

AVIAAM LEASING AB
CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017
UNAUDITED

AVIAAM LEASING AB
CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
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(All tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

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CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	April-June				January-June			
		2017		2016		2017		2016	
		USD	EUR	USD	EUR	USD	EUR	USD	EUR
Revenue	3	14,644	13,398	6,605	5,774	23,879	22,071	19,624	17,584
Interest income on loans		413	376	475	419	812	751	1,039	931
Costs of aircraft sold		-	-	(370)	(251)	-	-	(7,697)	(6,897)
Costs of services rendered		(8,198)	(7,571)	-	-	(8,645)	(7,991)	(36)	(32)
Aircraft maintenance and servicing expenses		(1,171)	(1,063)	(1,115)	(983)	(2,540)	(2,348)	(2,561)	(2,295)
Depreciation and amortisation		(1,905)	(1,725)	(1,856)	(1,643)	(4,262)	(3,939)	(3,523)	(3,119)
Employee-related expenses	4	(339)	(309)	(218)	(193)	(628)	(581)	(423)	(379)
Other operating expenses	5	(752)	(686)	(593)	(526)	(1,325)	(1,224)	(1,092)	(979)
Gain on sale of property, plant and equipment (net)		11,158	10,310	5,429	4,856	11,158	10,314	5,835	5,228
Other gain (losses) net		303	284	2	1	317	293	474	425
Operating profit		14,153	13,014	8,359	7,454	18,766	17,346	11,640	10,467
Finance income	6	2,861	2,637	108	89	3,387	3,131	910	816
Finance costs	6	(961)	(878)	(921)	(818)	(1,694)	(1,566)	(1,449)	(1,297)
Finance costs – net		1,900	1,759	(813)	(729)	1,693	1,565	(539)	(481)
Share of profit of associates		(579)	(535)	-	-	(579)	(535)	-	-
Profit (loss) before income tax		15,474	14,238	7,546	6,725	19,880	18,376	11,101	9,986
Income tax	7	(2,453)	(2,268)	(822)	(732)	(2,441)	(2,256)	(1,253)	(1,123)
Profit (loss) for the period		13,021	11,970	6,724	5,993	17,439	16,120	9,848	8,863
Other comprehensive income									
Currency translation differences on translation to presentation currency		-	(5,097)	-	2,056	-	(7,606)	-	(1,492)
Total other comprehensive income		-	(5,097)	-	2,056	-	(7,606)	-	(1,492)
Total comprehensive income		13,021	6,873	6,724	8,049	17,439	8,514	9,848	7,372
Basic and diluted earnings per share (USD/EUR)	8	0.30	0.28	0.16	0.14	0.40	0.37	0.23	0.20

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CONSOLIDATED INTERIM BALANCE SHEET

	Note	30 June 2017		31 December 2016	
		USD	EUR	USD	EUR
ASSETS					
Non-current assets					
Property, plant and equipment	9	30,615	26,825	94,897	90,784
Investment property	10	3,671	3,216	2,091	2,000
Investments in joint venture		19,331	18,936	15,300	14,300
Available-for-sale financial assets		2,125	1,862	2,125	2,019
Loans granted	12	19,422	17,018	4,767	4,561
Trade and other receivables	13	47	41	558	534
		75,211	67,898	119,738	114,198
Current assets					
Inventory	11	20,513	17,975	1,463	1,401
Loans granted	12	32,989	28,905	24,370	23,314
Trade and other receivables	13	26,015	22,794	25,104	24,010
Financial assets at fair value through profit or loss		12,231	10,717	11,298	10,808
Cash and cash equivalents	14	71,967	63,057	28,916	27,663
		163,715	143,448	91,151	87,196
Total assets		238,926	211,346	210,889	201,394
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
Revaluation reserve (deficit) of financial assets		(613)	(571)	(613)	(587)
Cumulative translation reserve		-	10,837	-	18,459
Retained earnings		84,876	71,629	66,121	54,305
Total equity		130,779	116,586	113,339	108,072
LIABILITIES					
Non-current liabilities					
Borrowings	16	28,964	25,380	50,859	48,655
Security deposits received	18	3,505	3,071	5,210	4,984
Deferred income tax liabilities		2,771	2,428	2,709	2,592
		35,240	30,879	58,778	56,231
Current liabilities					
Borrowings	16	3,745	3,282	8,642	8,267
Trade and other payables	17	23,476	20,570	25,104	24,016
Security deposits received	18	13,920	12,196	-	-
Advances received	17	25,569	22,403	291	279
Current income tax liabilities		6,197	5,430	4,735	4,529
		72,907	63,881	38,772	37,091
Total liabilities		108,147	94,760	97,550	93,322
Total equity and liabilities		238,926	211,346	210,889	201,394

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CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

USD	Share capital	Share premium	Legal reserve	Reserve for own shares	Revaluation reserve (deficit) of financial assets	Retained earnings	Total equity
Balance at 1 January 2016	16,804	27,972	1,740	1,315	(1,179)	49,289	95,941
Comprehensive income							
Revaluation of financial assets available for sale	-	-	-	-	713	-	713
Deferred income tax on revaluation of financial assets available for sale	-	-	-	-	(147)	-	(147)
Other comprehensive income (loss)	-	-	-	-	566	-	566
Profit for the year	-	-	-	-	-	17,820	17,820
Total comprehensive income	-	-	-	-	566	17,820	18,386
Transactions with owners							
Dividends	-	-	-	-	-	(988)	(988)
Total transactions with owners	-	-	-	-	-	(988)	(988)
Balance at 31 December 2016 / 1 January 2017	16,804	27,972	1,740	1,315	(613)	66,121	113,339
Comprehensive income							
Other comprehensive income (loss)	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	17,439	17,439
Total comprehensive income	-	-	-	-	-	17,439	17,439
Transactions with owners							
Transfer to reserve for own shares	-	-	-	(1,315)	-	1,316	1
Total transactions with owners	-	-	-	(1,315)	-	1,316	1
Balance at 30 June 2017	16,804	27,972	1,740	-	(613)	84,876	130,779

