AVIAAM LEASING AB

INDEPENDENT AUDITOR'S REPORT,

FINANCIAL STATEMENTS AND

STAND-ALONE ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2012

CONTENTS Pages

Our report has been prepared in Lithuanian and English languages. In all matters of interpretation of information, views or opinions, the Lithuanian language version of our report takes precedence over the English language version.

Independent Auditor's Report

To the shareholders of AviaAM Leasing AB

Report on the financial statements

We have audited the accompanying financial statements of AviaAM Leasing AB ("the Company") set out on pages 5 to 42, which comprise the balance sheet as of 31 December 2012 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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Report on other legal and regulatory requirements

Furthermore, we have read the annual report for the year ended 31 December 2012 set out on pages 43 to 59 and have not noted any material inconsistencies between the financial information included in it and the audited financial statements for the year ended 31 December 2012.

On behalf of PricewaterhouseCoopers UAB

Rimvydas Jogėla
Partner
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania
22 July 2013

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

STATEMENT OF COMPREHENSIVE INCOME

	Note	2012 USD	2012 LTL	2011 (restated) USD	2011 (restated) LTL
Revenue	6	2,199	5,890	1,986	4,934
Interest income on loans		457	1,226	648	1,605
Depreciation and amortisation		(289)	(816)	(167)	(322)
Revaluation of aircraft	12	(172)	(454)	1,024	2,733
Aircraft maintenance expenses		(687)	(1,810)	(157)	(390)
Employee-related expenses	7	(162)	(434)	(71)	(178)
Other operating expenses	8	(528)	(1,418)	(360)	(896)
Operating profit		**818**	**2,184**	**2,903**	**7,486**
Finance income	9	3,677	9,806	2	5
Finance costs	9	(177)	(476)	(1,861)	(4,605)
Finance costs – net		**3,500**	**9,330**	**(1,859)**	**(4,600)**
Profit (loss) before income tax		**4,318**	**11,514**	**1,044**	**2,886**
Income tax	10	(91)	(235)	(216)	(577)
Profit (loss) for the year		**4,227**	**11,279**	**828**	**2,309**
Other comprehensive income (costs)					
Currency translation differences on translation to presentation currency		-	(808)	-	2,602
Total other comprehensive income (costs)		**-**	**(808)**	**-**	**2,602**
Total comprehensive income		**4,227**	**10,471**	**828**	**4,911**
Basic and diluted earnings (loss) per share (USD/LTL)	11	0.14	0.38	0.07	0.20

The notes on pages 9 to 42 are an integral part of these financial statements.

The financial statements on pages 5 to 42 have been approved by the General Manager as at 2013 and signed by the General Manager.

Tadas Goberis
General Manager

Laima Gruzdienė
Chief Financier

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

BALANCE SHEET

	Note	31 December 2012		31 December 2011 (restated)		31 December 2010 (restated)	
		USD	LTL	USD	LTL	USD	LTL
ASSETS							
Non-current assets							
Property, plant and equipment	12	1,953	5,089	1,907	5,090	1.048	2,735
Investments in associates and jointly controlled entities	13	2,032	5,068	2,032	5,068	109	285
Trade and other receivables	14	8,013	20,881	9,224	24,622	12,745	33,263
Deferred income tax assets	20	217	565	71	190	287	750
		12,215	**31,603**	**13,234**	**34,970**	**14,189**	**37,033**
Current assets							
Inventory		92	240	-	-	-	-
Trade and other receivables	14	4,168	10,859	1,395	3,724	1,821	4,754
Cash and cash equivalents	15	302	787	902	2,408	12	32
		4,562	**11,886**	**2,297**	**6,132**	**1,833**	**4,786**
Total assets		**16,777**	**43,489**	**15,531**	**41,102**	**16,022**	**41,819**
EQUITY							
Equity attributable to the Company's equity shareholders							
Share capital	16	12,232	29,448	12,232	29,448	38	100
Legal reserve	16	1,130	2,945	-	-	-	-
Cumulative translation reserve	16	-	1,412	-	2,220	-	(383)
Retained earnings		(530)	(596)	(1,655)	(3,790)	(2,483)	(6,098)
Total equity		**12,832**	**33,209**	**10,577**	**27,878**	**(2,445)**	**(6,381)**
LIABILITIES							
Non-current liabilities							
Borrowings	17	-	-	613	1,636	11,282	29,446
Security deposits received	19	-	-	200	534	200	522
		-	**-**	**813**	**2,170**	**11,482**	**29,968**
Current liabilities							
Borrowings	17	636	1,657	3,847	10,268	6,790	17,720
Trade and other payables	18	3,072	8,006	294	786	55	147
Advances received	18	-	-	-	-	140	365
Current income tax liabilities		237	617	-	-	-	-
		3,945	**10,280**	**4,141**	**11,054**	**6,985**	**18,232**
Total liabilities		**3,945**	**10,280**	**4,954**	**13,224**	**18,467**	**48,200**
Total equity and liabilities		**16,777**	**43,489**	**15,531**	**41,102**	**16,022**	**41,819**

The notes on pages 9 to 42 are an integral part of these financial statements.

Tadas Goberis
General Manager

Laima Gruzdienė
Chief Financier

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

STATEMENT OF CHANGES IN EQUITY

USD	Note	Share capital	Legal reserve	Retained earnings	Total equity
Balance at 1 January 2011		**38**	**-**	**(831)**	**(793)**
Effect of changes in accounting policies		-	-	(1,652)	(1,652)
Balance at 1 January 2011 (restated)		**38**	**-**	**(2,483)**	**(2,445)**
Comprehensive income					
Profit for the year		-	-	828	828
Total comprehensive income		**-**	**-**	**828**	**828**
Transactions with owners					
Increase of share capital of the Company	16	12,194	-	-	12,194
Total transactions with owners		**12,194**	**-**	**-**	**12,194**
Balance at 31 December 2011// 1 January 2012		**12,232**	**-**	**(1,655)**	**10,577**
Comprehensive income					
Profit for the year		-	-	4,227	4,227
Total comprehensive income		**-**	**-**	**4,227**	**4,227**
Transactions with owners					
Transfer to reserves		-	1,130	(1,130)	-
Dividends	16	-	-	(1,972)	(1,972)
Total transactions with owners		**-**	**1,130**	**(3,102)**	**(1,972)**
Balance at 31 December 2012		**12,232**	**1,130**	**(530)**	**12,832**

The notes on pages 9 to 42 are an integral part of these financial statements.

Tadas Goberis
General Manager

Laima Gruzdienė
Chief Financier

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

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

LTL	Note	Share capital	Legal reserve	Cumulative translation reserve	Retained earnings	Total equity
Balance at 1 January 2011		**100**	**-**	**(55)**	**(2,114)**	**(2,069)**
Effect of changes in accounting policies		-	-	(328)	(3,984)	(4,312)
Balance 1 January 2011 (restated)		**100**	**-**	**(383)**	**(6,098)**	**(6,381)**
Comprehensive income						
Profit for the year		-	-	-	2,309	2,309
Currency translation differences		-	-	2,603	(1)	2,602
Total comprehensive income for the year		**-**	**-**	**2,603**	**2,308**	**4,911**
Transactions with owners						
Increase of share capital of the Company	16	29,348	-	-	-	29,348
Distribution to owners		-	-	-	-	-
Total transactions with owners		**29,348**	**-**	**-**	**-**	**29,348**
Balance at 31 December 2011/ 1 January 2012		**29,448**	**-**	**2,220**	**(3,790)**	**27,878**
Comprehensive income						
Profit for the year		-	-	-	11,279	11,279
Currency translation differences		-	-	(808)		(808)
Total comprehensive income for the year		**-**	**-**	**(808)**	**11,279**	**10,471**
Transactions with owners						
Transfer to reserves		-	2,945	-	(2,945)	-
Dividends	16	-	-	-	(5,140)	(5,140)
Total transactions with owners		**-**	**2,945**	**-**	**(8,085)**	**(5,140)**
Balance at 31 December 2012		**29,448**	**2,945**	**1,412**	**(596)**	**33,209**

The notes on pages 9 to 42 are an integral part of these financial statements.

Tadas Goberis
General Manager

Laima Gruzdienė
Chief Financier

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

STATEMENT OF CASH FLOW

	Note	2012 USD	2012 LTL	2011 (restated) USD	2011 (restated) LTL
Operating activities					
Profit (loss) before income tax		4,318	11,514	1,044	2,886
Adjustments for:					
Depreciation and amortisation		289	816	167	322
Finance income (costs) – net		(3,903)	(10,355)	1,043	2,585
Change in fair value of fixed assets		172	454	(1,024)	(2,733)
Changes in working capital:					
Trade and other receivables		(1,038)	(2,872)	(151)	(374)
Trade and other payables		805	2,164	244	606
Security deposits and advances received		-	-	(140)	(348)
Inventory		(92)	(247)	-	-
Cash generated from operations		**551**	**1,474**	**1,183**	**2,944**
Interest paid		(168)	(453)	(224)	(557)
Income tax paid		-	-	-	-
Net cash generated from (used in) operating activities		**383**	**1,021**	**959**	**2,387**
Investing activities					
Purchase of property, plant and equipment and intangible assets		(3)	(8)	(2)	(6)
Acquisition of subsidiaries		-	-	(12)	(30)
Loans granted		-	-	(3,308)	(8,210)
Loans repaid		2,832	7,608	1,907	4,733
Interest received		20	54	25	62
Net cash used in investing activities		**2,849**	**7,654**	**(1,390)**	**(3,451)**
Financing activities					
Proceeds from issuance of ordinary shares		-	-	-	-
Borrowings received		-	-	4,476	11,109
Repayment of borrowings		(3,832)	(10,296)	(3,155)	(7,831)
Net cash generated from (used in) financing activities		**(3,832)**	**(10,296)**	**1,321**	**3,278**
Increase in cash and cash equivalents		**(600)**	**(1,621)**	**890**	**2,214**
Movement in cash and cash equivalents					
At beginning of year		902	2,408	12	32
Increase in cash and cash equivalents		(600)	(1,621)	890	2,214
Foreign translation differences		-	-	-	162
At end of the year	15	**302**	**787**	**902**	**2,408**

The notes on pages 9 to 42 are an integral part of these financial statements.

