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## **Note Regarding Forward-Looking Statements**

This document includes forward-looking statements, beliefs or opinions, including statements with respect to Avolon's business, financial condition, results of operations and plans. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond our control and all of which are based on our management's current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believe," "expects," "may," "will," "could," "should," "shall," "risk," "intends," "estimates," "aims," "plans," "predicts," "continues," "assumes," "positioned" or "anticipates" or the negative thereof, other variations thereon or comparable terminology or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. Forward-looking statements may and often do differ materially from actual results. No assurance can be given that such future results will be achieved. Forward-looking statements appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of management with respect to future events, and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to our business concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies, and the industry in which the Avolon operates, most of which are difficult to predict and many of which are beyond Avolon's control.

**Cover:** Avolon's new HQ, Number One Ballsbridge, Dublin

# 2018 HIGHLIGHTS

**971**

aircraft



**Youngest  
Fleet**

of the top 3 lessors



**150**

customers



**61**

countries



**\$2.6bn**

Total revenues

**\$717m**

Profit for the year

**\$5.7bn**

Total available  
liquidity

**\$2.2bn**

Net cash from  
operating activities

**153**

Lease transactions

**Credit Ratings**

**BB**

Fitch Ratings

**Ba1**

Moody's

**BB+**

S&P Global

**BBB+**

KBRA

**\$8.7bn**

Unencumbered  
assets

**\$2.2bn**

Proceeds from  
disposal of aircraft



# CEO'S MESSAGE

A Transformative Year



**' THE PROGRESS WE HAVE MADE AS A BUSINESS IN 2018 IS TESTAMENT TO THE CAPABILITY AND COMMITMENT OF OUR TEAM '**

2018 was another year of transformational growth for Avolon. We executed against each of our strategic and financial objectives including: making significant progress on our journey to an investment grade rating; building new and strong relationships with aircraft trading partners; refining our fleet to focus on our chosen single-aisle and twin-aisle aircraft models; moving into a new global HQ, consolidating our team and position as a leading player in our sector.

The progress we have made as a business in 2018 is testament to the capability and commitment of our team, the strength of our relationships with our customers and suppliers along with the support of our Board and shareholders.

### **Strong Financial Performance**

We delivered a robust financial performance in 2018; our first full year of operation following the acquisition and integration of the CIT aircraft leasing business. We generated total revenue of US\$2.6bn and profit for the year of US\$717m. Our net cash from operating activities continued to grow to US\$2.2bn and we ended the year with US\$5.7bn of available liquidity to finance the continued growth of the business.

Our financial performance reflects an active year during which we executed lease agreements for 153 aircraft and agreements for the sale of a further 130 aircraft. We delivered a total of 61 aircraft, including 28 transitions, to 30 customers, one of the many highlights being the delivery of the world's first Airbus A330neo to TAP Air Portugal in November.

We also sold 87 aircraft, one engine and disposed of one aircraft constituting an insured total loss, including 47 aircraft to our new joint-venture, Jade Aviation and an asset backed securitisation, Sapphire Aviation Finance. Across all this activity, our focus has been to maintain a portfolio of young, modern fuel-efficient single-aisle and twin-aisle aircraft. Our owned fleet of 512 aircraft had an average age of 5.0 years at year-end.

During 2018 we continued to be an active participant in the debt markets, raising US\$4.2bn in new debt. This comprised US\$1.6bn of secured debt, and, in line with our objective to reduce the secured level of debt within our portfolio, US\$2.6bn of unsecured debt. We issued US\$1.5bn of senior unsecured bonds during the year and are now an established participant in the unsecured bond market. Raising additional unsecured debt during 2019 will maintain our momentum towards investment grade which will, in turn, drive earnings growth and enhance shareholder returns.

A full review of our 2018 financial performance is set out in a Financial Review on pages 31 to 132 of this report.

## Aircraft Portfolio

We ended 2018 with an owned and managed fleet of 561 aircraft. While this is a modest reduction on the fleet number at the end of 2017, there has been considerable change in the composition of our portfolio as we continue to manage the integration of the CIT fleet by divesting older aircraft whilst continuing to invest in new liquid and efficient aircraft models. An extensive aircraft trading activity is core to our portfolio risk management strategy and contributes to our strong liquidity position. We sold aircraft into our new joint-venture, Jade Aviation, and asset backed securitisation, Sapphire Aviation Finance. Sapphire Aviation Finance and Jade Aviation acquired 41 and 6 aircraft respectively increasing our managed fleet to 49 aircraft.

Our Jade Aviation joint-venture with China Cinda, a US\$200m asset manager headquartered in China, was a significant milestone in 2018. It deepens our access to the Chinese capital markets and is the world's first joint-venture between a global lessor and a leading Chinese asset manager. It also enhances our position as the leading lessor in China – one of the fastest growing aviation markets in the world – and provides Avolon with access to an additional capital pool to finance further growth.

Looking at our aircraft portfolio as a whole, we have exposure to all major global markets but with an orientation towards the higher growth markets for air traffic demand, in particular Asia Pacific, while also maintaining a bias for single-aisle aircraft.

## Locked in Growth

Our commitment to our customers is to provide them with access to the most in-demand, new technology and fuel-efficient aircraft for their fleet growth or renewal needs. To deliver on this commitment, we ensure we have the optimal order book comprising the right balance of single-aisle and twin-aisle aircraft to meet our growth objectives while driving industry leading, risk-adjusted returns.

At the end of 2018, we had a committed portfolio of 410 new technology aircraft. This includes our recent order for 100 Airbus A320neo family aircraft valued at over US\$11.5bn at list prices. This represented our largest ever order with Airbus and positions Avolon as Airbus' largest aircraft lessor backlog customer. It follows our order for 75 Boeing 737 MAX 8 aircraft in 2017 and means we now have an order book to support our growth, and the demand from airlines globally, well into the next decade.

We also continue to make strong progress in placing our order book with customers. At the end of 2018 we had placed 100% of all new aircraft deliveries through to the end of 2019 and the majority of new aircraft scheduled to be delivered in 2020. Our ability to place these aircraft reflects our attractive delivery pipeline combined with a globally diverse customer base.

## ORIX Corporation

During the year ORIX Corporation acquired a 30% ownership interest in Avolon for US\$2.2bn.

