

AVATION PLC (the “Company”)

Unaudited Preliminary Financial Results for the Year Ended 30 June 2014

Avation Plc (LSE: AVAP) the aircraft procurement and leasing company today announces its final results extracted from the unaudited consolidated financial statements for the Company and its subsidiaries for the year ended 30 June 2014.

Overview:

- Total income increased by 29 per cent to US\$ 56.3 million (2013: US\$ 43.7 million);
- Profit after tax attributable to equity holders increased by 30 per cent to US\$ 13.7 million (2013: US\$ 10.5 million);
- EBITDA increased by 29 per cent to US\$ 49.4 million (2013: US\$ 38.3 million);
- Earnings per share increased by 21 per cent to 28.13 US cents (2013: 23.25 US cents);
- Net assets increased by 13 per cent to US\$ 111.3 million (2013 US\$ 98.2 million);
- Cash held at the end of the period increased 19 per cent to US\$ 23.4 million (2013: US\$ 19.6 million);
- Dividends to increase by 13 per cent to 2.01 US cents per share (2013: 1.78 US cents per share);
- Number of aircraft in fleet increased to 25.

The unaudited results for the Group’s full financial year ended 30 June 2014 (pursuant to International Financial Reporting Standards and reported in United States Dollars “US\$” are as follows:

Consolidated 12 months ended 30 June 2014	US\$	GBP Equivalent ⁽¹⁾
Total Income	56,279,613	34,640,102
Profit after tax attributable to the equity holders of parent	13,667,543	8,412,373
EBITDA	49,436,825	30,428,366
Total assets	416,341,565	244,225,962
Net assets	111,283,163	65,278,703
EPS (fully diluted) from continuing operations	28.13 cents	17.31 pence

Notes:

1. For the convenience of international shareholders, an additional column is included to show an equivalent value in Pounds Sterling “GBP”. In this announcement, the applicable exchange rate between US\$ and GBP was taken to be the average exchange rate of 1 : 0.6155 for Income Statement items and 1 : 0.5866 for Balance Sheet items.

Jeff Chatfield, Chairman, said:

“Avation has delivered a strong financial result. The growth of Avation is set to accelerate in 2015 with an expected 44 per cent increase in the aircraft fleet by way of committed deliveries. Avation is scheduled to deliver eight new ATR 72 aircraft before the end of the 2015 financial year and an additional three ATR 72 aircraft in the second half of calendar year 2015. Furthermore, Avation is actively evaluating additional aircraft acquisition opportunities. We thank our shareholders for their continued support.”

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

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Chairman's Statement For the Year ended 30 June 2014

Background and Outcome

Your Board is pleased to deliver another strong result in respect of the year ended 30 June 2014. The net profit after tax (attributable to equity holders) increased 30 per cent to US\$ 13,667,543 (2013: US\$ 10,515,901) on total income that also increased by 29 per cent to US\$ 56,279,613 (2013: US\$ 43,763,642). This resulted in earnings per share increasing by 21 per cent to 28.13 US cents (2013: 23.25 US cents). Total returns consist of income from aircraft lease payments plus the net asset value (capital) realisable from the sale of the aircraft after repayment of associated debt obligations.

Avation's fleet is diverse, comprising young ATR aircraft and other aircraft including Airbus A321 and A320 along with a small investment in older aircraft. Avation targets growth as well as continual fleet renewal and financial management to ensure the retention of asset values and maximisation of earnings. The Avation fleet of 25 aircraft has an average age of 9.0 years, which is likely to reduce as we add new aircraft and dispose of old aircraft, and average lease term of 6.1 years with a current customer base of airlines in Australia, Europe, North America and the Asia-Pacific region.

Key Achievements

In the period to 30 June 2014, the Group:

- Added two new ATR 72-600 aircraft to the fleet;
- Delivered two new ATR 72-600 aircraft direct to airlines;
- Added new airline customers;
- Re-financed two ATR 72-500 aircraft to significantly lower the cost of debt in respect of those aircraft;
- Acquired one Airbus A320 through the conversion of finance lease to operating lease;
- Lowered average cost of debt; and
- Extended leases on two A321 aircraft in the fleet to 2021.

As of 30 June 2014, the Company had increased net assets by 13 per cent to US\$ 111,283,163 (2013: US\$ 98,236,359). The Company has again been able to lower the average cost of debt during the period and obtain funding from new and existing lenders. Debt facilities on existing aircraft are primarily asset based and matched to the leases in terms of currency, term and loan servicing ensuring there is no "through lease term" re-financing risk.

