

AVIAAM LEASING AB
CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014
UNAUDITED

AVIAAM LEASING AB
CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014

(All tabular amounts are in USD‘000 and LTL‘000 unless otherwise stated)

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CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	April - June				January - June			
		2014		2013		2014		2013	
		USD	LTL	USD	LTL	USD	LTL	USD	LTL
Revenue	3	66,027	166,276	8,904	23,519	74,301	187,134	15,482	40,729
Interest income on loans		401	1,009	52	138	752	1,895	97	256
Depreciation and amortisation		(1,159)	(2,916)	(2,258)	(5,970)	(2,354)	(5,929)	(4,353)	(11,451)
Impairment of receivables and prepayments		(221)	(556)	-	-	(341)	(858)	-	-
Costs of aircraft sold		(52,010)	(130,994)	(264)	(694)	(52,010)	(130,994)	(264)	(694)
Costs of services rendered		(4,204)	(10,587)	-	-	(4,868)	(12,261)	-	-
Aircraft maintenance and servicing expenses		(3,132)	(7,881)	(1,253)	(3,311)	(5,599)	(14,101)	(2,328)	(6,125)
Employee-related expenses	4	(211)	(531)	(191)	(505)	(441)	(1,111)	(331)	(872)
Other operating expenses	5	(381)	(957)	(344)	(909)	(833)	(2,097)	(637)	(1,675)
Gain on sale of subsidiaries	18	5,251	13,226	-	-	5,251	13,226	-	-
Gain on sale of property, plant and equipment (net)		4,377	11,025	-	-	4,377	11,025	-	-
Other gain (losses) net		2,727	6,868	547	1,434	2,738	6,896	189	496
Operating profit		17,465	43,982	5,193	13,702	20,973	52,825	7,855	20,664
Finance income	6	83	210	-	-	106	267	429	1,128
Finance costs	6	(763)	(1,924)	(1,585)	(4,185)	(1,613)	(4,066)	(3,050)	(8,025)
Finance costs – net		(680)	(1,714)	(1,585)	(4,185)	(1,507)	(3,799)	(2,621)	(6,897)
Profit (loss) before income tax		16,785	42,268	3,608	9,517	19,466	49,026	5,234	13,767
Income tax	7	(1,517)	(3,820)	(571)	(1,504)	(1,899)	(4,783)	(785)	(2,065)
Profit (loss) for the period		15,268	38,448	3,037	8,013	17,567	44,243	4,449	11,702
Other comprehensive income									
Currency translation differences on translation to presentation currency		-	1,653	-	(849)	-	1,945	-	1,368
Total other comprehensive income		-	1,653	-	(849)	-	1,945	-	1,368
Total comprehensive income		15,268	40,101	3,037	7,164	17,567	46,188	4,449	13,070
Basic and diluted earnings per share (USD/LTL)	8	0.35	0.89	0.07	0.19	0.41	1.02	0.10	0.27

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CONSOLIDATED INTERIM BALANCE SHEET

		30 June 2014		31 December 2013	
	Note	USD	LTL	USD	LTL
ASSETS					
Non-current assets					
Property, plant and equipment	9	33,139	83,932	42,838	107,516
Prepayments for property, plant and equipment		4,740	12,005	-	-
Intangible assets		2	4	2	5
Investments in associates, jointly controlled entities and other companies		1,468	3,717	-	-
Trade and other receivables	11	10,849	27,476	10,118	25,395
Deferred income tax assets		-	-	875	2,195
		50,198	127,134	53,833	135,111
Current assets					
Inventories	10	4,209	10,661	1,997	5,013
Trade and other receivables	11	25,012	63,348	29,274	73,471
Prepaid income tax		524	1,327	553	1,388
Cash and cash equivalents	12	51,334	130,012	43,953	110,314
		81,079	205,348	75,777	190,186
Total assets		131,277	332,482	129,610	325,297
EQUITY					
Equity attributable to the Group's equity shareholders					
Share capital	13	16,804	43,306	16,804	43,306
Share premium		27,972	72,088	27,972	72,088
Legal reserve		1,133	2,953	1,131	2,947
Revaluation reserve		3,431	8,612	3,431	8,612
Cumulative translation reserve		-	(6,499)	-	(8,444)
Retained earnings		38,842	102,880	24,824	67,625
Total equity		88,182	223,340	74,162	186,134
LIABILITIES					
Non-current liabilities					
Borrowings	14	12,193	30,880	27,821	69,826
Security deposits received	16	3,308	8,378	4,464	11,203
Deferred income tax liabilities		1,110	2,812		
		16,611	42,070	32,285	81,029
Current liabilities					
Borrowings	14	2,675	6,775	4,297	10,785
Trade and other payables	15	14,901	37,736	6,468	16,231
Security deposits received	16	-	-	3,875	9,727
Advances received	15	4,000	10,131	4,270	10,717
Current income tax liabilities		4,908	12,430	4,253	10,674
		26,484	67,072	23,163	58,134
Total liabilities		43,095	109,142	55,448	139,163
Total equity and liabilities		131,277	332,482	129,610	325,297

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CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

USD	Note	Share capital	Share premium	Legal reserve	Revaluation reserve	Retained earnings	Total equity
Balance at 1 January 2013		12,232	-	1,131	12,195	(2,958)	22,600
Comprehensive income							
Revaluation of aircraft		-	-	-	(10,310)	-	(10,310)
Deferred income tax on revaluation of aircraft		-	-	-	1,546	-	1,546
Other comprehensive income (loss)		-	-	-	(8,764)	-	(8,764)
Profit for the year		-	-	-	-	27,782	27,782
Total comprehensive income		-	-	-	(8,764)	27,782	19,018
Transactions with owners							
Increase of share capital of the Company		4,572	29,463	-	-	-	34,035
Cost of capital increase		-	(1,491)	-	-	-	(1,491)
Transfer to reserves		-	-	-	-	-	-
Dividends		-	-	-	-	-	-
Total transactions with owners		4,572	27,972	-	-	-	32,544
Balance at 31 December 2013 / 1 January 2014		16,804	27,972	1,131	3,431	24,824	74,162
Comprehensive income							
Revaluation of aircraft		-	-	-	-	-	-
Deferred income tax on revaluation of aircraft		-	-	-	-	-	-
Other comprehensive income (loss)		-	-	-	-	-	-
Profit for the period		-	-	-	-	17,567	17,567
Total comprehensive income		-	-	-	-	17,567	17,567
Transactions with owners							
Increase of share capital of the Company		-	-	-	-	-	-
Royalties		-	-	-	-	(71)	(71)
Transfer to reserves		-	-	2	-	-	2
Dividends		-	-	-	-	(3,478)	(3,478)
Total transactions with owners		-	-	2	-	(3,549)	(3,547)
Balance at 30 June 2014		16,804	27,972	1,133	3,431	38,842	88,182

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CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (CONTINUED)

