AA4P QUARTERLY REPORT

Amedeo Air Four Plus Limited

LSE: AA4

31st December 2015

THE COMPANY

Amedeo Air Four Plus Limited ("the Company") is a Guernsey domiciled company, which was listed on the Specialist Fund Market ("SFM") of the London Stock Exchange on 13 May 2015 upon the admission of 202 million Ordinary Shares ("the Equity") at an issue price of 100p per share. On December 15th, pursuant to an additional Placing Programme, the Company concluded a further placing, with the admission to trading on the Specialist Fund Market of an additional 47,000,000 New Shares of the Company at an issue price of 100p per New Share. The market capitalisation of the Company was GBP 254,291,250 as of 31st December 2015.

INVESTMENT OBJECTIVE

The Company's investment objective is to obtain income returns and a capital return for its shareholders by acquiring, leasing and then selling aircraft.

CURRENT INVESTMENTS

In 2015 the Company acquired four A380 aircraft all of which are leased to Emirates. All four aircraft have been leased for a period of 12 years with fixed lease rentals for the duration. In order to complete the purchase of the aircraft, subsidiaries of the Company, entered into debt financing agreements with a senior fully amortising loan and a junior balloon loan. The Company used the equity proceeds, in addition to the finance agreements to finance the acquisition of the four Airbus A380 aircraft. The Company plans to acquire an additional A380 in early 2016 using the proceeds from the latest Placing, as well as entering into debt financing agreements in order to purchase this aircraft.

INCOME & CAPITAL RETURNS ON CURRENT ASSETS

The Company receives income from the leases and its Directors are currently targeting a gross distribution to the shareholders of 2.0625p per share per quarter, amounting to a yearly distribution of 8.25% based on the assets and both the initial and subsequent placing price of 100p per share, at least until such time as any aircraft other than the Initial Assets are acquired.

The total return for a shareholder investing today at current share price (31th December 2015) consists of future income distributions during the remaining lease duration and a return of capital once the aircraft are sold (assuming no reinvestment agreed by Shareholders). The latter payment is subject to the future market value and the respective sales proceeds of the aircraft, which will likely be quoted in US dollars and are subject to the exchange rate to Sterling at that point in time. Three independent appraisers will provide the Company with their future market values for the aircraft at the end of each financial year.

COMPANY INVESTMENT STRATEGY

As set out in the Company's initial Prospectus, the Board can consider proceeding with the equity financing of an additional A380 for lease to Emirates provided that in relation to this further A380: (a) the Board considers that the terms of purchase and lease are substantially similar to those of the initial assets; (b) suitable debt financing is available on terms acceptable to the Board; and (c) the target returns specified in the Prospectus will be supported by this acquisition. Furthermore, it is the current intention of the Directors to offer Shareholders the opportunity to participate in the equity financing of such an acquisition on a broadly pre-emptive basis, although other approaches to the equity financing may also be considered and pursued if the Directors consider it appropriate to do so.

The Board has considered, with the advice of Amedeo and Nimrod Capital, a further equity capital raise for this sixth delivery through a further Placing in 2016. This would likely bring the overall market capitalisation of the Company to over £300 million, and will hopefully aid yet further liquidity in the trading of the Company's shares.

In line with the Company's investment objective, the Company will continue to seek out further investments in widebody aircraft with good credit counterparties.

FACTS (31st December 2015)

Listing	LSE	Currency	GBP
Ticker	AA4	Dividend Payment Dates	April, July, October, January
Issue Share Price	100p	Launch Date / Price	13 May 2015 / 100p
Share Price	102.125p (Closing)	Incorporation	Guernsey

Current Targeted Distribution	8.25% p.a.	Asset Manager	Amedeo Limited
Market Capitalisation	GBP 254,291,250	Corp & Shareholder Advisor	Nimrod Capital LLP
Initial Senior Debt (four aircraft)	USD 639,757,240	Administrator	JTC (Guernsey) Limited
Outstanding Senior Debt Balance	USD 623,962,735	Auditor	Deloitte LLP
Initial Junior Debt (four aircraft)	USD 150,000,000	SEDOL, ISIN	BWC53H4, GG00BWC53H48
Outstanding Junior Debt Balance	USD 150,000,000	Year End	31-Mar
Current Anticipated Dividend	2.0625p per quarter (8.25% p.a)	Stocks & Shares ISA	Eligible
Current Dividend Yield (based on the Current Share Price)	8.0783%	Website	www.aa4plus.com

AMEDEO'S ASSET MANAGEMENT REPORT TO AA4P

On the invitation of the Directors of the Company, the following commentary has been provided by Amedeo Limited as Asset Manager of the Company and is provided without any warranty as to its accuracy and without any liability incurred on the part of the Company, its Directors and officers and service providers. The commentary is not intended to constitute, and should not be construed as, investment advice. Potential investors in the Company should seek their own independent financial advice and may not rely on this communication in evaluating the merits of an investment in the Company. The commentary is provided as a source of information for shareholders of the Company but is not attributable to the Company.

