



NOK AIR

Fairness Opinion on the Capital Injection Plan of NokScoot Airlines Company Limited

15 August 2018



Prepared by
KTB Securities (Thailand) Public Company Limited

No. 195/2018

15 August 2018

Nok Airlines Public Company Limited
3 Rajanakarn Building 17th Floor
South Sathorn Road, Yannawa, Sathorn,
Bangkok 10120

To: Board of Directors
Nok Airlines Public Company Limited

Re: Fairness Opinion on the Capital Injection Plan of NokScoot Airlines Co., Ltd.

Pursuant to your appointment of KTB Securities (Thailand) Public Company Limited ("the Advisor") to study and provide fairness opinion on the capital injection plan prepared by the management of NokScoot Airlines Company Limited ("NokScoot") to the Board of Directors of Nok Airlines Public Company Limited ("Nok Air"), currently, the Advisor has completed the work as per enclosed as the Fairness Opinion Report attached to this Letter.

The enclosed report presents relevant vital information and assumptions, both quantitatively and qualitatively, which are required for analyzing the pros and cons of the possible capital injection scenarios based on information given by NokScoot's executives. However, the Advisor may not guarantee the attainability and accuracy of those given information if it is not valid or has been changed. This consequence may affect the Advisor's opinion.

After conducting overall study and high-level due diligence, The Advisor's Fairness Opinion was to inject capital into NokScoot; however, the report users should bear in mind that this is the opinion of the Advisor in terms of business and financial aspects only. The Report user shall have their own judgment while considering or referring any information provided herein before making any decisions pursuant to the stated objectives. Furthermore, this report has been exclusively prepared for NOK's executive as per the stated objective only and shall not be used in other purposes unless granting a prior written consent from the Advisor.

Sincerely yours,



(Mr. Jung Kyu Kim)
Chief Operation and Finance Officer
KTB Securities (Thailand) PCL



Table of Contents

Glossary & Terms	4
Glossary & Terms (Airports).....	4
1. Executive Summary	6
2. Quantitative Factors Relevant to the capital Injection Consideration	7
2.1 Business Expansion – Potential New Fleets and Routes	7
2.2 Significant Improvement in Key Operating Matrix	8
2.3 Improvement of Financial Performance	9
3. Qualitative Factors Relevant to the capital Injection Consideration.....	12
3.1 Market Overview – High Growth of Airplane Activities in Asia Pacific and Strong demand in LCC in the APAC region.....	12
3.2 Maintain Commitment with Partners	15
3.3 Maintain Privileges in BOI Investment	15
3.4 Maintain Financial Covenants adjacent to Bank Loan	16
4. Step to Pursue if the Capital Injection Plan Fails	16
4.1 Promissory Note & Term Loan.....	16
4.2 Corporate Bond Issuance	16
4.3 Convertible Debenture	16
5. Fairness Opinion of the Financial Advisor	17
6. Disclaimer.....	18
Appendix	19
<i>Appendix A: Shareholding Structure</i>	19

Glossary & Terms

Term	Definition
Advisor	KTB Securities (Thailand) PCL.
ASK	Available Seat Kilometer
ASPAC	Asia Pacific Region
BOI	Board of Investment of Thailand
CASK	Cost per Available Seat Kilometer
CASK ex fuel	Cost per Available Seat Kilometer exclude fuel cost
EBITDAR	Earnings before interest, tax, depreciation, amortization and aircraft lease rental
ICAO	International Civil Aviation Organization
KBANK	Kasikorn Bank PCL.
LCC	Low Cost Carrier
NOK	Nok Airlines PCL.
NokScoot	NokScoot Airlines Co., Ltd. (also called “The Company”)
Nok Mangkang	Nok Mangkang Co., Ltd.
OCBC	OCBC Bank Singapore
Puennammitr	Puennammitr Company Limited
Pax Yield	Yield per Revenue Passenger
PLF	Passenger Load Factor
RASK	Revenue per Available Seat Kilometer
RPK	Revenue Passenger Seat Kilometer
Scoot	Scoot Private Limited
SQ	Singapore Airlines Limited
THB	Thai Baht

Glossary & Terms (Airports)

Term	Definition
AMD	Ahmedabad International Airport, Ahmedabad, India
BOM	Chhatrapati Shivaji International Airport, Mumbai, India
CKG	Chongqing Jiangbei International Airport, Chongqing, China
CSX	Changsha Huanghua International Airport, Changsha, China
CTU	Chengdu Shuangliu International Airport, Chengdu, China
DEL	Indira Gandhi International Airport, New Delhi, India
DLC	Dalian Zhoushuizi International Airport, Dalian, China
FUK	Fukuoka Airport, Fukuoka, Japan