The Company has continued to generate strong earnings with EBITDA increase of 29 per cent to US\$ 49,436,825 (2013 : US\$ 38,329,167). Purchasing aircraft typically requires a mixture of senior debt, a junior debt tier and equity. The equity may be self generated through internal cash flows. The Company continues to evaluate the state of both debt and equity markets in the context of its ongoing requirements. The directors seek to minimise the cost of funds and have successfully refinanced certain higher cost debt facilities during the year. The underlying results for the Group were extremely strong despite contributory profits from our 69 percent owned subsidiary Capital Lease Aviation PLC during the period being less robust than expected.

Outlook

The Directors believe they have demonstrated a sustainable business model and are committed to developing Avation as a differentiated aircraft operating lessor that delivers strong and predictable cash yields and attractive returns on invested capital.

Growth in the business is set to accelerate in 2015. The outlook for calendar year 2015 is 44 per cent growth in the aircraft fleet by way of committed deliveries. Avation is scheduled to deliver eight new ATR 72-600 aircraft before the end of FY2015 and an additional three ATR 72-600 aircraft in the second half of calendar year 2015. Avation is actively evaluating additional aircraft acquisition opportunities.

The Company has made substantial progress towards funding its 2015 deliveries and is developing formalised capital programmes to provide a diversified base with access to both debt and equity markets. The Company believes that it can obtain access to the necessary debt for the future purchase of aircraft. Access to funding nevertheless remains a risk, which is common to all businesses that are capital intensive. Specific aviation industry risks are also present and include the creditworthiness of client airlines. Other risks remain

typical for an aircraft leasing industry that typically uses leverage to build the fleet, along with the finance risks and more particularly the residual value risk and impairment in aircraft assets. The Company has significant balance sheet exposure to Australian based aircraft. The Company is seeking to actively diversify away from Australian economic and geographic risk going forward by marketing to new airline customers.

Whilst the business is focused on funding its continued strong fleet growth, the Board overwhelmingly recognises the importance of rewarding shareholders and is recommending to shareholders to approve a final dividend payment of 2.01 US cents per share (2013: 1.78 US cents). The timetable for this final dividend will be set out in the notice of annual general meeting to be published in due course. The Company aims to maintain a progressive dividend policy. The record date for the final dividend will be announced in the meeting materials for the upcoming annual general meeting.

The Board and I are pleased to deliver another strong set of results and remain committed to building your Company into a respected, profitable, well diversified and strongly cash generative aircraft leasing business. The Board would like to thank the shareholders for their continued support and goodwill and look forward to the future with confidence in the successful development of Avation PLC.

R. J. (Jeff) Chatfield,
Executive Chairman

Singapore
4 September 2014

AVATION PLC
UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	2014	2013
	US\$	US\$
<u>Continuing operations</u>		
Revenue	52,255,209	42,739,991
Cost of sales	–	(822,887)
Gross profit	52,255,209	41,917,104
Other income	4,024,404	1,846,538
Total Income	56,279,613	43,763,642
Other operating expenses	(15,144,085)	(13,236,614)
Expenses		
- Administrative expenses	(6,957,715)	(3,564,798)
- Finance expense	(16,906,001)	(12,992,553)
Profit before taxation	17,271,812	13,969,677
Taxation	(2,492,563)	(2,004,684)
Profit for the financial year	14,779,249	11,964,993
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Revaluation (loss) / gain on property, plant and equipment, net of tax	–	(1,780,368)
	–	(1,780,368)
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences arising on consolidation	2,045	603
	2,045	603
Other comprehensive income, net of tax	2,045	(1,779,765)
Total comprehensive income for the financial year, all attributable to equity holders of the Company	14,781,294	10,185,228
Profit attributable to:		
Equity holders of the parent	13,667,543	10,515,901
Non-controlling interest	1,111,706	1,449,092
	14,779,249	11,964,993
Total comprehensive income attributable to:		
Equity holders of the parent	13,668,940	9,365,487
Non-controlling interest	1,112,354	819,741
	14,781,294	10,185,228
Earnings per share		
- Basic	28.13 cents	23.25 cents
- Fully diluted	28.13 cents	23.25 cents

