

AA4P QUARTERLY REPORT

Amedeo Air Four Plus Limited

LSE: AA4

30 September 2016

THE COMPANY

Amedeo Air Four Plus Limited (“the Company”) is a Guernsey domiciled company, which listed on the Specialist Fund Segment (“SFS”) of the London Stock Exchange’s Main Market on 13 May 2015 upon the admission of 202 million Ordinary Shares at an issue price of 100p per share. Subsequently, the Company has concluded three additional placing programmes with the admission to trading on the SFS of an additional 140,250,000 shares at an issue price of 100p, 101p and 102p, respectively. Now having 342,250,000 shares in issue, at a market price of 106.375 pence, the market capitalisation of the Company was GBP 364,068,438 as of 30 September 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 will seek 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.

After the acquisition of the Sixth Asset in Q2 2016, the Company's articles of incorporation provide that the Company may only acquire further aircraft with the approval of Shareholders by ordinary resolution in relation to each proposed acquisition. In circumstances where such approval is obtained, with respect to the placing and/or other equity capital raisings to be conducted in relation to the proposed acquisition, 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 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. A strategic aim of the Company is to diversify the risk profile of its portfolio of assets, as well as to potentially increase its target net annualised returns. In Q3 2016, the Company acquired its Seventh and Eighth Assets, both Boeing 777-300ERs leased to Emirates. Shareholder approval for these acquisitions was obtained at an extraordinary general meeting of the Company held on 27 June 2016. A prospectus was also published by the Company with respect to the placing programme to raise the required equity capital for these acquisitions. The first Boeing 777-300ER was acquired in July 2016 and the second Boeing 777-300ER in August 2016. The increase in the overall market capitalisation of the Company, following the acquisition of the Eighth asset will hopefully aid yet further liquidity in the trading of the Company's shares.

The Company will seek to further broaden its asset portfolio to include different aircraft types and different lessees in furtherance of its investment objective, and has asked Nimrod and Amedeo to pursue these policies as they seek further acquisitions and finance for them in the next 12 months.

In the event that further acquisitions of aircraft are proposed over the next 12 months, such proposed acquisitions will be submitted to Shareholders for their approval and, if such approval is obtained, further placings may be conducted under the placing programme to raise the required equity capital portion of the acquisition costs of any such additional aircraft.

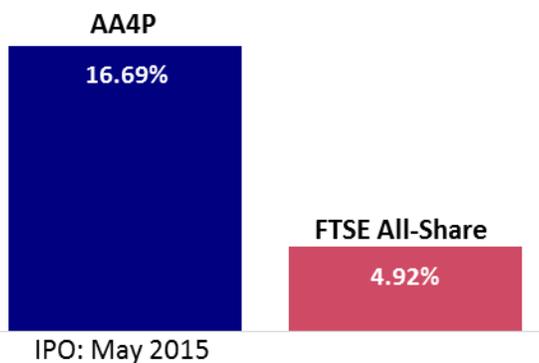
CURRENT INVESTMENTS

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 balloon loan. The Company used the equity proceeds, in addition to the finance agreements, to finance the acquisition of the eight aircraft. Rentals under each lease are sufficient to pay interest and to repay principal on the senior loan, and to pay interest (but not principal) on the junior loan. Junior loan principal will be repaid at lease expiry out of the proceeds of the sale, re-lease, refinancing or other disposition of the relevant Asset.

FACTS (30th September 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	106.375p (Closing)	Incorporation	Guernsey
Current Targeted Distribution	8.25% p.a.	Asset Manager	Amedeo Limited
Market Capitalisation	GBP 364,068,438	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 1,176,799,999	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 per Quarter	2.0625p (8.25 pence p.a.)	Stocks & Shares ISA	Eligible
Current Dividend Yield (based on the Current Share Price)	7.7556%	Website	www.aa4plus.com

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



	Total Return (Since IPO)	Annualised Return
AA4P	16.69%	12.09%
FTSE All-Share	4.92%	3.56%

*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 30 September 2016

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.

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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>Delivery Date</u>	<u>Flight Hours</u>	<u>Flight Cycles</u>	<u>Average Flight Duration</u>
A380-800	MSN 157 - A6-EEY	4-Sep-14	9013	1455	6 h 12 min
A380-800	MSN 164 - A6-EOB	3-Nov-14	8017	1301	6 h 10 min
A380-800	MSN 187 - A6-EOM	3-Aug-15	5868	540	10 h 52 min
A380-800	MSN 201 - A6-EOQ	27-Nov-15	3195	523	6 h 07 min
A380-800	MSN 206 - A6-EOV	19-Feb-16	2519	405	6 h 13 min
A380-800	MSN 208 - A6-EOX	13-Apr-16	1665	267	6h 14 min
777-300ER	MSN 42334 - A6-EPO	28-Jul-16	428	106	4h 15min
777-300ER	MSN 42336 - A6-EPQ	19-Aug-16	TBA	TBA	TBA

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/

Q3 2016

- Global passenger capacity has continued to trend upwards, with year-to-date load factors at 80%.
- Worldwide Revenue Passenger Kilometres (RPKs) have increased 5.9% year-on-year.
- The launch of the iflyA380 website is a great search and book tool for passengers looking to fly on an A380 to their chosen destination.
- During Q3 2016, Brent crude oil prices rallied at the beginning of August from \$41/bbl to \$50/bbl by the end of the month. As of 30 September 2016, the price was \$48/bbl.
- Airbus is to halve its production output on the Airbus A380. This is a very positive move for the program, with the aim to balance supply and demand. Airbus Chief Executive Fabrice Bergier insists that the airframe manufacturer will continue to invest in the jet, and adds: "The A380 is here to stay."
- New OFAC licenses granted to both Airbus and Boeing will begin to allow the export of aircraft to Iran Air as part of large orders placed with the manufacturers earlier this year.
- Singapore Airlines have announced that they will not exercise their right to extend the lease at the same rent on the first of five A380s currently on lease. However, it remains to be seen whether Singapore Airlines will in fact return the aircraft. We are watching with interest to see how negotiations develop.
- Malaysia Airlines have confirmed that they will remarket their six A380s as they pursue a more regional network within Asia and require lower capacity aircraft.

