

AVATION PLC
(“AVAP” or “the Company”)

Unaudited Preliminary Financial Results for the Year Ended 30 June 2015

Avation PLC (LSE: AVAP), the commercial passenger aircraft leasing company, today announces its unaudited preliminary financial results for the year ended 30 June 2015.

Overview

- Aircraft lease revenue increased by 17 per cent to \$56.9 million (2014: \$48.7 million);
- The number of aircraft in the fleet increased to 29 aircraft (2014: 25 aircraft);
- Dividend increase of 49 per cent to 3.00 US cents per share (2014: 2.01 US cents per share);
- Underlying pre-tax profit from leasing business increased to \$14.8 million (2014: \$13.2 million);
- Net profit for the year decreased by 7 per cent to \$13.3 million (2014: \$14.3 million);
- Net cash flow from operating activities increased to \$43.5 million (2014: \$27.6 million);
- Successful issue of first \$100 million unsecured tranche and establishment of a \$500 million Global Medium Term Note programme; and
- Cash and cash equivalents as at 30 June 2015 of \$108.6 million (2014: \$23.4 million).

Executive Chairman Jeff Chatfield said:

“Avation has enjoyed remarkable growth and is positioned for further revenue and fleet expansion in the coming year. Lease revenues have increased by 17 per cent during the year, while yield remains at an industry leading 13.1 per cent. The average age of the aircraft fleet has decreased to 5.3 years in 2015.

“Avation has substantially increased lease revenue, cash operating margin, fleet assets and now has significant cash resources which can be deployed to fund additional growth.

“Group profits are slightly lower in 2015 compared to 2014. This small reduction was primarily due to the variability in aircraft trading gains and losses between the respective financial periods. The one off gains from the sales of two aircraft in 2014 were not replicated in 2015. Furthermore, Avation’s subsidiary, Capital Lease Aviation (CLA), incurred a loss of \$1.2 million net of tax from the cessation of operations and part out of an aircraft which was at the end of its useful life. As a result the Group generated a loss from aircraft trading and discontinued operations in 2015 compared to profit in 2014.

“The issue of the first \$100 million unsecured tranche of the \$500 million Global Medium Term Note programme (the “GMTN”) is transformative as the programme provides greater opportunities for the Group to address the key challenge of financing future aircraft acquisitions. The Group’s improved access to capital markets and stronger business fundamentals allow the Directors to propose a significant increase in dividends to shareholders.

“The key objectives for 2016 are to improve profitability through fleet growth, increase customer diversification and add scale to the business.”

Financial Results Summary

	Financial Year 2015 US\$ 000's	Financial Year 2014 US\$ 000's
Income	60,134	52,126

Lease revenue	56,932	48,691
Profit after tax	13,285	14,263
Net cash flow from operating activities	43,451	27,571
Total assets	586,182	415,628
Total shareholders' equity	128,204	110,767
EPS	24.12 cents	27.4 cents
Dividend per share	3.00 cents	2.01 cents

Income increased by 15 per cent to \$60.1 million for the year ended 30 June 2015 (2014: \$52.1 million). Lease revenue increased by 17 per cent to \$56.9 million (2014: \$48.7 million) as a result of continued fleet growth, whilst lease yields remain at an industry leading level of 13.1 per cent.

Other income was \$3.2 million for the year ended 30 June 2015 (2014: \$3.4 million). Other income was primarily made up of the recovery of a security deposit from a lessee defaulting on a lease and a one-off gain from the early retirement of various junior loans. Other income for the prior year ended 30 June 2014 included a \$2.9 million write back of excess maintenance reserve accruals.

Avation's subsidiary CLA has reported a \$1.2 million loss, net of a tax write-back, on the part out disposal of a 25 year old aircraft. This loss is classified within discontinued operations as it represented the Group's only aircraft operating in North America. Avation incurred a loss on the sale of an aircraft of \$0.7 million in the year ended 30 June 2015. This loss resulted from the disposal of an aircraft that was repossessed following the lessee's default on the lease. The loss was offset by the security deposit which has been recorded in other income. In 2014, the Group generated gains on sale of aircraft totalling \$3.3 million, primarily from the sale of delivery positions of two new aircraft. As Avation continued to build its leasing business in 2015 the Company has preferred to add new ordered aircraft to the leasing fleet for long term returns rather than to sell aircraft for one off gains, as occurred in 2014. Excluding the effect of aircraft trading, the pre-tax profit (ex-trading) from the underlying leasing business increased 11.6 per cent to \$14.8 million (2014: \$13.2 million).

Depreciation increased by 22 per cent to \$17.8 million in the year ended 30 June 2015 (2014: \$14.6 million). The increase was due to adoption of a new depreciation policy and increased fleet size and value.

