



Business Review to June 2011

Introduction

Since its launch in May 2010, Avolon has established itself as a leading global aircraft lessor. Avolon's equity capital partners, three of the world's leading private equity firms, CVC Capital Partners, Cinven and Oak Hill Capital Partners, have provided the capital support necessary to facilitate its growth. The deep expertise and long-standing industry relationships, which have been built by the Avolon team over time, have been instrumental in winning the custom of leading international airlines and expanding Avolon's aircraft portfolio.

Avolon's portfolio strategy remains on young, fuel-efficient aircraft assets, with the ability to hold high residual values. Avolon is committed to providing innovative and competitive financing to the world's leading airlines and delivering superior, risk-adjusted returns to its investors.

The company is pleased to report the following progress for the period since launch in May 2010 up to the end of June 2011.

Financial Highlights

- Total capital of over US\$3.1 billion raised up to June 2011 comprising US\$1.1 billion of equity and US\$2 billion of debt. An additional US\$600 million raised since 30 June, 2011 to bring total capital raised to US\$3.7 billion
- Equity raising of US\$1.1 billion - investors include three of the world's leading private equity firms: Cinven, CVC Capital Partners and Oak Hill Capital Partners
- Debt finance of over US\$2.6 billion from fifteen US and European banks, including:
 - US\$400 million warehouse facility closed in May 2010 which was the first facility of this type to be successfully executed in three years
 - Term finance of US\$465m from a consortium of leading US banks led by Wells Fargo Securities and including Citi and Morgan Stanley

Operating Highlights

- Appointment of over 30 professionals in offices in Dublin, Hong Kong & Shanghai & Stamford, Connecticut, USA
- Completion of an initial order for 12 737-800 NG aircraft from Boeing
- Completion of an initial order for 8 A320 aircraft from Airbus
- Completion of sale and leaseback and portfolio transactions on over 85 aircraft
- Fleet is currently valued at over US\$4 billion
- Avolon has the youngest lessor fleet in the world with an average aircraft age of 1.4 years.



May 2010

In May 2010, Avolon officially launched, announcing a US\$1.4 billion capital raise. The initial capital raise included US\$750 million equity capital committed equally by leading private equity firms Cinven, CVC Capital Partners and Oak Hill Capital Partners; US\$400 million warehouse debt financing facility arranged by UBS (MLA) with co-arrangers Credit Agricole, Deutsche Bank and KfW IpeX-Bank - the first facility of this type to be successfully executed since 2007; and, US\$215 million term debt financing facility provided by DVB Bank.

Simultaneously, Avolon announced it had executed contracts and letters of intent for the purchase of 26 aircraft; and, that industry veteran, Denis Nayden, Managing Partner of Oak Hill Capital Partners, had been appointed Chairman of Avolon.

Later in May 2010, Avolon announced an important transaction with AerCap - the formation of a joint venture to manage three A330 aircraft and the acquisition of six A320 aircraft.

Third Quarter 2010

In July 2010, Avolon announced a sale and leaseback transaction with Air Berlin, one of Europe's leading carriers, for two A320 aircraft, bringing Avolon's total committed fleet to 30 aircraft.

In the same month, Avolon announced its inaugural OEM order for 12 Boeing Next-Generation 737s, with a value of US\$920 million, from the Farnborough Air Show. Having a delivery stream of new aircraft achieved a balance in Avolon's portfolio, between sale and leaseback acquired aircraft and new aircraft, enhancing the service offering for customers.

In August, Avolon announced that leasing veteran, Michael Lillis had been appointed as Chairman of Avolon's Latin American Advisory Board to drive business development in the region.

Fourth Quarter 2010

In November, Avolon announced a sale and leaseback transaction for four B737-800NGs with flydubai, Dubai's first low cost airline, bringing the Avolon fleet to 50 aircraft, valued at in excess of US\$2 billion.

