

AA4P QUARTERLY REPORT

Amedeo Air Four Plus Limited

LSE: AA4

Report for the quarter ending 30 June 2017

THE COMPANY

Amedeo Air Four Plus Limited (“the Company”) is a Guernsey domiciled company, which commenced business in May 2015 and has 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, 102p, and 104p, resulting in a total of 601,900,000 shares in issue as at 30 June 2017 (the “equity”).

The market capitalisation of the Company was GBP 627,480,750 as of 30 June 2017. As at the end of the quarter the share price was trading at 104.25p.

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 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.

In Q3 2016, the Company under its strategic aim to diversify the risk profile of its portfolio of Assets acquired two Boeing 777-300ER aircraft leased to Emirates. In January 2017, a further equity placing was closed for the acquisition of two A380 aircraft to be leased to Etihad. The first of these aircraft was successfully delivered to Etihad in March 2017 with the subsequent aircraft delivered in May 2017.

In May 2017, the Company announced that, subject to Shareholder approval, it wished to acquire four A350-900 aircraft with expected deliveries in July, August, September 2017 and a fourth aircraft in January 2018, to be leased to Thai Airways on 12 year leases. Following Shareholder approval on 5 June 2017, the Company launched a Placing Programme on 13 June 2017 which closed on 20 June with the issue of 134,650,000 new shares at an issue price of 104p to raise proceeds for the acquisition of the initial three A350-900 aircraft.

Pursuant to a capital raise to be undertaken at a later date, the Company intends to acquire the fourth A350-900 and, if acquired, delivery of the same is expected to take place in January 2018.

In accordance with the investment policy, it has been the intention that the Company should be grown into a larger vehicle, owning a range of aircraft. The aim of this strategy is to diversify the risk profile of the Company's portfolio of assets and credits whilst maintaining its target investor returns.

