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@avolon_aero



avolon

Front Cover

The Avolon logo is populated with icons that represent our values of Transparency, Respect, Insightfulness, Bravery and Ebullience.

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.



2019 HIGHLIGHTS

Investment Grade Rating Achieved

FitchRatings
BBB-

MOODY'S
Baa3

S&P Global
BBB-

KBRA KROLL BOND
RATING AGENCY
BBB+

Key Metrics

925
Aircraft

154
Customers

62
Countries

**Youngest
Fleet**
of the top 3 lessors

Business Overview

\$2.6bn
Total Revenues

\$718m
Profit for the Year

\$5.7bn
Total Available Liquidity

\$2.1bn
Net Cash from
Operating Activities

109
Lease Transactions

\$14.9bn
Unencumbered Assets

All figures in this document accompanied by \$, represent figures in US dollars only.



2019 was a landmark year for Avolon and represented another period when our team delivered a performance which was ahead of market expectations



CHAIRMAN'S MESSAGE

In what was a challenging year for the global aviation sector, the Avolon business performed strongly against all financial and operating metrics and, most notably, achieved an investment grade credit ratings profile early in the second quarter, significantly ahead of the market's expected timeframe.

As an active participant in the public debt markets Avolon has raised close to \$15 billion of public debt since 2017 while successfully transitioning to an investment grade ratings profile. As we enter what is likely to be another challenging year for the airline sector, Avolon's global platform, experienced management team and investment grade profile positions the business to deliver another strong performance.

As we look to 2020 and beyond, we also recognise there are new challenges which face aviation and wider business. Environmental and sustainability issues are at the forefront of our minds and we are increasingly factoring these concerns into our business decisions and our interaction with our stakeholders.

When we look back at the success of the Avolon business over a decade, it is clear that the strong culture and values which the leadership team has embedded within the business have been significant contributors to Avolon's growth and performance. The Board and leadership team are committed to ensuring that our values remain central to how the business is run and we are confident they will continue to play an important role in our success in 2020 and beyond.

We remain confident in Avolon's prospects. We have a highly cash-generative business, an attractive order book, strong liquidity and multi-cycle experience. We also have a team of 265 dedicated people who continue to deliver for our customers, investors and shareholders each and every day. On behalf of the Board, I would like to express our gratitude to them for their performance in 2019 and our confidence in their ability to deliver in 2020.

Xiangdong (Adam) Tan Non-Executive Chairman



Avolon has raised close to \$15 billion of public debt while successfully transitioning from a high-yield to an investment grade ratings profile





Our success as a business has also been built on clear and shared corporate values which we work hard to reinforce each and every day.





2019 marked the beginning of Avolon's tenth year in business. Over a decade, we have built a leading global player in the aircraft leasing sector serving 154 airline customers with the youngest, most fuel-efficient fleet among the world's top three lessors

CEO'S MESSAGE

We delivered record net income in 2019 and achieved a major corporate milestone with our investment grade credit rating. We enter 2020 and the new decade with a strong business, positioned to perform and with the ambition to build on our achievements of the past ten years.

Looking Back

Avolon was founded in 2010 during the eye of the global financial crisis when credit markets were effectively shut down and the aviation sector was in a period of significant stress. Against that challenging backdrop, we scaled our business to become a global leader while working hard to maintain our entrepreneurial spirit and hunger. Those attributes are the driving force behind what is an outstanding performance for the 2019 financial year and will sustain our performance in the years ahead.

Our success as a business has also been built on clear and shared corporate values which we work hard to reinforce each and every day. Those values are: Transparency, Respect, Insightfulness, Bravery and Ebullience, which form TRIBE. We believe they are as crucial to the success of our business today as the strength of our capital structure or the composition of our aircraft orderbook.

Airline Challenges

During the course of 2019, the aviation industry experienced more stress than has been the case for a number of years. While the sector delivered a strong overall performance, with total global airline profitability of \$26 billion, there were still significant adverse events last year including over 20 airline failures and the grounding of the Boeing 737 MAX programme.

In 2019 the emphasis on environmental and sustainability issues shift from the margin to the mainstream. These issues are now a feature of our daily lives and the aviation industry was a focus of debate in 2019.



CEO'S MESSAGE - CONTINUED

While the commercial aviation industry actually represents in the order of 2% of global carbon emissions and is a significantly lower contributor than most other modes of transport, it is our collective responsibility to work to reduce carbon emissions. It is also clear that capital will continue to flow towards more environmentally focused businesses and assets. There is no doubt that over time the ESG credentials of a business will have an impact on its cost of capital.

Our strategic focus is to own young, fuel-efficient aircraft which have the lowest possible impact on the environment. We will continue to play our part and engage with our customers and both the aircraft and engine manufacturers on the debate about further reducing industry emissions. We will also continue to consider ways in which we can directly contribute to initiatives that would reduce carbon emissions more broadly.

Investment Grade

Avolon has built a strong reputation in the debt capital markets through a consistently strong financial performance and delivery on successive corporate milestones over a period of years. We began 2019 with one primary corporate objective: to achieve an investment grade credit rating. An investment grade rating provides Avolon with access to a significantly deeper pool of capital, supports a more efficient balance sheet and drives earnings growth.

Highlights

\$718m

Profit for the Year

\$2.1bn

Net Cashflow from Operating Activities

\$285m

Shareholder Dividend

We delivered on this objective early in the second quarter of 2019, which was ahead of market expectations and which had an immediate positive impact on our funding costs.