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CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (CONTINUED)

EUR	Share capital	Share premium	Legal reserve	Reserve for own shares	Revaluation reserve (deficit) of financial assets	Cum. trans.	Retained earnings	Total equity
Balance at 1 January 2016	12,559	20,878	1,254	1,204	(1,079)	13,926	39,066	87,808
Comprehensive income								
Revaluation of financial assets available for sale	-	-	-	-	682	-	-	682
Deferred income tax on revaluation of financial assets available for sale	-	-	-	-	(141)	-	-	(141)
Currency translation differences	-	-	-	-	(49)	4,533	-	4,484
Other comprehensive income (loss)	-	-	-	-	492	4,533	-	5,025
Profit for the year	-	-	-	-	-	-	16,066	16,066
Total comprehensive income	-	-	-	-	492	4,533	16,066	21,091
Transactions with owners								
Dividends	-	-	-	-	-	-	(866)	(866)
Currency translation differences	-	-	-	-	-	-	39	39
Total transactions with owners	-	-	-	-	-	-	(827)	(827)
Balance at 31 December 2016/ 1 January 2017	12,559	20,878	1,254	1,204	(587)	18,459	54,305	108,072
Comprehensive income								
Currency translation differences	-	-	-	-	16	(7,622)	-	(7,606)
Other comprehensive income (loss)	-	-	-	-	16	(7,622)	-	(7,606)
Profit for the period	-	-	-	-	-	-	16,120	16,120
Total comprehensive income	-	-	-	-	16	(7,622)	16,120	8,514
Transactions with owners								
Transfer to reserves for own shares	-	-	-	(1,204)	-	-	1,204	-
Total transactions with owners	-	-	-	(1,204)	-	-	1,204	-
Balance at 30 June 2017	12,559	20,878	1,254	-	(571)	10,837	71,629	116,586

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CONSOLIDATED INTERIM STATEMENT OF CASH FLOW

	Note	6 months ended 30 June			
		USD	2017 EUR	USD	2016 EUR
Operating activities					
Profit (loss) before income tax		19,880	18,376	11,101	9,986
<i>Adjustments for:</i>					
Depreciation and amortisation		4,262	3,939	3,523	3,119
Discounting effect		473	437	(193)	(173)
Finance costs – net		1,412	1,305	138	123
Share of loss from associates		579	535	-	-
Profit from loan cession		-	-	(464)	(416)
Profit /loss from sale of fixed assets		(11,158)	(10,314)	(5,835)	(5,228)
<i>Changes in working capital:</i>					
Trade and other receivables		(19,634)	(18,147)	(8,421)	(7,547)
Trade and other payables		12,895	11,919	21,644	19,395
Security deposits and advances received		37,017	34,214	11,740	10,519
Inventory		(9)	(8)	(2)	(1)
Cash generated from operations		45,717	42,256	33,231	29,777
Interest paid		(1,003)	(927)	(911)	(817)
Income tax paid		(1,050)	(971)	(991)	(888)
<u>Net cash generated from operating activities</u>		43,664	40,358	31,329	28,072
Investing activities					
Purchase of property, plant and equipment and intangible assets		(2,448)	(2,262)	(85,158)	(76,306)
Purchase of investment property		(1,619)	(1,496)	(426)	(381)
Purchase of subsidiaries (net of cash paid)		-	-	(1,350)	(1,210)
Prepayments for property plant and equipment		696	643	-	-
Sale of property plant and equipment and intangible assets		52,952	48,943	29,331	26,282
Investments in other entities		(4,610)	(4,261)	(271)	(243)
Purchase of financial assets carried at fair value through profit or loss		-	-	(11,974)	(10,729)
Loans granted		(3,601)	(3,329)	(18,898)	(16,934)
Loans repaid		970	896	2,758	2,495
Interest received		164	151	838	751
<u>Net cash generated from (used in) investing activities</u>		42,504	39,285	(85,123)	(76,275)
Financing activities					
Borrowings		(41,849)	(36,681)	53,166	47,640
Dividends paid		-	-	(988)	(885)
Repayment of borrowings		-	-	(902)	(808)
Lease (finance lease) payments		(1,268)	(1,172)	(1,467)	(1,314)
<u>Net cash generated from (used in) financing activities</u>		(43,117)	(39,853)	49,809	44,633
Increase (decrease) in cash and cash equivalents		43,051	39,790	(3,985)	(3,570)
Movement in cash and cash equivalents					
At the beginning of year		28,916	27,663	27,093	24,797
Increase (decrease) in cash and cash equivalents		43,051	39,790	(3,985)	(3,570)
Foreign translation differences		-	(4,396)	-	(390)
At the end of the period	14	71,967	63,057	23,108	20,837

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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 2017 and 31 December 2016 was as follows:

	As at 30 June 2017		As at 31 December 2016	
	Number of shares	%	Number of shares	%
ALH Aircraft Leasing Holdings Limited	12,994,905	30.01	12,994,905	30.01
Mesotania Holdings Limited	9,857,217	22.76	10,899,858	25.17
Nationale-Nederlanden Otworthy Fundusz Emerytalny (Open pension fund)	2,500,000	5.77	5,000,000	11.55
Aurimas Sanikovas	294,478	0.68	294,478	0.68
Tadas Goberis	147,239	0.34	147,239	0.34
Other shareholders	17,511,754	40.44	13,969,113	32.25
Total	43,305,593	100.00	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 2017 the Group owned 14 aircraft: 1 Airbus A321, 1 Boeing 737-300, 2 Boeing 737-500 and 10 Bombardier CRJ200 aircraft. 12 aircraft were leased out under operating lease contracts, one Boeing 737-500 aircraft was under preparation for lease and one Airbus A321 aircraft was under preparation for sale.

