

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

**PRELIMINARY UNAUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2018
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 2018.

Key Financial Metrics

- Fleet assets increased by 38% to \$1.030 billion since 30 June 2017;
- Revenue increased by 16% to \$109.1 million;
- Total profit after tax decreased by 5.9% to \$20.0 million;
- Earnings per share (“EPS”) decreased by 11% to 32.20 US cents;
- Dividend per share of 7.25 US cents, an increase of 21% year on year; and
- Net asset value per share increased 12% year on year to \$3.64 per share.

Operational Highlights

- Redeployment of the proceeds from sales of aircraft in 2017 supported the acquisition of \$323 million in aircraft;
- Five aircraft added to the fleet, including three new aircraft types;
- An Airbus A320 aircraft was transitioned from Air Berlin to easyJet;
- Six new customers added taking total airline customers to thirteen at 30 June 2018;
- Credit enhancement with upgrades in credit ratings by Standard & Poor’s (“S&P”) and Fitch Ratings; and
- Extension of debt maturity duration with an issue of \$300 million 6.5% Senior Notes due 2021 under the Company’s Global Medium Term Note programme.

Executive Chairman, Jeff Chatfield, said:

“The performance of Avation showed growth consistent with an increase in fleet assets and record high monthly lease rental collections as at 30 June 2018. The leasing business delivered the highest revenue and profit in the history of the Company when excluding one-off gains from trading. The Directors are pleased to declare an increased interim dividend of 7.25 US cents per share. Net asset value per share increased to \$3.64.

“Avation was successful at redeploying the proceeds generated by sales of aircraft in the previous financial year, adding new aircraft and customers to further grow the fleet and diversify the revenue base. This included investments in twin-aisle Boeing 777-300ER and Airbus A330-300 aircraft alongside new technology narrow-body Airbus A220-300 aircraft.

“Fleet metrics improved with the average age of the fleet reduced to 3.2 years and the average remaining lease term increased to 7.7 years as at 30 June 2018 with no operating leases expiring until 2021.

“Added scale and diversification delivered credit enhancement that saw credit rating upgrades from both S&P and Fitch Ratings and also allowed the issuance of \$300 million 6.5% Senior Notes due 2021, which extended debt maturity duration and lowered Avation’s average cost of debt compared to the previous financial year.

“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 the scheduled deliveries of new ATR 72 turboprop aircraft from our order book.”

Financial Highlights

	30 June 2018 US\$ 000's	30 June 2017 US\$ 000's	Change
Revenue	109,053	94,173	16%
Operating profit (EBIT)	58,613	60,199	(3%)
Operating profit margin	53.8%	63.9%	
Administrative expense	10,202	8,046	27%
Administrative expense/lease revenue	9.4%	8.5%	
Pre-tax profit	18,915	21,363	(11%)
Total profit after tax	20,000	21,257	(6%)
EPS	32.20 cents	36.27 cents	(11%)
Dividend per share	7.25 cents	6.00 cents	21%
Operating cash flows	102,696	63,020	63%
Fleet assets (1)	1,029,921	744,731	38%
Total assets	1,152,205	895,927	29%
Cash and bank balances	91,102	87,692	4%
Net asset value per share (US\$) (2)	\$3.64	\$3.21	13%
Net asset value per share (GBP) (3)	£2.76	£2.47	12%

1. Fleet assets is property, plant and equipment plus assets held for sale
2. Net asset value per share is total equity divided by the total number of shares in issue at period end.
3. Based on GBP:USD exchange rate as at 30 June 2018 of 1.321 (30 June 2017 : 1.300).

Aircraft Fleet

Aircraft Type	30 June 2018
Boeing 777-300ER	1
Airbus A330-300	1
Airbus A321-200	8
Airbus A320-200	3
Airbus A220-300	1
ATR 72-600	13
ATR 72-500	6
Fokker 100	5
Total	38

As at 30 June 2018 Avation's fleet comprised 38 aircraft. Fleet metrics have continued to improve, the weighted average age of the fleet (excluding aircraft on finance lease) is 3.2 years (2017: 3.3 years) and the weighted average remaining lease term is 7.7 years (2017: 7.5 years). As at 30 June 2018, all aircraft owned by the Company were fully utilised. Avation has three ATR 72 turboprop aircraft on order for delivery during calendar year 2018 and three aircraft in calendar year 2019.

