

AVIAAM LEASING AB
CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016
UNAUDITED

AVIAAM LEASING AB
CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(All tabular amounts are in USD '000 and EUR '000 unless otherwise stated)

CONTENTS	Pages
CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME	3
CONSOLIDATED INTERIM BALANCE SHEET	4
CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY	5 – 6
CONSOLIDATED INTERIM STATEMENT OF CASH FLOW	7
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION	8 – 22
CONSOLIDATED MANAGEMENT REPORT	23 - 40
CONFIRMATION OF RESPONSIBLE PERSONS	41

AVIAAM LEASING AB
CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(All tabular amounts are in USD '000 and EUR '000 unless otherwise stated)

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	April-June				January-June			
		2016		2015		2016		2015	
		USD	EUR	USD	EUR	USD	EUR	USD	EUR
Revenue	3	6,605	5,774	13,752	12,392	19,624	17,584	21,559	19,304
Interest income on loans		475	419	413	374	1,039	931	855	765
Costs of aircraft sold		(370)	(251)	(2,189)	(1,960)	(7,697)	(6,897)	(2,189)	(1,960)
Costs of services rendered		-	-	(3,828)	(3,447)	(36)	(32)	(5,725)	(5,126)
Aircraft maintenance and servicing expenses		(1,115)	(983)	(871)	(787)	(2,561)	(2,295)	(1,657)	(1,483)
Depreciation and amortisation		(1,825)	(1,614)	(1,062)	(961)	(3,824)	(3,427)	(2,013)	(1,803)
Impairment of receivables and prepayments		-	-	(450)	(403)	-	-	(450)	(403)
Employee-related expenses	4	(218)	(193)	(206)	(186)	(423)	(379)	(371)	(332)
Other operating expenses	5	(593)	(526)	(333)	(302)	(1,092)	(979)	(679)	(608)
Gain on sale of property, plant and equipment (net)		5,429	4,856	-	-	5,835	5,228	-	-
Other gain (losses) net		2	1	23	20	474	425	34	30
Operating profit		8,390	7,483	5,249	4,740	11,339	10,159	9,364	8,384
Finance income	6	108	89	238	215	910	816	238	215
Finance costs	6	(921)	(818)	(219)	(214)	(1,449)	(1,297)	(1,994)	(1,785)
Finance costs – net		(813)	(729)	19	1	(539)	(481)	(1,756)	(1,570)
Profit (loss) before income tax		7,577	6,754	5,268	4,741	10,800	9,678	7,608	6,814
Income tax	7	(822)	(732)	(834)	(748)	(1,253)	(1,123)	(1,009)	(903)
Profit (loss) for the period		6,755	6,022	4,434	3,993	9,547	8,555	6,599	5,911
Other comprehensive income									
Revaluation reserve write-off		(9,925)	(8,893)	-	-	(9,925)	(8,893)	-	-
Currency translation differences on translation to presentation currency		-	2,056	-	(2,319)	-	(1,492)	-	7,063
Total other comprehensive income		(9,925)	(6,837)	-	(2,319)	(9,925)	(10,385)	-	7,063
Total comprehensive income		(3,170)	(815)	4,434	1,674	(378)	(1,830)	6,599	12,974
Basic and diluted earnings per share (USD/EUR)	8	0.16	0.14	0.10	0.09	0.22	0.20	0.15	0.14

AVIAAM LEASING AB
CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(All tabular amounts are in USD '000 and EUR '000 unless otherwise stated)

CONSOLIDATED INTERIM BALANCE SHEET

	Note	30 June 2016		31 December 2015	
		USD	EUR	USD	EUR
ASSETS					
Non-current assets					
Property, plant and equipment	9	117,877	106,291	64,198	58,757
Investment property	10	1,966	1,773	1,540	1,410
Intangible assets		87	78	1	1
Available-for-sale financial assets		1,284	1,157	1,012	926
Loans granted	12	11,099	10,008	9,621	8,806
		132,313	119,307	76,372	69,900
Current assets					
Inventory	11	3,217	2,903	1,747	1,599
Loans granted	12	21,767	19,628	21,419	19,603
Trade and other receivables	13	11,065	9,977	6,472	5,923
Financial assets at fair value through profit or loss		11,974	10,797	1,526	1,396
Cash and cash equivalents	14	23,108	20,837	27,093	24,797
		71,131	64,142	58,257	53,318
Total assets		203,444	183,449	134,629	123,218
EQUITY					
Equity attributable to the Group's equity shareholders					
Share capital	15	16,804	12,559	16,804	12,559
Share premium		27,972	20,878	27,972	20,878
Legal reserve		1,740	1,254	1,740	1,254
Reserve for own shares		1,315	1,204	1,315	1,204
Revaluation reserve		2,319	2,091	12,244	11,206
Revaluation reserve (deficit) of financial assets		(1,179)	(1,079)	(1,179)	(1,079)
Cumulative translation reserve		-	12,657	-	13,927
Retained earnings		57,847	46,755	49,288	39,066
Total equity		106,818	96,319	108,184	99,015
LIABILITIES					
Non-current liabilities					
Borrowings	16	49,830	44,933	5,480	5,015
Security deposits received	17	5,025	4,531	4,650	4,256
Deferred income tax liabilities		2,076	1,872	2,057	1,882
		56,931	51,336	12,187	11,153
Current liabilities					
Borrowings	16	14,102	12,716	5,927	5,425
Trade and other payables	17	9,525	8,589	3,658	3,348
Security deposits received	18	4,000	3,607	520	476
Advances received	17	7,750	6,988	159	145
Current income tax liabilities		4,318	3,894	3,994	3,656
		39,695	35,794	14,258	13,050
Total liabilities		96,626	87,130	26,445	24,203
Total equity and liabilities		203,444	183,449	134,629	123,218

AVIAAM LEASING AB
CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(All tabular amounts are in USD '000 and EUR '000 unless otherwise stated)

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

USD	Share capital	Share premium	Legal reserve	Reserve for own shares	Revaluation reserve	Revaluation reserve (deficit) of financial assets	Retained earnings	Total equity
Balance at 1 January 2015	16,804	27,972	1,740	-	4,343	(825)	43,020	93,054
Comprehensive income								
Revaluation of financial assets available for sale	-	-	-	-	-	(380)	-	(380)
Deferred income tax on revaluation of financial assets available for sale	-	-	-	-	-	26	-	26
Revaluation of aircraft	-	-	-	-	9,295	-	-	9,295
Deferred income tax on revaluation of aircraft	-	-	-	-	(1,394)	-	-	(1,394)
Other comprehensive income (loss)	-	-	-	-	7,901	(354)	-	7,547
Profit for the year	-	-	-	-	-	-	11,959	11,959
Total comprehensive income	-	-	-	-	7,901	(354)	11,959	19,506
Transactions with owners								
Transfer to reserve for own shares	-	-	-	1,315	-	-	(1,315)	-
Dividends	-	-	-	-	-	-	(4,376)	(4,376)
Total transactions with owners	-	-	-	1,315	-	-	(5,691)	(4,376)
Balance at 31 December 2015 / 1 January 2016	16,804	27,972	1,740	1,315	12,244	(1,179)	49,288	108,184
Comprehensive income								
Revaluation reserve write-off	-	-	-	-	(9,925)	-	-	(9,925)
Other comprehensive income (loss)	-	-	-	-	(9,925)	-	-	(9,925)
Profit for the period	-	-	-	-	-	-	9,547	9,547
Total comprehensive income	-	-	-	-	(9,925)	-	9,547	(378)
Transactions with owners								
Dividends	-	-	-	-	-	-	(988)	(988)
Total transactions with owners	-	-	-	-	-	-	(988)	(988)
Balance at 30 June 2016	16,804	27,972	1,740	1,315	2,319	(1,179)	57,847	106,818

AVIAAM LEASING AB
CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(All tabular amounts are in USD '000 and EUR '000 unless otherwise stated)

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (CONTINUED)

EUR	Share capital	Share premium	Legal reserve	Reserve for own shares	Revaluation reserve	Revaluation reserve (deficit) of financial assets	Cum. trans.	Retained earnings	Total equity
Balance at 1 January 2015	12,542	20,878	1,254	-	3,570	(678)	5,521	33,416	76,503
Comprehensive income									
Revaluation of financial assets available for sale	-	-	-	-	-	(348)	-	-	(348)
Deferred income tax on revaluation of financial assets available for sale	-	-	-	-	-	38	-	-	38
Revaluation of aircraft	-	-	-	-	8,369	-	-	-	8,369
Deferred income tax on revaluation of aircraft	-	-	-	-	(1,276)	-	-	-	(1,276)
Currency translation differences	-	-	-	-	543	(91)	8,406	-	8,858
Other comprehensive income (loss)	-	-	-	-	7,636	(401)	8,406	-	15,641
Profit for the year	-	-	-	-	-	-	-	10,769	10,769
Total comprehensive income	-	-	-	-	7,636	(401)	8,406	10,769	26,410
Transactions with owners									
Transfer to reserves for own shares	-	-	-	1,204	-	-	-	(1,204)	-
Dividends	-	-	-	-	-	-	-	(3,898)	(3,898)
Share capital conversion result	17	-	-	-	-	-	-	(17)	-
Currency translation differences	-	-	-	-	-	-	-	-	-
Total transactions with owners	17	-	-	1,204	-	-	-	(5,119)	(3,898)
Balance at 31 December 2015/ 1 January 2016	12,559	20,878	1,254	1,204	11,206	(1,079)	13,927	39,066	99,015
Comprehensive income									
Revaluation reserve write-off	-	-	-	-	(8,893)	-	-	-	(8,893)
Currency translation differences	-	-	-	-	(222)	-	(1,270)	-	(1,492)
Other comprehensive income (loss)	-	-	-	-	(9,115)	-	(1,270)	-	(10,385)
Profit for the period	-	-	-	-	-	-	-	8,555	8,555
Total comprehensive income	-	-	-	-	(9,115)	-	(1,270)	8,555	(1,830)
Transactions with owners									
Dividends	-	-	-	-	-	-	-	(866)	(866)
Total transactions with owners	-	-	-	-	-	-	-	(866)	(866)
Balance at 30 June 2016	12,559	20,878	1,254	1,204	2,091	(1,079)	12,657	46,755	96,319

AVIAAM LEASING AB
CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(All tabular amounts are in USD '000 and EUR '000 unless otherwise stated)

