AA4P QUARTERLY REPORT

Amedeo Air Four Plus Limited

LSE: AA4

Report for the quarter ending 31 December 2016

THE COMPANY

Amedeo Air Four Plus Limited ("the Company") is a Guernsey domiciled company, commencing business in May 2015 and having its shares listed on the Specialist Fund Segment ("SFS") of the London Stock Exchange. Initially 202 million Ordinary Shares were issued at a price of 100p per share and subsequently the Company has concluded the placing of additional shares at issue prices of 100p, 101p and 102p, respectively resulting in a total of 342,250,000 shares in issue as at 31 December 2016 (the "equity").

The market capitalisation of the Company was GBP 359,362,500 as of 31 December 2016.

COMPANY INVESTMENT STRATEGY

The Company's investment objective is to obtain income and capital returns for its Shareholders by acquiring, leasing and selling aircraft. The Company seeks to use the net proceeds of placings and/or other equity capital raisings, together with debt facilities (or instruments), to acquire widebody or other aircraft which will be leased to one or more major airlines (each aircraft an "Asset").

The Company aims to provide Shareholders with an attractive total return comprising income from distributions through the period of the Company's ownership of the Assets, and capital, upon the sale, refinancing or other disposition of the Assets.

The Company's Articles provide that the Company may only acquire further aircraft with the approval of Shareholders by ordinary resolution in relation to each proposed acquisition. Where such approval for a new acquisition is obtained, it is the current intention of the Directors to offer Shareholders the opportunity to participate in any equity financing 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 in order to diversify the funding sources of the Company.

The Board, in discussions with its advisors, Nimrod and Amedeo, is considering further acquisitions to be concluded over the next 12 months.

In Q3 2016, the Company continued its strategic aim to diversify the risk profile of its portfolio of Assets with the acquisition of two Boeing 777-300ERs aircraft leased to Emirates. The first Boeing 777-300ER was acquired in July 2016 and the second Boeing 777-300ER in August 2016.

In November 2016, the Company announced that, subject to Shareholder approval, it wished to add two additional A380 aircraft to its portfolio with expected deliveries in March and May 2017 to be leased to Etihad Airways on 12 year leases. Overwhelming Shareholder approval for this transaction was received in December 2016 and a supplementary prospectus was issued on 5 January to raise £130 million by the issue of 125 million new shares at 104 pence each and this placing will close on 12 January 2017. The increasing market capitalisation of the Company will hopefully aid yet further liquidity in the trading of the Company's shares.

CURRENT INVESTMENTS

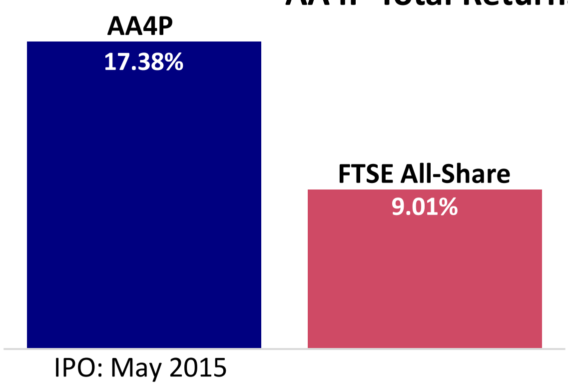
Since the completion of its initial public offering on 13 May 2015, the Company has acquired six Airbus A380 and two Boeing 777-300ER aircraft. All eight aircraft are leased to Emirates for a period of 12 years from each respective delivery date with fixed lease rentals for the duration (each a “Lease”). 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 bullet loan. The Company used the equity proceeds, in addition to the finance agreements, to finance the acquisition of the eight aircraft. Each Lease covers the total cost of the senior loan and the interest cost of the junior loan. The junior loan capital will be repaid using the proceeds from the sale of the relevant Asset.

For the two new Airbus A380’s being considered for acquisition in 2017, if the current placing of new shares is successful the intention is these Assets be leased for a twelve year term to Etihad.

