

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

PRELIMINARY UNAUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2017
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 2017.

Overview

- Lease revenue increased by 32% to \$94.2 million;
- Earnings before interest and tax (“EBIT” or “Operating Profit”) grew 32% to \$60.2 million;
- Profit before taxation increased by 18% to \$21.4 million;
- Total profit after tax increased 16% to \$21.3 million;
- Operating cash flows increased 20% to \$63.0 million;
- Dividend per share increased by 85% to 6.00 US cents; and
- Earnings per share (“EPS”) increased by 6% to 36.3 US cents.

Executive Chairman, Jeff Chatfield, said:

“Avation is pleased to report record revenue, profit and operating cashflow in the year to 30 June 2017. Avation continues to diversify its aircraft fleet while adding balance sheet scale. Fleet metrics have improved with lease yield rising to 12.8% (2016: 12.3%) while the average age of the fleet has reduced and the average remaining lease term for the aircraft portfolio has increased.

The Company has ended the year with a substantial cash balance, lower leverage and has an improved credit rating, which are features that support the funding of further fleet expansion. Avation aims to grow the aircraft portfolio materially during the coming financial year and is currently assessing a number of aircraft for acquisition.”

Aircraft Fleet

Aircraft Type	30 June 2017
ATR 72-600	13
ATR 72-500	6
Airbus A321-200	8
Airbus A320-200	3
Fokker 100	5
Total	35

As at 30 June 2017 Avation’s fleet comprised 35 aircraft, including seven aircraft on finance leases. Fleet metrics have continued to improve, the weighted average age of the operating fleet (excluding finance leases) is 3.3 years (2016: 4.2 years) and the weighted average remaining lease term is 7.5 years (2016: 6.8 years). Avation has signed a letter of intent to lease three ATR 72 turboprop aircraft for delivery to Mandarin Airlines, one of which is included in the above fleet numbers with two additional aircraft on order for delivery in the latter part of 2017.

Financial Highlights

	30 June 2017 US\$ 000's	30 June 2016 US\$ 000's	Change
Lease revenue	94,173	71,190	32%
Lease yield	12.8%	12.3%	0.5%
Operating profit (EBIT)	60,199	45,573	32%
Operating profit margin	63.9%	64.0 %	(0.1)%
Administrative expense	8,046	7,550	7%
Administrative expense/lease revenue	8.5%	10.6%	(2.1%)
Pre tax profit	21,363	18,069	18%
Total profit after tax	21,257	18,280	16%
EPS	36.3 cents	34.4 cents	6%
Dividend	6.00 cents	3.25 cents	85%
Operating cash flows	63,020	52,547	20%
Fleet assets	744,731	724,982	3%
Total assets	901,135	831,785	8%
Cash and cash equivalents	87,692	48,267	82%
Book value per share US\$	\$3.21	\$3.11	3%

Fleet Summary

Aircraft assets increased 3% to \$744.7 million (2016: \$725.0 million) during the period. Fleet changes included the addition of four Airbus A321 jets on lease to VietJet. Two midlife Airbus A321 jets, one VietJet Airbus A321 and six ATR 72 turboprops were sold during the period.

By value, over 89% of Avation's fleet is represented by Airbus A321 jet and ATR 72 turboprop aircraft. Sales of these asset types during the period provides support for the valuation of the fleet and demonstrates the liquidity of these assets.

In addition to aircraft on operating leases, Finance lease receivables totalled \$45.4 million (2016: \$36.7 million).

Avation has one Airbus A320 aircraft on lease to Air Berlin, which announced insolvency on 15 August 2017 and therefore subsequently defaulted under its lease. Avation holds security deposits and substantial maintenance reserves as security for Air Berlin's lease obligations. Avation is liaising with Air Berlin and various third parties that have expressed interest in acquiring parts of the Air Berlin business and/or leasing this aircraft. The Airbus A320 aircraft is one of the most popular commercial aircraft and Avation expects the prompt transition of this aircraft to another airline.

Debt summary

	30 June 2017 US\$000's	30 June 2016 US\$000's
Loans and borrowings	648,813	615,724
Cash & cash equivalents	87,692	48,267
Net indebtedness	561,121	567,457
Total loan to value ratio (LTV)	72.0%	74.0%
Weighted average cost of secured debt	4.5%	4.3%

The weighted average cost of secured debt facilities increased to 4.5% as at 30 June 2017 (2016: 4.3%) principally due to junior secured debt issued to fund the acquisition of aircraft leased to VietJet.

At the end of the financial period, Avation's overall loan to value ratio was 72.0% (2016: 74.0%) and 95.1% of total debt was at fixed or hedged interest rates (2016: 91.6%). At the end of the financial period, there was no related party debt other than pursuant to participation in senior unsecured notes issued under the Company's Global Medium Term Note Programme.

