
Internal Memo



INVESTORS' UPDATE - AIR NIGERIA LIMITED

Background

Sequel to the unfortunate crash of the Dana aircraft on June 3, 2012, the national assembly constituted a public hearing to investigate the status of the Airline Industry in Nigeria. Various Airline operators were invited to testify and answer questions aimed at clearly uncovering the lapses that exist in the Industry.

Barrister Jimoh Ibrahim, Chairman of the Energy Group owners of Air Nigeria Limited ("The Company") was also invited to the public hearing to ascertain the state of the Company. He stated that Air Nigeria has twelve (12) aircrafts with which they are effectively running their Nigerian, Regional and most recently International operations. He also informed the joint house committee that the total Bank of Industry ("BOI") Power and Aviation Intervention Fund ("PAIF") loan of N35.55billion taken in July 2011 through United Bank for Africa Plc ("UBA") is currently performing and meeting all principal and interest obligations to date.

Relationship History & Current Status

- Virgin Nigeria Airways Limited (now Air Nigeria) opened account with UBA in 2005 (Ownership was 49% Virgin Atlantic Airways Limited ("VAAL") & 51% Nigerian Investors)

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- UBA advanced loans to Virgin Nigeria Airways Limited to support its operations on its Nigerian, Regional and International routes for which the Bank took specific charge on aircrafts as well as an all asset debenture on the entire assets of the company. (The loan was foreign currency ("FCY") denominated)
- In 2009, VAAL decided to withdraw their brand from the Nigerian market and discontinued the technical management contract. The Energy group bought out the Nigerian shareholders and became the core investors of the airline and thereafter changed the brand to Air Nigeria Limited.
- Having successfully taken over the running of the Airline, they applied for refinancing of their loans through the PAIF window. [PAIF under the BOI scheme is a subsidized interest rate local currency ("LCY") denominated facility aimed at supporting the Power and Airline industries].
- The PAIF BOI funds amounting to N35.55billion was availed to the Company and credited to their current account. This was immediately applied to repay their FCY loan after receiving the necessary approvals from the Central Bank of Nigeria ("CBN") as conveyed in their approval letter reference TED/FEM/UBA/GEN/01/074 of July 20, 2011.
- The loan under the PAIF BOI Scheme has enabled the Company spread the repayment of its facility over a fifteen (15) year period. This aligns with the Company's cashflow as it is typical of the aviation industry. At present, the loan is performing very well and the customer is **meeting both the principal and the interest repayment from operational cashflow.**

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- It is also important to note that the PAIF BOI scheme was assessed to refinance the Company's original loan through a low priced, longer tenured government on-lending facility.
- As at date, the Company has honored all repayments due on the loan in a timely fashion for which UBA has the obligation to remit to BOI quarterly in arrears.
- The current balance of the loan as at May 31st, 2012 is N33,724,585,233.57.

Conclusion

Based on management's review of Air Nigeria's Loan through UBA, we do not believe that there is a calculable chance of default by the Company as all repayment has been made promptly to date. We have also reviewed the status of the collateral we currently hold and we believe that it is adequate for a loan of this nature.

Thank you.



KAYODE FADAHUNSI

Director, Investor Relations