LTL	Note	Share capital	Share premium	Legal reserve	Revaluation reserve	Cum. trans.	Retained earnings	Total equity
Balance at 1 January 2013		29,448	-	2,947	31,779	(652)	(4,640)	58,882
Comprehensive income								
Revaluation of aircraft		-	-	-	(27,047)	-	-	(27,047)
Deferred income tax on revaluation of aircraft		-	-	-	3,880	-	-	3,880
Currency translation differences		-	-	-	-	(7,792)	-	(7,792)
Other comprehensive income (loss)		-	-	-	(23,167)	(7,792)	-	(30,959)
Profit for the year		-	-	-	-	-	72,265	72,265
Total comprehensive income		-	-	-	(23,167)	(7,792)	72,265	41,306
Transactions with owners								
Increase of share capital of the Company		13,858	75,930	-	-	-	-	89,788
Cost of capital increase		-	(3,842)	-	-	-	-	(3,842)
Transfer to reserves		-	-	-	-	-	-	-
Dividends		-	-	-	-	-	-	-
Currency translation differences		-	-	-	-	-	-	-
Total transactions with owners		13,858	72,088	-	-	-	-	85,946
Balance at 31 December 2013 / 1 January 2014		43,306	72,088	2,947	8,612	(8,444)	67,625	186,134
Comprehensive income								
Revaluation of aircraft		-	-	-	-	-	-	-
Deferred income tax on revaluation of aircraft		-	-	-	-	-	-	-
Currency translation differences		-	-	-	-	1,945	-	1,945
Other comprehensive income (loss)		-	-	-	-	1,945	-	1,945
Profit for the period		-	-	-	-	-	44,243	44,243
Total comprehensive income		-	-	-	-	1,945	44,243	46,188
Transactions with owners								
Increase of share capital of the Company		-	-	-	-	-	-	-
Royalties		-	-	-	-	-	(180)	(180)
Transfer to reserves		-	-	6	-	-	-	6
Dividends		-	-	-	-	-	(8,808)	(8,808)
Total transactions with owners		-	-	6	-	-	(8,988)	(8,982)
Balance at 30 June 2014		43,306	72,088	2,953	8,612	(6,499)	102,880	223,340

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CONSOLIDATED INTERIM STATEMENT OF CASH FLOW

		6 months ended 30 June			
		2014		2013	
Note	USD	LTL	USD	LTL	
Operating activities					
Profit (loss) before income tax	19,466	49,026	5,234	13,767	
<i>Adjustments for:</i>					
Depreciation and amortisation	2,354	5,929	4,353	11,451	
Impairment of accounts receivables and prepayments	341	858	-	-	
Discounting effect	107	270	132	347	
Finance costs – net	476	1,198	3,021	7,947	
Gain on sale of subsidiaries	(5,251)	(13,226)	-	-	
Profit / loss from sale of fixed assets	(4,377)	(11,025)	344	906	
<i>Changes in working capital:</i>					
Trade and other receivables	(12,274)	(30,913)	(4,747)	(12,491)	
Trade and other payables	12,139	30,574	262	690	
Security deposits and advances received	4,195	10,578	7,025	18,481	
Inventory	(2,973)	(7,489)	(268)	(705)	
Cash generated from operations	14,203	35,780	15,356	40,393	
Interest paid	(780)	(1,964)	(1,733)	(4,558)	
Income tax paid	(589)	(1,484)	-	-	
<u>Net cash generated from (used in) operating activities</u>	12,834	32,332	13,623	35,835	
Investing activities					
Purchase of property, plant and equipment and intangible assets	(19,964)	(50,282)	(583)	(1,533)	
Prepayments for property plant and equipment	(4,740)	(11,938)	(3,650)	(9,602)	
Sale of property, plant and equipment and intangible assets	21,900	55,157	91	239	
Investments in other companies	(1,464)	(3,687)	-	-	
Loans granted	(3,920)	(9,873)	(127)	(334)	
Loans repaid	5,157	12,988	184	485	
Interest received	74	188	-	-	
<u>Net cash generated from (used in) investing activities</u>	(2,957)	(7,447)	(4,085)	(10,745)	
Financing activities					
Proceeds from issuance of ordinary shares	-	-	32,702	86,029	
Dividends paid	(1,212)	(3,065)	(2,007)	(5,280)	
Repayment of borrowings	-	-	(5,745)	(15,113)	
Lease (finance lease) payments	(1,284)	(3,235)	(1,398)	(3,678)	
<u>Net cash used in financing activities</u>	(2,496)	(6,300)	23,552	61,958	
Increase in cash and cash equivalents	7,381	18,585	33,090	87,048	
Movement in cash and cash equivalents					
At the beginning of year	43,953	110,314	8,081	21,060	
Increase in cash and cash equivalents	7,381	18,585	33,090	87,048	
Foreign translation differences	-	1,113	-	978	
At the end of the period	12	51,334	130,012	41,171	109,086

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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 6 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 2014 and as at 31 December 2013 was as follows:

	Number of shares	%
ZIA Valda Cyprus Leasing Limited	17,078,622	39.44
Mesotania Holdings Limited	10,899,858	25.17
ING Otworthy Fundusz Emerytalny (Open pension fund)	5,000,000	11.54
Linas Dovydenas	441,717	1.02
Aurimas Sanikovas	294,478	0.68
Gediminas Žiemelis	162,962	0.38
Tadas Goberis	147,239	0.34
Other shareholders	9,280,717	21.43
Total	43,305,593	100.00

The Company and its subsidiaries (together, *the Group*) are engaged in the business of aircraft leasing 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 2014 the Group owned 12 aircraft: 1 Boeing 737-300, 3 Boeing 737-500 and 8 Bombardier CRJ200 aircraft. All aircraft were leased out under operating lease contracts.

The subsidiaries, 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 2014	As at 31 December 2013	
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 B03 UAB	Lithuania	-	100	Date of acquiring: 22 January 2010 / Date of sale: 30 April 2014 / Aircraft leasing / Saltoniškių g. 29, Vilnius
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

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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 2014	As at 31 December 2013	
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
AAL Capital Aircraft Holdings Ltd	Cyprus	100	100	Date of establishment: 29 September 2011 / Aircraft leasing / Dimitriou Karatasou 15, Anastasio Building, 6th floor, Flat/office 601, Strovolos, 2024, 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 2013 / 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

* Shareholding through AAL Capital Aircraft Holdings 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 2014 (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 2013.

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 Lithuanian Litas (LTL) and all values are rounded to the nearest thousand (USD'000 and LTL'000) except when otherwise indicated.

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2 Accounting policies (continued)

The Consolidated Interim Financial Information for the six month period ended 30 June 2014 is not audited. Financial Statements for the year ended 31 December 2013 were audited by external auditor PricewaterhouseCoopers UAB.