This is a strategic long term investment. ORIX is a leading Japanese financial institution and an experienced investor in the aircraft leasing sector. ORIX has a strong investment grade profile and is listed on the Tokyo and New York Stock Exchanges.

The transaction accelerates our momentum on the path to investment grade which is central to reduce our cost of debt. The market responded positively to the investment with Moody's upgrading Avolon's corporate rating to Ba1. Beyond the financial benefit of a stronger and more diversified shareholder base, the investment also creates the opportunity for increased collaboration with ORIX's extensive network of aircraft equity investors, particularly in Japan.

## Board

Our Board composition evolved in 2018 reflecting the change in our ownership structure. We welcomed two new Board members, Kiyoshi Fushitani and David Power as representatives of ORIX Corporation. We would like to record our appreciation for Denis Kalscheur, Ciarán Ó hÓgartaigh and Joe Nellis, who stepped down from the Board during the year, for their invaluable service and counsel over the past number of years.

**' WE NOW HAVE AN ORDER BOOK TO SUPPORT OUR GROWTH, AND THE DEMAND FROM AIRLINES GLOBALLY, WELL INTO THE NEXT DECADE '**

## CSR and CARE

Corporate Social Responsibility is central to the Avolon culture. We have a strong and long-standing CARE programme which incorporates four pillars under which we contribute back to the communities in which we live and work. We have for the past number of years held an annual CARE Day where all employees spend a day working outside of the business to support local causes. In June of 2018, our CARE Day became a CARE Month, with events held on three continents to support local communities and causes in Ireland, Hong Kong and the USA.

In addition, in 2018, through our Arts and Culture bursary, we provided support to a variety of causes and institutions in Ireland including: the Abbey Theatre, the Little Museum of Dublin, the Druid Theatre Production Company, the RHA Gallery and the Wexford International Opera Festival. Globally we also assisted the Metropolitan Museum of New York, while India has been the recent focus of our Avolon Global Studio Award. Further details of our CARE initiatives are set out on pages 10 to 13; and information of our support for the Arts can be found on pages 18 and 19 of this report.

## Innovation & Learning

In January 2018, as part of a commitment to nurturing our talent and continuing professional development across the business, we entered into a multi-year partnership with INSEAD, one of the world's leading graduate business schools.

Our commitment to innovation and learning also extends to our customers, financiers and suppliers. In October, we hosted our first International Aviation School which brought together 75 executives from our key stakeholders for a two-day educational and networking event in Dublin. Further details on the Aviation School are set out on page 20 of this report.

## TRIBE

The success we have had at Avolon reflects the strength and commitment of our 250 plus employees – our TRIBE. Our defining asset, the Avolon TRIBE is founded on our guiding values of Transparency, Respect, Insightfulness, Bravery and Ebullience. These core tenets inform how our company interacts, not just with our customers, but amongst the TRIBE itself.

We moved into a new headquarters at Number One Ballsbridge in Dublin in July, followed by an official opening by the Irish Taoiseach (Prime Minister) Leo Varadkar. The new HQ represents a significant investment in our business and our TRIBE. This state of the art work environment is designed to deliver 21st century facilities that set Avolon apart as the employer of choice in the sector.

In 2018 we initiated an active Diversity and Inclusion programme, recognising its importance to our values. We will continue our efforts into 2019 with an increased emphasis on diversity of thought.

Further details on our Diversity and Inclusion programme are set out on page 16 of this report. For more on our new HQ, please see page 22.

## Outlook

Our absolute key focus for 2019 is to continue our path towards an investment grade credit rating, which will secure our future competitiveness and long-term growth trajectory.

Although air travel demand is expected to slow from its recent strong levels, growth is forecast to remain above trend in 2019 and airline profitability to exceed \$35bn, sustaining a healthy environment for aircraft demand. The lessors' share of delivery financing is also predicted to remain robust, providing over 40% of the liquidity needed to fund deliveries.

As the business environment moderates, Avolon has the team, fleet and business model to continue to grow while sustaining strong risk adjusted returns. We have a proven track record of success over previous cycles and I am confident that the combination of our substantial reserves of liquidity, our culture and our ability to execute will work to our advantage over the coming year and beyond.

**Dómhnal Slattery**  
Chief Executive Officer

# LEADERSHIP

## Executive Committee



### Dómhnal Slattery

#### Chief Executive Officer

Dómhnal Slattery is the Chief Executive Officer with 30 years' experience in the aircraft leasing industry. As CEO, Dómhnal sets the company strategy and commercial objectives and oversees their execution. Dómhnal has built Avolon to be a global leader in aircraft leasing through a period of private equity ownership, a successful listing on the NYSE; and, a take private to become a member of the HNA Group.

In 1989, Dómhnal began his aviation financing career, initially in marketing roles with Guinness Peat Aviation (GPA) and GECAS. In 1994, he established his own aircraft advisory and investment banking services company, International Aviation Management Group (IAMG). In 2001 The Royal Bank of Scotland Group acquired IAMG as the launch platform of RBS Aviation Capital. Dómhnal was Chief Executive of this business from 2001 to 2004 and went on to become Managing Director of the Structured Asset Finance business for the Royal Bank of Scotland Group. He continued as a non-executive Director of RBS Aviation Capital until January 2008.

Dómhnal has a Bachelor of Commerce (Hons) from University College Galway and is a graduate of the Accelerated Development Programme from the London Business School.



### John Higgins

#### President and Chief Commercial Officer

John Higgins is the President and Chief Commercial Officer at Avolon. John is responsible for leading the Origination Team at Avolon, and has global responsibility for all aircraft origination, marketing and trading activity. John is also responsible for executing aircraft orders, and overseeing the management of Avolon's orderbook. John has over 25 years' experience in aircraft leasing and finance.

Prior to joining Avolon John was Chief Commercial Officer at RBS Aviation Capital, with global responsibility for all airline and OEM relationships; including new business origination, aircraft remarketing and new order placement. He originally joined RBS Aviation as Head of Origination for the EMEA region in 2004. Prior to joining RBS Aviation Capital, John worked in several marketing roles with GECAS. John trained and qualified as a Chartered Accountant with Price Waterhouse before joining GPA in 1994 as Treasury Manager, working primarily on the refinancing of the GPA debt facilities.

John has a Bachelor of Science (Management) with First Class Honours from Trinity College Dublin and is a Fellow of the Institute of Chartered Accountants of Ireland.



