**Timothy Ross**

Thank you operator and welcome everybody to BOC Aviation's earnings call to discuss our final results for the year ended 31 December 2022. With me today are our Managing Director and Chief Executive Officer, Robert Martin, our Deputy Managing Director and Chief Financial Officer Steven Townend and our Deputy Managing Director and 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 in today's call are in USD.

A copy of our earnings announcement is available both via the Hong Kong Stock Exchange and in the Investors' section of our website at www.bocaviation.com, and a conference call presentation is also available in the Investor section of our website. This call is being recorded and will be available for replay from our website within the next 24 hours as is a transcript of today's discussion.

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

**Robert Martin**

Thanks, Tim and good evening to everyone on the line. Thank you for joining us for our 2022 full year results earnings call, where a robust set of second half results allowed us to retain our record of unbroken profitability since our inception 29 years ago.

We have reported a net profit after tax of $20 million for full year 2022, equivalent to earnings per share of three cents. Adjusted for the net effect of the write down of the aircraft in Russia we reported a Core Net Profit After Tax of $527 million for the full year, which included second half earnings 8% ahead of 2H 2021. Net assets per share at year-end were $7.50.

Our Board has recommended a final dividend of 17.70 cents per share, payable to shareholders of record on 7 June, an increase of 2% on the final dividend paid for 2021. This takes the full-year dividend for 2022 to 26.59 cents per share and represents a pay-out ratio for the year of 35% of Core NPAT.

Our total revenues and other income continued to rise, increasing 6% to more than $2.3 billion for the year. We ended 2022 with total assets at $22 billion.

Operating cash flow net of interest expense rose 14% to $1.5 billion for the full year, driven by a collection rate of over 100% in which we recovered payments from previous years. We finished the year with cash and undrawn committed liquidity of $5.3 billion.

Turning to the revenue environment, there are few restraints now to passenger travel attributable to Covid. This has been reflected in travel data in the majority of regions, but most recently in Asia where passenger traffic amongst the Association of Asia Pacific Airlines rose by over 500% in 2022. As at mid-February this year, passenger demand in all major geographies has recovered close to 2019 levels, with carriers in all regions demonstrating confidence in the strength of forward bookings, especially in international markets. Now that India has become the world’s largest country by population and a top five economy by GDP, we have also seen significant recent activity in the form of new orders that will grow the airline footprint in India.

This improvement in travel activity has also been reflected in airline earnings. In the United States, net profit after tax at United, Delta and American Airlines in 4Q 2022 all exceeded the similar period in 2019. In Europe, Ryanair’s last quarter for 2022 featured the best earnings in its history and here in Singapore, Singapore Airlines’ third quarter profit to December 2022 was the best in its 50 years of operation – up seven-fold on that reported for the third quarter of the previous year.

Whilst rebounding travel has caused significant tailwinds for the industry in 2022, there were macro-economic factors that provided some headwinds for both ourselves and our airline customers. These included a strong US Dollar, the sharpest increase in USD interest rates in the past 40 years, with the US Government Federal Funds rate rising to 4.5% currently from 0.25% a year ago – an 18-fold increase. Inflation in the form of labour costs and jet fuel prices increased, amplified for many airlines by the stronger US dollar particularly for airlines that have predominantly local currency revenues and may still have deferrals from the covid period to repay.

The improvement in the airline sector's profitability has translated into demand for new aircraft. A more optimistic outlook for airline industry profitability combined with rising utilisation rates are supporting expansion. Load factor for International Air Transport Association member airlines rose to 79% in 2022 from 67% in 2021 and are approaching 2019's record of 83%.

In 2022, Airbus and Boeing delivered a combined 955 single-aisle aircraft, which exceeded 2019 levels and they announced net new orders for 1,078 and 774 aircraft, respectively, their best combined tally in any year since 2017's record of more than 2,000 net new orders. These should provide purchase and lease-back financing opportunities going forward.

China optimised its epidemic control policies from 8th January of this year and this has already provided momentum to the world's passenger demand growth in 2023. For the Chinese domestic market, passenger numbers during the Spring Festival that ended in mid-February were up 39% on last year and were at 76% of pre-pandemic levels. In international and regional markets, airlines serving China have increased their scheduled capacity by nine times for the second quarter of 2023 compared with the same period last year and this recovery should continue to build into the second half.