3 Revenue

	6 months ended 30 June			
	2014		2013	
	USD	LTL	USD	LTL
Lease revenue	10,013	25,218	10,947	28,797
Supplemental maintenance rent	2,213	5,574	3,033	7,978
Sales of aircraft	54,500	137,264	1,411	3,713
Commission income	7,575	19,078	-	-
Other income	-	-	91	241
	74,301	187,134	15,482	40,729

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			
	2014		2013	
	USD	LTL	USD	LTL
Lease, sale and aircraft transaction management customers				
Customer F	36,000	90,670	-	-
Customer L	18,500	46,594	-	-
Customer B	5,925	14,922	2,446	14,326
Customer M	4,575	11,523	-	-
Customer A	-	-	6,195	16,296
Customer D	-	-	1,788	4,704
Customer C	-	-	1,862	4,900
Other customers	9,301	23,425	100	262
	74,301	187,134	15,391	40,488

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3 Revenue (continued)

Country	6 months ended 30 June			
	USD	2014 LTL	USD	2013 LTL
Russia	7,393	18,619	5,446	14,326
Iceland	4,575	11,523	-	-
Hong Kong	3,000	7,556	-	-
Kazakhstan	2,020	5,088	6,194	16,296
Tajikistan	1,192	3,002	1,788	4,704
Italy	885	2,229	590	1,552
Lithuania	415	1,046	1,373	3,610
Belarus	321	807	-	-
Bermuda	54,500	137,264	-	-
	74,301	187,134	15,391	40,488

4 Employee related expenses

	6 months ended 30 June			
	USD	2014 LTL	USD	2013 LTL
Salaries	316	795	237	622
Social insurance expenses	125	316	94	250
	441	1,111	331	872

5 Other operating expenses

	6 months ended 30 June			
	USD	2014 LTL	USD	2013 LTL
Legal and translation expenses	285	718	131	345
Management services	133	335	110	290
Marketing expenses	87	219	78	205
Travelling expenses	82	207	76	200
Representation expenses	77	194	55	145
Audit and accounting expenses	30	76	13	34
Expenses related to listing of shares	28	71	-	-
Insurance expenses	7	18	53	140
Other administrative expenses	104	259	121	316
	833	2,097	637	1,675

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6 Finance costs – net

	6 months ended 30 June			
	2014		2013	
	USD	LTL	USD	LTL
Interest income on cash and cash equivalents	5	13	-	-
Discounting of security deposits received	62	156	160	420
Unwinding of discount of non-current receivables and loans from related parties	18	45	35	91
Other finance income	21	53	102	268
Foreign exchange gain on financing activities	-	-	132	349
Finance income	106	267	429	1,128
Interest expenses	(984)	(2,480)	(1,733)	(4,558)
Foreign exchange loss on financing activities	(459)	(1,157)	(976)	(2,567)
Unwinding of discount of security deposits received	(157)	(396)	(325)	(856)
Other finance costs	(13)	(33)	(16)	(44)
Finance costs	(1,613)	(4,066)	(3,050)	(8,025)
Finance costs – net	(1,507)	(3,799)	(2,621)	(6,897)

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 (2013: 15% rate).

8 Earnings (loss) per share

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

	April - June				January – June			
	2014		2013		2014		2013	
	USD	LTL	USD	LTL	USD	LTL	USD	LTL
Net profit (loss) attributable to shareholders	15,268	38,448	3,037	8,013	17,567	44,243	4,449	11,702
Weighted average number of ordinary shares issued	43,306		43,306		43,306		43,306	
Basic earnings (loss) per share (USD/LTL)	0.35	0.89	0.07	0.19	0.41	1.02	0.10	0.27

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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FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014

(All tabular amounts are in USD '000 and LTL '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 2013	60,027	4,077	9	64,113
Additions	9,146	400	212	9,758
Disposals	(7,011)	-	-	(7,011)
Reclassifications	751	(1,118)	-	(367)
Depreciation charge	(9,292)	-	(11)	(9,303)
Revaluation surplus	584	951	-	1,535
Revaluation loss	(14,803)	(1,084)	-	(15,887)
Closing net book amount as at 31 December 2013	39,402	3,226	210	42,838
At 31 December 2013				
Cost or valuation	39,402	3,226	230	42,858
Accumulated depreciation	-	-	(20)	(20)
Net book amount	39,402	3,226	210	42,838
Opening net book amount as at 1 January 2014	39,402	3,226	210	42,838
Additions	21,800	-	17	21,817
Disposals	(29,145)	-	(1)	(29,146)
Reclassifications	2,307	(2,307)	-	-
Depreciation charge	(2,354)	-	(16)	(2,370)
Closing net book amount as at 30 June 2014	32,010	919	210	33,139
At 30 June 2014				
Cost or valuation	32,010	919	246	33,175
Accumulated depreciation	-	-	(36)	(35)
Net book amount	32,010	919	210	33,139

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9 Property, plant and equipment

LTL				Total
	Aircraft and engines	Aircraft and engines under preparation for use	Other tangible fixed assets	
Opening net book amount as at 1 January 2013	156,429	10,626	24	167,078
Additions	23,791	1,040	551	25,382
Disposals	(18,237)	-	-	(18,237)
Reclassifications	1,954	(2,908)	-	(954)
Depreciation charge	(24,170)	-	(29)	(24,199)
Revaluation surplus	1,519	2,474	-	3,993
Revaluation loss	(38,506)	(2,820)	-	(41,326)
Exchange differences	(3,888)	(315)	(19)	(4,222)
Closing net book amount as at 31 December 2013	98,892	8,097	527	107,516
At 31 December 2013				
Cost or valuation	98,892	8,097	577	107,566
Accumulated depreciation	-	-	(50)	(50)
Net book amount	98,892	8,097	527	107,516
Opening net book amount as at 1 January 2014	98,892	8,097	527	107,516
Additions	54,905	-	43	54,948
Disposals	(73,405)	-	(3)	(73,408)
Reclassifications	5,810	(5,810)	-	-
Depreciation charge	(5,929)	-	(40)	(5,969)
Exchange differences	799	41	5	844
Closing net book amount as at 30 June 2014	81,072	2,328	532	83,932
At 30 June 2014				
Cost or valuation	81,072	2,328	622	84,022
Accumulated depreciation	-	-	(90)	(90)
Net book amount	81,072	2,328	532	83,932

Aircraft were pledged to the banks as collateral for borrowings. Carrying amounts of pledged aircraft as at 30 June 2014 and 31 December 2013:

	30 June 2014		31 December 2013	
	USD	LTL	USD	LTL
Aircraft	-	-	8,797	22,079
	-	-	8,797	22,079

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10 Inventories

	30 June 2014		31 December 2013	
	USD	LTL	USD	LTL
Aircraft components	4,209	10,661	1,997	5,013
	4,209	10,661	1,997	5,013

11 Trade and other receivables

	30 June 2014		31 December 2013	
	USD	LTL	USD	LTL
Trade receivables from third parties	11,387	28,838	13,916	34,925
Less: provision for impairment of trade receivables	(1,278)	(3,237)	(1,158)	(2,906)
Trade receivables from third parties – net	10,109	25,601	12,758	32,019
Receivables from related parties	1,089	2,735	1,048	2,630
Less: provision for impairment of trade receivables from related parties	(1,048)	(2,630)	(1,048)	(2,630)
Receivables from related parties - net	41	105	-	-
Loans granted to related parties	7,598	19,243	11,695	29,352
Loans granted to third parties	12,623	31,970	7,695	19,312
Other receivables	188	476	190	474
Less: provision for impairment of other receivables	(29)	(73)	(29)	(70)
Other receivables - net	159	403	161	404
Prepayments	4,838	12,253	6,336	15,902
Tax receivables	493	1,249	747	1,877
	35,861	90,824	39,392	98,866
Non-current portion :	(10,849)	(27,476)	(10,118)	(25,395)
Current portion :	25,012	63,348	29,274	73,471

12 Cash and cash equivalents

Cash and cash equivalents are dominated in following currencies:

	30 June 2014		31 December 2013	
	USD	LTL	USD	LTL
USD	79	200	42,221	105,967
EUR	41,056	103,981	131	329
LTL	10,184	25,793	1,601	4,018
PLN	15	38	-	-
	51,334	130,012	43,953	110,314

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13 Share capital

As at 30 June 2014 and as at 31 December 2013 the share capital of the Company amounted to LTL 43,305,593 (USD 16,804 thousand) and consisted of 43,305,593 ordinary registered shares with a nominal value of LTL 1 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).