THE ASSETS

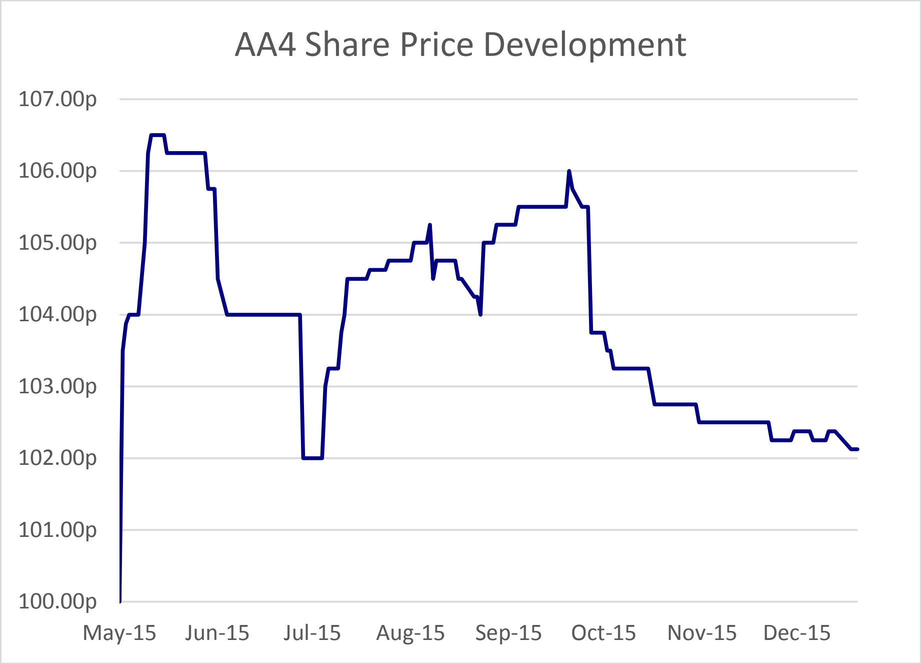
The Company's A380s are registered in the United Arab Emirates under the registration mark A6-EEY, A6-EOB, A6-EOM and A6-EOQ.

Average Monthly Utilisation

	Flight Hours	Flight Cycles	Flight Duration
MSN 157	377	58	6.5
MSN 164	396	62	6.4
MSN 187	477	42	11.4
MSN 201	TBC	TBC	TBC

All four aircraft are performing in line with expectations. During the lifetime of the lease, Emirates bears all costs of the aircraft including maintenance, repair and insurance. Amedeo will carry out a scheduled inspection of MSN 157 and MSN 164 in approximately 6 months at the next scheduled inspection interval.