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 2017	As at 31 December 2016	
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

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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 2017	As at 31 December 2016	
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	100	Date of establishment: 7 August 2015 / Real estate management / Smolensko g. 10, Vilnius
DG AVIA UAB	Lithuania	100	-	Date of establishment: 7 February 2017 / Real estate management / Smolensko g. 10, Vilnius
AviaAM B10 Ltd	Ireland	100	100	Date of establishment: 17 December 2015 / Aircraft leasing / Suite 10, The Mall, Beacon Court, Sandyford, Dublin 18, Ireland
AAL Aircraft Investment Ltd	Cyprus	100	100	Date of establishment: 8 November 2016 / Aircraft leasing / Jacovides Tower, Georgiou Griva Digeni Ave. 81-83, 1st floor, Office No. 122, 1090, Nicosia, Cyprus
AAL Capital Aircraft Holdings Ltd	Cyprus	100	100	Date of establishment: 29 September 2011 / Aircraft leasing / Jacovides Tower, Georgiou Griva Digeni Ave. 81-83, 1st floor, Office No. 122, 1090 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

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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 2017	As at 31 December 2016	
AviaAM Financial Leasing China Co., Ltd	People's Republic of China	51	51	Date of establishment: 4 August 2016 / Aircraft leasing / 2401, Floor 24, No. 8, Shangwu Outer Ring Road, Zhengdong New Area, Zhengzhou City, Henan Province, People's Republic of China
Dikkys Investments Ltd	Cyprus	100*	100*	Date of acquiring: / 24 March 2016 Aircraft leasing / Jacovides Tower, Georgiou Griva Digeni Ave. 81-83, 1st floor, Office No. 122, 1090 Nicosia, Cyprus
Regional Charter Capital Ltd	Bermuda	100**	100**	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 100 per cent of the company.

2 Accounting policies

The consolidated interim financial information for the six month period ended 30 June 2017 (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 2016.

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 2017 is not audited. Financial Statements for the year ended 31 December 2016 were audited by external auditor PricewaterhouseCoopers UAB.

3 Revenue

	6 months ended 30 June			
	2017		2016	
	USD	EUR	USD	EUR
Sales of aircraft	51	47	8,750	7,841
Lease revenue	8,377	7,743	8,154	7,307
Commission income	10,501	9,706	84	74
Supplemental maintenance rent	4,863	4,495	2,636	2,362
Revenue from real estate	75	69	-	-
Other revenue	12	11	-	-
	23,879	22,071	19,624	17,584

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.

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3 Revenue (continued)

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):

	USD	6 months ended 30 June	
		2017 EUR	2016 EUR
Lease, sale and aircraft transaction management customers			
Customer A	9,753	9,015	300
Customer B	6,611	6,110	5,963
Customer C	4,549	4,204	1,960
Customer Z	98	91	67
Customer T	-	-	8,350
Customer I	-	-	1,039
Other customers	2,868	2,651	1,945
	23,879	22,071	19,624

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

Country	USD	6 months ended 30 June	
		2017 EUR	2016 EUR
Russia	16,412	15,169	7,001
Poland	4,549	4,204	1,960
Lithuania	1,076	995	509
Belarus	891	824	726
Ireland	650	601	-
Kazakhstan	300	277	300
United States	1	1	-
Bermuda	-	-	17
British Virgin Islands	-	-	8,350
United Kingdom	-	-	400
Latvia	-	-	361
	23,879	22,071	19,624

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4 Employee related expenses

	6 months ended 30 June			
	2017		2016	
	USD	EUR	USD	EUR
Salaries	449	415	301	270
Social insurance expenses	179	166	122	109
	628	581	423	379

5 Other operating expenses

	6 months ended 30 June			
	2017		2016	
	USD	EUR	USD	EUR
Legal and translation expenses	466	431	347	311
Representation expenses	92	84	140	126
Travelling expenses	87	80	71	63
Charity expenses	81	75	44	40
Training expenses	80	74	70	63
Marketing expenses	79	73	50	45
Audit and accounting expenses	61	56	43	38
Insurance expenses	54	50	56	50
Trustee fees	54	50	7	6
Bank fees	40	37	23	21
Database usage expenses	32	30	43	39
Transportation expenses	25	23	16	14
Office expenses	21	19	19	17
Fuel costs	21	20	19	17
Other tax expenses	19	17	-	-
Expenses related to listing of shares	17	16	27	24
Other fixed assets depreciation	17	16	14	12
Communication (Public Relations) costs	15	14	11	9
IT costs	11	10	10	9
Other administrative expenses	53	49	82	75
	1,325	1,224	1,092	979

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6 Finance costs – net

	6 months ended 30 June			
	2017		2016	
	USD	EUR	USD	EUR
Interest income on cash and cash equivalents	2	2	-	-
Discounting of security deposits received	-	-	582	521
Gain from disposal of investments	570	527	15	13
Other finance income	(3)	(3)	-	-
Foreign exchange gain on financing activities	2,818	2,605	313	282
Finance income	3,387	3,131	910	816
Interest expenses	(1,003)	(927)	(911)	(817)
Foreign exchange loss on financing activities	-	-	-	-
Unwinding of discount of security deposits received	(473)	(437)	(389)	(348)
Other finance costs	(218)	(202)	(149)	(132)
Finance costs	(1,694)	(1,566)	(1,449)	(1,297)
Finance costs – net	1,693	1,565	(539)	(481)

7 Income tax

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

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.