## Andy Cronin

### Chief Financial Officer

Andy Cronin is Chief Financial Officer at Avolon. In this role he has successfully led Finance and Capital Market teams through numerous capital raises, debt issuances, successfully listing Avolon on the NYSE, privatizations and subsequent corporate acquisitions.

Prior to joining Avolon, Andy served as SVP Investor Markets at RBS Aviation Capital with responsibility for disposal, financing and debt syndication of operating lease and structured debt products to a wide pool of investors and banking communities. Before working at RBS Aviation Capital, Andy worked in numerous commercial and operational roles at FLS Aerospace.

Andy has a Bachelor of Engineering and a Masters of Industrial Engineering, both with First Class Honours from University College Dublin.



## Tom Ashe

### Chief Operations Officer & Head of Risk

Tom Ashe is the Chief Operating Officer and Head of Risk at Avolon. Tom is responsible for all operational activity within the business, including transaction structuring and pricing, contract execution, technical asset management, contracts management and risk management.

In 2002, Tom joined RBS Aviation Capital, rising to Head of Origination for the EMEA region before leaving to join Avolon in May 2010.

Prior to this, Tom worked at GPA/ AerFi and had responsibility for financial planning until 2000 when, following its acquisition by debisAirFinance, he assumed responsibility for originating aircraft and engine trading opportunities.

Tom holds a Bachelor of Commerce (Hons) and a Diploma in Professional Accounting, both from University College Dublin. Tom is also a Fellow of the Institute of Chartered Accountants in Ireland.



## Yi Shen

### Managing Director, Business Development

Yi Shen is Managing Director, Business Development at Avolon.

Prior to joining Avolon, Yi held the position of Chief Information Officer at CWT International, a listed company on the Hong Kong Stock Exchange. Yi has held a variety of Chief Financial Officer positions across the HNA organisation, including CFO of HNA Innovation Finance Group, CFO of HNA Tourism Group and CFO of Offshore Heavy Transport AS.

Yi holds a Bachelor of Engineering from Sichuan University and a Masters of Aerospace Materials from the University of Cambridge.

# BOARD OF DIRECTORS

**Avolon has a strong, experienced Board which provides effective oversight and stewardship of our business.**



## **Xiangdong (Adam) Tan**

Non-Executive Chairman

Adam Tan has served as a director and Chairman of the Board of Avolon since April 2016. Prior to joining Avolon, Mr. Tan has served as the Vice Chairman of the Board and Chief Executive Officer of the HNA Group since 2011 where he was in charge of its financial services, international business and logistics business. Additionally, Mr. Tan served as Executive Director of Hainan, Chairman of the Board of Directors of HNA Insurance Brokers Limited from 1997 to 2001, and various roles for Hainan from 1991 to 1997, including Senior Assistant to the President.



## **Denis Nayden**

Non-Executive Vice Chairman

Denis Nayden has served as Vice Chairman of the Board since April 2016 and was previously the Chairman of the Board from May 2010 to January 2016. Mr. Nayden also holds the positions of Chairman of Varagon Capital, Chairman, Investment Committee member and Operating Investor at Harkness Capital Partners, Board member of buildOn and Board member of LiteSheet Solutions. Mr. Nayden was formerly an Advisory Managing Partner of Oak Hill Capital from January to December 2017 and a Managing Partner from 2003 through 2016. Prior to joining Oak Hill, Mr. Nayden served as the Chairman and CEO at GE Capital. Mr. Nayden spent more than 25 years serving in various roles at GE Capital, including oversight of GE Capital Aviation Services. Mr. Nayden previously served as Chairman of the Boards of Duane Reade, Firth Rixson Limited, Omada International, Primus International and RSC Equipment Rental.



## **Kiyoshi Fushitani**

Non-Executive Director

Kiyoshi Fushitani has served as a director since November 2018. Mr. Fushitani is a member of the Board of Directors of ORIX Aviation. He also serves as Director and Senior Managing Executive Officer of ORIX and is in charge of Head of Global Business Headquarters, Head of East Asia Business Headquarters and Head of Global Transportation Services Headquarters. Mr. Fushitani joined ORIX in 1975, and has held various roles within the ORIX Group, including Deputy President of ORIX USA Corporation (currently ORIX Corporation USA), Director and Managing Executive Officer of ORIX Life Insurance Corporation, Deputy Head of Global Business Headquarters, President and Chairman of ORIX Investment Corporation up to the present post. Prior to joining ORIX, Mr. Fushitani spent two years working for The Sumitomo Bank. Mr. Fushitani holds a Bachelor Degree in Business Administration and Economics from Kobe University.



### **Xiaofeng (Daniel) Chen**

Non-Executive Director

Daniel Chen has served as a director since October 2018. Mr. Chen has served as the Board Director, Assistant to Chairman and Vice CEO of HNA Group and as Chairman and CEO of HNA Group North America LLC since August 2018. Mr. Chen has also served as Vice Chairman of Swissport International Ltd. since August 2018. Mr. Chen has served on the board of Gategroup, BrightSphere Investment Group, and SR Technics since October 2018. Prior to joining HNA Group, Mr. Chen served as the President of Pacific American Investment Limited from 2008 to 2017. Mr. Chen founded Inception, LLC in 2006 and served as Managing Director from 2006 to 2008. Mr. Chen served as President of Kingdom Investment Advisors Ltd from 2006 to 2008. Both entities consulted Chinese companies on financing, M&A and business development. Mr. Chen serves on several boards, including as a director and secretary general of the Hainan Cihang Charity Foundation, a trustee of the Pingry School, a member of summit advisory committee of the China Institute and a trustee of the Hainan Chinese Overseas Friendship Association.



### **Chris Jin**

Non-Executive Director

Chris Jin has served as a director since January 2016. Mr. Jin has served as CEO of HNA Capital Group Co., Ltd. since November 2016. Mr. Jin served as the Chairman of the Board and CEO of Bohai from May 2015 to May 2017 and as the Chairman of the Board of Tianjin Bohai from May 2015 to May 2017. From October 2012 to April 2015, Mr. Jin was Deputy CEO and CFO of Seaco SRL. From January 2011 to October 2012, Mr. Jin was the Chairman of the Board and President of HKIAL, an aircraft leasing company in Hong Kong. Prior to this, Mr. Jin worked in the Bank of China New York Branch in charge of credit and business development related matters and with the Business Department, Credit Department and Corporate Department of Bank of China Headquarters in Beijing, China and at East-West Bank in California where he was in charge of its international business. Mr. Jin currently serves as Chairman of the Board of various Bohai entities.