FACTS (31st December 2016)

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	105.000p (Closing)	Incorporation	Guernsey
Current Targeted Distribution	8.25% p.a. per share	Asset Manager	Amedeo Limited
Market Capitalisation	GBP 359,362,500	Corp & Shareholder Advisor	Nimrod Capital LLP
Initial Senior Debt (eight aircraft)	USD 1,234,757,240	Administrator	JTC (Guernsey) Limited
Outstanding Senior Debt Balance	USD 1,155,428,483	Auditor	Deloitte LLP
Initial Junior Debt (eight aircraft)	USD 270,000,000	SEDOL, ISIN	BWC53H4, GG00BWC53H48
Outstanding Junior Debt Balance	USD 270,000,000	Year End	31-Mar
Current Anticipated Dividend	2.0625p per quarter (8.25p p.a.)	Stocks & Shares ISA	Eligible
Current Dividend Yield (based on the Current Share Price)	7.8571%	Website	www.aa4plus.com

AA4P Total Returns Since IPO vs. FTSE All-Share Index



	Total Return (Since IPO)	Annualised Return
AA4P	17.38%	10.66%
FTSE All-Share	9.01%	5.52%

*The FTSE All-Share Index is not intended to be used as the benchmark for the Company. It is shown for illustrative purposes to indicate the performance of the Company for an equity investor whose portfolio may be benchmarked against the FTSE All-Share Index.

Source: Bloomberg as of 31 December 2016

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

Total Utilisation

Aircraft Type	MSN-Registration	Acquisition Date	Flight Hours	Flight Cycles	Average Flight Duration
A380-800	MSN 157 - A6-EEY	19-May-15	10154	1638	6 h 12 min
A380-800	MSN 164 - A6-EOB	19-May-15	9133	1478	6 h 11 min
A380-800	MSN 187 - A6-EOM	03-Aug-15	7237	668	10 h 50 min
A380-800	MSN 201 - A6-EOQ	27-Nov-15	4301	700	6 h 09 min
A380-800	MSN 206 - A6-EOV	19-Feb-16	3684	594	6 h 12 min
A380-800	MSN 208 - A6-EOX	13-Apr-16	2763	432	6 h 24 min
777-300ER	MSN 42334 - A6-EPO	28-Jul-16	1593	393	4 h 03 min
777-300ER	MSN 42336 - A6-EPQ	19-Aug-16	1288	308	4 h 11 min

The utilisation figures above represent the totals for each aircraft from first flight to 30 November 2016

All eight 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 conducted scheduled inspections of MSN 157 and MSN 164 in July and August of 2016. The aircraft are in very good condition and are maintained to a high standard.

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

Q4 2016

- Annual growth in industry-wide passenger traffic, measured in RPKs, accelerated to 7.0% year-on-year in September – a seven-month high. In 2017, IATA is projecting a slowdown in traffic growth from 5.9% to 5.1% which is close to the 20-year historic trend. This follows several years of above historic trend growth.
- Airline profits benefitted from reduced oil prices and modest economic growth in 2016. IATA expects profits to slow throughout 2017, as unit costs surpass unit revenues due to an approximate $10/bbl. recovery in oil price, suggesting that the aviation industry may have reached the peak of its cycle.
- Amid a challenging 2016 for some Asian carriers, Cathay Pacific saw an overall 10% decrease in passenger yields in 2016. Similarly, Singapore Airlines recorded a 2.9% decline in passenger yield. Both carriers have significant fuel hedge programs which has exacerbated their difficulties. IATA forecasts that net post-tax profit in the Asia Pacific region will decrease by $1bn to $6.3bn in 2017 with RPK growth forecasted to be 7.0% and ASK growth at 7.6%.
- Global passenger capacity has continued to trend upwards, with October year-to-date load factors at 80.5%. Year-on-year figures are also robust with 80.1% load factors observed.
- Worldwide Revenue Passenger Kilometres (RPKs) have increased 5.7% year-to-date. Over the same period in 2015, this value growth was 6.6%, but was significantly boosted by reductions in oil price.
- According to IATA, infrastructure inefficiencies in Europe add €2.8bn (£2.35bn) annually to airlines costs.

- With commercial airlines set to take delivery of around 1,700 jet aircraft in 2017, new destinations are expected to increase by 4% next year. Revenue Passenger Kilometres (RPK) is forecasted to grow at a rate of 5.1% with the number of departures expected to increase by 4.9% to 3.96bn.

- The total fuel spend in 2016 decreased by 31.2% from the amount spent in 2015. The total fuel spend for 2017 is expected to increase by 4.1% to $129bn (£103bn) as airlines prepare for an oil price recovery in 2017 by hedging fuel reserves.

- Malaysia Airlines has, as a result of reduced traffic flows following well publicised incidents, announced it will transfer its six Airbus A380 aircraft to a subsidiary carrier focused on religious pilgrimage flights. This will signify the first major interior re-configuration of an A380 and bring the aircraft to the highest density seen to date with 700 seats.

- At the Airline Economics Growth Frontiers Conference held in Dubai in November 2016, Emirates said that the airline typically engaged in 12 year leases on its fleet and sought extensions three years before expiry.