Term	Definition
HGH	Hangzhou Xiaoshan International Airport, Hangzhou, China
HKT	Phuket International Airport, Phuket, Thailand
ICN	Incheon International Airport, Seoul, South Korea
KIX	Kansai International Airport, Osaka, Japan
KMG	Kunming Changshui International Airport, Yunnan, China
MFM	Macau International Airport, Macau, China
NGB	Ningbo Lishe International Airport, Ningbo, China
NGO	Chubu Centrair International Airport, Nagoya, Japan
NKG	Nanjing Lukou International Airport, Nanjing, China
NRT	Narita International Airport, Narita, Japan
PEK	Beijing Capital International Airport, Beijing, China
PVG	Shanghai Pudong International Airport, Shanghai, China
SHE	Shenyang Taoxian International Airport, Shenyang, China
SZX	Shenzhen Bao'an International Airport, Shenzhen, China
TAO	Qingdao Liuting International Airport, Qingdao, China
TPE	Taoyuan International Airport, Taipei, Taiwan
TRZ	Tiruchirappalli International Airport, Tiruchirappalli, India
TSN	Tianjin Binhai International Airport, Dongli, China
WUH	Wuhan Tianhe International Airport, Hubei, China
XIY	Xi'an Xianyang International Airport, Xi'an, China
XMN	Xiamen Gaoqi International Airport, Xiamen Shi, China

1. Executive Summary

This Fairness Opinion Report was prepared by KTB Securities (Thailand) Public Company Limited. (the “Advisor” or “KTBST”) to be used internally by the Board of Directors of Nok Airlines Public Company Limited (“Nok Air”) for assessing and preceding on the Capital Injection Plan of NokScoot Airlines Company Limited (“NokScoot”). Followings are some key takeaways from our study:

The Company business remained robust due to higher demand in LCC services in the APAC region after passing ICAO safety upgrade. Through its partnership with Scoot, a subsidiary of SQ, NokScoot enhanced and complemented Thailand's hub strategy of SQ and opened up the opportunity to tap new traffic flows from Chinese tourists' inbound flights. However, with the current liquidity reserve (as of Half Year 2018, approx. THB 1,600 million), NokScoot required cash injection of up to THB 1 billion in total in order to have enough liquidity to stay afloat (in case any material adverse events occurred) and to expand its operating business as per NokScoot's management plan.

Should the Company initiated the capital injection plan, it would accommodate business expansion in 2018 and the expanding momentum should be sustained in the future. Moreover, the Company should have enough liquidity to lease more aircrafts: from 10 planes in 2018 to 19 planes in 2020. With the expanding fleet, NokScoot can add additional 25 new routes whilst its cost management should be more efficient due to its consolidated operation plan that would be implemented by the management. Consequently, the financial status should be improved. For revenues-wise, the after-capital-injection revenues were expected to be more than THB 10 billion in 2018 whilst growing to THB 20 billion in 2020. Net income was expected to turn positive in 2018 at approx. THB 100 million and growing to be more than THB 600 million in 2020.

On the other hand, if the capital injection plan was rejected, NokScoot might breach the obligations as stated in Clause 2 “Share Capital” in Joint Venture agreement between Scoot., Nok Air, Nok Mangkang Co., Ltd., Pueannammitr Co., Ltd., and Pete Air Co., Ltd. as well as breaching the covenants under the financing agreement with the lenders including KBANK and OCBC Bank in which the loan amount of up to THB 700 million might become due immediately if financial covenant was not fulfilled and no extension of waiver from the banks. In addition, NokScoot shall lose the BOI privileges (non-tax and tax benefits) which can save the import tax and corporate income tax. As a result, the Company's confidence and reputation would be impaired from the view of counterparties, partner and clients. The Company shall also lose market opportunity to its rivals e.g. Thai Lion Air and Thai AirAsia X in which both of them were continuing to grow their medium-haul market (within 6 hours flight). Lastly, in case there was no capital injection, the Company should have to find other financing sources; however, this was less viable especially under its current situation. Therefore, the future of the company remained in doubt since shareholders' equity would be deficit.

Based on the above rationale, KTBST's fair opinion to the Board of Directors of Nok Air was to approve the capital injection plan as proposed by NokScoot. The capital injection should be completed within September 2018 to avoid the material change in the projection figures.

2. Quantitative Factors Relevant to the capital Injection Consideration

To consider whether proceeding with the capital injection plan or not, the Advisor had considered key quantitative factors that provide significant impact to the business sustainability of NokScoot. The considerations could be divided into 3 parts consisting of new fleets and routes, revamped operating figures, and improved projected financial statements. Details of each considerations should be explained below:

2.1 Business Expansion – Potential New Fleets and Routes

The management of NokScoot aimed to lease more B777 and added new B737 to NokScoot's fleet from 2018 – 2020 (Please see Table 1). By doing so, the Airline's operating matrix should be improved (Please see Table 2). In 2018, NokScoot planned to lease additional 1 B777-200 and 5 B737-800 aircrafts. With additional aircrafts, it planned to open new routes such as HGH, NRT, ICN, KIX, and DEL. In the following year of 2019, NokScoot would lease additional 2 B777-200 and 3 B737-800 aircrafts, and opened up new routes such as NGO, PEK, and PVG. In 2020, NokScoot planned to lease additional 2 B777-200 and 2 B737-800 aircrafts, and opened new routes such as BOM, CKG, and CSX. Within 2020, the total fleet should be consisted of 9 B777 and 10 B737 aircrafts. With this aircraft expanding strategy, NokScoot should be able to open new routes and increase flight frequencies to gain more market share and it could be considered as one of the most competitive LCC-registered airlines in Asia Pacific and Southeast Asia. The Advisor believed that the management expansion plan was viable and aligned with the growth opportunity in this LLC industry in South East Asia region. Details of the industry should be explained more later in the report under the part of Qualitative Factors consideration.

