

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

PRELIMINARY FINANCIAL RESULTS AND INTERIM MANAGEMENT STATEMENT
FOR THE YEAR ENDED 30 JUNE 2016

Avation PLC (LSE: AVAP), the commercial passenger aircraft leasing company, today announces its preliminary unaudited financial results for the year ending 30 June 2016 (the “Financial Year”), dividend details and AGM schedule.

Overview

- In Avation’s tenth year as a public company, it has reported record revenue and profit
- Lease revenue increased by 25.0% to \$71.2 million (2015: \$56.9 million)
- Operating profit grew 35.6% to \$45.6 million (2015: \$33.6 million)
- Total profit after tax increased 37.6% to \$18.3 million (2015: \$13.3 million)
- Operating cash flows increased 20.9% to \$52.5 million (2015: \$43.5 million)
- Earnings per share (“EPS”) increased 42.5% to 34.2 cents (2015: 24.0 cents)
- Interim dividend per share to increase by 8.3% to 3.25 US cents (2015: 3.00 US cents)

Executive Chairman, Jeff Chatfield, said:

“We are pleased to report that, for the Financial Year, Avation produced record revenue, profit and earnings. Lease revenue increased by 25.0% to \$71.2 million and EPS increased by 42.5% to 34.2 cents.

“During the Financial Year, the value of Avation’s aircraft assets increased by 67.0% to \$725 million. Avation has added nine aircraft to its fleet on a net basis. As each aircraft was acquired or delivered, monthly lease revenue increased. Revenue growth accelerated during the second half, a period in which six new aircraft were delivered.

“Fleet metrics improved with the weighted average age of the aircraft fleet decreasing from 5.3 to 4.2 years and the weighted average remaining lease term increasing to 6.8 years. Avation’s strategy includes the acquisition of new aircraft and to maintain a low average age of the fleet. The fleet’s lease yield for the Financial Year was 12.3%.

“Increased scale and containment of costs resulted in improved profitability, with operating profit margin increasing to 64.0% and total profit after tax margin increasing to 25.7%. Avation is well positioned for continued growth.”

Aircraft Fleet

Aircraft Type	30 June 2015	30 June 2016
ATR 72-600	13	18
ATR 72-500	6	6
Airbus A321-200	3	6
Airbus A320-200	2	3
Fokker 100	5	5
Total	29	38

On 30 June 2016 Avation owned 38 aircraft including two on finance lease. The weighted average age of the fleet was 4.2 years (2015: 5.3 years) and the weighted average remaining lease term was 6.8 years (2015: 6.5 years). As at 30 June 2016, all aircraft owned by the Company were fully utilised. In the period from 30 June 2016 to the date of this announcement, two new A321 jets have been added to the fleet and one mid-life A321 jet has been sold.

Market Positioning

Avation focuses on narrowbody commercial jet and turboprop aircraft on long term leases. Avation's strategy is characterised by the pursuit of investment criteria focusing 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.

In comparison to larger widebody aircraft, narrowbody aircraft are operated by most of the world's airlines and comprise the majority of the global operational fleet. These aircraft are relatively portable when transitioning between airlines due to their more generic layout, as well as a large and geographically widespread operator base. The mature secondary market for narrowbody aircraft provides transparency in aircraft residual values and liquidity for these assets.

Passenger growth is the key driver of the airline industry. Avation focuses on the Asia/Pacific and European airline markets which are both regions experiencing passenger growth. Avation seeks to diversify its airline customer base so as to reduce concentration risk.

Avation aims to manage its overall exposure to speculative orders for aircraft with no lease attached. Avation has orders for nine new turboprops with the last of these to be delivered in 2019. Avation has no exposure to speculative orders for jet aircraft. Growth in Avation's jet fleet has been generated through sale and leaseback transactions and the acquisition of second-hand aircraft with leases attached.

Avation seeks to maintain a fleet of aircraft assets with a low average age and long average remaining lease term. Avation will typically seek to sell mid-life and older aircraft to redeploy capital to new assets and retain a low average fleet age. This positioning is intended to mitigate technology change risk, operational and financial risk, support sustained growth and deliver long-term shareholder value.

