

AVATION PLC
(“Avation” or “the Company”)

**PRELIMINARY UNAUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2019
AND INTERIM MANAGEMENT STATEMENT**

Avation PLC (LSE: AVAP), the commercial passenger aircraft leasing company, announces preliminary unaudited financial results for the year ending 30 June 2019.

Key Financial Results

- Fleet assets increased by 22% to \$1.27 billion as at 30 June 2019;
- Lease rental revenue increased by 21% to a record \$117.7 million;
- Net profit after tax for the year increased by 28% to a record \$25.7 million;
- Earnings per share (“EPS”) increased by 25% to 40.3 US cents;
- Interim dividend per share of 8.5 US cents declared, taking total dividends for the financial year to 10.5 US cents (2018: 7.25 cents), an increase of 45%;
- Dividend yield increased to 3.1% for the year up from 2.4%;
- Weighted average cost of debt declined from 5.0% to 4.6%; and
- Net asset value per share increased 7% year on year to £2.95 per share.

Operational Highlights

- Twelve aircraft added to the fleet during the year;
- Two narrowbody aircraft sold;
- Completed deliveries of five Airbus A220-300 aircraft to airBaltic;
- Order for eight additional ATR 72-600 aircraft for delivery between 2020 and 2022; and
- Airline customers increased from thirteen to seventeen.

Executive Chairman, Jeff Chatfield, said:

“Avation posted record revenue, profit, EPS and fleet assets for the year ended 30 June 2019.

“The Company acquired twelve aircraft during the year and continued to diversify aircraft types and add new customers to reduce revenue concentration.

“Avation sold two narrowbody aircraft during the year, both of which were sold for more than 10% above book value. Narrowbody aircraft represent almost half of the fleet by value. This confirms that Avation’s fleet assets are liquid and supports management’s view that the group’s net realisable value per share exceeds the reported net asset value per share.

“The Company’s strong performance enabled the Board to declare a second dividend of 8.5 US cents per share for the year, which takes the full year dividend to a record 10.5 US cents per share including the initial interim dividend of 2 US cents per share paid in December 2018. This dividend payout results in a yield of 3.1%.

“Avation will continue to focus on growing the fleet and adding new airline customers in the coming financial year. The Company is currently assessing jet aircraft for acquisition, in addition to scheduled deliveries of new ATR 72 turboprop aircraft from our order book.”

Financial Highlights

	30 June 2019 US\$ 000's	30 June 2018 US\$ 000's	Change
Revenue	119,055	109,787	8%
Operating profit (EBIT)	77,165	57,209	35%
Operating profit margin	65%	52%	
Administrative expense	10,954	10,202	7%
Administrative expense/ Total income (1)	9.2%	9.2%	
Profit before tax	25,559	18,915	35%
Total profit after tax	25,691	20,000	28%
EPS (cents)	40.3	32.2	25%
Dividend per share (cents)	10.5	7.25	45%
Dividend yield (based on share price at 30 June)	3.1%	2.4%	
Fleet assets (2)	1,269,682	1,038,649	22%
Total assets	1,392,750	1,152,205	21%
Cash and bank balances	107,448	91,102	18%
Net asset value per share (US\$) (3)	\$3.74	\$3.64	3%
Net asset value per share (GBP) (4)	£2.95	£2.75	7%

1. Total income is defined as revenue plus other income.
2. Fleet assets are defined as property, plant and equipment plus assets held for sale plus finance lease receivables.
3. Net asset value per share is total equity divided by the total number of shares in issue, excluding treasury shares, at period end.
4. Based on GBP:USD exchange rate as at 30 June 2019 of 1.270 (30 June 2018 : 1.321).

Aircraft Fleet

Aircraft Type	30 June 2019
Boeing 777-300ER	1
Airbus A330-300	1
Airbus A321-200	7
Airbus A320-200	2
Boeing 737-800	1
Airbus A220-300	6
Fokker 100	5
ATR 72-600	19
ATR 72-500	6
Total	48

As at 30 June, Avation's fleet comprised 48 aircraft, including seven aircraft on finance lease. The weighted average age of the fleet is 3.4 years (2018: 3.2 years) and the weighted average remaining lease term is 7.5 years (2018: 7.7 years).

