

# AA4P Factsheet

Amedeo Air Four Plus Limited

LSE: AA4

Report to Shareholders as at 31 March 2021

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## MESSAGE FROM THE CHAIRMAN

Dear Shareholders,

The past year has been the most difficult in aviation outside wartime. We have had to take decisions and actions based in part on governmental actions and predictions which have proved to be either wrong or misleading, such as the prediction that, after a short sharp downturn in Q2 and Q3, there would be a resurgence in Q4 when vaccines would hopefully restore international travel. In fact, Q1 2021 was worse than Q4 2020 and the more cautious predictions that such travel would take at least until 2023 to achieve historic growth levels seem more likely.

The process of rehabilitation of Thai Airways continues and our assumption that it would be the end of Q2 2021 before resolution was achieved remains the most likely outcome. The Rehabilitation Plan was presented to the Official Receiver on 2 March 2021 and it is expected that the Official Receiver will approve the Plan with creditor groups on 12 May 2021, following which the Board intends to make a further announcement to update shareholders. Subject to the timely approval of the Plan, the Board anticipates that the Company's new arrangements with Thai Airways and, crucially, the restructuring of debt with its lenders, will be documented and effective in June/July 2021.

Although unpopular, the Board's decision that preservation of liquidity was crucial to the Company's task of seeing out the Covid crisis has proven to be the correct one. The Board has also taken the decision to suspend quarterly dividends until the rehabilitation of Thai Airways and agreement with the Company's lenders are complete which, as set out above, is currently expected in June/July 2021. The Board is committed to reinstating a sustainable dividend policy as soon as is practicable.

Shareholders will be aware that we have maintained interest payments to our Thai lenders, having entered into forbearance agreements with these banks, as we believe that the eventual resumption of payments from Thai Airways and an agreement on long term debt restructuring will result in the Company being in a far stronger position than allowing the debt to default and resulting in the repossession of the Thai aircraft.

On a brighter note, Emirates has faithfully performed its obligations, has identified three out of our six A380 aircraft for upgrade to Premium Economy seating, and has re-affirmed its support for the hub and spoke model and for the A380 within its fleet even whilst around 100 of their aircraft remain grounded. This is without, it must be said, specifying actual fleet numbers and whilst at the same time appearing to see an equally positive business case for twin widebody operations on routes which cannot support A380 or indeed 777X operation. Their enthusiastic adoption of a fast vaccination programme in the UAE, trialling of the IATA Travel Pass initiative and fast testing and immigration procedures seems to be the way that, slowly but surely, and only when domestic travel has first restored itself, international travel will return.

I welcome Liberum Capital as our new corporate broker. I invite you to make regular contact with them as from now on they are your initial point of contact. Their team has rapidly and openly engaged with the Board and with Amedeo.

Finally, the Company announces that a formal search for a new independent non-executive director has commenced and a further announcement will be made in due course.

Yours sincerely,

Robin Hallam  
Chairman

## THE COMPANY

Amedeo Air Four Plus Limited (“the Company”), a Guernsey domiciled company, initiated business in May 2015 and has 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 that resulted in a total of 642,250,000 shares in issue. On 25 September 2020, the Company compulsorily redeemed 214,083,243 shares at 46p per share as a means of equitably returning to shareholders part of the proceeds of two aircraft sold to Etihad. On 18 February 2021, 5,975,000 shares were issued as part of the termination agreement with Nimrod Capital LLP, resulting in a total of 434,141,757 shares remaining in issue (the “equity”). With the share price on 31 March 2021 closing at 24.00p, the market capitalisation then of the Company was GBP 104,194,022.

## CURRENT INVESTMENTS

Since launch in May 2015, the Company has acquired eight Airbus A380s, two Boeing B777-300ERs and four Airbus A350-900s aircraft. Two A380s were sold in February 2020. The current fleet consists of six A380s and two B777-300ERs leased to Emirates and four A350-900s aircraft 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 equity proceeds, were used to finance the acquisition of the twelve aircraft.