We issued \$3.6 billion of unsecured notes during the course of 2019 and each of our issuances was significantly over-subscribed. We ended the year with a strong balance sheet; with \$5.7 billion of liquidity; and with our secured debt as a percentage of total assets, a key driver of our upgrade to investment grade, at 28%. Our focus for 2020 is to continue to enhance our credit metrics to further drive down our funding costs which will position the business to continue to perform in all market conditions.

Strong Financial Performance

2019 was another year of strong financial performance for Avolon. We delivered a profit for the year of \$718 million despite significant one-off costs associated with our transition to investment grade. This represents a record for our business and a performance of which we are very proud. We also remain highly cash generative, producing in excess of \$2 billion of cashflow from operating activities during the year, which enabled us to declare a dividend of \$285 million to shareholders during the fourth quarter.

Fleet & Customer Base

Our strong financial performance is built on the strength of our customer relationships and our industry-leading fleet. Across our seven global offices, we maintain deep and multi-decade relationships with the world's airlines. We ended 2019 with 154 airline customers operating in 62 countries.

We closed 2019 with an owned and managed fleet of 525 aircraft and total orders and commitments for a further 400 fuel efficient aircraft. We executed over 100 lease transactions, delivered 54 new aircraft and sold 92 owned and managed aircraft during the year. Aircraft sales have been a hallmark of our strategy since we founded the business. They enable us to manage risk and also recycle and redeploy capital into younger and more fuel-efficient aircraft.

Thought Leadership

Avolon has been consistently recognised as a thought leader in the aviation industry and we continued to build on that position during the year. Our 2019 annual industry outlook paper, *Buckle Up*, summarised the state of the industry at the end of the decade and set out our traditional 'Fearless Forecasts' for the year ahead. As suggested in that paper, 2019 was, as expected, a year which presented challenges for the industry.



Beyond our industry thought leadership, we also believe we have a responsibility to help nurture other start-up businesses so they can learn from the opportunities and challenges we have faced on our journey. In April, we published *Project i*, a detailed report which laid out a road map to position Ireland at the forefront of global start-up innovation. This paper led to a follow-on initiative, *Accelerate i*, which brought together over 100 Irish start-up companies at our Dublin head office in October, where, with a range of guest speakers, our TRIBE shared their start-up experiences.

CARE

Avolon's commitment to corporate social responsibility is embodied in our CARE strategy and integral to our culture and values. Over the past decade we have contributed significant time and funding to numerous charitable causes.

In the past year we have continued our support of a diverse range of organisations including: ORBIS, VITA, UNICEF, Concern Worldwide, The Salvation Army, Habitat for Humanity and the Peter McVerry Trust. In total, our 2019 CARE initiatives contributed \$650,000 to 52 global projects and we are very proud of the positive impact we have had on what are truly important projects.

We also remain committed to supporting the Arts. During 2019, we broadened our partnerships to include The Royal Irish Academy of Music, The Royal Hibernian Academy and Ireland's national theatre, the Abbey, as well as supporting a number of individual artists and their work.

Innovation and Learning

Our partnership with INSEAD, one of the world's leading business graduate schools, continued to strengthen in 2019. By year-end, almost 70% of the Avolon TRIBE had participated in custom-designed modules at INSEAD's home campus in Fontainebleau, Paris. Our commitment to the INSEAD programme is consistent with the deep learning culture embedded within our business and ensures we are engaged on emerging issues affecting our business and the wider industry. We also continue to work closely with our customers on a programme of learning. In September, we hosted the second Avolon Aviation School with 80 delegates from 75 of our customers and other stakeholders in attendance. In all, 12 sessions were delivered on various aspects of aviation leasing and finance to a diverse audience with approximately one third of attendees from each of Asia-Pacific, Europe and the Americas. We fundamentally believe that we have an important role to play in sharing knowledge with industry participants and in building the next generation of aviation professionals who have a deep understanding of our industry.

Outlook

We delivered an outstanding performance in 2019 despite a challenging year for the sector globally. The sector outlook for 2020 remains uncertain.

The coronavirus outbreak in January has severely impacted the airline industry in China and airlines in many other markets. Our multi-cycle experience from working through previous periods of dislocation, such as the SARS epidemic in 2003, tells us that air traffic is resilient and generally rebounds rapidly. Based on this experience, we are confident in the long-term outlook but remain cautious for the near-term.

We are well positioned with our strong investment grade balance sheet to manage through this difficult period and furthermore we are well positioned to work with our customers and support them through this challenging time.

The exact timing of the return of the 737 MAX is unclear though we are confident it will safely return to service during the course of the year. While markets have remained relatively buoyant and tend to perform positively in the year of a US Presidential election, lingering issues around international trade agreements, the impact of Brexit and the coronavirus may restrain economic growth and some air travel.

Environmental issues will also remain centre stage in 2020 and how they might impact economic growth remains to be seen. While we maintain one of the youngest and most fuel-efficient fleets in the sector, we will continue to focus on engaging with all of our stakeholders on sustainability and consider ways in which we can have a positive impact on our industry and the wider environment.

Avolon has a global platform, an experienced team and a strong, investment grade balance sheet. Where there is economic stress, we believe it will present opportunity for us. We are confident in the outlook for our business and in our ability to continue to deliver for our customers, investors and shareholders.