14 Borrowings

	30 June 2014		31 December 2013	
	USD	LTL	USD	LTL
Non-current				
Bank borrowings	-	-	14,270	35,816
Finance lease liabilities	12,193	30,880	13,551	34,010
	12,193	30,880	27,821	69,826
Current				
Bank borrowings	-	-	1,696	4,257
Finance lease liabilities	2,675	6,775	2,601	6,528
	2,675	6,775	4,297	10,785
Total borrowings	14,868	37,655	32,118	80,611

Bank borrowings mature in 2015. Borrowings are secured by the aircraft.

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

	30 June 2014	31 December 2013
Bank borrowings	-	6,96%
Finance lease liabilities	7,68%	7,76%

15 Trade and other payables and advances received

	30 June 2014		31 December 2013	
	USD	LTL	USD	LTL
Trade and other payables – financial liabilities				
Trade payables	11,234	28,449	1,273	3,191
Trade payables to related parties	922	2,336	1,561	3,919
Salaries and social security payable, including vacation accrual	150	379	169	424
Accruals	2,595	6,572	3,465	8,697
	14,901	37,736	6,468	16,231
Advance payments received – non-financial liabilities				
Advance payments from customers related to acquisition of aircraft	4,000	10,131	4,270	10,717
	4,000	10,131	4,270	10,717

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16 Security deposits received

	30 June 2014		31 December 2013	
	USD	LTL	USD	LTL
Security deposits repayable after one year at nominal value	4,019	10,179	5,380	13,503
Less: discounting effect	(711)	(1,801)	(916)	(2,300)
Security deposits repayable after one year	3,308	8,378	4,464	11,203
Security deposits repayable within one year	-	-	4,000	10,039
Less: discounting effect	-	-	(125)	(312)
Security deposits repayable within one year	-	-	3,875	9,727
Security deposits	3,308	8,378	8,339	20,930

Average rates used for security deposits discounting are as follows: 2014: 8%; 2013: 8%.

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.

17 Commitments and contingencies

Capital commitments

Capital expenditure contracted for at the balance sheet date is as follows:

	30 June 2014		31 December 2013	
	USD	LTL	USD	LTL
Aircraft	36,200	91,684	15,800	39,655
	36,200	91,684	15,800	39,655

As at 30 June 2014 non cancellable commitments of the Group related to acquisition of aircraft.

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18 Business combination and disposals

On 30 April 2014 the Company sold 100 per cent of shares of one of its subsidiaries – AviaAM B03 UAB, company code 300887740, registered address at Saltoniškių str. 29, Vilnius, Lithuania – to unrelated party. The aforementioned subsidiary owned five aircraft as at the date of sale – four Boeing 737-500 and one Boeing 737-300.

Details of sale price and assets and liabilities arising from the disposal in Group’s financial statements are as follows:

	<i>AviaAM B03 UAB - disposal’s carrying amount</i>	
	USD	LTL
Property, plant and equipment	8,522	21,228
Receivables	7,093	17,668
Inventories	761	1,895
Cash and cash equivalents	293	731
Deferred income tax assets	1,960	4,882
Payables	(2,920)	(7,273)
Security deposits received	(4,302)	(10,715)
Borrowings	(16,568)	(41,263)
Total identifiable net assets	(5,161)	(12,847)
 Proceeds from sale of interest in subsidiaries	 90	 224
Other items:		
Exchange differences on translation of foreign operations	-	155
Gain on disposal, directly recognised in Group's profit or loss	5,251	13,226

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 ZIA Valda Cyprus Leasing Ltd and ZIA Valda AB (the sole shareholder of ZIA Valda Cyprus Leasing 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:

Transactions with related parties

	6 months ended 30 June			
	2014		2013	
	USD	LTL	USD	LTL
Sales of goods and services to:				
Other related parties	393	990	666	1,742
	393	990	666	1,742

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19 Related party transactions (continued)

Purchases of assets from:

Other related parties	816	2,066	801	2,100
	816	2,066	801	2,100

Purchases of services from:

Other related parties	2,358	5,939	306	804
	2,358	5,939	306	804

Total purchases of assets and services

	3,174	8,005	1,107	2,904
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Period-end balances arising from sales/purchase of assets/services:

Trade receivables from related parties

	30 June 2014		31 December 2013	
	USD	LTL	USD	LTL
Other related parties	1,089	2,735	1,048	2,630
Trade and other receivables at nominal value	1,089	2,735	1,048	2,630
Less: provision for impairment of receivables from other related parties	(1,048)	(2,630)	(1,048)	(2,630)
	41	105	-	-

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

Payables to and prepayments from related parties

	30 June 2014		31 December 2013	
	USD	LTL	USD	LTL
Other related parties	922	2,336	1,561	3,919
	922	2,336	1,561	3,919

Loans granted to related parties

	30 June 2014		31 December 2013	
	USD	LTL	USD	LTL
Beginning of the period	11,695	29,352	3,034	7,907
Loans advanced during the period as monetary transactions	2,930	7,421	40,827	106,199
Loans advanced during the period by transferring trade receivables to loans	-	-	-	-
Loan repayments received as monetary transactions	(5,037)	(12,757)	(32,360)	(84,175)
Loan repayments received as non-monetary transactions	(2,211)	(5,600)	(22)	(57)
Interest charged	380	962	325	845
Interest received	(246)	(623)	(85)	(221)
Exchange rate differences	87	488	(24)	(1,146)
End of the period	7,598	19,243	11,695	29,352

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20 Events after the balance sheet date

In July 2014 the Group completed the purchase and subsequent sale of one Boeing 737-800 aircraft.

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CONSOLIDATED MANAGEMENT REPORT

I. GENERAL INFORMATION

Reporting period **Six month period ended 30 June 2014**

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	6 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 2014 the Group consisted of the Company and the following subsidiaries:

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

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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 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 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
AAL Capital Aircraft Holdings Ltd.	Date of establishment: 29 September 2011 Company code: HE294651 Cyprus Registrar of Companies	Demetriou Karatasou 15, Anastasio Building, Strovolos, 2024 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*

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

As at 30 June 2014 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 FMI (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.

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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 LTL	Total nominal value in LTL	ISIN
Ordinary registered shares	43,305,593	1	43,305,593	LT0000128555

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

II. FINANCIAL AND OPERATIONAL INFORMATION

In the six month period ended 30 June 2014 the Group earned net profit of USD 17.6 million (LTL 44.2 million). Comparing with the same period in 2013 the net profit has increased by USD 13.1 million (LTL 32.5 million) or 295%. The increase in net income is primarily attributable to proceeds from sales of aircraft. The revenues from sales of aircraft increased by USD 53.1 million (LTL 133.6 million) for the six month period ended 30 June 2013 as compared to the same period in 2012 due to significantly higher aircraft trading activities.