CONSOLIDATED INTERIM STATEMENT OF CASH FLOW

	Note	6 months ended 30 June			
		USD	2016 EUR	USD	2015 EUR
Operating activities					
Profit (loss) before income tax		10,800	9,678	7,608	6,814
<i>Adjustments for:</i>					
Depreciation and amortisation		3,824	3,427	2,013	1,803
Impairment of accounts receivables and prepayments		-	-	450	403
Discounting effect		(193)	(173)	109	98
Finance costs – net		138	123	(228)	(204)
Profit from loan cession		(464)	(416)	-	-
Profit /loss from sale of fixed assets		(5,835)	(5,228)	-	-
<i>Changes in working capital:</i>					
Trade and other receivables		(8,421)	(7,547)	230	205
Trade and other payables		21,644	19,395	693	621
Security deposits and advances received		11,740	10,519	(54)	(49)
Inventory		(2)	(1)	209	187
Cash generated from operations		33,231	29,777	11,030	9,878
Interest paid		(911)	(817)	(462)	(413)
Income tax paid		(991)	(888)	(1,709)	(1,530)
<u>Net cash generated from operating activities</u>		31,329	28,072	8,859	7,935
Investing activities					
Purchase of property, plant and equipment and intangible assets		(85,158)	(76,306)	(1,497)	(1,340)
Purchase of investment property		(426)	(381)	-	-
Purchase of subsidiaries (net of cash paid)		(1,350)	(1,210)	-	-
Sale of property plant and equipment and intangible assets		29,331	26,282	-	-
Investments in other entities		(271)	(243)	-	-
Purchase of financial assets carried at fair value through profit or loss		(11,974)	(10,729)	-	-
Loans granted		(18,898)	(16,934)	(23,929)	(21,426)
Loans repaid		2,758	2,495	23,857	21,362
Interest received		838	751	66	59
<u>Net cash used in investing activities</u>		(85,123)	(76,275)	(1,503)	(1,345)
Financing activities					
Borrowings		53,166	47,640	-	-
Dividends paid		(988)	(885)	(1,583)	(1,418)
Repayment of borrowings		(902)	(808)	-	-
Lease (finance lease) payments		(1,467)	(1,314)	(1,358)	(1,216)
<u>Net cash generated from (used in) financing activities</u>		49,809	44,633	(2,941)	(2,634)
Increase (decrease) in cash and cash equivalents		(3,985)	(3,570)	4,415	3,956
Movement in cash and cash equivalents					
At the beginning of year		27,093	24,797	36,574	30,069
Increase (decrease) in cash and cash equivalents		(3,985)	(3,570)	4,415	3,956
Foreign translation differences		-	(390)	-	2,791
At the end of the period	14	23,108	20,837	40,989	36,816

AVIAAM LEASING AB
CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(All tabular amounts are in USD '000 and EUR '000 unless otherwise stated)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information

AviaAM Leasing AB (referred to as *the Company*) is a public limited liability company incorporated at State Enterprise Centre of the Republic of Lithuania as at 17 April 2009 (Company code – 302330793). The Company is domiciled in Vilnius, the capital of Lithuania. The address of its registered office is at Smolensko g. 10, LT-03201 Vilnius, Lithuania.

The shareholders' structure of the Company as at 30 June 2016 and 31 December 2015 was as follows:

	Number of shares	%
ALH Aircraft Leasing Holdings Limited	12,994,905	30.01
Mesotania Holdings Limited	10,899,858	25.17
Nationale-Nederlanden Otwarty Fundusz Emerytalny (Open pension fund)	5,000,000	11.55
Aurimas Sanikovas	294,478	0.68
Tadas Goberis	147,239	0.34
Other shareholders	13,969,113	32.25
Total	43,305,593	100.00

The Company and its subsidiaries (together, *the Group*) are engaged in the business of aircraft leasing, trading and management. The principal activity of the Group is operating leasing, management and trading of mid-life narrow body and regional jet aircraft. As of 30 June 2016 the Group owned 18 aircraft: 4 Airbus A321, 1 Airbus A320, 1 Airbus A319, 1 Boeing 737-300, 2 Boeing 737-500 and 9 Bombardier CRJ200 aircraft. 17 aircraft were leased out under operating lease contracts and one Boeing 737-500 aircraft was under preparation for sale.

In addition, the Company effectively holds a 50% stake in a joint venture Regional Charter Capital Ltd. - which owns one Bombardier CRJ200 aircraft in a business jet configuration. The principal activity of the joint-venture is management of the subject aircraft.

Moreover, on 7 August 2015 the Company established a subsidiary – DG21 UAB – with a purpose of pursuing the investments into the real estate. In September and December 2015 the aforementioned subsidiary acquired two buildings in Vilnius, Lithuania to be leased to companies engaged in aviation related business.

The subsidiaries and joint ventures, which are included in the Group's consolidated financial statements are indicated below:

The Group's companies	Country of establishment	Share of equity, %		Date of acquiring (establishment) / activity / address of establishment
		As at 30 June 2016	As at 31 December 2015	
AviaAM B01 UAB	Lithuania	100	100	Date of acquiring: 4 January 2010 / Aircraft leasing / Smolensko g. 10, Vilnius
AviaAM B02 UAB	Lithuania	100	100	Date of acquiring: 4 January 2010 / Aircraft leasing / Smolensko g. 10, Vilnius

AVIAAM LEASING AB
CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(All tabular amounts are in USD '000 and EUR '000 unless otherwise stated)

1 General information (continued)

The Group's companies	Country of establishment	Share of equity, %		Date of acquiring (establishment) / activity / address of establishment
		As at 30 June 2016	As at 31 December 2015	
AviaAM B04 UAB	Lithuania	100	100	Date of establishment: 22 February 2007 / Aircraft leasing / Smolensko g. 10, Vilnius
AviaAM B05 UAB	Lithuania	100	100	Date of establishment: 28 June 2011 / Aircraft leasing / Smolensko g. 10, Vilnius
AviaAM B06 UAB	Lithuania	100	100	Date of establishment: 15 July 2011 / Aircraft leasing / Smolensko g. 10, Vilnius
AviaAM B07 UAB	Lithuania	100	100	Date of establishment: 30 September 2011 / Aircraft leasing / Smolensko g. 10, Vilnius
DG21 UAB	Lithuania	100	-	Date of establishment: 7 August 2015 / Real estate management / Smolensko g. 10, Vilnius
AviaAM B10 Ltd	Ireland	100	-	Date of establishment: 17 December 2015 / Aircraft leasing / 1-3 Burton Hall Park, Burton Hall Road, Sandyford, Dublin 18, Ireland
AAL Capital Aircraft Holdings Ltd	Cyprus	100	100	Date of establishment: 29 September 2011 / Aircraft leasing / 1 Bouboulina str. Bouboulina Building, 2nd floor, Office No. 24, 1060 Nicosia, Cyprus
AviaAM Leasing Bermuda Ltd	Bermuda	100*	100*	Date of establishment: 16 September 2011 / Aircraft leasing / Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda
AviaAM B08 Ltd	Bermuda	100*	100*	Date of establishment: 26 April 2014 / Aircraft leasing / Crawford House, 50 Cedar Avenue, Hamilton HM11, Bermuda
AviaAM B09 Ltd	Bermuda	100*	100*	Date of establishment: 27 June 2013 / Aircraft leasing / Crawford House, 50 Cedar Avenue, Hamilton HM 11, Bermuda
Ice Aircraft Management Ltd	Bermuda	100*	100*	Date of establishment: 23 October 2013 / Aircraft leasing / Crawford House, 50 Cedar Avenue, Hamilton HM 11, Bermuda
Boulevard Two Aircraft Ltd	Ireland	100*	100*	Date of acquiring: 20 December 2013 / Aircraft leasing / 70 Sir John Rogerson's Quay, Dublin 2, Ireland
Dikkys Investments Ltd	Cyprus	100*	-	Date of acquiring: 24 March 2016 / Aircraft leasing / 1 Bouboulina str. Bouboulina Building, 2nd floor, Office No. 24, 1060 Nicosia, Cyprus
Regional Charter Capital Ltd	Bermuda	50**	50**	Date of establishment: 31 October 2012 / Aircraft leasing / Crawford House, 50 Cedar Avenue, Hamilton HM 11, Bermuda

* Shareholding through AAL Capital Aircraft Holdings Ltd. which owns 100 per cent of the company.

** Shareholding through AviaAM Leasing Bermuda Ltd. which owns 50 per cent of the company.

AVIAAM LEASING AB
CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(All tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

2 Accounting policies

The consolidated interim financial information for the six month period ended 30 June 2016 (hereinafter, *the Consolidated Interim Financial Information*) is prepared in accordance with the International Financial Accounting Standards, as adopted by the European Union, includes IAS 34 "Interim financial reporting". In all material respects, the same accounting principles have been followed as in the preparation of financial statements for 2015.

The financial statements have been prepared on a going concern basis and under the historical cost convention.

The consolidated financial statements are presented in US Dollars (USD) and Euro (EUR) and all values are rounded to the nearest thousand (USD'000 and EUR'000) except when otherwise indicated.

The Consolidated Interim Financial Information for the six month period ended 30 June 2016 is not audited. Financial Statements for the year ended 31 December 2015 were audited by external auditor PricewaterhouseCoopers UAB.

3 Revenue

	6 months ended 30 June			
	USD	2016 EUR	USD	2015 EUR
Sales of aircraft	8,750	7,841	2,300	2,059
Lease revenue	8,154	7,307	6,944	6,217
Commission income	84	75	9,388	8,407
Supplemental maintenance rent	2,636	2,362	2,927	2,621
	19,624	17,584	21,559	19,304

The chief operating decision maker of the Group has been identified as the General Manager, which is responsible for allocating resources and assessing performance of the Group. The General Manager has determined that the activities of the Company form a single operating segment – aircraft leasing, trading and aircraft transaction management. The internal reporting provided to the General Manager has been prepared using the accounting policies and presentation consistent with those used in preparation of the financial statements. The General Manager monitors net profit and operating profit as a measure of profit.

The segment's sales to external customers are derived from the following single customers (the customers whose sales revenue exceed 5 per cent of total sales revenue of that segment in any of the years):

	6 months ended 30 June			
	USD	2016 EUR	USD	2015 EUR
Lease, sale and aircraft transaction management customers				
Customer T	8,350	7,482	-	-
Customer B	5,963	5,343	5,865	5,252
Customer C	1,960	1,756	-	-
Customer I	1,039	931	2,212	1,980
Customer Q	-	-	2,300	2,059
Customer P	-	-	9,375	8,394
Other customers	2,312	2,072	1,807	1,619
	19,624	17,584	21,559	19,304

AVIAAM LEASING AB
CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(All tabular amounts are in USD '000 and EUR '000 unless otherwise stated)

3 Revenue (continued)

The segment's aircraft lease, sale and aircraft transaction management revenue according to geographical location (based on the residence of customers):

Country	6 months ended 30 June			
	USD	2016 EUR	USD	2015 EUR
British Virgin Islands	8,350	7,482	-	-
Russia	7,001	6,274	8,322	7,451
Poland	1,960	1,756	-	-
Belarus	726	651	737	660
Lithuania	508	455	511	458
United Kingdom	400	358	-	-
Kazakhstan	300	269	2,600	2,328
Latvia	362	324	-	-
Bermuda	17	15	14	13
Ireland	-	-	9,375	8,394
	19,624	17,584	21,559	19,304

4 Employee related expenses

	6 months ended 30 June			
	USD	2016 EUR	USD	2015 EUR
Salaries	301	270	240	215
Social insurance expenses	122	109	131	117
	423	379	371	332

AVIAAM LEASING AB
CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(All tabular amounts are in USD '000 and EUR '000 unless otherwise stated)

