# AA4P QUARTERLY REPORT

Amedeo Air Four Plus Limited

LSE: AA4

30th September 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. The market capitalisation of the Company was GBP 213,110,000 as of 30th September 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

The initial assets are four A380 aircraft leased to Emirates, of which three have already delivered. All three 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 three Airbus A380 aircraft. The Company plans to acquire an additional A380 in November 2015 using the remaining proceeds from the initial equity raise, 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 initial assets and initial 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 (30th September 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

The Company is, as anticipated, scheduled to acquire the fourth and final of its initial A380 aircraft in November 2015 (MSN 201), and funding arrangements for this delivery are in place.

As set out in the Company's initial Prospectus, the Board can consider proceeding with the equity financing of two further A380s for lease to Emirates provided that in relation to these two further A380s: (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 those acquisitions. Furthermore, it is the current intention of the Directors to offer Shareholders the opportunity to participate in the equity financing of such further acquisitions 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 currently anticipates that it will consider, with the advice of Amedeo and Nimrod Capital, a further equity capital raise for these two deliveries anticipated before the end of the year. 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 (30TH September 2015)

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|---|---|---|---|
| Listing | LSE | Currency | GBP |
| Ticker | AA4 | Dividend Payment Dates | April, July, October, January |
| Initial Share Price | 100p | Launch Date / Price | 13 May 2015 / 100p |
| Share Price | 105.5p (Closing) | Incorporation | Guernsey |
| Current Targeted Distribution | 8.25% p.a. | Asset Manager | Amedeo Limited |
| Market Capitalisation | GBP 213,110,000 | Corp & Shareholder Advisor | Nimrod Capital LLP |
| Initial Senior Debt (three aircraft) | USD 469,757,240 | Administrator | JTC (Guernsey) Limited |
| Outstanding Senior Debt Balance | USD 461,986,137 | Auditor | Deloitte LLP |
| Initial Junior Debt (three aircraft) | USD 110,000,000 | SEDOL, ISIN | BWC53H4, GG00BWC53H48 |
| Outstanding Junior Debt Balance | USD 110,000,000 | Year End | 31-Mar |
| Current Anticipated Dividend | 2.0625p per quarter (8.25% p.a) | Stocks & Shares ISA | Eligible |
| | | Website | www.aa4plus.com |
| Current Dividend Yield (based on the Current Share Price) | 7.8199% | | |

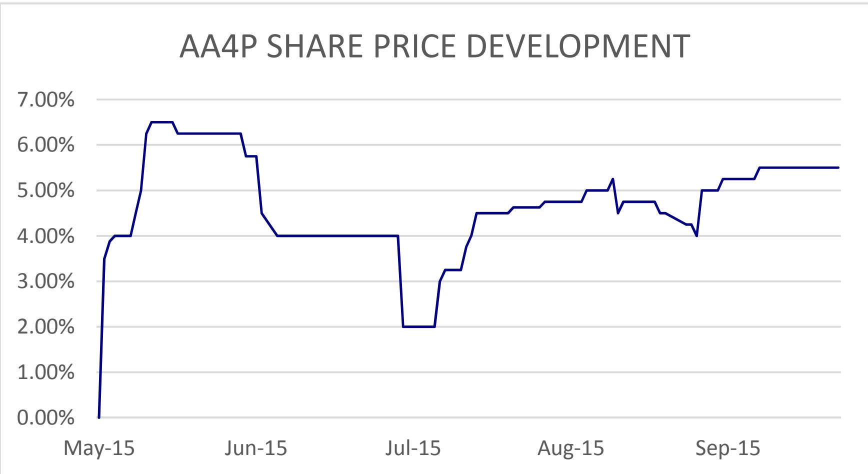
# AMEDEO'S ASSET MANAGEMENT REPORT TO AA4P

*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 and A6-EOM. The average monthly utilisation for each of the Company's Emirates A380s has been approximately 400 flight hours and 60 cycles. Per aircraft, this translates to two daily flights with an average flight duration of just over 6.5 hours. All three 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 A6-EEY and A6-EOB in approximately 12 months at the next scheduled inspection interval.

