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Biman Bangladesh Airlines Limited

Registered Office: Balaka, Kurmitola, Dhaka-1229

Minutes of the 121st Meeting of the Board of Directors held on 15th December 2013

The 121st Meeting of the Board of Directors of Biman Bangladesh Airlines Limited was held on 15th December 2013 at 06:00 p.m. in the Board Room of the Company's Registered Office, Dhaka. Air Marshal Jamal Uddin Ahmed, ndc, bems psc (retd), Chairman, Biman Board presided over the meeting.

Directors Present:

1. Air Marshal Jamal Uddin Ahmed, ndc, bems, psc (retd)
Chairman, Biman Bangladesh Airlines Limited
2. Mr. Khurshed Alam Chowdhury
Secretary, Ministry of Civil Aviation & Tourism
& Director, Biman Bangladesh Airlines Limited
3. Justice (Former) A. F. M. Mesbahuddin
Senior Advocate, Supreme Court of Bangladesh
& Director, Biman Bangladesh Airlines Limited
4. Air Vice Marshal Abu Esrar, ndc, acsc
Assistant Chief of Air Staff (Operation & Training)
& Director, Biman Bangladesh Airlines Limited
5. Maj Gen Abul Hossain, ndc, psc
Engineer-in-Chief, Bangladesh Army
& Director, Biman Bangladesh Airlines Limited
6. Mr. Abul Kashem Ahmed
Former First Vice President, FBCCI
& Director, Biman Bangladesh Airlines Limited
7. Professor Iqbal Ahmad
Institute of Business Administration, DU
& Director, Biman Bangladesh Airlines Limited
8. Mr. Shah Md. Zakaria Bhuiyan, FCA
Principal, S.M. Zakaria & Co. Chartered Accountants
& Director, Biman Bangladesh Airlines Limited
9. Mr. Kevin John Steele
Managing Director & CEO, Biman Bangladesh Airlines Ltd.

Leave of Absence granted to:

1. Mr. Molla Waheeduzzaman
Senior Secretary, Prime Minister's Office
& Director, Biman Bangladesh Airlines Limited
2. Mr. Fazle Kabir
Secretary, Finance Division, Ministry of Finance
& Director, Biman Bangladesh Airlines Limited

The Chairman welcomed the Hon'ble Directors of the Board present. The meeting then proceeded with following agenda for discussion:



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AGENDA # 08

Lease negotiation with Egypt Air for dry lease of Boeing 777-200ER:

A working paper on the subject was placed before the Board Meeting, which reads as under:

01. In connection with dry lease of two 777-200ER aircraft from Egypt Air, following decisions were taken in 120th Meeting of the Board of Directors held on 28 November 2013:

Quote

- a. Egypt Air delegation will be invited immediately for negotiation of contract regarding five years' dry lease of two 777-200ER aircraft; MSN 32629 and 32630 and Biman team will make efforts for reduction of monthly lease rent and maintenance reserves.
- b. Based on negotiated lease rent and maintenance reserves, financial analysis on dry lease of two 777-200ER to be recast and presented before the Board of Directors' Meeting along with outcome of negotiation for final approval.
- c. During negotiation with Egypt Air delegation, issues mentioned at Para-4.2(d) as per recommendation of Biman inspection team pertaining to operation and maintenance of 777-200ER aircraft immediately after induction may be discussed and resolved as would be deemed appropriate.
- d. Action may be taken before finalization and confirmation of the minutes of the meeting.

Unquote

02. A five-member delegation of Egypt Air visited Dhaka and held meeting with Biman team from 12th to 14th December 2013 and negotiated terms & conditions of LOI (Letter of Intent). An agreed minutes signed on 14 December 2013 between Biman and Egypt Air Holding Company.