	6 months ended 30 June			
	2017		2016	
	USD	EUR	USD	EUR
Current tax	2,441	2,256	1,253	1,123
Total income tax expenses	2,441	2,256	1,253	1,123

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			
	2017		2016		2017		2016	
	USD	EUR	USD	EUR	USD	EUR	USD	EUR
Net profit attributable to shareholders	13,021	11,970	6,755	6,022	17,439	16,120	9,547	8,555
Weighted average number of ordinary shares issued	43,306		43,306		43,306		43,306	
Basic earnings per share (USD/EUR)	0.30	0.28	0.16	0.14	0.40	0.37	0.22	0.20

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

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(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 2016	50,866	750	158	51,774
Additions	99,646	770	16	100,432
Disposals	(42,991)	-	-	(42,991)
Reclassifications	999	(750)	-	249
Depreciation charge	(8,943)	-	(16)	(8,959)
Impairment loss - net	(5,609)	-	-	(5,609)
Closing net book amount as at 31 December 2016	93,969	770	158	94,897
At 31 December 2016				
Cost or valuation	119,468	770	234	120,472
Accumulated depreciation	(25,499)	-	(76)	(25,575)
Net book amount	93,969	770	158	94,897
Opening net book amount as at 1 January 2017	93,969	770	158	94,897
Additions	136	901	1,336	2,373
Disposals	(62,367)	-	-	(62,367)
Depreciation charge	(4,262)	-	(25)	(4,287)
Revaluation surplus	(1)	-	-	(1)
Revaluation loss	-	-	-	-
Closing net book amount as at 30 June 2017	27,475	1,671	1,469	30,615
At 30 June 2017				
Cost or valuation	27,475	1,671	1,570	30,716
Accumulated depreciation	-	-	(101)	(101)
Net book amount	27,475	1,671	1,469	30,615

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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 2016	46,555	686	146	47,387
Additions	89,999	695	14	90,708
Disposals	(38,828)	-	-	(38,828)
Reclassifications	902	(676)	-	226
Depreciation charge	(8,077)	-	(14)	(8,091)
Impairment loss – net	(5,065)	(1)	-	(5,066)
Exchange differences	4,410	33	5	4,449
Closing net book amount as at 31 December 2016	89,896	737	151	90,784
At 31 December 2016				
Cost or valuation	111,803	737	224	112,764
Accumulated depreciation	(21,907)	-	(73)	(21,980)
Net book amount	89,896	737	151	90,784
Opening net book amount as at 1 January 2017	89,896	737	151	90,784
Additions	126	833	1,235	2,194
Disposals	(57,646)	-	-	(57,646)
Reclassifications	-	-	-	-
Depreciation charge	(3,939)	-	(23)	(3,962)
Revaluation loss	(1)	-	-	(1)
Exchange differences	(4,363)	(106)	(74)	(4,543)
Closing net book amount as at 30 June 2017	24,073	1,464	1,288	26,825
At 30 June 2017				
Cost or valuation	24,073	1,464	1,376	26,913
Accumulated depreciation	-	-	(88)	(88)
Net book amount	24,073	1,464	1,288	26,825

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10 Investment property

	USD	EUR
Opening net book amount as at 1 January 2016	1,540	1,410
Additions	1,159	1,047
Disposals	-	-
Reclassifications	-	-
Depreciation charge	-	-
Revaluation loss	(608)	(549)
Exchange differences	-	92
Closing net book amount as at 31 December 2016	2,091	2,000
At 31 December 2016		
Cost or valuation	2,091	1,410
Accumulated depreciation	-	-
Net book amount	2,091	1,410
Opening net book amount as at 1 January 2017		
Additions	1,599	1,478
Disposals	-	-
Reclassifications	-	-
Depreciation charge	-	-
Revaluation loss	(19)	(18)
Exchange differences	-	345
Closing net book amount as at 30 June 2017	3,671	3,216
At 30 June 2017		
Cost or valuation	3,671	3,216
Accumulated depreciation	-	-
Net book amount	3,671	3,216

11 Inventories

	30 June 2017		31 December 2016	
	USD	EUR	USD	EUR
Aircraft	19,041	16,685	-	-
Aircraft components	1,472	1,290	1,463	1,401
	20,513	17,975	1,463	1,401

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12 Loans granted

	30 June 2017		31 December 2016	
	USD	EUR	USD	EUR
Non-current loans				
Loans granted to related parties	719	630	661	632
Bonds acquired from third parties	15,400	13,494	-	-
Bonds acquired from related parties	2,408	2,110	2,355	2,254
Loans granted to third parties	895	784	1,751	1,675
	19,422	17,018	4,767	4,561
Current loans				
Loans granted to related parties	13,962	12,234	12,576	12,032
Less: provision for impairment of loans granted to related parties	(112)	(98)	(112)	(107)
Loans granted to third parties	19,139	16,769	11,906	11,389
	32,989	28,905	24,370	23,314
Total loans granted	52,411	45,923	29,137	27,875