UberAviation – The Future in Air Transportation

In the last five years, air transport has reached an age of uberisation, marked by key efficiencies and improvements in both technical and consumer products that will continue to be the pillar of what will be the future of aviation in the next ten to twenty years.

Passengers are beginning to define the terms by which a service is provided. The industry is seeing this in streamlined booking systems, user-friendly mobile applications, service etc. Last year, as part of its “Always Getting Better” customer focused initiative, Ryanair underwent a complete overhaul of their mobile application in order to improve various inefficiencies in the older version. Taking inspiration from Amazon, Ryanair also incorporated a “one click” payment feature. The app was seen as a crucial element in their evolution especially as EasyJet had a much newer application that made pre-flight processes simple to use.

Air transportation in the future will not only be focused on making a passengers’ journey easy, but thinking about traffic flows and designing airspace in a way that will meet consumer needs in the next twenty years. Hong Kong airspace is restricted by the local terrain and proximity to the national boundaries of China and Macau limiting its operational capabilities. Similarly, flights from Taiwan to mainland China are not permitted to fly directly towards their destination and are required by China to circumnavigate an airspace boundary between the two countries. These kinds of infrastructural issues create an inconvenience for both passengers as well as airlines.

The Mexican bus company IAMSA teamed up with Irelandia to create an ultra-low-cost airline in Mexico - VivaAerobus with a business model designed to replace a percentage of Mexico’s inefficient bus traffic to air traffic links instead. VivaAerobus is providing a service to its customers that begins from the front door to the final destination, greatly increasing its value.

The passenger’s voice is a strong one. In the last two years we have seen the demand for Wi-Fi connectivity push many airlines to provide a Wi-Fi service on-board. Airlines currently charging for this service, such as American Airlines, will eventually be forced to provide this as part of their basic service.

In the last ten years, airlines have had to establish customer service teams that deal with customer feedback through social media channels. The ratings that are prompted by Uber following a journey, will be a common thing on airline applications in the future. Airlines play a big role in the modernisation of air transportation, but issues with infrastructure remains a limiting barrier.

The emerging middle class in regions such as Latin America, India and Asia-Pacific, over time will demand better connectivity between regions. Despite having almost 35% of the world’s population, India and China have limited direct routes between the two countries. In 2015, there were only six direct routes between both countries, operated from five airports in China and three in India. Indirect or connecting flights account for about 70% of all traffic between China and India.

There are many passengers in emerging markets that have to travel extensive distances to reach an airport from where they live. With more disposable income, the emerging middle class will require improvements in infrastructure in order to be able to travel. Building airport infrastructure will become a requirement to feeding traffic into major hubs. If today we see 43 major hubs or mega-cities, we will see close to 100 in another twenty years. ProSky a subsidiary of Airbus, is currently working on improving efficiencies in the Bogota airspace. Bogota's airport is surrounded by mountains and will struggle to handle increased long-term passenger traffic unless efficiencies are implemented in the use of its airspace. More widebody aircraft will be required in order to facilitate this growth in hub-to-hub traffic. Although consumers might not always see how the aviation landscape is evolving, it is constantly reinventing itself into what will become the UberAviation of the future.

THE LESSEE: KEY FACTS FROM THE 2015 - 2016 ANNUAL REPORT

- Emirates carried 51.9 million passengers, an 8% increase over the previous financial year. This was largely attributed to an increase in capacity of 13% measured in Available Seat Kilometres.
- Emirates' revenue of US\$ 23.2 billion decreased slightly by 4%, mostly as a result of significant currency devaluations against the US dollar and fare adjustments following the reduction in fuel prices.
- The airline achieved a record net profit in its 30 year history of US\$ 1.9 billion (up 56%) mainly shaped by successfully applying increased competitive pressure across all markets.
- Emirates maintain a balanced revenue distribution policy across all markets with no region contributing more than 30% of revenue. Revenue in the Americas was up by 9% compared to the previous financial year.
- Continuing a very positive trend, the EBITDAR increased annually by 21% over the last two years to US\$ 6.7 billion.
- Emirates maintains a sound liquidity position underpinned by sizeable cash reserves, strong cash-flow generating capabilities and continuous monitoring.
- 29 new aircraft were added to the network of which 10 were placed through the balance sheet and 19 on operating leases.
- The fleet grew to 251 aircraft following the addition of 29 new aircraft with 9 aircraft phased out. Emirates maintains an average fleet age of 6.2 years against the industry average of 11.7 years.
- Overall passenger load factor was 76.5%. Against the backdrop of increased capacity and the introduction of the new two-class A380 service, the economy class load factor was 79.2%, highlighting consumer appetite for the Emirates product.
- Total operating costs decreased by 8% over the previous financial year. The decline in oil prices has improved Emirates' bottom line. The average fuel price decreased by 39% year-on-year and contributed to the reduction in unit costs by 16%. Without accounting for fuel costs, unit costs were down 5%.
- Emirates launched eight new passenger destinations: Bali, Bologna, Cebu, Clark, Istanbul (Sabiha Gökçen), Mashhad, Multan, Orlando and added services and capacity to 34 cities on its existing route network.

Source: Emirates Group Annual Report 2015-2016



Source: Emirates

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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