Fleet assets increased 22% to \$1,269.7 million (2018: \$1,038.6 million). Twelve aircraft were added to the fleet in the year including six ATR 72-600 aircraft, five Airbus A220-300 and the Company's first Boeing 737-800. Two narrowbody aircraft were sold during the year. Narrowbody aircraft make up 47.9% of fleet assets as at 30 June 2019.

Avation has orders for nine additional ATR 72-600 aircraft for delivery by 2022 and has purchase rights for a further 25 aircraft.

Debt summary

	30 June 2019	30 June 2018
	US\$000's	US\$000's
Loans and borrowings	1,078,288	868,600
Unrestricted cash and bank balances	61,689	57,950
Net indebtedness (1)	1,016,599	810,650
Debt to assets (2)	77.4%	75.4%
Weighted average cost of secured debt (3)	3.7%	4.3%
Weighted average cost of total debt (4)	4.6%	5.0%

1. Net indebtedness is defined as loans and borrowings less unrestricted cash and bank balances.
2. Debt to assets is defined as total debt divided by total assets.
3. Weighted average cost of secured debt is the weighted average interest rate for secured loans and borrowings at period end.
4. Weighted average cost of total debt is the weighted average interest rate for total loans and borrowings at period end.

The weighted average cost of total debt decreased to 4.6% as at 30 June 2019 (2018: 5.0%).

The weighted average cost of secured debt decreased to 3.7% at 30 June 2019 (2018: 4.3%). This was due to settlements of certain higher cost secured loans following the issuance of \$300 million 6.5% Senior Notes due 2021 under the Company's Global Medium Term Note programme ("Notes") in May 2018 and the funding of recent growth with comparatively low cost senior secured debt. Avation completed a tap issue of an additional \$50 million Notes in November 2018.

At the end of the year, Avation's debt to assets ratio was 77.4% (2018: 75.4%). At 30 June 2019, 92.0% of total debt was at fixed or hedged interest rates (2018: 94.8%). The proportion of unsecured debt to total debt was 32.0% (2018: 33.8%).

Avation will continue to source secured and unsecured debt finance to fund fleet growth with the overriding objective of lowering the weighted average cost of finance.

Aircraft Leasing Scheme Tax Incentive

In April 2019 Avation was granted a renewal of its membership of the Singapore Aircraft Leasing Scheme ("ALS") for a further 5 years. The ALS provides for a concessionary tax rate of 8% on income derived from aircraft and aircraft engine leasing and an exemption from withholding tax on qualifying loans. Prior to April 2019 the applicable concessionary tax rate was 10%. Avation's net profit after tax benefited from recognition of deferred tax assets derived from the reduction in the ALS tax rate.

Credit Ratings

In November 2018, S&P Global Ratings advised that Avation's issue rating for the Notes had been upgraded to B+. The Company's current issuer and Notes credit ratings are as follows:

Rating Agency	Corporate Credit Rating	Notes Rating
Standard and Poor's	B+ outlook positive	B+
Fitch Ratings	BB- outlook stable	BB-
Japan Credit Ratings Company	BB outlook stable	NR

Declaration of Interim Dividend

In order to recognise shareholder ownership as it continues the development of the business, the Board has declared a second dividend of 8.5 US cents per share in respect of the financial

year ended 30 June 2019. Inclusive of the initial interim dividend of 2 US cents per share paid in December 2018, this takes the total dividend for the financial year to 10.5 US cents per share (2018: 7.25 US cents), representing an increase of 45%.

The record date and timetable for the second interim dividend is as follows:

Ex-dividend date: 3 October 2019

Record date: 4 October 2019

Payment date: 18 October 2019

Amount: 8.5 US cents

The Company confirms its aim to maintain a progressive dividend policy.

Recognising that the Company's functional currency is US Dollars (USD) and to reduce exchange rate risk, shareholders are reminded that dividend payments are declared in USD. Shareholders who prefer to receive dividends in British Pounds (GBP) can elect to receive GBP by completing a form that can be downloaded at www.avation.net/dividends.html

Market Positioning

Avation's strategy is to target growth and diversification by adding new airline customers, while maintaining strong average aircraft age and remaining lease term metrics. Avation focuses on new and relatively new commercial passenger aircraft on long-term leases. Avation is able to own, manage and lease turboprop, narrowbody and twin-aisle aircraft.