03. Negotiation between Biman and Egypt Air delegation took place as under:

- a. Biman team requested for reduction of monthly lease and hourly maintenance reserves, which were USD 6,25,000.00 per month and USD 1,400.00 per hour for each aircraft respectively in the offer of Egypt Air in response to Biman's Request for Proposal (RFP).
- b. Egypt Air delegation responded that they had already offered competitive price (lease rent & maintenance reserves) for dry lease of two 777-200ER bearing MSN 32629 (SU-GBX) and MSN 32630 (SU-GBY). However, Egypt Air offered 5% discount on monthly lease rent only, which comes to USD 31,250.00 and monthly lease rent stands at USD 5,93,750.00 per aircraft. Egypt Air delegation mentioned that the maintenance reserves of USD 1,400.00 per hour was calculated based on their experience of maintenance cost, however, they proposed to reduce hourly maintenance reserves to USD 1366.00 including component pool access.
- c. Biman team requested for further reduction of monthly lease rent to and maintenance reserves. Egypt Air delegation mentioned that they have already given their best and final offer.
- d. To make operation of two 777-200ER aircraft marginally profitable, Biman team proposed to reduce monthly lease rent to USD 5,50,000.00 and hourly maintenance reserves USD 1,200.00. Egypt Air delegation regretted to accede to Biman's request.
- e. Biman team further requested to reduce monthly lease rent to USD 5,75,000.00 and hourly maintenance reserves to USD 1,200.00. After a hard bargaining, Egypt Air delegation as gesture

Attested by me
 10-03-14
 Md. Mosharof Hossain Chowdhury
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of good will, finally agreed to reduce monthly lease rent to USD 5,85,000.00 and hourly maintenance reserves to USD 1,255.00 excluding component pool access.

- f. Egypt Air delegation asked for payment of advance deposit equivalent to 04 months lease rent. Biman team proposed to make advance payment equivalent to 02 months lease rent, but Egypt Air delegation did not agree to accept such proposal and even they regretted to accept Biman's proposal of 03 months advance payment. Finally it was agreed to make advance deposit equivalent of 04 months lease rent.
- g. Other terms & conditions of LOI were also negotiated and both sides reached consensus.

04. Based on above discussion a LOI has been signed between Biman and Egypt Air Holding Company, which is set out at **Annex-A** with the working paper. Salient features of the LOI are mentioned below:

a.	Lease period	60 months Dry Lease
b.	Lease Commencement	One month from receipt of Deposit for 1 st aircraft and 45 days for the 2 nd aircraft
c.	Lease Rent	USD 5,85,000.00 per month for each aircraft
d.	Supplemental Rent / Maintenance Reserves	USD 1,255.00 per flight Hour for each aircraft. *Lessee (Biman) will pay in advance one month's maintenance reserves based on 250 hours for each aircraft, which will be returned by the lessor after the final reconciliation. *Lessee will also pay monthly maintenance reserves based on actual utilization.
e.	Lease Deposit	USD 2,340,000.00 equivalent to 04 months lease rent for two aircraft. <ul style="list-style-type: none">To be paid in the form of an irrevocable and unconditional Letter of Guarantee issued from an international commercial bank, should be valid till one month after the lease term.OR, In cash through wire transfer against an irrevocable and unconditional Letter of Guarantee issued by an international commercial bank in Egypt. This Letter of Guarantee will be for a period of two months or the arrival of two aircraft at Dhaka, whichever is earlier.
f.	Aircraft Livery Painting	White at Lessor's expense
g.	Delivery location	Cairo International Airport, Egypt
h.	Redelivery location	Dhaka provided Biman obtains certification from EASA/FAA for maintenance OR, Cairo International Airport OR, any other place certified by EASA/FAA agreed by the lessor.

Attested by me

16-03-14

Md. Mosharof Hossain Chowdhury
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05. Based on negotiated lease rent and maintenance reserves and some assumptions, financial analysis on two 777-200ER operations has been carried out by Controller of Accounts, which is set out at **Annex-B** with the working paper. It is observed from the financial analysis that marginal contribution would be positive with USD 32,441.00 at 80% cabin factor.
06. In view of the above, five years' dry lease of two 777-200ER (MSN 32629 & 32630) aircraft from Egypt Air Holding Company may be approved and post-facto approval may be accorded for signing of LOI as at Annex-A.
07. Submitted for kind approval of the Board of Directors as proposed at para-6.