Key events during the six month period ended 30 June 2014 are summarized below:

Date	Category	Event
January 2014	Aircraft acquisition	The Group acquired one Boeing 737-700 aircraft with lease attached.
January 2014	Aircraft lease	The Group leased one Boeing 737-300 aircraft pursuant to the lease agreement entered in December 2013.
February 2014	Aircraft lease	The Group terminated the lease of one Boeing 737-300 aircraft with the Italian operator and the aircraft was redelivered to the possession of the Group.
February 2014	Aircraft transaction management	The Group entered into the brokerage agreement with one of the leading international aircraft lessors regarding the arrangement of purchase and sale transaction in respect to one Boeing 737-800 aircraft.
March 2014	Aircraft sale	The Group entered into the sale agreement in respect to one Boeing 737-700 aircraft.
March 2014	Aircraft acquisition	The Group entered into the purchase agreement in respect to one Boeing 767-300 aircraft.
April 2014	Aircraft lease	The Group entered into the lease agreement in respect to one Boeing 737-300 aircraft.
April 2014	Aircraft transaction management	The Group completed the arrangement of purchase and sale transaction in respect of one Boeing 737-800 aircraft pursuant to the brokerage agreement with one of the leading international aircraft lessors.
April 2014	Sale of subsidiary	The Company sold 100 per cent of shares of one of its subsidiaries – AviaAM B03 UAB – to unrelated party.
April 2014	Dividends	The Annual General Meeting of Shareholders of the Company adopted the decision to pay out annual dividends in the amount of LTL 0.20 per share.

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Date	Category	Event
May 2014	Aircraft acquisition and sale	The Group completed the purchase and subsequent sale of one Boeing 767-300 aircraft.
May 2014	Aircraft acquisition and sale	The Group entered into the purchase and subsequent sale agreements in respect to two Boeing 737-800 aircraft.
May 2014	Aircraft lease	The Group leased one Boeing 737-300 aircraft pursuant to the lease agreement entered in April 2014.
May 2014	Aircraft lease	The Group entered into the lease agreement in respect to one Boeing 737-500 aircraft.
June 2014	Aircraft acquisition and sale	The Group completed the purchase and subsequent sale of one Boeing 737-800 aircraft.
June 2014	Aircraft sale	The Group completed the sale of one Boeing 737-700 aircraft.
June 2014	Aircraft lease	The Group leased one Boeing 737-500 aircraft pursuant to the lease agreement entered in May 2014.

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	2014 LTL	USD	2013 LTL
Revenue	74,301	187,134	15,482	40,729
Operating profit	20,973	52,825	7,855	20,664
Operating profit margin (%)	28.2%	28.2%	50.7%	50.7%
Profit before income tax	19,466	49,026	5,234	13,767
Net profit for the period	17,567	44,243	4,449	11,702
Net profit margin (%)	23.6%	23.6%	28.7%	28.7%
Earnings per share	0.41	1.02	0.10	0.27
Number of shares (in thousand)		43,306		43,306

Financial ratios

	30 June 2014	31 December 2013
Return on equity (ROE)* (%)	19.9%	37.5%
Gearing ratio** (%)	N/A	N/A
Equity ratio*** (%)	67.2%	57.2%
Liquidity ratio****	3.1	3.3
Number of full-time employees at the end of the period of the Group	14	14

* - *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

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Revenue

	6 months ended 30 June			
	USD	2014 LTL	USD	2013 LTL
Lease revenue	10,013	25,218	10,947	28,797
Supplemental maintenance rent	2,213	5,574	3,033	7,978
Sales of aircraft	54,500	137,264	1,411	3,713
Commission income	7,575	19,078	-	-
Other income	-	-	91	241
	74,301	187,134	15,482	40,729

The revenue from aircraft leases (i.e. lease revenue, supplemental rent and other income) accounted for 16% of total revenue in six month period ended 30 June 2014, as for the same period in 2013 the revenue from aircraft leases accounted for 91%.

The lease revenue and supplemental maintenance rent decreased by 9% and 27% respectively in the six month period ended 30 June 2014 as compared to the same period in 2013. The decrease is mainly attributable to decrease in aircraft on lease (12 aircraft as of 30 June 2014 versus 18 aircraft as of 30 June 2013) as the Group, following its re-fleeting and timely aircraft divestiture strategy, sold one of its subsidiaries on 30 April 2014 which owned 5 aircraft at the date of sale.

The decrease of revenue from aircraft leases was more than outweighed by the increase in revenue from aircraft sales and commission income. The Group earned USD 54.5 million (LTL 137.3 million) in revenue from sales of aircraft in the six month period ended 30 June 2014. The commission income, attributable to execution of aircraft transaction management and brokerage services, amounted to USD 7.6 million (LTL 19.1 million) for the period under review.

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

	6 months ended 30 June			
	USD	2014 LTL	USD	2013 LTL
Interest income on loans	752	1,895	97	256
Gain on sale of subsidiaries	5,251	13,226	-	-
Gain on sale of property, plant and equipment (net)	4,377	11,025	-	-
Other gain (losses) - net	2,738	6,896	189	496
	13,118	33,042	286	752

During the six month period ended 30 June 2014 the Group earned interest income on loans in the amount of USD 0.8 million (LTL 1.9 million) as compared to USD 0.1 million (LTL 0.3 million) during the same period in 2013.

Gain on sale of property, plant and equipment encompass net gain on sale of B737-700 aircraft which was acquired in January 2014 with lease attached. Following the expiry of the attached lease the aircraft was sold for a net gain of USD 4.4. million (LTL 11.0 million).

Other gain (losses) – net amounted to USD 2.7 million (LTL 6.9 million) for the six months ended 30 June 2014. The major contributor to this amount was a net gain of USD 1.7 million (LTL 4.3 million) earned on execution of asset value protection and remarketing agreement with one of the international aircraft lessors.

On 30 April 2014 the Company, following its re-fleeting and timely aircraft divestiture strategy, sold 100 per cent of shares of one of its subsidiaries – AviaAM B03 UAB – to unrelated party. The gain of disposal, directly recognised in Group's consolidated statement of comprehensive income amounted to USD 5.3 million (LTL 13.2 million). (See section "Business combinations and disposals" on page 28 for details).

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Operating expenses

	6 months ended 30 June			
	USD	2014 LTL	USD	2013 LTL
Depreciation and amortization	2,354	5,929	4,353	11,451
Impairment of receivables and prepayments	341	858	-	-
Costs of aircraft sold	52,010	130,994	264	694
Costs of services rendered	4,868	12,261		
Aircraft maintenance and servicing expenses	5,599	14,101	2,328	6,125
Employee-related expenses	441	1,111	331	872
Other operating expenses	833	2,097	637	1,675
	66,446	167,351	7,913	20,817

Depreciation and amortization expense decreased by 45.9% in the six month period ended 30 June 2014 to the amount of USD 2.4 million (LTL 5.9 million) as compared to USD 4.4 million (LTL 11.5 million) for the same period in 2013.

The costs of aircraft sold amounted to USD 52.0 million (LTL 131.0 million) in the six month period ended 30 June 2014 and consisted of costs directly associated with the sale of two aircraft (one Boeing 767-300 and one Boeing 737-800). In the same period of 2013 the Group did not execute any significant transactions related to the sales of aircraft thus the respective costs of aircraft sold amounted to USD 0.3 million (LTL 0.7 million) for the six months ended 30 June 2013.