### **Dómhnal Slattery**

Chief Executive Officer

Dómhnal Slattery has served as our Chief Executive Officer since our inception in May 2010. Mr. Slattery served as the Managing Partner of Claret Capital Limited from 2006 through 2009. Mr. Slattery was the founding Chief Executive of RBS Aviation Capital from 2001 through 2004 and went on to become the Managing Director of the Structured Asset Finance business for the Royal Bank of Scotland plc. He continued to serve as a non-executive director of RBS AC until 2008. In 1994 Mr. Slattery established his own aircraft advisory and investment banking services company, International Aviation Management Group, which was acquired by RBS in 2001. Mr. Slattery began his aviation career in 1989 in marketing roles with Guinness Peat Aviation (GPA) and GE Capital Aviation Services.



### **David Power**

Non-Executive Director

David Power has served as a director since November 2018. Mr. Power is the Chairman of ORIX Aviation Hong Kong Limited and Special Advisor to ORIX Aviation Group's Chief Executive Officer. Mr. Power joined ORIX Aviation in 1992 and prior to his appointment as Chief Executive Officer in 2004 to 2018 he held other roles within the company, including General Counsel and Head of Asset Management. Prior to working for ORIX Aviation, Mr. Power held roles in leading solicitors firm McCann FitzGerald and other aircraft leasing entities based in Shannon, Ireland. Mr. Power holds an Honours Bachelor of Commerce Degree from University College Dublin. In 1988 he was admitted to the Roll of Solicitors in Ireland and in 1991 he was admitted to the Roll of Solicitors, England and Wales.



# CARE INITIATIVE

**' IN TOTAL WE  
CONTRIBUTED OVER  
US\$520,000 TO 74  
PROJECTS IN 2018 '**

**The Avolon CARE initiative has delivered another year of outstanding achievement and support for people, charities and organisations all over the globe. In total we contributed over US\$520,000 to 74 projects in 2018.**

The Avolon CARE Committee is a voluntary group, consisting of members of the Avolon TRIBE, who meet on a fortnightly basis to assess numerous projects worthy of support.

Projects supported by CARE can realise not just financial assistance, but practical assistance also. Every TRIBE member of Avolon is encouraged to give at least two days a year to helping charitable organisations and these 'CARE Days' have become an integral part of life at Avolon.

Last year alone over 300 CARE Days were donated by Avolon TRIBE members. From helping to renovate schools to the planting of gardens, from cooking for parents of seriously ill children to installing clean water pumps, we have given our time, along with financial aid.

#### **Pictured**

In 2018, 23 members of the TRIBE visited Ethiopia to see the valuable work being carried out in the country by our CARE partners Vita.







Most of the CARE Days happen in the month of June. This year our CARE Day became a CARE month, with events held on three continents to support local communities and causes in Ireland, Hong Kong and the USA.

The Great Ethiopian Run team expanded once again, with 23 runners travelling to Addis Ababa for the annual 10K event in November, where they raised over US\$102,000 for Vita. The travelling team also visited a number of Vita projects in

Ethiopia, witnessing first hand the valuable work being done in the crucial provision of clean water.

Our Corporate Social Responsibility (CSR) spend is split between CARE, industry-related events, sponsorship, and support for the arts. In total, Avolon's 2018 CSR spend has been over US\$740,000.

**' IN TOTAL, AVOLON'S  
2018 CSR SPEND  
HAS BEEN OVER  
US\$740,000 '**

**Pictured**

In June, over 95% of the TRIBE took part in CARE month supporting local communities and causes on three continents.



**2018 CARE Highlights**

**23%**

of TRIBE members submitted a CARE proposal in 2018

**95%**

of TRIBE members participated in a CARE Day

**23**

TRIBE members ran in the Great Ethiopian Run raising \$102,000

**US\$117,700**

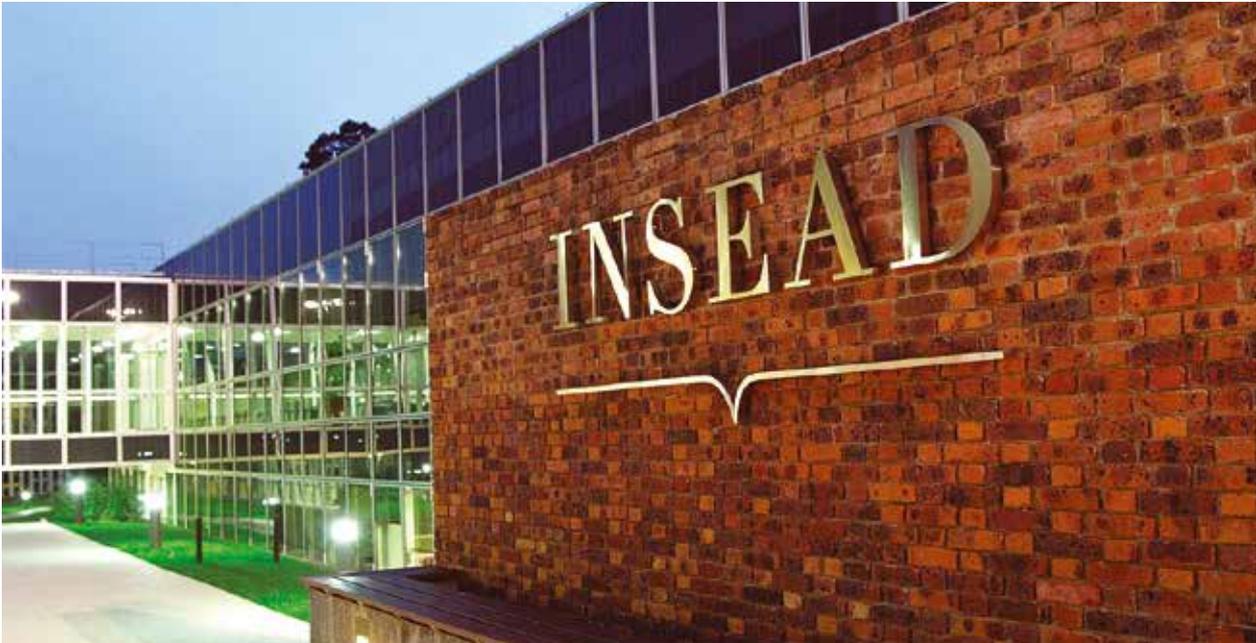
Raised at the Hong Kong dinner for Orbis and Hope for Children

**US\$50,000**

Raised for the Mark Pollock Trust by 30 TRIBE members who participated in Run in the Dark events that occurred in Dublin, New York, and Hong Kong.



