

AA4P QUARTERLY REPORT

Amedeo Air Four Plus Limited

LSE: AA4

Report to Shareholders for the quarter ending 31 December 2018

THE COMPANY

Amedeo Air Four Plus Limited (“the Company”), a Guernsey domiciled company, commenced business in May 2015 and has its shares listed on the Specialist Fund Segment of the London Stock Exchange’s Main Market. Initially 202 million Ordinary Shares were issued at a price of 100p per share and subsequently the Company has concluded additional placings of shares at issue prices of 100p, 101p, 102p and 104p resulting in a total of 642,250,000 shares in issue as at 31 December 2018 (the “equity”).

With the share price on 31 December 2018 closing at 105.5p the market capitalisation then of the Company was GBP 677,573,750.

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 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, 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 financing may also be considered and pursued if the Directors consider it appropriate to do so to diversify the funding sources of the Company.

The Board’s intention is that, subject to finding suitable deals and obtaining subsequent Shareholder approval, the Company be grown into a larger vehicle owning a range of aircraft leased to more major airlines. The aim of such a strategy is to diversify the risk profile of the Company’s portfolio of Assets and lease credits whilst maintaining its target investor returns of a quarterly dividend of 2.0625p per share and a double digit total return.

The Board considered a number of transactions that Amedeo sourced in the market in 2018 but, in consultation with Amedeo and Nimrod, it was determined that, whilst diversifying the risk profile of the Company, these transactions could not support, on a standalone basis, the Company’s targeted quarterly dividend and would increase the USD revenue exposure and consequent variability of dividends of the Company. The Board therefore determined not to proceed with proposing to shareholders additional new business which could be dilutive to the Company’s current return profile. The Company will continue looking for opportunities in 2019, however, the predominance of USD as the aviation currency and the competitive pressures brought in by significant inflow of new capital into aircraft leasing, which has become a much more widely accepted investment class, mean that patience may be required to find the right deals.

CURRENT INVESTMENTS

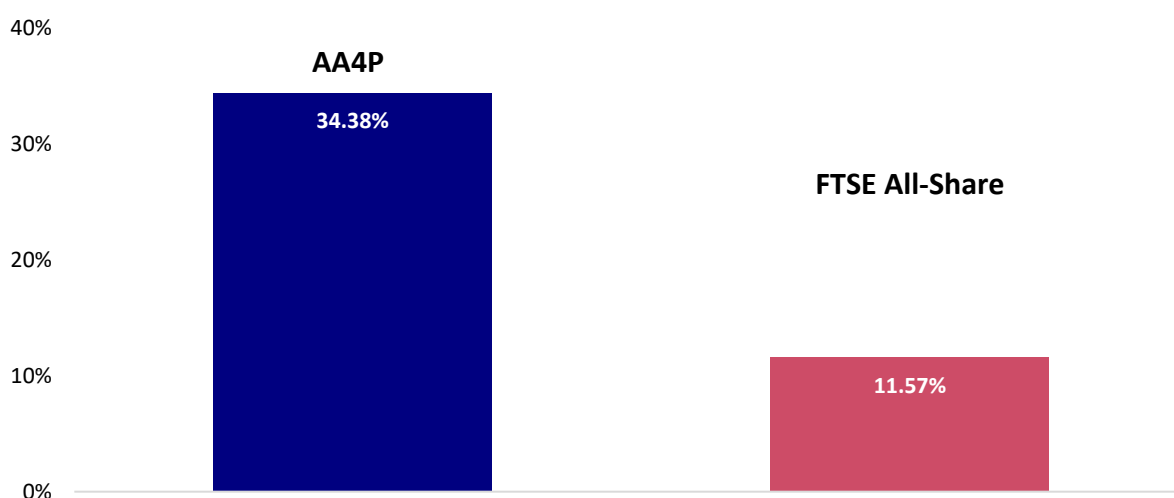
Since launch in May 2015 the Company has acquired eight Airbus A380, two Boeing 777-300ER and four A350-900 aircraft. Eight of these aircraft are leased to Emirates, two aircraft are leased to Etihad and four aircraft are leased to Thai Airways.

All aircraft are leased for a period of 12 years from each respective delivery date. To complete the purchase of these aircraft, subsidiaries of the Company entered into debt financing arrangements which together with the equity proceeds were used to finance the acquisition of the fourteen aircraft.