Table 1: Network & Fleet of NokScoot

At end of year	2017	2018	2019	2020
B777-200	4	5	7	9
B737-800	-	5	8	10
B777 route	<u>Existing</u>	<u>New</u>	<u>New</u>	<u>New</u>
	NKG	HGH	NGO	BOM
	TPE	NRT	PEK	
	TAO	ICN	PVG	
	TSN	KIX		
	SHE	DEL		
	DLC			
	XIY			
B737 route		<u>New</u> WUH	<u>New</u> NKG	<u>New</u> CKG

At end of year	2017	2018	2019	2020
		AMD FUK KMG	HKT-NKG SZX XMN NGB	CSX TRZ MFM
		Switch from B777 DLC XIY HGH TPE	CTU	

2.2 Significant Improvement in Key Operating Matrix

The performance of airline industry was measured by key operating matrix. ASK and RPK were the key factors demonstrating that in case the Company can increase more operating aircrafts and increased flight frequency as a result of capital injection. Consequently, those results should improve other operating matrix as a whole. The significant increase in Pax yield and RASK caused by the higher number of operating aircrafts. Based on the management plan, NokScoot had a slowly increase in CASK and CASK ex fuel since 2018 due to the following: First, total aircraft lease rent should be higher when operating more aircraft; however, NokScoot can manage to receive the cheaper lease price in 2018. (lease rental of each aircraft may vary depending on aircraft specification and negotiation). Second, SG&A cost increased due to business expansion but SG&A per ASK should decrease due to the economy of scale. The Management strongly believe that the magnitude of economy of scale should be far higher than the increasing SG&A. Third, B737 aircrafts started operating in 2018 onward had a better Pax yield and RASK when compared to B777 due to the shorter utilization.

Table 2: NokScoot Key Operating Matrix – after injected capital

	2017	2018	2019	2020
B777 utilisation (Hrs/Aircraft/Day)	12:57	12:47	13:22	13:38
B737 utilisation (Hrs/Aircraft/Day)	Nil	12:55	12:37	12:24
ASK (mn seat-km)	4,256	7,743	13,826	18,699
% YoY	28%	82%	79%	35%
RPK (mn seat-km)	3,721	6,735	11,760	15,709
% YoY	41%	81%	75%	34%
Average stage length (Km.)	3,440	3,567	3,519	3,320

	2017	2018	2019	2020
PLF	87.40%	87.00%	85.10%	84.00%
BELF	91.20%	86.10%	82.80%	81.80%
Pax yield (THB)	1.36	1.49	1.55	1.58
RASK (THB)	1.2	1.34	1.32	1.33
CASK (THB)	1.24	1.28	1.28	1.29
CASK ex fuel (THB)	0.85	0.88	0.83	0.84

2.3 Improvement of Financial Performance

The improvement in key matrix operation after capital injection would positively affect the financial performance. (Please see the projection on Table 3). The common size analysis of fixed cost represented 14.9%, 13.8%, and 13.7%, in 2018, 2019, and 2020, respectively. And the declination of both fixed cost and SG&A occurred when the Company reached the economy of scale due to operating more aircrafts and effectiveness of resource management. Revenue-wise, it was expected that the revenues would grow at the rate of 76.1% p.a. and 36.3% p.a. in 2019 and 2020 and it was expected that NokScoot could turnaround in 2018 and the net income could grow at the rate of 256.9% and 40.1% p.a. respectively in 2019 and 2020.

The table 4 represents the forecasted balance sheet and income statement. BOI privilege played key roles in saving the corporate income tax and import VAT relating to imported aircraft parts. The liabilities were constant because there was no need for additional loan since the operating cash flow could be internally generated. Meanwhile, equity portion was increased due to capital injection and became positive.