Tadas Goberis
General Manager

Laima Gruzdienė
Chief Financier

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

NOTES TO THE FINANCIAL STATEMENTS

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 31 December 2012 and 31 December 2011 was as follows:

	Number of shares	**%**
ZIA Valda Cyprus Leasing Ltd.	17,608,682	59.80
Mesotania Holdings Ltd.	11,739,121	39.86
ŽIA Valda AB	60,000	0.20
Indeco: Investment and Development UAB	40,000	0.14
Total	**29,447,803**	**100.00**

As at 31 December 2012 the share capital of the Company amounted to LTL 29,447,803 and consisted of 29,447,803 ordinary registered shares with a nominal value of LTL 1 each. On 10 August 2011 share capital of the Company has been increased from LTL 100,000 to LTL 29,447,803 by issuing 29,347,803 additional shares with par value of LTL 1 each which were acquired by ZIA Valda Cyprus Leasing Ltd. and Mesotania Holdings Ltd.

The principal activity of the Company is management of its subsidiaries and aircraft leasing. The principal activity of all subsidiaries of the Company is operating leasing, management and trading of mid-life narrowbody and regional jet aircraft. As of 31 December 2012 and 31 December 2011 the Company owned 1 Boeing 737-300 aircraft.

As at 31 December 2012 the number of full-time staff employed by the Company amounted to 7 (31 December 2011 – 6).

The parent of the Company is ZIA Valda Cyprus Leasing Ltd. and the ultimate parent of the Company is ŽIA Valda AB (referred to as *the Ultimate Parent*). The ultimate controlling party of the Company is Mr. Gediminas Žiemelis.

The shareholders of the Company have a statutory right to approve these financial statements or not to approve them and to require preparation of another set of financial statements.

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

1 General information (continued)

The subsidiaries of the Company are indicated below:

The Group's companies	Country of establishment	Share of equity at 31 December, % 2012	2011	Date of acquiring (establishment) / activity / address of establishment
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	100	Date of acquiring: 22 January 2010 / Aircraft leasing / Smolensko g. 10, 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
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

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

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Changes in accounting policy have been disclosed in Note 5.

2.1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). References to IFRS hereafter should be construed as references to IFRS as adopted by the EU.

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

The 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.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2.1.2 Changes in accounting policy and disclosures

(a) New and amended standards and interpretations adopted by the Company

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the Company.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:

IFRS 10, Consolidated Financial Statements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces all of the guidance on control and consolidation in IAS 27 “Consolidated and separate financial statements” and SIC-12 “Consolidation - special purpose entities”.

IFRS 11, Joint Arrangements, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces IAS 31 “Interests in Joint Ventures” and SIC-13 “Jointly Controlled Entities—Non-Monetary Contributions by Ventures”. Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures.

Amendments to IAS 1, Presentation of Financial Statements (issued June 2011, effective for annual periods beginning on or after 1 July 2012), changes the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future.

The Company is currently evaluating the impact of these new standards.

2.2 Investments in subsidiaries in stand-alone financial statements

In the stand-alone financial statements investments in subsidiaries are stated at cost less impairment, if any.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is the US Dollar (USD) as a significant proportion of their business is conducted in the US Dollars and management uses the information prepared in USD to manage business risks and exposures and to measure performance of the business.

The financial statements are presented in US dollars, which is the functional currency of the Company, and, due to the requirements of the laws of the Republic of Lithuania, also in Lithuanian Litas (LTL) which is the Company's second presentation currency.

From 2 February 2002 the exchange rate of the Litas has been pegged to the euro at a rate of LTL 3,4528 = EUR As at 31 December 2012 the exchange rate of US Dollar to Lithuanian Litas was USD 1 = LTL 2,606 (2011: USD 1 = LTL 2,6694 2010: USD 1 = LTL 2,6099).

The results and financial position of the Company are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average monthly exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting exchange differences are recognised in other comprehensive income.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2.4 Property, plant and equipment

Property, plant and equipment comprise aircraft, aircraft under preparation for use and other tangible fixed assets. In 2012 the accounting policy for aircraft was changed from historical cost to revalued amounts (see note 5).

Aircraft are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made at the end of each reporting period. The market value of the aircraft is obtained from reports prepared by external valuators holding a recognised and appropriate professional qualification in valuation of similar category assets (note 4(a)). The fair value measurement of aircraft is performed at each reporting date, and changes in the fair value are accounted as follows.

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

2.4 Property, plant and equipment (continued)

If an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss. However, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

The revaluation surplus included in equity in respect of an aircraft is transferred directly to retained earnings when the asset is derecognised.

Aircraft classified as aircraft under preparation for use are reclassified to aircraft group when they are ready for their intended use.

Depreciation of aircraft is calculated using the component-based approach by writing off the cost of assets to their residual values based on their expected use or over their estimated useful life as follows:

D-Check (Airframe Heavy Maintenance Visit)	24,000 flight hours
Engines Shop Visits based on Engine Life Limited Parts	23,000 cycles
Airframe	7 years

Other tangible fixed assets are measured at cost less depreciation and impairment losses. Depreciation of other tangible fixed assets is calculated using the straight-line method to write off the cost of assets to their residual values over their estimated useful life as follows:

Other tangible fixed assets	3 – 6 years

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within ‘Other (losses)/gains – net’ in the income statement.

2.5 Intangible assets

Intangible assets expected to provide economic benefit to the Company in future periods are valued at acquisition cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on the straight-line method over estimated benefit period as follows:

Computer software	3 years

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

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

2.6 Impairment of non-financial assets

Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Financial assets

The Company classifies its financial assets into the following measurement categories: loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. During all the periods presented the Company has not held any financial assets in available-for-sale or at fair value through profit or loss categories.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the loans and receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

2.8 Inventory

Inventory consists of aircraft and aircraft components acquired which carrying amount is to be recovered through a sale transaction. Inventory is stated at the lower of cost and net realisable value.

2.9 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.10 Share capital

Ordinary shares are stated at their par value and classified as equity.

2.11 Trade payables and security deposits

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable and security deposits are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables and security deposits are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Fair value of the security deposit at initial recognition is determined by discounting the nominal amount of cash received using the market interest rate.

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

2.12 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.13 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.14 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Profit is taxable at a rate of 15% (2011:15) in accordance with Lithuanian regulatory legislation on taxation.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.15 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Company’s activities, as described below.

(a) Sales of services

Revenue of the Company consists of lease revenue, supplemental maintenance rent from aircraft leases and other operational revenue.

As a lessor, the Company leases aircraft under operating leases and reports rental income on a linear basis over the life of the lease as it is earned. All aircraft lease agreements provide for the payment of a fixed, periodic amount of lease rentals.

In addition to lease revenue the Company receives supplemental maintenance rent from aircraft leases, based on the utilization of airframes, engines and other major life-limited components, and which is recognised into income over the lease term based on a measure of utilization of the leased aircraft.

(b) Sales of aircraft

Revenue from sale of aircraft is recognised when aircraft is delivered and all risks and benefits from disposal of aircraft is passed to the customer.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2.16 Leases – where the Company is the lessor

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Finance lease

Leases of property, plant and equipment where the lessee has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease’s commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in long-term payables except for instalments due within 12 months which are included in current liabilities

Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

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

2.17 Employee benefits

Social security contributions

The Company pays social security contributions to the state Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Company pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. The social security contributions are recognised as an expense on an accrual basis and are included within employee related expenses.

2.18 Earnings (loss) per share

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

3 Financial risk management

3.1 Financial risk factors

The Company’s activities expose it to a variety of financial risks: market risk (including currency risk), credit risk, liquidity risk. The Company’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 Company.

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.

Market risk

(i) Foreign exchange risk

		2012		2011
	USD	**LTL**	**USD**	**LTL**
Reasonably possible change of LTL to USD in per cent		2.30%		2.30%
Financial assets denominated in LTL	8,145	21,226	9,347	24,950
Financial liabilities denominated in LTL	303	789	961	2,565
Projected effect on profit	**180**	**470**	**193**	**515**

The Company operates internationally and is exposed to foreign exchange risk arising from the Company’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 Company’s functional currency.

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

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

3 Financial risk management (continued)

Credit risk

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. Company 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.

(i) Concentration risk

Risk of credit concentration is determined by the Company in relation to industry in which Company debtors operate. Concentration of credit risk of the Company arises from loans granted and receivables from related parties, trade receivables. Only material credit risk concentration is with debtors operating in aviation business. See the table below for concentration risk analysis.

		2012		2011
	USD	**LTL**	**USD**	**LTL**
Trade and other receivables from customers in aviation business	8,444	22,005	10,467	27,941

(ii) Maximum exposure of credit risk

The table below summarises all credit risk exposures relating to on-balance sheet items of the Company. Maximum exposure to credit risk before collateral held or other credit enhancements:

		2012		2011
	USD	**LTL**	**USD**	**LTL**
Loans granted	7,887	20,554	10,133	27,049
Trade receivables	557	1,451	334	893
Other receivables	156	403	151	403
Cash and cash equivalents	302	787	902	2,408
	8,902	**23,195**	**11,520**	**3,753**

(iii) Financial assets neither past due nor impaired - credit quality of financial assets

(a) Trade receivables (trade customers without external credit rating)

		2012		2011
	USD	**LTL**	**USD**	**LTL**
Group 1 – new customers (less than 6 months)	-	-	-	-
Group 2 – old customers (more than 6 months)	557	1,451	422	1,128
	557	**1,451**	**422**	**1,128**

The group o*ld customers* consist of customers with proven credit history and low risk of default.

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

3 Financial risk management (continued)

(b) Cash and cash equivalents in banks (assessed in accordance with long – term borrowing ratings*)

	2012		2011	
	USD	**LTL**	**USD**	**LTL**
A+	302	787	768	2,050
Other	-	-	134	358
	302	**787**	**902**	**2,408**

* - External long term borrowings ratings set by international agency FitchRatings as at March 2012.

(c) Loans granted

All loans are granted to the related parties which are closely monitored by the management of the Company and therefore considered as low default risk.

(iv) Financial assets past due but not impaired

	2012		2011	
	USD	**LTL**	**USD**	**LTL**
Past due up to 3 months	-	-	63	168
Past due 4-6 months	-	-	-	-
Past due for more than 6 months	-	-	-	-
	-	**-**	**63**	**168**

(v) Impaired financial assets

(a) Trade and other receivables impaired

	2012		2011	
	USD	**LTL**	**USD**	**LTL**
Impaired trade and other receivables – gross amount	29	75	28	75
Less: impairment of receivables	(29)	(75)	(28)	(75)
Impaired trade and other receivables – net amount	**-**	**-**	**-**	**-**

Trade receivables that are less than six months past overdue are not considered impaired. The impairment of overdue trade receivables is performed going individually through the customers list and assessing the expectation of recovery.