13 Trade and other receivables

	30 June 2017		31 December 2016	
	USD	EUR	USD	EUR
Trade receivables from third parties	11,962	10,481	25,414	24,307
Less: provision for impairment of trade receivables	(2,163)	(1,895)	(2,163)	(2,069)
Trade receivables from third parties – net	9,799	8,586	23,251	22,238
Receivables from related parties	3,045	2,668	1,693	1,619
Less: provision for impairment of trade receivables from related parties	(1,048)	(918)	(1,048)	(1,003)
Receivables from related parties - net	1,997	1,750	645	616
Other receivables	29	25	29	28
Less: provision for impairment of other receivables	(29)	(25)	(29)	(28)
Other receivables - net	-	-	-	-
VAT receivables	231	202	185	177
Prepayments	11,687	10,240	1,217	1,165
Deferred expenses	2,348	2,057	364	348
	26,062	22,835	25,662	24,544
Non-current portion:	47	41	558	534
Current portion:	26,015	22,794	25,104	24,010

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14 Cash and cash equivalents

Cash and cash equivalents are dominated in following currencies:

	30 June 2017		31 December 2016	
	USD	EUR	USD	EUR
USD	64,723	56,710	24,574	23,509
EUR	7,244	6,347	4,342	4,154
Total cash and cash equivalents	71,967	63,057	28,916	27,663

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 2017 and 31 December 2016 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 2017		31 December 2016	
	USD	EUR	USD	EUR
Non-current				
Bank borrowings	24,706	21,649	45,466	43,496
Finance lease liabilities	4,258	3,731	5,393	5,159
	28,964	25,380	50,859	48,655
Current				
Bank borrowings	1,450	1,271	6,213	5,943
Finance lease liabilities	2,295	2,011	2,429	2,324
	3,745	3,282	8,642	8,267
Total borrowings	32,709	28,662	59,501	56,922

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

	30 June 2017	31 December 2016
Bank borrowings	4.63%	4.74%
Finance lease liabilities	8.70%	8.34%

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

17 Trade and other payables and advances received

	30 June 2017		31 December 2016	
	USD	EUR	USD	EUR
Trade and other payables – financial liabilities				
Trade payables to third parties	12,874	11,282	19,665	18,812
Trade payables to related parties	2,559	2,242	841	805
Salaries and social security payable, including vacation accrual	279	244	103	99
Accruals	7,764	6,802	4,495	4,300
	23,476	20,570	25,104	24,016

	30 June 2017		31 December 2016	
	USD	EUR	USD	EUR
Advance payments received – non-financial liabilities				
Advance payments from customers	25,569	22,403	291	279
	25,569	22,403	291	279

18 Security deposits received

	30 June 2017		31 December 2016	
	USD	EUR	USD	EUR
Security deposits repayable after one year at nominal value	4,031	3,532	6,209	5,940
Less: discounting effect	(526)	(461)	(999)	(956)
Security deposits repayable after one year	3,505	3,071	5,210	4,984
Security deposits repayable within one year	13,920	12,196	-	-
Less: discounting effect	-	-	-	-
Security deposits repayable within one year	13,920	12,196	-	-
Security deposits	17,425	15,267	5,210	4,984

Average rates used for security deposits discounting are as follows: 2017: 2.23%; 2016: 3.78%.

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
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(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			
	2017		2016	
	USD	EUR	USD	EUR
Sales of services to:				
Entities having significant influence	144	134	133	119
Other related parties	556	514	575	515
	700	648	708	634
Total sales of assets and services	700	648	708	634

	6 months ended 30 June			
	2017		2016	
	USD	EUR	USD	EUR
Purchases of services from:				
Entities having significant influence	1	1	1	1
Other related parties	907	839	1,092	978
	908	840	1,093	979
Total purchases of assets and services	908	840	1,093	979

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

Trade and other receivables from related parties

	30 June 2017		31 December 2016	
	USD	EUR	USD	EUR
Other related parties	3,045	2,668	1,693	1,619
Trade and other receivables at nominal value	3,045	2,668	1,693	1,619
Less: provision for impairment of receivables from other related parties	(1,048)	(918)	(1,048)	(1,003)
	1,997	1,750	645	616

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

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(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 2017		31 December 2016	
	USD	EUR	USD	EUR
Other related parties	2,559	2,242	841	805
	2,559	2,242	841	805

Loans granted to related parties

	30 June 2017		31 December 2016	
	USD	EUR	USD	EUR
Beginning of the year	15,480	14,811	18,713	17,127
Loans advanced during the year as monetary transactions	-	-	4,692	4,238
Loan repayments received as monetary transactions	(14)	(13)	(253)	(228)
Loan repayments received as non-monetary transactions	-	-	(63)	(57)
Interest charged	307	283	959	867
Interest received	(2)	(2)	(17)	(15)
Netted loans	-	-	(7,919)	(7,152)
Exchange rate differences	1,206	(203)	(632)	31
End of the period	16,977	14,876	15,480	14,811

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

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(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 2017 the Group completed the sale of one Airbus A321-200 aircraft with lease attached.

In July 2017 the Group acquired one Airbus A321-200 aircraft.

In July 2017 the Group rendered aircraft transaction management services in respect to sale and lease-back of one Airbus A321-200 aircraft.

