

AIRASIA BERHAD (“AAB” OR THE “COMPANY”)

PROPOSED DISPOSAL BY AAB OF ITS AIRCRAFT LEASING OPERATIONS

For the purpose of this announcement, “USD” refers to United States Dollar and “RM” refers to Ringgit Malaysia. Unless otherwise stated, the exchange rate of USD1.00:RM3.8985, which is the middle rate quoted by Bank Negara Malaysia as at 5.00 p.m. on 31 January 2018, being the latest practicable date of this announcement (“LPD”), is used throughout this announcement.

1. INTRODUCTION

AAB proposes to divest its aircraft leasing operations that are currently undertaken by Asia Aviation Capital Limited (“AACL”), a wholly-owned subsidiary of AAB, to entities managed by BBAM Limited Partnership (“BBAM”) for a disposal consideration of USD1,185.0 million (approximately RM4,619.7 million) (“Disposal Consideration”) on the back of an enterprise value (“EV”) of USD2,846.2 million (approximately RM11,095.9 million). In this regard, on behalf of the Board of Directors of AAB (“Board”), RHB Investment Bank Berhad wishes to announce that the following agreements have been entered into by AACL for its entire equity interest in its 4 wholly-owned subsidiaries (“Disposed Subsidiaries”) and aircraft assets on 28 February 2018:

No.	Transaction	Description of agreement	Total no. of aircraft assets involved
1.	Proposed Disposal to Herondell	Sale and purchase agreement entered into between AAB, AACL, Herondell Limited (“Herondell”) and Nomura Babcock & Brown Co., Ltd. (“NBB”) for the proposed disposal by AACL of its entire equity interest in Red Aircraft Holdings 1 Co., Ltd (“Red 1”), a wholly-owned subsidiary of AACL, and 4 aircraft to be delivered to AACL by 3rd quarter 2018 to Herondell for a disposal consideration of USD183.2 million (approximately RM714.2 million) (“Herondell SPA”)	9 aircraft and 4 future aircraft to be delivered to AACL
2.	Proposed Disposal to Incline B	Sale and purchase agreement entered into between AAB, AACL, Incline Aladdin Holdings Limited (“Incline Aladdin”) and Incline B Aviation Limited Partnership (“Incline B”) for the proposed disposal by AACL of its entire equity interest in Red Aircraft Holdings 2 Co., Ltd (“Red 2”), a wholly-owned subsidiary of AACL, and 3 aircraft and 7 aircraft engines to Incline Aladdin for a disposal consideration of USD548.5 million (approximately RM2,138.3 million) (“Incline B SPA”)	38 aircraft and 7 aircraft engines
3.	Proposed Disposal to FLY	Sale and purchase agreement entered into between AAB, AACL, Fly Aladdin Holdings Limited (“Fly Aladdin”) and FLY Leasing Limited (“FLY”) for the proposed disposal by AACL of its entire equity interest in Red Aircraft Holdings 3 Co., Ltd (“Red 3”) and Red Aircraft Holdings 4 Co., Ltd (“Red 4”), both wholly-owned subsidiaries of AACL, and 1 aircraft and 7 aircraft engines to Fly Aladdin for a disposal consideration of USD453.3 million (approximately RM1,767.2 million) (“FLY SPA”)	33 aircraft and 7 aircraft engines
Total			84 aircraft and 14 aircraft engines ⁽¹⁾

Note:

(1) Further details on 84 aircraft and 14 aircraft engines (collectively referred to as the “Aircraft Assets”) are set out in Appendix I of this announcement.

The Proposed Disposal to Herondell, Proposed Disposal to Incline B and Proposed Disposal to FLY are collectively referred to as “Proposed Disposals”.

Further, under the Herondell SPA, Incline B SPA and FLY SPA (collectively, the “Disposal SPAs”), AAB, AACL and/or its affiliate airlines will enter into lease arrangements to lease 79 aircraft and 14 aircraft engines from the respective purchasers, details of which are set out in sections 2.1.4, 2.2.4 and 2.3.4 of this announcement.

In conjunction with the Proposed Disposal to Incline B and Proposed Disposal to FLY, on 28 February 2018, the following agreements have also been entered into for the disposal of up to 98 aircraft to be delivered in the future:

No.	Transaction	Description of agreement
1.	Proposed Future Disposal to Incline	Sale and purchase agreement entered into between AAB, AACL and Incline B for the disposal by AACL of 21 aircraft to be delivered in the future to Incline B for a disposal consideration to be agreed between the parties at a later date (“ Incline B SPA for Future Aircraft ”). Pursuant to this agreement, the parties are required to enter into lease agreements whereby the said aircraft will be leased to AAB and/or its affiliates.
2.	Proposed Future Disposal to FLY	Sale and purchase agreement entered into between AAB, AACL and FLY for the disposal by AACL of 27 aircraft to be delivered in the future to FLY for a disposal consideration to be agreed between the parties at a later date (“ FLY SPA for Future Aircraft ”). Pursuant to this agreement, the parties are required to enter into lease agreements whereby the said aircraft will be leased to AAB and/or its affiliates.
3.	Proposed Option	Option agreements entered into between (i) AAB, AACL and Incline B (“ Incline Option Agreement ”) and (ii) AAB, AACL and FLY (“ FLY Option Agreement ”) whereby AACL has granted an option to Incline B and FLY to collectively purchase up to 50 aircraft to be delivered in the future for a purchase consideration to be agreed between the parties at a later date.

The Incline B SPA for Future Aircraft, FLY SPA for Future Aircraft, Incline Option Agreement and FLY Option Agreement are collectively referred to as the “**Agreements for Future Aircraft**”.

2. DETAILS OF THE PROPOSED DISPOSALS

The Proposed Disposals involve the disposal by AACL of its entire equity interest in the Disposed Subsidiaries and its aircraft assets for a Disposal Consideration of USD1,185.0 million. The Disposal Consideration, which is subject to adjustments as set out in the Disposal SPAs, will be satisfied in cash and in-kind in the following manner:

	Proposed Disposal to Herondell (million)	Proposed Disposal to Incline B (million)	Proposed Disposal to FLY (million)	Total (million)
(i) Cash	USD183.2 (approximately RM714.2)	USD498.5 (approximately RM1,943.4)	USD403.3 (approximately RM1,572.3)	USD1,085.0 (approximately RM4,229.9)
(ii) In-kind:				
- Investment in funds ⁽¹⁾	-	USD50.0 (approximately RM194.9)	-	USD50.0 (approximately RM194.9)
- Subscription of FLY’s equity ⁽²⁾	-	-	USD50.0 (approximately RM194.9)	USD50.0 (approximately RM194.9)
Total	USD183.2	USD548.5	USD453.3	USD1,185.0

Notes:

- (1) Pursuant to the Proposed Disposal to Incline B, on 28 February 2018, agreements have been entered with Incline B whereby AAB or its affiliated entity is to become a limited partner of Incline A Aviation Limited Partnership (“**Incline A**”) and Incline B Aviation Parallel Limited Partnership (“**Incline B Parallel**”) (Incline A and Incline B Parallel collectively, the “**Incline Funds**”) by committing to invest a total of USD50.0 million in the Incline Funds (“**Capital Commitment to the Incline Funds**”), of which the initial capital commitment into the Incline Funds of approximately USD15.0 million (approximately RM58.5 million) is to be net settled against the disposal consideration of USD548.5 million for the Proposed Disposal to Incline B (“**Incline B Disposal Consideration**”), with the remaining approximately USD35.0 million (approximately RM136.4 million) remain as committed capital to the Incline Funds. Please refer to section 2.2.5 of this announcement for further information.

- (2) Pursuant to the Proposed Disposal to FLY, on 28 February 2018, AAB, AACL and FLY have entered into a subscription agreement for the issuance and sale of up to 3,333,333 American Depositary Shares of FLY (“**FLY Equity**”) at an issue price of USD15 (approximately RM58.48) per FLY Share (“**Issue Price**”) to AACL (“**Subscription in FLY Equity**”). The subscription amount of USD50.0 million is to be net settled against the disposal consideration of USD453.3 million for the Proposed Disposal to FLY (“**FLY Disposal Consideration**”). Please refer to section 2.3.5 of this announcement for further details on the Subscription in FLY Equity.

2.1 Proposed Disposal to Herondell

The Proposed Disposal to Herondell involves the disposal by AACL of 1 share of USD0.01 in Red 1¹, representing 100% equity interest in Red 1, and 4 aircraft to be delivered to AACL by 3rd quarter 2018 to Herondell for a disposal consideration of USD183.2 million.

Further, under the Herondell SPA, AAB and/or its affiliate airlines will enter into lease arrangements to lease 13 aircraft from Herondell, Red 1 and/or its subsidiaries. Please refer to section 2.1.4 of this announcement for further information on the lease arrangements.

2.1.1 Information on Red 1

Red 1 was incorporated as an exempted company under the laws of Bermuda on 22 February 2018 and its principal activity is owning, leasing and/or financing of aircraft. As at the date of incorporation, AACL owns 100% equity interest in Red 1.

There is no audited financial information on Red 1 as the company is newly incorporated.

2.1.2 Information on the purchaser and its guarantor

(i) Herondell (as a purchaser)

Herondell is a private company limited by shares that was incorporated on 14 March 2017 under the laws of Ireland. Herondell is principally engaged in aircraft acquisition and disposition and aircraft leasing activities.

As at 21 February 2018:

(a) Herondell has one issued and paid-up capital.

(b) The directors of Herondell are as follows:

1. Declan Cotter;
2. Gavin Mercer;
3. James Conroy;
4. Maurice Prendergast;
5. Gregory Azzara; and
6. Robert S. Tomczak.

(c) The substantial shareholder of Herondell is BBAM Aviation Services Limited.