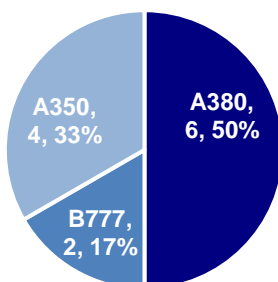
## OVERVIEW (31 March 2021)

Listing	LSE
Ticker	AA4
Share Price	24.00p (Closing)
Market Capitalisation	GBP 104,194,022
Shares Outstanding	434,141,757
Outstanding Debt Balance	USD 1,432,678,152
Currency	GBP
Year End	31-Mar

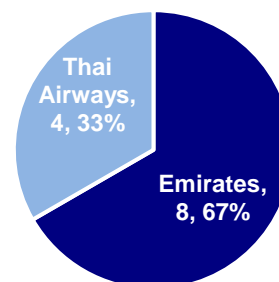
Launch Date / Price	13 May 2015 / 100p
Incorporation	Guernsey
Asset Manager	Amedeo Limited
Corporate & Shareholder Adviser	Liberum Capital Limited
Administrator	JTC Fund Solutions (Guernsey) Limited
Auditor	KPMG, Dublin
SEDOL, ISIN	BKY41C6, GG00BKY41C61
Stocks & Shares ISA	Eligible
Website	<a href="http://www.aa4plus.com">www.aa4plus.com</a>

## AA4P PORTFOLIO BREAKDOWN

**By Aircraft Type**



**By Operator**



## AA4P PORTFOLIO UPDATE provided by Amedeo Limited, the Company's Asset Manager

As set out in the Company's Factsheet of 15 January 2021, discussions with Thai Airways ("Thai") and the respective lenders around the status of the Company's aircraft leased to Thai remain in process. On 2 March 2021, Thai submitted its Rehabilitation Plan to the Official Receiver, who will now review and consider the plan before providing a decision to approve or request further clarifications on 12 May. The Asset Manager and the carrier's Planners have concluded arrangements which allow for the potential for Thai to start operation of the Company's aircraft on a power by the hour (PBH) basis and the aircraft have been removed from long-term storage, with all overdue maintenance requirements completed. This indicates Thai's intention to progress its commercial operations, however given the rise in cases within Thailand and threats of COVID variants, the government is looking to potentially re-implement travel restrictions, which will ultimately impede Thai's plans to operate the Company's aircraft. Negotiations are still being progressed and finalised with the carrier to ensure that the Company's aircraft remain a core part of Thai Airways' fleet post-rehabilitation. Further detail will be disclosed by the Company following the Court approvals of the Restructuring Plan.

Emirates continues to fulfil its current lease obligations. The airline will likely release its 2020/21 financial statements during Q2 2021. The Company has given permission to Emirates to add "premium economy" to three of its A380 aircraft. MSNs 201, 206, & 208 have been selected by Emirates to undergo the modification and the airline will bear the cost in full. The Company is encouraged by this step forward in Emirates' A380 programme and believes that the cabin refurbishment will enhance the value of its aircraft.

## AMEDEO'S ASSET INSPECTION REPORT TO AA4P

*The utilisation figures below represent the totals for each aircraft from first flight to 31 March 2021*