Upgrade to Credit Rating

In December 2016, Standard & Poor's Global Ratings advised that Avation's corporate credit rating has been upgraded to 'B+', Outlook Stable from 'B'; the Senior Unsecured Notes rating was raised to 'B' from 'B-'.

Fitch Ratings corporate credit rating for Avation is 'B+', Outlook Stable; the Senior Unsecured Notes rating is 'B+'.

During the period Japan Credit Rating Agency, Ltd assigned a Foreign Currency Long-term Issuer Rating for Avation of 'BB', Outlook Stable.

Dividend Payment

The Company paid a 6.00 US cents per share (2016: US 3.25 cents per share) dividend for the year ended 30 June 2017 on 10 August 2017.

Shareholders should note that dividends are paid by default in US Dollars. Shareholders who prefer to receive dividends in British Pounds (GBP) can elect to receive GBP by completing and returning a form to the Company's share registrar. Further details and a download of the form can be found at www.avation.net/dividends.html

Appointment to Board of Directors

Avation announced the appointment of Mr. Derek Sharples as independent non-executive Director to the Board in November 2016. Mr. Sharples has recently retired from the position of Chief Executive Officer of Airbus Helicopters Southeast Asia and was formerly Corporate Secretary and Head of the Legal Services at Airbus in Toulouse. Mr. Sharples is a resident of Singapore.

Market Positioning and Risk

Avation focuses on commercial passenger aircraft on long term leases. Avation's strategy focuses on new and relatively new aircraft. The Company's business model has a history of delivering consistent profitability while seeking to mitigate some of the risks associated with the aircraft leasing sector.

Avation aims to operate a fleet of aircraft with a low average age and long average remaining lease term to a diversified group of airlines. Avation will typically sell mid-life and older aircraft to 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.

The Company believes that it can attract airline customers, acquire leased aircraft and obtain the required funding for growth. Funding is traditionally sourced from capital markets, asset backed bank lending, the proceeds from disposal of aircraft and operating cashflow. As with all capital-intensive businesses access to acceptably priced funding is a risk. The aircraft leasing industry is subject to specific risks which include, but are not limited to, the creditworthiness of client airlines, over-production of new aircraft and market saturation, technology change in

engines and aircraft, residual value risks, competition from other lessors and the risk of impairment of aircraft values.

Outlook and Interim Management Statement

Avation continues to grow its fleet and lease revenue year on year. Avation has demonstrated the liquidity of key aircraft types at a premium to book value and reduced the concentration of assets with individual airlines. New aircraft have been acquired since the commencement of the 2017 financial year while older aircraft have been sold or converted to finance leases. This has resulted in improved fleet age and average remaining lease term metrics.

Avation is an active trader of aircraft and from time to time will also consider the sale of individual or smaller portfolios of aircraft based on prevailing market opportunities and considerations of risk and airline concentrations.

Avation's strategy continues to target growth and diversification of aircraft assets, maintenance of strong average lease age and term metrics and adding new airline customers. Avation will consider acquiring twin aisle aircraft, in addition to single aisle jets and turboprops as part of a strategy to build a diversified portfolio of aircraft. This expanded portfolio allows for the potential to accelerate fleet growth in the future. Twin aisle aircraft may have a risk profile which is more exposed to technology change factors. The Company will seek to mitigate this risk.

Following the completion of the sale of six ATR 72 aircraft during the financial period, Avation has cash reserves and improved leverage to support the acquisition of additional aircraft, including the three ATR 72 aircraft to be delivered to Mandarin Airlines in the latter part of 2017.

Avation's Board of Directors is pleased to deliver another record set of financial results from its aircraft leasing business while executing its strategy of fleet growth and risk mitigation. Avation is in a strong position to deliver diversification during the current financial year and to rebuild its fleet after the disposal of six ATR 72 aircraft.

Results Conference Call

Avation's senior management team will host a conference call on 7 September 2017, at 1pm BST (UK) / 8am EST (US) / 8pm SGT (Singapore), to discuss the Company's financial results. Participants should dial: United Kingdom 020 3059 8125; United States +1 724 928 9460; 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/2017finalresults>

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.

Annual General Meeting

The Annual General Meeting of the Company is expected to be held at the Company's headquarters in Singapore on 13 November 2017 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," "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.

Accounting policies

Financial information contained in this preliminary unaudited results announcement has been prepared using accounting policies that are consistent with the Company's Annual Report for the year ended 30 June 2016.