# LEARNING INITIATIVES



## INSEAD

In 2018, Avolon entered into a strategic learning partnership with the world's leading business school, INSEAD. The result of this partnership is a bespoke Avolon programme consisting of two learning strands, Strategic and Accelerated, which cover a range of topics including strategic thinking, process efficiency, organisational behaviour, global communications, leadership and self-awareness.

All employees will have access to these initiatives or an INSEAD open programme over a three year period. Half of Avolon's global TRIBE has attended to date.

In 2018, INSEAD also produced a Case Study on Avolon, charting the evolution and growth of the company from inception to present day. The Case Study was the focus for the MBA Class of 2018 as part of their Master Strategists Day which saw 500 MBA students across the Singapore and Fontainebleau campuses battle it out to produce strategic plans for Avolon as it looks to its next stage of growth and development.

**'IN 2018, INSEAD ALSO PRODUCED A CASE STUDY ON AVOLON, CHARTING THE EVOLUTION AND GROWTH OF THE COMPANY FROM INCEPTION TO PRESENT DAY'**

## Graduate Programme

In 2018 Avolon launched its inaugural Graduate Programme offering five outstanding students a one-year graduate placement within the business.

The successful graduates will join in September 2019 and will have the opportunity to work in a number of distinct placements, through a rotation structure.

The primary objectives of the programme were to launch Avolon as the leading graduate employer of choice, while simultaneously attracting a qualified and diverse talent pool that will gain invaluable, deep sectoral knowledge at Avolon.

**'THE PRIMARY OBJECTIVES OF THE PROGRAMME WERE TO LAUNCH AVOLON AS THE LEADING GRADUATE EMPLOYER OF CHOICE, WHILE SIMULTANEOUSLY ATTRACTING A QUALIFIED AND DIVERSE TALENT POOL'**



### **Pictured**

The inaugural Graduate Programme attracted 875 applications from students from 142 universities globally.

# DIVERSITY AND INCLUSION

## Avolon embraces diversity of thought.

We recognise that strength comes through difference. Our ambition is for a diverse employee base that is reflective of the environments in which we live and work. This will contribute to an environment where diversity of thought is embraced.

During the year, we evolved our equal opportunities statement:

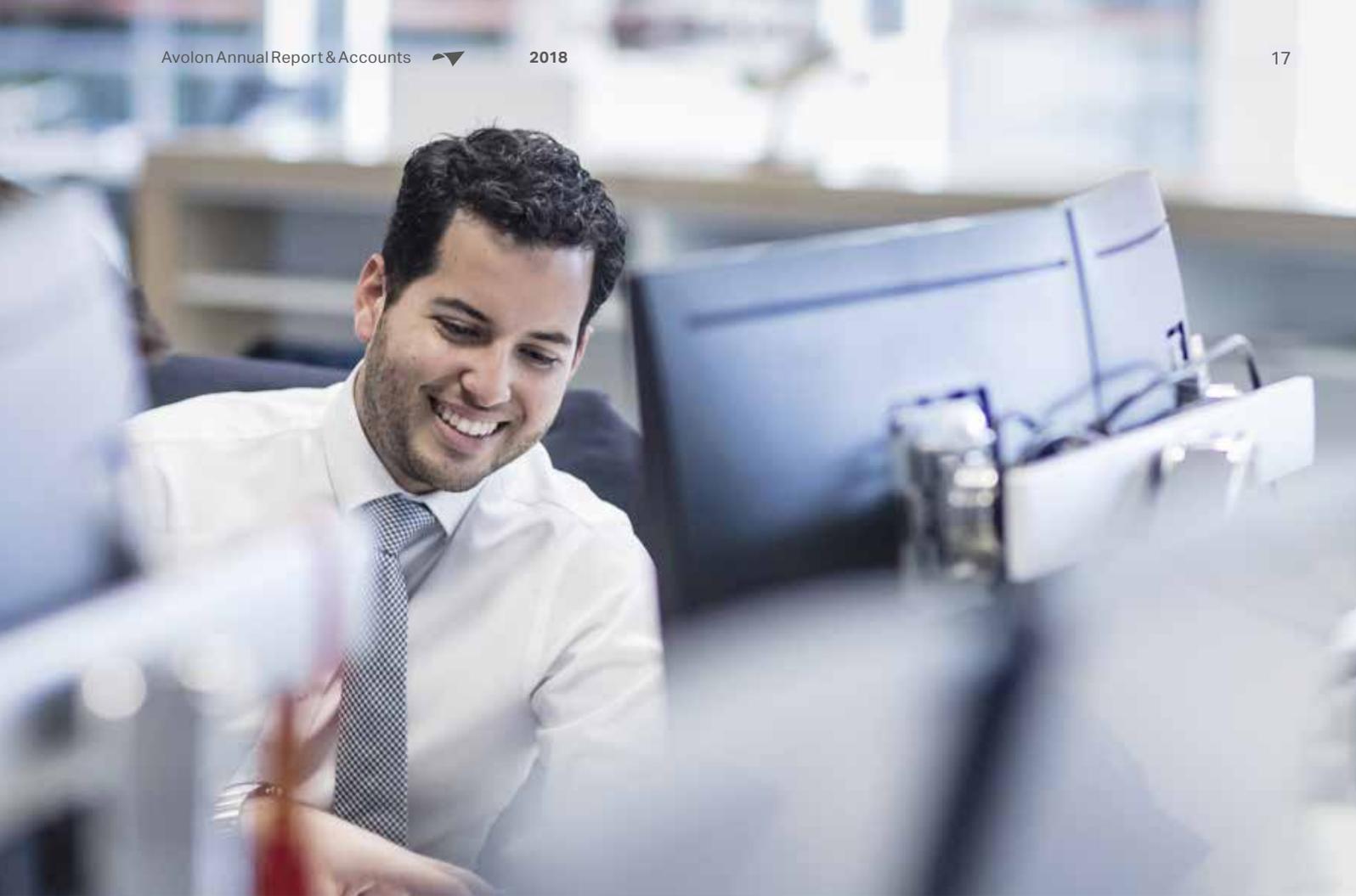
**“ Avolon is an equal opportunities employer, which cultivates opinion, listens to all views with respect, recognises people based on their merits without bias and embraces diversity. ”**

In Q3, Avolon engaged EY to undertake an independent diagnostic of where our employees felt Avolon was on our diversity and inclusion journey. EY applied a number of methods, including an online survey, workshops and one to one interviews, the feedback from which will inform our long term diversity and inclusion strategy.