Table 3: NokScoot Income Statement Projection

	2017	2018			2019			2020			Common Size			Growth		
		B777	B737	Total	B777	B737	Total	B777	B737	Total	2018	2019	2020	2018	2019	2020
P&L Statement																
Revenues																
Passenger revenue	2,821	5,521	808	6,329	7,955	4,002	11,957	10,627	4,879	15,506	61.2%	65.6%	62.4%	124.4%	88.9%	29.7%
Fuel Surcharge revenue	1,127	1,511	251	1,762	1,392	1,324	2,716	2,009	2,088	4,097	17.0%	14.9%	16.5%	56.3%	54.1%	50.8%
Charter revenue	109	-	-	-	-	-	-	-	-	-	0.0%	0.0%	0.0%	-100.0%		
Total transportation revenue	4,057	7,032	1,059	8,091	9,347	5,326	14,673	12,636	6,967	19,603	78.2%	80.5%	78.9%	99.4%	81.3%	33.6%
Total ancillary revenues	894	1,512	257	1,769	1,953	1,305	3,258	2,815	2,003	4,818	17.1%	17.9%	19.4%	97.9%	84.2%	47.9%
Codeshare revenue	454	306	-	306	-	-	-	-	-	-	3.0%	0.0%	0.0%	-32.6%	-100.0%	
Cargo revenue	95	162	18	180	200	87	287	279	132	411	1.7%	1.6%	1.7%	89.5%	59.4%	43.2%
Other revenue	80	-	-	-	-	-	-	-	-	-	0.0%	0.0%	0.0%	-100.0%		
Total Revenues	5,580	9,012	1,334	10,346	11,500	6,718	18,218	15,730	9,102	24,832	100.0%	100.0%	100.0%	85.4%	76.1%	36.3%
Total Viable Cost	4,379	7,159	943	8,102	9,036	5,441	14,477	12,564	7,298	19,862	78.3%	79.5%	80.0%	85.0%	78.7%	37.2%
Contribution to Fixed Costs	1,201	1,853	391	2,244	2,464	1,277	3,741	3,166	1,804	4,970	21.7%	20.5%	20.0%	86.8%	66.7%	32.9%
Total Fixed Costs	957	1,313	230	1,543	1,515	995	2,510	1,953	1,439	3,392	14.9%	13.8%	13.7%	61.2%	62.7%	35.1%
Gross Profit (Loss)	244	540	161	701	949	282	1,231	1,213	365	1,578	6.8%	6.8%	6.4%	187.3%	75.6%	28.2%
Total SG&A Expenses	321	485	69	554	599	150	749	752	171	923	5.4%	4.1%	3.7%	72.6%	35.2%	23.2%
Operating Profit (Loss)	(77)	55	92	147	350	132	482	461	194	655	1.4%	2.6%	2.6%	-290.9%	227.9%	35.9%
Total Non-operating Items	29	(21)	(3)	(24)	(15)	(7)	(22)	(15)	(7)	(22)	-0.2%	-0.1%	-0.1%	-182.8%	-8.3%	0.0%
Earnings Before Taxes	(48)	34	89	123	335	125	460	446	187	633	1.2%	2.5%	2.5%	-356.3%	274.0%	37.6%
Corporate Income Tax	-	-	-	-	12	9	21	12	6	18	0.0%	0.1%	0.1%			-14.3%
Net Profit (Loss)	(48)	34	89	123	323	116	439	434	181	615	1.2%	2.4%	2.5%	-356.3%	256.9%	40.1%
EBITDAR	625	929	263	1,192	1,401	866	2,267	1,815	1,233	3,048	11.5%	12.4%	12.3%	90.7%	90.2%	34.5%

Table 4: NokScoot Balance Sheet and Income Statement Projection

Balance Sheet (THB mm)	2015	2016	2017	2018	2019	2020
Total Assets	1,470.90	2,566.54	2,669.93	3,792.93	4,231.93	4,846.93
Total Liabilities	951.08	2,658.73	2,809.71	2,809.71	2,809.71	2,809.71
Shareholders' Equity						
Paid-up share Capital	2,000.00	2,000.00	2,000.00	3,000.00	3,000.00	3,000.00
Accumulated deficit - unappropriated (deficit)	-1,480.18	-2,098.19	-2,139.78	-2,016.78	-1,577.78	-962.78
Total Shareholders' Equity	519.82	-98.19	-139.78	983.22	1,422.22	2,037.22

Profit and Loss Statement (THB mm)	2015	2016	2017	2018	2019	2020
Total Revenues	952.93	3,910.33	5,650.10	10,346.00	18,218.00	24,832.00
Total Expenses	2,159.82	4,513.98	5,668.12	10,199.00	17,736.00	24,177.00
Gain (Loss) Before Finance Costs	-1,206.89	-603.65	-18.02	147.00	482.00	655.00
Finance Costs	0.00	8.36	29.57	24.00	22.00	22.00
Corporate Tax	0.00	0.00	0.00	0.00	21.00	18.00
Net Profit (Loss)	-1,206.89	-612.01	-47.59	123.00	439.00	615.00

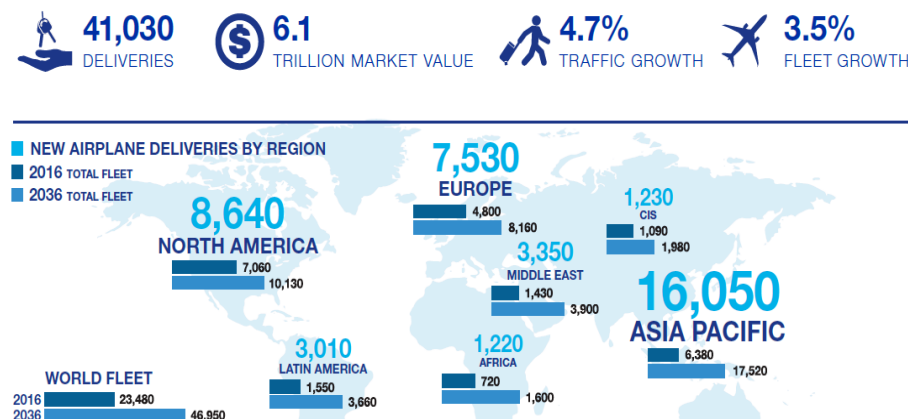
3. Qualitative Factors Relevant to the capital Injection Consideration

Beside the quantitative data, the Advisor also assessed and analyzed key qualitative factors that might affect the capital injection plan. Details of each qualitative factor are explained below:

3.1 Market Overview – High Growth of Airplane Activities in Asia Pacific and Strong demand in LCC in the APAC region

The forecast from BOEING made on 2016 showed nearly 200% increase in the world fleet from 23,480 in 2016 to 46,950 in 2036 with \$6.1 trillion market value. Asia Pacific had the highest growth in number of new airplane deliveries, increasing by almost 300% from 6,380 in 2016 to as much as 17,520 in 2036 (Please see Exhibit 1). The second growth region was middle-east which was increasing by about 272% from the same period. Meanwhile, various airlines in Asia Pacific were aggressively investing in capacity expansion.