Financial Highlights

	30 June 2016 US\$ 000's	30 June 2015 US\$ 000's	Change
Lease revenue	71,190	56,932	25.0%
Operating profit	45,573	33,608	35.6%
Operating profit margin	64.0 %	59.0%	
Administrative expense	7,550	7,199	4.9%
Administrative expense/lease revenue	10.6%	12.6%	
Pre tax profit	18,069	15,520	16.4%
Total profit after tax	18,280	13,285	37.6%
Total profit after tax margin	25.7%	23.3%	
EPS	34.2 cents	24.0 cents	42.5%
Operating cash flows	52,547	43,451	20.9%
EBITDA	69,976	52,190	34.0%
Fleet assets	724,982	434,079	67.0%
Total assets	831,785	586,182	41.9%
Cash and cash equivalents	48,267	108,647	(55.6%)

Review of Financial Results

Lease revenue increased by 25.0% to \$71.2 million (2015: \$56.9 million) as a result of the increase in the size of the aircraft fleet. Operating profit increased 35.6% to \$45.6 million (2015: \$33.6 million).

Depreciation increased as a consequence of overall fleet growth by 30.5% to \$23.2 million (2015: \$17.8 million). Gains on sales of aircraft during the period were \$3.7 million (2015: loss of \$0.7 million). One aircraft in the fleet was impaired during the Financial Year with an impairment of \$0.9 million.

Administrative expenses increased 4.9% to \$7.5 million (2015: \$7.2 million). As a percentage of lease revenue administrative expenses decreased to 10.6% (2015: 12.6%). Other expenses were \$0.7 million (2015: \$0.8 million).

With the addition of aircraft assets, finance expenses increased by 52.0% to \$28.7 million (2015: \$18.9 million). Total interest expense within finance expenses increased to \$26.8 million (2015: \$17.3 million). The increase in total interest expense was primarily attributable to interest on the unsecured notes issued under the Company's Global Medium Term Note Programme ("GMTN"), which was \$8.3 million (2015: \$0.8 million). Finance income was \$1.2 million (2015: \$0.8 million).

The majority of the Group's operations are based in Singapore and are included in Singapore's Aircraft Leasing Scheme, benefitting from a concessionary tax rate. Taxation for the year was a credit of \$0.2 million primarily due to the reversal of an over-provision for deferred taxation (2015: \$1.0 million expense).

Operating cash flows increased by 20.9% to \$52.5 million (2015: \$43.5 million). EBITDA defined as the sum of pre-tax profit from continuing operations, finance expenses and depreciation increased by 34.0% to \$70.0 million (2015: \$52.2 million).

Total profit after tax for the Financial Year increased 37.6% to \$18.3 million (2015: \$13.3 million).

Earnings per share increased by 42.5% to 34.2 cents (2015: 24.0 cents).

The Company confirms that there have been no changes to its accounting policies.

Fleet Asset Summary

Fleet assets increased 67.0% to \$725.0 million (2015: \$434.1 million). Fleet assets totalling \$35.6 million were transferred to receivables as a result of two aircraft in the fleet being sold under finance leases. In accordance with the Company's accounting policy requiring periodic revaluation, the fleet has been revalued as at 30 June 2016. The revaluation has resulted in a net uplift to the fleet value of \$29.4 million which includes the impairment of \$0.9 million referred to above. Apart from the impairment, this revaluation has no impact on total profit after tax or earnings per share.

Debt summary

	30 June 2016 US\$000's	30 June 2015 US\$000's
Loans and borrowings	615,724	428,095
Cash & cash equivalents	48,267	108,647
Net indebtedness	567,457	319,448
Total loan to value ratio (LTV)	74.0%	73.0%
Weighted average cost of secured debt	4.3%	4.4%
Weighted average cost of total debt	4.8%	5.1%

Loans and borrowings and net indebtedness increased due to additional secured debt issued to fund fleet acquisitions.

The weighted average cost of total debt continued to decline to 4.8% as at 30 June 2016 (2015: 5.1%). The weighted average cost of the group's secured debt facilities was lower at 4.3% as at 30 June 2016 (2015: 4.4%).

The issue of the notes under the GMTN in 2015 provided funding to support growth during 2016. These funds were combined with proceeds from aircraft sales, ordinary earnings and additional

secured debt and deployed to fund aircraft acquisitions. The Board is pleased to report achieving both significant fleet growth and a reduction in the weighted average cost of debt.

At the end of the Financial Year, Avation's overall loan to value ratio was 74.0% (2015: 73.0%). At 30 June 2016, 91.6% of total debt was at fixed interest rates (2015: 92.0%). At 30 June 2016, there was no related party debt other than pursuant to participation in notes issued under the GMTN (2015: \$2.0 million).

Interim Dividend

Earnings and profitability of Avation's leasing business have improved. The Board would like to reward ownership and recognise shareholder support as it continues the successful development of the business. Accordingly, the Board has approved an interim dividend increase to 3.25 US cents per share (2015: 3.00 US cents) in respect of the Financial Year. The Company confirms its aim to maintain a progressive dividend policy.

