Timothy Ross

Thank you operator and welcome everybody to BOC Aviation's maiden earnings conference call to discuss our interim results for the six months ended 30 June 2016. With me today are our Managing Director and Chief Executive Officer, Robert Martin, our Deputy Managing Director and Chief Financial Officer Phang Thim Fatt and our Chief Operating Officer, David Walton.

Please note that some of the information you'll hear during our discussion today may consist of forward-looking statements, which are subject to risks and uncertainties that may cause actual results to differ materially from statements made today. You should not place undue reliance on any forward-looking statements and you should review our results announcement for full details. Please also note that all currency references are in USD only.

A copy of our earnings announcement is available both via the Hong Kong Stock Exchange and in the Investor's section of our website at www.bocaviation.com, and a conference call presentation is also available in the Investor's section of our website. This call is being recorded and will be available for replay.

I'll now turn over the call to Robert Martin.

Robert Martin

Thanks, Tim and good evening to everyone on the line. Thank you for joining us for our 2016 interim earnings call.

We achieved a number of significant milestones in the first half of 2016 – the primary milestone being the successful completion of our initial public offering on the Hong Kong Stock Exchange – the largest aircraft operating leasing company IPO in history. We wish to thank our shareholders, business partners and employees for their support in this successful transaction.

We are delighted to report record earnings, a net profit after tax of $212 million for the first half of this year, up 24% on last year's first half and equivalent to earnings per share of $31 cents based on the number of shares outstanding at 30 June 2016. This was achieved on total revenues and other income of $579 million that rose 8% compared to the first half of last year. In light of our strong performance our Board has decided to declare a dividend of 6.1 US cents per share, which will be payable to shareholders who own shares on 19 September.

We ended the half with total assets of $13.6 billion, which reflected among other things the $550 million in net primary equity proceeds raised from our successful initial public offering. This increase in our equity base lowered our gross debt to equity ratio to 2.9 times as at 30 June 2016, as compared to 3.7 times as at the end of 2015.

Our cash and fixed deposits at the end of the period exceeded $1.7 billion. We also have additional committed liquidity in the form of $2.8 billion in undrawn and committed revolving credit facilities. This positions the company well to fund both our contracted investments in aircraft and to finance further growth in the portfolio. During the period, Standard & Poor's and Fitch Ratings both reaffirmed our industry leading corporate credit ratings of A minus.

We are pleased to announce that we had another half-year with 100% portfolio utilization, and we ended the period with zero overdue receivables. As at the half year, the average appraised value of our fleet was $11 billion dollars on a full life, current market value basis, representing a 14% premium to the fleet's net book value of $9.7 billion.

One of the goals we set for ourselves this year was to sell all of our pre-2007 aircraft before the end of 2016. We achieved that milestone in the first half of the year, and we no longer have any aircraft in the owned fleet that are more than ten years old. The weighted average age of our owned portfolio is now 3.3 years, one of the youngest in the industry.

Turning to the market backdrop, macro conditions remain supportive of the aircraft leasing industry, in our view. On the airline demand side, the industry continues to perform very well and air travel demand remains strong. Airline passenger traffic as measured by IATA, rose 6% for the first six months

- above the long term trend growth of 5%. This saw IATA lift its earnings estimates for 2016 for the industry in June by 8.5% to $39.4 billion. Issues including political uncertainty, Brexit, the events in Turkey, recent terrorist incidents and health concerns may have some near term effect on pockets of regional demand for air travel, however the fundamentals of our business remain robust overall.

We are in the market on a daily basis talking to customers about leasing the most popular Airbus and Boeing single aisle models, and we are seeing good demand for those aircraft. In the first half, we generated 55% of our lease revenues out of Asia-Pacific, reflecting the more rapid rates of air traffic growth that this region is experiencing relative to more mature, slower growth economies.