We recognise both the challenges and immense opportunity associated with diversity and inclusion. We are committed to creating a work environment that fosters diversity of thought and ensuring our culture is supportive for everyone.

**' WE ARE COMMITTED TO CREATING A WORK ENVIRONMENT THAT FOSTERS DIVERSITY OF THOUGHT AND ENSURING OUR CULTURE IS SUPPORTIVE FOR EVERYONE '**

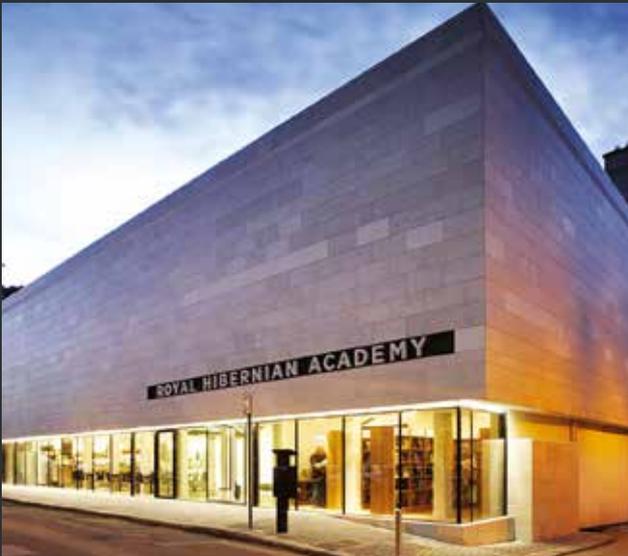






# ARTS AND CULTURE

**Avolon has been a proud supporter of the arts since its inception. 2018 was a year in which we invested heavily in supporting and enabling the arts community not just in Ireland but around the world. Our strategy in this area is three-fold: visual arts, performing arts and education.**



## VISUAL ARTS

Our cornerstone international programme, the Avolon Global Studio Award, now offers two residencies at the Royal Hibernian Academy (RHA) in Dublin.

This year we ran a campaign to recruit our two residents from India and we were both pleased by the number of applicants and the quality of submissions.

The campaign reached over 40,000 artists in India. This year's residents are working through the medium of paint to produce works of art under the theme of "humanity".



## EDUCATION

The Avolon Youthreach Programme, now in its third year, offers children from disadvantaged communities to have access to a four day-long workshop, designed to inspire creativity among early school leavers in Ireland.

The programme enables the RHA to identify and nurture artistic talent and to encourage the students to consider further education within the arts.

**' OUR STRATEGY IN THIS AREA IS THREE-FOLD, VISUAL ARTS, PERFORMING ARTS AND EDUCATION '**



## PERFORMING ARTS

In the performing arts, we also entered into a strategic partnership with the Abbey Theatre, Ireland's National Theatre, to sponsor its Winter Season, the highlight of which was the staging of the Tony Award winning musical *Come From Away*.

Avolon also sponsored the Druid Theatre production of Samuel Beckett's *Waiting for Godot* at New York's White Light Festival at the Lincoln Center.

This year we also sponsored Wexford's international Opera Festival.

In the area of promoting Ireland's rich history in aviation we also co-sponsored an exhibition at the Little Museum of Dublin titled "the Wings of Ireland".



# INTERNATIONAL AVIATION SCHOOL

## In October, we hosted our inaugural International Aviation School at our new global headquarters in Dublin.

A total of 76 delegates from 17 countries representing 40 of our customer airlines, aircraft and engine suppliers, technical support providers and financiers, spent two days with Avolon, receiving insights into the aircraft leasing industry and how a leading aircraft lessor thinks about the key elements of its business.

Hosted by Avolon's Head of Strategy, Dick Forsberg, the event addressed a range of topics through presentations from senior Avolon executives, covering the fundamentals of aircraft leasing, technical aspects of aircraft redelivery, airline risk management, novations, capital markets, aircraft performance analysis, pricing and lease evaluations, contract management and insurance.

A striking keynote address from motivational speaker Mark Pollock, a long-standing friend of Avolon, gave the delegates a different perspective on dealing with personal and business challenges with his compelling message to choose to be a competitor, a realist and a collaborator.

We look forward to making this an annual event and to introducing more of our industry's brightest and best to the Avolon culture.

### Pictured Below

Mark Pollock introduced to International Aviation School delegates by Avolon Head of Strategy, Dick Forsberg



### Pictured Right

International Aviation School delegates spent two days with Avolon receiving insights into the aircraft leasing industry.

### Pictured Opposite

The International Aviation School closed with a Q&A by Avolon's ExCo.



## EXCO Q&A PANEL

- Dómhnal Slattery** Chief Executive Officer
- John Higgins** President & Chief Commercial Officer
- Andy Cronin** Chief Financial Officer
- Tom Ashe** Chief Operating Officer & Head of Risk



**'THE EVENT ADDRESSED A RANGE OF TOPICS THROUGH PRESENTATIONS FROM SENIOR AVOLON EXECUTIVES'**





# AVOLON'S NEW HQ

## Avolon moved into new global headquarters in Dublin in July of 2018.

Ranging over six floors, Number One Ballsbridge is a state of the art work environment designed to deliver 21st century facilities that are fit for purpose for the Avolon TRIBE.

The building contains a number of initiatives aimed at enhancing the working experience, while also reinforcing Avolon's position as an employer of choice.

The TRIBE enjoys a bright and spacious open plan working environment with an entire floor dedicated to meeting rooms. Wellness and personal development were at the forefront of the design, the result of which is generous learning and fitness facilities within.

Our two hundred seat auditorium, Alpha, is already being used to great effect to host both internal and external events.

Thanks to its technological assets, it is also the venue for daily global briefings that include Avolon offices joining onscreen from New York, Florida, Singapore, Hong Kong and Dubai, enabling TRIBE members around the world to listen, view and contribute via video to the briefings on Alpha's giant screen.