In December, Avolon announced a second OEM order for eight Airbus A320 aircraft, worth over US\$600million at list prices, in December 2010, completing the suite of leasing services available to Avolon customers. Avolon's committed fleet had reached 60 aircraft in just over half a year valued at in excess of US\$2.8billion.

First Quarter 2011

In January, Avolon announced it had completed a second capital raising of US\$650 million, comprising US\$250 million equity investment and, US\$400 million debt, reflecting a further endorsement of its business model and the significant progress made in the seven months since launch.

The US\$250 million of additional equity was raised from Avolon's existing investors: Cinven, CVC Capital Partners and Oak Hill Capital Partners, with a number of other investors also participating in the equity raising, including Oak Hill Advisors. The US\$400 million of debt finance was provided by three European institutions - DVB, Nord LB and KfW IPEX-Bank - in separate bilateral transactions.

The second capital raising brought the value of funds raised to over US\$2 billion of capital raised since launch in May 2010 including US\$1 billion of equity.



In the same month, Avolon announced it had completed sale and leaseback deals for 11 new aircraft with four airlines: Philippine Airlines, Indigo Airlines, Air Berlin and Virgin Australia (formerly Virgin Blue). The new aircraft consisted of five Airbus A320s and six Boeing 737s. Avolon confirmed its committed fleet now exceeded 60 aircraft.

Later in January 2011, Avolon announced a US\$465 million debt financing with three leading US banks: Wells Fargo Securities, Citi and Morgan Stanley. The additional debt facility provided Avolon with term financing for a number of aircraft, as well as additional warehouse financing, increasing Avolon's underwriting capacity. Furthermore, the addition of three US based lenders added geographic diversity to Avolon's lender base.

During the First Quarter, Avolon announced it had agreed financing for several narrowbody aircraft with SpiceJet, IndiGo, Air Berlin, Skymark and American Airlines. Avolon also announced the delivery of one B777-300ER (freighter) to Air France.

Second Quarter 2011

In April, Avolon won the *Airfinance Journal European Deal of the Year 2010* for the US\$400 million warehouse debt financing facility announced in May 2010. The award recognised that the warehouse facility was the first of its kind to be successfully executed since 2007, marking the reopening of the lessor warehouse market after a lengthy period of inactivity.

In May, Avolon won the *Finance Dublin IFSC Deal of Year* in recognition of its launch capital raise of US\$1.4 billion in May 2010, including the initial equity commitment US\$750 million from leading global private equity firms CVC, Cinven and Oak Hill Capital Partners.

Avolon also announced the delivery of one new A320 aircraft to Air France under a sale and leaseback structure in May 2011.

In June, Avolon issued a statement highlighting the significant growth of its business interests in the Middle East and Asia-Pacific regions, with the leasing of 26 aircraft to nine leading carriers in Australia, China, India, Japan, The Philippines and United Arab Emirates including: Virgin Australia, Spring Airlines, SpiceJet, IndiGo, Japan Airlines, Skymark, Philippine Airlines Flydubai and Air Arabia.

Second Half 2011 | Outlook

Avolon has recently announced important new customer wins, with the signing of lease agreements for nine Boeing and Airbus aircraft to leading low-cost carriers Ryanair and AirAsia. Avolon has also increased its committed debt facilities to US\$2.6 billion, to facilitate the continued expansion of its fleet, which has reached over 85 aircraft with a total fleet value of over US\$4 billion. Currently, Avolon has 25 customers in 18 countries and the youngest lessor fleet in the world with an average aircraft age of 1.4 years.

Avolon's business continues to go from strength to strength. It has exceeded its growth targets in the first 14 months of operation. The team's strong network of industry relationships, and ability to negotiate complex financing agreements, has allowed them to build a business of scale in a short period of time, adding new customers and expanding its aircraft portfolio at a steady rate. The strength of Avolon's financial backing, and the quality and expertise brought by each of its capital partners, continues to be an important component of the company's success as it moves into the next phase of expansion.

www.avolon.aero

ENDS