Dómhnall Slattery Chief Executive Officer



LEADERSHIP

Executive Committee



Dómhnal Slattery

Chief Executive Officer

Dómhnal Slattery is the Chief Executive Officer with over 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 with Bohai Leasing.

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 holds a Bachelor of Commerce degree (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. He is responsible for our commercial relationships with airlines, trading partners and the OEMs. John has over 25 years' experience in aircraft leasing and finance.

Prior to the formation of Avolon, John was Chief Commercial Officer at RBS Aviation Capital, having previously worked in senior marketing and finance roles with GECAS and Guinness Peat Aviation (GPA).

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



Andy Cronin

Chief Financial Officer

Andy Cronin is the Chief Financial Officer at Avolon where he has been responsible for leading the Finance and Capital Markets Teams through numerous successful public and private capital raises and debt issuances.

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 degree 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, IT and risk management.

In 2002, Tom joined RBS Aviation Capital as Head of Origination for the EMEA region. 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 degree (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 Investment Officer at CWT International, a listed company on the Hong Kong Stock Exchange. Yi has held a variety of Chief Financial Officer positions across affiliate companies of HNA Group, including CFO of HNA Innovation Finance Group, CFO of HNA Hotel Group and CFO of Offshore Heavy Transport AS.

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



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

BOARD OF DIRECTORS



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 of the HNA Group since 2013 and served as Chief Executive Officer since 2016. Mr. Tan also served as President of HNA Group from 2013 to 2016. 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 previously held the position of Chairman of Varagon Capital from 2014 to 2020 and is currently 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.



Xiaofeng (Daniel) Chen

Non-Executive Director

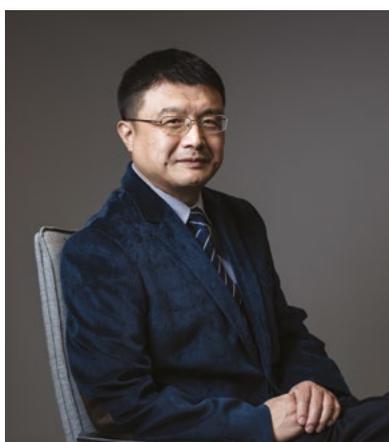
Daniel Chen has served as a director since October 2018. Mr. Chen has significant leadership within HNA Group, serving as its President since October 2019 and Board Director since September 2018. Previously, he has served as Assistant to Chairman and Vice CEO. Mr. Chen has held his position as Chairman and CEO of HNA Group North America LLC since August 2018 and has served as Chairman of Swissport International Ltd, since April 2019. Prior to joining HNA Group, Mr. Chen served as the President of Pacific American Investment Limited, founded Inception, LLC, served as its Managing Director, and as President of Kingdom Investment Advisors Ltd. Mr. Chen currently serves on several boards, including Swissport and SR Technics. He is a trustee of the Pingry School and a member of the All-China Federation of Returned Overseas Chinese. Previously, he has served as a member of summit advisory committee of the China Institute and as a trustee of the Hainan Chinese Overseas Friendship Association.



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 Senior Managing Executive Officer of ORIX and is in charge of 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 Sumitomo Bank. Mr. Fushitani holds a Bachelor Degree in Business Administration and Economics from Kobe University.



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 Director of the Board of various Bohai entities.



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.



Dómhnaíl Slattery

Chief Executive Officer

Dómhnaíl Slattery has served as Avolon's 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.



JOURNEY TO INVESTMENT GRADE

FitchRatings
BBB-

MOODY'S
Baa3

S&P Global
BBB-

KBRA KROLL BOND
RATING AGENCY
BBB+



Avolon is an active participant in the public and private debt markets with \$12 billion of publicly traded debt outstanding at the end of 2019

Avolon set a target to deliver on its objective of obtaining an investment grade rating during 2019. Achieving this upgrade provides access to a significantly greater capital pool, supports a more efficient balance sheet and drives earnings growth.

Following ORIX's equity investment in the company in late 2018, the final impediment to moving to an investment grade ratings profile was the transition of Avolon's capital structure to majority unsecured debt. Specifically, this consisted of moving Avolon's ratio of secured debt to total assets to 30% or below.

Avolon began 2019 with a secured debt to total assets ratio of 42%. This ratio was successfully reduced to 29% by the end of Q2 2019 following the issuance of \$1.1 billion and \$2.5 billion of senior unsecured notes in January and April.

These issuances would act as the catalyst for upgrades to investment grade on a timeline ahead of market expectations. In April 2019, each of Fitch Ratings, Moody's and S&P Global upgraded Avolon to investment grade, alongside Kroll.

Since April, Avolon has continued to reduce the level of secured debt within the capital structure with the ratio of secured debt to total assets reducing to 28% at year-end.



Achieving this upgrade provides access to a significantly greater capital pool, supports a more efficient balance sheet and drives earnings growth



CARE 2019



The CARE committee has supported 52 proposals in 2019, contributing over \$650,000 to these various projects

 [Watch the video click here](#)

Avolon's commitment to corporate social responsibility is integral to our culture and values and is delivered through our CARE initiative

At Avolon a voluntary group of TRIBE members work to ensure that we continue to provide support to important CSR initiatives and that our efforts go into supporting organisations that matter to our TRIBE and are relevant to the markets in which we operate.