During the year we welcomed two new directors: Mr. Dong Zonglin and Mdm. Chen Jing, who joined the Board, while Mr. Liu Chenggang and Mdm. Zhu Lin stepped down. Our Chairman Mr. Chen Huaiyu stepped down from the Board in February 2023 and our Vice Chairman Mdm. Zhang Xiaolu will act as Chairman until a replacement has been appointed. We thank Mr. Chen, Mr. Liu and Mdm. Zhu for their efforts and contributions on behalf of all our Company's stakeholders.

We have continued building out our management team. We welcome Tom Chandler, who joins us as Deputy Chief Operating Officer, and Wu Jianguang, who has been appointed Deputy Chief Financial Officer.

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

**David Walton**

Thank you, Robert. Here's the operational report for 2022:

We delivered 34 aircraft to airline customers, of which five were purchased by the customer at delivery, giving us 29 net new aircraft deliveries for the year. Our total fleet stood at 633 aircraft, comprising 392 owned and 35 managed aircraft, with an orderbook of 206 aircraft.

Our new deliveries were primarily narrowbody aircraft, although we were delighted to add nine Boeing 787 aircraft to our balance sheet in the second half. All of our new deliveries were fuel-efficient, latest technology aircraft, including those 787s as well as four Airbus A320 NEO family and 13 Boeing 737 MAX family aircraft, all of which were added to our balance sheet.

Manufacturer delivery delays continued to impact our Capex. Five aircraft that were scheduled for delivery were delayed into 2023, and a number of our deliveries came later in the year than expected, delaying our revenue. We believe that supply chain and labour issues will continue to impact our OEM partners this year, and we have now adjusted our planning for these expected delays. We closed out a narrowbody RFP process that we started back in 2021 by placing two separate orders: one with Airbus for 80 A320 NEO family aircraft and a second with Boeing for 40 737 MAX family aircraft, securing the company's future capex and revenue pipelines.

Our new aircraft deliveries highlighted the global nature of our customer base as we delivered aircraft to customers that included American Airlines, Turkish Airlines and Scoot, Singapore Airlines' low-cost subsidiary. Looking ahead, all of our 2023 orderbook deliveries are placed with airline customers.

During the year, we transitioned 21 used aircraft to airline customers.  Our used aircraft deliveries included the transition of one owned and two managed aircraft that we repossessed from former customers in Russia during the first half of the year.  We're really proud of the team's effort to take possession of the aircraft, find new customers, complete the transition work and get the aircraft back earning revenue.

Investor demand for our aircraft with leases attached remained solid, and we sold 17 aircraft from the owned fleet during the year.

The weighted average age of our owned portfolio was 4.4 years at the end of December, once again one of the youngest in the aircraft operating leasing industry.  We also continue to have one of the industry's longest weighted average remaining lease term for our owned portfolio, at 8.1 years.

We ended the year ahead of target for our Stock Exchange ESG KPIs.  If we compare 2022 with 2019, we reduced our $CO_2$ emissions per average headcount by 40%, cut our paper usage per average headcount by more than 65%, and reduced electricity consumed per headcount by more than 50%.

Our operations in 2022 were 100% carbon neutral for the third year in a row as we offset our direct emissions through projects in China and Kenya.  We continued to improve our fleet by taking delivery of new technology aircraft onto our balance sheet.   Our owned fleet is now 71% latest technology, by net book value of aircraft, up from 66% in 2021, and  100% of our orderbook is comprised of latest technology aircraft.

Our Board and employee base remain one of our sector's most gender diverse, with the Board featuring three female board directors out of a total of eleven directors and including the Deputy Chairman.  Our board adopted gender diversity targets between now and end-2025, for us to maintain at least two female directors and at least 45% of employees being female.  At year-end, 50% of our employees were female and during the year the majority of new appointments to Heads of Department were female.

We increased our efforts to contribute positively to our local communities, with teams from each of our five offices participating in 15 events. We continued to support Airlink's humanitarian aid to Tonga and Afghanistan and, more recently, Turkiye following the earthquake. During the year, we cleaned up coastal and riverside waterways in Singapore, Dublin and London, we packed food for the needy in Singapore, collected litter in Tianjin and tidied parks in New York. More than half of our employees participated in the Orbis Virtual Race4Sight, recording a combined equivalent of 51,000 kilometres of cycling. Meanwhile we increased our commitment to Orbis, which raises money to combat avoidable blindness, by becoming a corporate sponsor.

With that, I'll turn it over to Steven.

**Steven Townend**

Thank you, David.

As Robert outlined, we reported a Core NPAT of $527 million for the full year 2022, equivalent to earnings of 76 cents per share and we recorded a second half net profit after tax of $333 million, up 8% on $307 million in 2H 2021.

If we turn first to the revenue side of the business. Total revenue rose by almost 6% to $2.3 billion and reflected a broader range of sources than in previous years.