Administrative expenses increased 3 per cent to \$7.2 million for the year ended 30 June 2015 (2014: \$7.0 million). Administrative expenses as a percentage of leasing revenue decreased to 12.6 per cent in the year ended 30 June 2015 (2014: 14.3 per cent). As Avation continues to deliver economies of scale it is expected that this trend will continue.

Other expenses of \$0.8 million include foreign exchange losses and a bad debt associated with a lessee's default on a lease, as noted above, that was offset by the forfeit deposit.

Finance expenses increased by 12 per cent to \$18.9 million in 2015 (2014: \$16.9 million). Interest expenses included within finance expenses increased by 11 per cent to \$17.3 million (2014: \$15.6 million). This increase compares favourably to the increase in lease revenues of 17 per cent and resulted from debt raised to finance new aircraft together with interest incurred on the GMTN issued in May 2015. The ratio of interest expense to lease revenue improved to 30.4 per cent (2014: 32.0 per cent). Finance income was \$0.8 million (2014: \$0.3 million).

Avation's cash operating margin, a core fundamental, has improved in the year ended 30 June 2015. This is defined as cash earnings generated after deducting the key cash operating expenses, being administrative expenses (net of non-cash warrant expenses) and interest expenses, from lease revenue. As a proportion of lease revenue, the cash operating margin has improved to 57.5 per cent (2014: 53.7 per cent).

Taxation for the 2015 year was \$1.0 million (2014: \$2.5 million). The majority of the Group's operations are now headquartered in Singapore and are included in the Republic of Singapore's Aircraft Leasing Scheme and benefit from a 10 per cent concessionary tax rate.

Profit for the year ended 30 June 2015 decreased by 7 per cent to \$13.3 million (2014: \$14.3 million) as a result of the above factors.

The Company has amended the presentation of its financial statements in the current period to provide greater clarity. Comparative amounts have been reclassified to conform to the current presentation. Certain comparative amounts have been reclassified as discontinued operations, due to North American operations ceasing during the period.

Fleet Overview

Type	1 July 2014	Added	Disposed	30 June 2015	On order (at 31 Aug 2015)	Options
ATR 72-500	6	-	-	6	-	
ATR 72-600	8	6	1	13	9	22
A320-200	3	-	1	2	1	
A321-200	3	-	-	3	2	
Fokker 100	5	-	-	5	-	
Total	25	6	2	29	12	22

Six new aircraft were added to the fleet during the period, with one used aircraft sold and one parted out. As at 30 June 2015 the weighted average age of the fleet was 5.3 years (2014: 6.1 years) and the weighted average remaining lease term was 6.5 years (2014: 7.1 years). As at 30 June 2015, the fleet was 100 per cent utilised.

Debt summary

	Financial Year 2015 US\$000's	Financial Year 2014 US\$000's
Loans and borrowings	428,095	281,158
Cash & cash equivalents	108,647	23,395
Net indebtedness	317,687	257,763
Total Loan to Value ratio (LTV)	72.7%	67.6%
Weighted average cost of secured debt	4.4%	5.0%
Weighted average cost of total debt	5.1%	5.2%

Net indebtedness increased due to additional debt being raised to fund fleet additions during the year.

The weighted average cost of debt reduced to 5.1 per cent, as at 30 June 2015 (2014: 5.2 per cent). This was primarily due to a significant reduction in the weighted average cost of the Group's secured debt facilities to 4.4 per cent, as at 30 June 2015 (2014: 5.0 per cent). This reduction was partially offset by interest costs associated with the GMTN established during the period.

The issuance of the first tranche of the GMTN represents a significant achievement, as it marks the introduction of global debt capital markets as a new source of funding for the Company. This will support planned fleet growth in 2016 and provides the opportunity to raise further funds in the short to medium term. Future tranches will be priced based on market conditions and Avation's credit

ratings. The Company's credit ratings are expected to improve as increased scale and customer diversification are achieved.

As at June 30th 2015 the majority of the funds raised from the issue of unsecured notes under the GMTN were held as cash. It is intended that these funds will be combined with secured senior debt and deployed to fund aircraft acquisitions during the financial year ending 30 June 2016. At current interest rates, this may result in a decline in the weighted average cost of debt across the fleet.

The Group's loan to value ratio increased as a result of the issue of the \$100 million unsecured notes, in May 2015. As at 30 June 2015, 88.8 per cent of total Group debt has fixed interest rates.

Outlook

As at the date of this announcement, Avation has four aircraft contracted for delivery before 31 December 2015 and a further six aircraft for delivery in the six months to 30 June 2016, with a further two contracted for delivery in the second half 2016.