- All Nippon Airways (ANA) is hopeful of taking one-quarter of capacity on the Tokyo-Honolulu market once it introduces its Airbus A380s onto the route. The carrier highlighted slot constraints in Tokyo, as the reason behind up-gauging to the A380 with three on order due to deliver in 2019.

- Middle Eastern carrier Emirates, is to defer delivery by twelve months of 6 Airbus A380s which had been due to arrive in 2017 and 6 which had been due to arrive in 2018. The postponement follows an agreement between Emirates and Rolls-Royce, which manufactures the Trent 900 engine for the aircraft type.

International Air Transport Association, 2016. Air Passenger Market Analysis (October 2016) © All Rights Reserved.
International Air Transport Association, 2016. Airlines Financial Monitor (October 2016). © All Rights Reserved.
International Air Transport Association, 2016. Economic Performance of the Airline Industry (December 2016). © All Rights Reserved.
Flightglobal News, 2016; Airfinance Journal, 2016; Singapore Airlines Quarterly Financial Results (September 2016)

Future Proofing the UK: UK Aviation Infrastructure Development

The latest market forecasts from both Airbus and Boeing predict considerable growth in the global aircraft fleet over the next twenty years. Airbus and Boeing predict that between 33-39,000 new aircraft will be required to satisfy these projections. Compiled by IATA, passenger and traffic figures continue to show consistent growth further supporting this forecast.

An enabling element of this growth is ensuring that capacity constrained airports maintain their strategic positions whilst developing modern and efficient infrastructure to cement their future status. In a recent report on Megahubs, OAG has classified a Megahub as an airport with the highest ratio of possible scheduled connections to the number of destinations served by the airport. London Heathrow is recognised as the highest ranking Megahub in Europe and places 15th on the reports Top 50 List. Also noted however, are rival European airports closing the gap to Heathrow's position as, Frankfurt airport ranked 20th and Amsterdam Schiphol ranked 21st, look to overturn Heathrow's podium position. London airports, Stansted and Gatwick, are also placed 20th and 24th respectively on the reports Global Low-Cost Megahubs List, further highlighting the UK's position at the forefront of the market. From this position, the UK is ideally placed to enhance its market share within the global passenger market, this is seen by the intent shown in the development plans currently in progress across all primary UK airports.

Development at the largest airport in the UK has been a keenly debated topic over the past number of years, and in October 2016 cabinet ministers approved the construction of a third runway at **London Heathrow**. There are still some hurdles to overcome, as MPs are expected to vote on the proposal in late 2017, with expected works to commence in 2020 and finish in 2025. The plans involve building a new 3,500m runway two miles north of the existing runways at an estimated cost of £17.6bn and will increase the airport's capacity to 750,000 aircraft movements per year. The two runways at Heathrow limit the airports capacity and the airport trails behind rival European airports such as Paris Charles De Gaulle (4), Amsterdam (6) and Frankfurt (4) and development in this area is largely seen as overdue. Gatwick, the UK's second largest airport, is largely focused on outbound traffic, whereas Heathrow is primarily focused on inbound traffic. In a post-Brexit environment this is a symbolic statement of intent to Britain's trading partners of an independent and self-sufficient UK economy, with the door firmly open.

As part of a £1.2bn modernisation plan, **Gatwick** will see a £250m investment into the airport's facilities in 2017. These expansion efforts will see the construction of two terminals, a railway station and additional pier capacity. This development will see consolidation of existing airlines into single terminals allowing for further expansion and more efficient operation. As of September 2016, annual year-to-year passenger numbers increased by 6.5% to 42.3million over the previous period with 34.6% growth seen on trans-Atlantic routes. Couple these improvements with a viable proposal to construct a second runway at Gatwick and the future plans and growth prospects for the UK's second largest airport are extremely promising.

Manchester airport has ambitious plans to develop its global route network as it strives to become the long-haul alternative to Heathrow. Passenger numbers at the airport have seen 24% year-to-year growth in scheduled international traffic and 11% in overall growth. With destinations such as San Francisco, Beijing and Dubai, the airport has recently seen Singapore Airlines take advantage of fifth freedom rights to start a new service connecting Singapore to Houston via Manchester. In addition, a £1bn programme has been approved to transform Manchester airport. This 10-year plan involves the demolition of Terminal 1, the doubling in size of Terminal 2 and the expansion of self-service and security facilities at the airport. Manchester airport has also applied to the US immigration pre-clearance scheme which is an indicator of its focus on long-haul routes to the US.