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 2014 amounted to USD 5.6 million (LTL 14.1 million) in comparison to USD 2.3 million (LTL 6.1 million) in the same period in 2013. The increase of these costs by USD 3.3 million (LTL 8.0 million) was primary attributable to preparation of three Boeing 737 aircraft for lease, which were leased in January, May and June 2014 respectively.

Employee related expenses consist of salaries and social insurance expenses. For the six month period ended 30 June these expenses grew from USD 331 thousand (LTL 872 thousand) in 2013 to USD 441 thousand (LTL 1,111 thousand) due to an increase in remuneration of employees of the Group.

Other operating expenses accounted for 1.3% and 8.1% and 2.9% of all operating expenses in the six month period ended 30 June 2014 and in the same period in 2013. The major contributor of the increase of these expenses by 30.8% was an increase of legal and translation expenses by USD 154 thousand (LTL 373 thousand).

Earnings

Operating profit of the Group for the six month period ended 30 June 2014 was equal to USD 21.0 million (LTL 52.8 million), compared to the operating profit of USD 7.9 million (LTL 20.7 million) during the same period in 2012.

Net finance costs of the Group amounted to USD 1.5 million (LTL 3.8 million) in the six month period ended 30 June 2014 as compared to USD 2.6 million (LTL 6.9 million) for the six months ended 30 June 2013.

As a result, profit before income tax of the Group for the six months ended 30 June 2014 was equal to USD 19.5 million (LTL 49.0 million) as compared to USD 5.2 million (LTL 13.8 million) for the six month period ended 30 June 2013.

Income tax totaled for USD 1.9 million (LTL 4.8 million) and USD 0.8 million (LTL 2.1 million) in the six months of 2014 and 2013 respectively.

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As a result, the Group earned a net profit of USD 17.6 million (LTL 44.2 million) for the six month period ended 30 June 2014. The net profit increased by 295% as compared to the same period in 2013 when the net profit of the Group amounted to USD 4.4 million (LTL 11.7 million).

Balance sheet and cash flow

During the six month period ended 30 June 2014 total assets of the Group increased by 1.3% compared to 31 December 2013 and amounted to USD 131.3 million (LTL 332.5 million). The major contributors to this change was a decrease in PPE by USD 9.7 million (LTL 23.6 million) (mainly due to the sale of subsidiary with its corresponding assets) and decrease in trade and other receivables by USD 3.5 million (LTL 8.0 million) which in turn were outweighed by increases of prepayments for PPE by USD 4.7 million (LTL 12.0 million) and cash and cash equivalents by USD 7.4 million (LTL 19.7 million).

During the six month period ended 30 June 2014 total liabilities decreased by USD 12.4 million (LTL 30.0 million) or 22.3% to USD 43.1 million (LTL 109.1 million) as compared to USD 55.4 million (LTL 139.2 million) as at 31 December 2013. A meaningful impact to this change was a decrease in borrowings by USD 17.3 million (LTL 43.0 million). Out of this decrease the amount of USD 16.6 million (LTL 41.3 million) was attributable to the sale of subsidiary with its respective assets and liabilities.

In the six month period ended 30 June 2013 net cash flow generated from operating activities was equal to USD 12.8 million (LTL 32.3 million) as compared to USD 13.6 million (LTL 35.8 million) in the same period of 2013. Net cash used in investing activities totaled USD 3.0 million (LTL 7.4 million) during the six months ended 30 June 2014. Furthermore, in the six month period ended 30 June 2014 net cash flow used in financing activities amounted to USD 2.5 million (LTL 6.3 million).

As a result, cash and cash equivalents increased by USD 7.4 million (LTL 18.6 million) during six months ended 30 June 2014 and stood at USD 51.3 million (LTL 130.0 million).

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 ZIA Valda Cyprus Leasing Ltd and ZIA Valda AB (the sole shareholder of ZIA Valda Cyprus Leasing 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 2014.

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 2013.

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Business combinations and disposals

On 30 April 2014 the Company sold 100 per cent of shares of one of its subsidiaries – AviaAM B03 UAB, company code 300887740, registered address at Saltoniškių str. 29, Vilnius, Lithuania – to unrelated party. The aforementioned subsidiary owned five aircraft as at the date of sale – four Boeing 737-500 and one Boeing 737-300.

Details of sale price and assets and liabilities arising from the disposal in Group’s financial statements are as follows:

	<i>AviaAM B03 UAB -</i> disposal’s carrying amount	
	USD	LTL
Property, plant and equipment	8,522	21,228
Receivables	7,093	17,668
Inventories	761	1,895
Cash and cash equivalents	293	731
Deferred income tax assets	1,960	4,882
Payables	(2,920)	(7,273)
Security deposits received	(4,302)	(10,715)
Borrowings	(16,568)	(41,263)
Total identifiable net assets	(5,161)	(12,847)
Proceeds from sale of interest in subsidiaries	90	224
Other items:		
Exchange differences on translation of foreign operations	-	155
Gain on disposal, directly recognised in Group's profit or loss	5,251	13,226

Research and development activities

There were no major research and development projects undertaken during the six month period ended 30 June 2014.

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 Group’s activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk), credit risk, liquidity risk. The Group’s overall risk management programme 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.

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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 LTL and 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 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 debtors operate. Concentration of credit risk of the Group arises from loans granted and receivables from related parties, trade receivables. 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.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

Significant events after the balance sheet date

In July 2014 the Group completed the purchase and subsequent sale of one Boeing 737-800 aircraft.

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;

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- 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 is primarily focused on the Eastern European, Russian 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 30 April 2014 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 next two years to perform the audit of the annual stand-alone and consolidated financial statements of the Company for the years 2014 and 2015 and to make the assessment of the stand-alone and consolidated annual report of the Company for the years 2014 and 2015.

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 2014 the share capital of the Company amounted to LTL 43,305,593 and consisted of 43,305,593 ordinary registered shares with a nominal value of LTL 1 each. The Company completed an Initial Public Offering (the "IPO") in Warsaw Stock Exchange on 28 June 2013 by issuing 13,857,790 new shares in addition to existing 29,447,803 shares and selling 160,964 existing shares owned by Mr. Gediminas Ziemelis.

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 2014 the Company did not hold any treasury stock.

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Shareholders

Shareholders, holding more than 5% of the share capital and votes, as of 30 June 2014:

Name	Company code and address	Number of shares owned and votes given	Share of the share capital and votes, %
ZIA Valda Cyprus Leasing Limited	Company code: HE 284966 Address: Avlonos 1, Maria House, CY1075 Nicosia, Cyprus	17,078,622	39.44
Mesotania Holdings Limited	Company code: HE 280922 Address: Avlonos 1, Maria House, CY1075 Nicosia, Cyprus	10,899,858	25.17
ING Otwarty Fundusz Emerytalny (Open pension fund)	Company code: NIP 526-22-41-523 Address: ul. Topiel 12; 00-342 Warsaw, Poland	5,000,000	11.54
Other shareholders	-	10,327,113	23.85
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	%
Linas Dovydenas	Member of the Management Board	441,717	1.02
Aurimas Sanikovas	Member of the Management Board	294,478	0.68
Gediminas Žiemelis	Chairman of the Management Board	162,962	0.38
Tadas Goberis	General Manager of the Company	147,239	0.34
Total		1,046,396	2.42

Shareholders' rights

None of the shareholders of the Company have any special controlling rights. Rights of all shareholders are equal.

