

Important Notice

This announcement contains an overview of the matters to which it relates. It does not purport to provide an exhaustive summary of all the issues that may be relevant to the Transaction (as defined below), or that may be required by the recipient to evaluate the performance of the Company (as defined below).

This announcement has been prepared by the Company's advisers and management in the context of the Transaction. The information contained in this announcement has not been prepared in accordance with International Financial Reporting Standards or any other comprehensive body of accounting principles, and the Company's independent auditors have not audited, reviewed, compiled, examined or performed any procedures with respect to the financial information included herein.

This announcement includes "forward-looking statements", including certain estimates that the Company has provided to the Committee (as defined below) in the context of discussions concerning the Transaction, that are based on the Company's management's current expectations regarding future events or the future financial performance of the Company. In the course of preparing such forward-looking statements, certain assumptions about the future have been made that the Company's management have deemed to be reasonable and represent the Company's management own judgments and expectations. Such forward-looking statements speak only as of the date on which they are made and are based on the knowledge, information available and views taken on the date on which they are made; such knowledge, information and views may change at any time. By their very nature, forward-looking statements are not statements of historical or current facts; they relate to events that may or may not occur in the future and so cannot be objectively verified, are speculative, and involve inherent risks and uncertainties.

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For the avoidance of doubt, any forward-looking statements included in this announcement relate to the Company's business operations only; no confirmation, admission or statement should be read into or inferred from such forward-looking statements in respect of the Company's debt service capabilities or its ability to repay, refinance or revisit the terms of any of its indebtedness. No reliance should be placed on any such forward-looking statements when making decisions with respect to the Company and/or its securities.

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THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF THE MARKET ABUSE REGULATION (EU) 596/2014 AS IN FORCE IN THE UNITED KINGDOM PURSUANT TO THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 (AS AMENDED).

AVATION PLC

(“Avation” or “the Company”)

**AGREEMENT WITH BONDHOLDER GROUP
ON SENIOR NOTES MATURITY EXTENSION**

Avation PLC (LSE: AVAP), the commercial passenger aircraft leasing company, advises that it has reached an agreement with a group of bondholders on the terms of a maturity extension in relation to the Avation Capital S.A. 6.5% senior notes due May 2021 issued under Avation’s global medium term note programme (the “Notes”).

The Company has entered into a lock-up agreement with bondholders representing 76% of the Notes (the “Committee”) to vote in favour of the transaction outlined below (the “Transaction”), subject to agreement on definitive documentation. This support from the Committee is sufficient, subject to senior lender consents where applicable, to implement the Transaction through a consent solicitation exercise that the Company will be launching as soon as possible, but no later than 19 February 2021.

In the Company’s opinion, this agreement constitutes an important capital structure stabilisation measure. The Directors believe that the Transaction will assist the Company to continue successfully navigating the COVID-19 pandemic, while providing a more than 5-year maturity extension of the Notes to 31 October 2026, and will provide sufficient financial flexibility to support the continued development of the business through and post the COVID-19 pandemic.

The purpose of this announcement is to outline the Transaction and information on the credit analysis that was provided to the Committee for the purpose of facilitating discussions to negotiate and agree the terms of the Transaction.

Transaction Highlights

The key terms of the Transaction include:

- Maturity extension of the Notes from 15 May 2021 to 31 October 2026;
- Cash coupon of 6.5% with, at the Company’s option, an additional 2.5% payment in kind (“PIK”) coupon or an additional 1.75% cash coupon;
- Early bird consent fee of up to 75bps; late consent fee of 25bps
- Bondholders to receive 6,000,000 warrants to subscribe for ordinary shares exercisable to 31 October 2026 at a price of 114.5p per share (including cashless exercise option);
- The Notes are to be callable at any time during their 5.5 year remaining duration, with the call premium decreasing to par during year 5; and
- A general strengthening of the Notes’ covenants and the granting of additional guarantees and security

The Board of Avation has an opinion that following the Transaction, the Company will be in a

position to use this stable capital structure to take advantage of the recovery in the airline industry after the impacts of the COVID-19 pandemic start to recede.

Executive Chairman Jeff Chatfield said: "Avation's team has been managing airlines, bankers and financiers on a daily basis in the duration of COVID-19. We have an opinion that air travel passenger movements will exceed previous levels when a treatment or vaccine is deployed, and passengers perceive air travel to be safe. We believe that this more than 5-year bond maturity extension stabilises an important part of the capital structure. The Company retains the option to refinance the Notes at any time. We thank the Committee and the advisers for their efforts and diligent analysis."

Fleet Update

At the date of this announcement, Avation's fleet totals 46 aircraft. Customers include 19 commercial airlines in 15 countries.

Since the last fleet update provided by the Company on 14 October 2020 and as updated on 23 December 2020, there have not been any further aircraft transactions other than as described below.