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

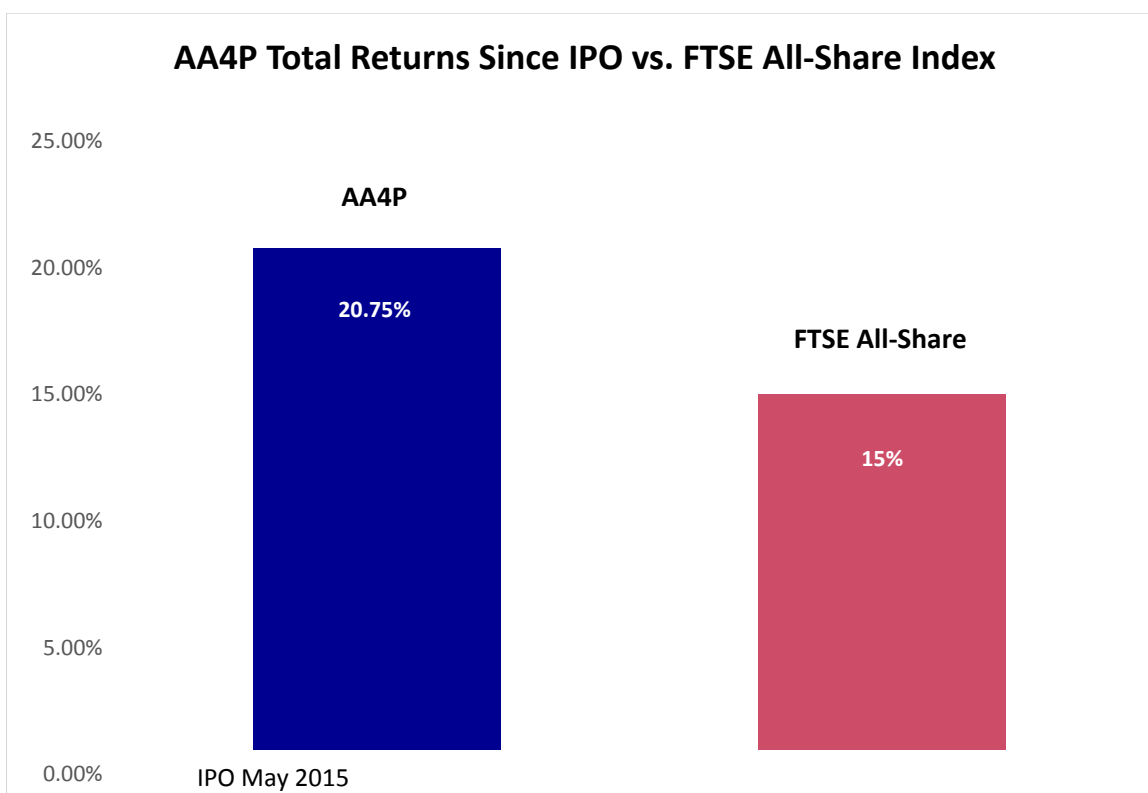
CURRENT INVESTMENTS

Since the completion of its initial public offering on 13 May 2015, the Company has acquired eight Airbus A380 and two Boeing 777-300ER aircraft. Eight of these aircraft are leased to Emirates and two aircraft are leased to Etihad. All aircraft are leased for a period of 12 years from each respective delivery date. In order to complete the purchase of the aircraft, subsidiaries of the Company entered into debt financing arrangements and used the equity proceeds to finance the acquisition of the ten aircraft.

For the nine aircraft in the portfolio as of 31 March 2017, the appraisers expect a residual value of USD 1,093 million.

FACTS (30 June 2017)

Listing	LSE	Dividend Payment Dates	April, July, October, January
Ticker	AA4	Launch Date / Price	13 May 2015 / 100p
Initial Share Price	100p	Incorporation	Guernsey
Share Price	104.25p (Closing)	Asset Manager	Amedeo Limited
Current Targeted Distribution	8.25p per share p.a.	Corp & Shareholder Advisor	Nimrod Capital LLP
Market Capitalisation	GBP 627,480,750	Administrator	JTC Fund Solutions (Guernsey) Limited
Initial Debt	USD 1,961,757,240	Auditor	Deloitte LLP
Outstanding Debt Balance	USD 1,834,050,217	SEDOL, ISIN	BWC53H4, GG00BWC53H48
Current Anticipated Dividend	2.0625p per quarter (8.25p p.a.)	Year End	31-Mar
Current Dividend Yield (based on the Current Share Price)	7.91%	Stocks & Shares ISA	Eligible
Currency	GBP	Website	www.aa4plus.com



*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.

Past performance cannot be relied on as a guide to future performance. The value of an investment may go down as well as up and some or all of the total amount invested may be lost.

This document is issued by Amedeo Air Four Plus Limited (the "Company") to and for the information of its existing shareholders and does not in any jurisdiction constitute investment advice or an invitation to invest in the shares of the Company. The Company has used reasonable care to ensure that the information included in this document is accurate at the date of its issue but does not undertake to update or revise the information or guarantee the accuracy of such information.



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

<u>Aircraft Type</u>	<u>MSN-Registration</u>	<u>Acquisition Date</u>	<u>Flight Hours</u>	<u>Flight Cycles</u>	<u>Average Flight Duration</u>
A380-800	MSN 157 - A6-EEY	19-May-15	12,429	2,020	6 h 9 min
A380-800	MSN 164 - A6-EOB	19-May-15	11,415	1,843	6 h 11 min
A380-800	MSN 187 - A6-EOM	3-Aug-15	9,901	902	10 h 59 min
A380-800	MSN 201 - A6-EOQ	27-Nov-15	6,469	1,027	6 h 18 min
A380-800	MSN 206 - A6-EOV	19-Feb-16	6,015	963	6 h 15 min
A380-800	MSN 208 - A6-EOX	13-Apr-16	5,021	771	6 h 31 min
777-300ER	MSN 42334 - A6-EPO	28-Jul-16	3,865	950	4 h 4 min
777-300ER	MSN 42336 - A6-EPQ	19-Aug-16	3,660	799	4 h 35 min
A380-800	MSN 233 - A6-API	24-Mar-17	978	124	7 h 53 min
A380-800	MSN 237 - A6-APJ	24-May-17	59	12	4 h 55 min

The utilisation figures above represent the totals for each aircraft from first flight to 31 May 2017

All aircraft are performing in line with expectations. During the lifetime of the lease, the respective airline bears all costs of the aircraft including maintenance, repair and insurance. 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/

Q2 2017

- Annual growth in industry-wide passenger traffic accelerated to 10.7% year-on-year in April and has accelerated to a 6-year high. In seasonally adjusted terms, capacity also increased by 7.1% year-on-year in April. Seasonally adjusted load factors in April 2017 are above record highs at 82.0%.
- Adjusting for inflation, the price of air travel has decreased by 10.0% in Q1 2017 compared to the previous year, which IATA estimates accounts for about half of the increased passenger demand growth.