AVATION PLC
UNAUDITED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2014

	2014	2013
	US\$	US\$
ASSETS		
Current assets:		
Cash and cash equivalents	23,394,739	19,623,244
Trade and other receivables	2,804,086	6,337,909
Prepayments	2,156,478	1,094,380
Inventories	-	438
Total current assets	<u>28,355,303</u>	<u>27,055,971</u>
Non-current assets:		
Trade and other receivables	11,268,750	9,300,261
Prepayments	6,295,123	8,442,671
Property, plant and equipment	368,038,381	347,200,389
Goodwill	2,384,008	2,384,008
Total non-current assets	<u>387,986,262</u>	<u>367,327,329</u>
Total assets	<u><u>416,341,565</u></u>	<u><u>394,383,300</u></u>
LIABILITIES AND EQUITY		
Current liabilities:		
Trade and other payables	12,641,301	12,088,802
Deferred lease income	273,110	207,132
Provision for taxation	1,098,664	986,556
Loans and borrowings	55,673,186	24,243,718
Short-term provisions	-	3,757,081
Total current liabilities	<u>69,686,261</u>	<u>41,283,289</u>
Non-current liabilities:		
Trade and other payables	8,188,983	9,088,610
Deferred lease income	1,579,332	1,381,260
Loans and borrowings	218,984,900	239,205,865
Deferred tax liabilities	6,618,926	5,187,917
Total non-current liabilities	<u>235,372,141</u>	<u>254,863,652</u>
Equity attributable to shareholders:		
Share capital	891,301	878,137
Treasury shares	(682,333)	(214,498)
Share premium	31,424,215	29,809,334
Assets revaluation reserve	10,158,496	10,158,496
Capital redemption reserve	11,564	11,564
Warrant reserve	-	103,565
Capital reserve	3,510,643	2,530,212
Foreign currency translation reserve	1,146	(251)
Retained earnings	50,801,867	37,949,162
	<u>96,116,899</u>	<u>81,225,721</u>
Non-controlling interest	15,166,264	17,010,638
Total equity	<u>111,283,163</u>	<u>98,236,359</u>
Total liabilities and equity	<u><u>416,341,565</u></u>	<u><u>394,383,300</u></u>

AVATION PLC
UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	2014	2013
	US\$	US\$
Cash flows from operating activities:		
Profit before taxation	17,271,812	13,969,677
Adjustments for:		
Depreciation expense	15,259,012	11,366,937
Claim on maintenance reserve	(114,927)	1,860,732
Inventories written off	438	-
Impairment loss on property, plant and equipment	-	8,945
Amortisation of loan premium	1,078,239	904,658
Amortisation of interest expense on deposit collected	257,883	570,267
Interest expense	15,569,879	11,517,628
Write-back of payables no longer required	(2,914,401)	-
Finance income	(273,113)	(582,844)
Interest income	(23,378)	(28,727)
Operating profit before working capital changes	46,111,444	39,587,273
Movement in working capital:		
Trade and other receivables and prepayments	1,572,545	(4,868,068)
Inventories	-	13,878
Deferred lease income	6,167	765,976
Trade and other payables	2,653,046	3,044,789
Short-term provisions	(3,642,154)	(1,072,820)
Cash from operations	46,701,048	37,471,028
Interest paid	(14,882,539)	(11,093,273)
Interest received	23,378	28,727
Corporation tax paid	(949,446)	(999,556)
Net cash from operating activities	30,892,441	25,406,926
Cash flows from investing activities:		
Cash inflow from disposal of a subsidiary	-	1,125,032
Purchase of property, plant and equipment	(36,097,004)	(134,087,044)
Purchase of additional shares in a subsidiary from NCI	(880,917)	-
Repurchase of a subsidiary's treasury shares	(247,728)	-
Net cash used in investing activities	(37,225,649)	(132,962,012)
Cash flows from financing activities:		
Net proceeds from issuance of ordinary shares	728,313	6,836,498
Dividends paid	(866,621)	(745,618)
Repurchase of treasury shares	(467,835)	(214,498)
Proceeds from loans and borrowings	85,140,754	140,263,472
Repayment of loans and borrowings	(27,581,259)	(23,882,635)
Capital element of finance lease repayments	(46,850,992)	(4,173,733)
Net cash from financing activities	10,102,360	118,083,486
Effects of exchange rates on cash and cash equivalents	2,343	374
Net increase in cash and cash equivalents	3,771,495	10,528,774
Cash and cash equivalents at beginning of financial year	19,623,244	9,094,470
Cash and cash equivalents at end of financial year	23,394,739	19,623,244