Taoiseach of the Republic of Ireland (Prime Minister) Leo Varadkar TD officially opened our new home in Dublin when he visited Avolon in September.

We have also made changes in other locations with a new office facilities in Plantation, Florida and New York. They are fit for purpose and fit for TRIBE.

Number One Ballsbridge was completed in June 2018 to LEED Gold Development specifications, (Leadership in Energy and Environmental Design).



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# OUR FLEET

The Avolon fleet is a risk-balanced portfolio of quality assets and the youngest fleet among the world's three largest aircraft lessors.

## Portfolio as at 31 December 2018

	Owned	% Carrying Values	Managed	Commitment	Total
A320 CEO	202	29%	16		218
A320 NEO	36	8%		220	256
B737 NG	130	21%	22		152
B737 MAX	6	2%		135	141
E190/E195	24	3%			24
B757	6	0%			6
A330	46	15%	9		55
A330 NEO	2	1%		32	34
A350	8	5%		12	20
B767	2	0%	2		4
B777	3	2%			3
B787	22	13%		11	33
CRJ	21	1%			21
E175	4	0%			4
<b>Total</b>	<b>512</b>	<b>100%</b>	<b>49</b>	<b>410</b>	<b>971</b>



# 5 years

owned fleet weighted average age

# 20%

total NBV with top 5 customers only

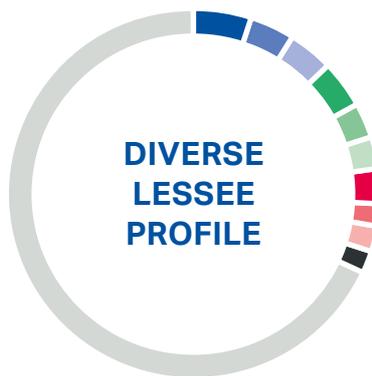
# 64%

weighting towards narrowbody

# 410

committed portfolio of latest technology fuel-efficient aircraft

**'OUR PORTFOLIO COMPRISES A BALANCE OF NEW AIRCRAFT ORDERED DIRECTLY FROM MANUFACTURERS, TOGETHER WITH YOUNG AIRCRAFT ACQUIRED THROUGH SALE AND LEASEBACK TRANSACTIONS'**



- Hainan Airlines 5%
- IndiGo 4%
- Lion Air 4%
- Delta 4%
- American Airlines 3%
- Garuda 3%
- Philippine Airlines 3%
- Sri Lankan 2%
- Air India 2%
- Oman Air 2%
- Other 68%



- Narrowbody 64%
- Widebody 36%



- APAC 51%
- EMEA 27%
- Americas 22%



- Airbus 58%
- Boeing 37%
- Other 5%

# CFO'S STATEMENT

**The financial year ended 31 December 2018 was our strongest yet in terms of financial performance, where we achieved a record profit for the year of US\$717m and generated US\$2.2bn of net cash from operating activities for the year.**

This is the end-result of a year of optimisation with an unwavering focus on our strategic commitment to maintaining a young and fuel-efficient fleet and a continuous focus on risk management.

## Operating Performance

We took delivery of 33 new aircraft for total cash payments of US\$2.2bn, net of pre-delivery payments paid in previous years. With respect to our trading activity we sold 87 aircraft and one engine (and disposed of one aircraft constituting an insured total loss) for total sales proceeds of US\$2.2bn. The average age of our aircraft sold was 10 years. Our aircraft aggregate net book value reduced slightly during the year from US\$21.6bn to US\$21.5bn and the average age of our fleet also reduced from 5.3 years to 5.0 years.

Through our involvement as servicer for Sapphire Aviation Finance and our new joint-venture, Jade Aviation, we materially enhanced our management activities during the year. Our managed fleet increased to 49 aircraft at the end of the year. This will facilitate growth in our servicer fee income as we look forward to 2019.

**' 2018 WAS OUR  
STRONGEST YET IN  
TERMS OF FINANCIAL  
PERFORMANCE '**



## Financial Performance

Total revenues for 2018 were US\$2.6bn, supported by an annualised lease rate of 11.4%. This allowed us to recognise a year on year increase in profit of US\$167m bringing total profit for the year to US\$717m.

We continue to see strong demand for aircraft in investor and lessor secondary markets. Our aircraft sales activity resulted in a gain on disposal of property, plant and equipment of US\$75m for the year, an increase of US\$2m on the year.

We have always maintained a policy of operating a hedged book, and in a rising rate environment this policy becomes increasingly critical. Our average interest rate, including the impact of hedging derivatives, increased from 4.2% to 4.4% during the year. The slight increase in our average interest rate is partially as a result of unhedged floating rate debt which broadly equates to our floating rate lease exposure, and partially due to our increased level of activity in the unsecured capital markets, which is of strategic importance to us as we look to transition to investment grade. Our finance expense benefited from the recognition of IFRS 9 modification gains of US\$86m following amendments to our secured term loan and other facilities, offset by amortisation of US\$28m on all IFRS 9 modification gains during the year, resulting in a net decrease of US\$58m in finance expense. On a total basis our finance expenses remained broadly flat at US\$655m for the year.

2018 was another strong year for airline profitability globally. IATA has forecast total airline net profit for 2018 of US\$32bn, albeit with North American airlines accounting for just shy of half of this balance. Notwithstanding the strong back-drop we recorded a net benefit of US\$22m to our profit for the year from the termination of leases relating to four airlines that were in default of their lease obligations. The benefit arose from the recognition of supplemental maintenance revenue of US\$49m, security deposit and other income of US\$14m and a gain resulting from the de-recognition of net lease related liabilities of US\$26m, all of which were offset in part by an impairment related to the lease terminations of US\$67m.

We declared and paid total dividends to our shareholders during the year of US\$490m. US\$240m of this was paid to Bohai during Q3 2018 as part of the pre-closing sequence for the ORIX transaction. This dividend payment facilitated the early repayment of the last intercompany loan between Avolon and Bohai ahead of its scheduled maturity date. As we look forward to 2019 our policy is to continue to provide a dividend to our shareholders that is consistent with our strategic objective of achieving further investment grade credit ratings.