**AVIAAM LEASING AB
CONSOLIDATED MANAGEMENT REPORT
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017**

(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 2017

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 2017 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

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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
DG AVIA UAB	Date of establishment: 7 February 2017 Company code: 304459452 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	Suite 10, The Mall, Beacon Court, Sandycroft, Dublin, IRELAND	100.00
AAL Aircraft Investment Ltd	Date of establishment: 8 November 2016 Company code: 512659 Cyprus Registrar of Companies	Jacovides Tower, Georgiou Griva Digeni Ave. 81-83, 1st floor, Office No. 122, 1090, Nicosia, CYPRUS	100.00
AAL Capital Aircraft Holdings Ltd.	Date of establishment: 29 September 2011 Company code: HE294651 Cyprus Register of Companies	Jacovides Tower, Georgiou Griva Digeni Ave. 81-83, 1st floor, Office No. 122, 1090, Nicosia, CYPRUS	100.00
AviaAM Leasing Bermuda Ltd.	Date of establishment: 16 September 2011 Company code: 45778 Register 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 Register 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 Register 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 Register 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 Register of Companies	Jacovides Tower, Georgiou Griva Digeni Ave. 81-83, 1st floor, Office No. 122, 1090, Nicosia, CYPRUS	100.00*
Regional Charter Capital Ltd	Date of establishment: 31 October 2012 Company code: 47039 Register of Companies of Bermuda	Crawford House, 50 Cedar Avenue, Hamilton HM 11, BERMUDA	100.00**

AVIAAM LEASING AB
CONSOLIDATED MANAGEMENT REPORT
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(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 Financial Leasing China Co., Ltd	Date of establishment: 4 August 2016 Company code: 91410000MA3XCDNA18 Henan Province Administration for Industry & Commerce	2401, Floor 24, No. 8, Shangwu Outer Ring Road, Zhengdong New Area, Zhengzhou City, Henan Province, CHINA	51.00

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

** Shareholding through AviaAM Leasing Bermuda Ltd. which owns 1000 per cent of the company.

As at 30 June 2017 the Company had no branches or representative offices.

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	12,558,621.97	LT0000128555

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

II. FINANCIAL AND OPERATIONAL INFORMATION

In the six month period ended 30 June 2017 the Group earned a net profit of USD 17.4 million (EUR 16.1 million). Comparing with the same period in 2016 the net profit has increased by USD 7.6 million (EUR 7.3 million) or 77%. 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 5.3 million (EUR 5.1 million) for the six month period ended 30 June 2017 as compared to the same period in 2016.

Key events during the six month period ended 30 June 2017 are summarized below:

Date	Category	Event
April 2017	Aircraft Transaction Management	The Group rendered aircraft transaction management services in respect to sale and lease-back of three Airbus A321 aircraft
June 2017	Aircraft Transaction Management	The Group rendered aircraft transaction management services in respect to sale and lease-back of one Airbus A321 aircraft
June 2017	Aircraft sale	The Group completed the sale of three Airbus A321 aircraft with lease attached

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

AVIAAM LEASING AB
CONSOLIDATED MANAGEMENT REPORT
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

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

Key figures of the Group

Financial figures

	6 months ended 30 June			
	USD	2017 EUR	USD	2016 EUR
Revenue	23,879	22,071	19,624	17,584
Operating profit	18,766	17,346	11,640	10,467
<i>Operating profit margin (%)</i>	78.6%	78.6%	59.3%	59.3%
Profit before income tax	19,880	18,376	11,101	9,986
Net profit for the period	17,439	16,120	9,848	8,863
<i>Net profit margin (%)</i>	73.0%	73.0%	50.2%	50.2%
Earnings per share	0.40	0.37	0.23	0.20
Number of shares (in thousand)		43,306		43,306

Financial ratios

	30 June 2017	31 December 2016
Return on equity (ROE)* (%)	13.3%	8.7%
Gearing ratio** (%)	(0.4)	0.2
Equity ratio*** (%)	54.7%	53.7%
Liquidity ratio****	2.2	2.4
Number of full-time employees at the end of the period of the Group	21	18

* - *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

Revenue

	6 months ended 30 June			
	USD	2017 EUR	USD	2016 EUR
Sales of aircraft	51	47	8,750	7,841
Lease revenue	8,377	7,743	8,154	7,307
Supplemental maintenance rent	4,863	4,495	2,636	2,362
Commission income	10,501	9,706	84	74
Revenue from real estate	75	69	-	-
Other revenue	12	11	-	-
	23,879	22,071	19,624	17,584

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 2017, in line with the same period in 2016, where the revenue from aircraft leases accounted for the same 55%.

The lease revenue increased by 2.7%, in the six month period ended 30 June 2017 to the amount of USD 8.4 million (EUR 7.7 million) as compared to USD 8.2 million (EUR 7.3 million) for the same period in 2016. Supplemental maintenance rent increased by 84% in the six month period ended 30 June 2017 to the amount of USD 4.9 million (EUR 4.5 million) as compared to USD 2.6 million (EUR 2.4 million) for the same period in 2016.

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Increase in supplemental maintenance rent mainly resulted from the higher number of aircraft on lease and higher supplemental maintenance rent rates as compared with the rates for aircraft which were on lease in the six month period ended 30 June 2016.

The Group earned USD 10.5 million (EUR 9.7 million) in commission income in the six month period ended 30 June 2017. The commission income related to the provision of aircraft transaction management services in respect to arranging the sale and lease-back transactions of four Airbus A321 aircraft.

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

	6 months ended 30 June			
	USD	EUR	USD	EUR
Interest income on loans	812	751	1,039	931
Gain on sale of property, plant and equipment (net)	11,158	10,314	5,835	5,228
Other gain (losses) - net	317	293	474	425
	12,287	11,358	7,348	6,584

During the six month period ended 30 June 2017 the Group earned interest income on loans in the amount of USD 812 thousand (EUR 751 thousand) as compared to USD 1,039 thousand (EUR 931 thousand) during the same period in 2016.

Gain on sale of property, plant and equipment encompass net gain on sale of three Airbus A321 aircraft with lease attached. Aircraft were sold for a net gain of USD 11.2 million (EUR 10.3 million).

Other gain (losses) – net amounted to USD 317 thousand (EUR 293 thousand) for the six months ended 30 June 2017.