The cost of establishment of provision for impaired receivables has been included in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash and all appropriate documentation according to the legislations were collected.

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

3 Financial risk management (continued)

Movement on provisions for impairment of trade and other receivables

	2012		2011	
	USD	**LTL**	**USD**	**LTL**
At 1 January	28	75	-	-
Exchange rate difference	1	-	-	-
Provision for trade receivables impairment	-	-	27	75
Receivables written off during the year as uncollectible	-	-	-	-
At 31 December	**29**	**75**	**28**	**75**

Liquidity risk

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 Company's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these. The table below analyses the Company's financial liabilities into relevant maturity groupings based on remaining period at the balance sheet to the contractual maturity date.

The amounts disclosed in the table below are the contractual undiscounted cash flows.

USD	**Less than 1 year**	**Between 1 and 2 years**	**Over 2 years**
At 31 December 2012			
Borrowings from related parties	23	-	-
Borrowings from banks	613	-	-
Security deposits received	-	-	-
Lease liabilities	-	-	-
Trade and other payables	3,072	-	-
	3,708	**-**	**-**
At 31 December 2011			
Borrowings from related parties	3,170	-	-
Borrowings from banks	762	643	-
Security deposits received	200	-	-
Lease liabilities	-	-	-
Trade and other payables	294	-	-
	4,426	**643**	**-**

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

3 Financial risk management (continued)

LTL	Less than 1 year	Between 1 and 2 years	Over 2 years
At 31 December 2012			
Borrowings from related parties	60	-	-
Borrowings from banks	1,597	-	-
Security deposits received	-	-	-
Lease liabilities	-	-	-
Trade and other payables	8,006	-	-
	9,663	**-**	**-**
At 31 December 2011			
Borrowings from related parties	8,462	-	-
Borrowings from banks	2,033	1,715	-
Security deposits received	534	-	-
Lease liabilities	-	-	-
Trade and other payables	786	-	-
	11,815	**1,715**	**-**

3.2 Capital risk management

The Company’s objectives when managing capital are to safeguard the Company’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 Company 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 Company 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.

As at 31 December the Company’s capital structure was as follows:

	2012		2011	
	USD	LTL	USD	LTL
Borrowings	636	1,657	4,460	11,904
Less: cash and cash equivalents	(302)	(787)	(902)	(2,408)
Net debt	334	870	3,558	9,496
Total equity	12,832	33,209	10,577	27,878
Total capital	**13,166**	**34,079**	**14,135**	**37,374**
Gearing ratio	3%		26%	

Pursuant to the Lithuanian Law on Companies the authorised share capital of a public limited liability company and private limited liability company must be not less than LTL 150,000 and LTL 10,000 respectively and the equity capital of the company may not be less than 1/2 of the authorised capital indicated in the Articles of Association. As of 31 December 2012 the Company complied with these requirements.

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

3 Financial risk management (continued)

3.3 Fair value estimation

The fair value of financial assets and financial liabilities for the disclosure purposes is estimated by discounting the cash flows from each class of financial assets or financial liabilities.

The carrying value less impairment losses of trade receivables and carrying value of payables are assumed to approximate their fair value. The carrying value of borrowings issued at variable rates approximate their fair value because reprising dates of the borrowings interest rates are short (up to 6 months) and banks’ margins have not changed materially since the loans were obtained.

Fair value of loans granted to related parties approximate the book value because interest rates applied are similar to the market interest rates at balance sheet dates.

4 Critical accounting estimates

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

(a) Fair value

Aircraft are carried at revalued amounts being fair value at the end of each reporting period. Fair value measurements as at 31 December 2009, 31 December 2010, 31 December 2011, 31 December 2012 were performed by an independent appraiser Ascend: A Flightglobal Advisory Service. The valuation was performed in line with the requirements of the International Valuation Standards.

Each value determined by Ascend is intended to reflect what might have been expected from the result of an 'arm’s-length, single sale transaction' conducted in an orderly manner between a 'willing buyer and willing seller', with the aircraft free of any lease or charge. Basis of fair value is comparable sales transactions in the aircraft sales market.

In order to obtain fair values of the aircraft possessed by the Company the valuation was performed using two step approach. Firstly, Ascend has obtained market transactions data related to the same types of aircraft as the Company have and using the data on the conditions of the subject aircraft produced “Half-Life” values for each one at each valuation date. The term “Half-Life” refers to the airframe, engines, landing gear, APU and all major components being half way between major overhauls, inspections or performance restorations as appropriate; with engine LLPs having 50% of their certified lives remaining.

4 Critical accounting estimates (continued)

The "Half-Life" values were then adjusted to produce the fair values of each of the Company's aircraft using the data regarding the identification, specifications and maintenance status as well as accrued hours/cycles of the subject aircraft of the Company at each valuation date. The maintenance data was pertaining to the airframe, engine, landing gear and engine overhauls and engine Life Limited Parts (LLPs) remaining useful lives.

Judgment was applied when determining values of separate components of aircraft for depreciation calculation purposes.

Any changes in these assumptions could result in significant changes in the value of aircraft and could have a significant impact on the financial statements.

(b) Related-party transactions

In the normal course of business the Company enters into transactions with their related parties. These transactions are priced predominantly at market rates. Judgement is applied in determining if transactions are priced at market or non-market rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties.

(c) Income taxes

Tax contingencies and uncertain tax positions. Lithuanian tax legislation which was enacted or substantively enacted at the end of the reporting period may be subject to varying interpretations. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by relevant authorities. Fiscal periods remain open to review by the authorities in respect of taxes for calendar years preceding the year of review. Management is not aware of any circumstances that could lead to significant tax charges and penalties in the future that have not been provided for or disclosed in these financial statements. The Company's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognized based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

5 Change in accounting policy

In previous periods the Company has accounted for aircraft at their historical cost less accumulated depreciation and any accumulated impairment loss. Historical cost included expenditure that is directly attributable to the acquisition of the items. In 2012 the Company has changed its accounting policy on aircraft and started accounting it at revaluated amounts. This change in accounting policy was adopted on a retrospective basis from 1 January 2011. Change in the accounting policy resulted in decrease in the book value of the aircraft in all the previous periods due to the reason that market value of the aircraft was below its value in use under cost model – see additional information in Note 12.

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

5 Change in accounting policy (Continued)

Information about the effect of changes in accounting policy on the comparative financial information as at 31 December 2011, 31 December 2010 is given in the table below:

USD	Amount before adjustment		Adjustment		Amount after adjustment	
	2011	2010	2011	2010	2011	2010
Balance sheet line items						
Property, plant and equipment	2,567	3,351	(660)	(2,303)	1,907	1,048
Deferred income tax assets (liabilities)	(12)	(364)	83	651	71	287
Retained earnings	(1,078)	(831)	(577)	(1,652)	(1,655)	(2,483)
			-	**-**		
Profit/loss line items						
Depreciation and amortization	(786)	-	619	-	(167)	-
Revaluation of aircraft	-	-	1,024	-	1,024	-
Income tax	352	-	(568)	-	(216)	-
			1,075	**-**		

LTL	Amount before adjustment		Adjustment		Amount after adjustment	
	2011	2010	2011	2010	2011	2010
Balance sheet line items						
Property, plant and equipment	6,852	8,746	(1,762)	(6,011)	5,090	2,735
Deferred income tax assets (liabilities)	(30)	(949)	220	1,699	190	750
Retained earnings	(2,642)	(2,114)	(1,148)	(3,984)	(3,790)	(6,098)
Cumulative translation reserve	2,614	(55)	(394)	(328)	2,220	(383)
			-	**-**		
Profit/loss line items						
Depreciation and amortization	(1,942)	-	1,620	-	(322)	-
Revaluation of aircraft	-	-	2,733	-	2,733	-
Income tax	940	-	(1,517)	-	(577)	-
			2,836	**-**		
Other comprehensive income items						
Currency translation differences on translation to presentation currency	2,669	-	66	-	2,603	-
			66	**-**		

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

6 Revenue

		2012		2011
	USD	LTL	USD	LTL
Lease revenue	1,190	3,176	840	2,085
Supplemental maintenance rent	952	2,565	1,072	2,657
Other income	57	149	74	192
	2,199	**5,890**	**1,986**	**4,934**

The future aggregate minimum lease revenue (not including supplemental maintenance rent) under operating leases is as follows:

		2012		2011
	USD	LTL	USD	LTL
Not later than 1 year	-	-	735	1,824
Later than 1 year but not later than 5 years	-	-	-	-
Later than 5 years	-	-	-	-
	-	**-**	**735**	**1,824**

The chief operating decision maker of the Company has been identified as the General Manager, which is responsible for allocating resources and assessing performance of the Company. The General Manager has determined that the activities of the Company form a single operating segment – aircraft leasing and trading. 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 10 per cent of total sales revenue of that segment in any of the years):

		2012		2011
Lease and sale customers	USD	LTL	USD	LTL
Customer A	1,687	4,543	1,912	4,742
Customer B	455	1,198	-	-
	2,142	**5,741**	**1,912**	**4,742**

The segment’s aircraft lease and sales revenue according to geographical location (based on the residence of customers):

		2012		2011
Country	USD	LTL	USD	LTL
Kazakhstan	1,687	4,543	1,912	4,742
Lithuania	455	1,198	-	-
	2,142	**5,741**	**1,912**	**4,742**

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

6 Revenue (continued)

The segment’s non-current assets (aircraft on leases) according to geographical location (based on the residence of lessee’s):

		2012		2011
Country	**USD**	**LTL**	**USD**	**LTL**
Kazakhstan	1,949	5,078	1,905	5,084
	1,949	**5,078**	**1,905**	**5,084**

7 Employee related expenses

		2012		2011
	USD	**LTL**	**USD**	**LTL**
Salaries	121	326	51	127
Social insurance expenses	41	108	20	51
	162	**434**	**71**	**178**