The Company's business model is based on rigorous investment criteria which has historically delivered consistent profitability, while seeking to mitigate the risks associated with the aircraft leasing sector. Avation will typically sell mid-life and older aircraft and redeploy capital to newer assets. This approach is intended to mitigate technology change risk, operational and financial risk, support sustained growth and deliver long-term shareholder value.

Avation is an active trader of aircraft and from time to time will consider the acquisition or sale of individual or smaller portfolios of aircraft, based on prevailing market opportunities and consideration of risk and revenue concentrations.

Engine Leasing

In the new financial year Avation has initiated a purchase and leaseback of a narrowbody jet aircraft engine. This acquisition represents Avation's first investment in an individual engine for leasing. Airlines require access to spare engines to ensure continuous operation of aircraft. This new business line is highly synergistic to Avation's core aircraft leasing business. Avation will look to leverage its position in the aviation industry and will consider further investment in aircraft engines in the future.

Interim Management Statement

The outlook for the 2020 financial year is for continued fleet growth and the acquisition of new airline customers.

Management believes that the risks associated with its portfolio of assets have been reduced through the growth and diversification that has been achieved during the year. Avation has demonstrated that it has the capability to acquire, finance and deliver a number of aircraft in a short period of time when opportunities arise and has a platform which supports continued growth.

Management believes that it can attract airline customers, acquire aircraft and obtain the required funding for growth. In addition to operational cash flows, funding is traditionally sourced from capital markets, asset-backed bank lending and disposal of selected aircraft. Access to

acceptably priced funding is a risk, which is common to all capital-intensive businesses. Specific risks which are inherent to the aircraft leasing industry include, but are not limited to, the creditworthiness of airline customers, over-production of new aircraft and market saturation, technology change, residual value risks, competition from other lessors and the risk of impairment of aircraft assets.

Avation's Board of Directors is pleased to deliver a record set of financial results from its aircraft leasing business during this period of diversification and growth.

Results Conference Call

Avation's senior management team will host a conference call on 5 September 2019, at 1pm BST (UK) / 8am EST (US) / 8pm SGT (Singapore), to discuss the Company's financial results. Participants should dial: United Kingdom +44 20 3059 5869; United States +1 631 302 6547; Singapore +65 3157 6417; other locations +44 20 3059 5869 and quote "Avation 2019 Results" when prompted. The conference call will also be webcast live through the following link:

<http://avation.emincote.com/results/2019fullyearresults>

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.

Annual General Meeting

The annual general meeting of the Company is expected to be held at the Company's headquarters in Singapore on 14 November 2019 at 10am GMT (UK) / 6pm SGT (Singapore). Notice of the annual general meeting will be issued 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," "initiate", "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.

Basis of presentation

This announcement covers the results of Avation PLC for the year ended 30 June 2019.

Financial information presented in this announcement is being published for the purposes of providing preliminary Group financial results for the year ended 30 June 2019. The financial information in this preliminary announcement is not audited and does not constitute statutory financial statements of Avation PLC within the meaning of section 434 of the Companies Act 2006. The Group statutory financial statements for the year ended 30 June 2019 are expected to be delivered to the Registrar of Companies within 28 days of 30 September 2019 (as at the date of this report, such statutory financial statements have not been reported on by the independent auditors of the Company). The Board of Directors approved this financial information on 4 September 2019. Avation PLC most recent statutory financial statements for the purposes of

Chapter 7 of Part 15 of the Companies Act 2006 for the year ended 30 June 2018, upon which the auditors have given an unqualified audit report, were published on 21 September 2018 and have been annexed to the annual return and delivered to the Registrar of Companies.

All "\$" amounts in this release are US Dollar amounts unless stated otherwise. Certain comparative amounts have been reclassified to conform with current year presentation.

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More information on Avation PLC can be found at: www.ovation.net. Avation welcomes shareholder questions and comments and advises the email address is: investor@ovation.net