Expansion at **London City Airport** was given the go-ahead by ministers in July 2016. The expansion will increase the number of take-offs and landings from 70,000 to 111,000 a year. At a cost of £344m the development plan will include the development of new aircraft stands and an extension of the existing pier. An additional taxi-lane will be built allowing for more efficient arrivals and departures in London's most strategically placed airport.

Heathrow's position as the gateway to London makes it a lucrative and attractive prospect for airlines wishing to either expand their brand or retain their competitive market position. Infrastructural airport improvements relieve the pressure on congested hubs but are often complex, lengthy projects and prone to delay. An analysis of A380 traffic frequencies shows that there are currently 227 weekly returning flights into the UK with 52 of these flights operated by British Airways. Emirates has the largest fleet of A380s in the world, and currently utilises the A380 on 84 weekly returning flights into four UK airports: Heathrow, Gatwick, Manchester and Birmingham. Other operators into the UK include Etihad, Thai, Qatar, Qantas, Malaysia Airlines, Korean Air and Singapore Airlines. The appearance of A380s in the skies over the UK is becoming more commonplace and as slot constrained airports expand in unison with air traffic growth, airlines are using larger, higher density aircraft such as the A380 as a means of overcoming these limitations. The high capacity of the A380 plays a key role in solving airport congestion as the most efficient means of capturing traffic whilst generating increased revenue during the highest yield periods. Passengers love to fly the A380 and the flagship aircraft derives a lot of interest and demand from prospective travellers with up to 60% of passengers ready to make an extra effort to fly on the A380. This can be seen by the popularity of the "iflyA380" website where passengers can purchase flights based on destinations and connections served by the A380.

Sources: Flightglobal News; FlightAware.com; Flightglobal Ascend; Airbus FAST Magazine (November 2016); BBC; iflyA380.com

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The Lessee: Emirates Group announces half-year performance for 2016-17

On 9 November 2016, the Emirates Group announced its half-yearly financial results for 2016-17. Revenue for the Group increased marginally, but profit was hit by the double impact of a strong US dollar and challenging operating environment for the airline and travel business.

"Our performance for the first half of the 2016-17 financial year continues to be impacted by the strong US dollar against other major currencies. Increased competition, as well as the sustained economic and political uncertainty in many parts of the world has added downward pressure on prices as well as dampened travel demand," said His Highness (HH) Sheikh Ahmed bin Saeed Al Maktoum, Chairman and Chief Executive, Emirates Airline and Group.

He added: "The bleak global economic outlook appears to be the new norm, with no immediate resolution in sight. Against this backdrop, the Group has remained profitable and our solid business foundations continue to stand us in good stead. Our past investments in product and services are now paying off, enabling us to retain valued clients and attract new customers - reflected in the airline's passenger growth of 2.3 million."

Key Facts – Emirates Half Yearly Performance 2016-17

- In the first half of the 2016-17 financial year, Emirates net profit was AED 786 million (US$ 214 million), down 75%, following one of the airline's best half-yearly performances during the same period last year. This is due to ongoing investments mainly into new aircraft, airline related infrastructure projects, business acquisitions, loans and lease liabilities.
- Emirates revenue, including other operating income, of AED 41.9 billion (US$ 11.4 billion) was slightly down by 1% compared with AED 42.3 billion (US$ 11.5 billion) recorded last year. This is due to the unfavourable currency environment - where the US dollar continued to strengthen against most other major currencies; and increased competition resulting in lower average fares.
- During the first six months of the financial year, Emirates added 16 wide-body aircraft - 8 Airbus A380s, and 8 Boeing 777s
- As of 30 September, Emirates' global network spanned 155 destinations in 82 countries, with Fort Lauderdale commencing service on 15 December 2016.

- Emirates expanded its global route network by launching services to four new destinations – Yinchuan, Zhengzhou, Yangon, and Hanoi.
- Overall capacity during the first six months of the year increased 9% to 30.2 billion Available Tonne Kilometres (ATKM). Capacity measured in Available Seat Kilometres (ASKM), grew by 12%. Passenger load factors remain strong at 75%.
- Emirates carried 28 million passengers between 1 April and 30 September 2016, up 9% from the same period last year. The volume of cargo uplifted remained stable at 1.3 million tonnes, a solid performance in a challenging air freight market.
- Emirates operating costs grew by 5% against the overall capacity increase of 9%. On average, fuel costs were 10% lower compared to the same period last year. However, fuel remained the largest component of the airline's cost, accounting for 24% of operating costs.

Source: Emirates Half-Yearly Results (November 2016)

Contact Details

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