8 Other operating expenses

		2012		2011
	USD	**LTL**	**USD**	**LTL**
Management services	67	181	36	89
Legal and translation expenses	131	351	160	394
Audit and accounting expenses	19	48	45	114
Impairment of receivables and prepayments	-	-	71	177
Marketing expenses	126	336	5	12
Insurance expenses	30	81	-	-
Travelling expenses	44	117	5	13
Other operating expenses	111	304	38	97
	528	**1,418**	**360**	**896**

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

9 Finance costs – net

		2012		2011
	USD	LTL	USD	LTL
Discounting of security deposits received	-	-	2	5
Dividends	3,474	9,250	-	-
Foreign exchange gain on financing activities	203	556	-	-
Finance income	**3,677**	**9,806**	**2**	**5**
Interest expenses	(176)	(474)	(573)	(1,420)
Foreign exchange loss on financing activities	-	-	(1,178)	(2,921)
Loss on disposal of investments	-	-	(110)	(264)
Other finance costs	(1)	(2)	-	-
Finance costs	**(177)**	**(476)**	**(1,861)**	**(4,605)**
Finance income (costs) – net	**3,500**	**9,330**	**(1,859)**	**(4,600)**

10 Income tax

		2012		2011 (restated)
	USD	LTL	USD	LTL
Current tax	(237)	(624)	-	-
Deferred tax	146	389	(216)	(577)
Total income tax expenses/(benefit)	**(91)**	**(235)**	**(216)**	**(577)**

The tax on the Company’s profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Company as follows:

		2012		2011 (restated)
	USD	LTL	USD	LTL
Profit (loss) before tax	**4,318**	**11,514**	**1,044**	**2,886**
Tax calculated at a tax rate of 15%	648	1,727	157	433
Tax effects of:				
- Expenses non-deductible for tax purposes	1	4	27	66
- Non-taxable incomes	(516)	(1,387)	-	-
- Deferred tax assets not recognised	-	-	-	-
- Effect of changes of tax rate	-	-	-	-
- Impact of foreign exchange differences	(42)	(109)	32	78
- Other eliminations	-	-	-	-
Total income tax expenses/(benefit)	**91**	**235**	**216**	**577**

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

11 Earnings (loss) per share

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

		2012		2011
	USD	LTL	USD	LTL
Net profit (loss) attributable to shareholders	4,227	11,279	828	2,309
Weighted average number of ordinary shares issued	29,448		11,598	
Basic earnings (loss) per share (USD/LTL)	**0.14**	**0.38**	**0.07**	**0.20**

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

12 Property, plant and equipment

USD	Aircraft	Other tangible fixed assets	Total
Opening net book amount as at 1 January 2011 (restated)	**1,048**	**-**	**1,048**
Additions	-	3	**3**
Depreciation charge	(167)	(1)	**(168)**
Revaluation surplus	1,024	-	**1,024**
Revaluation loss	-	-	**-**
Closing net book amount as at 31 December 2011 (restated)	**1,905**	**2**	**1,907**
At 31 December 2011			
Cost or valuation	1,905	3	**1,908**
Accumulated depreciation	-	(1)	**(1)**
Net book amount (restated)	**1,905**	**2**	**1,907**
Opening net book amount as at 1 January 2012	**1,905**	**2**	**1,907**
Additions	505	3	**508**
Disposals	-	-	**-**
Reclassifications	-	-	**-**
Depreciation charge	(289)	(1)	**(290)**
Revaluation surplus	-	-	-
Revaluation loss	(172)	-	(172)
Closing net book amount as at 31 December 2012	**1,949**	**4**	**1,953**
At 31 December 2012			
Cost or valuation	1,949	5	**1,954**
Accumulated depreciation	-	(1)	**(1)**
Net book amount	**1,949**	**4**	**1,953**

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

12 Property, plant and equipment (continued)

Aircraft are carried at revalued amounts being fair value at the end of each reporting period. Fair value measurements as at 31 December 2010, 31 December 2011, 31 December 2012 (Note 4).

LTL	Aircraft	Other tangible fixed assets	Total
Opening net book amount as at 1 January 2011 (restated)	**2,735**	**-**	**2,735**
Additions	-	7	**7**
Depreciation charge	(322)	(1)	**(323)**
Revaluation surplus	2,733	-	**2,733**
Revaluation loss	-	-	**-**
Exchange differences	(62)	-	**(62)**
Closing net book amount as at 31 December 2011 (restated)	**5,084**	**6**	**5,090**
At 31 December 2011			
Cost or valuation	5,084	7	**5,091**
Accumulated depreciation	-	(1)	**(1)**
Net book amount (restated)	**5,084**	**6**	**5,090**
Opening net book amount as at 1 January 2012 (restated)	**5,084**	**6**	**5,090**
Additions	1,358	8	**1,366**
Disposals	-	-	**-**
Reclassifications	-	-	**-**
Depreciation charge	(816)	(3)	**(819)**
Revaluation surplus	-	-	**-**
Revaluation loss	(454)	-	**(454)**
Exchange differences	(94)	-	**(94)**
Closing net book amount as at 31 December 2012	**5,078**	**11**	**5,089**
At 31 December 2012			
Cost or valuation	5,078	15	**5,093**
Accumulated depreciation	-	(4)	**(4)**
Net book amount (restated)	**5,078**	**11**	**5,089**

Split of recognised revaluation in profit/loss		**2012**		**2011 (restated)**
	USD	**LTL**	**USD**	**LTL**
Revaluation loss recognized	(172)	(454)	-	-
Revaluation loss reversed	-	-	1,024	2,733
Revaluation of aircraft	**(172)**	**(454)**	**1,024**	**2,733**

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

12 Property, plant and equipment (continued)

If aircraft were stated on the historical cost basis, the amounts would be as follows:

		2012		2011
	USD	LTL	USD	LTL
Cost	4,499	11,726	3,994	10,662
Accumulated depreciation	(2,236)	(5,827)	(1,429)	(3,815)
Net book amount	**2,263**	**5,899**	**2,565**	**6,847**

Due to identified impairment indicators, the Company has performed impairment tests for its aircraft using the value in use method based on discounted future cash flows at 31 December 2010 and 2011. Lease agreements with clients were signed during 2007 – 2008 when aviation market was on peak, with lease rates slightly above market values and fixing them for 5 – 6 years. During the economic crisis in 2009 - 2010, when aviation market shrank and lease rates or market values for aircraft decreased, the Company didn't change contracts with their clients and continuously generated high cash flows from aircraft rent, therefore aircraft value in use has not changed in line with the market conditions. As a result, recoverable amount of aircraft fleet of the Company calculated applying discounted future cash flows method was not lower than the book value.

Aircraft were pledged to the banks as collateral for borrowings (Note 17). Carrying amounts of pledged aircraft as at 31 December:

		2012		2011 (restated)
	USD	LTL	USD	LTL
Aircraft	1,949	5,078	1,905	5,084
	1,949	**5,078**	**1,905**	**5,084**

13 Investments into subsidiaries

		2012		2011
	USD	LTL	USD	LTL
AviaAM B01 UAB	4	10	4	10
AviaAM B02 UAB	4	10	4	10
AviaAM B03 UAB	1	1	1	1
AviaAM B04 UAB	2,004	5,000	2,004	5,000
AviaAM B05 UAB	4	10	4	10
AviaAM B06 UAB	4	10	4	10
AviaAM B07 UAB	4	10	4	10
AAL Capital Aircraft Holdings Ltd	7	17	7	17
	2,032	**5,068**	**2,032**	**5,068**

In 2011 the share capital of AviaAM B04 was increased from LTL 150 thousand to LTL 5,000 thousand by issuing 4,850,000 new shares which have been acquired by the Company by capitalising amounts receivable from AviaAM B04 UAB of the same amount. As a result the Company became the majority shareholder of AviaAM B04 UAB. The remainder of the shares of AviaAM B04 UAB were acquired from Dangiruva AB by the Company at the par value of LTL 1 each. As a result of the aforementioned restructuring which was completed on 28 September 2011 the Company became the sole shareholder of AviaAM B04 UAB.

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

14 Trade and other receivables

		2012		2011
	USD	LTL	USD	LTL
Trade receivables from third parties	29	75	194	519
Less: provision for impairment of trade receivables	(29)	(75)	(28)	(75)
Trade receivables from third parties – net	**-**	**-**	**166**	**444**
Receivables from related parties	557	1,451	168	449
Less: provision for impairment of trade receivables from related parties	-	-	-	-
Receivables from related parties - net (Note 23)	**557**	**1,451**	**168**	**449**
Loans granted to related parties (weighted average interest rate 5,61%) (Note 23)	**7,887**	**20,554**	**10,133**	**27,050**
Other receivables	156	403	151	403
Less: provision for impairment of other receivables	-	-	-	-
Other receivables - net	**156**	**403**	**151**	**403**
Prepayments	**17**	**44**	**-**	**-**
Dividends receivable	**3,480**	**9,069**	**-**	**-**
VAT receivables	**84**	**219**	**-**	**-**
	3,581	**9,332**	-	-
Non-current portion :	8,013	20,881	9,223	24,622
Current portion :	**4,168**	**10,859**	**1,395**	**3,724**

The nominal amounts of the trade and other receivables are denominated in the following currencies:

		2012		2011
	USD	LTL	USD	LTL
USD	4,038	10,519	1,314	3,508
LTL	8,134	21,198	9,304	24,837
GBP	9	23	-	-
	12,181	**31,740**	**10,618**	**28,345**

15 Cash and cash equivalents

Cash and cash equivalents are dominated in following currencies:

		2012		2011
	USD	LTL	USD	LTL
USD	291	758	860	2,296
LTL	11	29	42	112
Total cash and cash equivalents	**302**	**787**	**902**	**2,408**

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

16 Share capital and reserves

Share capital

As at 31 December 2012 and 31 December 2011 the share capital of the Company amounts to LTL 29,447,803 (USD 12,232 thousand) and consists of 29,447,803 ordinary registered shares with a nominal value of LTL 1 each. On 10 August 2011 share capital of the Company has been increased from LTL 100,000 (USD 38 thousand) to LTL 29,447,803 (USD 12,232 thousand) by issuing 29,347,803 additional shares with par value of LTL 1 each. All shares are fully paid up. This issue was paid-up by capitalizing the borrowings from the shareholders of the Company (refer to Note 23).

Legal reserve

The legal reserve is compulsory under the Lithuanian Law on Companies and is formed from profit to be appropriated. Annual transfers of 5 per cent of net profit are required until the reserve reaches 10 per cent of the authorised share capital. The legal reserve may be used to cover the Company's losses only. A part of the legal reserve in excess of 10 per cent of the authorised share capital may be redistributed when appropriation of profit for the following financial year is performed. Legal reserve comprises only legal reserve of the Company.

