

AMEDEO AIR FOUR PLUS LIMITED

LSE: AA4

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 210,080,000 as of June 30th 2015.

Investment Strategy

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

The Company acquired two Airbus A380 aircraft at the end of May 2015. These two aircraft have been leased to Emirates Airline ("Emirates") for an initial term of 12 years with fixed lease rentals for the duration. In order to complete the purchase of the aircraft, subsidiaries of Amedeo Air Four Plus Ltd. ("AA4 Plus") entered into debt financing agreements with a senior fully amortising loan of USD 299,757,240 and a junior balloon loan of USD 70,000,000. AA4 Plus used the equity proceeds, in addition to the finance agreements to finance the acquisition of the two Airbus A380 aircraft. The Company plans to acquire an additional two A380s in 2015 using the remaining proceeds from the initial equity raise, as well as entering into debt financing agreements in order to purchase these aircraft.

The Company receives income from the leases and its Directors are 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 placing price of 100p per share.

The total return for a shareholder investing today at current share price (30 June 2015) consists of future income distributions during the remaining lease duration and a return of capital at dissolution of the Company. 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 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 Facts (30 June 2015)

Listing	LSE
Ticker	AA4
Current Share Price	104p (Closing)
Market Capitalisation	GBP 210,080,000
Initial Junior Debt (two aircraft) ¹	USD 70,000,000
Outstanding Junior Debt Balance ¹	USD 70,000,000
Initial Senior Debt (two aircraft) ²	USD 299,757,240
Outstanding Senior Debt Balance ²	USD 297,184,754
Current / Future Anticipated Dividend	2.0625p per quarter (8.25% per annum)
Earned Dividends	Dividend declared at 2.0625p
Current Dividend Yield	7.93%
Dividend Payment Dates	April, July, October, January
Currency	GBP
Launch Date / Price	13 May 2015 / 100p
Average Remaining Lease Duration	11 years 3 months
Incorporation	Guernsey
Aircraft Registration Numbers (Lease Expiry Dates)	A6-EEY (04.09.2026) A6-EOB (03.11.2026)
Asset Manager	Amedeo Limited
Corp & Shareholder Advisor	Nimrod Capital LLP
Administrator	JTC (Guernsey) Limited
Auditor	Deloitte LLP
Market Makers	Jefferies International Ltd, Numis Securities Ltd, Shore Capital Ltd, Winterflood Securities Ltd
SEDOL, ISIN	BWC53H4, GG00BWC53H48
Year End	31-Mar
Stocks & Shares ISA	Eligible
Website	www.aa4plus.com
<small>1 Interest only bullet loan for the remainder of the lease. 2 Fully amortising senior loan for the remainder of the lease.</small>	

Asset Manager's Comments

I. The Assets

The Airbus A380s are registered in the United Arab Emirates under the registration mark A6-EEY and A6-EOB. For the period from original delivery of the aircraft to Emirates in September and November 2014 respectively, until the end of June 30th 2015, collective flight hours reached 6,147 with a total of 1,021 flight cycles registered. This equates to an average flight duration of approximately six hours. The A380s owned by the Company visited London, Amsterdam, Hong Kong, Frankfurt, Paris, Munich, Zurich, Rome, Singapore, Shanghai, Beijing, Incheon, Barcelona, Manila, Jeddah, Mumbai, Mauritius and Hamburg.

Maintenance Status

Emirates maintains its A380 aircraft fleet based on a maintenance programme according to which minor maintenance checks are performed every 1,500 flight hours and more significant maintenance checks (C checks) at 24 month or 12,000 flight hour intervals, whichever occurs sooner. Between September 2014 and the end of June 2015 the aircraft underwent the first "A" Checks as part of scheduled maintenance. These works took place in the airline's engineering facility at Dubai International Airport. Emirates staff carried out a number of minor modifications to bring both aircraft up to the current production standard. Emirates bears all costs (including maintenance, repair and insurance) relating to the aircraft during the lifetime of the lease.

Inspections

The Asset Manager will carry out a scheduled inspection of both aircraft in approximately 15 months at the next "C" check or 24 month interval.

II. Market Overview

In the latest IATA study published on Airport Capacity Constraints, IATA estimates that by 2035 constraints from regulated growth will lead to 118 million unavailable passenger departures. Over 10% of people wishing to travel by air will be unable to fly.

As of 5 June 2015, the price of jet fuel was 38.1% lower compared with June 2014 (with a current price of \$73.7 per barrel). The decline in oil prices has positively impacted passenger demand, measured in revenue passenger kilometers (RPKs), by 6.3% year-on-year. According to Tony Tyler, Director General of IATA, low oil prices should stimulate air travel and lower energy costs should further boost demand. RPKs in the Middle East have shown an increase compared with last year at 10.9%, highlighting phenomenal growth in the region. Similarly, the increase in available seat kilometers (ASKs) on international markets has risen 0.8% month-on-month. IATA predicts strong regional growth in the Middle East with RPKs and ASKs at 12.9% in 2015. However, growth in seats has not picked up speed with growth in demand (RPKs). Despite business confidence wavering in emerging markets, the improvement in advanced economies, should boost international travel.

Passenger load factors are currently at 79%, slightly below the latest predicted IATA 2015 figure of 80.2%. Generally, domestic and international markets have performed well in the first two quarters of 2015. This reflects the impact of the Lunar New Year with a boost to leisure travel especially in Asia Pacific.

The growth in traffic as well as the increase in airport constraints is expected to cause airlines to favor larger aircraft like the A380 in order to better serve this demand. At the Paris Airshow on June 17th, Airbus increased its high capacity market forecast for the next twenty years, due to increased passenger traffic and citing higher demand for very large aircraft.