Avation is currently expecting its customer Philippine Airlines ("**PAL**") to implement a downward adjustment to the lease rate of the Boeing 777-300ER aircraft on lease, which may result in an impairment in the value of this aircraft in the financial results for the year ending 30 June 2021. For illustrative purposes, a reduction of the PAL lease rate of 20-40% would have a negative impact of approximately 3-5% on total current monthly lease revenues.

Aircraft leased to three airlines (together representing approximately 10% of monthly run-rate lease revenue) were extended between March and September 2020. The average lease term extension was 3.6 years and the revised lease rates are between approximately 5-19% lower than the prior contracts.

On 20 April 2020, Virgin Australia Holdings Limited ("**Virgin Australia**") entered into voluntary administration. Avation had two Fokker 100 aircraft on finance lease and 11 ATR 72 aircraft on operating lease to Virgin Australia two of which were subleased to, and operated by, another airline. At the date of its entry into administration, Virgin Australia represented around 19% of the group's total monthly run-rate lease revenue. The two Fokker 100 aircraft were sold off the end of their leases (completed in September 2020). Of the 11 ATRs, three have been re-leased at market rates, one is subject to a non-binding letter of intent in respect to a new lease at market rates, three are being actively marketed for sale or lease, and the remaining four are being marketed for sale or lease but have not yet been through maintenance. Avation is intending to re-lease at market rates or sell all remaining ex-Virgin Australia ATRs in due course. In relation to the administration, Avation's claim against Virgin Australia has now been mitigated by the transactions noted above and is now expected to be approximately US\$56 million. The administrators have advised an expected payout of 9-13 cents on the dollar on this claim. Whilst it is the Company's current plan and expectation that it will be able to lease and/or sell aircraft, and/or recover from Virgin Australia the recovery rates as set out in this paragraph, there can be no assurance that it will be able to do so

Avation has also signed a new lease on a new delivery ATR72-600. The rate is in line with the market, and following the commencement of this lease, the aircraft will be either marketed for sale or Avation may raise secured financing on the asset.

Financial Performance Information

The Company is scheduled to release its financial results for the six months ended 31 December 2020 by the end of February 2021. However, it is providing the update below in the context of the Transaction.

As of 31 December 2021, the weighted average age of the aircraft fleet was 4.6 years, the weighted average remaining lease term was 6.5 years and the total future minimum lease payments receivable under non-cancellable leases amounted to approximately US\$722 million excluding any leases currently being renegotiated.

The Company has a diversified client base, with the largest customer representing 28% of revenue and the three largest customers (airBaltic, VietJet and Eva Air) represent 66% of total contracted revenues. The leases with each of Avation's top three customers each have more than 5 years' remaining duration.

At the outset of the COVID-19 pandemic, Avation instituted a programme of support for its airline customers, offering interest bearing loan deferrals of portions of their rent over the short-term. The cashflow impact of this support programme has been mitigated by adjusting the amortisation profiles of related financings with the agreement of lenders.

At the current date, Avation has provided support to 14 airline customers with agreements to defer a total of US\$25.9 million. The Company has mitigated this impact on cashflow with secured lenders agreeing to reschedule US\$31.0 million of loan amortisation. At today's date, 7 airline customers have returned to normal monthly rental levels (including 3 of Avation's top 5 customers).

Debtor collection has been challenging due to the severe disruption to airline cashflows and Avation has had to monitor and work closely with airlines to ensure operational cashflow is maintained. For the six months ended 31 December 2020, the Company achieved an overall cash collection rate of approximately 65% across all its leases. While the above rescheduling of loan amortisation mitigated the impact, cash collection during this period was approximately 80% of total secured debt service obligations. The effect of this on corporate cash flow was partially offset in the period by the provision of new financing on a previously-unencumbered aircraft, the aforementioned sale of the two Fokker 100 aircraft previously leased to Virgin Australia and certain cost reduction initiatives. At the current date, an aggregate of US\$18.7 million of lease collections are more than 120 days overdue.

The Company continues to manage its liquidity position carefully and continuously aims to match the tenor and cash flow profile of its financing arrangements with the tenor and cash flow profile of their respective leases. As of 31 December 2020, the Company had total cash and bank balances (including restricted cash) of US\$117.5 million, compared to US\$114.6 million as of 30 June 2020. As of 31 December 2020, the Company had a total unrestricted cash balance of US\$25.2 million, compared to US\$35.3 million as of 30 June 2020. As at the date of this announcement total cash (including restricted cash) has increased to US\$144.1 million (unaudited) which is in line with Avation's expectations. Over the coming 6 months, the Company is expecting the distribution from Virgin claims (as described above) and a release of certain restricted cash balances to offset against rent owed to Avation by one airline and is pursuing certain short-term initiatives to maintain liquidity including raising new financing against an unencumbered aircraft. The combined effect of these inflows would be approximately US\$25 million, if in line with Avation's expectations.

