84% from the previous year, mainly due to the increase in jet fuel cost continually. Fuel cost per ASK (Fuel/ASK) rose from 0.44 to 0.60 Baht/Seat-Kilometers or 36.36% when compared with the previous year. For aircraft maintenance, the variable cost per ASK diminished from 0.63 to 0.46 Baht/Seat-Kilometers or decreasing by 26.98%.

Fixed costs: In 2017, fixed costs were at 5,119.70 million Baht, which increased by 1.55%. It was caused by related expenses of cockpit crew and cabin crew. However, Fixed cost per Available Seat-Kilometers (FC/ASK) declined to 0.75 Baht/seat-kilometers, or decreased by 6.25%, due to the increase in a volume of Available Seat-Kilometers (ASK) in 2017 by 8.91% from the previous year.

Finance cost: Company's finance cost reduced by 68.76% from the previous year to be 34.27 million Baht. It was due to a reduction of Company's finance cost from the commitment fees for aircraft deposit from the previous year.

Profit (Loss) for the Year

From the above mentioned, the total costs of the Company increased owing to jet fuel price that increased significantly. However, total revenues also increased from incremental passenger

revenue and service revenue at a higher amount than the fuel cost. As a result, the total comprehensive loss in year 2017 decreased to be 1,825.68 million Baht from 2,641.35 million Baht, or declined by 30.88%.

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

For 2017 performance of NokScoot Airlines Co., Ltd., total revenues were 5,580.41 million Baht, increasing from 3,905.37 million Baht, or increased by 42.89% from the previous year. This was due to the increase in both the total number of flight by 24.63% and percent of Cabin factor which increased by 11.90% from the previous year, in-line with the total number of passenger increased by 36.42% from 0.79 million passengers to 1.07 million passengers. This was because in 2017 NokScoot Airlines Co., Ltd., continually launched new route in China and increased flight frequency in the existing routes, and thus resulting in higher aircraft utilization. The Company's operating expenses were in total of 5,656.82 million Baht, increasing from 4,511.73 million Baht, or 25.38% when compared with the previous year. The operating expenses increased at a lower rate than the growth of revenue substantially. Additionally, the main increase in operating expenses resulted from variable costs according to the increase in a volume of Available Seat-Kilometers (ASK) and jet fuel price. The net loss of operating performance in 2017 was 47.59 million Baht, which was significantly better than the net loss of 612.00 million Baht in the previous year, or 92.22% improvement.

Currently, NokScoot Airlines Co., Ltd operated schedule routes to China and Taiwan with Don Muang international airport being the center of 6 destinations to China and 1 destination to Taiwan; such as Nanjing (7 weekly flights), Tianjin (6 weekly flights), Qingdao (4 weekly flights), Shenyang (4 weekly flights), Dalian (3 weekly flights), and Xi'an (3 weekly flights) including Taipei, Taiwan (7 weekly flights).

NokScoot Airlines Co., Ltd., acquired 1 more aircraft in October 2017. Hence, at the end of 2017, NokScoot Airlines Co., Ltd., had total operating leases of 4 Boeing 777-200 to use for expanding routes.

#### Assets

As of 31 December 2017, the Company and its subsidiaries had total assets of 7,330.15 million Baht, increased by 22.15% from 31 December 2016. Total assets could be divided into



current assets of 4,781.69 million Baht and non-current assets of 2,548.45 million Baht, accounting for 65.23% and 34.77% of total assets respectively.

Total non-current assets: As of 31 December 2017, the Company and its subsidiaries had total non-current assets of 2,548.45 million Baht or increased by 115.77% from 31 December 2016. It was attributable to the increase in long-term aircraft deposits and prepayments by 98.32% from the previous year, which was caused by the use of cash and cash equivalent to be aircraft deposits and prepayments for acquiring 2 new aircraft. Moreover, the Company had more deposits at bank pledged as collateral by 417.41% in 2017, which some cash was pledged for bank's credit facilities to financial institutions.

#### Liabilities and Shareholders' Equity

Total liabilities: As of 31 December 2017, the Company and its subsidiaries had total liabilities of 6,639.14 million Baht or increased by 4.71% from 31 December 2016, which aligned with the increase in trade and other payables from increased accrued aircraft maintenance as well as unearned passenger revenue when compared with the previous year.

Shareholders' equity: as of 31 December 2017, the Company and its subsidiaries had shareholders' equity of 691.00 million Baht or increased by 303.40% from 31 December 2016. It was composed of 1,315.02 million Baht to the parent company and negative 624.02 million Baht to non-controlling interests.

Since the Company issued the Rights Offerings to increase registered capital of the Company according to the Resolution of the AGM on 19 April 2017 as mentioned above. New ordinary shares were issued for 781.25 million shares which were composed of 625.00 million shares to the existing shareholders at the ratio of 1 existing share to 1 newly-issued ordinary share with the offering price of 2.40 Baht per share and 156.25 million shares to accommodate the exercise of warrants to purchase the ordinary shares. On 26 May 2017, the Company sold newly issued ordinary shares for 511.00 million shares, for the value of 1,226.40 million Baht.

Furthermore, on 27 October 2017, the Company received cash from the capital increase for the amount of 1,704.00 million Baht from issued and paid-up share capital totalling 1,136.00 million shares at the offering price of 1.50 Baht per share. In addition, the Company had a plan to manage their aircraft fleet, expand their routes and increase utilization of aircraft so that financial performance of the Company could be recovered.