Avation has signed leases for two ATR 72 turboprop aircraft for delivery to Danish Air Transport in September and October 2018. In June 2018, Avation advised that it had been selected to supply one ATR 72 turboprop aircraft to Far Eastern Air Transport subject to the completion of definitive documentation. Avation advises that the parties were not able to finalise the lease documentation and that the aircraft remains in the order book.

Fleet Summary

Fleet assets increased 38% to \$1.030 billion (2017: \$744.7 million) during the period. Fleet changes included the additions of an Airbus A330-300 on lease to EVA Air, a Boeing 777-300ER on lease to Philippine Airlines, two ATR 72-600 turboprop aircraft on lease to Mandarin Airlines and an Airbus A220-300 on lease to airBaltic. No aircraft were sold during the period.

By net book value, 46% of Avation's fleet are narrow-body jet aircraft, 31% are ATR 72 turboprop aircraft and 23% are twin-aisle aircraft.

In addition to aircraft on operating leases, finance lease receivables totalled \$8.7 million (2017: \$45.4 million).

In December 2017 Avation transitioned an Airbus A320 aircraft to easyJet which had previously been operated by Air Berlin. Air Berlin announced insolvency in August 2017 and subsequently defaulted on the lease. Avation recovered \$10.5 million from Air Berlin in security deposits and maintenance reserves while recording an impairment of \$7.1 million to reflect the maintenance adjusted value of the aircraft following its repossession from Air Berlin.

One narrow-body aircraft with a book value of \$48.7 million is classified as an asset held for sale as at 30 June 2018.

Debt summary

	30 June 2018 US\$000's	30 June 2017 US\$000's
Loans and borrowings	868,600	643,605
Unrestricted cash and bank balances	57,950	56,849
Net indebtedness	810,650	586,756
Total loan to value ratio (1)	70.4%	65.5%
Weighted average cost of secured debt (2)	4.3%	4.5%
Weighted average cost of total debt (3)	5.0%	5.1%

1. Total loan to value ratio is net indebtedness divided by total assets.
2. Weighted average cost of secured debt is the weighted average interest rate for secured loans and borrowings as at the period end.
3. Weighted average cost of total debt is the weighted average interest rate for total loans and borrowings as at the period end.

The weighted average cost of secured debt facilities decreased to 4.3% as at 30 June 2018 (2017: 4.5%) principally due to retirements 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 in May 2018.

The weighted average cost of total debt was 5.0% at 30 June 2018 (2017: 5.1%)

At the end of the financial period, Avation's overall loan to value ratio was 70.4% (2017: 65.5%) and 94.8% of total debt was at fixed or hedged interest rates (2017: 95.1%). The proportion of unsecured debt to total debt was 34% (2017: 18%).

Upgrades to Credit Rating

In May 2018 both Standard & Poor's Global Ratings and Fitch Ratings advised that Avation's corporate credit ratings had been upgraded. The Company's current credit ratings are as follows:

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

Declaration of Interim Dividend

In order to recognise shareholder ownership as it continues the development of the business, the Board has declared an interim dividend of 7.25 US cents per share in respect of the financial year ended 30 June 2018 (2017: 6.00 US cents), which represents an increase of 21%.

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

Ex-dividend date: 4 October 2018

Record date: 5 October 2018

Payment date: 18 October 2018

Amount: 7.25 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 and Risk

Avation's strategy is to target growth and diversification by adding new airline customers, while maintaining strong average aircraft age and lease term metrics. Avation focuses on new and relatively new commercial passenger aircraft on long-term leases. Avation is able to supply regional, narrow-body and twin-aisle aircraft to the airline industry.

The Company's business model involves rigorous investment criteria and has a history of delivering 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 market opportunities and considerations of risk and revenue concentrations.

Outlook and Interim Management Statement

For the 2019 financial year the Company is focused on growth in the fleet and the addition of new airline customers.

Management believes that the risks associated with its portfolio of aircraft have been reduced during the 2018 financial year through repositioning of the fleet, growth and diversification. Avation has demonstrated that it has the capability to acquire, finance and deliver multiple

aircraft transactions demonstrating the strength of its leasing platform which will support continued future 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 disposals 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 customer airlines, 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.

In addition to offering fixed rate US Dollar denominated leases, which form the majority of Avation's lease portfolio, the company is also able to offer floating rate and Euro or other currency denominated leases. The ability to offer a variety of financial leasing products provides Avation with an opportunity to attract new customers and to generate value from its aircraft fleet.