Avation is also actively marketing a number of aircraft for sale, including two Airbus A321 aircraft. The Company expects the sale of these two aircraft to conclude by July 2021 and assumes approximately US\$30 million of net proceeds released after senior debt repayments. Beyond the next 6 months, Avation expects to manage its liquidity as it has done historically through a combination of aircraft sales, raising new secured debt and/or raising equity. Avation may also seek deferrals, amortisation re-profiles or refinance where revenues for any aircraft are not sufficient to cover existing debt service.

As of 31 December 2020, there were US\$342.6 million of Notes and US\$731.3 million of senior secured borrowings outstanding. The weighted average cost of secured debt was 3.7%, and the weighted average cost of total debt was 4.6%. Maturities on secured borrowings range from 2021 to 2031.

At issuance, a large majority of the proceeds of the Notes were on-lent to Avation Group (S) Pte Ltd ("AGS"), a private wholly-owned intermediate holding company of the Group. The capital contribution by Avation to each of its, and AGS', aircraft owning subsidiaries were provided by

shareholder loans from one or both of Avation or AGS. The terms of Avation's existing loans and other secured lending arrangements provide for cross-collateralisation within certain pools of facilities, but not across the entire Group.

The Company's secured borrowings are subject to certain covenants that give lenders the right to demand repayment if breached. As of 31 December 2020, the Company was either in compliance with, or had waivers in place for, any covenant test on all senior bank loan covenants through to at least June 2021. Avation expects that breaches for certain covenant levels as of June 2020 will remain outstanding during the period described in the credit analysis set out below. Avation maintains a good relationship with its senior lenders and expects to receive waivers for any covenant breach, as it did when covenants were tested in relation to its financial year ending June 2020, and expects to reset the levels in due course.

Credit Analysis Provided to the Committee

The impact of COVID-19 continues to dominate the airline industry and Avation expects there will be some continuing work to do to support airlines as the challenges facing the sector will remain for an extended period even with the successful roll out of vaccines for COVID-19 commencing around the world. Avation is optimistic about the medium-term opportunity for air travel, particularly in the turboprop and narrow-body aircraft sectors. The Company will position itself for a return to growth through opportunistic purchases and delivery of its orderbook in a post-pandemic environment.

In order to frame terms for the Transaction, the Company has shared with the Committee relevant credit analysis as outlined below.

US\$ million	FY20 Actuals	Analysis Comments
Total Revenue	135.3	Expected to decrease by approx. 25% for FY21, then return to grow at a 7% CAGR over the FY21-FY25 period.
Operating Cash Flow After Secured Debt Service*	(4.2)	Expected to remain marginally negative for FY21 and FY22, then return to over US\$20 million per annum thereafter
Unrestricted Cash Balance	35.3	Expected to decrease through the remainder of FY21 and then remain fairly stable over the FY22-FY25 period, but expected to remain above US\$20 million

* It should be noted that "Operating Cash Flow After Secured Debt Service" is not an accounting metric on which the Company has previously reported, and it does not plan to report on this metric going forward.

The key assumptions underlying this analysis are as follows:

- Future revenues are predominantly from three sources:
 1. Current leases, assumed to be paid on time as contractually agreed going forward
 - These will represent approximately 56% of total revenue by FY25.
 2. Expiring leases / leases for off-lease airframes, assumed to be renewed at expected market lease rates at the time of the renewal:
 - These will represent approximately 19% of total revenue by FY25;

- All remaining ex-Virgin Australia ATRs assumed to be sold or re-leased by end of Q1 FY22 at market lease.
3. Leases from new aircraft (see “Purchase of Aircraft” below):
- These will represent approximately 25% of total revenue by FY25.
- Majority of outstanding lease arrears to be recovered and rent and deferrals paid to schedule going forward.
 - Assuming the business performs in line with this credit analysis, management may consider reinstating a dividend in due course.
 - Purchase of Aircraft:
 - o No purchase of aircraft anticipated in FY21;
 - o Delivery of existing ATR orderbook over the FY22-FY24 period;
 - o Assumed total of US\$300 million of opportunistic purchases over the FY22-FY25 period;
 - o Acquisitions will be part funded by new secured lending at historical leverage levels (c. 75-80%). Funding costs are expected to be above the current weighted average cost of the Group’s secured debt, but below the weighted average cost of the Group’s total debt;
 - o New aircraft are expected to be leased at the prevailing market rates on delivery, with most rates forecast throughout the FY22-FY25 period expected to return to typical levels; and
 - o Avation expects to raise its capital contribution to the purchase of such aircraft through a combination of opportunistic asset sales, new issuances of equity capital, and cash flows from existing assets.