- Revenue Passenger Kilometres (RPK's) in Latin American increased by 16.1% year-on-year, a record high since 2011. A similarly positive increase in passenger demand is coming out of African carriers at 17.2% year-on-year.
- The fall in Brent crude prices in April extended into May and despite some recovery, the monthly average price fell almost 4.0%. Jet fuel prices behaved in a similar fashion and were down 5.6% for the month.

Source: International Air Transport Association, 2017. Air Passenger Market Analysis (April 2017) © All Rights Reserved. International Air Transport Association, 2017. Airlines Financial Monitor (May 2017). © All Rights Reserved. Flightglobal.

The Airline Model

Over the last ten years the aviation industry has seen a remarked evolution of the airline business model. With an industry driven by consistent passenger growth and demand over the last thirty years and a market that was much dominated by legacy carriers only fifteen years ago, the sheer scale of the business has allowed for the emergence, growth and success of various low-cost models. These low-cost models de-bundle the airfare and rather than allowing passengers to be observers in their experience, allow passengers to drive that experience. The success of low-cost started in the short-haul market with the likes of Ryanair, EasyJet and Wizz Air (all three are European short-haul low-cost airlines) leading the European short-haul market. These three carriers have the lowest average fares at just over EUR 55, as well as the lowest cost base. In the last five years and very much aligned with the low fuel price environment, the industry has seen the model evolve which has led to a race in the long-haul low-cost market. In 2016, IAG (International Airlines Group) announced that it was in the process of developing a long-haul low-cost brand under the IAG umbrella that would serve key US and Latin American destinations out of Barcelona and enhanced by Vueling's (an IAG low-cost airline based in Barcelona) feeder traffic. Shortly thereafter, Norwegian (both a low-cost short-haul and long-haul airline with multiple bases around Europe and the US) announced that it would begin long-haul low-cost operations out of Barcelona, but only in the winter of 2017. IAG understood that a big advantage to a successful long-haul low-cost operation would be a swift start and LEVEL (an IAG long-haul low-cost airline) was launched in March 2017, operating under Iberia's AOC (Air Operator's Certificate) with flights commencing in June 2017. For LEVEL's success, its launch timing was everything. Argentina, a key market that is being developed by many airlines now that the government has allowed for a more competitive market place, is being serviced from Barcelona by LEVEL and with a six month lead time over rival Norwegian.

If we consider the Ryanair short-haul model, it has been one of no frills, no luxury, focused on getting people from A to B in a timely manner. It has evolved its ancillary revenue model over time to offer more on board food service, car hire (as many others do), with a big focus this year on bringing its partner hotel base from 5 hotels to about 200, so that an entire holiday experience can be booked through Ryanair. This is nothing new; British Airways have been offering much the same service for many years in terms of booking a holiday through the airline, but a focus on increased ancillary revenues is key to maintaining a profitable low-cost model which Ryanair does very well.

However, what Ryanair does not offer is an idea that lies somewhere between low-cost and luxury models. It is an idea that LEVEL and Norwegian have picked up on which is crucial in the development of the long-haul low-cost brand, in that you can sell a low-cost ticket but you will not build a brand on that basis alone. An airline needs to provide passengers with an identifiable consumer product. This includes allowing customers to access WIFI and charge their devices when on board, a choice from a better menu (even when one is paying for it). These airlines have understood that if they can operate at a low unit cost basis as well as provide the consumer with a menu of add-on options to enhance their experience and they do that in a user friendly and customer focused way, they can extract a lot more value in ancillary revenues and build a strong brand. When LEVEL was announced in March 2017, they launched a YouTube video with a message that people are growing up in the internet era, and through that medium we have seen some of the world, but LEVEL will take us the

rest of the way there. LEVEL's focus is very much on giving people the opportunity to fly affordably, but in style and by doing that encouraging more people to get on board.

Ten years ago, the industry was less customer focused and driven, whether across low-cost or legacy airlines. Some airlines are becoming more efficient whilst focusing on the brand and how that translates across to the consumer in the best way. Whether it is a long-haul low-cost model, a short-haul low-cost model, a legacy carrier or a Gulf carrier, the key to success is in the brand and its development as an experience for the customer – it has to be aspirational. If that is done against the backdrop of a low unit cost basis (Emirates as a Gulf carrier does this incredibly well with a targeted fleet of Airbus A380 and Boeing 777 aircraft driving its costs down and yet providing an exceptional customer experience that has driven its brand to new heights and acknowledgement), then those airlines are on the right track.