# \$2.6bn

Total revenues

# \$717m

Profit for the year

# \$27.2bn

Total assets

# \$2.2bn

Net cash from operating activities

# \$5.7bn

Total available liquidity

### Capitalisation

2018 was a very active year with respect to capital raising where we raised US\$4.2bn of debt funding during the year and added a commitment for an additional US\$300m of unsecured debt to be drawn in Q1 2019. As part of this debt raising activity we issued US\$1.5bn of senior unsecured notes and doubled the scale of our unsecured revolving credit facility to US\$2.2bn. We also increased our secured warehouse lines by US\$150m.

While our total assets remained stable year on year, we reduced our secured debt by US\$1.6bn, increased our available liquidity by US\$621m and invested US\$4.3bn in new aircraft acquisitions, pre-delivery payments and deposit payments for aircraft.

We have consistently stated that achieving and maintaining an investment grade profile is the core strategic objective for our business. To this end we maintain a prudent financial risk profile comfortably within the boundaries of an investment grade risk profile. Our net debt to equity at 31 December 2018 was 2.2x. Similarly, our total available liquidity at 31 December 2018 was US\$5.7bn, which when combined with our annual net cash from operating activities of US\$2.2bn, provides us with excellent coverage for future CAPEX funding.

**2.2x**

Net debt / equity

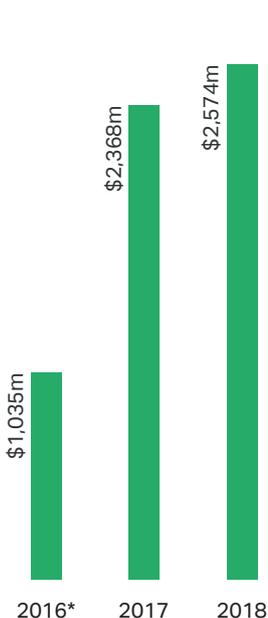
**42%**

Secured debt / total assets

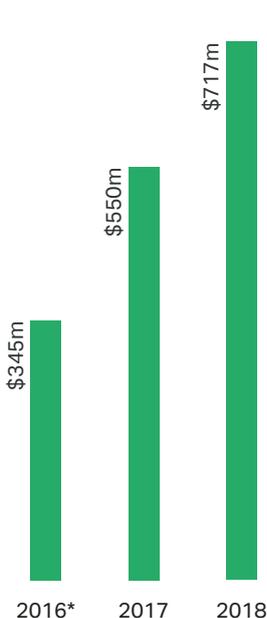
**\$8.7bn**

Unencumbered assets

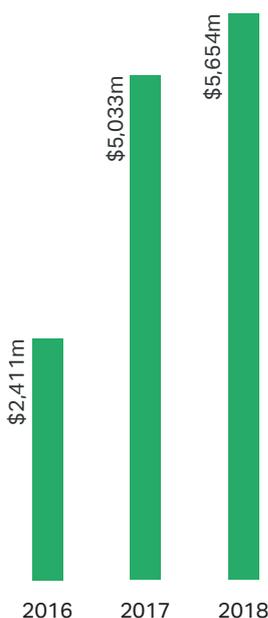
**Total Revenues**



**Profit for the Year**



**Total Available Liquidity**



\*Includes both Predecessor Entity (period from 1 Jan 2016 - 8 Jan 2016) and Successor Entity (period from 9 Jan 2016 - 31 Dec 2016)

All figures in US\$

We have a continuous focus on liability management and debt maturities. In 2018 we extended the maturity of our secured term loan (US\$4.3bn at 31 December 2018) from 2022 out to 2025. As at 31 December 2018 we reported a very conservative weighted average debt maturity of 4.5 years. As a result of consistent liability management only 8% of our debt falls due in the next 2 years.

The reduction in secured debt outstanding of US\$1.6bn during the year was a significant step on our path to further investment grade ratings, as it facilitated the release of aircraft collateralised under various debt facilities. As a result, over the course of 2018, our unencumbered asset balance

grew by US\$2.9bn to US\$8.7bn. This progress is even more significant when we look back to the end of 2016, when we held only US\$0.9bn of unencumbered assets. The ratio of our total unencumbered assets to drawn unsecured debt was 1.4x at 31 December 2018, which provides excellent credit protection to our unsecured debt investors.

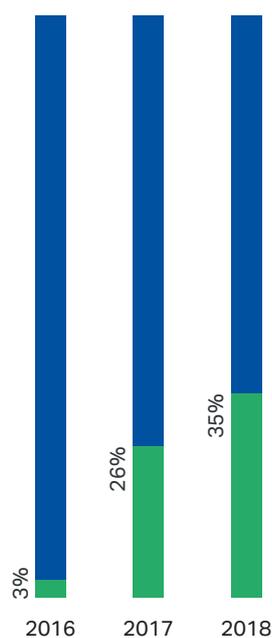
As we look out over the next 12 months, our relentless focus is on achieving further investment grade credit ratings. We expect to continue our excellent progress on reducing secured debt and increasing our unencumbered assets.

Our secured debt measured as a percentage of total assets reduced from 48% at the start of 2018 to 42% at year end. We look forward to continuing our swift and meaningful progress on this front and ultimately reaching our stated target of 30% secured debt to total assets.



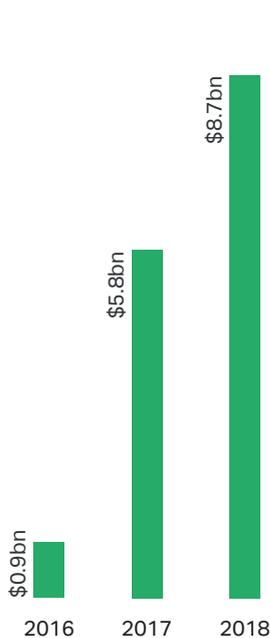
**Andy Cronin**  
Chief Financial Officer

**Unsecured Debt / Total Debt**

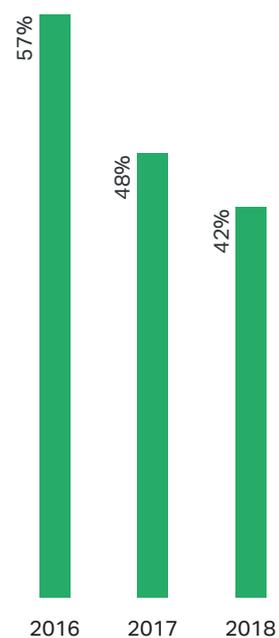


■ Unsecured Debt  
■ Secured Debt

**Unencumbered Assets**



**Secured Debt / Total Assets**



All figures in US\$



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