The Americas and Europe still accounted for around 17% and 22% of lease revenue and recent transactions with new and existing customers such as JetBlue and Wizz Air underpin our confidence in our revenue growth in these regions

US Dollar liquidity in the market remains high. This is partly driving the strong demand for purchases of aircraft with leases attached that we continue to see amongst investors. Growing demand has supported our aircraft sales programme as more new investors continue to enter the market. Greater liquidity is also good for the funding side of the business. Long-term interest rates remain very low and we took advantage of that in the first half of the year, closing a 10-year, $750 million bond deal.

We have recently seen LIBOR rates move up for our floating rates leases, with LIBOR movements flowing though both sides of our P&L. Our funding costs also increase, but the net impact on our core lease rental contributions will be neutral.

On the supply side, we see growth largely in line with demand, especially for the narrowbodies that account for the majority of our fleet. Near term production increases are planned for both A320 and B737 aircraft models, we see these matching the combination of demand for new jets and replacement of older aircraft. We also see some supply chain issues possibly limiting production ramp up as pressures have emerged in some areas such as seats and engines.

Manufacturers are responsibly addressing concerns around widebody oversupply with both Boeing and Airbus cutting production rates..

Given the strength of our balance sheet, the visibility of our future income stream, the popularity of the aircraft in our portfolio and the record performance of our first half, we remain positive regarding the future of our business and our ability to execute our strategy over the balance of this year and beyond.

I'll now hand the call over to David to speak to our operations and business development and then Thim Fatt will take over for a more detailed review of our P&L and balance sheet.

David Walton

Thank you, Robert and let me add my thanks to you all for joining us this evening.

In the first half of 2016, we delivered 27 new aircraft from our orderbook to our airline customers, including six where the customer exercised purchase options at delivery, giving us 21 new aircraft added to our owned aircraft portfolio. This compared with 17 new aircraft added to the owned portfolio in the six months ended 30 June 2015.

Our core lease rental contribution is defined as lease revenue less interest and depreciation and amortisation of debt issuance and lease transaction closing costs. This continues to be the principal component of our pre-tax earnings. This rose over 8% in the first half of the year and made up around three quarters of our pre-tax profits. This represents a sustainable long-term income stream that recurs across the cycle, which is highly visible, given our remaining average lease life of over seven years - and which should grow in line with our balance sheet.

We have over $10 bn in contracted future lease revenues that we are confident of collecting from committed leases based on airline cashflows that today are at record highs and have been resilient through the cycle.

During the first half, we signed 41 leases with airline customers and have placed all our 2016 deliveries with airline customers. We had also placed around 70% of scheduled deliveries in 2017, while maintaining our average remaining lease term at 7.2 years, all as at 30 June 2016. This provides us with a strong near-term pipeline of core lease rental contributions.

Since the beginning of July the team has signed a number of letters of intent for lease placements, which will leave us with only five of our 60 aircraft scheduled for delivery by the end of 2017 still to place. The leases on these deliveries from our orderbook will be the backbone of our future earnings growth.

We sold 22 aircraft from the owned fleet during the first half of 2016, compared to 11 aircraft sold in 1H 2015. As Robert mentioned, in the first six months of this year we sold all eight of the aircraft that pre-dated our acquisition by Bank of China in 2006.

Gains on sale of aircraft accounted for more than 15% of pre-tax earnings – consistent with our long term average and marginally ahead of the first half of last year. We sell aircraft – generally with leases attached - across the cycle, although the volume of our transactions typically increases during such high periods of US dollar liquidity as we are seeing right now.

Our fleet as at 30 June stood at 226 owned and 39 managed aircraft, with an orderbook of 218 aircraft delivering at an average of 40 a year over each of the next five and a half years. Committed capital expenditure of $1.1 billion in the second half of 2016 will fund the 35 aircraft due for delivery, of which only five are subject to airline customer purchase options. The second half of this year will be the most active in terms of orderbook deliveries in the company's history and we see a number of good opportunities to increase our aircraft investments.