TRIBE members are invited to submit proposals detailing projects which they feel passionately about and believe are deserving of Avolon support. We supported 52 proposals in 2019, contributing over \$650,000 to these various projects.

CARE provides financial assistance to projects but also encourages TRIBE members to give practical assistance. Every member of the TRIBE 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. Over the past year, more than 300 CARE Days were donated by Avolon TRIBE Members.

A central part of our CARE initiative is our CARE month. In 2019, June was designated CARE month. Throughout this month, office-wide CARE days were delivered in the US, Asia and Dublin, which were large scale projects benefiting local communities and causes.



In Dublin, the TRIBE took a previously underutilised space at Stewarts Care, a voluntary organisation providing comprehensive community-based facilities to people with intellectual disabilities since 1869, and built a range of new services which included a new playground, an outdoor classroom, BBQ and picnic area, woodland trail and a sensory garden.

The Avolon Asia Pacific team partnered with Splash Projects to build a wheelchair accessible sensory garden and outdoor space for the residents of the Salvation Army's Hoi Tai Residence for Seniors in Hong Kong.

Avolon Americas partnered with Habitat for Humanity to help build three homes in Paterson, New Jersey. Habitat enables low-income families to own a home, transforming their lives and the communities around them.

Since inception Avolon has engaged with ongoing charitable projects in rural Ethiopia, with TRIBE members participating in these projects on an on-going basis. In 2019, 21 members of the TRIBE fundraised and volunteered in partnership with Vita. Vita is an Irish NGO working to improve rural African economies, impacting the livelihood of the area.

In 2019, Avolon also established a strategic five-year partnership with the Royal Irish Academy of Music to construct an auditorium for the Open Youth Orchestra of Ireland. This will involve a redevelopment of the RIAM campus to provide a home for the rehearsal, improvisation and creation of music.



Pictured Above

The Avolon teams at CARE days in Habitat for Humanity in New Jersey (top) and the Salvation Army in Hong Kong.

Pictured Opposite & Below

The voluntary facility at Stewarts Care in Dublin benefitted from the 2019 Avolon Dublin CARE day.

 [Watch the 'Great Ethiopian Run 2019' video click here](#)





AVOLON

AVOLON AND THE ARTS

One of Avolon's core values is Bravery and this is the driving force for Avolon's ongoing support of the Arts

We strongly believe that artists and their work epitomise bravery in all its forms. In 2019, we began to build the global Avolon Art Collection to support artists and to also provide a platform to connect those artists with the wider public. In five-year cycles, we will loan our art to organisations with public spaces including libraries, hospitals, universities and schools.

In September, we were also proud to be recognised for our contribution to the Arts. Our collaboration with the Royal Hibernian Academy (RHA) on the Avolon Global Studio Award was a winner at the 2019 Allianz Business to Arts Awards. These awards recognise outstanding relationships between business, artists and arts organisations in Ireland and we were honoured to win the Best Long-Term Partnership Award for 2019.

In the same month, we also announced a new partnership with the Royal Irish Academy of Music which will enable the Open Youth Orchestra of Ireland (OYOI) to have a permanent home in the €20 million redeveloped RIAM campus on Westland Row in Dublin. OYOI is Ireland's only disabled-led orchestra, as well as being one of the first in Europe. Our contribution will enable the creation of a bespoke space dedicated to the OYOI for the rehearsal, improvisation and creation of music.

Come From Away

In January Avolon invited 350 guests to an exclusive staging of the Broadway musical, *Come From Away*, at the Abbey Theatre, which coincided with the global aviation industry gathering in Dublin.

The inspirational Tony award winning musical is based on the true story of when the isolated community of Gander, Newfoundland, played host to the world following the 9/11 attacks. 38 aircraft, carrying thousands of passengers from across the globe, diverted to Gander's air strip on September 11, 2001. The town would host over 7,000 stranded visitors, who were all made feel at home within this small Canadian community, establishing relationships which exist to this day. This was also the first time a musical travelled directly from Broadway to the Abbey stage, Ireland's national theatre, for its European debut.

Pictured Left

Sentinel, a bronze sculpture that is now a feature of Avolon's Dublin HQ.

Pictured Right

Ireland's national theatre, The Abbey, hosted Avolon for a staging of the Tony Award winning *Come From Away*.





2019 INDUSTRY RECOGNITION & AWARDS HIGHLIGHTS

During 2019, we are proud to have received awards from a number of industry organisations; building on our track record of industry recognition

Our objective is not to set out to win awards but they do represent strong validation from our industry peers and reflect the hard work and commitment of our TRIBE members around the world.

We received six awards during 2019, including *Lessor of the Year*, *Unsecured Bond Deal of the Year* and *Overall Deal of the Year* from *Airfinance Journal*. These awards are linked with our transition to an investment grade business including our addition of ORIX as a shareholder in late 2018 and our various capital raising initiatives in the debt markets. Our ORIX transaction also featured in our winning of the *Finance Dublin M&A Deal of the Year* and the *2019 Aviation Leasing Achievement Award*.

Finally, we were proud that our now retired Head of Strategy, Dick Forsberg, was recognised for his outstanding contribution to the aviation industry, with the *Airfinance Journal* 'Lifetime Achievement' award for 2019. Dick was recognised for his work over 40 years in the industry and acknowledged for having been integral to Avolon's growth to become the world's third largest aircraft lessor.