Overall the 10 aircraft to be delivered in the current financial year have a purchase value of approximately \$280 million, which represents growth of 48 per cent on the fleet assets as at 30 June 2015. The funds raised from the issuance of unsecured notes under the GMTN support a portion of the funding of these aircraft and provide further capacity to acquire additional aircraft, beyond new aircraft orders, such as the Airbus A320 on lease to Air France announced August 2015.

Committed future revenue from unexpired leases on the current fleet of 29 aircraft totals \$369.2 million. Avation has also entered into leases of eight of the aircraft due to be delivered before 30 June 2016. These leases are scheduled to generate additional committed revenue of approximately \$196.2 million over the terms of the leases. The total of future lease revenue from the existing fleet and contracted deliveries is \$565.4 million.

Management believes that the Company can obtain access to the required debt funding for future fleet growth. However, access to funding does remain a risk, which is common to all capital intensive business models. Specific risks, which are inherent in the aircraft leasing industry, include the creditworthiness of client airlines, residual value risk and the risk of impairment of aircraft assets. The Company is seeking to diversify its airline operator customer base to mitigate both concentration and geographic risks.

The Board of Directors is pleased to deliver a fundamentally strong set of results from a core business in which the fundamentals continued to improve, in a year in which the business was significantly transformed. We remain committed to building growth, diversification and scale to the business.

Interim Dividend

The underlying profitability of the leasing business has improved. The Board would like to thank the shareholders for their continued support as it continues in the successful development of Avation. The Board understands the importance of recognising shareholder ownership and has approved a dividend increase of 49 per cent to 3.00 US cents per share (2014: 2.01 US cents) in respect to the period ending 30 June 2015. The Company aims to continue to maintain a progressive dividend policy.

The record date and timetable for this interim dividend are as follows:

Ex-Dividend Date:	17 September 2015
Record Date:	18 September 2015
Payment Date:	28 September 2015
Payment Amount:	USD 0.03

Results Conference Call

Avation's senior management will host a conference call on 8 September 2015, at 3pm BST (UK) / 10am EST (US) / 10pm SGT (Singapore), to discuss the Company's financial results. Participants should dial: United Kingdom 020 3059 8125; United States +1 631 983 3103; Singapore 800 101 2697; other locations +44 20 3059 8125 and quote 'Avation' when prompted. The conference call will also be webcast live through the following link:

<http://avation.emincote.com/results/2015finalresults>.

To view the webcast investors will be invited to register their name and email address, participants can do this in advance or on the day. A replay of the webcast will be available on the Investor Relations page of the Avation website and a presentation, to support the conference call, will be available on the Avation website prior to the conference call.

Annual General Meeting

The Annual General Meeting of the Company is expected to be held at the Company's headquarters in Singapore on 16 November 2015 at 10am. Formal notice of the Annual General Meeting will follow in due course.

Forward Looking Statements

This release contains certain "forward looking statements". Forward looking statements may be identified by words such as "expects," "intends," "anticipates," "plans," "believes," "seeks," "estimates," "will," or words of similar meaning and include, but are not limited to, statements regarding the outlook for Avation's future business and financial performance. Forward looking statements are based on management's current expectations and assumptions, which are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Actual outcomes and results may differ materially due to global political, economic, business, competitive, market, regulatory and other factors and risks. Further information on the factors and risks that may affect Avation's business is included in Avation's regulatory announcements from time to time, including its Annual Report, Full Year Financial Results and Half Year Results announcements. Avation expressly disclaims any obligation to update or revise any of these forward looking statements, whether because of future events, new information, a change in its views or expectations, or otherwise.

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More information on Avation PLC can be found at: www.avation.net

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AVATION PLC

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

	2015 US\$'000s	2014 US\$'000s
Continuing operations		
Lease revenue	56,932	48,691
Other income	3,202	3,435
	<u>60,134</u>	<u>52,126</u>
Depreciation	(17,775)	(14,615)
(Loss)/gain on disposal of aircraft	(729)	3,322
Administrative expenses	(7,199)	(6,958)
Other expenses	(823)	-
Operating profit	<u>33,608</u>	<u>33,875</u>
Finance income	807	296
Finance expenses	(18,895)	(16,906)
Profit before taxation	<u>15,520</u>	<u>17,265</u>
Taxation	(1,039)	(2,504)
Profit from continuing operations	14,481	14,761
Discontinued operations		
Loss from discontinued operations	(1,196)	(498)
Total profit	13,285	14,263
Other comprehensive income:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences arising on consolidation	(23)	2
Fair value loss on derivative financial instruments	(229)	-
Other comprehensive income, net of tax	(252)	2
Total comprehensive income for the year	13,033	14,265
Profit attributable to:		
Equity holders of the Company	13,036	13,312
Non-controlling interests	249	951
	<u>13,285</u>	<u>14,263</u>
Total comprehensive income attributable to:		
Equity holders of the Company	12,786	13,314
Non-controlling interests	247	951
	<u>13,033</u>	<u>14,265</u>
Earnings per share for profit from continuing and discontinued operations attributable to equity holders of the Company		
Basic earnings per share:		
From continuing operations	26.29 cents	28.36 cents
From discontinued operations	(2.17) cents	(0.96) cents
From total operations	<u>24.12 cents</u>	<u>27.40 cents</u>
Diluted earnings per share:		
From continuing operations	26.13 cents	28.36 cents
From discontinued operations	(2.16) cents	(0.96) cents
From total operations	<u>23.97 cents</u>	<u>27.40 cents</u>