5 Other operating expenses

	6 months ended 30 June			
	USD	2016 EUR	USD	2015 EUR
Legal and translation expenses	347	311	208	186
Representation expenses	140	126	27	24
Travelling expenses	71	63	43	38
Training expenses	70	63	20	18
Insurance expenses	56	50	50	44
Marketing expenses	50	45	30	27
Charity expenses	44	40	-	-
Audit and accounting expenses	43	38	42	38
Database usage expenses	43	39	-	-
Deductible VAT	40	36	-	-
Expenses related to listing of shares	27	24	23	21
Bank fees	23	21	10	9
Office expenses	19	17	22	20
Fuel costs	19	17	19	17
Transportation expenses	16	14	49	44
Other fixed assets depreciation	14	12	-	-
IT costs	10	9	11	9
Management services	9	8	85	76
Other administrative expenses	51	46	40	37
	1,092	979	679	608

6 Finance costs – net

	6 months ended 30 June			
	USD	2016 EUR	USD	2015 EUR
Discounting of security deposits received	582	521	-	-
Other finance income	-	-	2	1
Gain from disposal of investments	15	13	-	-
Foreign exchange gain on financing activities	313	282	236	214
Finance income	910	816	238	215
Interest expenses	(911)	(817)	(504)	(451)
Foreign exchange loss on financing activities	-	-	(1,358)	(1,217)
Unwinding of discount of security deposits received	(389)	(348)	(68)	(60)
Other finance costs	(149)	(132)	(64)	(57)
Finance costs	(1,449)	(1,297)	(1,994)	(1,785)
Finance costs – net	(539)	(481)	(1,756)	(1,570)

AVIAAM LEASING AB
CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(All tabular amounts are in USD '000 and EUR '000 unless otherwise stated)

7 Income tax

The tax expenses for the period comprise current and deferred tax.

Income tax is calculated at 15 per cent of the annual profit for the year.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when deferred income taxes relate to the same fiscal authority. Deferred income tax asset and liability are calculated at 15% rate (2015: 15% rate).

	6 months ended 30 June			
	2016		2015	
	USD	EUR	USD	EUR
Current tax	1,253	1,123	1,009	903
Total income tax expenses	1,253	1,123	1,009	903

8 Earnings per share

Earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares issued during the year.

	April – June				January – June			
	2016		2015		2016		2015	
	USD	EUR	USD	EUR	USD	EUR	USD	EUR
Net profit attributable to shareholders	6,755	6,022	4,434	3,993	9,547	8,555	6,599	5,911
Weighted average number of ordinary shares issued	43,306		43,306		43,306		43,306	
Basic earnings per share (USD/EUR)	0.16	0.14	0.10	0.09	0.22	0.20	0.15	0.14

The Group has no dilutive potential ordinary shares, therefore, the diluted earnings per share are the same as basic earnings per share.

AVIAAM LEASING AB
CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(All tabular amounts are in USD '000 and EUR '000 unless otherwise stated)

9 Property, plant and equipment

USD	Aircraft and engines	Aircraft and engines under preparation for use	Other tangible fixed assets	Total
Opening net book amount as at 1 January 2015	37,405	1,580	182	39,167
Additions	21,320	-	14	21,334
Disposals	-	-	(20)	(20)
Reclassifications	(1,366)	-	-	1,366
Depreciation charge	(4,253)	-	(18)	(4,271)
Revaluation surplus	11,165	-	-	11,165
Revaluation loss	(1,726)	(85)	-	(1,811)
Closing net book amount as at 31 December 2015	62,545	1,495	158	64,198
At 31 December 2015				
Cost or valuation	62,545	1,495	218	64,258
Accumulated depreciation	-	-	(60)	(60)
Net book amount	62,545	1,495	158	64,198
Opening net book amount as at 1 January 2016	62,545	1,495	158	64,198
Additions	90,557	-	8	90,565
Disposals	(31,352)	-	55	(31,297)
Reclassifications	(1,750)	-	-	(1,750)
Depreciation charge	(3,824)	-	(15)	(3,839)
Revaluation surplus	-	-	-	-
Revaluation loss	-	-	-	-
Closing net book amount as at 30 June 2016	116,176	1,495	206	117,877
At 30 June 2016				
Cost or valuation	116,176	1,495	281	117,952
Accumulated depreciation	-	-	(75)	(75)
Net book amount	116,176	1,495	206	117,877

AVIAAM LEASING AB
CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(All tabular amounts are in USD '000 and EUR '000 unless otherwise stated)

9 Property, plant and equipment (continued)

EUR	Aircraft and engines			Total
	Aircraft and engines	under preparation for use	Other tangible fixed assets	
Opening net book amount as at 1 January 2015	30,753	1,299	149	32,201
Additions	19,197	-	13	19,210
Disposals	-	-	(18)	(18)
Reclassifications	(1,230)	-	-	(1,230)
Depreciation charge	(3,830)	-	(16)	(3,846)
Revaluation surplus	10,053	-	-	10,053
Revaluation loss	(1,554)	(77)	-	(1,631)
Exchange differences	3,855	146	17	4,018
Closing net book amount as at 31 December 2015	57,244	1,368	145	58,757
At 31 December 2015				
Cost or valuation	57,244	1,368	200	58,812
Accumulated depreciation	-	-	(55)	(55)
Net book amount	57,244	1,368	145	58,757
Opening net book amount as at 1 January 2016	57,244	1,368	145	58,757
Additions	81,144	-	7	81,151
Disposals	(28,093)	-	49	(28,044)
Reclassifications	(1,568)	-	-	(1,568)
Depreciation charge	(3,427)	-	(13)	(3,440)
Revaluation surplus	-	-	-	-
Revaluation loss	-	-	-	-
Exchange differences	(543)	(20)	(2)	(565)
Closing net book amount as at 30 June 2016	104,757	1,348	186	106,291
At 30 June 2016				
Cost or valuation	104,757	1,348	253	106,358
Accumulated depreciation	-	-	(67)	(67)
Net book amount	104,757	1,348	186	106,291

AVIAAM LEASING AB
CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(All tabular amounts are in USD '000 and EUR '000 unless otherwise stated)

10 Investment property

	USD	EUR
Opening net book amount as at 1 January 2015	-	-
Additions	1,137	1,024
Disposals	-	-
Reclassifications	-	-
Depreciation charge	-	-
Revaluation surplus	403	363
Revaluation loss	-	-
Exchange differences	-	23
Closing net book amount as at 31 December 2015	1,540	1,410
At 31 December 2015		
Cost or valuation	1,540	1,410
Accumulated depreciation	-	-
Net book amount	1,540	1,410
Opening net book amount as at 1 January 2016	1,540	1,410
Additions	426	382
Disposals	-	-
Reclassifications	-	-
Depreciation charge	-	-
Revaluation surplus	-	-
Revaluation loss	-	-
Exchange differences	-	(19)
Closing net book amount as at 30 June 2016	1,966	1,773
At 30 June 2016		
Cost or valuation	1,966	1,773
Accumulated depreciation	-	-
Net book amount	1,966	1,773

11 Inventories

	30 June 2016		31 December 2015	
	USD	EUR	USD	EUR
Aircraft	1,750	1,578	-	-
Aircraft components	1,467	1,325	1,747	1,599
	3,217	2,903	1,747	1,599

AVIAAM LEASING AB
CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(All tabular amounts are in USD '000 and EUR '000 unless otherwise stated)

12 Loans granted

	30 June 2016		31 December 2015	
	USD	EUR	USD	EUR
Non-current loans				
Loans granted to related parties	5,831	5,258	4,798	4,391
Bonds acquired from related parties	2,301	2,075	-	-
Loans granted to third parties	2,967	2,675	4,823	4,415
	11,099	10,008	9,621	8,806
Current loans				
Loans granted to related parties	12,271	11,065	11,780	10,783
Less: provision for impairment of loans granted to related parties	(112)	(101)	(112)	(103)
Bonds acquired from related parties	-	-	2,247	2,056
Loans granted to third parties	9,608	8,664	7,504	6,867
	21,767	19,628	21,419	19,603
Total loans granted	32,866	29,636	31,040	28,409

13 Trade and other receivables

	30 June 2016		31 December 2015	
	USD	EUR	USD	EUR
Trade receivables from third parties	8,226	7,416	6,614	6,052
Less: provision for impairment of trade receivables	(2,163)	(1,950)	(2,163)	(1,980)
Trade receivables from third parties – net	6,063	5,466	4,451	4,072
Receivables from related parties	1,821	1,642	1,728	1,582
Less: provision for impairment of trade receivables from related parties	(1,048)	(945)	(1,048)	(959)
Receivables from related parties - net	773	697	680	623
Other receivables	29	26	29	27
Less: provision for impairment of other receivables	(29)	(26)	(29)	(27)
Other receivables - net	-	-	-	-
VAT receivables	271	244	206	188
Prepayments	3,823	3,448	216	198
Deferred expenses	135	122	919	842
	11,065	9,977	6,472	5,923
Non-current portion:	-	-	-	-
Current portion:	11,065	9,977	6,472	5,923

AVIAAM LEASING AB
CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(All tabular amounts are in USD '000 and EUR '000 unless otherwise stated)

14 Cash and cash equivalents

Cash and cash equivalents are dominated in following currencies:

	30 June 2016		31 December 2015	
	USD	EUR	USD	EUR
USD	21,523	19,408	14,869	13,609
EUR	1,585	1,429	12,209	11,174
GBP	-	-	15	14
Total cash and cash equivalents	23,108	20,837	27,093	24,797

15 Share capital

After euro adoption in 1 January 2015 and according to the Republic of Lithuania Law on redenomination to the euro of the capital and of the nominal value of securities of Public Limited Liability Companies and Private Limited Liability Companies and amendment of the Articles of Association of these Companies, the nominal value of the Company's shares were automatically converted from LTL 1 per share to EUR 0.29 per share in the Central Securities Depository of Lithuania. As at 30 June 2016 and 31 December 2015 the share capital of the Company amounted to EUR 12,588,622 (USD 16,804,002) and consisted of 43,305,593 ordinary registered shares with a nominal value of EUR 0.29 each. All shares were fully paid up.

Since 28 June 2013 the ordinary registered shares of the Company (ISIN code LT10000128555) are listed on the Main List of Warsaw Stock Exchange (symbol: AAL).