Our objective is not to set out to win awards but they do represent strong validation from our industry peers and reflect the hard work and commitment of our TRIBE members around the world



**OVERALL DEAL
OF THE YEAR**



**LIFETIME
ACHIEVEMENT –
DICK FORSBERG**



LESSOR OF THE YEAR



**LESSOR UNSECURED
BOND DEAL OF
THE YEAR**



**M&A DEAL
OF THE YEAR**



**AVIATION LEASING
ACHIEVEMENT AWARD**

CELEBRATION OF FLIGHT

In 2019, Avolon published *Pioneers and Aviators, The Alcock and Brown Centenary Edition*, to coincide with the centenary of the world's first successful transatlantic flight. In June, 1919, Captain John Alcock and Lieutenant Arthur Brown took off in Newfoundland, Canada and landed in Co. Galway on the west coast of Ireland sixteen hours later. This fearless achievement gave birth to modern transatlantic travel and placed Ireland at centre stage in aviation history.

Pioneers and Aviators, The Alcock and Brown Centenary Edition is a journey spanning a century of dramatic change, through a unique collection of images and celebrating Ireland's remarkable contribution to global aviation. *Pioneers and Aviators* also recognises the aviators whose vision, passion, successes and failures helped forge Ireland's unique aviation landscape.

To coincide with the centenary, Avolon hosted *A Celebration of Flight* in Dublin on 15 June, 2019, exactly 100 years to the day when Alcock & Brown landed in Ireland. The event brought together aviation leaders from around the world in the State Rooms in Dublin Castle, itself an historic venue, to remember that maiden flight while celebrating Ireland's prominent role in the aviation industry over the past century. The occasion was marked with a flyover of Dublin Castle by the Irish Air Corps and a performance in the Dublin Castle courtyard by the Army No.1 Band.

 [Watch the video click here](#)



Pictured Above

The Army No 1 Band greeted guests at Celebration of Flight in the courtyard of Dublin Castle.

Pictured Opposite

Celebration of Flight was hosted in the historic State Rooms of Dublin Castle.



To coincide with the centenary, Avolon hosted A Celebration of Flight in Dublin on 15 June, 2019, exactly 100 years to the day when Alcock & Brown landed in Ireland



THOUGHT LEADERSHIP

Since our foundation, Avolon has been consistently recognised as a thought leader in the aviation industry and we continued to build on that position during 2019

In January, we issued our 2019 annual outlook paper, *Buckle Up*, summarising the state of the industry at the end of the decade and setting out our traditional 'Fearless Forecasts' for the year ahead. As expected, 2019 was a year which presented challenges for the industry.

Avolon also believes it has an important role to play in helping nurture other start-up businesses who can learn from the opportunities and challenges Avolon has faced over the past 10 years. In April, we published *Project i*, a detailed report which laid out a road map to position Ireland at the forefront of global start-up innovation. The white paper accentuates Avolon's entrepreneurial DNA and led to a follow-on event hosted in our Dublin head office in October titled *Accelerate i*.

Accelerate i was a pioneering collaboration with the Irish State agency responsible for start-ups and innovation, Enterprise Ireland, and brought together over 100 Irish start-up companies. Together with a range of guest speakers, the Avolon TRIBE shared their start-up experiences covering capital raising, building customer relationships, team building and the art of storytelling.

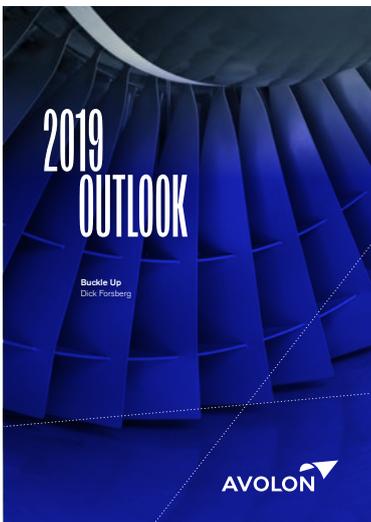


Pictured Above

Members of the Avolon team shared start-up insights with over 100 Irish companies at *Accelerate i*.

Pictured Opposite

Accelerate i was an event hosted in partnership between Avolon and Enterprise Ireland.



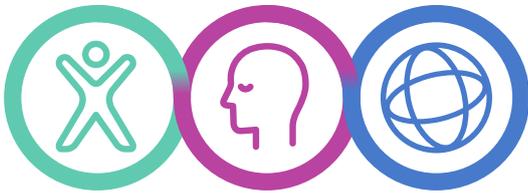
Accelerate i was a pioneering collaboration with the Irish State agency responsible for start-ups and innovation, Enterprise Ireland, and brought together over 100 Irish start-up companies

 [Watch the video click here](#)

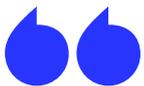


In 2019 Avolon gained further Diversity & Inclusion momentum with the introduction of a number of new and enhanced workplace initiatives

DIVERSITY & INCLUSION



Diversity & Inclusion



The composition of the Avolon D&I Committee consists of a suitably global representative mix built into the committee's framework

Our Diversity and Inclusion (D&I) programme gained significant momentum through 2019 supported by an external benchmarking exercise undertaken at the end of 2018. Our D&I Committee used the results of this exercise to define our vision, establish a governance framework reporting into the Nominating and Governance Committee of our Board, and agreed a clear strategy focused on three key pillars of Cognitive, Physical and Cultural diversity. These pillars are embodied in our D&I logo which was recently launched following a vote by the Avolon TRIBE.