¹ Red 1 and its subsidiaries will own 9 aircraft before the completion of the Herondell SPA.

(ii) NBB (as a guarantor)

NBB is a company that was incorporated on 3 March 1986, under the laws of Japan. NBB is principally engaged in investment banking with strengths in the international leasing of aircraft and other large equipment.

As at 21 February 2018:

- (a) NBB has a total issued and paid-up capital of Japanese Yen 1,000 million.
- (b) The directors of NBB are as follows:
 - 1. Kohei Jo;
 - 2. Kohei Sato;
 - 3. Mitsuo Kubota;
 - 4. Norisada Hasegawa;
 - 5. Hitoshi Yamanishi; and
 - 6. Toru Otsuka.
- (c) NBB is a wholly-owned subsidiary of Nomura Holdings, Inc.

2.1.3 Salient terms of Herondell SPA

(i) Herondell Disposal Consideration

Subject to adjustments, the aggregate consideration payable by Herondell for the purchase of 100% of the issued and paid-up share capital in Red 1 (“**Red 1 Sale Shares**”) (together with 9 aircraft to be owned by Red 1 (“**Non-SLB Aircraft**”)) and 4 aircraft to be delivered (“**SLB Aircraft**”) shall be USD527.8 million (the “**Herondell Base Purchase Price**”).

All the Non-SLB Aircraft and SLB Aircraft are referred to as “**Herondell Aircraft Assets**” (the Red 1 Sale Shares and Herondell Aircraft Assets are collectively referred to as “**Herondell Assets**”).

“**Herondell Disposal Consideration**” is defined in the Herondell SPA as the Herondell Base Purchase Price less the applicable financing amount, subject to adjustments.

An amount of the Herondell Base Purchase Price is allocated to each Non-SLB Aircraft in an amount to be agreed (each a “**Herondell Allocated Consideration Amount**”).

The Herondell Allocated Consideration Amount for each Non-SLB Aircraft shall be adjusted by (i) subtracting the aggregate of the daily rent amount for such Non-SLB Aircraft for the period from and including 1 January 2018 to the date of the transfer, (ii) adding an amount equal to 4.25% per annum of the Herondell Allocated Consideration Amount for the period from 1 January 2018 to the date of the transfer (the “**Herondell Adjustment Rate**”) and (iii) subtracting the maintenance reserves balance referable to such Non-SLB Aircraft (the aggregate Herondell Allocated Consideration Amount for each such Non-SLB Aircraft so adjusted, the “**Herondell Adjusted Transfer Amount**”).

The manner of payment for the disposal consideration under the Herondell SPA is as follows:

- (a) At the time of transfer of a Non-SLB Aircraft, Herondell will pay or procure payment of the Herondell Adjusted Transfer Amount in respect of each Non-SLB Aircraft; and
- (b) Herondell agrees to pay the purchase price for each SLB Aircraft to the manufacturer on or before the delivery date for such SLB Aircraft.

(ii) Conditions Precedent

The transfer of the Red 1 Sale Shares, SLB Aircraft and Non-SLB Aircraft shall be conditional on the satisfaction of, including but not limited to, the following conditions precedent (“**Herondell Transfer Conditions**”):

- (a) In relation to the Non-SLB Aircraft:
 - 1. no total loss or material damage shall have occurred in respect of the relevant Non-SLB Aircraft;
 - 2. the relevant Non-SLB Aircraft shall not have been repossessed from the applicable lessee;
 - 3. no material event of default shall have occurred which is continuing under the lease of the relevant Non-SLB Aircraft;
 - 4. the fundamental warranties related to the relevant Non-SLB Aircraft shall be true and accurate in all material respects;
 - 5. no change in law shall have occurred rendering it illegal for any party to perform its obligations under the Herondell SPA or for the applicable lessee to pay rent under the relevant lease;
 - 6. the applicable affiliate of AACL shall not have consented to the creation of any sub-lease other than as contemplated by the relevant lease agreement which would materially adversely affect the economic value of the Non-SLB Aircraft;
 - 7. receipt by Herondell of a payoff letter from the existing financiers in respect of each Non-SLB Aircraft; and
 - 8. the necessary corporate approvals and authorisations of each relevant entity entering into an asset transfer document.

(b) In relation to SLB Aircraft:

1. Such SLB Aircraft being at the agreed delivery location at a specified time on the delivery date;
2. Satisfaction or waiver of the conditions precedent in favour of the lessor set out in the lease agreement in respect of such SLB Aircraft;
3. Herondell being satisfied that (i) manufacturer has consented to or will promptly consent following delivery to the registrations of the sale of the applicable airframe and engines at the international registry and (ii) if the applicable aircraft is or will be registered in a jurisdiction that has ratified the Cape Town Convention and the relevant lease agreement constitutes a registrable “international interest” under the Cape Town Convention, the lessee of such aircraft has appointed an “administrator” and a “professional user” and such lease agreement will be so registered at the international registry;
4. No illegality or force majeure event shall have occurred and be continuing;
5. No total loss or material damage shall have occurred with respect to such SLB Aircraft on the delivery date; and
6. With respect to each SLB Aircraft, AACL being satisfied (i) that such SLB Aircraft conforms to the description set forth in the Airbus S.A.S (“Airbus”) delivery condition specification and (ii) the proposed arrangements for rectification of any defects with respect to such SLB Aircraft pursuant to the pre-delivery procedure and the manufacturer commitment letter.

(c) In relation to the Red 1 Sale Shares, following completion of each Non-SLB Aircraft transfer.

(iii) Completion

The transfer of rights in relation to the Non-SLB Aircraft will take place under the relevant Non-SLB Aircraft transfer documents following satisfaction of the relevant Herondell Transfer Conditions Precedent.

Following completion of the Non-SLB Aircraft transfer, Red 1 Sale Shares shall be transferred to Herondell.

The completion of the sale and delivery by the aircraft manufacturer of each SLB Aircraft to Herondell or Herondell’s nominee shall occur on the scheduled delivery date for the relevant SLB Aircraft or such later date as AACL and Herondell may mutually agree provided that such later date shall not be a date occurring after the 90 days after the scheduled delivery date for such SLB Aircraft unless otherwise mutually agreed to by AACL and Herondell.

On transfer a member of Herondell’s group or Herondell’s nominee will enter into a lease agreement in respect of each Herondell Aircraft Asset that is the subject of the transfer pursuant to which the relevant entity will lease the relevant aircraft to be operated by AAB or an affiliate airline of AAB.

(iv) Representation and Warranties

AACL and AAB have represented and warranted to Herondell that the representations and warranties made pursuant to the Herondell SPA, including but not limited to legal and beneficial ownership of the Herondell Assets and the right to sell the Herondell Assets, shall be true, correct and accurate, and shall not be extinguished, diminished or affected until completion. If any of such warranties are breached, Herondell shall be entitled to claim damages for any loss, damages, cost and expenses incurred.

Herondell has represented and warranted to AACL that the representations and warranties made pursuant to the Herondell SPA, including but not limited to the legal right to enter into the Herondell SPA and the authorisation on the part of Herondell shall be true, correct and accurate, and shall not be extinguished, diminished or affected until completion. If any of such warranties are breached before completion, AACL shall be entitled to claim damages for any loss, damages, cost and expenses incurred.

(v) Termination

The Herondell SPA will terminate under several circumstances, including but not limited to:

- (a) If the deposits under the Incline B SPA or FLY SPA is not paid, at the option of AACL;
- (a) If the Herondell Transfer Conditions applicable to the Non-SLB Aircraft are not satisfied by 5.00 pm on the date falling 6 weeks after the date of the Herondell SPA, or such other date as may be mutually agreed by AACL and Herondell;
- (b) If the Herondell Transfer Conditions applicable to the transfer of Red 1 Sale Shares are not satisfied by 5.00 pm on the date falling 5 business days after (aa) 6 weeks after the date of the Herondell SPA or (bb) 90 days after the schedule delivery date for SLB Aircraft (“**SLB Aircraft End Date**”);
- (c) for Non-SLB Aircraft, if the transfer does not take place following the satisfaction of all Herondell Transfer Conditions Precedent thereto and if AACL is not in default in relation to its transfer obligations, at the option of AACL; or
- (d) for Non-SLB Aircraft, if the transfer does not take place following the satisfaction of all Herondell Transfer Conditions Precedent thereto and if Herondell is not in default in relation to its transfer obligations, at the option of Herondell following a transfer deferral period of 5 business days; and
- (e) for SLB Aircraft, if delivery of SLB Aircraft does not occur on or before the SLB Aircraft End Date, each of AACL and Herondell (provided they are not in default of their obligations), may terminate its obligation to sell or purchase, as the case may be, such SLB Aircraft under the Herondell SPA.

2.1.4 Information on lease arrangements

<u>No.</u>	<u>Terms</u>	<u>Details</u>
1.	Lessor	: Herondell, Red 1 and/or its subsidiaries
2.	Lessee	: AAB and/or its affiliate airline
3.	Total aircraft to be leased	: 13 aircraft
4.	12-month period lease rental	: USD31.3 million (approximately RM122.0 million) ⁽¹⁾
5.	Commencement date of lease	: Commencement date of the lease of each relevant aircraft is the date of the delivery of such aircraft under the Herondell SPA
6.	Duration of lease	: Up to 12 years anniversary from the date of manufacture
7.	Security deposits	: USD2.6 million (approximately RM10.1 million) ⁽¹⁾

Note:

(1) Excluding lease rental and security deposits for 4 aircraft to be delivered.