Avation has the following debt maturity profile as of December 30, 2020:

Time Period	Secured Debt Payments	(US\$ million)	Notes (US \$million)
	Amortisation	Balloon	
2H21	\$34.5m	-	\$342.6m (being extended to Oct 26)
FY22	\$91.7m	\$158.5m	-
FY23	\$58.3m	-	-
FY24+	\$282.1m	\$104.9m	-

The Company expects to refinance or extend the balloon payments prior to the maturity date and has commenced discussions with financing providers who have been supportive in providing accommodation and relief thus far.

In order to raise additional cash, if needed, the Company has the option to, amongst other things, sell aircraft or raise equity. The Company has a proven track record of doing so, having sold 27 aircraft since 2011 and having issued new shares on 28 occasions since 2010. The ability to sell aircraft and raise equity are intrinsic to the Company’s business model, and the Company expects to continue to use these options in the future for both liquidity and capital expenditure purposes as required.

In the period referred to in this analysis, the Company expects to modestly de-leverage and seeks to improve its credit metrics over time.

For the duration of the period referred to in this analysis, the Company expects to either be in compliance with, or receive waivers for any technical breach on any senior bank loan covenants (as achieved for covenant testing in FY20).

As noted elsewhere in this announcement, the above analysis has been prepared by the Company

specifically for the Committee in connection with the Transaction and should not be used or relied on for any other purposes. In addition, such analysis (including data used to support such analysis) has not been reviewed or audited by the Company's independent auditors or advisors, is based on certain assumptions which are subject to change (potentially significantly) and cannot be objectively verified, are speculative, and involve inherent risks and uncertainties. Given the context in which such analysis was prepared, the Company does not intend to update, provide additional information or to correct any inaccuracies which may become apparent, and reserves the right, at any time and from time to time and without advance notice, to deviate without giving any reasons from the information, intentions or plans implied by such analysis.

Transaction Overview

As part of the Transaction, the Committee representing 76% of the bondholders have agreed to extend the maturity of the Notes. The key terms of the amended Notes are as follows:

Amount	US\$ 342.6 million
Maturity	Maturity extension of the Notes from 15 May 2021 to 31 October 2026
Coupon	- 6.5% plus at the option of the company either 2.5% payable in kind ("PIK") interest or 1.75% cash interest
Consent Fee	- Early bird fee for acceptances received electronically within the first 7 days: <ul style="list-style-type: none"> • 50bps upfront; plus • Subsequent 25bps payable upon cumulative aggregate net proceeds from asset disposals exceeding \$10 million - Late consent fee of 25bps
Warrants	American style warrants with the following key terms: <ul style="list-style-type: none"> • Quantity 6,000,000, to be granted pro rata to all bondholders • Exercise price 114.5p per share • Exercise period to 31 October 2026 • Exercisable at any time by the holder • Exercisable on a cash or cashless basis • Separate from (not stapled to) the Notes • Warrants to be tradeable/listed on a stock exchange within 12 months of issue • Each warrant gives the right to subscribe for one ordinary share in the capital of Avation PLC, following which the Company will make application for admission of such new shares to trading on the main market of the London Stock Exchange
Redemption schedule	Redemption schedule: <ul style="list-style-type: none"> • Callable at 103% until 18 months from completion; then

	<ul style="list-style-type: none"> • Callable at 106% until 31 October 2024; • Callable at 104.5% until 31 October 2025; then • Callable at par thereafter
Other Terms	General strengthening of the Notes' covenants, including the provision of additional guarantees, fixed and floating debentures and security over shares by Avation PLC and Avation Group (S) Pte. Ltd.

Next Steps

The Company is pleased to announce the Transaction today. The Company intends on commencing a consent solicitation exercise as soon as possible, but no later than 19 February 2021, to formally implement the Transaction. Bondholders will be asked to consent electronically. Receipt of electronic consent by more than 75% of the bondholders is sufficient to approve the Transaction. The Company has received lock-up agreements from 76% of the bondholders to consent electronically.

Should sufficient electronic consent not be received, bondholders will be asked to consent at a meeting of bondholders. Such meeting will be cancelled if the voting threshold is achieved electronically.

The Company would like to thank the Committee for their assistance and recommends that other bondholders vote in favour of the Transaction.

The Company is publishing a circular containing a notice of general meeting to be held on or about 5 March 2021 at which Shareholders will be asked to pass a resolution to disapply pre-emption rights in connection with the issue of the warrants to the Bondholders.

Advisor to the Company: PJT Partners

Advisor to the Committee: Perella Weinberg UK Limited

-ENDS-

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Avation welcomes shareholder questions and comments and advises the email address is: investor@avation.net

Notes to Editors:

Avation PLC is an aircraft leasing company, headquartered in Singapore, owning and managing a fleet of commercial passenger aircraft which it leases to airlines around the world.

More information on Avation is available at www.avation.net.