

AVOLON Q1 BUSINESS & COVID-19 UPDATE

Dublin | 3 April 2020: Avolon, the international aircraft leasing company, issues an update for the first quarter ('Q1') of 2020.

Dómhnaí Slattery, Avolon CEO, commented: *"We are currently facing the most challenging period in the history of commercial aviation. The global fleet has been effectively grounded as countries work hard to slow the spread of COVID-19. The impact of the virus has been far reaching and the required response, both on an individual and on a community basis, is without parallel. As a leader in our industry, Avolon is working closely with our global customer base to support them during this period. While we have never seen a crisis of this nature, we remain confident that the industry will recover once the impact of COVID-19 recedes.*

Our strategy has always been to operate our business with strong liquidity, low leverage, broad portfolio diversification and minimal near-term debt maturities. Those attributes mean we are well positioned to deal with the challenges presented by the current market environment; support our customers; ensure the health and well-being of our employees; and protect the long-term interests of our investors and shareholders. The Avolon management team has multi-cycle experience and it is at times of market dislocation, such as this, that the full benefit of that experience comes to the fore.

We are proud of our entire team who have embraced the challenges we all now face and who continue to go above and beyond to support all our stakeholders. We believe that our corporate values, TRIBE, will be a key factor that sustains our team throughout this period and ensures we emerge from this period stronger than ever before.

We are a well-capitalised business and ended the quarter with unrestricted cash and undrawn secured warehouse facilities in excess of US\$5 billion. Building on our strong capital base, we have acted swiftly and decisively to address the market outlook and have re-profiled elements of our orderbook to better align with market conditions. While we remain committed to the B737MAX programme, we have cancelled commitments for 75 unplaced B737MAX aircraft. We have also cancelled commitments for 4 A330neo aircraft and deferred delivery dates for an additional 25 narrowbody aircraft to 2024 and beyond.

The net impact of our actions in the first quarter is to reduce our aircraft commitments in the 2020 to 2023 timeframe from 284 aircraft, as at year end, to 165 aircraft today and thereby significantly reducing our near-term capital commitments. While these actions reflect the market conditions we now face, Avolon has always maintained a flexible approach to ensure we can adapt to rapidly changing market conditions and align our business with the needs of our customers.

While it remains difficult to determine the length or depth of this crisis, we remain confident in our prospects and in the ability of the industry to recover in the aftermath of COVID-19."

Q1 FLEET METRICS & OPERATIONAL HIGHLIGHTS

- Cancelled orders for 75 unplaced B737MAX aircraft in the 2020-23 timeframe with a further 16 B737MAX aircraft rescheduled from the same timeframe to 2024 or thereafter;
- Removed commitments to acquire 4 A330neo aircraft due to deliver in 2021 and reprofiled 9 A320neo family aircraft from 2020/21 to 2027;
- Delivered a total of 29 new aircraft to 9 customers and transitioned 2 aircraft to follow-on lessees;

- Committed to sell 21 narrowbody and widebody aircraft with an appraised value of \$746.8 million to the Sapphire 2020-1 vehicle;
- Completed the sale of 16 owned aircraft and 2 managed aircraft during the quarter, 13 of which were to the Sapphire 2020-1 vehicle;
- Quarter on quarter, reduced future aircraft commitments in the 2020 to 2023 timeframe by 119 aircraft, from 284 aircraft as at 31 December 2019 to 165 aircraft as at 31 March 2020;
- Ended Q1 with an owned and managed fleet of 549 aircraft, with total orders and commitments for 306 aircraft;
- Executed a total of 39 lease transactions in the quarter comprising new aircraft leases, follow-on leases and lease extensions; and,
- Ended Q1 with a total of 150 airline customers operating in 62 countries.

Q1 STRATEGIC & FINANCIAL HIGHLIGHTS

- Closed a private offering of US\$1.75bn aggregate principal amount, of senior unsecured notes with maturities in 2025 and 2027;
- Repriced HKAC secured warehouse facility to LIBOR plus 1.50%, extending the end of the availability period from 2020 to 2024 while reducing commitments from US\$1bn to US\$650m;
- Ended Q1 with undrawn secured warehouse facilities totalling US\$1.6bn;
- Repriced a US\$850m tranche of Avolon's Term Loan B to LIBOR plus 1.50%, extended the maturity of this tranche to 2027 and repaid US\$300m of the remaining Term Loan B balance, reducing the aggregate outstanding balance to US\$2.3bn;
- In addition to the repayment of the Term Loan B, proactively repaid US\$545m of secured term facilities during the quarter; and,
- Declared a dividend of US\$193m during the quarter which was paid to shareholders, subject to US\$65m of which being withheld due to holdback provisions in Avolon's shareholder agreement.

COVID-19 IMPACT

- The outbreak of COVID-19 has led to extreme travel restrictions and global cancellations of flights impacting all airlines across the globe, many of whom are our customers;
- While it is difficult to predict the extent of the impact from COVID-19, IATA has reported a sharp drop in air traffic in the first quarter and now estimate a US\$252bn year on year loss in passenger revenue worldwide for 2020;
- Avolon has received requests from more than 80% of its current owned and managed customer base for relief from payment obligations under their leases, these lessees account for more than 90% of annualised contracted rental cashflow of the current owned and managed fleet;

- These requests have taken a number of forms including, but not limited to, requests for short term rent deferrals for part or all of monthly rental for a specified period of time;
- As at 31 March, Avolon was engaged in active dialogue with its customer base and had agreed a number of rent deferral arrangements for an average of 3 months. It is expected that some form of short term rental deferral arrangement will be agreed with a majority of our customers;
- Given the ongoing impact on our customers' operations we expect that additional requests for rent relief will be received and that a number of lessees will fall behind on their rental obligations with a related increase in Avolon's trade receivable balance;
- During the quarter Fitch Ratings, Moody's Investor Service and KBRA affirmed Avolon's issuer rating as BBB-, Baa3 and BBB+ respectively, however all three moved Avolon's rating outlook to negative. S&P Global rates Avolon as BBB- (Stable), however they have stated that outlook changes are possible across the aircraft lessor sector in the near term; and,
- As a prudent response to this sector dislocation, Avolon fully drew down on its US\$3.2bn unsecured revolving credit facility during the quarter, ending the quarter with total liquidity (including unrestricted cash and undrawn secured warehouse facilities) in excess of US\$5bn.

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About Avolon

Headquartered in Ireland, with offices in the United States, Dubai, Singapore, Hong Kong and Shanghai, Avolon provides aircraft leasing and lease management services. Avolon is 70% owned by an indirect subsidiary of Bohai Leasing Co., Ltd., a public company listed on the Shenzhen Stock Exchange (SLE: 000415) and 30% owned by ORIX Aviation Systems, a subsidiary of ORIX Corporation which is listed on the Tokyo and New York Stock Exchanges (TSE: 8591; NYSE: IX). Avolon is one of the world's largest aircraft leasing businesses with an owned, managed and committed fleet, as of 31 March 2020 of 855 aircraft.

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