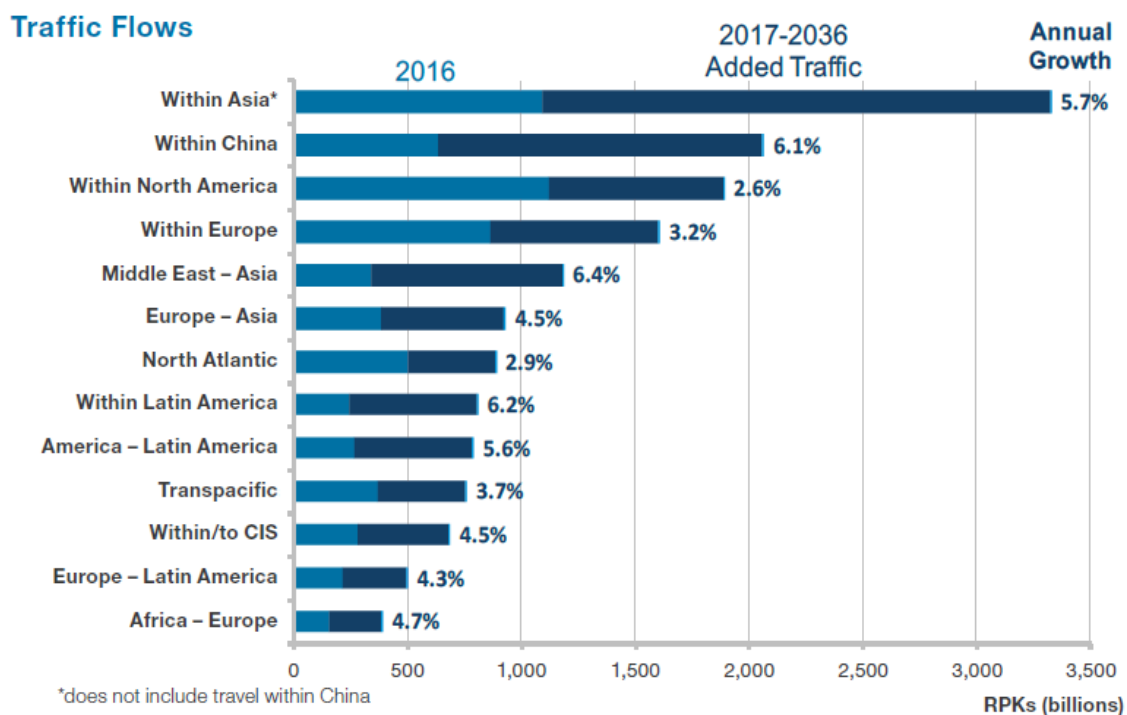
Exhibit 1: Forecast of New Airplane Deliveries by Region from 2016 to 2036



Source: Boeing Current Market Outlook 2016

Exhibit 2 shows an added traffic from 2017-2036 with an annual growth of 5.7%. The added traffic highlights potential increased in revenue passenger per kilometres (RPKs billions) within Asia, which were expected to increase from about 1,100 in 2016 up to 3,300 in the next 20 years with annual growth of 15%.

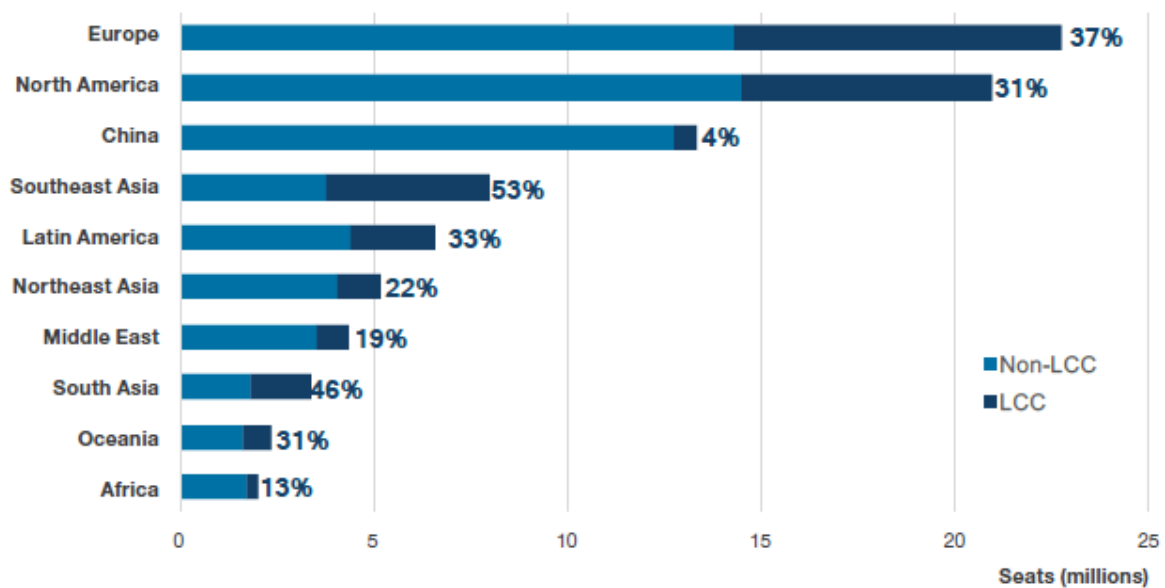
Exhibit 2: Forecast of Traffic Flows by region from 2017 to 2036