During 2019 we made significant changes to Avolon's smart working, attraction, retention and promotion policies. These included the introduction of mixed gender interview panels, harmonising maternity policies globally, increasing flexible hours and raising education and awareness throughout the business.

As part of our thought diversity initiative we also welcomed a number of guest speakers bringing life to the challenges faced by many.



Avolon's D&I Vision

Sustain an open environment where people can bring their true selves to the workplace which cultivates and hears all views and recognizes people based on their merits without bias



Avolon's D&I Speakers Series 2019



Clockwise from top left

The inspirational Mark Pollock spoke with the Avolon TRIBE in October.

Sinéad Burke, advocate for disability, spoke with the Avolon TRIBE in September.

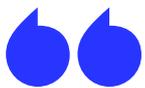
Adam Harris, founder and CEO of AslAm, the one stop shop for the Autism community in Ireland, visited Avolon in November.

Tomi Reichental, concentration camp survivor, spoke with the Avolon TRIBE in December.



Avolon's graduate programme is aimed at attracting the 'best and brightest' graduates to the business and building on the existing strengths and diversity of our TRIBE

GRADUATE PROGRAMME



Avolon strives to cultivate five future industry leaders, developing their full potential, both personally and professionally

In September 2019, Avolon welcomed five exceptionally talented graduates to our Dublin office, who now have the opportunity to gain deep sectoral knowledge and work closely with experienced Avolon executives as they set out on their careers. Avolon strives to cultivate five future industry leaders, developing their full potential, both personally and professionally.



The process to identify the next five candidates was completed in November and the latest graduate recruitment campaign received over 1,700 applications from students from 27 countries seeking to join our graduate 2020 intake. This level of interest significantly exceeded our expectations and is testament to the strength and reputation of the Avolon brand and the recognition of the growing role of aircraft leasing in the global aviation industry. We are also proud that we are being recognised as a graduate employer of choice and attracting a qualified and diverse talent pool to our business.

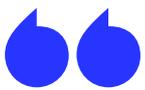
Pictured Above Right

Avolon received over 1700 graduate applications from students from 27 countries wishing to join our Graduate Programme.

Pictured Opposite

Avolon TRIBE members met with students at a number of university graduate fairs ahead of the October closing date for applications.





Avolon's Aviation School is now a truly global event, with 34% of delegates from EMEA, 21% from North America, 16% from LATAM and 29% from the APAC region

Pictured Above

Over the past two years, Avolon's Aviation School has seen over 150 delegates attend the two day event in our Dublin HQ.

Pictured Right

Members of the Avolon TRIBE shared insights on all aspects of aviation leasing and finance at our Aviation School.





AVOLON AVIATION SCHOOL



Avolon is committed to building stronger and deeper relationships with its global customer base and with a broad range of industry stakeholders. As part of this commitment, and consistent with a deep learning culture, Avolon hosted its second 'Avolon Aviation School' in Dublin over two days in September 2019.

A total of 80 delegates from 75 customers and other stakeholders attended the sessions, which once again focused on all aspects of aircraft leasing and finance. The Avolon TRIBE delivered 12 sessions over the two-day period which also included input from external industry veterans and engagement with Avolon's Executive Committee.

In its second year, Avolon's Aviation School is now a truly global event with 34% of delegates attending from EMEA, 21% from North America, 16% from LATAM and 29% from the APAC region. The 80 delegates included customer airlines, technical service providers, OEMs, banks and other service providers.

Over the past two years more than 150 delegates have now attended Avolon's Aviation School and the third event is scheduled for September 2020.

 [Watch highlights click here](#)

Pictured Below

Events like Avolon's Aviation School enhance our deep and strong customer relationships.

80

Delegates attended

75

Customers represented

12

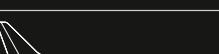
Sessions delivered

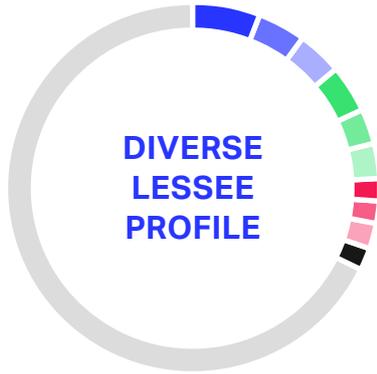


OUR FLEET

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 2019

TOTAL	AIRCRAFT TYPE	DELIVERED/ OWNED	DELIVERED/ MANAGED	FLEET COMMITMENTS	
222	A320ceo Family	190	17	15	
246	A320neo Family	49	1	196	
143	B737 NG Family	125	18	-	
148	B737 MAX 7/8/9/10	9	-	139	
4	B757-200	4	-	-	
54	A330-200/300	47	7	-	
53	A330neo	14	1	38	
17	A350-900	11	-	6	
2	B767-300ER	-	2	-	
3	B777-300ER	3	-	-	
33	B787-8/9	27	-	6	
925		479	46	400	



- Hainan Airlines 6%
- Lion Air 4%
- TAP 4%
- IndiGo 4%
- Garuda 3%
- Philippine Airlines 3%
- American Airlines 2%
- SriLankan 2%
- Delta 2%
- Air India 2%
- Other 67%