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

Ex-Dividend Date:	29 September 2016
Record Date:	30 September 2016
Payment Date:	13 October 2016
Payment Amount:	US 3.25 cents

Outlook and Interim Management Statement

Fleet size and lease revenue run rate increased significantly during the Financial Year. Additional aircraft have been acquired since the commencement of the 2017 financial period and lease revenue has subsequently continued to increase. Further aircraft deliveries are scheduled in the near term. As at the date of this announcement, contracted lease revenue for the 2017 financial period is over \$95 million. At 30 June 2016, total contracted future lease revenue from the existing fleet and committed deliveries was \$745.8 million (2015: \$565.4 million).

Avation's strategy continues to include the acquisition of new aircraft, maintenance of low average fleet age, increased scale and customer diversification. The Company will seek to trade mid-life and older aircraft when conditions permit in order to mitigate certain risks. Avation's average aircraft age has decreased as it has acquired new aircraft. Avation expects its lease yield to reduce correspondingly as older, higher yielding aircraft are sold off. The Company believes that this is suitable risk mitigation by trading yield against longer term unexpired revenue and lowering risk by owning new aircraft.

Management believes that it can attract airline customers and periodically 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 remains a risk, which is common to all capital-intensive businesses. Specific risks which are inherent in the aircraft leasing industry 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 general risk of impairment of aircraft assets.

In its tenth year as a public company Avation's Board of Directors is pleased to deliver record revenue, profit and earnings per share from the aircraft leasing business while executing a strategy of fleet growth. Avation remains committed to delivering diversification and further scale to the business in the future.

Results Conference Call

Avation's senior management team will host a conference call on 8 September 2016, 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 +1 631 983 3101; 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/2016finalresults>

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 2016 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.

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

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AVATION PLC
UNAUDITED CONSOLIDATED STATEMENT OF PROFIT
OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	2016	2015
	US\$'000s	US\$'000s
Continuing operations		
Lease revenue	71,190	56,932
Other income	3,045	3,202
	<u>74,235</u>	<u>60,134</u>
Depreciation	(23,201)	(17,775)
Gain/(loss) on disposal of aircraft	3,660	(729)
Impairment loss on aircraft	(902)	-
Administrative expenses	(7,550)	(7,199)
Other expenses	(669)	(823)
Operating profit	<u>45,573</u>	<u>33,608</u>
Finance income	1,202	807
Finance expenses	(28,706)	(18,895)
Profit before taxation	<u>18,069</u>	<u>15,520</u>
Taxation	202	(1,039)
Profit from continuing operations	<u>18,271</u>	<u>14,481</u>
Discontinued operations		
Profit/(Loss) from discontinued operations	9	(1,196)
Total profit	<u>18,280</u>	<u>13,285</u>
Other comprehensive income:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences arising on consolidation	(6)	(23)
Fair value loss on derivative financial instruments	(2,158)	(229)
	<u>(2,164)</u>	<u>(252)</u>
<i>Items that may not be reclassified subsequently to profit or loss:</i>		
Revaluation gain on property, plant and equipment, net of tax	30,987	-
Other comprehensive income, net of tax	28,823	(252)
Total comprehensive income for the year	<u>47,103</u>	<u>13,033</u>
Profit attributable to:		
Equity holders of the Company	18,279	13,036
Non-controlling interests	1	249
	<u>18,280</u>	<u>13,285</u>
Total comprehensive income attributable to:		
Equity holders of the Company	47,098	12,786
Non-controlling interests	5	247
	<u>47,103</u>	<u>13,033</u>

AVATION PLC
UNAUDITED CONSOLIDATED STATEMENT OF PROFIT
OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

2016	2015
US\$'000s	US\$'000s

Earnings per share for profit from continuing and discontinued operations attributable to equity holders of the Company

Basic earnings per share:

From continuing operations	34.33 cents	26.29 cents
From total operations	<u>34.35 cents</u>	<u>24.12 cents</u>

Diluted earnings per share:

From continuing operations	34.13 cents	26.13 cents
From total operations	<u>34.15 cents</u>	<u>23.97 cents</u>