Source: Boeing Current Market Outlook 2016

In LCC data analysis, Southeast Asia had the highest portion of LCC seats per total seats of up to 53% in 2017 (Please see Exhibit 3). LCC was benefited by a higher population base in SEA as the LCC lowers the base price for flying, allowing lower income group to enjoy the ease of flying. ASEAN had allowed less control over immigration rules between ASEAN countries as a result of ASEAN open sky agreement which increased traffic flow between SEA countries. The competition among the registered-airlines resulted in increase in route and flight frequencies.

Exhibit 3: Low Cost Carrier Share of Total Seats by Region 2017



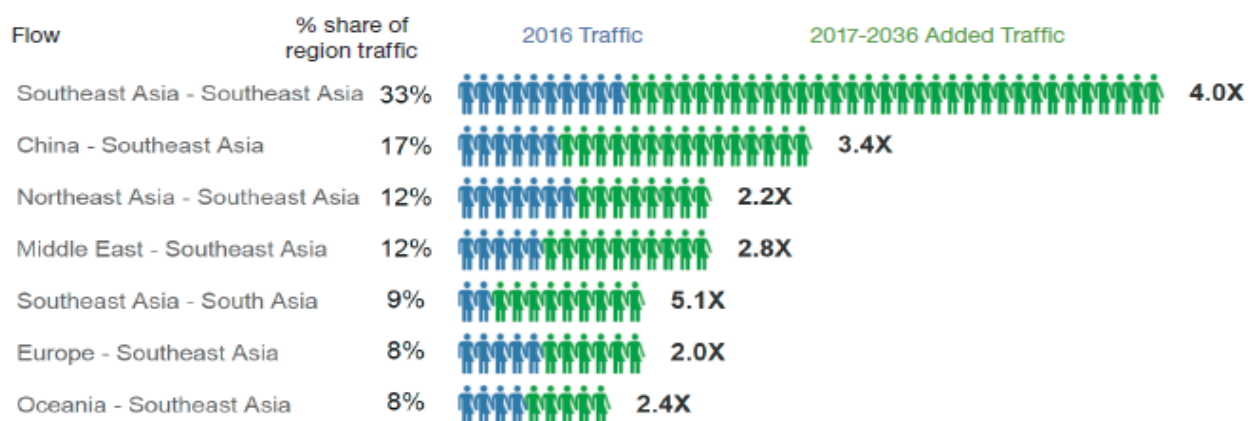
Source: Innovata 2017 FEB

Source: Innovata 2017 Feb

The forecast below reflected the traffic flow within South East Asia which was the highest portion, about 33% share of the region traffic. (Please see Exhibit 4). The growth of travelling within the region was forecasted to increase from 2017-2036 up to 4 times. Traffic flow from China to Southeast Asia made up of 17% share of the region traffic which was the second largest. The growth of travelling within the region was forecasted to increase from 2017-2036 by 3.4 times.

Exhibit 4: Forecast of Traffic Flows between Southeast Asia and Other Region from 2017 to 2036

TRAFFIC FLOW



Source: Boeing Current Market Outlook 2016

LCC Operators in Thailand also planned to expand their fleets and routes. NokScoot planned to increase flight frequency and to open new destination cities in China. For Japan, the Company would launch daily

scheduled flight to NRT. For India, the Company planned to apply for operating permit and for rights to secured 4 flights per week services to DEL and also explored other secondary cities. NokScoot also applied for operating permit for ICN. Other competitors had the expanding plan as per presented in Table 5 below:

Table 5: Thai Air Asia X and Thai Lion Air Expanding Plan

Thai AirAsia X	
2017	China (Shanghai)
2018	Iran and Oman (Suspended)
Thai Lion Air	
2017	China (Shanghai), India (Mumbai), and Taiwan (Taipei)
2018	Iran and Oman (Suspended)

3.2 Maintain Commitment with Partners

The Advisor found the commitment clause related to the capital injection between the Company and other parties under the Joint Venture Agreement. According to the Joint Venture Agreement (Clause 2 Share Capital) which executed on 19th June 2014 by and between Scoot Pte. Ltd., Nok Airlines PCL., Nok Mangkang Co., Ltd., Pueannammitr Co., Ltd., and Pete Air Co., Ltd., the parties agreed to invest in share capital of THB 2 billion. It is contemplated that the Company should have a total project investment of THB 3 billion (currently THB2 billion). The Joint Venture Agreement also stated that the parties agree to review and determine the timing and manner for financing of the remaining THB 1 billion into the Company within 12 months after the commencement of the first scheduled flight of the Company. The first flight was in December 2014.