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

Enquiries:

Avation PLC
Jeff Chatfield, Executive Chairman

T: +65 6252 2077

AVATION PLC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	2017 US\$'000s	2016 US\$'000s
Continuing operations		
Revenue	94,173	71,190
Other income	1,086	3,045
	<u>95,259</u>	<u>74,235</u>
Depreciation	(32,300)	(23,201)
Gain on disposal of aircraft	5,357	3,660
Impairment loss on aircraft	-	(902)
Administrative expenses	(8,046)	(7,550)
Other expenses	(71)	(669)
Operating profit	<u>60,199</u>	<u>45,573</u>
Finance income	1,790	1,202
Finance expenses	(40,626)	(28,706)
Profit before taxation	<u>21,363</u>	<u>18,069</u>
Taxation	(106)	202
Profit from continuing operations	21,257	18,271
Discontinued operations		
Profit from discontinued operations	-	9
Total profit	21,257	18,280
Other comprehensive income:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences arising on consolidation	-	(6)
Fair value gain/(loss) on derivative financial instruments	2,804	(2,158)
	<u>2,804</u>	<u>(2,164)</u>
<i>Items that may not be reclassified subsequently to profit or loss:</i>		
Revaluation (loss)/gain on property, plant and equipment, net of tax	(5,568)	30,987
Other comprehensive income, net of tax	<u>(2,764)</u>	<u>28,823</u>
Total comprehensive income for the year	18,493	47,103
Profit attributable to:		
Equity holders of the Company	21,262	18,279
Non-controlling interests	(5)	1
	<u>21,257</u>	<u>18,280</u>
Total comprehensive income attributable to:		
Equity holders of the Company	18,509	47,098
Non-controlling interests	(16)	5
	<u>18,493</u>	<u>47,103</u>

AVATION PLC

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

	2017 US\$'000s	2016 US\$'000s
Earnings per share for profit from continuing and discontinued operations attributable to equity holders of the Company		
<i>Basic earnings per share:</i>		
From continuing operations	36.27 cents	34.33 cents
From total operations	<u>36.27 cents</u>	<u>34.35 cents</u>
<i>Diluted earnings per share:</i>		
From continuing operations	35.68 cents	34.13 cents
From total operations	<u>35.68 cents</u>	<u>34.15 cents</u>

AVATION PLC**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

	2017 US\$'000s	2016 US\$'000s
ASSETS:		
Current assets:		
Cash and cash equivalents	87,692	48,267
Trade and other receivables	6,109	5,631
Finance lease receivables	36,641	3,032
Options held for trading	3,640	3,040
Total current assets	134,082	59,970
Non-current assets:		
Trade and other receivables	9,320	11,304
Finance lease receivables	8,728	33,627
Property, plant and equipment	744,731	724,982
Goodwill	1,902	1,902
Derivative financial instruments	2,372	-
Total non-current assets	767,053	771,815
Total assets	901,135	831,785
LIABILITIES AND EQUITY:		
Current liabilities:		
Trade and other payables	14,920	10,065
Provision for taxation	3,515	1,029
Loans and borrowings	94,122	72,423
Maintenance reserves	451	7,440
Total current liabilities	113,008	90,957
Non-current liabilities:		
Trade and other payables	11,480	13,471
Loans and borrowings	554,691	543,301
<i>Derivative</i> financial instruments	1,901	2,387
Deferred tax liabilities	3,318	4,738
Maintenance reserves	20,813	3,323
Total non-current liabilities	592,203	567,220
Equity attributable to shareholders:		
Share capital	1,058	993
Treasury shares	-	(1)
Share premium	48,365	38,925
Merger reserve	6,715	6,715
Asset revaluation reserve	24,492	41,142
Capital reserve	8,876	8,876
Other reserves	801	(1,814)
Retained earnings	105,556	78,679
	195,863	173,515
Non-controlling interest	61	93
Total equity	195,924	173,608
Total liabilities and equity	901,135	831,785

AVATION PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Attributable to shareholders of the parent								Non-controlling interest	Total equity
	Share capital	Treasury shares	Share premium	Merger reserve	Asset revaluation reserve	Capital reserve	Other reserves	Retained earnings		
	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s
Balance at 1 July 2016	993	(1)	38,925	6,715	41,142	8,876	(1,814)	78,679	173,515	173,608
Profit for the year	-	-	-	-	-	-	-	21,262	21,262	21,257
Other comprehensive income	-	-	-	-	(5,557)	-	2,804	-	(2,753)	(2,764)
Total comprehensive income	-	-	-	-	(5,557)	-	2,804	21,262	18,509	18,493
Dividend paid during the year	-	-	-	-	-	-	-	(1,820)	(1,820)	(1,820)
Dividend payable	-	-	-	-	-	-	-	(3,664)	(3,664)	(3,664)
Re-issue of treasury shares	-	1	-	-	-	-	-	-	1	1
Issue of new shares	65	-	9,725	-	-	-	(403)	-	9,387	9,387
Share issue expenses	-	-	(285)	-	-	-	-	-	(285)	(285)
Transfer of asset revaluation surplus upon sale of aircraft	-	-	-	-	(11,093)	-	-	11,093	-	-
Dividend paid to non-controlling interest of a subsidiary	-	-	-	-	-	-	-	-	(16)	(16)
Warrant expired	-	-	-	-	-	-	(6)	6	-	-
Warrants expense	-	-	-	-	-	-	220	-	220	220
Total transactions with owners recognised directly in equity	65	1	9,440	-	(11,093)	-	(189)	5,615	3,839	3,823
Balance at 30 June 2017	1,058	-	48,365	6,715	24,492	8,876	801	105,556	195,863	195,924