Cumulative translation reserve

Cumulative translation reserve represents accumulated foreign exchange differences arising from translation of Company's balances and results from functional currency USD to presentation currency LTL.

Dividends

In 2012 declared dividends were not yet paid as at 31 December 2012.

17 Borrowings

		2012		2011
	USD	**LTL**	**USD**	**LTL**
Non-current				
Bank borrowings	-	-	613	1,636
	-	**-**	**613**	**1,636**
Current				
Borrowings from related parties (Note 23)	23	60	3,170	8,462
Bank borrowings	613	1,597	677	1,806
	636	**1,657**	**3,847**	**10,268**
Total borrowings	**636**	**1,657**	**4,460**	**11,904**

The nominal amounts of the borrowings are denominated in the following currencies:

		2012		2011
	USD	**LTL**	**USD**	**LTL**
USD	636	1,657	3,770	10,064
LTL	-	-	690	1,840
	636	**1,657**	**4,460**	**11,904**

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

17 Borrowings (continued)

Bank borrowings mature in 2013. Borrowings are secured by the aircraft (Note 12) and guarantees provided by related parties (Note 23).

The table below analyses the Company's bank borrowings (excluding finance lease liabilities) according to relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date:

		2012		2011
	USD	LTL	USD	LTL
Less than 1 year	636	1,657	3,847	10,268
Between 1 and 5 years	-	-	613	1,636
Over 5 years	-	-	-	-
	636	**1,657**	**4,460**	**11,904**

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

	2012	2011
Borrowings from related parties	7%	7%
Bank borrowings	7%	9%

18 Trade and other payables and advances received

		2012		2011
	USD	LTL	USD	LTL
Trade and other payables – financial liabilities				
Trade payables	13	34	20	53
Trade payables to related party (Note 23)	1,045	2,723	228	609
Salaries and social security payable, including vacation accrual	20	51	17	47
Accruals	22	58	16	42
Dividends payable (Note 23)	1,972	5,140	-	-
	3,072	**8,006**	**281**	**751**
Trade and other payables – non-financial liabilities				
Other payables	-	-	13	35
	-	**-**	**13**	**35**
Total trade and other payables	**3,072**	**8,006**	**294**	**786**

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

18 Trade and other payables and advances received (continued)

The carrying amounts of the Company's trade and other payables are denominated in the following currencies:

		2012		2011
	USD	**LTL**	**USD**	**LTL**
LTL	303	789	271	725
USD	804	2,095	16	42
EUR	1,965	5,122	7	19
	3,072	**8,006**	**294**	**786**

19 Security deposits received

		2012		2011
	USD	**LTL**	**USD**	**LTL**
Security deposits repayable after one year at nominal value	-	-	200	534
Less: discounting effect	-	-	-	-
Security deposits repayable after one year	**-**	**-**	**200**	**534**
Security deposits repayable within one year	-	-	-	-
	-	**-**	**200**	**534**

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 Company's security deposits are denominated in USD.

Security deposits are not interest-bearing (Note 2.11).

20 Deferred income taxes

The movement in deferred tax assets and liabilities of the Company (prior to offsetting of balances) is as follows:

		2012		2011 (restated)
	USD	**LTL**	**USD**	**LTL**
Deferred tax assets				
At beginning of the period	416	1,110	473	1,235
Recognised through profit (loss)	(152)	(407)	(57)	(152)
Exchange rate differences		(16)	-	27
At end of year	**264**	**687**	**416**	**1,110**
Deferred tax liabilities				
At beginning of the period	**(345)**	**(920)**	(186)	(484)
Recognised through profit (loss)	298	796	(159)	(425)
Exchange rate differences		2	-	(11)
At end of year	**(47)**	**(122)**	**(345)**	**(920)**

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

20 Deferred income taxes (continued)

The analysis of deferred tax assets and deferred tax liabilities is as the follows:

	2012		2011 (restated)	
	USD	**LTL**	**USD**	**LTL**
Deferred tax assets				
Deferred tax to be recovered within 1 year	-	-	-	-
Deferred tax to be recovered after 1 year	264	687	416	1,110
Deferred tax liability				
Deferred tax to be recovered within 1 year	-	-	-	-
Deferred tax to be recovered after 1 year	(47)	(122)	(345)	(920)

Deferred income tax asset for the year is recognised to the extent that the realization of the related tax benefit through the future taxable profit is probable.

The movement in deferred tax assets and deferred tax liabilities of the Group (prior to offsetting of balances) are as follows:

USD **Deferred tax assets**	Accumulated taxable losses	Difference between tax basis and accounting basis (fair value) of aircraft (restated)	Other accrued expenses	**Total**
At 31 December 2010	**128**	**345**	**-**	**473**
Charged / (credited) to the profit or loss	51	(112)	4	(57)
At 31 December 2011	**179**	**233**	**4**	**416**
Charged / (credited) to the profit or loss	(179)	31	(4)	**(152)**
At 31 December 2012	**-**	**264**	**-**	**264**

USD **Deferred tax liabilities**	Exchange rate differences for tax purposes (depreciation)	Supple-mental rent	Other accrued expen-ses	**Total**
At 31 December 2010	**(57)**	**(118)**	**(11)**	**(186)**
Charged / (credited) to the profit or loss	(7)	(161)	9	(159)
At 31 December 2011	**(64)**	**(279)**	**(2)**	**(345)**
Charged / (credited) to the profit or loss	20	279	(1)	298
At 31 December 2012	**(44)**	**-**	**(3)**	**(47)**

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

20 Deferred income taxes (continued)

LTL **Deferred tax assets**	Accumulated taxable losses	Difference between tax basis and accounting basis (fair value) of aircraft (restated)	Other accrued expenses	**Total**
At 31 December 2010	**333**	**902**	**-**	**1,235**
Charged / (credited) to the profit or loss	136	(299)	11	(152)
Exchange rate difference	8	19	-	27
At 31 December 2011	**477**	**622**	**11**	**1,110**
Charged / (credited) to the profit or loss	(478)	82	(11)	(407)
Exchange rate difference	1	(17)	-	(16)
At 31 December 2012	**-**	**687**	**-**	**687**

LTL **Deferred tax liabilities**	Exchange rate differences for tax purposes (depreciation)	Supple-mental rent	Other accrued expenses	**Total**
At 31 December 2010	**(149)**	**(307)**	**(28)**	**(484)**
Charged / (credited) to the profit or loss	(18)	(429)	22	(425)
Exchange rate difference	(3)	(8)	-	(11)
At 31 December 2011	**(170)**	**(744)**	**(6)**	**(920)**
Charged / (credited) to the profit or loss	52	744	-	796
Exchange rate difference	3	-	(1)	2
At 31 December 2012	**(115)**	**-**	**(7)**	**(122)**

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

The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

		2012		**2011**
	USD	**LTL**	**USD**	**LTL**
Deferred tax assets	264	687	416	1,110
Deferred tax liabilities	(47)	(122)	(345)	(920)
	217	**565**	**71**	**190**

Deferred income tax asset and liability are calculated at 15% rate.

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

21 Commitments and contingencies

As at 31 December 2012 and 31 December 2011 the Company did not have any significant commitments and contingencies.

22 Financial instruments by category

Category – loans and receivables

		2012		2011
	USD	LTL	USD	LTL
Loans to related parties – net	7,887	20,554	10,133	27,050
Trade receivables and receivables from related parties – net	557	1,451	168	449
Trade receivables from third parties – net	-	-	166	444
Other receivables	156	403	151	403
Dividends receivable	3,480	9,069	-	-
Cash and cash equivalents	302	787	902	2,408
	12,382	**32,264**	**11,520**	**30,754**

Category – financial liabilities measured at amortised cost

		2012		2011
	USD	LTL	USD	LTL
Bank borrowings	613	1,597	1,289	3,442
Loans from related parties	23	60	3,132	8,362
Trade payables	13	34	20	53
Trade payables to related parties	1,045	2,723	228	609
Accruals and other payables	22	58	16	42
Security deposits received (Note 19)	-	-	200	534
	1,716	**4,472**	**4,885**	**13,042**

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

23 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 included as follows:

- Ultimate parent– ŽIA Valda AB (until 10 August 2011 also Parent);
- Parent since 10 August 2011 – ŽIA Valda Cyprus Leasing Ltd.;
- Subsidiaries of the Company;
- Other related parties – shareholder Mesotania Holdings Ltd., subsidiaries and other related parties of ŽIA Valda AB, associates and jointly controlled entities of the Group; key management of the Group and entities controlled or jointly controlled by key management personnel or their close relatives.

All major transactions and outstanding balances with other related parties relate to associate group of companies of ŽIA Valda AB.

		2012		2011
	USD	**LTL**	**USD**	**LTL**
Sales of services to:				
Subsidiaries	952	2,556	98	257
Other related parties	15	41	2	4
Total sales of assets and services	**967**	**2,597**	**100**	**261**
Purchases of services from:				
Ultimate parent	-	-	1	3
Subsidiaries	729	1,960	-	-
Other related parties	162	436	50	125
Total purchases of services	**891**	**2,396**	**51**	**128**

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

Trade and other receivables from related parties		**2012**		**2011**
	USD	**LTL**	**USD**	**LTL**
Subsidiaries	552	1,438	168	449
Dividends receivable	3,480	9,069		
Other related parties	5	13	151	403
Trade and other receivables at nominal value	4,037	10,520	319	852
Less: provision for impairment of receivables from other related parties	-	-	-	-
	4,037	**10,520**	**319**	**852**

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

23 Related party transactions (continued)

The ageing of trade and other receivables from related parties is as follows:

Trade and other receivables from related parties		**2012**		**2011**
	USD	**LTL**	**USD**	**LTL**
Of which not overdue	4,037	10,520	319	852
Overdue up to 3 months	-	-	-	-
4 to 6 months	-	-	-	-
Overdue more than 6 months	-	-	-	-
Total trade receivables from related parties	**4,037**	**10,520**	**319**	**852**

Payables to and prepayments from related parties		**2012**		**2011**
	USD	**LTL**	**USD**	**LTL**
Ultimate parent	4	10	-	-
Parent	1,179	3,072	-	-
Subsidiaries	789	2,058	-	-
Other related parties	1,045	2,723	228	609
Security deposits received	-	-	-	-
Total payables to and prepayments from related parties	**3,017**	**7,863**	228	609

*As at 31 December 2012, payables consist of dividends payable for the amount of USD 1,972 (LTL 5,140) thousand to shareholders. Payables as at the end of previous periods consist of payables for services purchased.