08. Discussion:

- 8.1. Managing Director & CEO informed the Board that Biman team headed by Capt. Ishrat Ahmed, Director Flight Operations negotiated with Egypt Air delegation for five years' dry lease of two (02) 777-300ER aircraft; MSN 32629 and MSN 32630. In course of negotiation, Egypt Air reduced their offered monthly lease rent from USD 6,25,000.00 to USD 5,85,000.00 and hourly maintenance reserves from USD 1400.00 to USD 1255.00 per aircraft. Accordingly Biman and Egypt Air signed a Letter of Intent (LOI) on 14 December 2013. Salient features of LOI have been mentioned at para-4.
- 8.2. Managing Director & CEO also informed that John Brayford, Commercial Consultant and George Reeleder, Customer Service Consultant of Biman separately discussed with Egypt Air delegation about the commercial arrangement to operate leased 777-200ER to New York with Egyptian registration and using the AOC of Egypt Air along with operation, maintenance and insurance till up-gradation of CAAB to CAT-1 status.
- 8.3. The meeting was informed that financial analysis with reduced lease rent and maintenance reserves shows positive marginal contribution in operation of 777-200ER at 80% cabin factor. In reply to a query of the Board, Managing Director & CEO opined that it may not be possible always to attain 80% cabin factor, but uncertainty of 80% cabin factor would be offset by increase of Yield and that the operation of 777-200ER is expected to be profitable within one year.
- 8.4. The Board appreciated Biman team for successful negotiation in reduction of lease rent and maintenance reserves. The Board also noted that Biman will have to pay lease deposit of USD 2.340 million equivalent to 04 months' rent for two aircraft. Biman will also be required to pay in advance one month's maintenance reserves based on 250 hours for each aircraft. Secretary, Ministry of Civil Aviation & Tourism opined that in the lease agreement, there should have a termination clause.

09. Decision:

After a detailed discussion, it was **RESOLVED THAT**

- a. Based on negotiated lease rent and maintenance reserves, the Board approved dry lease of two (02) 777-200ER aircraft; MSN-32629 (SU-GBX) and MSN-32630 (SU-GBY) to be taken from Egypt Air Holding Company for a period of five years.
- b. The Board also approved signing of LOI between Biman and Egypt Air Holding Company on 14 December 2013.
- c. Biman management will take necessary action about implementation of LOI for induction of leased two 777-200ER from Egypt Air Holding Company.
- d. Necessary arrangements to be made with Egypt Air for operation and maintenance of 777-200ER aircraft immediately after induction as per recommendation of Biman inspection team. In this regard the decision of 120th Meeting of the Board is referred to.
- e. A separate arrangement may also be made with Egypt Air for New York operation with 777-200ER aircraft using their AOC, crew, maintenance, insurance etc.
- f. A termination clause should be included in the Agreement giving sufficient time to both the parties for disengagement.

Attested by me

Mosharof
16-03-14
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2. Capacity build-up for Hajj Operation-2014:

- Besides deployment of Biman's own 777-300ER for dedicated Hajj Operation in 2013, Biman acquired one 747-400 aircraft of 582 seating capacity on ACMI basis for transportation of pilgrims. Biman also leased one 767-300 aircraft on ACMI basis for three months to support normal scheduled operation during 2013 Hajj season. Biman had to float RFP several times for procurement of above aircraft.
- The Chairman of the Board advised Biman Management to take necessary preparation well ahead to develop fleet capacity for smooth carriage of pilgrims in 2014.
- Managing Director & CEO informed that Biman is taking delivery of 3rd and 4th 777-300ER aircraft from Boeing in February and March 2014. Lease of another two 777-200ER aircraft from Egypt Air is under process, which are likely to join in Biman fleet by January/February 2014. It is expected that Biman's own wide-bodied aircraft would be engaged for Hajj Operation 2014. Notwithstanding Biman may be required to take ACMI lease of one medium capacity aircraft of minimum 250 seats or above to support normal scheduled operation during Hajj-2014.

Decision:

After the discussion it was **DECIDED THAT -**

Biman will take necessary steps for capacity development of its fleet for smooth operation of hajj flights in 2014 and float RFP immediately for lease of appropriate capacity aircraft.

Having no other issues for discussion, the meeting ended with a vote of thanks to and from the Chair.

Attested by me

Kashin
10-03-14
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[Signature] 29/12/13
Air Marshal Jamal Uddin Ahmed
ndc, bems, psc (Retd)
Chairman, Board of Directors
Biman Bangladesh Airlines Limited