2.2 Proposed Disposal to Incline B

The Proposed Disposal to Incline B involves the disposal by AACL of 1 share of USD0.01 in Red 2², representing 100% equity interest in Red 2, and 3 aircraft and 7 aircraft engines to Incline Aladdin for the Incline B Disposal Consideration of USD548.5 million.

Further, under the Incline B SPA, AAB and/or its affiliate airlines will enter into lease arrangements to lease 34 aircraft and 7 aircraft engines from Incline Aladdin, Red 2 and/or its subsidiaries. Please refer to section 2.2.4 of this announcement for further information on the lease arrangements.

Pursuant to the Proposed Disposal to Incline B, on 28 February 2018, agreements have been entered with Incline B whereby AAB or its affiliated entity is to become a limited partner of the Incline Funds by committing to invest a total Capital Commitment to the Incline Funds of USD50.0 million, of which initial capital commitment into the Incline Funds of approximately USD15.0 million is to be net settled against the Incline B Disposal Consideration of USD548.5 million, with the remaining approximately USD35.0 million remain as committed capital to the Incline Funds. Please refer to section 2.2.5 of this announcement for further information.

2.2.1 Information on Red 2

Red 2 was incorporated as an exempted company under the laws of Bermuda on 22 February 2018 and its principal activity is owning, leasing and/or financing of aircraft. As at the date of incorporation, AACL owns 100% equity interest in Red 2.

There is no audited financial information on Red 2 as the company is newly incorporated.

² Red 2 and its subsidiaries will own 35 aircraft before the completion of the Incline B SPA.

2.2.2 Information on purchaser and its guarantor

(i) Incline Aladdin (as a purchaser)

Incline Aladdin is a private limited company that was incorporated on 20 February 2018, under the laws of Ireland. Incline Aladdin is principally engaged in the acquisition, leasing and disposition of commercial jet aircraft and engines.

As at 21 February 2018:

- (a) Incline Aladdin has one ordinary share of €1.00 issued.
- (b) The directors of Incline Aladdin are as follows:
 - 1. Declan Cotter;
 - 2. Gavin Mercer;
 - 3. James Conroy; and
 - 4. Maurice Prendergast.
- (c) Incline Aladdin is a wholly-owned subsidiary of Incline B IrishCo One Limited.

(ii) Incline B (as a guarantor)

Incline B is an exempt limited partnership that was incorporated on 6 November 2015 under the laws of Cayman Islands. Incline B is principally engaged in the acquisition, leasing and disposition of commercial jet aircraft and engines.

As at 21 February 2018:

- (a) Incline B is organised as an exempted limited partnership in the Cayman Islands, and has no shares issued.
- (b) Incline B has no directors. The Incline B's general partner, Incline B GP (Cayman) Co., Ltd., are as follows:
 - 1. Michael Blumenthal;
 - 2. Takeshi Saeki; and
 - 3. Damon Connery (alternate director to Michael Blumenthal).

2.2.3 Salient terms of Incline B SPA

(i) Incline B Disposal Consideration

Subject to adjustments, the aggregate consideration payable by Incline Aladdin for the purchase of 100% of the issued and paid-up share capital in Red 2 (“**Red 2 Sale Shares**”), and 3 aircraft and 7 aircraft engines from AACL shall be USD1,248.8 million (the “**Incline Base Purchase Price**”). All the aircraft and aircraft engines are referred to as “**Incline B Aircraft Assets**” (the Red 2 Sale Shares and Incline B Aircraft Assets are collectively referred to as the “**Incline B Assets**”).

“**Incline B Disposal Consideration**” is defined in the Incline SPA as the Incline Base Purchase Price less the applicable financing amount, subject to adjustments.

An amount of the Incline Base Purchase Price is allocated to each Incline B Aircraft Asset in an amount to be agreed (each an “**Incline Allocated Consideration Amount**”).

The Incline B Aircraft Assets are divided into 2 categories:

- (a) specific aircraft and aircraft engines being designated as initial transfer assets listed under the initial transfer notice to be issued by AACL to Incline Aladdin at an agreed time prior to initial transfer (such initial transfer to occur only after the Incline Transfer Conditions Precedent (as defined in paragraph (iii) below) are satisfied or waived) (“**Incline Initial Transfer Assets**”); and
- (b) each aircraft and aircraft engine that is not an Incline Initial Transfer Asset or that is designated as a deferred asset. Deferred asset is identified after initial transfer does not take place on the date of initial transfer in respect of any Incline Initial Transfer Assets because AACL or Incline Aladdin fails to comply with any of its obligations required in connection with the initial transfer. If such default relates to the failure by AACL or Incline Aladdin to complete the transfer of one or more Incline Initial Transfer Assets to AAB and its subsidiaries (“**AAB Group**”) under the terms of the agreement (each such asset a “**Non-transferred Initial Transfer Asset**”), AACL and Incline Aladdin shall proceed with initial transfer to the extent possible excluding the Non-transferred Initial Transfer Assets and such Non-transferred Initial Transfer Assets shall be designated as a deferred asset (as notified by AACL by way of written notice to Incline Aladdin) (“**Incline Deferred Assets**”).

The Incline Allocated Consideration Amount for each Incline Initial Transfer Asset shall be adjusted by (i) subtracting the aggregate of the daily rent amount for such Incline Initial Transfer Asset for the period from and including 1 January 2018 to the date of the initial transfer, (ii) adding an amount equal to 4.25% per annum of the Incline Allocated Consideration Amount for the period from 1 January 2018 to the date of the initial transfer, (iii) subtracting the maintenance reserves balance referable to such Incline Initial Transfer Asset and (iv) only in respect of an Incline B Aircraft Asset on lease to a third party airline, subtracting the security deposit in the relevant lease referable to such Incline Initial Transfer Asset (the aggregate Incline Allocated Consideration Amount for each such Incline Initial Transfer Asset so adjusted, the “**Incline Adjusted Initial Transfer Amount**”).

The Incline Allocated Consideration Amount for each Incline Deferred Asset shall be adjusted by (i) subtracting the aggregate of the daily rent amount for such Incline Deferred Asset for the period from and including 1 January 2018 to the date of the deferred transfer (“**Incline Deferred Transfer Adjustment Amount**”), (ii) adding an amount equal to 4.25% per annum of the Incline Allocated Consideration Amount for the period from 1 January 2018 to the date of the deferred transfer (the “**Incline Deferred Transfer Adjustment Rate Amount**”), (iii) subtracting the maintenance reserves balance referable to such Incline Deferred Asset and (iv) only in respect of an Incline B Aircraft Asset on lease to a third party airline, subtracting the security deposit in the relevant lease referable to such Incline Deferred Asset (the aggregate Incline Allocated Consideration Amount for each such Incline Deferred Asset so adjusted, the “**Incline Adjusted Deferred Transfer Amount**”).

The manner of payment for the disposal consideration under the Incline SPA is as follows:

- (a) Within 5 business days from the date of the Incline B SPA, Incline Aladdin shall pay a deposit of USD30.0 million (“**Incline Deposit**”);
- (b) At the time of initial transfer of an Incline Initial Transfer Asset, Incline Aladdin will pay or procure payment of the Incline Adjusted Initial Transfer Amount (less payment under paragraph (a) above);

- (c) On the date of the initial transfer, Incline Aladdin shall cause an amount equal to the Incline Base Purchase Price:
1. minus the aggregate Incline Adjusted Initial Transfer Amount;
 2. minus the Incline Deferred Transfer Adjustment Amount calculated as of the date of such initial transfer for the Incline Deferred Assets;
 3. plus the Incline Deferred Transfer Adjustment Rate Amount calculated as of the date of such initial transfer for the Incline Deferred Assets;
 4. minus the initial Capital Commitment to the Incline Funds, if the initial Capital Commitment to the Incline Funds will not be contributed on the date of such initial transfer; and
 5. minus the applicable financing amount for the Incline Deferred Assets, (less payment under paragraph (a) above) to be paid to an escrow account (the “**Incline Deferred Escrow Amount**”);
- (d) On the date of each deferred transfer, Incline Aladdin shall pay the Incline Adjusted Deferred Transfer Amount (less amount under paragraph (c) above and subject to amount under paragraph (e) below) and the Incline Deferred Escrow Amount shall be released to AACL; and
- (e) Incline Aladdin may call for capital to be paid and invested into the Incline Funds on one or more dates of deferred transfer pursuant to agreements relating to the Capital Commitment of Incline Funds, which will satisfy the Incline Adjusted Deferred Transfer Amount.

(ii) Break Fee

If solely due to a wilful breach by AACL of its material obligations in the Incline B SPA, initial transfer wholly fails to occur and the Incline B SPA has been terminated by Incline Aladdin as a result thereof, AACL, after written demand by Incline Aladdin and provided that the conditions for payment of such fee have been satisfied, shall pay to Incline Aladdin a fee of USD30.0 million (the “**Incline B SPA Break Fee**”) in cash in full and is the final settlement of any claims or other remedies that Incline Aladdin may have and Incline Aladdin expressly waives any other such remedies that it may have.