Loans received from other related parties		**2012**		**2011**
	USD	**LTL**	**USD**	**LTL**
Beginning of the year	**3,170**	**8,462**	**16,230**	**42,360**
Loans received during the year	-	-	7,293	19,467
Loan repayments and offset	(3,156)	(8,478)	(7,716)	(23,798)
Contributed to share capital (Note 17)	-	-	(12,194)	(29,348)
Interest on loans charged	97	261	430	1,148
Interest on loans repaid	(89)	(239)	(393)	(1,049)
Exchange rate differences	1	54	(480)	(318)
End of the year	**23**	**60**	**3,170**	**8,462**

*Loan repayments to related parties were mainly conducted as non-cash transactions by offsetting the amounts payable to with amounts receivable from related parties (Note 14)

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

23 Related party transactions (continued)

Loans granted to other related parties		**2012**		**2011**
	USD	**LTL**	**USD**	**LTL**
Beginning of the year	**10,133**	**27,050**	**14,231**	**37,142**
Loans advanced during the year	-	-	4,043	10,792
Loan repayments received and offset	(2,832)	(7,608)	(8,262)	(22,054)
Interest charged	457	1,228	601	1,604
Interest received	(20)	(54)	(197)	(525)
Exchange rate differences	149	(62)	(283)	91
End of the year	**7,887**	**20,554**	**10,133**	**27,050**

As at 31 December 2012, all loans granted to related parties are denominated in USD and weighted average effective interest rate of these loans is 4.2 per cent. The repayments are scheduled in 2013-2014.

As at 31 December 2011, total loans granted were long term loans with repayment date set at 31 July 2013.

Guarantees from related parties

On 23 December 2009 Dangiruva AB provided a guarantee to the bank on behalf of the Company for the amount of loan granted to the Company which expires in December 2013. As at 31 December 2012 respective liability of the Company to the bank amounted to USD 613 thousand.

24 Remuneration of the Company’s key management personnel

General manager, operating managers and chief financier are considered as the key management personnel of the Company.

		2012		**2011**
	USD	**LTL**	**USD**	**LTL**
Salaries	82	219	24	60
Social insurance expenses	25	68	8	19
	107	**287**	**32**	**79**

25 Events after the balance sheet date

On 1 February 2013 the Company completed the sale of one Boeing B737-300 airframe, the lease of which expired in November 2012.

Other events after the balance sheet date

On 26 February 2013 new body of the Company - Supervisory Council has been established.

On 15 April 2013 Tadas Goberis has been appointed as General Manager of the Company.

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

25 Events after the balance sheet date (continued)

In March 2013 shareholders ZIA Valda Cyprus Ltd. and Mesotania Holdings Ltd. sold respectively 530,060 and 839,263 shares in the Company, which were acquired by Linas Dovydėnas, Gediminas Žiemelis, Aurimas Sanikovas, Virginija Svilainytė and Tadas Goberis. As a result the shareholders' structure of the Company following this acquisition became as follows:

	Number of shares	%
ZIA Valda Cyprus Leasing Ltd.	17,078,622	58.00
Mesotania Holdings Ltd.	10,899,858	37.01
Linas Dovydėnas	441,717	1.50
Gediminas Žiemelis	323,926	1.10
Aurimas Sanikovas	294,478	1.00
Virginija Svilainytė	161,963	0.55
Tadas Goberis	147,239	0.50
ŽIA Valda AB	60,000	0.20
Indeco: Investment and Development UAB	40,000	0.14
Total	29,447,803	100.00

The Company completed an Initial Public Offering (the "IPO") in Warsaw Stock Exchange on 28 June 2013 by issuing 13,857,790 new shares and selling 160,964 existing shares owned by Mr. Gediminas Ziemelis. Following the IPO the shaholders' structure of the Company became as follows:

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

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

STAND-ALONE ANNUAL REPORT RELATING TO "AVIAAM LEASING" AB

Approved by the Board as at 2013

I. GENERAL INFORMATION

Reporting period	**Year ended 31 December 2012**

Issuer and its contact details

Name of the Issuer	**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

The principal activity of the Company is management of its subsidiaries, aircraft leasing, aircraft trading as well as providing a broad range of consulting services. The principal activity of all subsidiaries of the Company is operating leasing, management and trading of mid-life narrowbody and regional jet aircraft. As of 31 December 2012 the Company owned 1 Boeing 737-300 aircraft.

Aircraft leasing

The aircraft of the Company is leased under an operating lease contract.

Under an operating lease, the lessee is responsible for the maintenance and servicing of the aircraft during the lease term and the lessor receives the benefit, and assumes the risk, of the residual value of the aircraft at the end of the lease.

The operating lease is on a "net" basis with the lessee responsible for all operating expenses, which customarily include fuel, crews, airport and navigation charges, taxes, licenses, registration and insurance. In addition, the lessee is responsible for normal maintenance and repairs, airframe and engine overhauls, and compliance with return conditions of flight equipment on lease.

The lease contract provides for the payment of a fixed, periodic amount of rent. In addition to lease rentals the lessee is required to pay supplemental maintenance rent, the amount of which is calculated with reference to the utilisation of airframes, engines and other major life-limited components. Under the provisions of the lease, for certain airframe and engine overhauls, the Company is obliged to reimburse the lessee for cost incurred up to, but not exceeding, related maintenance rentals ("supplemental maintenance rent") paid by lessee. At lease expiration to the extent that a lessee has paid to the Company a higher supplemental rent than it was reimbursed, the excess maintenance rent is to be retained within the Company.

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

As at 31 December 2012, the Company (registered on 6 April 2009, code 302330793, name of the Register of Legal Entities: State Enterprise Center of Registers; address: Smolensko St 10, LT-03201 Vilnius tel.: +370 5 252 55 25; fax. +370 5 252 55 24; internet address: www.aviaam.com) effectively owned 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, Telephone: +370 5 252 5525	100.00
AviaAM B02 UAB	Date of acquiring: 4 January 2010 / Company code: 300618156 / Register of Legal Persons	Smolensko str. 10, LT-03201 Vilnius, LITHUANIA, Telephone: +370 5 252 5525	100.00
AviaAM B03 UAB	Date of acquiring: 22 January 2010 / Company code: 300887740 / Register of Legal Persons	Smolensko str. 10, LT-03201 Vilnius, LITHUANIA, Telephone: +370 5 252 5525	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, Telephone: +370 5 252 5525	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, Telephone: +370 5 252 5525	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, Telephone: +370 5 252 5525	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, Telephone: +370 5 252 5525	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

As at 31 December 2012 the Company had no branches.

As at 31 December 2012 the number of full-time staff employed by the Company amounted to 7 (31 December 2011 – 6). All employees are employed and working in Lithuania.

Agreements with intermediaries of public trading in securities

Since 1 August 2011 the Company and Orion Securities UAB FMĮ (code 122033915), A. Tumėno St. 4, B corps, 7 floor, LT-01109 Vilnius, have an agreement on accounting of the Company's securities and services related to the accounting of securities.

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

II. FINANCIAL AND OPERATIONAL INFORMATION

In 2012 AviaAM Leasing AB profit for the year increased by USD 3.4 million or 410.5% in 2012 to USD 4.2 million from USD 0.8 million in 2011. Results were generated primarily by increase in lease revenue by USD 213 thousand (LTL 956 thousand) and by USD 3.5 million (LTL 9.3 million) dividends received.

Key events during 2012 are summarized below:

Date	Category	Event
October 2012	Dividends	The Company authorized the distribution of interim dividends for the total amount of USD 3.5 million for the fiscal year 2012
November 2012	Lease expiry	Expiry of lease agreement for 1 Boeing 737-300

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

Key figures of the Company

Financial figures

	2012 USD	2012 LTL	2011 USD	2011 LTL	Change (USD)
Revenue	2,199	5,890	1,986	4,934	*10,7%*
Operating profit	818	2,184	2 903	7 486	*-71,8%*
Operating profit margin (%)	*37,2%*	*37,1%*	*146,2%*	*151,7%*	*-109pp*
Profit before income tax	4,318	11,514	1,044	2,886	*313,6%*
Net profit for the period	4,227	11,279	828	2,309	*410,5%*
Net profit for the period margin (%)	*192,2%*	*191,5%*	*41,7%*	*46,8%*	*151pp*
Earnings per share	0,14	0,38	0,07	0,20	*87,5%*
Weighted number of shares		29,448		11,598	-

Financial ratios

	31 December 2012	31 December 2011
Return on equity (ROE)* (%)	32.9%	7.8%
Gearing ratio** (%)	2.3%	2.7%
Equity to total assets ratio*** (%)	76.5%	68.1%
Liquidity ratio	1.16	0.55
Number of full-time employees at the end of the period of the Company	7	6

* - ***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*

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

Revenue

	2012 USD	2012 LTL	2011 USD	2011 LTL	Change (USD)
Lease revenue	1,190	3,176	840	2,085	41,7%
Supplemental maintenance rent	952	2,565	1,072	2,657	-11,2%
Other income	57	149	74	192	-23,0%
	2,199	**5,890**	**1,986**	**4,934**	**10,7%**

The revenue from aircraft leases (i.e. lease revenue, supplemental rent and other income) accounted for 100% of total revenue in 2012 and 2011.

Increase in lease revenue by 10.7% in 2012 to USD 2.2 million (LTL 5.9 million) as compared to USD 1.9 million (LTL 4.9 million) in 2011 mainly results from increase from lease rents. Details of the revenue are provided in the table above.

Operating expenses

	2012 USD	2012 LTL	2011 USD	2011 LTL	Change (USD)
Depreciation and amortization	289	816	167	322	*73,1%*
Costs of aircraft sold	0	0	0	0	*N/A*
Aircraft maintenance expenses	687	1,810	157	390	*337,6%*
Employee-related expenses	162	434	71	178	*128,2%*
Other operating expenses	528	1,418	360	896	*46,7%*
	1,666	**4,478**	**755**	**1,786**	***120,7%***

Depreciation and amortization expense increased by 73.1% in 2012 to the amount of USD 289 thousand (LTL 816 thousand) as compared to 2011 USD 167 thousand (LTL 322 thousand).