Operating expenses

	6 months ended 30 June			
	USD	EUR	USD	EUR
Depreciation and amortization	4,262	3,939	3,523	3,119
Costs of aircraft sold	-	-	7,697	6,897
Costs of services rendered	8,645	7,991	36	32
Aircraft maintenance and servicing expenses	2,540	2,348	2,561	2,295
Employee-related expenses	628	581	423	379
Other operating expenses	1,325	1,224	1,092	979
	17,400	16,083	15,332	13,701

Depreciation and amortization expenses increased by 21% in the six month period ended 30 June 2017 to the amount of USD 739 thousand (EUR 820 thousand) as compared to USD 3.5 million (EUR 3.1 million) for the same period in 2016. The main reason of the higher depreciation expense was increase in operating aircraft performance.

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 amounted to USD 8.6 million (EUR 8.0 million) for the six month period ended 30 June 2017 and were primarily related to provision of aircraft transaction management services in respect to arranging the sale and lease-back transactions of four Airbus A321 aircraft.

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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 2017 amounted to USD 2.5 million (EUR 2.3 million) in comparison to USD 2.6 million (EUR 2.3 million) in the same period of 2016.

Employee related expenses consist of salaries and social insurance expenses. For the six month period ended 30 June 2017 these expenses amounted to USD 628 thousand (EUR 581 thousand) as compared to USD 423 thousand (EUR 379 thousand) in the same period of 2016.

Other operating expenses accounted for 7.6% and 7.0% of all operating expenses in the six month period ended 30 June 2017 and in the same period in 2016 respectively. The major contributor of the increase of these expenses was an increase of legal and translation expenses by USD 119 thousand (EUR 120 thousand).

Earnings

Operating profit of the Group for the six month period ended 30 June 2017 was equal to USD 18.8 million (EUR 17.3 million) as compared to the operating profit of USD 11.6 million (EUR 10.5 million) during the same period in 2016.

Net finance costs of the Group amounted to a positive gain of USD 1.7 million (EUR 1.6 million) in the six month period ended 30 June 2017 as compared to net costs of USD 539 thousand (EUR 481 thousand) for the six months ended 30 June 2016.

As a result, profit before income tax of the Group for the six months ended 30 June 2017 was equal to USD 19.9 million (EUR 18.4 million) as compared to USD 11.1 million (EUR 10.0 million) for the six month period ended 30 June 2016.

Income tax totaled for USD 2.4 million (EUR 2.3 million) and USD 1.3 million (EUR 1.1 million) in the six months of 2017 and 2016 respectively.

As a result, the Group earned a net profit of USD 17.4 million (EUR 16.1 million) for the six month period ended 30 June 2017. During the same period in 2016, the Group earned a net profit of USD 9.8 million (EUR 8.9 million).

Balance sheet and cash flow

During the six month period ended 30 June 2017 total assets of the Group increased by 13.3% compared to 31 December 2016 and amounted to USD 239.0 million (EUR 211.3 million). As the Group sold three Airbus A321 aircraft from its fleet, the carrying value of property, plant and equipment decreased by USD 64.3 million (EUR 64.0 million). However, the decrease in PPE was fully outweighed by respective increases in investments into joint venture by USD 4.0 million (EUR 4.6 million), loans granted by USD 23.3 million (EUR 18.0 million), inventory by USD 19.0 million (EUR 16.6 million) and cash and cash equivalents by USD 43.1 million (EUR 35.4 million).

During the six period ended 30 June 2017 non-current liabilities decreased by USD 23.5 million (EUR 25.4 million) or 40.0% to USD 35.2 million (EUR 30.9 million) as compared to USD 58.8 million (EUR 56.2 million) as at 31 December 2016. The meaningful impact to this change was the decrease in borrowings by USD 21.9 million (EUR 23.3 million). Meanwhile, current liabilities increased by USD 34.1 million (EUR 26.8 million) or 88.0% to USD 72.9 million (EUR 63.9 million) as compared to USD 38.8 million (37.1 million) as at 31 December 2016. The increase was mainly due to the increase in advances received by USD 25.3 million (EUR 22.1 million) and increase in security deposits received by USD 13.9 million (EUR 12.2 million).

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In the six month period ended 30 June 2017 net cash flow generated from operating activities was equal to USD 43.7 million (EUR 40.4 million) as compared to USD 31.3 million (EUR 28.1 million) in the same period of 2016. Net cash generated from investing activities amounted to USD 42.5 million (EUR 39.3 million) during the six months ended 30 June 2017. Furthermore, in the six month period ended 30 June 2017 net cash flow used in financing activities amounted to USD 43.1 million (EUR 39.9 million).

As a result, cash and cash equivalents increased by USD 43.1 million (EUR 39.8 million) during six months ended 30 June 2017 and stood at USD 72.0 million (EUR 63.1 million) as of 30 June 2017.

Information about related party transactions

The parties are considered related when one party has the possibility to control the other one or have significant influence over the other party in making financial and operating decisions.

Related parties include the following:

- Entities having significant influence over the Company and the Group;
- Key management personnel of the Group;
- Other related parties.

Entities having significant influence over the Company and the Group are ALH Aircraft Leasing Holdings Ltd., being the major shareholder of the Company, and ZIA Valda AB (the shareholder of ALH Aircraft Leasing Holdings Ltd). Other related parties 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 2017.

Investments related to continuing operations

The Group has not made any significant investments related to continuing operations in the six month period ended 30 June 2017.

Research and development activities

There were no major research and development projects undertaken during the six month period ended 30 June 2017.

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.

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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.

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 2017 the Group completed the sale of one Airbus A321-200 aircraft with lease attached.

In July 2017 the Group acquired one Airbus A321-200 aircraft.