AVATION PLC

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

	2015 US\$'000s	2014 US\$'000s
ASSETS:		
Current assets:		
Cash and cash equivalents	108,647	23,395
Trade and other receivables	3,284	2,804
Loan receivable	19,600	-
Prepaid loan premium	1,078	2,156
Assets held for sale	30	-
Total current assets	132,639	28,355
Non-current assets:		
Trade and other receivables	10,794	11,269
Prepaid loan premium	6,286	6,295
Property, plant and equipment	434,079	367,325
Goodwill	2,384	2,384
Total non-current assets	453,543	387,273
Total assets	586,182	415,628
LIABILITIES AND EQUITY:		
Current liabilities:		
Trade and other payables	10,280	6,414
Provision for taxation	431	1,099
Loans and borrowings	51,584	62,173
Maintenance reserves	825	-
Total current liabilities	63,120	69,686
Non-current liabilities:		
Trade and other payables	11,271	9,768
Loans and borrowings	376,511	218,985
Derivative financial instruments	229	-
Deferred tax liabilities	6,847	6,422
Total non-current liabilities	394,858	235,175
Equity attributable to shareholders:		
Share capital	991	891
Treasury shares	(682)	(682)
Share premium	38,692	31,424
Reserves	25,383	14,027
Retained earnings	62,363	50,446
	126,747	96,106
Non-controlling interest	1,457	14,661
Total equity	128,204	110,767
Total liabilities and equity	586,182	415,628

AVATION PLC

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

	2015 US\$'000s	2014 US\$'000s
Cash flows from operating activities:		
Profit before taxation from continuing operations	15,520	17,265
Loss before taxation from discontinued operations	(1,625)	(707)
Profit before income tax	13,895	16,558
Adjustments for:		
Depreciation expense	21,775	15,259
Warrant expense	288	-
Claim on maintenance reserves	-	(115)
Discount on early settlement of loans	(1,160)	-
Impairment loss on aircraft	-	713
Impairment loss on trade receivables	145	-
Amortisation of loan premium	1,078	1,078
Amortisation of interest expense on non-current deposits	317	258
Loss/(gain) on disposal of aircraft	729	(3,322)
Loss on disposal of assets held for sale	1,600	-
Finance income from discounting non-current deposits to fair value	(309)	(273)
Interest income	(498)	(23)
Interest expense	17,295	15,570
Operating cash flows before working capital changes	55,155	45,703
Movement in working capital:		
Trade and other receivables and prepaid loan premium	(141)	1,573
Trade and other payables	4,194	(255)
Maintenance reserves	825	(3,642)
Cash from operations	60,033	43,379
Interest received	498	23
Interest paid	(16,228)	(14,882)
Income tax paid	(852)	(949)
Net cash from operating activities	43,451	27,571
Cash flows from investing activities:		
Purchase of property, plant and equipment	(110,173)	(71,775)
Proceeds from disposal of aircraft	18,074	39,001
Proceeds from disposal of assets held for sale	1,210	-
Investment in loan receivable	(19,600)	-
Purchase of additional shares in a subsidiary	(843)	(881)
Repurchase of a subsidiary's treasury shares	(413)	(248)
Net cash used in investing activities	(111,745)	(33,903)
Cash flows from financing activities:		
Net proceeds from issuance of ordinary shares	6,591	728
Dividends paid	(1,119)	(867)
Repurchase of treasury shares	-	(468)
Proceeds from loans and borrowings, net of transactions costs	212,410	85,141
Repayment of loans and borrowings	(64,313)	(27,581)
Capital element of finance lease repayments	-	(46,851)
Net cash from financing activities	153,569	10,102
Effects of exchange rates on cash and cash equivalents	(23)	2
Net increase in cash and cash equivalents	85,252	3,772
Cash and cash equivalents at beginning of financial year	23,395	19,623
Cash and cash equivalents at end of financial year	108,647	23,395