(iii) Conditions Precedent

The transfer of the Incline Initial Transfer Assets and the Incline Deferred Assets shall be conditional on the satisfaction of, including but not limited to, the following conditions precedent (the “**Incline Transfer Conditions Precedent**”):

- (a) the passing at a shareholder’s general meeting of AAB of a resolution to approve the Proposed Disposal to Incline B;
- (b) the number of Initial Transfer Assets in respect of which the Incline Transfer Conditions Precedent have been satisfied shall meet the minimum initial asset requirement;
- (c) no total loss or material damage shall have occurred in respect of the relevant Incline B Aircraft Assets;
- (d) the relevant Incline B Aircraft Assets shall not have been repossessed from the applicable lessee;

- (e) no material event of default shall have occurred which is continuing under the lease of the relevant Incline B Aircraft Assets;
- (f) the fundamental warranties related to the relevant Incline B Aircraft Assets shall be true and accurate in all material respects;
- (g) no change in law shall have occurred rendering it illegal for any party to perform its obligations under the Incline B SPA or for the applicable lessee to pay rent under the relevant lease;
- (h) the applicable affiliate of AACL shall not have consented to the creation of any sub-lease other than as contemplated by the relevant lease agreement which would materially adversely affect the economic value of the Incline B Aircraft Assets;
- (i) receipt by Incline Aladdin of a payoff letter from the existing financiers in respect of each Incline B Aircraft Asset;
- (j) in respect of an Incline B Aircraft Asset on lease to a third party airline, a novation agreement in respect of the related lease; and
- (k) the necessary corporate approvals and authorisations of each relevant entity entering into an asset transfer document.

The transfer of the Red 2 Sale Shares shall be conditional on the transfer in respect of each Incline B Aircraft Asset having occurred.

(iv) Completion

The transfer of rights in relation to the Incline Initial Transfer Assets will take place under the relevant Incline Initial Transfer Asset transfer documents following satisfaction of the relevant Incline Transfer Conditions Precedent.

The transfer of rights in relation to the Incline Deferred Assets will take place under the relevant Incline Deferred Asset transfer documents following satisfaction of the relevant Incline Transfer Conditions Precedent.

On initial transfer and each deferred transfer a member of Incline Aladdin's group or Incline Aladdin's nominee will either (i) enter into a lease agreement in respect of each Incline B Aircraft Asset that is the subject of the initial transfer or the deferred transfer pursuant to which the relevant entity will lease the relevant aircraft or aircraft engines to be operated by AAB, an affiliate airline of AAB, or a third party airline (either directly or indirectly) or (ii) enter into a novation agreement pursuant to which the lease agreement for the Incline B Aircraft Assets will be novated, amended and/or restated with a member of Incline Aladdin's group or Incline Aladdin's nominee in respect of the relevant assets becoming the new lessor in respect of the Incline B Aircraft Assets.

Following completion of the Incline B Aircraft Assets transfer, Red 2 Sale Shares shall be transferred to Incline Aladdin.

(v) Representation and Warranties

AACL and AAB have represented and warranted to Incline B that the representations and warranties made pursuant to the Incline B SPA, including but not limited to legal and beneficial ownership of the Incline B Assets and the right to sell the Incline B Assets, shall be true, correct and accurate, and shall not be extinguished, diminished or affected until completion. If any of such warranties are breached, Incline B shall be entitled to claim damages for any loss, damages, cost and expenses incurred.

Incline B has represented and warranted to AACL that the representations and warranties made pursuant to the Incline B SPA, including but not limited to the legal right to enter into the Incline B SPA and the authorisation on the part of Incline B shall be true, correct and accurate, and shall not be extinguished, diminished or affected until completion. If any of such warranties are breached before completion, AACL shall be entitled to claim damages for any loss, damages, cost and expenses incurred.

(vi) Termination

The Incline B SPA will terminate under several circumstances, including but not limited to:

- (a) if the Incline Deposit is not paid, at the option of AACL;
- (b) if the Incline Transfer Conditions Precedent to initial transfer are not satisfied by 5.00 p.m. on the date falling 6 months after the date of the Incline B SPA, or such other date as may be mutually agreed by AACL and Incline Aladdin;
- (c) if the approval of AAB's shareholders is not received and if AACL decides to exercise its right to terminate the Incline B SPA;
- (d) if the initial transfer does not take place following the satisfaction of all Incline Transfer Conditions Precedent thereto and if AACL is not in default in relation to its transfer obligations, at the option of AACL; or
- (e) if the initial transfer does not take place following the satisfaction of all Incline Transfer Conditions Precedent thereto and if Incline Aladdin is not in default in relation to its transfer obligations, at the option of Incline Aladdin following a transfer deferral period of 5 business days.

The Incline B SPA will terminate in respect of an Incline Deferred Asset:

- (a) if the Incline Transfer Conditions Precedent to deferred transfer are not satisfied by 5.00 p.m. on the date falling 3 months after the initial date of transfer, or such other date as may be mutually agreed by AACL and Incline Aladdin;
- (b) if the deferred transfer does not take place following the satisfaction of all Incline Transfer Conditions Precedent thereto and if AACL is not in default in relation to its transfer obligations, at the option of AACL;
- (c) if the deferred transfer does not take place following the satisfaction of all Incline Transfer Conditions Precedent thereto and if AACL is in default in relation to its transfer obligations which are in AACL's sole control, at the option of Incline Aladdin; or

- (d) in the event that the deferred transfer does not take place following the satisfaction of all Incline Transfer Conditions Precedent thereto and if Incline Aladdin is not in default in relation to its transfer obligations, at the option of Incline Aladdin following a transfer deferral period of 5 business days.

2.2.4 Information on lease arrangements

No.	Terms	Details
1.	Lessor	: Incline Aladdin, Red 2 and/or its subsidiaries
2.	Lessee	: AAB and/or its affiliate airlines
3.	Total aircraft assets to be leased	: 34 aircraft and 7 aircraft engines
4.	12-month period lease rental	: USD110.8 million (approximately RM432.0 million)
5.	Commencement date of lease	: Commencement date of the lease of each relevant aircraft or aircraft engine is the date of the delivery of such aircraft or aircraft engine under the Incline B SPA
6.	Duration of lease	: <ul style="list-style-type: none"> • Up to 12 years anniversary from the date of manufacture for aircraft • Up to 5 years anniversary from the lease acceptance date for aircraft engine
7.	Security deposits	: USD14.4 million (approximately RM56.1 million)

2.2.5 Information relating to Capital Commitment of the Incline Funds

Incline A, Incline B and affiliate entities (collectively, “**Incline Group**”) are principally engaged in the acquisition, leasing and disposition of commercial jet aircraft and engines. Incline Group is administered and serviced by affiliates of BBAM Limited Partnership under exclusive, long-term administration and servicing agreements.

(i) Information on Incline A

Incline A is an exempt limited partnership that was organised on 6 November 2015, under the provisions of the laws of the Cayman Islands. Incline A is principally engaged in the acquisition, leasing and disposition of commercial jet aircraft and engines to United States of America (“**U.S.**”) based clients.

As at 21 February 2018:

- (a) Incline A is organised as an exempted limited partnership in the Cayman Islands, and has no shares issued.
- (b) Incline A has no directors. The directors of Incline A’s general partner, Incline A GP (Cayman) Co., Ltd., are as follows:
1. Michael Blumenthal; and
 2. Takeshi Saeki.
- (c) Information on substantial shareholders is not available as Incline A is a fund.

(ii) Information on Incline B Parallel

Incline B Parallel will be an exempt limited partnership organised under the laws of Cayman Islands. Incline B Parallel is principally engaged in the acquisition, leasing and disposition of commercial jet aircraft and engines to non-U.S. clients.

As at 21 February 2018:

- (a) Incline B Parallel will be organised as an exempted limited partnership in the Cayman Islands, and has no shares issued.
- (b) Incline B Parallel will have no directors. The directors of Incline B's intended general partner, Incline B GP (Cayman) Co., Ltd., are as follows:
 - 1. Michael Blumenthal;
 - 2. Takeshi Saeki; and
 - 3. Damon Connery (alternate director to Michael Blumenthal).
- (c) Information on substantial shareholders is not available as Incline B Parallel is a fund.

(iii) Basis and justification for investing in Incline Funds

The Capital Commitment of Incline Funds represents a commitment to invest USD50.0 million in the Incline Funds. Please refer to section 3 of this announcement for the rationale for investing in the Incline Funds.

(iv) Others

The commitment period for the Incline Funds is 4 years from the final closing date and terminates on 30 June 2021. AAB may not transfer its interest in each Incline Fund without the consent of the general partner, which restriction is subject to unlimited duration.

2.3 Proposed Disposal to FLY

The Proposed Disposal to FLY involves the disposal by AACL of 1 share of USD0.01 in Red 3³, representing 100% equity interest in Red 3, 1 share of USD0.01 each in Red 4, representing 100% equity interest in Red 4⁴, and 1 aircraft and 7 aircraft engines to Fly Aladdin for the FLY Disposal Consideration of USD453.3 million.

Further, under the FLY SPA, AAB, AACL and/or its affiliate airlines will enter into lease arrangements to lease 32 aircraft and 7 aircraft engines from Fly Aladdin, Red 3 and/or its subsidiary and Red 4 and/or its subsidiary. Please refer to section 2.3.4 of this announcement for further information on the lease arrangements.

Pursuant to the Proposed Disposal to FLY, on 28 February 2018, AAB, AACL and FLY have entered into a subscription agreement for the Subscription in FLY Equity amounting to USD50.0 million. Such subscription amount is to be net settled against the FLY Disposal Consideration of USD453.3 million. Please refer to section 2.3.5 of this announcement for further information.

³ Red 3 and its subsidiary will own 30 aircraft before the completion of the FLY SPA.

⁴ Red 4 and its subsidiary will own 2 aircraft before the completion of SPA.

2.3.1 Information on Red 3 and Red 4

2.3.1.1 Red 3

Red 3 was incorporated as an exempted company under the laws of Bermuda on 22 February 2018 and its principal activity is owning, leasing and/or financing of aircraft. As at the date of incorporation, AACL owns 100% equity interest in Red 3.

There is no audited financial information of Red 3 as the company is newly incorporated.

2.3.1.2 Red 4

Red 4 was incorporated as an exempted company under the laws of Bermuda on 22 February 2018 and its principal activity is owning, leasing and/or financing of aircraft. As at the date of incorporation, AACL owns 100% equity interest in Red 4.