Following the issue of \$300 million 6.5% Senior Notes due 2021 under the Company's Global Medium Term Note programme during the financial period, Avation has repaid some senior and junior debt to unencumber or refinance existing aircraft. This has created balance sheet flexibility which will support the acquisition of additional aircraft, including the two ATR 72 aircraft to be delivered to Danish Air Transport later this year.

Avation's Board of Directors is pleased to deliver solid financial results from its aircraft leasing business while redeploying capital into new fleet additions and improving revenue diversification.

Results Conference Call

Avation's senior management team will host a conference call on 6 September 2018, at 1pm BST (UK) / 8am EST (US) / 8pm SGT (Singapore), to discuss the Company's financial results. Participants should dial: United Kingdom 020 3059 5868; United States +1 855 881 1337; Singapore +65 3157 6417; other locations +44 20 3059 5868 and quote "Avation 2018 Results" when prompted. The conference call will also be webcast live through the following link:

<http://avation.emincote.com/results/2018finalresults>

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 15 November 2018 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.

Basis of presentation

This announcement covers the results of Avation PLC for the year ended 30 June 2018.

Financial information presented in this announcement is being published for the purposes of providing preliminary Group financial results for the year ended 30 June 2018. 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 2018 are expected to be delivered to the Registrar of Companies within 28 days of 30 September 2018 (as at the date of this report, such statutory financial statements have not been reported on by independent predecessor auditors of the Company). The Board of Directors approved this financial information on 05 September 2018. 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 2017, upon which the auditors have given an unqualified audit report, were published on 25 September 2017 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.

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

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AVATION PLC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	2018 US\$'000s	2017 US\$'000s
Continuing operations		
Revenue	109,053	94,173
Other income	2,777	1,086
	<u>111,830</u>	<u>95,259</u>
Depreciation	(34,284)	(32,300)
Gain on disposal of aircraft	-	5,357
Impairment loss on aircraft	(7,080)	-
Administrative expenses	(10,202)	(8,046)
Other expenses	(1,651)	(71)
Operating profit	<u>58,613</u>	<u>60,199</u>
Finance income	5,117	1,790
Finance expenses	(44,815)	(40,626)
Profit before taxation	<u>18,915</u>	<u>21,363</u>
Taxation	1,085	(106)
Profit from continuing operations	<u>20,000</u>	<u>21,257</u>
Other comprehensive income:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences arising on consolidation	27	-
Fair value gain on derivative financial instruments	5,239	2,804
	<u>5,266</u>	<u>2,804</u>
<i>Items that may not be reclassified subsequently to profit or loss:</i>		
Revaluation gain/impairment on property, plant and equipment, net of tax	3,355	(5,568)
Other comprehensive income, net of tax	<u>8,621</u>	<u>(2,764)</u>
Total comprehensive income for the year	<u>28,621</u>	<u>18,493</u>
Profit attributable to:		
Equity holders of the Company	19,992	21,262
Non-controlling interests	8	(5)
	<u>20,000</u>	<u>21,257</u>
Total comprehensive income attributable to:		
Equity holders of the Company	28,613	18,509
Non-controlling interests	8	(16)
	<u>28,621</u>	<u>18,493</u>
Earnings per share for profit attributable to equity holders of the Company		
<i>Basic earnings per share:</i>	32.20 cents	36.27 cents
<i>Diluted earnings per share</i>	<u>31.84 cents</u>	<u>35.68 cents</u>

AVATION PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	2018 US\$'000s	2017 US\$'000s
ASSETS		
Non-current assets		
Property, plant and equipment	981,176	744,731
Trade and other receivables	6,790	5,190
Finance lease receivables	5,529	8,728
Goodwill	1,902	1,902
Derivative financial instruments	7,848	2,372
	<u>1,003,245</u>	<u>762,923</u>
Current assets		
Trade and other receivables	3,914	5,031
Finance lease receivables	3,199	36,641
Options held for trading	2,000	3,640
Cash and bank balances	91,102	87,692
	<u>100,215</u>	<u>133,004</u>
Assets held for sale	48,745	-
	<u>148,960</u>	<u>133,004</u>
Total assets	<u>1,152,205</u>	<u>895,927</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	1,080	1,058
Share premium	53,083	48,365
Treasury shares	-	-
Merger reserve	6,715	6,715
Asset revaluation reserve	27,847	24,492
Capital reserve	8,876	8,876
Other reserves	6,389	801
Retained earnings	124,119	105,556
Equity attributable to equity holders of the parent	<u>228,109</u>	<u>195,863</u>
Non-controlling interests	69	61
Total equity	<u>228,178</u>	<u>195,924</u>
Non-current liabilities		
Loans and borrowings	796,896	550,561
Trade and other payables	12,397	11,480
<i>Derivative</i> financial instruments	-	1,901
Maintenance reserves	22,504	20,813
Deferred tax liabilities	2,988	3,318
	<u>834,785</u>	<u>588,073</u>
Current liabilities		
Loans and borrowings	71,704	93,044
Trade and other payables	13,390	14,920
Maintenance reserves	1,040	451
Income tax payables	2,608	3,515
	<u>88,742</u>	<u>111,930</u>
Liabilities directly associated with assets held for sale	500	-
	<u>89,242</u>	<u>111,930</u>
Total equity and liabilities	<u>1,152,205</u>	<u>895,927</u>