16 Borrowings

	30 June 2016		31 December 2015	
	USD	EUR	USD	EUR
Non-current				
Bank borrowings	48,558	43,786	619	566
Finance lease liabilities	1,272	1,147	4,861	4,449
	49,830	44,933	5,480	5,015
Current				
Bank borrowings	6,059	5,463	6	5
Finance lease liabilities	8,043	7,253	5,921	5,420
	14,102	12,716	5,927	5,425
Total borrowings	63,932	57,649	11,407	10,440

The weighted average interest rates at the balance sheet date were as follows:

	30 June 2016	31 December 2015
Bank borrowings	4.74%	2.10%
Finance lease liabilities	8.21%	7.79%

AVIAAM LEASING AB
CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(All tabular amounts are in USD '000 and EUR '000 unless otherwise stated)

17 Trade and other payables and advances received

	30 June 2016		31 December 2015	
	USD	EUR	USD	EUR
Trade and other payables – financial liabilities				
Trade payables to third parties	2,399	2,162	280	256
Trade payables to related parties	288	260	263	241
Salaries and social security payable, including vacation accrual	200	181	81	74
Accruals	6,638	5,986	3,034	2,777
	9,525	8,589	3,658	3,348
	30 June 2016		31 December 2015	
	USD	EUR	USD	EUR
Advance payments received – non-financial liabilities				
Advance payments from customers	7,750	6,988	159	145
	7,750	6,988	159	145

18 Security deposits received

	30 June 2016		31 December 2015	
	USD	EUR	USD	EUR
Security deposits repayable after one year at nominal value	6,140	5,537	5,462	4,999
Less: discounting effect	(1,115)	(1,006)	(812)	(743)
Security deposits repayable after one year	5,025	4,531	4,650	4,256
Security deposits repayable within one year	4,000	3,607	630	577
Less: discounting effect	-	-	(110)	(101)
Security deposits repayable within one year	4,000	3,607	520	476
Security deposits	9,025	8,138	5,170	4,732

Average rates used for security deposits discounting are as follows: 2016: 3.89%; 2015: 4.59%.

Security deposits serve as a security by a lessee for the performance of its obligations under the aircraft lease agreements and upon termination of lease lessor is obliged return it to lessee. All of the Group's security deposits are denominated in USD. Security deposits are not interest-bearing.

AVIAAM LEASING AB
CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(All tabular amounts are in USD '000 and EUR '000 unless otherwise stated)

19 Related party transactions

Related parties of the Group include entities having significant influence over the Group, key management personnel of the Group and other related parties. Entities having significant influence over the Company and the Group are ALH Aircraft Leasing Holdings Ltd, being the majority shareholder of the Company, and ZIA Valda AB (the shareholder of ALH Aircraft Leasing Holdings Ltd). Transactions with these companies are presented separately. Related parties also include other shareholders of the Company, associates and jointly controlled entities of the Group and subsidiaries of ZIA Valda AB group. They are presented as other related parties. The following transactions were carried out with related parties:

	6 months ended 30 June			
	2016		2015	
	USD	EUR	USD	EUR
Sales of services to:				
Entities having significant influence	133	119	111	99
Other related parties	575	515	602	539
	708	634	713	638

	6 months ended 30 June			
	2016		2015	
	USD	EUR	USD	EUR
Purchases of services from:				
Entities having significant influence	1	1	2	1
Other related parties	1,092	978	1,235	1,106
	1,093	979	1,237	1,107
Total purchases of assets and services	1,093	979	1,237	1,107

Period-end balances arising from sales/purchase of assets/services:

Trade and other receivables from related parties

	30 June 2016		31 December 2015	
	USD	EUR	USD	EUR
Other related parties	1,821	1,642	1,728	1,582
Trade and other receivables at nominal value	1,821	1,642	1,728	1,582
Less: provision for impairment of receivables from other related parties	(1,048)	(945)	(1,048)	(959)
	773	697	680	623

Individually impaired receivable relates to the customer that is in bankruptcy proceedings.

AVIAAM LEASING AB
CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(All tabular amounts are in USD '000 and EUR '000 unless otherwise stated)

19 Related party transactions (continued)

Payables to and prepayments from related parties

	30 June 2016		31 December 2015	
	USD	EUR	USD	EUR
Other related parties	288	260	263	241
	288	260	263	241

Loans granted to related parties

	30 June 2016		31 December 2015	
	USD	EUR	USD	EUR
Beginning of the year	18,713	17,127	22,560	18,548
Loans advanced during the year as monetary transactions	1,139	1,021	25,020	22,528
Loan repayments received as monetary transactions	(125)	(112)	(24,373)	(21,946)
Loan repayments received as non-monetary transactions	(65)	(59)	(3,559)	(3,205)
Interest charged	475	426	955	860
Interest received	(5)	(5)	(320)	(288)
Impaired loans and receivable interest	-	-	(112)	(101)
Exchange rate differences	159	(101)	(1,458)	731
End of the period	20,291	18,297	18,713	17,127

20 Acquisition of subsidiary

In March 2016 The Group acquired 100% of the issued shares in Dikkys Investment Limited. The Group simultaneously entered into the cession of claims agreement with third party regarding loan provided to Dikkys Investment Limited. The consideration for aforementioned agreements amounted to USD 1.4 million (EUR 1.2 million).

Dikkys Investment Limited is incorporated in the Republic of Cyprus and is engaged in the business of aircraft leasing and trading. The company owns one Boeing 737-500 aircraft. The book value of the aforementioned aircraft amounted to USD 1.8 million (EUR 1.6 million) as at the date of acquisition.

The operating results and assets and liabilities of the acquired company were consolidated from 24 March 2016.

(i) Purchase consideration

	24 March 2016	
	USD	EUR
Purchase consideration		
Cash paid	1,352	1,212
Contingent consideration	-	-
Total purchase consideration	1,352	1,212

AVIAAM LEASING AB
CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(All tabular amounts are in USD '000 and EUR '000 unless otherwise stated)

20 Acquisition of subsidiary (continued)

The determined fair values of the assets and liabilities of Dikkys Investment Limited as at the date of acquisition are as follows:

	USD	EUR
Property, plant and equipment	1,750	1,569
Cash and cash equivalents	2	2
Loan from the Group	(1,814)	(1,626)
Payables	(22)	(20)
	(84)	(75)
Less: non-controlling interest	-	-
Net assets acquired	(84)	(75)
Profit from cession of claims	464	416
Net profit from transaction	380	341

Transaction resulted to a total net gain of USD 0.4 million (EUR 0.4 million) in the consolidated financial statements of the Group for the respective period.

21 Events after the balance sheet date

In July 2016 the Group delivered one Boeing 737-500 aircraft under the lease-to-purchase agreement.

In August 2016 the Group rendered aircraft transaction management services in respect to four Airbus A321 sale and lease-back transaction.

**AVIAAM LEASING AB
CONSOLIDATED MANAGEMENT REPORT
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016**

(All tabular amounts are in USD '000 and EUR '000 unless otherwise stated)

CONSOLIDATED MANAGEMENT REPORT

I. GENERAL INFORMATION

Reporting period Six month period ended 30 June 2016

Company and its contact details

Name of the Company	AviaAM Leasing AB (hereinafter – “AviaAM Leasing” or “the Company”)
Legal form	Public company (joint-stock company)
Date of registration	17 April 2009
Name of Register of Legal Entities	State Enterprise Centre of Registers
Code of enterprise	302330793
Registered office	Smolensko St 10, LT-03201 Vilnius, Lithuania
Telephone number	+370 5 252 55 25
Fax number	+370 5 252 55 24
E-mail	info@aviaam.com
Web address	www.aviaam.com

Main activities

AviaAM Leasing AB is a holding company together with its subsidiaries (referred to as “the Group”) established to acquire, lease and trade commercial aircraft. The Group’s primary focus is on the market for used aircraft, primarily on aircraft ten years of age or older. The Group is principally engaged in purchasing commercial aircraft which the Group, in turn, lease to airlines around the world to generate attractive returns on equity. The Group leases its aircraft to airlines pursuant to net operating (“dry”) leases that require the lessee to pay for maintenance, insurance, taxes and all other aircraft operating expenses during the lease term.

In addition to aircraft operating lease activities, the Group is actively engaged in aircraft trading business through acquiring, refurbishing and subsequent sale of aviation assets. Through long-standing relationships and extensive market knowledge, the Group acquires aircraft from airline operators, other lessors, trading entities, financial institutions and directly from the manufacturers. These acquisitions are made with the intent of subsequent sale of the aircraft either in “as-is” condition or after performing certain technical modifications in order to meet the client’s requirements.

While Group’s primary business is to own, lease and trade aircraft, the Group also provides consulting, fleet management and remarketing services to third parties for a fee. These services are similar to those the Group performs for its fleet, including leasing, re-leasing, lease management and sales services. Thanks to Group’s extensive market intelligence gathered from its daily contacts with other market participants, the Group is well positioned to advise its clients on the best terms and conditions available in the market, and to provide assistance and know-how to its clients in the field of structuring and maintaining their aircraft portfolios.

The Group structure

As at 30 June 2016 the Group consisted of the Company and the following subsidiaries and joint ventures:

Name of the company	Date of registration, code, name of Register of Legal Entities	Contact details	Effective holding of the Company (%)
AviaAM B01 UAB	Date of acquiring: 4 January 2010 Company code: 125808161 Register of Legal Persons	Smolensko str. 10, LT-03201 Vilnius, LITHUANIA	100.00
AviaAM B02 UAB	Date of acquiring: 4 January 2010 Company code: 300618156 Register of Legal Persons	Smolensko str. 10, LT-03201 Vilnius, LITHUANIA	100.00

AVIAAM LEASING AB
CONSOLIDATED MANAGEMENT REPORT
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(All tabular amounts are in USD '000 and EUR '000 unless otherwise stated)

Name of the company	Date of registration, code, name of Register of Legal Entities	Contact details	Effective holding of the Company (%)
AviaAM B04 UAB	Date of establishment: 22 February 2007 Company code: 300651619 Register of Legal Persons	Smolensko str. 10, LT-03201 Vilnius, LITHUANIA	100.00
AviaAM B05 UAB	Date of establishment: 28 June 2011 Company code: 302642412 Register of Legal Persons	Smolensko str. 10, LT-03201 Vilnius, LITHUANIA	100.00
AviaAM B06 UAB	Date of establishment: 15 July 2011 Company code: 302647509 Register of Legal Persons	Smolensko str. 10, LT-03201 Vilnius, LITHUANIA	100.00
AviaAM B07 UAB	Date of establishment: 30 September 2011 Company code: 302671887 Register of Legal Persons	Smolensko str. 10, LT-03201 Vilnius, LITHUANIA,	100.00
DG21 UAB	Date of establishment: 7 August 2015 Company code: 304079090 Register of Legal Persons	Smolensko str. 10, LT-03201 Vilnius, LITHUANIA,	100.00
AviaAM B10 Ltd.	Date of establishment: 17 December 2015 Company code: 574004 Irish Companies Registration Office	1-3 Burton Hall Park, Burton Hall Road, Sandyford, Dublin 18, IRELAND	100.00
AAL Capital Aircraft Holdings Ltd.	Date of establishment: 29 September 2011 Company code: HE294651 Cyprus Registrar of Companies	1 Bouboulina str. Bouboulina Building, 2nd floor, Office No. 24, 1060 Nicosia, CYPRUS	100.00
AviaAM Leasing Bermuda Ltd.	Date of establishment: 16 September 2011 Company code: 45778 Registrar of Companies of Bermuda	Clarendon House, 2 Church Street, Hamilton HM 11, BERMUDA	100.00*
AviaAM B08 Ltd.	Date of establishment: 26 April 2013 Company code: 47627 Registrar of Companies of Bermuda	Crawford House, 50 Cedar Avenue, Hamilton HM11, BERMUDA	100.00*
AviaAM B09 Ltd.	Date of establishment: 27 June 2013 Company code: 47868 Registrar of Companies of Bermuda	Crawford House, 50 Cedar Avenue, Hamilton HM 11, BERMUDA	100.00*
Ice Aircraft Management Ltd.	Date of establishment: 23 October 2013 Company code: 48281 Registrar of Companies of Bermuda	Crawford House, 50 Cedar Avenue, Hamilton HM 11, BERMUDA	100.00*
Boulevard Two Aircraft Ltd.	Date of acquiring: 20 December 2013 Company code: 522844 Irish Companies Registration Office	70 Sir John Rogerson's Quay, Dublin 2, IRELAND	100.00*
Dikkys Investments Ltd	Date of acquiring: 24 March 2016 Company code: 156119 Cyprus Registrar of Companies	1 Bouboulina str. Bouboulina Building, 2nd floor, Office No. 24, 1060 Nicosia, CYPRUS	100.00*
Regional Charter Capital Ltd	Date of establishment: 31 October 2012 Company code: 47039 Registrar of Companies of Bermuda	Crawford House, 50 Cedar Avenue, Hamilton HM 11, BERMUDA	50.00**

* Shareholding through AAL Capital Aircraft Holdings Ltd which owns 100 per cent of the company.