In July 2017 the Group rendered aircraft transaction management services in respect to sale and lease-back of one Airbus A321-200 aircraft.

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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.

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 2017 the share capital of the Company amounted to EUR 12,558,621.97 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).

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Treasury shares

Neither the Company nor its subsidiaries have ever acquired any treasury shares. As of 30 June 2017 the Company did not hold any treasury stock.

Shareholders

The shareholders' structure of the Company as at 30 June 2017 and 31 December 2016 was as follows:

Name	Company code and address	As at 30 June 2017		As at 31 December 2016	
		Number of shares owned and votes given	Share of the share capital and votes, %	Number of shares owned and votes given	Share of the share capital and votes, %
ALH Aircraft Leasing Holdings Limited	Company code: HE 284966 Address: Georgiou Griva Digeni, 81-83 Jacovides Tower, Office 122, 1090, Nicosia, Cyprus	12,994,905	30.01	12,994,905	30.01
Mesotania Holdings Limited	Company code: HE 280922 Address: Dimitriou Karatasou, 15 Anastasio Building, Office 601, Strovolos, 2024, Nicosia, Cyprus	9,857,217	22.76	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	2,500,000	5.77	5,000,000	11.55
Other shareholders		17,953,471	41.46	14,410,830	33.27
Total		43,305,593	100.00	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.

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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 2017 and as of 30 June 2016 is provided in the table below.

	As of 30 June	
	2017	2016
Management	4	3
Specialists	17	16
	21	19

The table below presents the Group's data on the employee related expenses by categories for the six month periods ended 30 June 2017 and 30 June 2016 respectively.

	6 months ended 30 June			
	2017		2016	
	USD	EUR	USD	EUR
Management	236	218	133	119
Specialists	392	363	290	260
	628	581	423	379

Average monthly salary (including social security expenses) in the six month period ended 30 June 2017 amounted to USD 9.8 thousand (EUR 9.1 thousand) per employee in the management category and USD 3.8 thousand (EUR 3.6 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.

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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 2021

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.

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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.

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.

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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	24 November 2016	Until the
Justinas Gilys	Member of the Management Board	24 November 2016	Annual General
Aurimas Sanikovas	Member of the Management Board	24 November 2016	Meeting,
Tomas Šidlauskas	Member of the Management Board	24 November 2016	to be held in
Domas Girtavičius	Member of the Management Board	24 November 2016	2020

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).

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.

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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 takes 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), member of the Supervisory Council of Small Planet Airlines AS (Estonia) (2009–2011), member of the Management Board of Ridota AB (2008–2010) and the 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).

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.

Domas Girtavičius. Domas Girtavičius started his carrier in 2010 as a Summer Analyst at Emerging Asia Group. The main focus of his activities was the management of the competitor analysis and reseach projects across 8 countries in Asia Pacific. From 2011 to 2012 Domas worked at KPMG Baltics as an Audit Associate. He gained experience in the audit of financial statements and also as a part of his duties performed various financial analysis in other related areas. In 2012 he joined the Invest Lithuania: The Lithuanian Investment Promotion Agency as a Senior Investment Advisor. While working there, Domas Girtavičius was responsible for investor attraction, consulting on entry strategy, partner match-making, negotiations and project development support. In 2014 Domas Girtavičius joined the Company as a Vice President Business Development and in 2016 was elected to the Board of the Company. Domas Girtavičius obtained bachelor's degree in Economics at Middlebury College and in 2009-2010 attended Chinese language studies at Zhejiang University of Technology. Domas Girtavičius does not participate in the capital of any companies of the Group.

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.

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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 2017 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 406 thousand (EUR 376 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.

	6 months ended 30 June 2017	
	USD	EUR
All members of the Management Board	210	194
Per member of the Management Board	42	39
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)	196	182
Per member of the Company's administration	65	61

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.

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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.

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 on the Company's website:

<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 2017 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
Consolidated Condensed Interim Financial Information for the Twelve Month Period Ended 31 December 2016 (Unaudited)	Interim information	15 February 2017
Notification on the Disposal of the voting Rights in AviaAM Leasing AB	Notification on material event	23 March 2017

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Title	Category of announcement	Publication date
Notice on Annual general meeting of Shareholders of AviaAM Leasing AB	Notification on material event	6 April 2017
Notification on the Disposal of the voting Rights in AviaAM Leasing AB	Notification on material event	13 April 2017
Notice on the decisions adopted by the Annual General Meeting of Shareholders of AviaAM Leasing AB	Notification on material event	4 May 2017
Consolidated Condensed Interim Financial Information for the Three Month Period Ended 31 March 2017 (Unaudited)	Interim information	15 May 2017
AviaAM Leasing sells three Airbus A321 aircraft	Investor news	23 June 2017
Contents of above mentioned announcements can be obtained on Company's webpage http://www.aviaam.com/en/investor-relations/major-events		

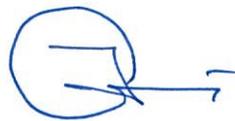
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CONFIRMATION OF RESPONSIBLE PERSONS

Following Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, we, Tadas Goberis, General Manager and Justinas Gilys, Executive Director of *AviaAM Leasing AB*, hereby confirm that, to the best of our knowledge, the unaudited *AviaAM Leasing AB* Consolidated Condensed Interim Financial Information for the six month period ended 30 June 2017, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position, profit or loss and cash flows of the Group, and Consolidated Management Report for the six month period ended 30 June 2017 includes a fair review of the development and performance of the business and the position of the Group in relation to the description of the main risks and contingencies faced thereby.

Tadas Goberis
General Manager



Justinas Gilys
Executive Director

14 August 2017