[A Note on the Gulf Carriers](#)

The recent isolation of Qatar Airways from various other Middle Eastern nations created a shock in the region; however the airline has focused on redeploying capacity to under-served markets which it had previously not had capacity to serve. There have been various shocks in the Middle East over time and the Gulf carriers are used to them. Qatar, looking to short term lease aircraft to British Airways during a BA cabin crew strike is resourceful and speaks to Qatar's flexibility to adapt. This applies to all the Gulf carriers that had to make adjustments in light of PED (personal electronic devices) bans on US bound trips, which they did quickly and efficiently. As of 6 July 2017, Etihad, Emirates and Qatar are no longer affected by the PED ban. It is important to note that Middle Eastern carriers saw an increase in international passenger volumes by 10.8% year-on-year in April 2017, following the PED ban.

Source: Flightglobal, Airbus, Ryanair, International Air Transport Association 2017. Air Passenger Market Analysis (April 2017) © All Rights Reserved. International Air Transport Association, 2017.

EMIRATES GROUP: KEY FACTS FROM THE 2016-2017 ANNUAL REPORT¹

- In 2016-2017, Emirates marked its 29th consecutive year of profit, recording a profit of AED 1.250 billion (US\$ 340 million).
- Emirates carried a record of 56 million passengers in 2016-2017, an additional five million passengers compared to last year, across 156 destinations and 83 countries. Introducing new destinations, increasing frequencies and utilising larger aircraft such as the A380, increased passenger numbers.
- Emirates faced a multitude of challenges in the past year, including geo-political turbulence in various parts of the world, heightened concern around immigration on an international scale, with enhanced security procedures impacting operations to the US. This has impacted Emirates bottom line; however revenue and other operating income increased slightly against last year by AED 0.2 billion to AED 85.1 billion (US\$ 23.2 billion).
- Lower fares and unfavourable currency impacts lowered yields with the deterioration of various currencies against the US\$ impacting revenue by 3%. Emirates has a very balanced and diversified revenue distribution with the contribution from each geographic region remaining under 30% of total revenue.
- Continuing the positive trend, EBITDAR was AED 21.2 billion (US\$5.8 billion), the second highest ever reported by Emirates.
- Emirates increased capacity, measured by Available Seat Kilometres (ASKs) by over 10%. Passenger load factors dropped marginally against the backdrop of some of the challenges faced by the aviation and travel industry.
- Emirates has invested heavily into its digital and technological transformation. Its mobile application is now available in 18 different languages, which has increased mobile bookings by 200%.

¹ In relation to the Emirates Annual Report, all figures reported in USD are based on the AED/USD FX rate of 3.67.

- Emirates took delivery of 35 widebody aircraft and retired 27, further reducing its average fleet age from 74 months to 63 months.
- Emirates SkyCargo is the world's largest cargo airline and plays a key role in Emirates' overall operations. This year, SkyCargo contributed 13% to the airlines' total transport revenue.
- Emirates launched the world's first interactive amenity kit for economy class passengers, utilising augmented reality technology in the kit bag design with customers able to scan the kit bag using their mobile devices to experience exciting content during or after their flight. Enhancing the customer experience in such a way is revolutionary in the industry and further cements Emirates' brand on the international stage.

Source: Emirates Group Annual Report 2016-2017.

ETIHAD AIRWAYS: KEY FACTS

- As of July 2017, the airline had 125 aircraft in its fleet comprising a mix of narrow and wide-body aircraft with an average age of 6.5 years. The airline has 3 freighter and 6 passenger aircraft types and also has A350 aircraft on order.
- The airline boasts an extensive global network with 112 destinations currently within its network. In 2016, the airline transported 18.5m passengers across its network, a 5.1% increase on its 2015 traffic and operated at a 79% load factor.
- As of 1 July 2017, Etihad will begin service with an A380 on flights between Abu-Dhabi and Paris Charles De Gaulle. The service will help meet growing demand and allow the airline to operate an all-A380 route between Paris and destinations such as Melbourne and Sydney.

Source: Flightglobal. Etihad Airways.

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