AVATION PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Attributable to shareholders of the parent								Non-controlling interest	Total equity
	Share capital	Treasury shares	Share premium	Merger reserve	Asset revaluation reserve	Capital reserve	Other reserves	Retained earnings		
	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s
Balance at 1 July 2015	991	(682)	38,692	6,715	10,159	8,459	50	62,363	126,747	128,204
Profit for the year	-	-	-	-	-	-	-	18,279	18,279	18,280
Other comprehensive income	-	-	-	-	30,983	-	(2,164)	-	28,819	28,823
Total comprehensive income	-	-	-	-	30,983	-	(2,164)	18,279	47,098	47,103
Dividend paid	-	-	-	-	-	-	-	(1,656)	(1,656)	(1,656)
Purchase of treasury shares	-	(7,936)	-	-	-	-	-	-	(7,936)	(7,936)
Re-issue of treasury shares	-	8,617	-	-	-	-	-	(307)	8,310	8,310
Treasury shares of a subsidiary	-	-	-	-	-	882	-	-	882	884
Issue of new shares	2	-	233	-	-	-	(39)	-	196	196
Warrants expense	-	-	-	-	-	-	339	-	339	339
Change in ownership interest in a subsidiary	-	-	-	-	-	(465)	-	-	(465)	(1,836)
Total transactions with owners recognised directly in equity	2	681	233	-	-	417	300	(1,963)	(330)	(1,699)
Balance at 30 June 2016	993	(1)	38,925	6,715	41,142	8,876	(1,814)	78,679	173,515	173,608

AVATION PLC

CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	2017 US\$'000s	2016 US\$'000s
Cash flows from operating activities:		
Profit before taxation from continuing operations	21,363	18,069
Profit before taxation from discontinued operations	-	9
Profit before income tax	21,363	18,078
Adjustments for:		
Depreciation expense	32,300	23,201
Warrants expense	220	339
Impairment loss on aircraft	-	902
Impairment loss on trade receivables	41	7
Impairment loss on goodwill	-	482
Amortisation of loan insurance premium	1,078	1,078
Amortisation of interest expense on non-current deposits	924	376
Non-trade receivables written off	30	-
Gain on disposal of aircraft	(5,357)	(3,660)
Gain on disposal of assets held for sale	-	(25)
Fair value gain on options held for trading	(600)	(2,940)
Fair value gain on derivatives	(54)	-
Finance income from discounting non-current deposits to fair value	(929)	(393)
Interest income	(861)	(809)
Interest expense	37,396	26,811
Operating cash flows before working capital changes	85,551	63,447
Movement in working capital:		
Trade and other receivables and finance lease receivables	5,034	3,798
Trade and other payables	(1,269)	1,226
Maintenance reserves	10,501	9,938
Cash from operations	99,817	78,409
Interest received	846	809
Interest paid	(36,922)	(26,034)
Income tax paid	(721)	(637)
Net cash from operating activities	63,020	52,547
Cash flows from investing activities:		
Purchase of property, plant and equipment	(275,665)	(323,222)
Purchase of options held for trading	-	(100)
Proceeds from disposal of aircraft	211,714	24,755
Proceeds from disposal of assets held for sale	-	55
Purchase of additional shares in a subsidiary from non-controlling interest	-	(22)
Repurchase of a subsidiary's treasury shares	-	(884)
Net cash used in investing activities	(63,951)	(299,418)
Cash flows from financing activities:		
Net proceeds from issuance of ordinary shares	9,102	196
Dividends paid to shareholders	(1,820)	(1,656)
Repurchase of treasury shares	-	(7,936)
Proceeds from sale of treasury shares	1	8,310
Dividend paid to non-controlling interest of a subsidiary	(16)	(46)
Proceeds from loans and borrowings, net of transactions costs	236,243	233,869
Repayment of loans and borrowings	(203,154)	(46,240)
Net cash from financing activities	40,356	186,497
Effects of exchange rates on cash and cash equivalents	-	(6)
Net increase/(decrease) in cash and cash equivalents	39,425	(60,380)
Cash and cash equivalents at beginning of financial year	48,267	108,647
Cash and cash equivalents at end of financial year	87,692	48,267