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

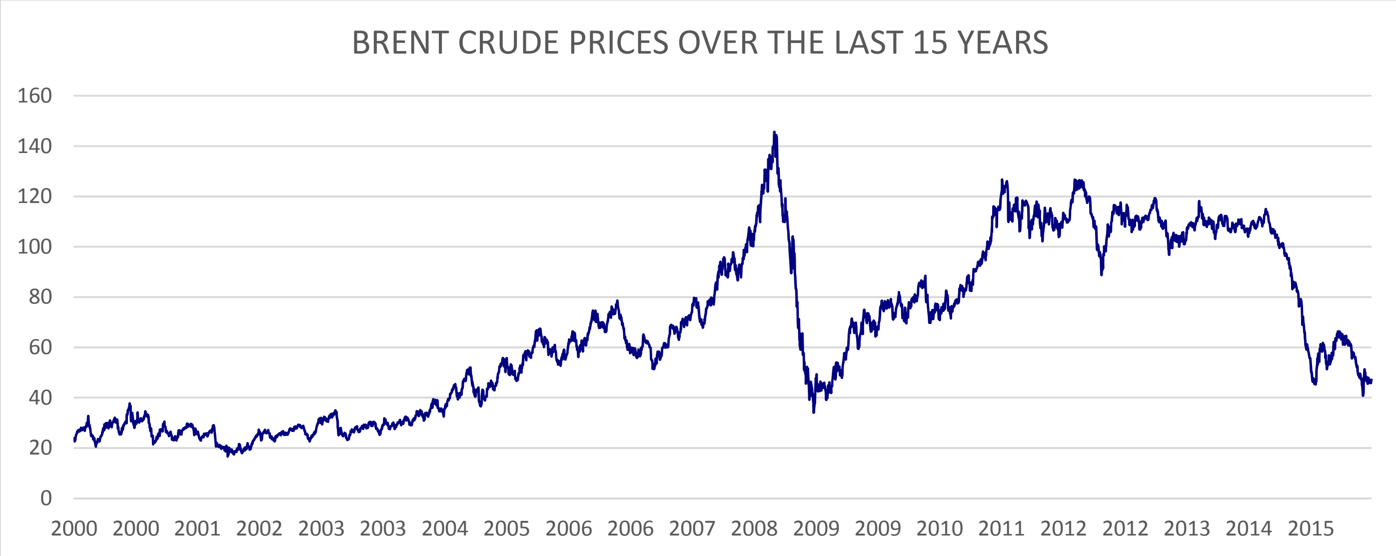



Source: Bloomberg

## IATA's 2015 MARKET FORECAST

- Revenue Passenger Kilometers up by **6.7%**
- **1%** of GDP to be spent on air travel
- **6.7%** growth in air travel
- **16,000** city pair connections
- **1,700** new aircraft to be delivered
- Passenger load factors over **80%**
- **5.4%** increase in aircraft departures
- **5.3%** increase in available seats

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




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.

If oil trades at about USD$100 a barrel, the operating cost of fuel for an airline represents 30-35% of operating costs. For this reason, increased development over the last twenty years in more fuel-efficient aircraft has taken place. However, 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.

## AIRPORT CONSTRAINTS; A CLOSER LOOK AT HEATHROW AIRPORT

With the huge surge in passenger travel over the last two decades, airport constraints are becoming more problematic. In emerging markets, the middle class is set to double over the next two decades. In light of this, Airbus recently reevaluated their twenty-year forecast, highlighting an increased requirement for Very Large Aircraft.

Heathrow Airport is a key example of an airport having reached full capacity and looking for a solution. According to the Greater London Authority, despite Heathrow's runway constraints, an additional 20 million passengers could fly through Heathrow, if more airlines used Airbus A380s.

On August 7th, Emirates announced that as of January 2016, all flights to London airports would exclusively be serviced by A380s, making optimum use of premium real estate in the sky. Today, Heathrow is considered the busiest airport in Europe, but only serves 160 destinations, compared with many other major European airports serving over 200 destinations. Aside from building a third runway, which will take a substantial amount of time, using more A380s, is the only logical solution to this problem. Currently, the average seat capacity at Heathrow is just over 200, leaving room for huge boosts in airline revenue should an airline take advantage of a larger aircraft and increased seat capacity strategy. An A380 can be configured to over 800 seats, further reducing an airlines operating costs.

Airlines such as British Airways have been very successful at deploying a more consolidated approach to capacity demands and route networking optimisation. British Airways re-launched its London Heathrow to Los Angeles service by replacing three frequencies daily using a Boeing 747-400 with two A380s. It maintained capacity levels, whilst reducing operating costs, providing more availability during busy peak times and freeing one of its peak slots for additional network growth.

A runway slot in Heathrow will cost an airline anywhere between $33 and $41 million. A factor in the attractiveness of the Aer Lingus acquisition by IAG was an increase in very expensive slot availability at Heathrow. Airlines using this approach and strategy have a tremendous amount to gain.

**Contact Details**


| **Company** | **Corporate & Shareholder Adviser** |
|---|---|
| Amedeo Air Four Plus Limited | Nimrod Capital LLP |
| Frances House, Sir William Place | 3 St Helen's Place |
| St. Peter Port | London EC3A 6AB |
| Guernsey GY1 4EU | |
| Tel: +44 1481 702400 | Tel: +44 20 73824565 |
| www.aa4plus.com | www.nimrodcapital.com |