Source: IATA

III. Emirates

Emirates Group announced another phenomenal year of profit for 2014. Revenue and other operating income increased by 7.5% from the previous year, reaching a high of USD 24.2 billion. As of 31 March 2015, the airline's net profit reached USD 1.2 billion, an increase of 40% from the previous year, despite various factors which negatively impacted results. These (negative) factors included an 80 day runway upgrade at Dubai International Airport, which saw capacity

reduce by 9%, the Ebola outbreak that involved the re-routing and cancellation of many flights to and from Africa and the reduction in oil price as an operating cost benefit which was offset by the rise of the US dollar against many revenue generating currencies for the airline. Despite this, the cash profit from operations or EBITDAR margin increased by 2%pts from last year to 22.8%, further highlighting Emirates' growth in the past year, and the profit margin increased by 1.2%pts compared with the previous year and held at 5.1%. With a strong increase in capacity (just under 9%), this reflects great performance for the airline.

Over the course of 2014, Emirates took delivery of 24 new wide-body aircraft, of which 12 were Airbus A380s, 10 Boeing 777-300ER and 2 Boeing 777 Freighters. Emirates celebrated the 50th A380 delivery and increased its route network to include popular destinations such as Chicago, Brussels, Abuja, Budapest and Oslo. The airline also increased frequencies to 34 destinations in line with a capacity increase of 9%. Emirates currently has 59 A380-800s in operation of which 24 are under operating leases, 31 under finance leases and 4 owned by Emirates Group. Over the last year Emirates has raised USD 5.1 billion in aircraft financing. Emirates has 81 Airbus A380s currently on order. In 2014, Emirates carried almost 11% more passengers, reaching passenger numbers of just under 50 million.

In 2014-2015, Emirates became the largest international airline with ATKMs reaching over 50 million. Emirates strong passenger load factors at 79.6% (a 2% increase from 2013) and higher load factors on the A380, further cement the growing Emirates business model and the very large aircraft strategy within the airline. According to Emirates "the increased seat factor on the A380 fleet demonstrates the customer preference for this aircraft and the related products offered through its premium and economy cabins." With current operations to 32 destinations, nearly every fourth city across the Emirates network is now served by an A380. Emirates has used the A380 as a great way to increase traffic over the last year.

Emirates' continuing trend in growth further highlights the strength of its brand, ranking in the top 200 brands of the world. The Emirates brand is valued at USD 6.6 billion and is the world's most valuable airline brand according to the 2015 Brand Finance Global 500 Report. Brand strength in an ever competing market is imperative for successful business growth. The A380 is very much part of the Emirates brand building strategy. Emirates recorded a premium class seat factor of 1.3%pts stronger than the previous year, showcasing the fact that the Emirates' luxury brand is valued by its customers.

Source: Ascend, Emirates

IV. The A380

As of June 2015, 62 Emirates A380s serve a total of 32 destinations from Dubai International Airport: Amsterdam, Auckland, Bangkok, Barcelona, Beijing, Brisbane, Dallas, Frankfurt, Hong Kong, Houston, Jeddah, Kuwait, London Gatwick, London Heathrow, Los Angeles, Manchester, Mauritius, Melbourne, Milan, Mumbai, Munich, New York JFK, Paris, Perth, Rome, San Francisco, Seoul, Shanghai, Singapore, Sydney, Toronto and Zurich. Emirates will expand this network in the coming months to include Madrid and Dusseldorf.

Today's Global A380 fleet of 165 passenger aircraft across 13 airlines

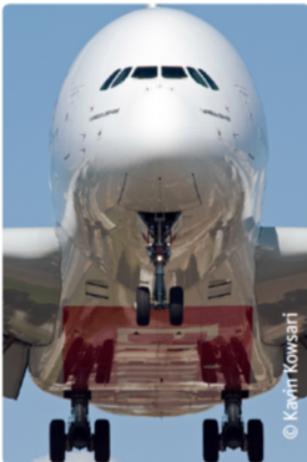
Emirates	62	Malaysia Airlines	6
Singapore	19	Thai Airways	6
Lufthansa	14	China Southern Airlines	5
Qantas	12	Qatar Airways	5
Air France	10	Asiana	4
Korean Air	10	Etihad Airways	3
British Airways	9		

In June 2015 Malaysia Airlines (MAS), following the tragic, much-publicised loss of two aircraft announced that the airline intends to remove a number of aircraft from its fleet. These include two of its six Airbus A380 aircraft, either through a sale, lease, or a sale and leaseback transaction. This statement was made after the carrier declared it was “bankrupt” and the potential disposal is part of its restructuring plan. In other news, the delivery of the initial Transaero A380s will most likely be delayed past the end of this year. According to Fabrice Bregier, Airbus CEO, the airline is facing commercial issues, mainly due to devaluation of the rouble and the shrinking tourist market in Russia. Transaero had ordered four aircraft in total.

Ten years after the first A380 take-off on 27 April 2005, the worldwide A380 fleet is transporting nearly three million passengers every month on some 200 flights daily.

Emirates’ President Tim Clark believes that the secondary market for the Airbus A380 will be a good opportunity for carriers to explore the economic capabilities of the jet: “It’s clear to me that there are carriers interested in the A380 that can’t afford one.” He believes the second-hand market for the type will be “fairly strong”, especially as passenger demand increases with a recovering global economy. In April 2015 Tim Clark said that used A380s present a “very good value proposition” for customers who “want to come in at a slightly lower price”

Source: Airbus, Ascend, Emirates.



Contact Details

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