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AVATION PLC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	2019 US\$'000s	2018 US\$'000s
Continuing operations		
Revenue	119,055	109,787
Other income	215	639
	<hr/> 119,270	<hr/> 110,426
Depreciation	(41,011)	(34,284)
Gains on disposal of aircraft	10,026	-
Impairment loss on aircraft	-	(7,080)
Administrative expenses	(10,954)	(10,202)
Other expenses	(166)	(1,651)
Operating profit	<hr/> 77,165	<hr/> 57,209
Finance income	3,722	6,521
Finance expenses	(55,328)	(44,815)
Profit before taxation	<hr/> 25,559	<hr/> 18,915
Taxation	132	1,085
Profit from continuing operations	<hr/> 25,691	<hr/> 20,000
Profit attributable to:		
Equity holders of the Company	25,690	19,992
Non-controlling interests	1	8
	<hr/> 25,691	<hr/> 20,000
Earnings per share for profit attributable to equity holders of the Company		
<i>Basic earnings per share:</i>	40.26 cents	32.20 cents
<i>Diluted earnings per share</i>	<hr/> 40.10 cents	<hr/> 31.84 cents

AVATION PLC**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

	2019 US\$'000s	2018 US\$'000s
Profit from continuing operations	25,691	20,000
Other comprehensive income:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences arising on consolidation	-	27
Net (loss)/gain on cash flow hedge	(18,009)	5,239
	(18,009)	5,266
<i>Items that may not be reclassified subsequently to profit or loss:</i>		
Revaluation gain on property, plant and equipment, net of tax	8,181	3,355
Other comprehensive income, net of tax	(9,828)	8,621
Total comprehensive income for the year	15,863	28,621
Total comprehensive income attributable to:		
Equity holders of the Company	15,862	28,613
Non-controlling interests	1	8
	15,863	28,621

AVATION PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	2019 US\$'000s	2018 US\$'000s
ASSETS		
Non-current assets		
Property, plant and equipment	1,225,324	981,176
Trade and other receivables	8,930	6,790
Finance lease receivables	37,137	5,529
Goodwill	1,902	1,902
Derivative financial instruments	363	7,848
	<u>1,273,656</u>	<u>1,003,245</u>
Current assets		
Trade and other receivables	4,425	3,914
Finance lease receivables	7,221	3,199
Options held for trading	-	2,000
Cash and bank balances	107,448	91,102
	<u>119,094</u>	<u>100,215</u>
Assets held for sale	-	48,745
	<u>119,094</u>	<u>148,960</u>
Total assets	<u>1,392,750</u>	<u>1,152,205</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	1,104	1,080
Share premium	56,912	53,083
Treasury shares	(1,147)	-
Merger reserve	6,715	6,715
Asset revaluation reserve	34,392	27,847
Capital reserve	8,876	8,876
Other reserves	(11,809)	6,389
Retained earnings	145,644	124,119
Equity attributable to equity holders of the parent	<u>240,687</u>	<u>228,109</u>
Non-controlling interests	70	69
Total equity	<u>240,757</u>	<u>228,178</u>
Non-current liabilities		
Loans and borrowings	1,005,693	796,896
Trade and other payables	16,091	12,397
<i>Derivative</i> financial instruments	10,174	-
Maintenance reserves	31,325	22,504
Deferred tax liabilities	179	2,988
	<u>1,063,462</u>	<u>834,785</u>
Current liabilities		
Loans and borrowings	72,595	71,704
Trade and other payables	11,964	13,390
Maintenance reserves	1,166	1,040
Income tax payables	2,806	2,608
	<u>88,531</u>	<u>88,742</u>
Liabilities directly associated with assets held for sale	-	500
	<u>88,531</u>	<u>89,242</u>
Total equity and liabilities	<u>1,392,750</u>	<u>1,152,205</u>

AVATION PLC

CONSOLIDATED STATEMENT OF EQUITY CHANGES FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Attributable to shareholders of the parent								Non-controlling interest	Total equity	
	Share capital	Share premium	Treasury shares	Merger reserve	Asset revaluation reserve	Capital reserve	Other reserves	Retained earnings			Total
	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s
Balance at 1 July 2018	1,080	53,083	-	6,715	27,847	8,876	6,389	124,119	228,109	69	228,178
Profit for the year	-	-	-	-	-	-	-	25,690	25,690	1	25,691
Other comprehensive income	-	-	-	-	8,181	-	(18,009)	-	(9,828)	-	(9,828)
<i>Total comprehensive income</i>	-	-	-	-	<i>8,181</i>	-	<i>(18,009)</i>	<i>25,690</i>	<i>15,862</i>	<i>1</i>	<i>15,863</i>
Dividend paid	-	-	-	-	-	-	-	(5,840)	(5,840)	-	(5,840)
Issue of new shares	24	3,829	-	-	-	-	(628)	-	3,225	-	3,225
Purchase of treasury shares	-	-	(1,147)	-	-	-	-	-	(1,147)	-	(1,147)
Warrants expense	-	-	-	-	-	-	478	-	478	-	478
<i>Total transactions with owners recognised directly in equity</i>	<i>24</i>	<i>3,829</i>	<i>(1,147)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(150)</i>	<i>(5,840)</i>	<i>(3,284)</i>	<i>-</i>	<i>(3,284)</i>
Warrants expired	-	-	-	-	-	-	(39)	39	-	-	-
Release of revaluation reserve upon sale of aircraft	-	-	-	-	(1,636)	-	-	1,636	-	-	-
<i>Total others</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(1,636)</i>	<i>-</i>	<i>(39)</i>	<i>1,675</i>	<i>-</i>	<i>-</i>	<i>-</i>
Balance at 30 June 2019	1,104	56,912	(1,147)	6,715	34,392	8,876	(11,809)	145,644	240,687	70	240,757