Lessee	Model	MSN	REG	Delivery Date	Lease Expiry Date	Flight Hours	Flight Cycles
Emirates	A380-861	157	A6-EEY	04/09/2014	04/09/2026	23,633	3,761
	A380-861	164	A6-EOB	03/11/2014	03/11/2026	23,475	3,773
	A380-861	187	A6-EOM	03/08/2015	03/08/2027	23,992	2,209
	A380-861	201	A6-EOQ	27/11/2015	27/11/2027	17,707	2,799
	A380-861	206	A6-EOV	19/02/2016	19/02/2028	18,900	3,007
	A380-861	208	A6-EOX	13/04/2016	13/04/2028	16,110	2,543
	B777-300ER	42334	A6-EPO	28/07/2016	28/07/2028	17,864	4,394
	B777-300ER	42336	A6-EPQ	19/08/2016	19/08/2028	17,887	4,097
Thai Airways	A350-900	123	HS-THF	13/07/2017	13/07/2029	12,675	2,149
	A350-900	130	HS-THG	31/08/2017	31/08/2029	12,508	2,010
	A350-900	142	HS-THH	22/09/2017	22/09/2029	12,249	2,014
	A350-900	177	HS-THJ	26/01/2018	26/01/2030	10,745	1,764

### Recent Technical Activity:

- No significant technical events have been reported by Emirates for this period.
- No significant technical events have been reported by Thai Airways for this period.
- Emirates aircraft have been grounded from the end of March 2020, with the exception of the B777-300ER aircraft and MSN 206.

- Thai Airways aircraft have undergone the relevant checks and confirmed as serviceable and seen limited operations apart from MSN 142 which will aim to return to service soon.
- Emirates fleet last operated as per the dates listed below:
  - MSN 157: 23 March 2020
  - MSN 164: 19 March 2020
  - MSN 187: 24 March 2020
  - MSN 201: 21 March 2020
  - MSN 206: In service (Last revenue flight on 31 March 2021)
  - MSN 208: 24 March 2020
  - MSN 42334: In service (Last revenue flight on 31 March 2021)
  - MSN 42336: In service (Last revenue flight on 31 March 2021)
- Thai Airways fleet last operated as per the dates listed below as of 31 March 2021:
  - MSN 123: 14 March 2021
  - MSN 130: 10 April 2021
  - MSN 142: 26 March 2020
  - MSN 177: 14 February 2021

## Industry Update: COVID-19

On 3 February 2021, The International Air Transport Association (IATA) announced full-year global passenger traffic results for 2020 showing that demand (RPKs) fell by 65.9% compared to the full year of 2019. IATA describes this as by far the sharpest traffic decline in aviation history. International passenger demand in 2020 was 75.6% below 2019 levels, while capacity, measured in ASKs, declined 68.1% and load factor fell 19.2 percentage points to 62.8%. Unsurprisingly, Domestic demand in 2020 was slightly better than international demand, but was still down 48.8% compared to 2019 levels, while capacity contracted by 35.7% and load factor dropped 17 percentage points to 66.6%.

The impact of COVID-19 on the global economy has been severe and is expected to result in a 3.5% to 4.3% contraction in global GDP for 2020, followed by a recovery in growth between 4.0% and 5.5% in 2021, according to the International Monetary Fund and the World Bank. IATA anticipates an airline industry-wide net loss of USD 47.7 billion in 2021, according to its latest update from April 2021. IATA also revised the net loss estimate for 2020 from nearly USD 119 billion to more than USD 126 billion, due to larger than anticipated losses in the final quarter.

In April, IATA published the latest data from February performance show that total demand for air travel in February 2021 (RPKs) was down 74.7% compared to February 2019. That was worse than the 72.2% decline recorded in January 2021 compared to two year ago. Total domestic demand was down 51.0% versus pre-crisis, February 2019 levels. This weakening is largely driven by stricter domestic travel controls in China over the Lunar New Year holiday period. International passenger demand in February was 88.7% below February 2019, a further drop compared to the 85.7% year-to-year decline recorded in January and the worst growth outcome since July 2020. February performance in all regions worsened compared to January. Willie Walsh, IATA's Director General, claims that "February showed no indication of a recovery in demand for international air travel. In fact, most indicators went in the wrong direction as travel restrictions tightened in the face of continuing concerns over new coronavirus variants. An important exception was the Australian domestic market. A relaxation of restrictions on domestic flying resulted in significantly more travel. This tells us that people have not lost their desire travel. They will fly, provided they can do so without facing quarantine measures."