The Company did not engage in any sales of aircraft in 2011 as well as in 2012.

Aircraft maintenance expenses recognized in the statements of comprehensive income represent costs incurred for the maintenance of aircraft off lease. The significant increase in these costs recorded in 2012 in comparison to previous year - USD 687 thousand (LTL 1.8 million) in 2012 vs. USD 157 thousand (LTL 390 thousand) in 2011 - was mainly due to costs related to renting one engine from AviaAM B03.

Employee related expenses consist of salaries and social insurance expenses. For the year ended 31 December 2012 these expenses grew from USD 71 thousand (LTL 178 thousand) to USD 162 thousand (LTL 434 thousand) in line with an increase in number of employees (number of full time employees increased from 6 as at 31 December 2011 to 7 as at 31 December 2012) and in line with increase in employees’ remuneration.

The Company categorizes its employees into two groups;

- Management (General Manager, Executive Director and Chief Financier)
- Specialists

The Company does not employ unqualified employees due to the specific nature of the business.

The remuneration (Salaries and social insurance expenses) for the management category was USD 107 thousand (LTL 287 thousand) in 2012 and USD 32 thousand (LTL 79 thousand) in 2011. The specialist category salaries were USD 55 thousand (LTL 147 thousand) in 2012 and USD 39 thousand (LTL 99 thousand) in 2011.

Other operating expenses accounted for 31.7% and 47.7% of all operating expenses in 2012 and 2011 respectively. The breakdown of these expenses is listed in the table below.

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

Other operating expenses

	USD	2012 LTL	USD	2011 LTL	Change (USD)
Management services	67	181	36	89	*86,1%*
Legal and translation expenses	131	351	160	394	*-18,1%*
Audit and accounting expenses	19	48	45	114	*-57,8%*
Impairment of receivables and	-	-	71	177	*-100,0%*
Marketing expenses	126	336	5	12	*2420,0%*
Insurance expenses	30	81	-	-	*N/A*
Travelling expenses	44	117	5	13	*780,0%*
Other operating expenses	111	304	38	97	*192,1%*
	528	**1,418**	**360**	**896**	***46,7%***

The Company outsources some of administrative services if it considers the required competences or scale of services are better provided by contractual arrangements referred to as servicing agreements. The Company has such servicing agreements in place for consulting, sales, utilization of resources, software usage and IT administration with Avia Solutions Group. Pricing of such agreements that are driven by hourly rates are subject to transfer pricing documentation scrutiny. The significant increase of management services from USD 36 thousand (LTL 89 thousand) in 2011 to USD 67 thousand (LTL 181 thousand) in 2012 resulted from higher reliance on outsourced services.

Legal and translation expenses mainly relate to expenses incurred in preparation and execution of aircraft lease and sale contracts. These expenses diminished steadily from the level of USD 160 thousand (LTL 394 thousand) in 2011 to USD 131 thousand (LTL 351 thousand) in 2012 mainly due to transferring more legal duties to in-house lawyers instead of third-party law firms.

As the Company leases the aircraft under net operating leases where lessees are responsible for insuring the Company's fleet the insurance costs incurred by the Company are nominal and mainly relate to contingent insurance coverage purchased by the Company. These insurance expenses have increased in 2012 by the amount of USD 30 thousand (LTL 81 thousand) in comparison to the same period in 2011 as the Company had to purchase insurance for the aircraft after the expiry of the lease agreement.

Marketing expenses have increased significantly in 2012 to USD 126 thousand (LTL 336 thousand) as compared to 2011 USD 5 thousand (LTL 13 thousand) as a result of a larger number of marketing campaigns aimed at increasing the awareness of the Company in its target markets.

Increase in travelling expenses is mainly attributed to stronger sales activities, active client relationship management and exploration of potential markets such as Africa and Asia.

In 2012 other administrative expenses accounted for 21.0% of all other operating expenses as compared to 10.6% in 2011. This increase mainly results from expenses related to revaluation of the aircraft for the accounting purposes.

Balance sheet and cash flow

During 2012 total assets of the Company increased by USD 1.2 million (LTL 2.4 million) or 8.0% per cent compared to 2011 primarily as a result of an increase in current portion of trade and other receivables by USD 2.8 million (LTL 7.1 million).

During 2012 total liabilities decreased by USD 1.0 million (LTL 2.9 million) to USD 3.9 million (LTL 10.3 million) as compared to USD 5.0 million (LTL 13.2 million) in 2011 . A meaningful impact to a change had decrease in current portion of bank borrowings by USD 3.2 million (LTL 8.6 million).

In 2012 net cash flow used in operating activities was lower by USD 576 thousand (LTL 1.4 million) as compared to 2011.

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

In 2012 the Company did not spend any significant amounts in purchase of PPE and intangible assets. Major changes in net cash generated from investing activities resulted from repayment of loans granted in previous years in the amount of USD 2.8 million (LTL 7.6 million).

In 2012 net cash flow generated from financing activities was negative and amounted to USD 3.8 million (LTL 10.3 million). The entire amount was attributed to repayment of bank borrowings.

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 included as follows:

- Ultimate parent– ŽIA Valda AB (until 10 August 2011 also Parent);
- Parent since 10 August 2011 – ŽIA Valda Cyprus Leasing Ltd.;
- Subsidiaries of the Company;
- Other related parties – shareholder Mesotania Holdings Ltd., subsidiaries and other related parties of ŽIA Valda AB, associates and jointly controlled entities of the Group; key management of the Group and entities controlled or jointly controlled by key management personnel or their close relatives.

All major transactions and outstanding balances with other related parties relate to associate group of companies of ŽIA Valda AB.

Sale of services to:

		2012		2011
	USD	**LTL**	**USD**	**LTL**
Subsidiaries	952	2,556	98	257
Other related parties	15	41	2	4
Total sales of assets and services	**967**	**2,597**	**100**	**261**

Purchases of services from:

		2012		2011
	USD	**LTL**	**USD**	**LTL**
Ultimate parent	-	-	1	3
Subsidiaries	729	196	-	-
Other related parties	162	436	50	125
Total purchases of services	**891**	**2,396**	**51**	**128**

Investments related to continuing operations

The Company has not made any significant investments related to continuing operations.

Research and development activities

There were no major research and development projects undertaken during 2012.

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 Company’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 Company’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 Company.

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

The Company operates internationally and is exposed to foreign exchange risk arising from the Company’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 Company’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. Company 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 Company in relation to industry in which Company debtors operate. Concentration of credit risk of the Company 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 Company’s liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these.

The Company’s objectives when managing capital are to safeguard the Company’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 Company 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 Company 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.

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

Significant post balance sheet events

On 1 February 2013 the Company completed the sale of one Boeing B737-300 airframe, the lease of which expired in November 2012.

On 26 February 2013 new body of the Company - Supervisory Council has been established.

On 1 April 2013 the Supervisory Council was appointed with Chairman of the Supervisory Council Antanas Petrošius and two Members of the Supervisory Council Tomas Mokrikas and Džiuginta Balčiūnė.

On 15 April 2013 Tadas Goberis has been appointed as General Manager of the Company.

In March 2013 shareholders ZIA Valda Cyprus Ltd. and Mesotania Holdings Ltd. sold respectively 530,060 and 839,263 shares in the Company, which were acquired by Linas Dovydėnas, Gediminas Žiemelis, Aurimas Sanikovas, Virginija Svilainytė and Tadas Goberis. As a result the shareholders’ structure of the Company following this acquisition became as follows:

	Number of shares	%
ZIA Valda Cyprus Leasing Ltd.	17,078,622	58.00
Mesotania Holdings Ltd.	10,899,858	37.01
Linas Dovydėnas	441,717	1.50
Gediminas Žiemelis	323,926	1.10
Aurimas Sanikovas	294,478	1.00
Virginija Svilainytė	161,963	0.55
Tadas Goberis	147,239	0.50
ŽIA Valda AB	60,000	0.20
Indeco: Investment and Development UAB	40,000	0.14
Total	29,447,803	100.00

The Company completed an Initial Public Offering (the “IPO”) in Warsaw Stock Exchange on 28 June 2013 by issuing 13,857,790 new shares and selling 160,964 existing shares owned by Mr. Gediminas Ziemelis. Following the IPO the shareholders’ structure of the Company became as follows:

	Number of shares	%
ZIA Valda Cyprus Leasing Limited	17,078,622	39.44
(HE 284966; Avlonos 1, Maria House 5th fl, CY1075 Nicosia, Cyprus)		
Mesotania Holdings Limited	10,899,858	25.17
(HE 280922; Avlonos 1, Maria House 5th fl, CY1075 Nicosia, Cyprus)		
Linas Dovydėnas	441,717	1.02
(PC 37502090104; Krivicko st. 26-1, Vilnius, the Republic of Lithuania)		
Aurimas Sanikovas	294,478	0.68
(PC 37807290629; Juozapavicius st. 3-6, Vilnius, the Republic of Lithuania)		
Gediminas Žiemelis	162,962	0.38
(PC 37704040129; Savanoriu av. 46-123, Vilnius, the Republic of Lithuania)		
Tadas Goberis	147,239	0.34
(PC 37709280651; Uzutekio st. 26-8, Vilnius, the Republic of Lithuania)		
ING Otwarty Fundusz Emerytalny (Open pension fund)	5,000,000	11.54
(**NIP:** 526-22-41-523; ul. Topiel 12; 00-342 Warszawa)		
Other shareholders	9,280,717	21.43
Total	43,305,593	100.00

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

Plans and forecasts

The Management of the Company intends to 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 . To execute this strategy, the Group will focus on the following:

- Generating higher yields: the Management of the Company believes the aforementioned target assets typically have higher lease rates relative to their purchase price (i.e. as the lease rate factor) than newer aircraft, thus allowing the Company and the Group to generate attractive, cash-on-cash yields;

- Identifying transactions that are not widely marketed: through the management’s relationships with aircraft lessors, financial investors and brokers, the Group expects to have access to transactions that are not widely marketed;

- Strategically acquiring attractive assets during market weakness: while the Group intends to be active in the aircraft leasing market throughout market cycles, the Group will seek to take advantage of the cyclicality in the aviation industry by opportunistically acquiring selected aircraft (such as narrowbody jet aircraft that currently are trading near cyclical lows) 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 our operation into other markets such as Western Europe, Middle East and Southeast Asia.