** Shareholding through AviaAM Leasing Bermuda Ltd. which owns 50 per cent of the company.

As at 30 June 2016 the Company had no branches or representative offices.

AVIAAM LEASING AB
CONSOLIDATED MANAGEMENT REPORT
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(All tabular amounts are in USD '000 and EUR '000 unless otherwise stated)

Agreements with intermediaries of public trading in securities

Since 1 August 2011 the Company and Orion Securities UAB FMĮ (code 122033915), A. Tumėno str. 4, LT-01109 Vilnius, have an agreement on accounting of the Company's securities and services related to the accounting of securities.

Data about securities traded on regulated market

The following securities of the Company are included into the Main List of Warsaw Stock Exchange (symbol: AAL):

Type of shares	Number of shares	Nominal value in EUR	Total nominal value in EUR	ISIN
Ordinary registered shares	43,305,593	0.29	12,558,622	LT0000128555

Securities of the Company's subsidiaries are not traded publicly.

II. FINANCIAL AND OPERATIONAL INFORMATION

In the six month period ended 30 June 2016 the Group earned net profit of USD 9.5 million (EUR 8.6 million). Comparing with the same period in 2015 the net profit has increased by USD 2.9 million (EUR 2.6 million) or 45%. The increase in net income is primarily attributable to proceeds from sales of property, plant and equipment. The gain on sale of property, plant and equipment increased by USD 5.8 million (EUR 5.2 million) for the six month period ended 30 June 2016 as compared to the same period in 2015.

Key events during the six month period ended 30 June 2016 are summarized below:

Date	Category	Event
January 2016	Aircraft acquisition	The Group acquired one Airbus A319 aircraft
January 2016	Aircraft lease	The Group accepted the redelivery of one Boeing 737-500 aircraft following the agreed termination of the lease
February 2016	Aircraft sale	The Group completed the sale of the aforementioned Boeing 737-500 aircraft
February 2016	Aircraft acquisition and lease	The Group acquired one Airbus A319 aircraft and immediately delivered the subject aircraft to one of its customers under the long term operating lease agreement
February 2016	Aircraft sale	The Group entered into the sale agreement in respect to sale of the aforementioned Airbus A319 aircraft with lease attached
March 2016	Aircraft sale	The Group delivered one Airbus A319 aircraft to one of its customers under the lease-to-purchase agreement
March 2016	Acquisition of subsidiary	The Group acquired 100% of the issued shares in Dikkys Investment Limited. The subject company owned one Boeing 737-500 aircraft at the date of acquisition
March 2016	Aircraft acquisition	The Group acquired one Airbus A320 aircraft
March 2016	Aircraft lease	The Group accepted the redelivery of one Boeing 737-500 aircraft following the agreed termination of the lease
April 2016	Aircraft sale	The Group delivered the aforementioned Boeing 737-500 aircraft to one of its customers under the lease-to-purchase agreement

AVIAAM LEASING AB
CONSOLIDATED MANAGEMENT REPORT
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(All tabular amounts are in USD '000 and EUR '000 unless otherwise stated)

Date	Category	Event
April 2016	Aircraft sale	The Group completed the sale of two Airbus A319 aircraft with lease attached
April 2016	Aircraft acquisition and lease	The Group acquired three Airbus A321 aircraft and immediately delivered the subject aircraft to one of its customers under the long term operating lease agreements
April 2016	Aircraft acquisition and lease	The Group acquired one Airbus A321 aircraft and immediately delivered the subject aircraft to one of its customers under the long term operating lease agreement
April 2016	Dividends	The Annual General Meeting of Shareholders of the Company adopted the decision to pay out annual dividends in the amount of EUR 0.02 per share.
May 2016	Aircraft lease	The Group delivered one Airbus A320 aircraft to one of its customers under the long term operating lease agreement
May 2016	Joint venture	The Company signed a Joint Venture Agreement with the Henan Civil Aviation Development and Investment Company (China)

The consolidated financial statements of the Group have been prepared according to International Financial Reporting Standards as adopted by the European Union.

Key figures of the Group

Financial figures

	6 months ended 30 June			
	USD	2016 EUR	USD	2015 EUR
Revenue	19,624	17,584	21,559	19,304
Operating profit	11,339	10,159	9,364	8,384
<i>Operating profit margin (%)</i>	57.8%	57.8%	43.4%	43.4%
Profit before income tax	10,800	9,678	7,608	6,814
Net profit for the period	9,547	8,555	6,599	5,911
<i>Net profit margin (%)</i>	48.6%	48.6 %	30.6%	30.6%
Earnings per share	0.22	0.20	0.15	0.14
Number of shares (in thousand)		43,306		43,306

Financial ratios

	30 June 2016	31 December 2015
Return on equity (ROE)* (%)	8.9%	11.1%
Gearing ratio** (%)	0.3	N/A
Equity ratio*** (%)	52.5%	80.4%
Liquidity ratio****	1.8	4.1
Number of full-time employees at the end of the period of the Group	19	16

* - *Return on equity (ROE)* = Net profit for the period / Total equity

** - *Gearing ratio* = Net debt / (Net debt + Total equity), *Net debt* = Borrowings – Cash and cash equivalents

*** - *Equity ratio* = Total equity / Total assets

**** - *Liquidity ratio* = Current assets / Current liabilities

AVIAAM LEASING AB
CONSOLIDATED MANAGEMENT REPORT
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(All tabular amounts are in USD '000 and EUR '000 unless otherwise stated)

Revenue

	6 months ended 30 June			
	2016		2015	
	USD	EUR	USD	EUR
Sales of aircraft	8,750	7,841	2,300	2,059
Lease revenue	8,154	7,307	6,944	6,217
Supplemental maintenance rent	2,636	2,362	2,927	2,621
Commission income	84	74	9,388	8,407
	19,624	17,584	21,559	19,304

The revenue from aircraft leases (i.e. lease revenue and supplemental rent) accounted for 55% of total revenue in six month period ended 30 June 2016, as for the same period in 2015 the revenue from aircraft leases accounted for 46%.

The lease revenue increased by 17%, while supplemental maintenance rent decreased by 10% in the six month period ended 30 June 2016 as compared to the same period in 2015. The increase in lease revenue is mainly attributable to increase in aircraft on lease (17 aircraft were on lease as of 30 June 2016, while 12 aircraft were on lease as of 30 June 2015).

The Group earned USD 8.8 million (EUR 7.8 million) in revenue from sales of aircraft in the six month period ended 30 June 2016. The commission income, attributable to execution of aircraft transaction management and brokerage services, amounted to USD 84 thousand (EUR 74 thousand) for the period under review.

Interest income on loans, gain on sale of PPE and other gain (losses) - net

	6 months ended 30 June			
	2016		2015	
	USD	EUR	USD	EUR
Interest income on loans	1,039	931	855	765
Gain on sale of property, plant and equipment (net)	5,835	5,228	-	-
Other gain (losses) - net	474	425	34	30
	7,348	6,584	889	795

During the six month period ended 30 June 2016 the Group earned interest income on loans in the amount of USD 1,039 thousand (EUR 931 thousand) as compared to USD 855 thousand (EUR 765 thousand) during the same period in 2015.

Gain on sale of property, plant and equipment encompass net gain on sale of two Airbus A319 and two Boeing 737-500 aircraft. Aircraft were sold for a net gain of USD 5.8 million (EUR 5.2 million).

Other gain (losses) – net amounted to USD 474 thousand (EUR 425 thousand) for the six months ended 30 June 2016.

AVIAAM LEASING AB
CONSOLIDATED MANAGEMENT REPORT
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(All tabular amounts are in USD '000 and EUR '000 unless otherwise stated)

Operating expenses

	6 months ended 30 June			
	USD	2016 EUR	USD	2015 EUR
Depreciation and amortization	3,824	3,427	2,013	1,803
Costs of aircraft sold	7,697	6,897	2,189	1,960
Costs of services rendered	36	32	5,725	5,126
Aircraft maintenance and servicing expenses	2,561	2,295	1,657	1,483
Impairment of receivables and prepayments	-	-	450	403
Employee-related expenses	423	379	371	332
Other operating expenses	1,092	979	679	608
	15,633	14,009	13,084	11,715

Depreciation and amortization expenses increased by 90% in the six month period ended 30 June 2016 to the amount of USD 3.8 million (EUR 3.4 million) as compared to USD 2.0 million (EUR 1.8 million) for the same period in 2015. The main reason of the higher depreciation expense was an increase in number of aircraft in Group's fleet (from 12 aircraft as at 30 June 2015 to 17 as at 30 June 2016).

The costs of aircraft sold amounted to USD 7.7 million (EUR 6.9 million) for the six month period ended 30 June 2016 and consisted of costs directly associated with the sale of one aircraft (Airbus A319) and one engine. In the same period of 2015 costs of aircraft sold amounted to USD 2.2 million (EUR 2.0 million) and consisted of costs directly associated with the sale of two aircraft (one Boeing 767-300 and one Boeing 737-800).

Cost of services rendered represent costs incurred in relation to aircraft leases and commission income earned from aircraft transaction management and brokerage services. These costs decreased from USD 5.7 million (EUR 5.1 million) in 2015 to USD 36 thousand (EUR 32 thousand) in 2016.

Aircraft maintenance and servicing expenses recognized in the statement of comprehensive income represent costs incurred for the maintenance of aircraft off lease, costs related to aircraft preparation for lease and costs expensed in relation to aircraft technical evaluation and inspections prior to purchase. These costs recorded in the six month period ended 30 June 2016 amounted to USD 2.6 million (EUR 2.3 million) in comparison to USD 1.7 million (EUR 1.5 million) in the same period of 2015.

Employee related expenses consist of salaries and social insurance expenses. For the six month period ended 30 June 2016 these expenses amounted to USD 423 thousand (EUR 379 thousand) as compared to USD 371 thousand (EUR 332 thousand) in the same period of 2015.

Other operating expenses accounted for 7.0% and 5.2% of all operating expenses in the six month period ended 30 June 2016 and in the same period in 2015 respectively. The major contributor of the increase of these expenses by 60.8% was an increase in legal expenses by USD 139 thousand (EUR 125 thousand).