The Company is aware of the following agreements between the shareholders that could limit transfer of securities and/or their ability to exercise their voting rights which are described in detail below.

Pursuant to the Lock Up Agreement concluded with *inter alia* the Company and all the shareholders of the Company as of effective day 16 May 2013, except Gediminas Žiemelis, the shareholders agreed for the period of 12 months from the first day of listing of the shares on the WSE not to dispose of the shares of the Company or conclude any transaction whose economic effect would be similar to the effect of selling the Company's stock without a prior written consent of the ING Securities S.A. In addition the shareholders, except Gediminas Žiemelis, undertook with the ING Securities S.A. that, within the period of 12 months from the first day of listing of the shares on the WSE, they will not propose, vote in favour of or otherwise support, without the prior written consent of ING Securities S.A., any increase of the Company's share capital and/or the conclusion of any transaction of which the economic effect would be similar to the effect of causing the Company to issue such instruments.

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Furthermore, according to the Share Sale-Purchase Agreements executed in March 2013, whereby the minority shareholders Linas Dovydenas, Aurimas Sanikovas, Virginija Svilainytė and Tadas Goberis acquired shares of the Company from Mesotania Holdings Ltd. and from Zia Valda Cyprus Leasing Ltd., the following major arrangements with respect to lock-up and transfer of shares of the Company were established: during the non-trading period, which lasts for a term of 1 year as from entering into the respective agreement or for a term of 1 year after the date of the Initial Public Offering (“IPO”), whichever occurs later (in case of Tadas Goberis the respective term is 2 years), the indicated minority shareholders undertook (i) not to transfer, sell or otherwise dispose all or any part of the shares to any third parties (save for, respectively, Mesotania Holdings Ltd. and ZIA Valda Cyprus Leasing Ltd. repurchase rights), (ii) not to assign or pledge any rights, title or interest to the shares to anyone than, respectively, Mesotania Holdings Ltd. and ZIA Valda Cyprus Leasing Ltd., as well as (iii) not to create or cause permit to be created any encumbrance on the shares or any part thereof. The aforementioned lock-up period ended on 28 June 2014 (28 June 2015 in case of Tadas Goberis).

Dividends

On 30 April 2014 The Annual General Meeting of Shareholders of the Company adopted the decision to pay out annual dividends in the amount of LTL 0.20 per share. The dividends in the total amount of USD 3,478 thousand (LTL 8,808 thousand) were paid out on 28 May 2014.

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 2014 and as of 30 June 2013 is provided in the table below.

	As of 30 June	
	2014	2013
Management	5	5
Specialists	9	9
	14	14

The table below presents the Group’s data on the employee related expenses by categories for the six month periods ended 30 June 2014 and 30 June 2013 respectively.

	6 months ended 30 June			
	2014		2013	
	USD	LTL	USD	LTL
Management	250	631	191	501
Specialists	191	480	140	372
	441	1,111	331	872

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Average monthly salary (including social security expenses) in the six month period ended 30 June 2014 amounted to USD 8.3 thousand (LTL 21.0 thousand) per employee in the management category and USD 3.5 thousand (LTL 8.9 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.

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.

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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 legal entities.

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 owns 50 percent of shares at Hoteksas UAB and is also a sole shareholder in Solingas UAB.

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 one of the main shareholders of Myjnie Bezdotykowe Tucharz spółka jawna and a Vice President at Energosynergia Technologie sp. z o.o.

Committees

The Supervisory Council has a right to form committees from among the members of Supervisory Council. As of 30 June 2014 there were no committees formed in the Supervisory Council.

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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 corpore 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
Gediminas Žiemelis	Chairman of the Management Board	29 May 2012	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,
Linas Dovydenas	Member of the Management Board	29 May 2012	to be held in
Gediminas Šiaudvytis	Member of the Management Board	11 January 2013	2016

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

Gediminas Žiemelis. Gediminas Žiemelis has a unique management and advisory experience. In 2008, under the request of the Prime Minister of the Republic of Lithuania he gave practical proposals on anti-crisis actions to be taken. He started his carrier in 1999 as the assistant manager of the Vindication and Fraud Division in Lietuvos taupomasis bankas, AB (currently, Swedbank, AB), the Department of Problematic Assets and Vindication (1999–2001). He acted as the General Manager of Žvilgsnis iš arčiau UAB (2001–2005) (currently named Creditinfo UAB), which was engaged mainly in debt recovery and credit risk management, the General Manager of ŽIA Valda AB (2002–2006) and the General Manager of brokerage firm Finhill UAB FMI (in 2007). Gediminas Žiemelis is the chairman of the Management Board of ŽIA Valda AB and since 2008 he acts as the Manager of the Development Department. Since 2005 Gediminas Žiemelis also acts as the Manager in East Mining Group UAB and since 2006 until 2014 he acted as the General Manager of Eastern Agro Holdings UAB. Since 2010 until now Gediminas Žiemelis presides over the Management Board of Avia Solutions Group AB, since 2011 until now occupies a position of the Chairman of the Management Board at AviaAM Leasing AB. Moreover, Gediminas Žiemelis is a member of the Supervisory Council in Agrowill AB since 2010. Gediminas Žiemelis obtained a bachelor’s degree at the Faculty of Business Management in the Vilnius Gediminas Technical University, Lithuania in 1999 and a master’s degree at the Faculty of Law in the Mykolas Romeris University, Lithuania in 2006. He has also finished the Program for Leadership Development (PLD) in the Harvard Business School, Boston, MA, U.S.: Accelerating the Careers of High-Potential Leaders.

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Gediminas Žiemelis is also one of the initiators of establishment of the Association of Aviation Companies (www.aia.lt) (in 2009). Gediminas Žiemelis owns 162,962 shares in the Company (0.38% 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 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 legal entities.

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). Apart from holding 294,478 shares in the Company (0.68% of all the shares) and 33,150 shares in Avia Solutions Group AB (0.55% of all the shares) Aurimas Sanikovas does not participate in the capital of any other legal entities.

Linās Dovydenas. Linas Dovydenas started his carrier in 1995 in Sanitex UAB, Lithuania. He worked for this company for 7 years and his last two positions held at Sanitex UAB were Key Account Manager and Regional Manager Horeca. From 2002 to 2007 he worked for Philip Morris Baltic States. He held the following positions at the company: Supervisor Key Accounts Baltic States, Manager National Sales Estonia, Manager Customer Development Lithuania and Manager National Sales Lithuania. In 2008 Linas Dovydenas joined Avia Solutions Group AB and is the General Manager of the company since then. He also acted as Chairman of the Supervisory Council of Small Planet Airlines AS (Estonia) and was a member of the Management Board in FL Technics AB. Since 2011 Linas Dovydenas carries the duties of the member of the Management Board of AviaAM Leasing AB. In 1997 Linas Dovydenas obtained a bachelor’s degree in Business and Business Administration at the Faculty of Economics, Vilnius University, and in 2006 he obtained an executive MBA at the Baltic Management Institute. Apart from holding 441,717 shares in the Company (1.02% of all the shares) Linas Dovydenas does not participate in the capital of any other legal entities.