There is no audited financial information of Red 4 as the company is newly incorporated.

2.3.2 Information on purchaser and its guarantor

2.3.2.1 Fly Aladdin (as a purchaser)

Fly Aladdin is a company that was incorporated on 21 February 2018 under the laws of Ireland. Fly Aladdin is principally engaged in aircraft leasing.

As at 21 February 2018:

- (i) Fly Aladdin has one ordinary share of €1.00 issued.
- (ii) The directors of Fly Aladdin are as follows:
 - 1. Colm Barrington;
 - 2. Declan Cotter; and
 - 3. Gavin Mercer.
- (iii) Fly Aladdin is a wholly-owned subsidiary of FLY.

2.3.2.2 FLY (as a guarantor)

Information on FLY is as set out in section 2.3.5 of this announcement.

2.3.3 Salient terms of FLY SPA

The terms of the FLY SPA are similar to the Incline B SPA save for the following:

- (i) the purchaser is Fly Aladdin instead of Incline Aladdin;
- (ii) the assets which are the subject of the FLY SPA are the Aircraft Assets described in section 2.3 of this announcement;
- (iii) the base purchase price under the FLY SPA is USD1,069.6 million;
- (iv) the Subscription in FLY Equity is to be net settled against the FLY Disposal Consideration; and
- (v) timeliness for delivery of notices, payments of amounts and other events and performance of obligations.

2.3.4 Information on lease arrangements

No.	Terms	Details
1.	Lessor	: Fly Aladdin, Red 3 and/or its subsidiary, Red 4 and/or its subsidiary
2.	Lessee	: AAB, AACL and/or its affiliate airlines
3.	Total aircraft assets to be leased	: 32 aircraft and 7 aircraft engines
4.	12-month period lease rental	: USD106.6 million (approximately RM415.6 million)
5.	Commencement date of lease	: Commencement date of the lease of each relevant aircraft or aircraft engine is the date of the delivery of such aircraft or aircraft engine under the FLY SPA
6.	Duration of lease	: <ul style="list-style-type: none"> • Up to 12 years anniversary from the date of manufacture for aircraft • Up to 5 years anniversary from the lease acceptance date for aircraft engine
7.	Security deposits	: USD15.4 million (approximately RM60.0 million)

2.3.5 Information relating to Subscription in FLY Equity

(i) Information on FLY

FLY is a Bermuda exempted company that was incorporated on 3 May 2007 under the provisions of Section 14 of the Companies Act 1981 of Bermuda, and is currently listed on the New York Stock Exchange. FLY is principally engaged in the acquisition, leasing and disposition of commercial jet aircraft and engines throughout the world. FLY is administered and serviced by affiliates of BBAM under an exclusive, long-term administration and servicing agreement.

As at 30 September 2017, being the latest practicable date of which such information could be provided in this announcement, FLY has 32,256,440 common shares and 100 manager shares both at \$0.01 par value.

As at 21 February 2018, the directors of FLY are as follows:

- (a) Colm Barrington;
- (b) Joseph M. Donovan;
- (c) Erik G. Braathen;
- (d) Eugene McCague;
- (e) Robert S. Tomczak;
- (f) Susan M. Walton; and
- (g) Steven Zissis.

The information on the shareholding of directors are not available as at 21 February 2018. However, as at 31 December 2016, none of the directors individually owns more than 1% of FLY's outstanding common shares.

As at 31 December 2016, being the latest practicable date of which such information could be provided in this announcement, the substantial shareholders of FLY and their shareholdings are as follows:

No.	Substantial shareholders	Shareholding
1.	Donald Smith & Co., Inc	9.6%
2.	Onex Corporation	7.6%
3.	Hawkeye Capital Management, LLC	5.6%
4.	Summit Aviation Partners LLC	5.4%

(ii) **Financial information of FLY**

The selected audited financial information of FLY for the past 3 years and the latest interim results are as follows:

	Financial year ended (“FYE”) 31 December			9-month financial period ended 30 September
	2014	2015	2016	2017
	<i>(USD'000)</i>	<i>(USD'000)</i>	<i>(USD'000)</i>	<i>(USD'000)</i>
Total revenue	425,548	462,397	345,039	245,317
Net income/(loss) before provision for income taxes	68,875	28,197	(36,389)	(80)
Net income/(loss)	60,184	22,798	(29,112)	(4,572)
Net income/(loss) attributable to common shareholders	17,366	(19,644)	(29,112)	- ⁽¹⁾

Note:

(1) *Information is not publicly available.*

Commentary:

(a) FYE 31 December 2015

FLY reported approximately 8.7% growth in revenue to approximately USD462.4 million for FYE 31 December 2015 mainly attributable to (i) operating lease revenue which recorded a growth of approximately USD23.1 million and (ii) gain on sale of aircraft which recorded a growth of approximately USD14.2 million.

The growth of operating lease revenue was primarily due to additional lease revenue of approximately USD76.0 million from aircraft purchased in 2014 and 2015, which was partially offset by loss of lease revenue of approximately USD40.5 million from aircraft sold in 2014 and 2015. The growth of gain on sale of aircraft was the result of 44 aircraft being sold in FYE 31 December 2015 which recognised a gain totaling USD29.0 million compared with 8 aircraft sold in the preceding financial year, 6 of which generated a gain on sale of USD14.8 million.

However, the net income before provision for income taxes fell approximately 59.1% from approximately USD68.9 million for FYE 31 December 2014 to approximately USD28.2 million for FYE 31 December 2015, mainly due to (i) increase in aircraft impairment by approximately USD64.9 million and (ii) increase in net loss on extinguishment of debt by approximately USD19.7 million.

The increase in impairment charge was due to recognition of aircraft impairment totaling approximately USD66.1 million for FYE 31 December 2015 for 3 wide-body aircraft and 11 narrow-body aircraft compared with impairment recognition of only approximately USD1.2 million for 1 wide-body aircraft in the preceding financial year. In FYE 31 December 2015, FLY also wrote off unamortised loan costs and debt discounts totaling approximately USD13.9 million as debt extinguishment costs, and incurred approximately USD2.6 million of prepayment and other fees, compared with

recognising a net gain on extinguishment of debt of approximately USD2.2 million in the preceding financial year.

(b) FYE 31 December 2016

FLY reported approximately 25.4% decline in revenue to approximately USD345.0 million for FYE 31 December 2016 largely contributed by a decrease in operating lease revenue which recorded a decline of approximately USD116.1 million.

The decline in operating lease revenue was primarily due to (i) loss of lease revenue of approximately USD133.2 million from aircraft sold in 2015 and 2016 and (ii) a decrease of approximately USD44.8 million from end of lease revenue recognised. The decrease was partially offset by additional lease revenue of approximately USD52.9 million from aircraft purchased in 2015 and 2016.

FLY reported a net loss before provision for income taxes of approximately USD36.4 million for FYE 31 December 2016 compared with a net income before provision for income taxes of approximately USD28.2 million in the preceding financial year, mainly driven by higher aircraft impairment by approximately USD30.0 million.

The increase in impairment charge was due to recognition of aircraft impairment totaling approximately USD96.1 million for FYE 31 December 2016 for 3 wide-body aircraft compared with impairment recognition of only approximately USD66.1 million for 3 wide-body aircraft and 11 narrow-body aircraft in the preceding financial year.

(Source: Annual report of FLY)

(iii) Number and type of securities to be issued, and Issue Price

AACL to subscribe for up to 3,333,333 American Depository Shares of FLY at an issue price of USD15 per share (assuming no dividends or other distribution are undertaken by FLY following the date of the FLY SPA).

The 5-day volume weighted average market price (“**VWAP**”) of FLY Equity up to and including 27 February 2018 (“**Reference Date**”), being 1 trading day before the date of the FLY SPA is USD12.37 (approximately RM48.22) per FLY Equity.

(iv) Basis and justification of the Issue Price

The Issue Price was arrived at on a willing-buyer willing-seller basis after taking into consideration the following:

- (a) audited consolidated net asset (“**NA**”) per FLY share of USD18.39 as at 31 December 2016, which implies a price-to-book ratio of approximately 0.8x;
- (b) terms of the FLY SPA; and
- (c) the historical trading prices of FLY Equity.

The Issue Price represents a premium based on the following historical trading prices of FLY Equity:

	<u>Market price</u>	<u>Premium</u>	
	USD	USD	%
Closing price of FLY Equity up to and including the Reference Date	11.94	3.06	25.6
5-day VWAP of FLY Equity up to and including the Reference Date	12.37	2.63	21.3
1-month VWAP of FLY Equity up to and including the Reference Date	12.63	2.37	18.8
3-month VWAP of FLY Equity up to and including the Reference Date	13.01	1.99	15.3
6-month VWAP of FLY Equity up to and including the Reference Date	13.45	1.55	11.5
1-year VWAP of FLY Equity up to and including the Reference Date	13.36	1.64	12.3

(v) Ranking of FLY Equity

The new FLY Equity shall, upon allotment and issuance, rank equally in all respects with the existing American Depositary Shares of FLY, except that the new FLY Equity will not be entitled to any dividends, rights, allotments and/or other distributions, in respect of which the entitlement date is prior to the date of the allotment of the new FLY Equity.

(vi) Others

AACL is expected to own approximately 10.2% pursuant to the Subscription in FLY Equity. Further, AACL shall not transfer any of its FLY Equity from a period commencing on the date of the first FLY Equity issuance to AACL and ending on the date of the delivery of the final aircraft to FLY.