Earnings

Operating profit of the Group for the six month period ended 30 June 2016 was equal to USD 11.3 million (EUR 10.2 million) as compared to the operating profit of USD 9.4 million (EUR 8.4 million) during the same period in 2015.

Net finance costs of the Group amounted to USD 539 thousand (EUR 481 thousand) in the six month period ended 30 June 2016 as compared to USD 1.8 million (EUR 1.6 million) for the six months ended 30 June 2015.

As a result, profit before income tax of the Group for the six months ended 30 June 2016 was equal to USD 10.8 million (EUR 9.7 million) as compared to USD 7.6 million (EUR 6.8 million) for the six month period ended 30 June 2015.

AVIAAM LEASING AB
CONSOLIDATED MANAGEMENT REPORT
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(All tabular amounts are in USD '000 and EUR '000 unless otherwise stated)

Income tax totaled for USD 1.3 million (EUR 1.1 million) and USD 1.0 million (EUR 0.9 million) in the six months of 2016 and 2015 respectively.

As a result, the Group earned a net profit of USD 9.5 million (EUR 8.6 million) for the six month period ended 30 June 2016. During the same period in 2015, the Group earned a net profit of USD 6.6 million (EUR 5.9 million).

Balance sheet and cash flow

During the six month period ended 30 June 2016 total assets of the Group increased by 51.1% compared to 31 December 2015 and amounted to USD 203.4 million (EUR 183.4 million). The major change was an increase in property, plant and equipment by USD 53.7 million (EUR 47.5 million) and short-term financial assets by USD 10.4 million (EUR 9.4 million).

During the six month period ended 30 June 2016 total liabilities increased by USD 70.2 million (EUR 62.9 million) or 265.4% to USD 96.6 million (EUR 87.1 million) as compared to USD 26.4 million (EUR 24.2 million) as at 31 December 2015. A meaningful impact to this change was an increase in borrowings by USD 52.5 million (EUR 47.2 million). This increase in borrowings was directly associated with the acquisition of four Airbus A321 aircraft which was co-financed by the funds advanced under the long term borrowing facility.

In the six month period ended 30 June 2016 net cash flow generated from operating activities was equal to USD 31.3 million (EUR 28.1 million) as compared to USD 8.9 million (EUR 7.9 million) in the same period of 2015. Net cash used in investing activities totaled USD 85.1 million (EUR 76.3 million) during the six months ended 30 June 2016. Furthermore, in the six month period ended 30 June 2016 net cash flow generated from financing activities amounted to USD 49.8 thousand (EUR 44.6 thousand).

As a result, cash and cash equivalents decreased by USD 4.0 million (EUR 3.6 million) during six months ended 30 June 2016 and stood at USD 23.1 million (EUR 20.8 million).

Information about related party transactions

Related parties of the Group include entities having significant influence over the Group, key management personnel of the Group and other related parties. Entities having significant influence over the Company and the Group are ALH Aircraft Leasing Holdings Ltd., being the majority shareholder of the Company, and ZIA Valda AB (the shareholder of ALH Aircraft Leasing Holdings Ltd). Related parties also include other shareholders of the Company, associates and jointly controlled entities of the Group and subsidiaries of ZIA Valda AB group.

Detailed information about related party transactions is provided in Note 19 of the Group's Consolidated Condensed Interim Financial Information for the six month period ended 30 June 2016.

Investments related to continuing operations

The Group has been expanding its long term assets by investing into property, plant and equipment. For the six month period ended 30 June 2016, the capital investments in the net amount of USD 59,025 thousand (EUR 53,051 thousand) went to the expansion of the Group's aircraft fleet with an aim of development of aircraft operating lease activities.

All details concerning the property, plant and equipment of the Group are presented in Note 9 of the Consolidated Condensed Interim Financial Information for the six month period ended 30 June 2016.

Research and development activities

There were no major research and development projects undertaken during the six month period ended 30 June 2016.

AVIAAM LEASING AB
CONSOLIDATED MANAGEMENT REPORT
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(All tabular amounts are in USD '000 and EUR '000 unless otherwise stated)

Environmental protection

In its activities, the Company uses all available means and the modern technological processes that meet all ecological standards and help reduce the negative impact on the environment.

Risk management

The main risk factors associated with the activities of the Group are as follows:

- Changes in the supply and demand for mid-life aircraft;
- Changes in the market lease rates and aircraft prices;
- Changes in currency exchange rates;
- Increase in competition from other aircraft lessors;
- Changes in the regulatory environment;
- Deterioration of the financial condition of the Group's lessees.

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and interest rate risk), credit risk, liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

Risk management is carried out by the General Manager. The General Manager identifies and evaluates financial risks in close co-operation with the Chief Financier. The General Manager provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investing excess liquidity.

The Group operates internationally and is exposed to foreign exchange risk arising from the Group's exposure to different currencies other than its functional currency (primarily to EUR). Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the Group's functional currency.

Foreign exchange risk is controlled by entering into most contracts in the functional currency (USD) and monitoring exposures to other currencies.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and loans granted.

Credit risks are controlled by the application of credit terms and monitoring procedures. Group's procedures are in force to ensure that services are sold only to customers with an appropriate credit history and do not exceed acceptable credit exposure limit. Cash transactions are limited to high credit quality financial institutions.

Risk of credit concentration is determined by the Group in relation to industry in which Group's debtors operate. Concentration of credit risk of the Group arises from loans granted and receivables from related parties, trade receivables. The only material credit risk concentration is with debtors operating in aviation business.

Liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Liquidity risk is managed by the General Manager, who is required to maintain a minimum required liquidity position.

In addition, the Group's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these.

AVIAAM LEASING AB
CONSOLIDATED MANAGEMENT REPORT
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(All tabular amounts are in USD '000 and EUR '000 unless otherwise stated)

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Significant events after the balance sheet date

In July 2016 the Group delivered one Boeing 737-500 aircraft under the lease-to-purchase agreement.

In August 2016 the Group rendered aircraft transaction management services in respect to four Airbus A321 sale and lease-back transaction.

Plans and forecasts

The Group intends to further follow a disciplined approach to future aircraft acquisitions, seeking to create a portfolio of aircraft in the niche markets for used, midlife to end-of-life (generally, ten years of age or older) narrowbody jet and regional aircraft and to further expand its activities in the fields of aircraft trading and management. To execute this strategy, the Group will focus on the following:

- Generating higher yields: the management of the Company believes the aforementioned target assets typically have higher lease rates relative to their purchase price (i.e. as the lease rate factor) than newer aircraft, thus allowing the Company and the Group to generate attractive, cash-on-cash yields;
- Identifying transactions that are not widely marketed: through the management's relationships with aircraft lessors, financial investors and brokers, the Group expects to have access to transactions that are not widely marketed;
- Strategically acquiring attractive assets during market weakness: while the Group intends to be active in the aircraft leasing market throughout market cycles, the Group will seek to take advantage of the cyclicity in the aviation industry by opportunistically acquiring selected aircraft during market downturns;
- Providing for flexible resales and part-out: the Group expects to employ a flexible divestment strategy to allow to sell assets when the market cycle makes asset sales most advantageous;
- Focusing on high growth markets: the Group has established a significant presence in the Eastern European and CIS markets; however due to the nature of the aircraft operating leasing business the Group is seeking for expansion of the geography of operations into other markets such as Western Europe, Middle East and Southeast Asia.
- Expanding the scope of services provided by the Group: in addition to aircraft leasing and trading business lines, the Group intends to further expand its aircraft transaction management, consulting and asset management activities leveraging the successful track record of the executed transactions and experience and know-how of the management.

Acquisitions of aircraft either for leasing or trading activities will be pursued through the co-operation with aircraft operators, manufacturers, financial institutions, private investors and third party lessors.

Auditors

On 29 April 2016 the shareholders of the Company during the Ordinary General Meeting of Shareholders elected PricewaterhouseCoopers UAB as the Company's audit enterprise for the period of the year to perform the audit of the annual stand-alone and consolidated financial statements of the Company for the years 2016 and 2017 and to make the assessment of the stand-alone and consolidated annual report of the Company for the years 2016 and 2017.

AVIAAM LEASING AB
CONSOLIDATED MANAGEMENT REPORT
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(All tabular amounts are in USD '000 and EUR '000 unless otherwise stated)

PricewaterhouseCoopers UAB has been auditing the financial statements of the Company and the Group since 2008.

III. INFORMATION ABOUT SHARE CAPITAL AND SHAREHOLDERS

Share capital

As at 30 June 2016 the share capital of the Company amounted to EUR 12,558,622 and consisted of 43,305,593 ordinary registered shares with a nominal value of EUR 0.29 each.

Ordinary registered shares of the Company (ISIN code LT0000128555) are listed on the Main List of Warsaw Stock Exchange (symbol: AAL).

Treasury shares

Neither the Company nor its subsidiaries have ever acquired any treasury shares. As of 30 June 2016 the Company did not hold any treasury stock.

Shareholders

Shareholders, holding more than 5% of the share capital and votes, as of 30 June 2016:

Name	Company code and address	Number of shares owned and votes given	Share of the share capital and votes, %
ALH Aircraft Leasing Holdings Ltd	Company code: HE 284966 Address: Avlonos 1, Maria House, CY1075 Nicosia, Cyprus	12,994,905	30.01
Mesotania Holdings Limited	Company code: HE 280922 Address: Avlonos 1, Maria House, CY1075 Nicosia, Cyprus	10,899,858	25.17
Nationale-Nederlanden Otwarty Fundusz Emerytalny (Open pension fund)	Company code: NIP 526-22-41-523 Address: ul. Topiel 12; 00-342 Warsaw, Poland	5,000,000	11.55
Other shareholders	-	14,410,830	33.27
Total		43,305,593	100.00

Shares owned by the Management of the Company

The number of shares owned by the Management of the Company, members of the Management Board and Supervisory council is listed in the table below:

Name	Role in the Company's Management	Number of shares	%
Aurimas Sanikovas	Member of the Management Board	294,478	0.68
Tadas Goberis	Chairman of the Management Board	147,239	0.34
Total		441,717	1.02

Shareholders' rights

None of the shareholders of the Company have any special controlling rights. Rights of all shareholders are equal. One ordinary registered share of the Company gives one vote in the General Meeting of Shareholders.

AVIAAM LEASING AB
CONSOLIDATED MANAGEMENT REPORT
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(All tabular amounts are in USD '000 and EUR '000 unless otherwise stated)

The Company is not aware of any valid agreements between the shareholders that could limit transfer of securities and/or their ability to exercise their voting rights.

Dividends

On 29 April 2016 The Annual General Meeting of Shareholders of the Company adopted the decision to pay out annual dividends in the amount of EUR 0.02 per share. The dividends in the total amount of USD 988 thousand (EUR 866 thousand) were paid out in May 2016.

IV. PERSONNEL

The Group categorizes its employees into two groups:

- Management (General Manager, Operating Managers and Chief Financier);
- Specialists.

The Group does not employ unqualified employees due to the specific nature of the business. All employees of the Group possess higher university education degrees.