Lease rental income dropped 4% to $1.8 billion, impacted by the termination of leases of 18 aircraft with Russian airlines and the pace at which we could return aircraft undergoing transition maintenance to revenue service.

Our gains on aircraft sales were predominantly in the second half, with total gains on sale up 46% to $64 million. This reflects ongoing secondary market demand for young aircraft with well-structured leases and sound airline counterparties.

We registered a significant increase to $223 million in income arising from lease terminations, up from $74 million in 2021 and all of it recorded during 1H 2022. Other income rose to $99 million from $23 million primarily due to income arising from the release of unutilised maintenance reserves and security deposits collected in prior years.

Interest and fee income - which includes finance lease contributions - amounted to $137 million compared with $177 million the previous year. The decline was primarily related to lower contributions from pre-delivery payment financing.

Turning to the cost side, our two largest expenses accounted for 90% of the total. Depreciation, which remains our largest expense, at $786 million rose only 3% relative to 2021 reflecting the growth of our fleet to 386 aircraft from 374 aircraft in 2021 and the removal of the depreciation amounts in the second half for the aircraft that remain in Russia. Finance expenses – our second largest item - rose by 3.9% to $484 million. This was mainly due to a higher cost of debt of 3.1% per annum in 2022 compared with 2.9% per annum in 2021.

The decline in net lease yield across the year to 7.0% from 7.6% in 2021 was partially attributable to the higher cost of funds and the number of aircraft not generating revenue whilst transitioning between lessees. The rise in interest rates occurred primarily in the second half of the year but was matched by an equivalent increase in our lease rate factor in the second half as we successfully pushed through higher interest costs in our leases.

For the full year we wrote-down the value of aircraft in Russia by $791 million. In addition, we recorded an asset impairment of $65 million related to the carrying value of 14 aircraft, all of which were widebody aircraft. The growth in international travel that Robert mentioned earlier should see the values of widebodies now begin to improve. Impairment losses on financial assets were negligible in 2022, amounting to just $1 million as collections improved to 101% from 97% last year.

For the balance sheet, we ended the period with total assets of $ 22.1 billion, funded by debt of $15.2 billion.

Total equity decreased to $ 5.2 billion compared with $ 5.3 billion in 2021. This was mainly attributable to payment of dividends amounting to $182 million, partially offset by profit for the year and unrealised gains recognised in our hedging reserve due to rising USD interest rates.

Our debt level fell $1.6 billion compared to end-2021 driven by our strong operating cash flow and gross debt to equity improved from 3.2 times to 2.9 times. Ratings agencies S&P and Fitch remained supportive in 2022 with both maintaining our A- credit rating.

We raised $900 million in new financing, comprising $300 million from the debt capital markets with a further $600 million drawn from banks. Combined with robust internally generated cashflows, we were able to fund our capex and repay $3.3 billion in maturing bonds and loans. This included the prepayment of $750 million of loan facilities as part of managing the transition from LIBOR to SOFR. We have $2.4 billion in debt obligations scheduled for repayment in 2023, which – together with our anticipated capex - can be funded from our cashflow and our committed liquidity of $5.3 billion.

Finally, excluding the effects of the write-down of aircraft in Russia, our tax rate was little changed at 11.8% in 2022, compared with 2021’s 12.1%.

Now back to Robert for his final comments.

**Robert Martin**

2022 saw a global airline industry recovering from the challenges of Covid but then hit by the extraordinary impact of events in Ukraine in February and actions related thereto. This created a significant unexpected workload for our employees for most of last year. With the efforts of our colleagues and Board, and the support of our business partners and investors we retained our unbroken record of profitability. We would like to express our sincere thanks to everyone for their hard work and support.

We start our 30th year since inception with strong momentum rebuilt during the second half of 2022. The normalisation of travel and the full-year effect of relaxed border controls globally will continue to propel growth in demand for travel and our aircraft in 2023.

We maintain strong liquidity and, with the orderbook additions that we made last year, our company is well positioned to generate long-term sustainable asset, revenue and earnings growth. By the time that we pay our final dividend in June we will have been listed for seven years and will have paid a total of $1.2 billion in dividends to our shareholders since our IPO in 2016.

This concludes our review of the industry, our company's financials and our outlook and I'll pass the call back to Tim.

**Timothy Ross**

Thanks, Robert. This wraps up management's formal commentary.

We now have time for Q&A and - out of fairness to others - request that each participant restricts themselves to one question, unless time permits for additional queries.

I'll hand the call back now to the operator for the Q&A session.