Gediminas Šiaudvytis. Gediminas Šiaudvytis is a top-performing senior executive, who has gathered comprehensive experience in both the private and public sectors over the past 20 years. Professional career of Gediminas Šiaudvytis started in the Ministry of Foreign Affairs of the Republic of Lithuania where he worked for over 10 years, having reached the position of the Director of the Consular Department, as well as being honoured with the title of Extraordinary Minister and Plenipotentiary Envoy for his exceptional achievements during his service. In 2004, Gediminas Šiaudvytis joined DAB Foundation and B&S Holding GmbH where he held various executive positions, including: General Manager and Chairman of the Board at Forum Palace, one of the largest business, leisure and sports centres in the Baltic states; General Manager of the Representative Office at Atlas Corporate Service; Regional Director Europe at Vision International People Group Public Limited and others.

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Since 2012 Gediminas Šiaudvytis also holds the positions of Senior Vice President at Avia Solutions Group AB and Management Board member at AviaAM Leasing AB. In 2003 Gediminas Šiaudvytis was granted an Order of Merit: Cross of Knight by H.E. President of the Republic of Lithuania Valdas Adamkus, in 2009 – medalled a Star of Labor of Lithuanian Chamber of Commerce, Industry and Crafts (for achievement in export of Švenčionių Vaistažolių Fabrikas) by H.E. President of Lithuania Dalia Grybauskaitė. Gediminas Šiaudvytis holds two Master Degrees – one in Management which he gained at Kingston University (with distinction), and another in German Philology and Literature, gained at Vilnius University. Gediminas Šiaudvytis does not participate in the capital of any legal entities.

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 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 2012, 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 Chief Executive Officer at AviaAM Leasing AB, a global aviation company engaged in the aircraft leasing and management business. Tadas Goberis obtained a bachelor's degree in Business Management at Vilnius Gediminas Technical University. Tadas Goberis does not participate in the capital of any legal entities. Apart from holding 147,239 Shares in the Company (0.34% of all the Shares) Tadas Goberis does not participate in the capital of any other legal entities.

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 Gruzdiene	Chief Financier	20 May 2009	Indefinite

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

Laima Gruzdiene. Laima Gruzdiene 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 Gruzdiene joined Fauga UAB, the joint Lithuanian-Norwegian production, trading and services companies group, as a Chief Financier. Laima Gruzdiene 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 Gruzdiene obtained her bachelor’s and master’s degrees in economics at Vilnius University. Laima Gruzdiene does not participate in the capital of any legal entities.

Information about Tadas Goberis and Justinas Gilys is presented in paragraphs above.

Remuneration and benefits

During the six month period ended 30 June 2014 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 175 thousand (LTL 441 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 2014	
	USD	LTL
All members of the Management Board	75	190
Per member of the Management Board	15	38
All members of the Supervisory Council	7	17
Per member of the Supervisory Council	2	6
All members of the Company’s administration (General Manager, Executive Director and Chief Accountant)	168	424
Per member of the Company’s administration	56	141

In addition to the amounts indicated above, the royalties in the total amount of USD 71 thousand (LTL 180 thousand) were paid by the Company in May 2014 to the members of the Management Board (USD 14 thousand (LTL 36 thousand) per member of the Management Board in average) pursuant to the decision of the Annual General Meeting of Shareholders as of 30 April 2014.

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.

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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 a corporate governance code, which is the Code of Best Practice for WSE Listed Companies, the most recent version being the Appendix to Resolution No.19/1307/2012 of the Exchange Supervisory Board dated 21 November 2012 (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 the following rules of the WSE Corporate Governance Code:

- Rule II.3 and Rule III.9, according to which the Supervisory Council should approve a significant transaction/agreement with a related entity at the request of the Management Board. In accordance with Lithuanian law, the Supervisory Council is not entitled to approve any decisions of the Management Board;
- Rule III.8, according to which annex I to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) council should apply to the tasks and the operation of the committees of the Supervisory Council. As at the date of this Annual Report, the Supervisory Council has not formed any committee, however due to the limited number of the Supervisory Council members the entire Supervisory Council acts as the particular committee and it aims to apply the rules indicated in the Commission Recommendation mentioned above;
- Rule IV 10, according to which the Company should enable its shareholders to participate in a general meeting using electronic communication means through real-life broadcast of General Meetings and real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting. The Company does not enable participation in the general meeting by using electronic communication means through real-life broadcast and real-time bilateral communication. However, the Company does not exclude that such means will be adopted in the future.

Furthermore, the Company does not comply with the following recommendations:

- Recommendation I.5, according to which the Company should have a remuneration policy and rules of defining the policy. The Company has not adopted such policy, since the Company's group is developing and the number of employees and members of management do not justify implementation of a complex set of rules;

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– Recommendation I.9, according to which a balanced proportion of women and men in management and supervisory functions should be ensured. As of 31 December 2013, there were no women in management bodies of the Company. However, the Company does not exclude that this recommendation will be implemented in the future;

– Recommendation I.12, according to which the Company should enable its shareholders to exercise the voting right during a general meeting either in person or through a proxy, outside the venue of the general meeting, using electronic communication means. Currently, the Company does not envisage possibility to enable its shareholders to exercise the voting right during a general meeting outside the venue of the general meeting, using electronic communication means. However, the Company does not exclude that relevant solutions will be introduced in the future.

Publicly announced information

During the six month period ended 30 June 2014 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
AviaAM Leasing aircraft deliveries in December 2013	Investor news	7 January 2014
AviaAM Leasing delivers Boeing 737-300 for lease	Investor news	8 January 2014
Consolidated Condensed Interim Financial Information for the Twelve Month Period Ended 31 December 2013 (Unaudited)	Interim information	14 February 2014
AviaAM Leasing AB – The Management Board Convokes Shareholders' Meeting and Proposes to pay 0.20 Litas Dividend per Share	Notification on material event	8 April 2014
Notice on Annual General Meeting of Shareholders of AviaAM Leasing AB	Notification on material event	8 April 2014
AviaAM Leasing AB – The Supervisory Council Proposes to pay Royalties to the Management Board Members and amend the draft Decisions accordingly	Notification on material event	25 April 2014
Notice on the decisions adopted by the Ordinary General Meeting of Shareholders of AviaAM Leasing AB	Notification on material event	30 April 2014
AviaAM Leasing AB sold shares of one of its subsidiaries	Notification on material event	2 May 2014
Notice on the Procedure for the Payment of Dividends	Investor news	9 May 2014
Consolidated Condensed Interim Financial Information for the Three Month Period Ended 31 March 2014 (Unaudited)	Interim information	15 May 2014
AviaAM Leasing delivers Boeing 737-300 for lease	Investor news	28 May 2014
AviaAM Leasing delivers Boeing 737-500 for lease	Investor news	6 June 2014
AviaAM Leasing closed another two aircraft trading transactions	Investor news	1 July 2014
AviaAM Leasing accomplishes first Boeing 767-300ER trading transaction	Investor news	9 July 2014
AviaAM Leasing accomplishes Boeing 737-800 trading transaction	Investor news	23 July 2014

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, I, Tadas Goberis, General Manager of *AviaAM Leasing AB*, hereby confirm that, to the best of my knowledge, the unaudited *AviaAM Leasing AB* Consolidated Condensed Interim Financial Information for the six month period ended 30 June 2014, 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 2014 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.

General Manager
Tadas Goberis



14 August 2014