Acquisitions of additional aircraft will be pursued through the co-operation with aircraft operators, manufacturers, financial institutions, private investors and third party lessors.

III. INFORMATION ABOUT SHARE CAPITAL AND SHAREHOLDERS

Share capital

As at 31 December 2012 and 31 December 2011 the share capital of the Company amounts to LTL 29,447,807 (USD 12,232 thousand) and consists of 29,447,807 ordinary registered shares with a nominal value of LTL 1 each. On 10 August 2011 share capital of the Company has been increased from LTL 100,000 (USD 38 thousand) to LTL 29,447,807 (USD 12,232 thousand) by issuing 29,347,803 additional shares with par value of LTL 1 each. All shares are fully paid up. This issue was paid-up by capitalizing the borrowings from the shareholders of the Company.

Shareholders

The shareholders’ structure of the Company as at 31 December 2012 and 31 December 2011 was as follows::

	Number of shares	%
ZIA Valda Cyprus Leasing Ltd.	17,608,682	59.80
Mesotania Holdings Ltd.	11,739,121	39.86
ŽIA Valda AB	60,000	0.20
Indeco: Investment and Development UAB	40,000	0.14
Total	29,447,803	100.00

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

Treasury stocks

The Company has had no treasury stocks.
Till the balance sheet date the Company has never acquired any shares from the management of the Company.

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.

Furthermore, according to the Share Sale-Purchase Agreements, whereby the minority shareholders Linas Dovydėnas, 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 are 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 offering, 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.

Dividends

In 2012 declared dividends in the amount of USD 2 million (LTL 5.1 million) were not yet paid as at 31 December 2012.

IV. PERSONNEL

The breakdown of the number of employees and average salaries (including social insurance expenses) by categories in 2012:

	31 December 2012	Average monthly salary, USD	Average monthly salary, LTL
Management	3	2,972	7,972
Specialists	4	1,146	3,063
Number of employees (including part-time employees) at the end of the period and weighted average monthly salary	**7**	**1,929**	**5,167**

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

V. MANAGING BODIES OF THE ISSUER

The Company has a three-tier management system, i.e. the Supervisory Council, the Management Board and the Manager of the Company (the General Manager).

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 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.

In addition, the Company employs several Key Executives: the Deputy General Manager and the Executive Director. As the Company is a holding entity with no extensive business operations, there are no other key executives apart from the General Manager and the ones named herein. All the employees of the Company are directly subordinated and report to the General Manager.

Procedure for amending the Company's Articles of Association

AB “AviaAM Leasing” Articles of Association provides that present Articles of Association of the Company may be amended in the manner prescribed by the Lithuanian Company Law.

The Supervisory Council activities

According to the Articles of Association the Supervisory Council is comprised of three members elected for the tenure of four years.

The Supervisory Council has the Chairman, elected by the Supervisory Council from among its members.
The business address for all members of the Supervisory Council is AviaAM Leasing AB, Smolensko str. 10, LT-03201 Vilnius, Lithuania.

Members of the Supervisory Council

Name	**Position within the Company**	**In the position**	
		Since	**Until**
Antanas Petrošius	Chairman of the Supervisory Council	1 April 2013	Until the annual General
Tomas Mokrikas	Member of the Supervisory Council	1 April 2013	
Džiuginta Balčiūnė	Member of the Supervisory Council	1 April 2013	

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.

Džiuginta Balčiūnė. Džiuginta Balčiūnė has a considerable legal experience. She gained her professional experience at the law firm Broda-Warnke-Schartner in Berlin (in 2003), in the Chamber of Industry and Commerce in Berlin (in 2005), at the law firm N. Motiejūnienė, M. Pūkas and Partners (Rödl & Partner UAB) in Vilnius, Lithuania (in 2006) and in the Political Unit of Representation of the European Commission in Berlin (in 2006). Džiuginta Balčiūnė worked as an associate lawyer at the law firm Bernotas and Dominas GLIMSTEDT in Vilnius (2006–2008) and as an associate lawyer at the law firm RAIDLA LEJINS & NORCOUS in Vilnius (2009–2010) and since 2010 she works as a lawyer at the law firm of Džiuginta Balčiūnė. Džiuginta Balčiūnė has a special knowledge in mergers and acquisitions, real estate law, bankruptcy and restructuring. Džiuginta Balčiūnė takes memberships in various non-political and non-profit organisations: she was member of the Diplomat club “Willkommen in Berlin” at the Ministry of Foreign Affairs, Berlin (2004 – 2005), member of the Association of the family members of Lithuanian diplomats (2006 – present), member of the Association “Alumni” at the Vilnius University, Faculty of Law (2006 – present), member of Lithuanian Countryside Tourism Association (2009 – present), member of the Lithuanian Young Bar Association (2007 – present), member of the Lithuanian Bar Association (2010 – present). Moreover, since 2010 Džiuginta Balčiūnė is a member of the Audit Committee, as well as of the Nomination and Remuneration Committee of the Supervisory Council of Avia Solutions Group AB, and a member of the Supervisory Council of Agrowill Group AB. Džiuginta Balčiūnė graduated from the Vilnius University, Faculty of Law in 2004 and obtained a Master of German and European Law and Legal Practice (M.LL.P.) in Humboldt University, Law faculty, in Berlin, Germany. Džiuginta Balčiūnė owns 49 percent of shares at Panevėžio HIDROPLANAS, UAB.

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

The Board Activities

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 Company’s Management Board is comprised of five members elected for the tenure of four years. 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. The list of the members of the Management Board is presented below.

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

Members of the Management Board

The table below indicates the elected members of the Management Board at the balance sheet date:

Name	Position within the Company	In the position	
		Since	Until
Gediminas Žiemelis	Chairman of the Management Board	29 May 2012	Until the annual General Meeting, to be held in 2016
Justinas Gilys	Member of the Management Board	29 May 2012	
Aurimas Sanikovas	Member of the Management Board	29 May 2012	
Linas Dovydėnas	Member of the Management Board	29 May 2012	
Gediminas Šiaudvytis	Member of the Management Board	11 January 2013	

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 FMĮ (in 2007). Gediminas Žiemelis is a shareholder and a member of the Management Board in 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, since 2006 – 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 takes the post 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. 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) and 80% of all shares in AB “ŽIA Valda“.

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)

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

(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 11,050 shares in Avia Solutions Group AB (0.2% of all the shares) Aurimas Sanikovas does not participate in the capital of any other legal entities.

Linas Dovydėnas. Linas Dovydėnas 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 Dovydėnas 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 Dovydėnas carries the duties of the member of the Management Board of AviaAM Leasing AB. In 1997 Linas Dovydėnas 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 Dovydėnas 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. Since 2012, he 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.

Members of the Company's Management

Company's Management consists of three key executives: the General Manager, Executive Director and Chief Financier. All the employees of the Company are directly subordinated and report to the General Manager.

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

*Tadas Goberis joined the Company on 16 April 2013.

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

Information about the members of the Company’s Management 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 proved to be a 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.

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 Financer. 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 Justinas Gilys is presented in paragraph above.

Members of the Company's Administration

Company’s Administration consists of two key executives: the General Manager and the Chief Financier. All the employees of the Company are directly subordinated and report to the General Manager.

Name	Position within the Company	In the position	
		Since	Until
Tadas Goberis*	General Manager	16 April 2013	Indefinite
Laima Gruzdiene	Chief Financier	20 May 2009	Indefinite

*Tadas Goberis joined the Company on 16 April 2013.

Information about Tadas Goberis and Laima Gruzdiene is presented in paragraphs above.

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

Remuneration and Benefits

During the year 2012 the amount of remuneration paid (including any contingent or deferred compensation), and benefits in kind granted to the Management by the Company for services in all capacities to the Company amounted to USD 120 thousand. Furthermore, following the Agreement on Provision of Legal Services, entered with the Attorney of Law Džiuginta Balčiūnė, who is also a member of the Supervisory Council, during the year 2012 the Company has paid to this Supervisory Board member a fee for provision of legal services of USD 14 thousand plus VAT of USD 3 thousand, in total USD 17 thousand. The information on the indicated amounts is provided in the table below. Gross amounts which include social security, income and other taxes applicable under legal acts are shown below.

Period	Name	Position in the Company	Amount, USD
Year ended 31 December 2012	Justinas Gilys	Executive Director	99
	Gediminas Šiaudvytis *	Deputy General Manager	21
	Džiuginta Balčiūnė	Member of the Supervisory Council	17

*Gediminas Šiaudvytis joined the Company on 30 July 2012.

Other members of the Management Board and the Supervisory Council did not receive any payments from the Company or the Subsidiaries. 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 Key Executive of the Company.

Auditors

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

On 15 October 2012, the shareholders of the Company during the Extraordinary General Meeting of Shareholders elected UAB PricewaterhouseCoopers as the Company’s audit enterprise for the period of the next two years to perform the audit of the annual financial statements of the Company for the year 2012 and 2013 and to make the assessment of the annual report of the Company for the year 2012 and 2013. Shareholders authorized the Company’s General Manager to conclude the agreement for audit services, establishing the payment for services as agreed between the parties but in any case not more than LTL 43 000 (forty three thousand Litas) (VAT excluded) for the audit of the Company’s annual consolidated and stand-alone financial statements for the year 2012 and 2013 and assessment of the Company’s annual reports.

VI. 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. 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 essentially follows the recommendatory WSE Corporate Governance Code. The Statement on compliance with the WSE Corporate Governance Code is prepared by the Company, announced on 1 July 2013 and can be found on the corporate website: www.aviaam.com in the "Investor Relations" section dedicated to the “Corporate governance”.

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

CONFIRMATION OF RESPONSIBLE PERSONS

Following Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, We, Tadas Goberis, General Director of *AviaAM Leasing AB*, and, Laima Gruzdiene, Chief Financier of *AviaAM Leasing AB*, hereby confirm that, to the best of our knowledge, *AviaAM LeasingAB* Separate and Financial Statements for the year ended 31 December 2012 as set out on above are prepared in accordance with International Financial Reporting Standards as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position, profit or loss and cash flows of the Company Annual Report for the year 2012 includes a fair review of the development and performance of the business and the position of the Company of undertakings in relation to the description of the main risks and contingencies faced thereby.

General Manager
Tadas Goberis

Chief Financier
Laima Gruzdiene