OVERVIEW (31 December 2018)

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	105.5p (Closing)	Asset Manager	Amedeo Limited
Current Targeted Distribution	8.25 pence per share p.a.	Corp & Shareholder Advisor	Nimrod Capital LLP
Market Capitalisation	GBP 677,573,750	Administrator	JTC Fund Solutions (Guernsey) Limited
Initial Debt	USD 2,440,757,240	Auditor	Deloitte LLP
Outstanding Debt Balance	USD 2,104,336,333	SEDOL, ISIN	BWC53H4, GG00BWC53H48
Current Dividend Yield (based on the Current Share Price)	7.82%	Year End	31-Mar
Currency	GBP	Stocks & Shares ISA	Eligible
		Website	www.aa4plus.com

AA4P TOTAL RETURNS SINCE IPO VS. FTSE ALL-SHARE INDEX



*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.

AA4P's total returns since IPO accounts for all dividends to date being reinvested. 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.

Returns calculated as of 31-Dec-2018.

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IMPLIED FUTURE TOTAL RETURN

Aggregated aircraft portfolio appraised residual value at lease expiry USD 1,565.86 million.

Income	Return of Capital	Total Return
Targeted Distributions (p)	Latest Appraisal (p)	Latest Appraisal (p)
79.8	145.0	224.8

The Total Return of a share is for illustrative purposes only and calculated using the following assumptions:

Latest appraisal values at each lease expiry for the portfolio being the average of three appraisers are as of 31-Mar-2018 and quoted in US Dollars.

The appraised value of the aircraft is the average of valuations provided by three independent external appraisers and quoted in US Dollars. This residual value at lease expiry takes inflation into account and is the most reliable estimate available in the Company's Asset Manager's opinion. Due to accounting standards, the values used in the Company's financial reports differ from this disclosure as they exclude the effects of inflation and are converted to Sterling at the prevailing exchange rate on the reporting date (31-Mar-2018).

The lease expirations for all current aircraft in the portfolio are spread out between September 2026 and January 2030, so are not coterminous and as such their aggregated appraised residual value is assumed to be realised in stages.

Targeted Distributions illustrates the future income distributions including all dividends payable from December 2018, inclusive. Upon lease expiry and sale of each aircraft sale proceeds are returned to Shareholders reducing the number of outstanding shares on a pro-rata basis on which distribution are paid.

The implied Total Return is not a forecast and assume the Company has not incurred any unexpected costs. The implied Total Return includes all currently known annual costs of the Company, including disposition fees. The Total Return is prepared on the assumption that each aircraft is sold at its Latest Appraisal value at the end of the lease term, all extant debts are paid off and proceeds immediately returned to Shareholders as a Return of Capital.

The implied Total Return assumes that no further aircraft will be acquired, but there may well be further acquisitions of aircraft (any such being subject to prior Shareholder approval).

The implied Total Return assumes that each lessee will honour its contractual obligations during each lease term and income distributions include all future targeted dividends.

There is no guarantee that the assets will be sold at Latest Appraisal values or that such implied Total Returns will be generated.

Assumes GBP/USD FX rate and applicable US 3-month LIBOR rate remains constant for the life of the respective leases. GBP/USD FX Rate: 1.2754 (as at 31-Dec-2018); 3M USD LIBOR Rate: 2.81% (as at 31-Dec-2018) as sourced from Bloomberg.

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AMEDEO'S ASSET MANAGEMENT REPORT TO AA4P

Lessee	Model	MSN	REG	Delivery Date	Lease Expiry Date	Flight Hours	Flight Cycles	Last Inspection	Upcoming Inspection
Emirates	A380-861	157	A6-EEY	04/09/2014	04/09/2026	18,095	2,893	19/11/2017	19/02/2019
	A380-861	164	A6-EOB	03/11/2014	03/11/2026	17,915	2,843	18/03/2018	18/03/2019
	A380-861	187	A6-EOM	03/08/2015	03/08/2027	17,414	1,608	19/11/2017	19/02/2019
	A380-861	201	A6-EOQ	27/11/2015	27/11/2027	12,631	1,989	19/11/2017	19/02/2019
	A380-861	206	A6-EOV	19/02/2016	19/02/2028	12,112	1,926	18/03/2018	18/03/2019
	A380-861	208	A6-EOX	13/04/2016	13/04/2028	11,255	1,794	18/03/2018	18/03/2019
	777-300ER	42334	A6-EPO	28/07/2016	28/07/2028	10,327	2,610	27/06/2018	27/06/2019
	777-300ER	42336	A6-EPQ	19/08/2016	19/08/2028	10,567	2,356	27/06/2018	27/06/2019
Etihad	A380-861	233	A6-API	24/03/2017	24/03/2029	9,311	972	03/07/2018	03/07/2019
	A380-861	237	A6-APJ	24/05/2017	24/05/2029	8,409	851	18/09/2018	18/09/2019
Thai	A350-900	123	HS-THF	13/07/2017	13/07/2029	6,534	1,077	18/09/2018	18/09/2019
	A350-900	130	HS-THG	31/08/2017	31/08/2029	6,191	954	18/09/2018	18/09/2019
	A350-900	142	HS-THH	22/09/2017	22/09/2029	5,889	922	18/09/2018	18/09/2019
	A350-900	177	HS-THJ	26/01/2018	26/01/2030	4,077	677	18/09/2018	18/09/2019