3.3 Maintain Privileges in BOI Investment

The Company was granted the BOI certificate since November 2017. BOI had approved B738 project with a requirement for capital injection prior to issuing investment certificate. BOI privilege was 5 years long. The Company must execute not less than THB 50 million of capital injection to secure BOI privilege by 23 July 2018. The extension could be made which subject to BOI consideration.

Without capital injection, the Company might lost BOI investment privileges as follow:

- Import VAT for narrow body aircraft amounted to THB 180 million in Sep – Oct 2018
- Import duty and VAT for spare part related to narrow body aircraft during the lease period.
- No exemption for corporate income tax for 5 years
- No exemption for tax on dividend received from investment
- Unable to exercise non-tax incentives
- No benefit from work permit for foreign workers

3.4 Maintain Financial Covenants adjacent to Bank Loan

To comply with the financial covenant, NOK must maintain D/E ratio at the level of not less than 2.25 (As at 30 June 2018, the ratio was negative due to deficit in shareholders' equity). With that covenant breach, KBANK might enforce the covenant so that the credit facility lending to both NOK and NokScoot might become due immediately; however, KBANK agreed to waive the covenant enforcement to the end of FY2018.

The Advisor considered and believed that if NokScoot got capital injection and could generate net income as planned, both NOK and NokScoot might be able to negotiate and extend the covenant enforcement to other period. Without capital injection, banks might not provide credit facilities and the debt might become due immediately.

4. Step to Pursue if the Capital Injection Plan Fails

Should the capital injection plan failed, the Company had to find other financing options. Currently, NokScoot secured the Joint Funding Agreement with Nok Air with limited funding allowance of THB 1,244.49 million through issuance of promissory note, of which had been drew down of THB 700 MB. Followings are the potential financing options that might be considered for the Company to increase its working capital.

4.1 Promissory Note & Term Loan

The P/N and term loan could be issued at the higher interest rate due to the current performance. In addition, the banks might require additional collateral to cover the credit risk of the Company.

4.2 Corporate Bond Issuance

Due to NokScoot's profile and credit status, the corporate bond subscribers required high interest rate to compensate the higher investment risk similar to the issuance of P/N and term loan. However, the current situation in the Thai bond market was favorable to the secured debenture with hard assets as collateral.

4.3 Convertible Debenture

In case there was no equity injection from other investors, the Convertible Debenture might be suitable to the Company's current situation. With the risk-return characteristics of the instrument, the investors can be secured as a debt holder during the Company's turnaround period with the protected downside risk whereas the investor could be able to enjoy upside benefit when converting the debenture into the equity after the performance had been improved.

5. Fairness Opinion of the Financial Advisor

The Advisor anticipated the benefits of capital injection of NokScoot. The capital injection shall enable NOK to expand LLC business by increasing flight frequencies and opening more routes which create the flight connectivity and expand the flight destinations. The business of NokScoot should sustainably gain market share from other Southeast Asia region's LCC operators and should support the increasing number of population, tourists and travelers. It was expected that when the capital injection was completed NokScoot should lease more aircrafts to gain economies of scale whilst reducing the unnecessary costs as planned by NokScoot's executives. Consequently, NokScoot should have the opportunity to turnaround its business performance and to expand the growth of income and to create sustainable profit. The Advisor; therefore, preceded that that the capital injection plan, as proposed by the executives, was appropriate.

In order to execute capital injection plan, the Advisor proposed the timeline as following:

Mid Aug 2018	NokScoot's Board of Directors approved the capital injection plan.
Late Aug 2018	NokScoot sets up the Right offering transaction to raise fund up to THB 1 billion.
Early Sep 2018	NokScoot completes the new registered raised capital.
Sep – Oct 2018	NokScoot leases more aircrafts.
2019 - 2020	NOK raises fund again if needed.

Note – The approval in capital injection plan are based on current shareholding structure and related parties (Please see Appendix A).

Fairness Opinion on the Shareholding Structure and Capital Injection Methods

NOK's executives should proceed the capital injection plan by using the same shareholding structure and capital injection methods as per the previous investment plan of NokScoot which had been approved by the Board of Directors and shareholders in the 2014 Annual General Meeting of Shareholders, held on 9th April 2014 (Please See Appendix A). In this capital injection plan, Nok Mangkang will use the loan from NOK at the value of THB 490 million to additionally invest by purchasing newly-issued shares in NokScoot. By the proportion of existing shares, Nok Mangkang, Scoot, and Puennammitr should inject the capital at the amount of THB 490 million, THB 490 million, and THB 20 million, respectively. In addition, the control power and the interest of NOK in Nok Mangkang remain 99.89 percent.

