

AVATION PLC
(“AVAP” or “the Company”)

AGM STATEMENT, INTERIM MANAGEMENT STATEMENT AND TRADING UPDATE

Avation PLC (AVAP: LSE), the commercial passenger aircraft leasing company advises that at the AGM being held today Jeff Chatfield, Executive Chairman, will provide the following Chairman’s address, Interim Management Statement and Trading Update. The full text of this is set out in this announcement and in due course a video of the address will be available on the Company’s website at www.avation.net/investors.html

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

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INTERIM MANAGEMENT STATEMENT AND TRADING UPDATE

DISCLAIMER: Please note that certain statements in this announcements are forward-looking statements including without limitation, statements regarding our future operations and performance, revenues, operating expenses, other income and expense items. These statements and any projection as to the Company's future performance represent management's estimates of future results and speak only as of today, November 16, 2015. These estimates involve risks and uncertainties that could cause actual results to differ materially from expectations. 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 and Half Year Results announcements. Avation assumes no obligation to update any forward-looking statements or information in light of new information or future events. Unauthorized recording of this transmission is not permitted.

Jeff Chatfield, Executive Chairman, will address to the Annual General Meeting as follows:

“The purpose of this management statement is to provide all investors with an update on current operations and results. This statement covers the period from 1 July 2015 through to today’s date 16 November 2015.

“The conference call conducted on 8 September to support the financial year end 30 June 2015 results indicated that the issue of the first \$100 million tranche of a \$500 million Global Medium Term Note Programme in May 2015 would support the largest growth phase in the history of the Company. We are now pleased to report our progress.

“The access to capital Avation has obtained through the issue of the bond will be complemented by asset backed fixed rate debt and provides financial capacity with which to acquire further aircraft. Later this week Avation will make its first interest payment to Noteholders of our debt issue. It is therefore appropriate to report on the progress the Company has made in the deployment of the bond funds in the period after issue.

“Avation has achieved significant progress in building and diversifying its aircraft fleet, with five aircraft announced since July 2015 – three of these aircraft purchases have been completed with the remaining two expected to close by the end of the half-year.

“In this six-month period, with excess cash on the balance sheet, bond interest represented a material P & L liability to the Company. Fortunately, this interest overhang issue is expected to be resolved for the second half of this fiscal year, with bond funds fully deployed.

“Within the last month, we announced two narrow body aircraft purchases and we are pleased to report that these are in addition to the growth forecast provided at the end of our conference call dated 8 September 2015. One of these aircraft represents the Company’s first Boeing 737-800 acquisition.

“We are also pleased to advise that these acquisitions bring two new airline customers into our portfolio and we can now reveal the identity of these for the first time. The Boeing 737-800 is currently operating with Chinese carrier Shenzhen Airlines, a subsidiary of the Air China Group, which is one of the largest airlines in China and a Chinese flag carrier. The second contracted aircraft is an A320 operated by Air Berlin, the second largest airline in Germany, which we understand has announced it is moving to an all Airbus fleet.

“This extends our customer list to 11 airlines in Asia Pacific and Europe, approximately doubling since 30 June 2015.

“During the period between issuing the bond and deployment of capital there has been a period of interest overhang and our guidance is that, whilst there is significant growth in the underlying business and leasing revenues, we expect the interest overhang will be approximately US\$2.1 million for this six-month period.

“In terms of timing of our further growth, the acquisition of the Air Berlin and Shenzhen Airlines aircraft are scheduled to close in December. Whereas the third, fourth and fifth Flybe ATR72 aircraft are scheduled to be delivered in December, January and February, respectively. Following this, we have the delivery of two new Airbus A321 aircraft to Thomas Cook UK scheduled in February and March 2016. This is a substantial short-term pipeline.

“Throughout the course of 2015, the Company’s average monthly lease revenue has been less than US\$5m. Once the second Thomas Cook aircraft is delivered in March 2016 and the short-term pipeline completed, Avation’s monthly lease revenues should exceed \$7.5m for the first time.

“We expect this pipeline to increase fleet assets from a book value of US\$434m as at 30 June 2015, to almost US\$750m in March 2016. This represents over 70% growth. Our guidance is that these fundamental growth initiatives are expected to propel the second half result to show a significant increase in lease revenues and lead to increased earnings by financial year-end.

“The aircraft leasing industry is currently responsible for the funding and delivery of almost every second aircraft being delivered to airlines. Over the past 15 years the aircraft leasing industry has continued to grow, establishing itself as intrinsic to the financing of new aircraft, and producing profitability and high growth.

“Our short-term pipeline will further strengthen the Company’s core leasing business delivering increased revenue, the diversification of assets and customers, and economies of scale. Avation has a strong track record of growing revenues, underlying earnings and assets to produce lease yields and profit margins that are amongst the highest in the leasing industry.

“We have built the business from five regional jets to a globally competitive and respected business. We have done this through the development of a profitable business model that we apply to each aircraft and have grown the business rapidly but cautiously. The proof of this is the maintenance of high yields and the continuing enviable post tax profit margins, while maintaining a low fleet age and long average remaining lease term on the fleet. We have a policy of trading out of our older aircraft, with 12 of the 13 aircraft sold by the Company having been sold at a profit.

“The current average fleet age is 5 years and the average lease term remaining is at a healthy 5.9 years. Avation remains active in the assessment of aircraft to add to the fleet, whether new aircraft, sale and leaseback transactions with airlines or acquisitions from other lessors. Avation is a narrow-body lessor and, at this time, does not pursue the purchase of wide-body aircraft.

“As aircraft numbers and diversification are delivered into our fleet, we will strive to improve our corporate credit ratings. If we are able to improve these, our cost of debt in relative terms, is likely to decrease. If we continue to lower our cost of debt, not only does our existing leasing business become more profitable, but we also become more competitive in our mission to grow the fleet and attract new airline customers.

“We expect to deliver economies of scale as the proportionate overhead administration cost per aircraft continues to decline. I am pleased to report that we have a skilled and experienced team in place and expect only minimal increases in head count, with some additional head count also required to meet the obligations of the Singapore Aircraft Leasing Scheme.

“On the corporate front our structure will be simplified and made increasingly cost effective by the withdrawal from AIM of our subsidiary Capital Lease Aviation PLC.

“The remainder of this fiscal year will be an exciting period for the Company as it continues with its growth phase.

“We would like to thank our shareholders for their continuing support.”

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