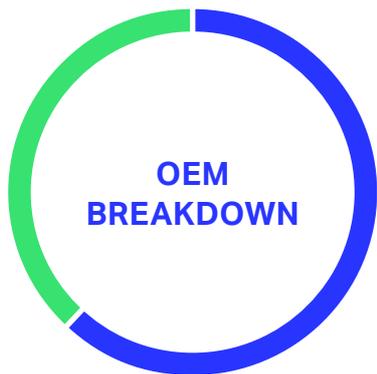
Note: Due to figures being rounded the total does not equal 100%



- Single aisle 56%
- Twin aisle 44%



- APAC 52%
- EMEA 31%
- Americas 17%



- Airbus 62%
- Boeing 38%



Our portfolio comprises a balance of new aircraft ordered directly from manufacturers, together with young aircraft acquired through sale and leaseback transactions

5 years

owned fleet weighted average age

33%

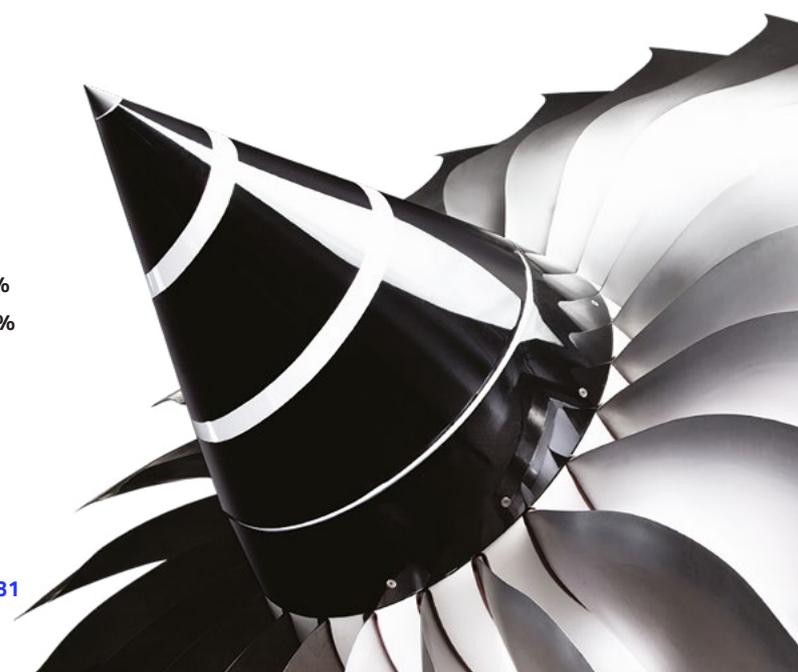
total NBV with top 10 customers only

56%

weighting towards single aisle

400

committed portfolio of latest technology fuel-efficient aircraft





CFO'S STATEMENT



The financial year ended 31 December 2019 was a landmark year for the Avolon business, with the highlight being our upgrade to an investment grade ratings profile

Achieving this important strategic objective involved a material transition in our capital structure to a primarily unsecured funding structure. This transition was not without cost to the business, and, despite \$58 million of transition costs, we delivered a record \$718 million of profit and over \$2 billion of cashflow from operating activities for the year.

We ended 2019 as the third largest aircraft lessor globally, with \$28.4 billion of total assets, a conservative leverage profile, over \$5.7 billion of total available liquidity and \$16.6 billion of future contracted lease rentals. Our investment grade rating provides access to flexible and cost-efficient capital. Given the strong fundamentals of our business, our strong, stable governance and our ambition to continue to unencumber assets, we remain focused on further enhancing our credit profile in 2020.



FitchRatings

BBB-

MOODY'S

Baa3

S&P Global

BBB-

KBRA KROLL BOND
RATING AGENCY

BBB+

Operating Performance

2019 was an extremely busy year in operational terms. During the year we executed over 100 lease transactions, over 30 sale agreements and delivered 54 new aircraft into our owned portfolio. Demand for aircraft in the secondary market remained strong and we capitalised on this trading environment with the sale of 92 aircraft, 5 of which were managed aircraft.

Our new aircraft acquisition activity was reduced due to the ongoing grounding of the Boeing 737 MAX. We had an additional 24 737 MAX originally scheduled to deliver in 2019, however, given the ongoing uncertainty in relation to the return-to-service, the timing of those deliveries and related capital expenditure remain unclear.

As a result of our overall acquisition and trading activity, our owned fleet reduced to 479 aircraft at 31 December 2019. We have one of the most diversified portfolios in the sector, with our top 10 customers accounting for 33% of our net book value. The core characteristics of our fleet – being an average age of 5.0 years and remaining lease term of 7.0 years – ensure residual value risk is mitigated and that we have clear visibility of long term cashflows.

Our delivered fleet is complemented by forward commitments of 400 new, fuel-efficient aircraft. These aircraft deliver out until 2026 and, as at 31 December, we had placed all of our deliveries in 2020, 91% of our deliveries through 2021 (excluding unplaced MAX aircraft) and all of our twin-aisle deliveries out until 2022.