AVATION PLC

**CONSOLIDATED STATEMENT OF EQUITY CHANGES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

	Attributable to shareholders of the parent								Non-controlling interest	Total equity	
	Share capital	Share premium	Treasury shares	Merger reserve	Asset revaluation reserve	Capital reserve	Other reserves	Retained earnings			Total
	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	
Balance at 1 July 2017	1,058	48,365	-	6,715	24,492	8,876	801	105,556	195,863	61	195,924
Profit for the year	-	-	-	-	-	-	-	19,992	19,992	8	20,000
Other comprehensive income	-	-	-	-	3,355	-	5,266	-	8,621	-	8,621
<i>Total comprehensive income</i>	-	-	-	-	3,355	-	5,266	19,992	28,613	8	28,621
Issue of new shares	22	3,564	-	-	-	-	(348)	-	3,238	-	3,238
Warrants expense	-	1,154	-	-	-	-	688	(1,447)	395	-	395
<i>Total transactions with owners recognised directly in equity</i>	22	4,718	-	-	-	-	340	(1,447)	3,633	-	3,633
Warrants expired	-	-	-	-	-	-	(18)	18	-	-	-
<i>Total others</i>	-	-	-	-	-	-	(18)	18	-	-	-
Balance at 30 June 2018	1,080	53,083	-	6,715	27,847	8,876	6,389	124,119	228,109	69	228,178

AVATION PLC**CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

	2019	2018
	US\$'000s	US\$'000s
Cash flows from operating activities:		
Profit before income tax	25,559	18,915
Adjustments for:		
Depreciation expense	41,011	34,284
Warrants expense	478	394
Impairment loss on aircraft	-	7,080
Expected credit loss on trade receivables	166	-
Gain on disposal of aircraft	(10,026)	-
Gain on disposal of subsidiary	-	(1)
Fair value loss on options held for trading	-	1,640
Interest income from finance leases	(1,382)	(734)
Finance income	(3,722)	(6,521)
Finance expense	55,328	44,815
Operating cash flows before working capital changes	107,412	99,872
Movement in working capital:		
Trade and other receivables and finance lease receivables	4,411	36,143
Trade and other payables	1,412	2,320
Maintenance reserves	8,947	2,280
Cash from operations	122,182	140,615
Finance income received	2,950	4,775
Finance expense paid	(48,579)	(42,148)
Income tax paid	(2,946)	(546)
Net cash from operating activities	73,607	102,696
Cash flows from investing activities:		
Cash inflow from disposal of subsidiary	-	1
Purchase of property, plant and equipment	(328,570)	(322,804)
Proceeds from disposal of aircraft	70,184	-
Net cash used in investing activities	(258,386)	(322,803)
Cash flows from financing activities:		
Net proceeds from issuance of ordinary shares	3,225	3,238
Dividends paid to shareholders	(5,840)	(3,664)
Purchase of treasury shares	(1,147)	-
Placement of restricted cash balances	(12,607)	(2,309)
Proceeds from loans and borrowings, net of transactions costs	301,741	600,627
Repayment of loans and borrowings	(96,854)	(376,711)
Net cash from financing activities	188,518	221,181
Effects of exchange rates on cash and cash equivalents	-	27
Net increase in cash and cash equivalents	3,739	1,101
Cash and cash equivalents at beginning of year	57,950	56,849
Cash and cash equivalents at end of year	61,689	57,950