The Advisor believed that the methods used were appropriate because the loan from NOK should be lent to Nok Mangkang prior to the share capital injection in NokScoot

6. Disclaimer

This Report has been prepared by KTB Securities (Thailand) PCL (“KTBST”), and Nok Airlines PCL. related to the capital injection plan as well as financial projection of Nok Scoot Airlines Co., Ltd. for the purpose of discussion with- and presentation to the Board of Directors of Nok Airlines PCL. for consideration of capital injection plan only. This report is strictly confidential and shall not be used for any other purpose whatsoever, and must not be provided to or made available, by any means, to any person other than the intended party.

This report does not constitute any offer, solicitation, recommendation, or invitation for or in relation to the securities of any company described herein nor does it constitute investment advice, nor a part of any advice on investment decisions.

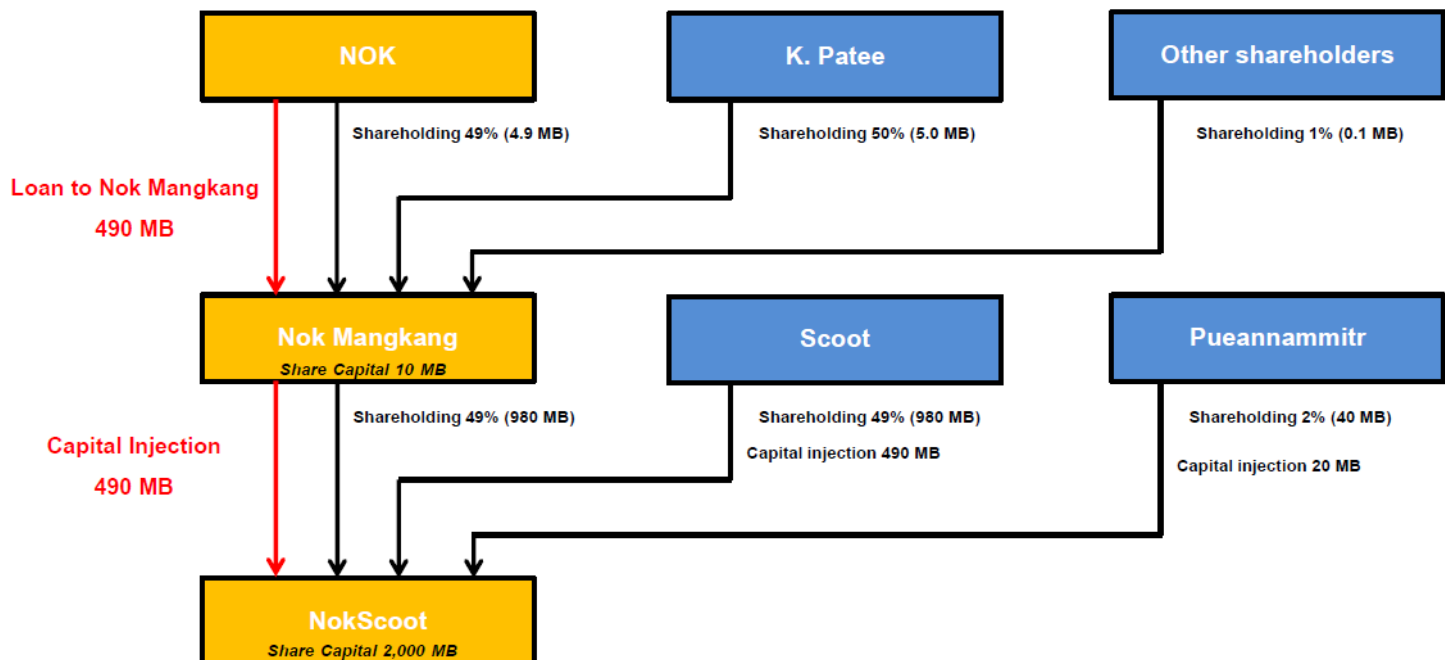
This report and its exhibits may contain projections prepared by KTBST and other reliable sources. KTBST makes no representation of any nature as to the attainability and accuracy of those or any other projections and no person has the authority from KTBST to make any representation to such effect.

This report does not claim to constitute all the information that the recipient might require and in particular, does not address all issues. Furthermore, the figures and assumptions which underlie such projections are inherently subject to significant economic, market, and regulatory risks which are either difficult or impossible to predict accurately.

Recipient of this report must conduct their own appraisal and due diligence procedures before acting or refraining from acting on reliance of this document and thus are solely responsible for making their own assessment of the matters herein.

Appendix

Appendix A: Shareholding Structure



Nok Airlines Public Company Limited invests in Nok Mangkang Company Limited THB 4.9 million or 49%. Nok Mangkang Company Limited has registered capital of THB 10 million which consists of:

1. Nok Airlines Public Company Limited holds 49% with the value of THB 4.9 million (ordinary shares).
2. Mr. Patee Sarasin holds 50% with the value of THB 5.0 million (preferred shares).
3. Other shareholders hold 1% with the value of THB 0.1 million (preferred shares).

Nok Mangkang Company Limited invests in NokScoot Company Limited THB 980 million or 49%. NokScoot Company Limited has registered capital of THB 2 billion which consists of:

1. Nok Mangkang Company Limited holds 49% with the value of THB 980 million (ordinary shares).
2. Scot Private Limited holds 49% with the value of THB 980 million (ordinary shares).
3. Pueannamitr Company Limited holds 2% with the value of THB 40 million (ordinary share).