The breakdown of the number of employees of the Group divided into categories as of 30 June 2016 and as of 30 June 2015 is provided in the table below.

	As of 30 June	
	2016	2015
Management	3	4
Specialists	16	11
	19	15

The table below presents the Group's data on the employee related expenses by categories for the six month periods ended 30 June 2016 and 30 June 2015 respectively.

	6 months ended 30 June			
	2016		2015	
	USD	EUR	USD	EUR
Management	133	119	196	175
Specialists	290	260	175	157
	423	379	371	332

Average monthly salary (including social security expenses) in the six month period ended 30 June 2016 amounted to USD 7.4 thousand (EUR 6.6 thousand) per employee in the management category and USD 3.0 thousand (EUR 2.7 thousand) per employee in the specialists category.

All of the Group's employees are employed in Lithuania.

There are no trade unions or workers council registered in the Company or its subsidiaries. There are no collective bargaining agreements concluded in the Group companies.

V. CORPORATE GOVERNANCE

The Company has a three-tier management system. The management bodies of the Company are as follows: the Supervisory Council, the Management Board and the General Manager.

AVIAAM LEASING AB
CONSOLIDATED MANAGEMENT REPORT
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(All tabular amounts are in USD '000 and EUR '000 unless otherwise stated)

Apart from generally applicable laws, the rules of conduct of the Supervisory Council and the Management Board are regulated by the Company's Articles of Association and also by the Regulations of the Supervisory Council and the Management Board, respectively. The proceedings of the management bodies are also subject to the corporate governance principles set out by the Warsaw Stock Exchange.

The Supervisory Council is a collegial supervisory body, which is responsible for supervising the activities of the Company and its management bodies, the appointment and removal of the members of the Management Board, submitting its comments and proposals to the General Meeting of Shareholders on the Company's operating strategy, sets of financial statements, drafts of profit/loss appropriation, the reports of the Company, the activities of the Management Board and the General Manager, submitting proposals to revoke decisions of the Management Board or the General Manager, etc.

The Management Board is a collegial management body, which is responsible for the strategic management of the Company, the appointment and removal of the Manager of the Company (the General Manager), calling the General Meetings, adoption of other corporate decisions which are economically feasible for the Company, etc.

The General Manager is responsible for the day-to-day management of the Company and enjoys the exclusive right of representing the Company vis-à-vis third parties.

The Supervisory Council

According to the Articles of Association of the Company, the Supervisory Council is comprised of three members. Members of the Supervisory Council are appointed for a common term of four years of office, ending on the day of the respective Annual General Meeting of Shareholders.

The members of the Supervisory Council are elected by the General Meeting of Shareholders. The General Meeting of Shareholders may also remove the entire Supervisory Council or its individual members before the expiry of their term of office.

The Supervisory Council has the Chairman, elected by the Supervisory Council from among its members.

The business address for all members of the Supervisory Council is AviaAM Leasing AB, Smolensko str. 10, LT-03201 Vilnius, Lithuania.

Members of the Supervisory Council

Name	Position within the Company	In the position	
		Since	Until
Antanas Petrošius	Chairman of the Supervisory Council	1 April 2013	Until the Annual
Tomas Mokrikas	Member of the Supervisory Council	1 April 2013	General Meeting, to
Jacek Tucharz	Member of the Supervisory Council	31 December 2013	be held in 2017

Information about all members of the Supervisory Council is presented below:

Antanas Petrošius. Antanas Petrošius possesses profound professional experience and expertise, gained in the international banking, finance advisory, derivative and investment segments over the past 13 years. Antanas Petrošius started his carrier in 2001 when he joined Credit Suisse, a Switzerland-based multinational financial services company, where he spent 10 years and had been promoted to various top executive positions, including: the CEO of Credit Suisse Kazakhstan; Co-Head of Investment Banking Russia/CIS. In 2011 Antanas Petrošius joined UBS, the largest Swiss global financial services company, as the Deputy CEO for Russia&CIS and Head of Investment Banking Russia & CIS. He obtained a bachelor's degree in Public Finance at Vilnius University, and a master's degree in International Economics and Finance at GSIEF, Brandeis University. Antanas Petrošius does not participate in the capital of any companies of the Group.

AVIAAM LEASING AB
CONSOLIDATED MANAGEMENT REPORT
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(All tabular amounts are in USD '000 and EUR '000 unless otherwise stated)

Tomas Mokrikas. Tomas Mokrikas holds comprehensive executive experience in investment, retail, food, pharmacy, real estate, beauty, household, and many other business segments. Tomas Mokrikas started his professional career in 1994 as the General Director at Travonas UAB, the first Lithuanian reseller of Avon products. In 1999 he became the Sales Director at Avon Cosmetics, the official representative of Avon Products Inc. in Lithuania. In 2004 Tomas Mokrikas joined the pharmacy business, while holding various executive positions in Lithuanian and Polish retail pharmacy chains. During the 2006–2008 period he gained executive experience in investment, retail and food industries, while being a member of the Board at EVA Grupė UAB, the chairman of the board at Aibė Baltic UAB, the deputy general manager at Vilniaus Pergalė AB and other. In 2008 Tomas Mokrikas was appointed as the Director of an investment company TB Investicija UAB. Until March 2011 he was also holding the managerial positions in real estate companies Stirnų projektas UAB and Latako projektas UAB. Since 2010 Tomas Mokrikas is a Chairman of the Supervisory Council of a Polish confectionery maker ZPC MIESZKO S.A. At the moment Tomas Mokrikas also serves as the Director of NG Investicija UAB and Solingas UAB, as well as a Chairman of the Supervisory Council at POSTI and member of Supervisory Council at CENOS Sp.z.o.o. He graduated from Vilnius University in Economics in 1995. Tomas Mokrikas does not participate in the capital of any companies of the Group.

Jacek Tucharz. Jacek Tucharz holds over 20 years of experience in various business areas, including asset management, real estate, investment, finance and energy industries. With a Bachelor's degree in International Trade and a Master's degree in Marketing Policy, gained at Warsaw School of Economics, Jacek Tucharz started his executive career in 1993 as an Inspector and Securities Broker at a brokerage company Powszechny Bank Kredytowy S.A. Since 1996 till 1999 Jacek Tucharz was working as the Investment Director at XI Narodowy Fundusz Inwestycyjny S.A. Later on, he was holding various top management positions in such asset management companies as Trinity Management sp. z o.o, and PZU NFI Management sp. z o.o. In 2007-2010 Jacek Tucharz was the Chairman of the Board at Auto – Centrum Puławska sp. z o.o. Jacek Tucharz is also a Vice President at Energosynergia Technologie sp. z o.o. Jacek Tucharz does not participate in the capital of any companies of the Group.

Committees

The Supervisory Council has a right to form committees from among the members of Supervisory Council.

There is an Audit Committee established in the Company comprising of two members of the Supervisory Council – Mr. Antanas Petrošius and Mr. Jacek Tucharz. Mr. Antanas Petrošius is the chairman of the Audit Committee.

The main functions of the Audit Committee are as follows:

- to observe the integrity of financial information provided by the Company with particular attention to the relevance and consistency of methods used by the Company and the Group;
- to review internal controls and risk management systems to ensure that the main risks (including the risk associated with compliance with the existing laws and regulations) are properly established, managed and information of them is disclosed;
- to ensure the effectiveness of internal control functions;
- to make recommendations to the Supervisory Council with regard to the selection of an external audit firm, its appointment, reappointment and dismissal, and with the terms and conditions of agreement with the audit firm;
- to monitor the independence and objectivity of the external audit firm, to check whether the audit firm takes into account the requirements in relation to the audit partner rotation, inspect the amount of remuneration paid by the Company to the audit firm and other matters;
- to check the effectiveness of the external audit process and the administration's response to the recommendations made by the external auditors.

AVIAAM LEASING AB
CONSOLIDATED MANAGEMENT REPORT
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(All tabular amounts are in USD '000 and EUR '000 unless otherwise stated)

The Management Board

According to the Articles of Association of the Company, the Management Board is comprised of five members elected for the tenure of four years.

The Management Board is elected by the Supervisory Council in accordance with the procedure stated in the Lithuanian Company Law. The Supervisory Council has a right to revoke the Management Board in corporate or separate members of it before the expiry of their term of office.

The member of the Management Board may resign from office upon 14 (fourteen) days written notice to the Chairman of the Management Board until expiry of the term (in case the Chairman resigns such a notice shall be provided to the Company). No separate decision of the Management Board is required for resignation come into effect.

The Management Board implements its functions during the term it was elected, or until new Management Board is elected and starts its work, but not longer than the Annual General Meeting of Shareholders during the final year of its term of office.

Number of terms a member may serve on the Management Board is not limited.

The Management Board has the Chairman, elected by the Management Board from among its members.

The business address for all members of the Management Board is AviaAM Leasing AB, Smolensko str. 10, LT-03201 Vilnius, Lithuania.

Members of the Management Board

Name	Position within the Company	In the position	
		Since	Until
Tadas Goberis	Chairman of the Management Board	19 December 2014	Until the
Justinas Gilys	Member of the Management Board	29 May 2012	Annual General
Aurimas Sanikovas	Member of the Management Board	29 May 2012	Meeting,
Paulius Docka	Member of the Management Board	19 December 2014	to be held in
Tomas Šidlauskas	Member of the Management Board	19 December 2014	2016

Information about the members of the Management Board is presented below:

Tadas Goberis. Tadas Goberis has obtained an exceptional level of experience in the sales and organization management, accumulated during his 15 years of professional activity in IT industry. He started his career as a Sales Manager in 1999 at Baltic Amadeus UAB, the first IT company in Lithuania, providing programming and IT services. In 2001 Tadas Goberis joined Sonex kompiuteriai UAB as a Project Manager, where he supervised and lead large IT projects. Four years later he was appointed as the Director of Tetraneta UAB, a daughter company of Sonex Group, which has provided IT outsourcing services in the market. In 2006 Tadas Goberis joined Hewlett-Packard UAB, the Lithuanian branch of one of the world's leading IT technology vendor, Hewlett-Packard. Over the following two and a half years, Tadas Goberis proved to be true and dedicated sales professional and was subsequently appointed to the position of Sales Director in Lithuania. In 2013, Tadas Goberis was promoted to the position of the Sales Director in the Baltic States thus taking the lead of the entire sales team and organization for the region's three countries. The diverse experience Tadas Goberis has accumulated throughout his successful professional career has lead him to the current position of the General Manager of AviaAM Leasing AB. Tadas Goberis owns 147,239 shares in the Company (0.34% of all the Shares).