Financial Performance

Total revenues in 2019 were \$2.6 billion and profit for the year was \$718 million. During 2019 we undertook a material transition of our funding structure. We moved from a majority secured borrower to a majority unsecured borrower through the issuance of \$4.1 billion of unsecured debt through both public and private markets and the repayment of \$3.7 billion of legacy secured debt. This brought our secured debt to total assets ratio from 42% at the end of 2018 to 28% at the end of 2019 and supported credit rating upgrades to investment grade from Fitch, Moody's and S&P. We incurred \$58 million of breakage costs associated with this transition. In addition to this cost, our earnings before interest and tax was impacted by over \$50 million due to delivery delays at both Boeing and Airbus. Therefore, achieving our reported levels of revenue and profitability was a notable achievement.

We generated proceeds of \$2.3 billion from the sale of 87 aircraft and engines and recorded gains on disposal of aircraft and engines of \$152 million for the year.

Our ability to fund as an investment grade entity will allow us to reduce our cost of funds over time. We made progress against this objective in 2019 by reducing our average cost of debt from 4.4% to 4.3%, and we continue to see material tightening of our public market spreads as we move into 2020. Our interest expense also benefitted from both the re-pricing of \$2.5 billion of our Term Loan B floating rate loan from a 2.00% margin to a 1.75% margin and the re-pricing of our unsecured revolving credit facility to a sector low margin of 1.25%.



\$2.6bn

Total Revenues

\$718m

Profit for the Year

\$2.1bn

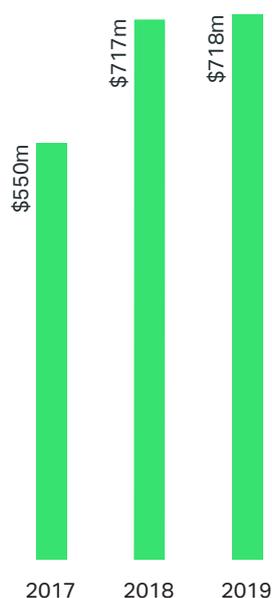
Net Cash from Operating Activities

Capitalisation

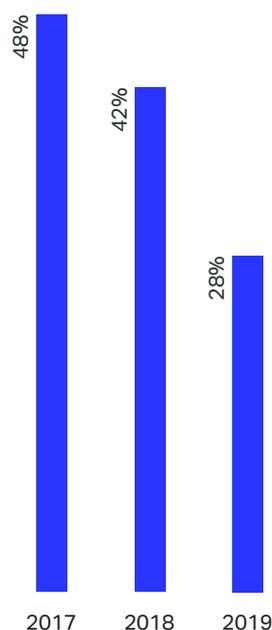
In terms of our funding activities, we raised total debt of \$5.1 billion during 2019 and most importantly achieved our strategic objective of an investment grade ratings profile following our \$2.5 billion senior unsecured notes issuance in April. This debt raise transitioned our capital structure to that of a majority unsecured borrower, the key action required to facilitate upgrades.

While this funding structure transition increased our unencumbered assets to \$14.9 billion, providing 1.5 times coverage to our unsecured borrowings, we also took the opportunity to proactively manage our liability profile. The majority of our secured debt repayment activity was focused on near-term debt maturities and, at year end, we had only 33% of our debt maturing over the next three years. This is one of the most conservative maturity profiles in the sector. In addition, we extended the maturity of our unsecured revolving credit facility to April 2024 and reduced the facility margin to 1.25% margin, while increasing the size to \$3.2 billion.

Profit for the Year



Secured Debt / Total Assets



All figures in US\$



Allied to our conservative debt maturity profile, we continue to maintain a prudent leverage and liquidity profile. Our net debt to equity at 31 December 2019 was 2.2x and our total available liquidity at 31 December 2019 was \$5.7 billion, which, when combined with our annual net cashflow from operating activities of \$2.1 billion, provides us with excellent coverage to fund our future capital expenditure.

This strong cash generation capability also allowed us to declare a total dividend of \$285 million to shareholders during 2019, constituting a full year dividend for 2018 and an interim dividend for the first half of 2019.

Given the strong fundamentals of our business, we believe that further ratings upgrade potential exists. As we look forward to 2020, we continue to target improvements in our credit profile and will take steps to increase the level of unencumbered assets in our portfolio, with a near term target of 25% secured debt to total assets.

Andy Cronin Chief Financial Officer

\$5.7bn

Total Available Liquidity

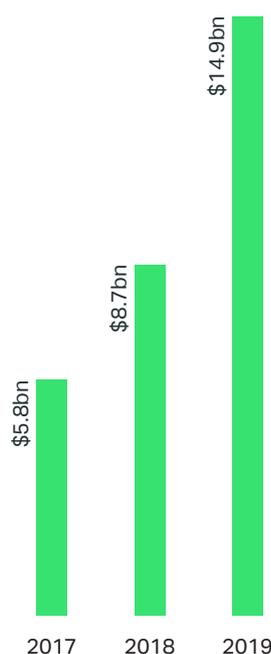
28%

Secured Debt / Total Assets

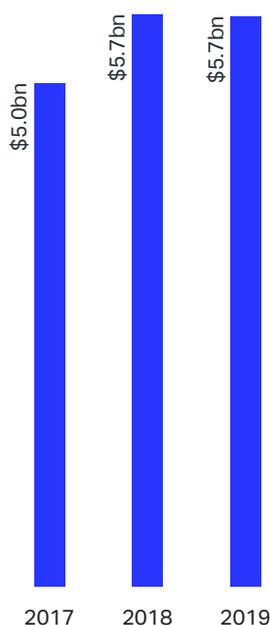
2.2x

Net Debt to Equity

Unencumbered Assets



Available Liquidity





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