For the current location of the aircraft please visit www.amedeo.aero/portfolio/

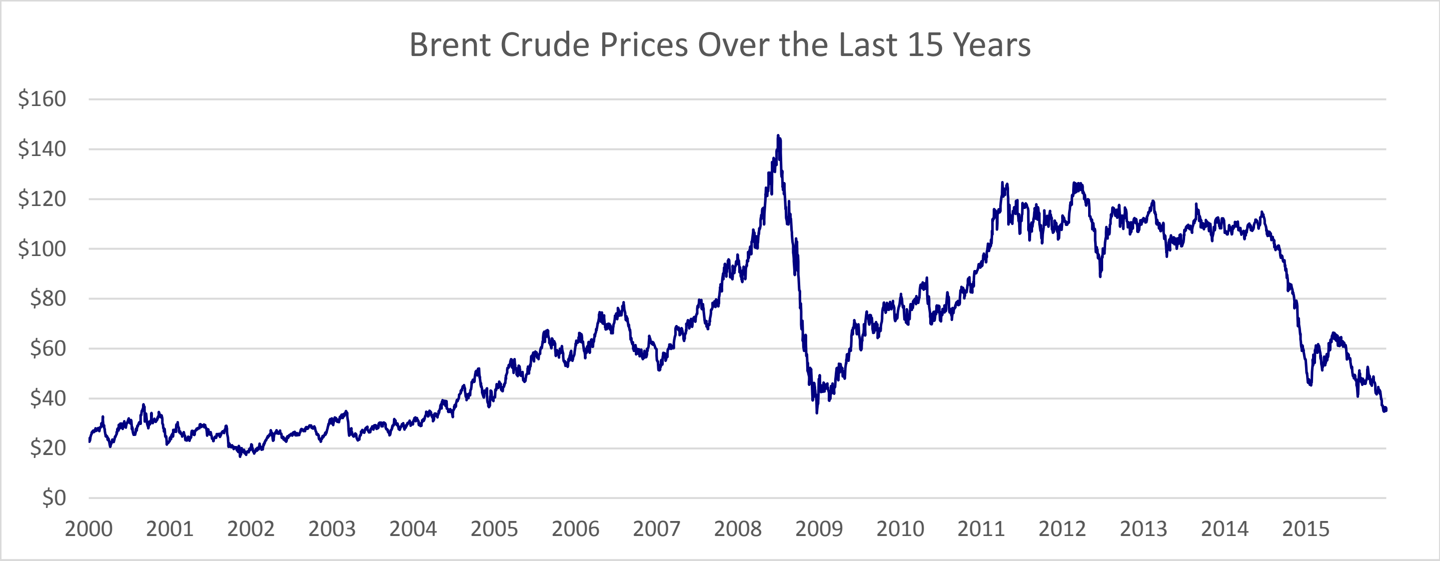


Source: Bloomberg as of 31-Dec-2015

IATA's 2016 MARKET FORECAST

- Revenue Passenger Kilometers up by **6.9%**
- **1%** of GDP to be spent on air travel
- **6.9%** growth in air travel
- **17,000** city pair connections
- **$180 billion** of new aircraft to be delivered
- Passenger load factors over **80%**
- **5.8%** increase in aircraft departures
- **7.1%** increase in available seats

Source: © International Air Transport Association, 2015. Economic Performance of the Airline Industry, 2015 End-year report. All Rights Reserved. Available on IATA Economics page



Source: Bloomberg as of 31-Dec-2015

The falling oil prices have a positive impact on decreasing fuel costs and the overall trip cost for all aircraft types, including the A380. Lower trip costs translates into a lower break-even load factor for the A380 from the airline's perspective, which at the same time de-risks the overall cost position for the airline. The A380 remains very competitive on a unit cost basis compared to all current and next generation wide-body kit.

The typical operating cost of fuel for an airline represents 30-35% of operating costs; however this cost currently makes up approximately 20% of operating costs. Despite volatility in Brent crude prices, increased development over the last twenty years in more fuel-efficient aircraft has taken place. Airline fleet planners do not look at the short –medium term increase in profitability due to lower oil prices. On the contrary, airline's take a long- term fleet planning view, especially in relation to their operational requirements.

More importantly however, the A380 is not just another wide-body aircraft for Emirates. Emirates have built their entire network and global marketing campaigns around the A380 as the aircraft is uniquely positioned to offer the best use of real estate and thus facilitates the best available product in the sky. Emirates view the A380 as their primary tool of preserving their leading position as one of the best long-haul airlines worldwide.

AIRLINE CONSOLIDATION FOR FUTURE GROWTH

The last two decades have seen a dramatic shift in the airline revenue model. With the rise of globalization, air travel requirements have increased substantially. What used to be an expensive mode of transport with return fares above $700 dollars are now under $400. The competitive nature of the business as well as a change in the macro - economic climate has forced airlines to reevaluate their business models and become more competitive. However, a reduction in fares is not enough to make an airline successful. In the last few years we have seen the rise of airline mergers as a survival mechanism especially with the volatility in fuel prices and operational cost requirements against capacity. The last decade has seen a rise in airline mergers such as Delta/Northwest, US Airways/America West as examples, however mergers can only go so far.

With the emergence of the middle class in Asia Pacific and the accessibility of air travel across the globe, it is hard for airlines to maintain efficient supply and demand. We see busy airports and widespread choice on flights, but what is not so visible and yet represents an increased handicap to future airline growth are the effects on infrastructure constraints to the airline revenue model. Smart airlines have taken the opportunity to maximize revenue by entering into code-sharing agreements with one another. This consolidates the route networks but is a great hedge and sometimes the only option forward for airlines.

British Airways have adopted effective consolidation methods especially with the London Heathrow to New York JFK route. With fourteen daily flights between the two destinations and a code-sharing agreement with American Airlines operating B747's and B777's, consolidation on this route has reached its limitation. Slot constraints on both sides of the Atlantic are especially problematic. With some of these flights within less than an hour of each other, the next phase of consolidation will be to increase capacity with larger aircraft.

As airport constraints increase over the next two decades airlines will need to adjust their approach to growing their large trunk routes and shift to more optimal real estate in the sky.

Source: Ascend

Contact Details

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