AVIAAM LEASING AB
CONSOLIDATED MANAGEMENT REPORT
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(All tabular amounts are in USD '000 and EUR '000 unless otherwise stated)

Justinas Gilys. Justinas Gilys has over 10 years of experience in finance specializing in the fields of insurance and aviation. He started his professional carrier as client manager in 2001 in Aon Lietuva UAB (currently named Aon Baltic UAB), the largest insurance broker in Lithuania. In 2003 Justinas Gilys joined Lithuanian Airlines AB where he started his career in the aviation sector as a risk manager. In 2006 he took the position of a Head of Management Accounting. Justinas Gilys joined the business of aircraft leasing in 2007 when he took a position of Chief Financial Officer in Avia Asset Management AB (currently named AviaAM B04 UAB). Eventually he rose to the ranks of Managing Director in 2009 and since 2011 occupies the position of Executive Director in AviaAM Leasing AB. Since 2011 Justinas Gilys also takes the Management Board membership role at AviaAM Leasing AB. Justinas Gilys obtained his bachelor's degree in economics at Vilnius University and finished the MSc studies in economic analysis and planning in the same university. Justinas Gilys does not participate in the capital of any companies of the Group.

Aurimas Sanikovas. Aurimas Sanikovas started his carrier as an audit associate in PricewaterhouseCoopers Lithuania in 2001. In 2007 his last position held at the company was of a manager. He performed supervision and execution of audit engagement performed in accordance with the ISA and US GAAP. From 2007 he acts as the Chief Financial Officer of Avia Solutions Group AB and its predecessors. Currently he also occupies board membership roles in Avia Solutions Group AB from 2010 and AviaAM Leasing AB from 2011 and has supervisory membership role in Agrowill Group AB from 2010. Aurimas Sanikovas also acted as a member of the Management Board of Avia Asset Management AB (currently named AviaAM B04 UAB) (2008–2009), a member of the Management Board of FL Technics AB (2008–2010), a member of the Management Board of Small Planet Airlines Sp. z.o.o. (Poland) (2009–2010), a member of the Supervisory Council of Small Planet Airlines AS (Estonia) (2009–2011) and the Interim Director General of Avia Funds Management UAB (currently named AviaAM Leasing AB) (2010–2011). Aurimas Sanikovas obtained his bachelor's and master's degrees in economics at the Faculty of Economics, Vilnius University, Lithuania with an exchange session in the University of Copenhagen. Since 2006 Aurimas Sanikovas is a member of the Association of Chartered Certified Accountants (ACCA). Aurimas Sanikovas owns 294,478 shares in the Company (0.68% of all the shares).

Paulius Docka. Paulius Docka has graduated Vilnius University faculty of Law in 2000 and University of Leicester Faculty of Law in 2005. Paulius Docka started his career as senior official in Ministry of Justice of Republic of Lithuania and has been nominated as national expert to the Council of Europe (Strasbourg). Mr. Docka participated in internships at Ministry of Foreign Affairs of Denmark and DG Enterprise, European Commission. In 2001 Paulius joined at Ernst & Young affiliated law firm and has been practicing as attorney at law till 2005. In 2005 Paulius Docka started his own legal practice and establishes a law firm, which is a predecessor of VARUL, currently one of the largest pan Baltic law firms. In 2014 Mr. Docka retired as a partner of VARUL and since 2014 is Of Counsel. Paulius Docka main practice areas are dispute resolution, corporate governance, audit regulation and aviation. Paulius Docka has been twice (in 2013 and 2014) recognized as highly recommended lawyer by London based Chambers & Partners. Paulius Docka is a member of Chartered Institute of Arbitrators (London), member of ICC Institute of World Business Law (Paris) and member of Russian Arbitration Association (Moscow). Paulius Docka does not participate in the capital of any companies of the Group.

Tomas Šidlauskas. Tomas Šidlauskas started his professional career as a Junior Consultant at Ernest & Young Baltics (2011-2012). The focus of his activities was advisory services for transportation and energy infrastructure related projects. From 2012 to 2013 Tomas worked at Invest Lithuania and acted as a Project Manager of "Create for Lithuania" program. While working there, he mainly dealt with implementation of major institutional projects related to foreign investment, boosting entrepreneurship and innovation in Lithuania, using EU's support and financial engineering. In 2013 he joined the Company as a Senior Project Manager with a focus on aircraft leasing business development and sales. In 2014 Tomas Šidlauskas became a Vice President for Sales and joined the Management Board of the Company. Tomas Šidlauskas obtained bachelor's degree in Economics and Business with East European studies at University College London (UCL) and Corporate Economics and Politics at Moscow State Institute of International Relations (MGIMO). In addition to that, he gained master's degree in Energy Trading and Finance at Cass Business School, London (CASS). Tomas Šidlauskas does not participate in the capital of any companies of the Group.

AVIAAM LEASING AB
CONSOLIDATED MANAGEMENT REPORT
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(All tabular amounts are in USD '000 and EUR '000 unless otherwise stated)

General Manager

The General Manager of the Company is Tadas Goberis. All employees of the Company are directly subordinated and report to the General Manager.

The General Manager is responsible for day-to-day management of the Company and is entitled to make decisions regarding the Company's business individually, except for decisions requiring consent of the Management Board. The Management Board establishes the salary of the General Manager, incentives and other conditions of his/her employment and imposes penalties.

Information about the General Manager is presented in Members of the Management Board paragraph above.

Members of the Company's administration

Company's administration consists of three key executives: the General Manager, Executive Director and Chief Financier.

Name	Position within the Company	In the position	
		Since	Until
Tadas Goberis	General Manager	16 April 2013	Indefinite
Justinas Gilys	Executive Director	21 March 2011	Indefinite
Laima Gruzdienė	Chief Financier	20 May 2009	Indefinite

Information about the members of the Company's administration is presented below.

Laima Gruzdienė. Laima Gruzdienė has over 20 years of experience in financial accounting. She started her professional carrier in 1990 as an accountant in Plasta AB, one of the largest manufacturers of plastic products in the Baltic States. In 1994 Laima Gruzdienė joined Fauga UAB, the joint Lithuanian-Norwegian production, trading and services companies group, as a Chief Financier. Laima Gruzdienė started her successful career in aviation sector as a Chief Financier in 2007 by joining Avia Asset Management UAB (currently named AviaAM B04 UAB). Since 2009 she also occupies the same position at AviaAM Leasing AB. Laima Gruzdienė obtained her bachelor's and master's degrees in economics at Vilnius University. Laima Gruzdienė does not participate in the capital of any companies of the Group.

Information about Tadas Goberis and Justinas Gilys is presented in Members of the Management Board section above.

Remuneration and benefits

During the six month period ended 30 June 2016 the amount of remuneration (including social security expenses) paid for the members of management bodies (i.e. members of the Supervisory Council and Management Board) and for the members of Company's administration amounted to USD 149 thousand (EUR 134 thousand).

The information on the amount of remuneration (including social security expenses) paid by the Group to the members of the Management Board, Supervisory Council and Company's administration is provided in the table below.

AVIAAM LEASING AB
CONSOLIDATED MANAGEMENT REPORT
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(All tabular amounts are in USD '000 and EUR '000 unless otherwise stated)

	6 months ended 30 June 2016	
	USD	EUR
All members of the Management Board	131	117
Per member of the Management Board	26	23
All members of the Supervisory Council	-	-
Per member of the Supervisory Council	-	-
All members of the Company's administration (General Manager, Executive Director and Chief Accountant)	133	119
Per member of the Company's administration	44	40

The Company has not set aside or accrued any amounts to provide pension, retirement or similar benefits to any member of the Supervisory Council, Management Board or Company's administration.

Important agreements

Neither the Company nor its subsidiaries have entered into any material contracts which would come into validity, change, or expire after the change in the control of the Company or its subsidiaries.

Neither the Company nor its subsidiaries have entered into any agreements with the members of the management bodies or employees regarding compensation in case members or employees resign, are fired without reasonable cause or their employment ceases due to change in control of the Company or its subsidiaries.

Harmful transactions

During the reporting period there have been no any transactions performed on behalf of the Company or its subsidiaries which were harmful (not complying with the goals of the Group, usual market practices, conflicting with the interests of shareholders etc.), had or could have in the future any negative influence for the activities or financial results of the Group.

According to the knowledge of the Company, during the reporting period there have been no any transactions made by the management, controlling shareholders or any other parties related to the Company which resulted in the private - corporate conflicts of interest.

VI. OTHER INFORMATION

Information about compliance with Corporate Governance Code

The Company complies with the Lithuanian corporate regime established by the Lithuanian law and the Articles of Association of the Company. Since 28 June 2013 the Shares of the Company are listed on the main market of the Warsaw Stock Exchange (the "WSE").

The WSE has adopted a corporate governance code, which is the Code of Best Practice for WSE Listed Companies 2016 approved by the resolution of the Exchange Supervisory Board on the date as of 13 October 2015 (the "WSE Corporate Governance Code") which can be found on the website dedicated to the corporate governance at the Warsaw Stock Exchange: www.corp-gov.gpw.pl.

AVIAAM LEASING AB
CONSOLIDATED MANAGEMENT REPORT
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(All tabular amounts are in USD '000 and EUR '000 unless otherwise stated)

The Company acknowledges the importance of good corporate governance and intends to seek the compliance with the WSE Corporate Governance Code to the extent possible. Especially, the Company intends to be as transparent as it is legally and practically possible using multilingual Company's website. Moreover, all members of the Supervisory Council are independent. However, due to, inter alia, differences between Polish and Lithuanian Corporate Law the Company does not comply with all the rules of the WSE Corporate Governance Code. A statement on the Company's compliance with the corporate governance recommendations and principles stipulated in the WSE Corporate Governance Code is contained in the Company's website and may be found by clicking the link below:

<http://www.aviaam.com/upload/investor-relations/Best-Practice-Compliance-by-AB-AviaAM-Leasing.pdf>

Publicly announced information

During the six month period ended 30 June 2016 the Company publicly announced and broadcasted through Warsaw Stock Exchange Information system and on own webpage the following information:

Title	Category of announcement	Publication date
Publication of Interim Financial Statements	Investor news	6 January 2016
Consolidated Condensed Interim Financial Information for the Twelve Month Period Ended 31 December 2015 (Unaudited)	Interim information	15 February 2016
AviaAM Leasing AB delivers third Airbus A319 Aircraft for lease	Investor news	15 February 2016
AviaAM Leasing AB – The Management Board Convokes Shareholders' Meeting and Proposes a Dividend of EUR 0.02 per Share	Notification on material event	7 April 2016
Notice on Annual general meeting of Shareholders of AviaAM Leasing AB	Notification on material event	7 April 2016
AviaAM Leasing AB delivers Airbus A321 aircraft for lease	Investor news	15 April 2016
AviaAM Leasing AB delivers two Airbus A321 aircraft for lease	Investor news	26 April 2016
AviaAM Leasing AB completes the sale of two Airbus A319 aircraft	Investor news	29 April 2016
Notice on the decisions adopted by the Annual General Meeting of Shareholders of AviaAM Leasing AB	Notification on material event	29 April 2016
Consolidated Condensed Interim Financial Information for the Three Month Period Ended 31 March 2016 (Unaudited)	Interim information	16 May 2016
AviaAM leasing delivers Airbus A321 aircraft for lease	Investor news	16 May 2016
Notice on the Procedure for the Payment of Dividends	Investor news	16 May 2016
AviaAM Leasing AB announces that has signed a Joint Venture Agreement with the Henan Civil Aviation Development and Investment Company	Investor news	24 May 2016

Contents of above mentioned announcements can be obtained on Company's webpage <http://www.aviaam.com/en/investor-relations/major-events>