2.4 Basis and justification of the Disposal Consideration

The Disposal Consideration of USD1,185.0 million was arrived at on a willing-buyer willing-seller basis on the back of an EV of USD2,846.2 million after taking into consideration the following:

- (i) the audited net book value as at 31 December 2016 of 74 aircraft and 14 aircraft engines to be disposed of RM7,411.1 million;
- (ii) the value of the remaining 10 aircraft acquired after 31 December 2016 and to be delivered up to 3rd quarter 2018;
- (iii) the ability for Incline B and FLY to acquire 98 aircraft from AAB in the future;
- (iv) the ability for AAB Group to leverage on BBAM's aircraft leasing and management expertise to better manage AAB Group's aircraft fleet in the future; and
- (v) the rationale for the Proposed Disposals as set out in section 3 of this announcement.

2.5 Utilisation of proceeds

The gross cash proceeds to be raised from the Proposed Disposals excluding the proceeds from the sale of 4 future aircraft under the Proposed Disposal to Herondell, amount to USD901.8 million (approximately RM3,515.7 million) and are expected to be utilised in the following manner:

Utilisation	Timeframe for utilisation	Amount	
		RM'million	%
Prepayment of bank borrowings ^{(1) (2)}	Within 12 months	788.1	22.4
Defray estimated expenses for the Proposed Disposals ⁽³⁾	Within 6 months	112.0	3.2
Remaining proceeds ⁽⁴⁾	To be determined	2,615.6	74.4
Total		3,515.7	100.0

Notes:

- (1) *Based on the interest rate of 3.2% per annum, the repayment of existing financing is expected to result in interest savings of approximately RM22.2 million per annum.*
- (2) *Includes breakage cost.*
- (3) *The estimated expenses comprise, amongst others, professional fees, regulatory fees, printing and advertising costs, employees related costs, and costs to convene an extraordinary general meeting ("EGM"). Any variation between the amount stated herein and the eventual amount of expenses will be adjusted to/from the remaining proceeds, the utilisation of which is yet to be determined.*
- (4) *The Board has decided that a portion of the remaining proceeds shall be distributed as special dividends with the quantum to be determined upon the receipt of the proceeds from the Proposed Disposals. Further, the Board is to decide later on the specific allocation of the remaining proceeds as the management is currently evaluating options for the optimal utilisation of the remaining proceeds to strengthen AAB Group's financial performance and maximise its shareholders' value.*

Further, AAB will make the necessary announcement on any material developments for the above as required under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"). If the nature of the transaction requires the shareholders' approval of AAB under the Listing Requirements, AAB will seek the necessary approval from the shareholders of AAB at an EGM to be convened.

2.6 Disposal of future aircraft

In conjunction with the Proposed Disposal to Incline B and Proposed Disposal to FLY, on 28 February 2018, the following agreements have also been entered into for disposal of 98 aircraft to be delivered in the future:

- (i) **Proposed Future Disposal to Incline:** Incline SPA for Future Aircraft for the disposal by AACL of 21 aircraft to be delivered in the future to Incline B for a disposal consideration to be agreed between the parties at a later date. Pursuant to this agreement, the parties are required to enter into lease agreements whereby the said aircraft will be leased to AAB and/or its affiliates.
- (ii) **Proposed Future Disposal to FLY:** FLY SPA for Future Aircraft for the disposal of 27 aircraft to be delivered in the future to FLY for a disposal consideration to be agreed between the parties at a later date. Pursuant to this agreement, the parties are required to enter into lease agreements whereby the said aircraft will be leased to AAB and/or its affiliates.
- (iii) **Proposed Option:** Incline Option Agreement and FLY Option Agreement whereby AACL has granted an option to Incline B and FLY to collectively purchase up to 50 aircraft to be delivered in the future for a purchase consideration to be agreed between the parties at a later date.

Please refer to Appendix II of this announcement for further details on the future aircraft.

2.6.1 Salient terms of Incline B SPA for Future Aircraft

AACL will procure that Airbus will sell and deliver the aircraft listed in the Incline B SPA for Future Aircraft (the “**Future Incline Assets**”) to it and sell the Future Incline Assets to Incline B (“**Incline Purchasing Entity**”) in “as is, where is” condition subject to and with the benefit of the leases and free and clear of any security interests.

No later than 60 days prior to the delivery of each aircraft which is a Future Incline Asset, AACL will notify Incline Purchasing Entity of the leasing structure in respect of such aircraft (if different to that contemplated in the Incline B SPA for Future Aircraft) and the identity of the lessee of such aircraft, such lessee to comply with the following requirements provided that the aircraft which are scheduled to be delivered during the 2018 calendar year (ie. the A320 CEO aircraft) shall not be counted for the purpose of calculating any of the following requirements:

- (i) such lessee must be either AAB or Thai AirAsia Co., Ltd., AirAsia Inc (Philippines), AirAsia (India) Limited and PT Indonesia AirAsia (the “**Lessee Group**”); and
- (ii) at the time of delivery each such aircraft, taking into account the lessee of such aircraft, not less than 50% of the aggregate aircraft under the Incline B SPA for Future Aircraft and the FLY SPA for Future Aircraft (the “**Aggregate Aircraft**”) that have been delivered shall be on lease to AAB as lessee; and
- (iii) not more than 5 of the Aggregate Aircraft may be leased to PT Indonesia AirAsia as lessee; and
- (iv) no more than 7 of the Aggregate Aircraft may be leased to AirAsia (India) Limited and AirAsia Philippines Inc., collectively; and
- (v) no more than 5 of the Aggregate Aircraft may be leased to either of AirAsia (India) Limited or AirAsia Philippines Inc., individually; and
- (vi) each of the A320 Neo aircraft which is a Future Incline Asset scheduled to be delivered in calendar year 2018 shall be leased to AAB or Thai AirAsia Co., Ltd.; and
- (vii) if AACL nominates a lessee that is not a member of the Lessee Group, Incline Purchasing Entity will have the right, in its sole discretion, to accept such lessee or require that AACL designate another lessee that satisfies the requirements above.

AACL may, in its sole discretion, terminate its obligation to sell a Future Incline Asset aircraft by giving written notice of such termination to Incline Purchasing Entity if:

- (i) Delivery of such Future Incline Asset does not occur on or before the final delivery date as a result of any unremedied breach of the Incline B SPA; or
- (ii) Incline B (or the relevant Incline B’s nominee) fails to perform or breaches any of its obligations under the agreement or any other relevant document to which it is a party and such failure or breach continues for a period finishing 15 business days after Incline B’s receipt of written notice of such failure or breach.

Incline Purchasing Entity may, in its sole discretion, terminate its obligation to purchase an aircraft which is a Future Incline Asset by giving prompt written notice of such termination to AACL if:

- (a) delivery of such aircraft does not occur on or before 90 days after the scheduled delivery date or such other date agreed to by AACL and Incline Purchasing Entity in writing (the “**Final Delivery Date**”) (other than as a result of breach by Incline Purchasing Entity of the Incline B SPA for Future

Aircraft, the relevant lease or any other relevant document as more particularly described in the Incline B SPA for Future Aircraft or failure by Incline Purchasing Entity or its nominee to deliver any delivery condition precedent within its reasonable control on or before the Final Delivery Date);

- (b) the aircraft (i) does not meet the Airbus delivery condition specification and, based on objective third party evidence, will not be capable of meeting the Airbus delivery condition specification without material modification prior to the Final Delivery Date or (ii) suffers material damage prior to delivery;
- (c) AACL fails to perform or breaches any of its material under the Incline B SPA for Future Aircraft or delivery related documents to which it is a party and such failure or breach continues for a period finishing 15 business days after AACL's receipt of written notice of such failure or breach (a "**Seller Breach**");
- (d) prior to delivery, such aircraft suffers a total loss (a "**Total Loss Event**"); or
- (e) prior to delivery, the obligation of Incline Purchasing Entity (or its nominee), in its capacity as lessor, to lease the aircraft to the relevant lessee is terminated by Incline Purchasing Entity, in its capacity as lessor, in accordance with the terms of the relevant lease agreement or head lease agreement.

With respect to each aircraft which is a Future Incline Asset, if prior to delivery, a Seller Breach or Total Loss Event occurs (any such aircraft, an "**Affected Aircraft**"), Incline Purchasing Entity has the option to request in writing for AACL to replace such Affected Aircraft (the "**Replacement Notice**"). Provided a Replacement Notice is received within 10 business days (or such shorter period agreed between AACL and Incline Purchasing Entity) following such termination of the Affected Aircraft, upon receipt of the Replacement Notice it shall use reasonable commercial efforts to replace the Affected Aircraft with the next substitute alternative aircraft made available by Airbus that meets the Airbus delivery condition specification (the "**Replacement Aircraft**"). AACL will use reasonable commercial efforts to procure that the delivery of the Replacement Aircraft occurs within 60 days of receipt of any such request from Incline Purchasing Entity; provided that if Airbus does not make a Replacement Aircraft available within 60 days AACL shall continue to use reasonable commercial efforts to procure delivery of the Replacement Aircraft at the earliest available delivery slot up until termination of the Incline B for Future Aircraft SPA and the FLY SPA for Future Aircraft.

2.6.2 Salient terms of FLY SPA for Future Aircraft

The terms of the FLY SPA for Future Aircraft are similar to the Incline B SPA for Future Aircraft except that the purchaser is FLY instead of Incline B and the assets which are the subject of the FLY SPA for Future Aircraft are the assets described in section 2.6(ii) above.

2.6.3 Salient terms of Incline Option Agreement and FLY Option Agreement

AACL will grant to Incline Aladdin an option (the "**Purchase Option**") to purchase each aircraft specified in the Incline Option Agreement and the FLY Option Agreement (the "**Aggregate Aircraft**").