Despite the underwhelming results in 2021 thus far, IATA estimates that travel demand (RPKs) will recover to 43% of 2019 levels over the year. While that is a 26% improvement on 2020, it is far from a recovery. Domestic markets will improve faster than international travel. Overall passenger numbers are expected to reach 2.4 billion in 2021. That is an improvement on the nearly 1.8 billion who travelled in 2020, but well below the 2019 peak of 4.5 billion. Industry revenues are expected to total USD 458 billion. That's just 55% of the USD 838 billion generated in 2019 but represents 23% growth on the USD 372 billion generated in 2020.

## EMIRATES GROUP

### **Airline Operations:**

Despite the implications of the pandemic, Emirates has actively increased its flight network to progress its operations. Currently, Emirates has safely restarted operations to around 100 destinations within its global network. Emirates is also looking to improve its North American network, by resuming daily services to Newark via Athens from 1 June 2021. This route has been added to the US network of 10 destinations following the resumption of services to Seattle, Boston, Chicago, Houston, Los Angeles, New York, Washington DC, Dallas and San Francisco, which resumed on 2 March 2021. This is promising as there may be potential to deploy A380s if capacity and demand further improve.

Emirates' president Sir Tim Clark stated in February that the carrier will recover from the COVID-19 crisis without any fundamental changes to its business model. Rather, Emirates intends to use its mix of widebody aircraft to take advantage of anticipated supply-side shortages in medium- and long-haul sectors in the coming years. At the same time, he walked back his recent predication according to which medium- and long-haul international traffic would ramp up significantly in July and August this year but expects such developments in the last quarter of 2021: "At the end of the day, my view is that once we are through this, demand for air travel will return, consumer

confidence will return."

During a webinar that took place on 8 April, Sir Tim Clark publicized that Boeing's 777X programme is in "a state of disarray". Sir Tim Clark stated that he expects the jets will begin arriving "either [at] the back end of '23, '24 or possibly even '25", over five years later than scheduled. He also added that the absence of the aircraft is causing difficulties for the airline as it assesses its fleet and network strategy for the coming years. Emirates had planned to begin replacing some of its A380s with 777-9s, however given the delays, the timeline "has been shifted to the right". Amid the uncertainty, the Airbus A380 will potentially play an ongoing role at the carrier for at least another 15 years. The double-deck type has formed the backbone of the airline's fleet for over a decade, and Clark highlights that pre-pandemic the A380 accounted for 85% of profits and was "always full", proving popular across all classes, something that "we see continuing".

In an interview with the Khaleej Times in February, Emirates CCO, Adel Ahmed Al Redha, said the airline is operating around 30% of flights when compared to the pre-Covid-19 period. He said the airline recorded strong growth in passenger traffic of around 75-80% during December 2020 and January 2021 compared to the first months of the pandemic last year, which confirms that people are willing to travel. He added that freight revenues exceeded the airline's expectations due to the rising demand for freight services. The growth in demand is expected to continue through the end of this year, which prompted Emirates to convert 17 of its Boeing 777 passenger aircraft into freighters. He pointed out that the airline's fleet of Boeing aircraft is fully working to serve passengers and cargo while about 15% of Airbus A380s are currently operating.

The table below details Emirates' fleet activity for the week commencing 21 April and ending 28 April 2021:

Aircraft Type	Grounded	Active
A380	100	17
B777	3	146
<b>Total</b>	<b>103</b>	<b>163</b>
<b>%</b>	<b>39%</b>	<b>61%</b>

Source: Flightradar24

In the first half of the 2020/21 financial year, Emirates recorded its first half-year loss in over 30 years. Revenues fell 75% to AED 13.7 billion (USD 3.7 billion) due to pandemic restrictions. These measures resulted in a net loss of AED 12.6 billion (USD 3.4 billion) compared to a profit of AED 863 million (USD 235 million) in the first half of the 2019/20 financial year. Emirates will likely publish its report for the full year ending March 2021 during Q2 2021.