AVATION PLC
UNAUDITED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	2016	2015
	US\$'000s	US\$'000s
ASSETS:		
Current assets:		
Cash and cash equivalents	48,267	108,647
Trade and other receivables	5,631	4,362
Loan receivable	-	19,600
Finance lease receivables	3,032	-
Options held for trading	3,040	-
Assets held for sale	-	30
Total current assets	<u>59,970</u>	<u>132,639</u>
Non-current assets:		
Trade and other receivables	11,304	17,080
Finance lease receivables	33,627	-
Property, plant and equipment	724,982	434,079
Goodwill	1,902	2,384
Total non-current assets	<u>771,815</u>	<u>453,543</u>
Total assets	<u>831,785</u>	<u>586,182</u>
LIABILITIES AND EQUITY:		
Current liabilities:		
Trade and other payables	10,065	10,280
Provision for taxation	1,029	431
Loans and borrowings	72,423	51,584
Maintenance reserves	7,440	825
Total current liabilities	<u>90,957</u>	<u>63,120</u>
Non-current liabilities:		
Trade and other payables	13,471	11,271
Loans and borrowings	543,301	376,511
Derivative financial instruments	2,387	229
Deferred tax liabilities	4,738	6,847
Maintenance reserves	3,323	-
Total non-current liabilities	<u>567,220</u>	<u>394,858</u>
Equity attributable to shareholders:		
Share capital	993	991
Treasury shares	(1)	(682)
Share premium	38,925	38,692
Merger reserve	6,715	6,715
Asset revaluation reserve	41,142	10,159
Capital reserve	8,876	8,459
Other reserves	(1,814)	50
Retained earnings	<u>78,679</u>	<u>62,363</u>
	173,515	126,747
Non-controlling interest	93	1,457
Total equity	<u>173,608</u>	<u>128,204</u>
Total liabilities and equity	<u>831,785</u>	<u>586,182</u>

AVATION PLC
UNAUDITED CONSOLIDATED STATEMENT OF
CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	2016	2015
	US\$'000s	US\$'000s
Cash flows from operating activities:		
Profit before taxation from continuing operations	18,069	15,520
Profit /(Loss) before taxation from discontinued operations	9	(1,625)
Profit before income tax	<u>18,078</u>	<u>13,895</u>
Adjustments for:		
Depreciation expense	23,201	17,925
Warrants expense	339	288
Discount on early settlement of loans	-	(1,160)
Impairment loss on aircraft	902	3,850
Impairment loss on trade receivables	7	145
Impairment loss on goodwill	482	-
Amortisation of loan insurance premium	1,078	1,078
Amortisation of interest expense on non-current deposits	376	317
(Gain)/Loss on disposal of aircraft	(3,660)	729
(Gain)/Loss on disposal of assets held for sale	(25)	1,600
Fair value gain on options held for trading	(2,940)	-
Finance income from discounting non-current deposits to fair value	(393)	(309)
Interest income	(809)	(498)
Interest expense	<u>26,811</u>	<u>17,295</u>
Operating cash flows before working capital changes	63,447	55,155
Movement in working capital:		
Trade and other receivables and finance lease receivables	3,798	(141)
Trade and other payables	1,226	4,194
Maintenance reserves	<u>9,938</u>	<u>825</u>
Cash from operations	78,409	60,033
Interest received	809	498
Interest paid	(26,034)	(16,228)
Income tax paid	<u>(637)</u>	<u>(852)</u>
Net cash from operating activities	<u>52,547</u>	<u>43,451</u>
Cash flows from investing activities:		
Purchase of property, plant and equipment	(342,822)	(110,173)
Purchase of options held for trading	(100)	-
Proceeds from disposal of aircraft	24,755	18,074
Proceeds from disposal of assets held for sale	55	1,210
Investment in loans receivable	19,600	(19,600)
Purchase of additional shares in a subsidiary from non-controlling interest	(22)	(843)
Repurchase of a subsidiary's treasury shares	<u>(884)</u>	<u>(413)</u>
Net cash used in investing activities	<u>(299,418)</u>	<u>(111,745)</u>
Cash flows from financing activities:		
Net proceeds from issuance of ordinary shares	196	6,591
Dividends paid to shareholders	(1,656)	(1,119)
Repurchase of treasury shares	(7,936)	-
Proceeds from re-issue of treasury shares	8,310	-
Dividend paid to non-controlling interest of a subsidiary	(46)	-
Proceeds from loans and borrowings, net of transactions costs	233,869	212,410
Repayment of loans and borrowings	<u>(46,240)</u>	<u>(64,313)</u>
Net cash from financing activities	<u>186,497</u>	<u>153,569</u>
Effects of exchange rates on cash and cash equivalents	(6)	(23)
Net (decrease)/increase in cash and cash equivalents	<u>(60,380)</u>	<u>85,252</u>
Cash and cash equivalents at beginning of financial year	<u>108,647</u>	<u>23,395</u>
Cash and cash equivalents at end of financial year	<u>48,267</u>	<u>108,647</u>