The utilisation figures above represent the totals for each aircraft from first flight to 30-Nov-2018

IATA ECONOMIC ANALYSIS

- Annual growth in industry-wide revenue passenger kilometres (RPKs) is expected to reach to 6.5% for 2018 (based on December 2018 data), having slowed to an eight-month low of 5.5% in September.
- Nearly three-quarters of the increase in industry-wide RPK growth between September and October was driven by European airlines. Given mixed signs on the economic backdrop in the region it is unclear if this can be sustained.
- As of December 2018, airlines based in Asia Pacific are expecting international RPKs for 2018 to reach 8.5%.
- Strong momentum in the US economy has helped to drive robust international passenger demand for North American airlines in recent years.
- Meanwhile, although carriers based in Latin America posted faster year-on-year growth than their Northern counterparts in October (5.9%), the key point is that much of this growth took place in Q1 2018. Overall, North American airlines delivered the strongest net post-tax profits of any region for 2018.

2018 Industry Overview: Global Perspective

- Consumers continue to benefit from lower real travel costs, more routes globally and are forecast to spend 1% of world GDP on air transport in 2018. Increasing tendencies towards protectionist attitudes throughout 2018 and rising global debt levels are key risks to continued economic growth. Despite current risks, global economic growth forecasts for 2019 are set at 3%.
- Global passenger traffic for the year to date has seen strong demand and high load factors for 2018. Airline profitability has seen a squeeze in profit margins due to higher input costs in the latter half of the year. Strong earnings are expected to continue but will decrease slightly from the record levels currently reported as a consequence of increased jet fuel and labour costs.
However, traffic growth in a year-on-year basis between January and November 2018 was 6.6%, compared to 7.7% the same period in 2017. This moderation in growth is mainly due to several weather-related disruptions, strikes, geopolitical developments, mixed economic conditions and a dampened demand for low air fares. However, while traffic growth moderated, it still improved the long-term average. Capacity growth has shown a very similar figure than the previous year period. As a result, load factor improved by only 0.4% in 2018 compared to 1% during the previous year. Nevertheless, traffic growth exceeded capacity growth for most regions.
- Currency volatility in some markets and rising operating costs have given cause to some airline bankruptcies and profit warnings during 2018. However, lessors and manufacturers note a low storage rate of their fleets due to the strong traffic demand globally. With a large majority of the underlying leased aircraft having been redeployed to other operators around the world and manufacturer's aircraft delivery slots reallocated bankruptcies have been contained.

International Air Transport Association, 2018. Airlines Financial Monitor September – October 2018.

Bloomberg Finance L.P © 2018. All rights reserved. Protectionism and Debt Are Biggest Threats to World Economy.

The World Bank Group, All Rights Reserved© 2018.Global Economic Prospects

Ishka, 2018. 2018 Traffic Update: Growth Moderates but Betters Long Term Average.

Airbus © 2018. All Rights Reserved. Market Update 2018.

EMIRATES GROUP

- Emirates posted revenue of AED 54.4 billion (US\$ 14.8 billion) for the first six months of its 2018-19 financial year, up 10% from AED 49.4 billion (US\$ 13.5 billion) during the same period last year. Profitability was down 53% compared to the same period last year, with the Group reporting a 2018-19 half-year net profit of AED 1.1 billion (US\$ 296 million). Emirates operating costs grew by 13% against the overall capacity increase of 3%. On average, fuel costs were 42% higher compared to the same period last year, this was largely due to an increase in oil prices (up 37% compared to same period last year), as well as an increase in fuel uplift of 4% due to Emirates' expanding fleet operations. Fuel remained the largest component of the airline's cost, accounting for 33% of operating costs compared with 26% in the first six months of last year.
- Total fleet stood at 269 aircraft including freighters as of the 2018-2019 half year. During the first six months of 2018-19, Emirates received 8 wide-body aircraft – 3 Airbus A380s, and 5 Boeing 777s, with 5 more new aircraft scheduled to be delivered before the end of the financial year. It also retired 7 older aircraft from its fleet with further 4 to be returned by 31 March 2019.