US\$ figures are converted at 1US\$ = 3.67AED

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## Thai Airways International

As detailed in the AA4P Portfolio Update section above, the airline, with the help of its Planners, submitted the Rehabilitation Plan to the Official Receiver on 2 March 2021. The Court will now review the extensive details before providing a decision that will likely be announced in a hearing during Q3 2021.

During the first quarter of 2021, Thai Airways published its annual report for the financial year ending in December 2020. Thai reported a net loss of 141.2-billion-baht (c. USD 4.5 billion), widening the 12-billion-baht (c. USD 388 million) loss incurred in 2019. The annual loss was the largest ever for a Thai company, according to data compiled by the Stock Exchange of Thailand.

The airline's losses last year included one-time expenses of almost 92 billion baht (c. USD 2.9 billion) from an employee separation plan and impairment losses on aircraft, right-of-use assets and aircraft spare parts. In efforts to rebuild the airline's fortunes, Thai is gradually cutting its

workforce with the aim to reduce its current 28,000 workforce by half, paying out severance along the way. However, the majority of 92-billion-baht was attributed to impairment loss of 83-billion-baht (c. USD 2.7 billion). At the operational level, Thai incurred a loss of 38.6-billion-baht (c. USD 1.2 billion), far greater than the 10.6-billion-baht (c. USD 340 million) loss suffered in 2019.

In April 2020, the Thai government imposed strict travel restrictions, causing passenger numbers to drop to unprecedented low figures. In December, the Government of Thailand eased travel restrictions to allow citizens from 56 countries to visit Thailand without visa requirements. However, the travellers were still forced to follow other health safety measures. Given these severe travel restrictions, Thai and its subsidiaries carried around 5.87 million passengers in 2020, which was a decrease of 76.1% from the previous year. Capacity (in ASKs) decreased by 73.7% while passenger traffic (in RPKs) decreased by 78.5%. In its outlook, Thai notes that vaccines will go some way towards helping the industry recover, though it notes that its financial performance for the first half of 2021 will continue to remain "negative".

In Q1 2021, Thai served the following cities in the Asia-Pacific: Hong Kong, Manila, Osaka, Seoul, Sydney, Taipei, and Tokyo Narita. As part of its severely reduced European network, Thai operated weekly flights to Copenhagen, Frankfurt, and London.

The table below details the current fleet status of Thai International Airways for the week commencing on 21 April and ending 28 April 2021:

Aircraft Type	Grounded	Active
A330	15	0
A350	6	6
A380	6	0
B777	14	8
B787	8	0
<b>Total</b>	<b>49</b>	<b>14</b>
<b>%</b>	<b>78%</b>	<b>22%</b>

Source: Flightradar24

Unfortunately, despite the positive start to 2021, Thailand is now facing a third wave of COVID-19 and Thai's progress on its commercial operations may come to halt. Towards the end of April, the government of Thailand implemented travel restrictions from India over concerns of imported coronavirus cases. It is unclear as to whether the government will implement more harsh travel restrictions, similar to those imposed in 2020, however the decision to close borders to India was not a positive indication. Furthermore, the

government has ordered parks, gyms, cinemas, day-care centres and other venues in Bangkok, the epicentre of the latest wave of infections, to shut from April 26 until May 9. It may be the case, where certain regions remain open while other affected regions enter a lockdown, but ultimately these decisions will impact the number of tourists choosing to travel to Thailand.

US\$ figures are converted at 1US\$ = 30.5923 Thai Baht

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<b>Contact with the Board</b>			
The Directors consider it important that all Shareholders are able to contact the Board, through the Chairman or any individual Director if they wish to do so and, for this purpose the contact email for each Director are set out below.			
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