Incline Aladdin and FLY Aladdin, collectively, will have the right to exercise Purchase Options for:

- (i) up to 8 Aggregate Aircraft to be delivered in the 2019 calendar year (the "**2019 Option Aircraft**");
- (ii) up to 11 aircraft to be delivered beginning in the 2020 calendar year; and

- (iii) up to 31 Aggregate Aircraft to be delivered during the calendar years from 2021 to 2025 (inclusive) (the “**Final Option Aircraft**”) provided that a maximum number of 10 Final Option Aircraft can be subjected to a purchase option during each of the calendar years from 2021 to 2015.

The Purchase Option’s notice must be delivered at least 12 months (or such shorter period as agreed by the parties) prior to the scheduled delivery month in which Incline Aladdin desires to schedule an aircraft for delivery.

2.6.4 Salient terms of FLY Option Agreement for Future Aircraft

The terms of the FLY Option Agreement are similar to the Incline Option Agreement except that the purchaser is FLY Aladdin instead of Incline Aladdin.

2.7 Original cost, date of investment and net book value

The date and original cost of investment, and net book value of Disposed Subsidiaries and Aircraft Assets are as follows:

Company	Range of the date of investment	Original cost of investment	Net book value
Red 1	26 February 2018	USD0.01	Not applicable ⁽¹⁾
Red 2	26 February 2018	USD0.01	Not applicable ⁽¹⁾
Red 3	26 February 2018	USD0.01	Not applicable ⁽¹⁾
Red 4	26 February 2018	USD0.01	Not applicable ⁽¹⁾
Aircraft Assets	December 2005 – February 2018 ⁽²⁾	RM10,268.6 million ⁽³⁾	RM7,411.1 million ⁽⁴⁾⁽⁵⁾

Notes:

- (1) There is no audited financial information as the company is newly incorporated.
- (2) Excludes 4 aircraft to be delivered to AAAC by 3rd quarter 2018.
- (3) Based on the total number of Aircraft Assets that have been delivered to AAB Group as at the date of the Disposal SPAs
- (4) Based on the audited consolidated financial statements of AAB for the financial year ended (“FYE”) 31 December 2016.
- (5) Only applicable for 74 aircraft and 14 aircraft engine. There is no net book value for the remaining 10 aircraft as these aircraft were bought after FYE 31 December 2016.

2.8 Liabilities to be assumed by the purchasers

Save for the obligations and liabilities as set out in the Disposal SPAs, agreements for the Incline Capital Commitment, subscription agreement in FLY Equity and Agreements for Future Aircraft, there are no contingent liabilities and/or guarantees to be assumed by the purchasers under the respective agreements, as the case may be.

3. RATIONALE AND BENEFITS OF THE PROPOSED DISPOSALS

The Board believes that the Proposed Disposals are in line with AAB Group's strategy to focus on its core airline operations, while allocating resources within AAB Group in a more efficient manner. Further, AAB Group is able to enjoy the following benefits from the Proposed Disposals:

- (i) the estimated net gain on disposals to AAB Group arising from the Proposed Disposals is approximately RM967.1 million. With the Proposed Disposals, AAB Group will be able to preserve its existing funds for its future business plans and/or undertake new and appropriate investment opportunities to maximise shareholders' returns;
- (ii) AAB Group will raise gross proceeds excluding the proceeds from the sale of 4 future aircraft pursuant to the Proposed Disposal to Herondell, amounting to RM3,515.7 million from the Proposed Disposals as set out in section 2.5 of this announcement;
- (iii) allow AAB Group to reduce its financial leverage as part of the proceeds from the Proposed Disposals is utilised to finance the prepayment of bank borrowings as set out in section 2.5 of this announcement. Following the Proposed Disposals, AAB Group's gross gearing ratio is expected to fall from 1.6x to 0.4x. The Proposed Disposals will also improve AAB Group's position by strengthening its shareholders' funds. This provides the AAB Group with the opportunity for more tailored capital management initiatives;
- (iv) allow AAB Group to establish long term partnerships with BBAM, the world's third-largest and longest-standing manager of commercial aircraft which services over 200 airline customers worldwide. This will enhance the profile of the Company within the global investing community;
- (v) investment in the Incline Funds enables AAB to invest in the largest aircraft leasing institutional fund, managed by BBAM which has extensive experience in aircraft leasing and management globally, and provides AAB with greater access to future investment opportunities in the global aviation space; and
- (vi) investment in FLY under the Subscription in FLY Equity enables AAB to invest in a leading global aircraft lessor with a diversified lessee portfolio and participate in the potential future growth of FLY arising from the Proposed Disposals which will significantly increase the aircraft portfolio of FLY; and
- (vii) provide a stable platform for AAB Group to expand its route network, without the financial commitment of owning aircraft which are capital intensive in nature.

4. RISK FACTORS

The Proposed Disposals will not materially change the risk profile of AAB Group as it is still able to continue its air transportation services due to the lease arrangements for the 37 aircraft that are to be entered by AAB under the Disposal SPAs. Further, AAB's airline affiliates are also able to continue their air transportation services due to their own lease arrangements that are to be entered by the respective airline affiliates under the Disposal SPAs.

Hence, AAB Group will still be exposed to similar business, operational and financial risks inherent in the aviation industry which include, but not limited to, competition, political and economic conditions, volatility in the supply and price of oil, operational risks, fluctuations in interest rates and collections from customers.

In addition to the risks above, AAB Group may be subject to certain specific risks associated with the Proposed Disposals. The specific risks are as follows:

4.1 Risk relating to the non-completion of the Disposal SPAs

The Disposal SPAs are conditional upon the various conditions precedent as set out in sections 2.1.3, 2.2.3 and 2.3.3 of this announcement and there can be no assurance that all such conditions precedent will be fulfilled or obtained in a timely manner or at all. Notwithstanding this, AAB will use its endeavour to ensure that all the conditions precedent are met to facilitate the completion of the Proposed Disposals.

4.2 Loss of potential future contribution from AAB Group's leasing business

Upon completion of the Proposed Disposals, the Disposed Subsidiaries and the relevant Aircraft Assets will no longer be owned by AAB Group, and hence AAB will cease to consolidate the results associated with the Disposed Subsidiaries and such Aircraft Assets. There can be no assurance that, after completion of the Proposed Disposals, AAB will be able to achieve equivalent or better financial performance from its existing businesses and/or through potential future investments to be undertaken by AAB Group.

4.3 Payment of lease rental

Under the lease arrangements, AAB shall pay total lease rental of up to USD103.7 million (approximately RM404.3 million) for a 12-month period. There can be no assurance that the rental rates under the lease arrangements are more favourable than those offered by other aircraft leasing companies, and that AAB will be able to meet its rental obligation in the future without incurring a loss.

4.4 Renewal of lease arrangements

Under the Disposal SPAs, AAB agrees to lease the relevant Aircraft Assets from the date of the delivery of such aircraft. However, upon expiry of the term of the lease arrangements, AAB may not be able to conclude new lease arrangements with their respective lessors on mutually agreed terms and conditions. In this event, AAB may be required to source for aircraft from other aircraft leasing companies.

4.5 Uncertainty of the adjustments and Disposal Consideration

The Disposal Consideration payable to AACL is subject to adjustments as set out in sections 2.1.3, 2.2.3 and 2.3.3 of this announcement. The quantum of such adjustments will only be determined upon transfer of the relevant Aircraft Assets, which may result in a downward adjustment. As such, the final amount of adjustments and in turn the final Disposal Consideration cannot be determined at this juncture.

4.6 Investment risk associated with the Incline Funds

Pursuant to the agreements relating to the Capital Commitment in Incline Funds, AAB will become a limited partner in the Incline Funds. As a limited partner, AAB will take no part in the management of the Incline Funds as the general partner is responsible for the overall management and administration of the operations of the Incline Funds. There can be no assurance that the anticipated benefits from the Incline Funds will be realised, and that the investment in the Incline Funds will enable AAB Group to improve its financial performance.

4.7 Investment risk associated with the Subscription in FLY Equity

The trading price and volume of FLY Equity may be volatile and could be affected by numerous factors, including, but not limited to, the financial and operating performance of FLY, perceived growth prospects of FLY, general operational and business risks, general market, economic and political conditions as well as changes in government policy, legislation or regulation. Accordingly, there can be no assurance that the FLY Equity will continue to trade at prices higher than the Issue Price.

4.8 Foreign currency risk

The Disposal Consideration will be settled in USD, and therefore, the Disposal Consideration to be received by AACL if and when converted into RM may be impacted by the fluctuation of USD against RM. AAB will continue to monitor foreign currency fluctuations and will take necessary steps to minimise exchange rate exposure whenever deemed appropriate. However, there can be no assurance that any future significant exchange rate fluctuations will not have an adverse impact on the Disposal Consideration to be received by AACL in RM terms.

4.9 Regulatory risks

The Proposed Disposals may be affected by any change in the regulatory environment in the relevant jurisdictions. Such risks include, but are not limited to, changes in government policies including changes in the applicable legislation on taxation and foreign exchange regulations. There can be no assurance that any unfavourable development in the prevailing regulatory environment will not have any impact on the Proposed Disposals.

5. EFFECTS OF THE PROPOSED DISPOSALS

5.1 Share capital and substantial shareholders' shareholding

The Proposed Disposals will not have any effect on the share capital and substantial shareholders' shareholdings of AAB as the Proposed Disposals do not involve any issuance of new ordinary shares in AAB.