- Overall capacity during the first six months of the year increased a modest 3% to 31.8 billion Available Tonne Kilometres (ATKM). Capacity measured in Available Seat Kilometres (ASKM), grew by 4%, whilst passenger traffic carried measured in Revenue Passenger Kilometres (RPKM) was up 6% with average Passenger Seat Factor rising to 78.8%, compared with last year's 77.2%. Emirates carried 30.1 million passengers between 1 April and 30 September 2018, up 3% from the same period last year.
- Emirates further developed its partnership with flydubai, offering customers even more benefits. Customers also enjoy new flight choices as Emirates and flydubai continued to leverage their complementary networks to optimise flight schedules and offer new city-pair connections through Dubai, as well as open new routes including Kinshasa (Congo), Krakow (Poland), and Catania (Italy) in the first half of 2018-19.
- Due to the major engineering work at Dubai Airport in April and May 2019 resulting in slot restrictions and a reduced airport capacity, we understand that Emirates may be forced to ground around 48 A380 aircraft for approximately 45 days. The refurbishment will take place at a time when passenger traffic tends to slow down due to a seasonal lull and it is needed to improve capacity and safety, while paving the ground for future growth.

The Emirates Group. © 2018 All Rights Reserved. Emirates Group announces half-year performance for 2018-19

ETIHAD AIRWAYS

- As of December 2018, the airline had 108 aircraft in its fleet comprising a mix of narrow and wide-body aircraft with an average age of 6.4 years. The airline has A350, B787, B777 and A320 neo aircraft on order.
- The airline boasts an extensive international network of 77 destinations across 47 countries.
- Etihad increased its cargo capacity in 2018 by adding an additional passenger destination to Barcelona and opening up its global network to customers along key trade routes.
- Etihad posted an annual loss of US\$ 1.5 billion for the financial year ending 2017 as it dealt with the impact of terrorism in the EU, rising fuel costs and the entry into administration of Alitalia and AirBerlin. Etihad's CEO, Tony Douglas said the airline is "improving the quality of its revenues and streamlining its cost base. These are solid first steps in an ongoing journey to transform this business into one that is positioned for financially sustainable growth over the long term".
- Although Etihad posted annual losses for the financial year 2017-2018, the carrier claims a reduction in its core operational losses of 22% year-on-year as a result of its ongoing transformation efforts. Through exercising capacity discipline in some of its markets, Etihad has focused on their point-to-point traffic.

FlightGlobal.; Reed Business Information Limited Copyright © 2018. ANALYSIS: How Gulf giants have rethought capacity moves

FlightGlobal.; Reed Business Information Limited Copyright © 2018. Etihad claims overhaul progress but losses remain high

www.etihad.com

THAI AIRWAYS INTERNATIONAL

- Thai and its subsidiaries fleet totalled 102 aircraft as of December, 2018. In line with Thai fleet renewal plans, during the third quarter Thai decommissioned 2 Boeing B737-400 aircraft. Fleet utilisation for the period was 12.1 hours, equal to last year's. ASK's (Available Seat Kilometres) increased by 2.0% while passenger traffic, in RPKs (Revenue Passenger Kilometres), increased by 1.0%. Average load factors decreased by -0.7 points to 77.5% compared to that of last year.

- The third quarter of 2018 is normally a low-season period for the carrier; however, pressure from competition in the aviation industry and rising world oil prices causing the reduction of traveling demand while operating costs increased. In addition, Thai confronted various natural disasters during the quarter which included Typhoon Jebi forcing Kansai International Airport (Japan) to shut down operations due to a damaged runway; the Hokkaido earthquake and Typhoon Mangkhut.
- Thai's performance for the third quarter resulted in an operating loss of THB 3,934 million. Revenue for the quarter increased by 2.2% to THB 47,953 million. Total expenses increased by 11.3% from last year to THB 51,887 million mainly due to fuel expenses increasing by 29.4% to THB 15,391 million for the quarter. Non-fuel operating expense increased by THB 1,862 million (5.5%) from last year resulting from the upsurge in maintenance and overhaul expense as well as the increased number of aircraft on lease and spare parts.

Thai Airways International Public Company Limited. Management's Discussion and Analysis for three months ended September 30, 2018.

This report has been prepared for the Company by Amedeo Limited ("Amedeo") in its capacity as Asset Manager to the Company and is for the sole benefit of the Company. We agree to the disclosure of this report by the Company in its quarterly report to shareholders on the basis that in doing so Amedeo does not assume any responsibility or liability to any person other than the Company. Neither Amedeo nor any of its directors, officers or employees shall be responsible for any loss or damage suffered by any person, other than the Company, as a result of placing reliance on the contents of this report.

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Contact with the Board

The Directors think it important that any Shareholder should be able to contact the Board, through the Chairman or any individual Director if they wish to do so. Contact email and telephone numbers for each Director are set out below.

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