We have only four widebody aircraft in our orderbook – all placed on long-term lease and due for delivery in 2017 – we have no scheduled lease expirations for widebody passenger aircraft from our owned fleet until 2020.

With that, I'll turn it over to Thim Fatt.

Phang Thim Fatt

Thank you, David. Our reported net profit after tax of $212 million for the six months ended 30 June 2016 rose 24% compared to the same period last year despite the inclusion of $3 million in IPO-related costs.

The principal drivers of the growth in earnings were an 8% increase in total revenues and other income that featured growth across all major income line items, as well as a very stable cost base. This drove our core lease rental contributions up by over 8% to $220 million, representing over 73% of net profit before tax.

Our lease rental income rose 6% compared to 1H 2015 as higher interest rates lifted our floating rate lease revenues and as new leases signed on higher fixed rates also contributed to the increase. This was partially offset by the reduction of rental from aircraft sold with leases attached.

Pre-tax gains on aircraft sales rose 35% from the same period last year, as we were very active sellers of aircraft. Interest and fee-related income rose 62% compared to the same period last year, on account of an increase in fees for advancing aircraft progress payments and additional fees from managing our larger pool of managed aircraft.

Our total costs and expenses rose just over 1% for the first six months of 2016 compared to the same period in 2015.

Depreciation was down 3.7% in 1H 2016 compared to 1H 2015 because of our active sales program and because we no longer had any aircraft older than 12 years on accelerated depreciation. We intentionally sold down our remaining older aircraft in the first half of this year and had no aircraft impairment charges.

Finance charges increased by $19 million driven primarily by an increase in LIBOR rates – the same LIBOR rate increase that positively impacted our floating rate lease revenue. Our long-term funding strategy, under which we increased the proportion of fixed rate debt during the first half, also contributed to the increase, lifting our average cost of funds to 2.3% in 1H 2016 from 2% in the same period last year.

Staff costs represented approximately 5.5% of our total revenues and other income in the first half of 2016, slightly up from 5.3% in 1H 2015 and driven mainly by provisions for performance-related bonuses, given the Company's strong performance.

Other operating costs increased 7% from 1H 2015 to $20 million, primarily because of the inclusion of $3 million in expenses relating to our IPO. Our average tax rate fell to 11.4% in 1H 2016 from 13.9% in 1H 2015. This was mainly due to a reversal of a $5 million tax provision relating to deferred income tax previously provided for.

Our earnings per share was 31 US cents per share for 1H 2016 increasing from 29 cents in 1H 2015. Net assets per share, meanwhile, rose over 11%, adjusted for the full effect of the share issue, to $4.61/share at 30 June 2016 from $4.14/share as at the end of last year.

At the end of this half year, our total assets had increased 9% - or over $1.1 billion - to $13.6 billion from the end of 2015. The rise reflected our capital markets and aircraft sales activities and included net proceeds of $550 million from our IPO and a successful $750 million bond raised under our GMTN program.

For the first half of the year we had capital expenditure of $934 million related to our aircraft deliveries and as at 30 June we had committed capital expenditure of $1.1 bn for the second half of this year.

Our loans and borrowings and finance lease payables also increased, rising 4% to $9.1 billion as at 30 June 2016 reflecting the borrowing activity previously discussed, partially offset by the payment of approximately $1.1 billion in debt during the same period.

BOC Aviation has never before earned as much profit in any half year period, employed a better fleet or enjoyed greater liquidity than we have reported today and these provide an excellent platform from which to drive the business forwards.

This wraps up my review of the company's financials for the period and I'll pass the call back to Timothy.

Timothy Ross

Thanks, Thim Fatt. This concludes management's formal commentary. We now have time for Q&A and request that each participant restrict themselves to one question and one follow up, unless time permits for additional queries.

I'd now like to hand the call back to the operator for Q&A.