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		
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
Total comprehensive income	-	-	-	-	3,355	-	5,266	19,992	28,613	8	28,621
Issue of new shares	22	3,564	-	-	-	-	(348)	-	3,238	-	3,238
Warrant expired	-	-	-	-	-	-	(18)	18	-	-	-
Warrants expense	-	1,154	-	-	-	-	688	(1,447)	395	-	395
Total transactions with owners recognised directly in equity	22	4,718	-	-	-	-	322	(1,429)	3,633	-	3,633
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 EQUITY CHANGES FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Attributable to shareholders of the parent										
	Share capital	Share premium	Treasury shares	Merger reserve	Asset revaluation reserve	Capital reserve	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
	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 2016	993	38,925	(1)	6,715	41,142	8,876	(1,814)	78,679	173,515	93	173,608
Profit for the year	-	-	-	-	-	-	-	21,262	21,262	(5)	21,257
Other comprehensive income	-	-	-	-	(5,557)	-	2,804	-	(2,753)	(11)	(2,764)
Total comprehensive income	-	-	-	-	(5,557)	-	2,804	21,262	18,509	(16)	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	9,440	1	-	(11,093)	-	(189)	5,615	3,839	(16)	3,823
Balance at 30 June 2017	1,058	48,365	-	6,715	24,492	8,876	801	105,556	195,863	61	195,924

AVATION PLC

CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	2018 US\$'000s	2017 US\$'000s
Cash flows from operating activities:		
Profit before income tax	18,915	21,363
Adjustments for:		
Depreciation expense	34,284	32,300
Warrants expense	394	220
Impairment loss on aircraft	7,080	-
Impairment loss on trade receivables	-	41
Amortisation of loan insurance premium	1,078	1,078
Amortisation of interest expense on non-current deposits	349	924
Non-trade receivables written off	-	30
Gain on disposal of aircraft	-	(5,357)
Gain on disposal of subsidiary	(1)	-
Fair value loss/(gain) on options held for trading	1,640	(600)
Fair value gain on derivatives	(2,138)	(54)
Finance income from discounting non-current deposits to fair value	(359)	(929)
Interest income	(1,147)	(861)
Interest expense	42,782	37,396
Operating cash flows before working capital changes	102,877	85,551
Movement in working capital:		
Trade and other receivables and finance lease receivables	36,143	5,034
Trade and other payables	2,320	(1,269)
Maintenance reserves	2,280	10,501
Cash from operations	143,620	99,817
Interest received	1,163	846
Interest paid	(41,541)	(36,922)
Income tax paid	(546)	(721)
Net cash from operating activities	102,696	63,020
Cash flows from investing activities:		
Cash inflow from disposal of subsidiary	1	-
Purchase of property, plant and equipment	(322,804)	(275,665)
Proceeds from disposal of aircraft	-	211,714
Net cash used in investing activities	(322,803)	(63,951)
Cash flows from financing activities:		
Net proceeds from issuance of ordinary shares	3,238	9,102
Dividends paid to shareholders	(3,664)	(1,820)
Proceeds from sale of treasury shares	-	1
Dividend paid to non-controlling interest of a subsidiary	-	(16)
Placement of restricted cash balances	(2,309)	(9,249)
Proceeds from loans and borrowings, net of transactions costs	600,627	236,243
Repayment of loans and borrowings	(376,711)	(203,154)
Net cash from financing activities	221,181	31,107
Effects of exchange rates on cash and cash equivalents	27	-
Net increase in cash and cash equivalents	1,101	30,176
Cash and cash equivalents at beginning of year	56,849	26,673
Cash and cash equivalents at end of year	57,950	56,849