

POMSOX ANNOUNCEMENT

For Immediate Release to the Market

Port Moresby – 4:00pm Wednesday 29 October 2014

Signature of Letter of Intent to Buy 6 ATR 72-600 Aircraft

Airlines PNG today signed a Letter of Intent with the French/Italian aircraft manufacturer Avions de Transport Regional G.I.E. (“ATR”) to acquire 6 ATR 72-600 aircraft. The agreement also allows Airlines PNG the right to purchase an additional 14 aircraft.

The Letter of Intent is anticipated to shortly lead to a binding contract for the sale and purchase of the aircraft, subject only to approval by Airlines PNG’s shareholders at a Special Meeting. It is anticipated that notices in relation to that meeting will issue in November 2014, with the meeting to be held in December 2014.

The investment in new aircraft is part of an ambitious fleet modernisation strategy which aims to allow Airlines PNG to expand and improve its services, while improving its competitiveness. With the new robust ATR turboprops in its fleet, Airlines PNG will benefit from the aircraft’s excellent short and soft field performance operating from a range of runways. The aircraft is optimised for hot and high operations typical in PNG while providing excellent passenger comfort, more seat capacity and flexible freight solutions.

Once the contract is signed, the first 2 aircraft will be delivered in September and November 2015, with 2 further aircraft being delivered in each of 2016 and 2017. Additional aircraft may be purchased on 21 months’ notice to ATR.

Pricing of the aircraft is subject to commercial confidentiality restrictions, but Airlines PNG advises that it has been successful in negotiating significant discounts against the ATR list prices for the aircraft, and the inclusion of significant levels of training, induction support, and associated support equipment as part of the agreement.

Airlines PNG proposes to finance the acquisition of the first 3 of the ATRs by a sale and lease-back of those aircraft to a specialist aircraft leasing company, and further announcements will be made when such agreements are in place.

Airlines of Papua New Guinea Limited

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