(The rest of this page has been intentionally left blank)

5.2 NA per share and gearing

For illustrative purposes only, the proforma effects of the Proposed Disposals on AAB's consolidated NA and gearing, and NA per AAB share as at 31 December 2016 are set out below:

	Audited as at 31 December 2016	Proforma I After subsequent material events ⁽¹⁾	Proforma II After Proforma I and Proposed Disposal to Herondell	Proforma III After Proforma II and Proposed Disposal to Incline B and Proposed Disposal to FLY
	RM'000	RM'000	RM'000	RM'000
Share capital	278,297	2,515,438	2,515,438	2,515,438
Share premium	1,230,941	-	-	-
Treasury shares	(160)	(160)	(160)	(160)
Foreign exchange reserve	46,993	46,993	46,993	14,049
Other reserves	(217,554)	210,830	242,068	232,013
Retained earnings	5,294,468	4,866,084	4,870,271	5,833,194 ⁽⁴⁾
Shareholders' fund / NA	6,632,985	7,639,185	7,674,610	8,594,534
Non-controlling interest	(5,206)	(5,206)	(5,206)	(5,206)
Total equity	6,627,779	7,633,979	7,669,404	8,589,328
No. of ordinary shares in issue ('000)	2,782,974	3,341,974	3,341,974	3,341,974
NA per share (RM) ⁽²⁾	2.38	2.29	2.30	2.57
Total borrowings ('000)	10,579,142	11,542,317	10,348,742	3,691,010
Gross gearing (times) ⁽³⁾	1.60	1.51	1.35	0.43

Notes:

(1) The subsequent material events incorporate the effects of the following:

- (i) issuance and allotment of 559 million new AAB shares at RM1.80 per AAB share which has been completed on 26 January 2017.
- (ii) the concept of share premium will no longer be applicable under the no par value regime of the Companies Act, 2016 which came into effect on 31 January 2017. Hence, the amount standing to the credit of AAB's share premium account is assumed to be consolidated as part of AAB share capital as at that date.
- (iii) 6 aircraft purchased by AACL after FYE 31 December 2016 and all liabilities related to the purchase of these aircraft.

(iv) *drawdown of loan and related costs of the loan for the acquisition of 2 engines by AACL after FYE 31 December 2016.*

(v) *Lease deposits received for 14 engines.*

The proposed internal reorganisation by way of scheme of arrangement for the proposed share exchange and proposed transfer of listing involving AAB and AirAsia Group Berhad announced on 29 August 2017 is not part of the subsequent material events as the transaction is yet to be completed.

(2) *NA per AAB share is computed as NA divided by the number of AAB shares in issue*

(3) *Gross gearing is computed as total borrowings divided by total equity*

(4) *After deducting the estimated expenses for the Proposals of RM128.6 million (computed based on the exchange rate as at FYE 31 December 2016)*

(The rest of this page has been intentionally left blank)

5.3 Earnings and earnings per share (“EPS”)

The estimated net gain on disposals to AAB Group arising from the Proposed Disposals is approximately RM967.1 million after taking into consideration the following:

- (i) the EV for the 80 aircraft and 14 aircraft engines of RM11,944.2 million;
- (ii) the estimated asset cost of the 80 aircraft and 14 aircraft engines of RM10,512.7 million;
- (iii) the estimated tax effect arising from the Proposed Disposals of RM378.4 million; and
- (iv) the estimated related expenses arising from the Proposed Disposals (including professional fees and loan breakage cost) of RM86.0 million.

The estimated gain will result in an improvement in the earnings per share of AAB by approximately RM0.29 based on 3,341,874,080 AAB shares in issue as at the LPD.

AAB is expected to incur rental expenses of approximately RM404.3 million per annum under the lease arrangements for 37 aircraft that are to be entered by AAB under the Disposal SPAs. However, the impact of the annual rental expenses is expected to be partially offset by the finance expense savings of RM110.2 million per annum arising from the repayment of existing borrowings for 37 aircraft from the proceeds of the Proposed Disposals as well as annual saving in depreciation expense of RM206.2 million per annum.

6. CASH COMPANY OR PN17 COMPANY

The Proposed Disposals will not result in AAB becoming a cash company or a PN17 company as defined under the Listing Requirements.

7. APPROVALS REQUIRED AND INTER-CONDITIONALITY

The Proposed Disposal to Herondell does not require the approval from shareholders of AAB or any other regulatory authorities. The Proposed Disposal to Incline B and the Proposed Disposal to FLY are subject to the approval of AAB’s shareholders only.

The Proposed Disposal to Herondell is not conditional upon any other corporate proposals. The Proposed Disposal to Incline B and Proposed Disposal to FLY are inter-conditional upon each other.

The Proposed Future Disposal to Incline B, Proposed Future Disposal to FLY and Proposed Option are inter-conditional upon each other, and are conditional upon both the Proposed Disposal to Incline B and Proposed Disposal to FLY.

The draft circular in relation to the Proposed Disposals is expected to be submitted to Bursa Securities within 2 months from the date of this announcement.

8. HIGHEST PERCENTAGE RATIO APPLICABLE

The highest percentage ratio applicable to the Proposed Disposals pursuant to paragraph 10.02(g), Chapter 10 of the Listing Requirements is as follows:

No.	Proposal	Highest percentage ratio	Description
1.	Proposed Disposal to Herondell	18.1%	Computed based on the original cost of investment of the Disposed Subsidiaries and Aircraft Assets acquired within last 5 years for Herondell SPA compared with the audited consolidated net assets of AAB as at 31 December 2016
2.	Proposed Disposal to Incline B	57.1%	Computed based on the audited net book value of Aircraft Assets for the Incline SPA compared with the audited consolidated net assets of AAB as at 31 December 2016
3.	Proposed Disposal to FLY	50.3%	Computed based on the audited net book value of Aircraft Assets for the FLY SPA compared with the audited consolidated net assets of AAB as at 31 December 2016

Pursuant to Paragraph 10.12 of the Listing Requirements, the above transactions will be aggregated as if they were one transaction as such transactions have been transacted with the same party or with parties connected with one another within a period of 12 months. Hence, the highest aggregated percentage ratio for the Proposed Disposals is 111.7% (computed based on the audited net book value of Aircraft Assets for the Disposal SPAs compared with the audited consolidated net assets of AAB as at 31 December 2016).

9. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED

None of the directors and/or major shareholders of the Company and persons connected with them have any interest, direct or indirect in the Proposed Disposals (including the Proposed Future Disposal to Incline B, Proposed Future Disposal to FLY and Proposed Option).

10. DIRECTORS' STATEMENT

After having considered the rationale and benefits, and effects of the Proposed Disposals, the Board is of the opinion that the Proposed Disposals are in the best interest of the Company.

11. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all the approvals/consents being obtained, the Proposed Disposals are expected to be completed by 3rd quarter 2018.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of Disposal SPAs, agreements for the Incline Capital Commitment, subscription agreement in FLY Equity and Agreements for Future Aircraft will be available for inspection at the registered office of AAB at B-13-15, Level 13, Menara Prima Tower B, Jalan PJU1/39, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia during normal business hours from Mondays to Fridays (except public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 1 March 2018.

Information on the Aircraft Assets

As at the date of the Disposal SPAs, the Aircraft Assets are owned by AAB Group and they are either operated by AAB or AAB's affiliates, and external parties as shown below (unless otherwise stated):

No.	SPA	Aircraft Assets	Operator
(i)	Herondell SPA	- 6 Airbus A320 CEO - 7 Airbus A320 NEO	<p><u>AAB and its affiliate airline</u></p> <ul style="list-style-type: none"> - AAB : 10 aircraft ⁽¹⁾ - Thai AirAsia Co., Ltd. ("TAA") : 3 aircraft ⁽¹⁾
(ii)	Incline B SPA	- 37 Airbus A320 CEO - 1 Boeing B737-800 - 7 aircraft engines	<p><u>AAB and its affiliate airlines</u></p> <ul style="list-style-type: none"> - AAB : 17 aircraft - TAA: 6 aircraft - PT. Indonesia AirAsia ("IAA") : 5 aircraft - Philippines AirAsia Inc. ("PAA") : 3 aircraft - AirAsia (India) Limited ("AAI") : 3 aircraft <p><u>External parties</u></p> <ul style="list-style-type: none"> - Aeroenlaces Nacionales, S.A. de C.V. : 2 aircraft - Norwegian Air International Limited : 1 aircraft - Pakistan International Airlines Corporation : 1 aircraft
(iii)	FLY SPA	- 33 Airbus A320 CEO - 7 aircraft engines	<p><u>AAB and its affiliate airlines</u></p> <ul style="list-style-type: none"> - AAB : 13 aircraft - TAA : 7 aircraft - AAI : 4 aircraft - IAA : 4 aircraft - PAA : 3 aircraft <p><u>External parties</u></p> <ul style="list-style-type: none"> - AAB : 6 aircraft engines - IAA : 1 aircraft engine <p><u>External parties</u></p> <ul style="list-style-type: none"> - Pakistan International Airlines Corporation : 1 aircraft - Longjiang Airlines Co., Ltd. : 1 aircraft

Note:

(1) A total of 4 aircraft are to be delivered to AACL by 3rd quarter 2018.

Information on the future aircraft**(i) Information on Incline B SPA for Future Aircraft and FLY SPA for Future Aircraft**

No. of aircraft	Aircraft type	Scheduled delivery date	Estimated original cost of investment (based on catalogue price) (million)
48	A320 NEO/ A321 NEO / A320 CEO	From the effective date of the respective agreements up to 31 December 2021	USD5,752.5 (Approximately RM22,426.1)

(ii) Information on Incline Option Agreement and FLY Option Agreement

No. of aircraft	Aircraft type	Scheduled delivery date	Estimated original cost of investment (based on catalogue price) (million)
50	A320 NEO/ A321 NEO	From the effective date of the respective agreements up to 31 December 2025	USD6,002.5 (Approximately RM23,400.7)