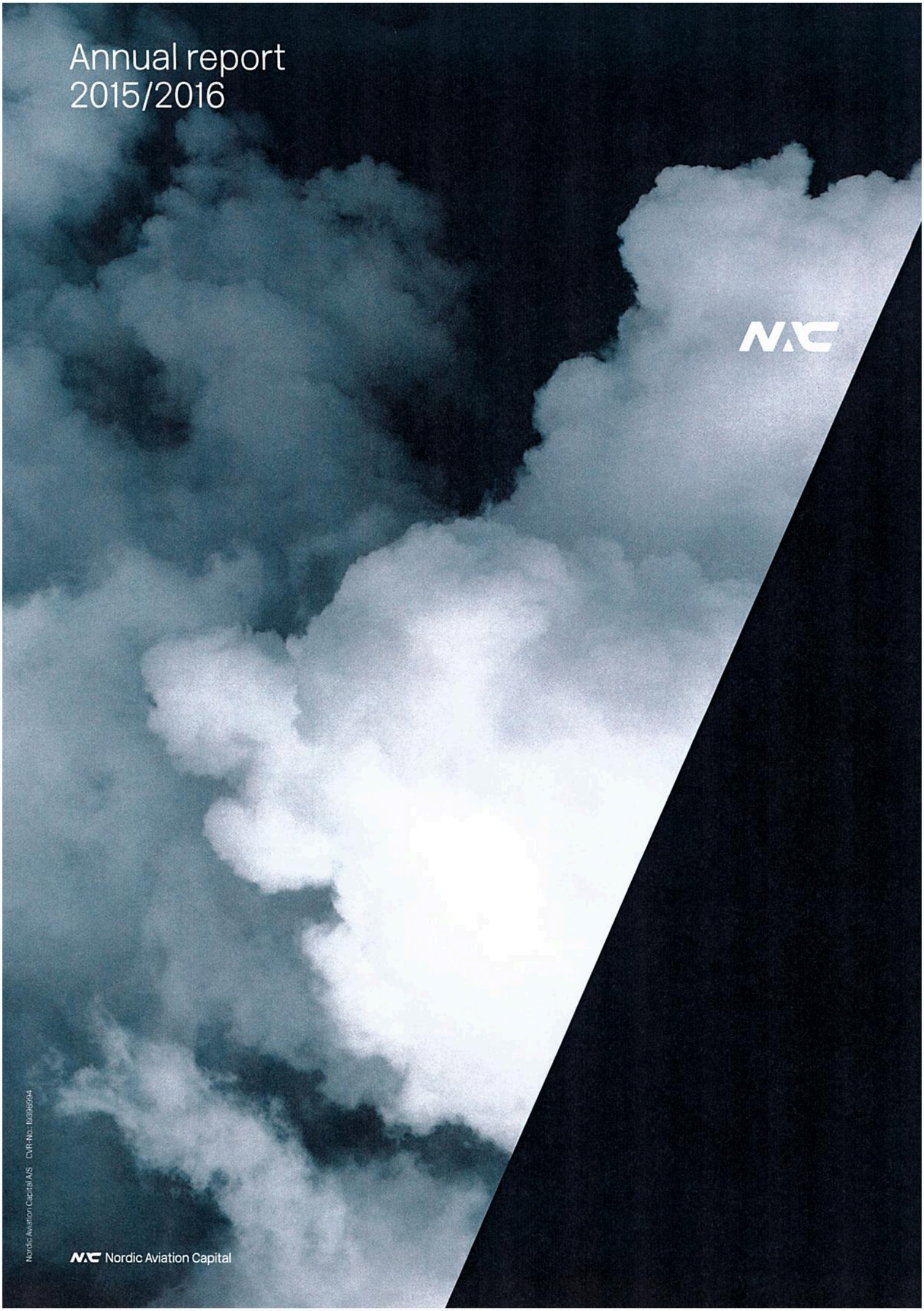
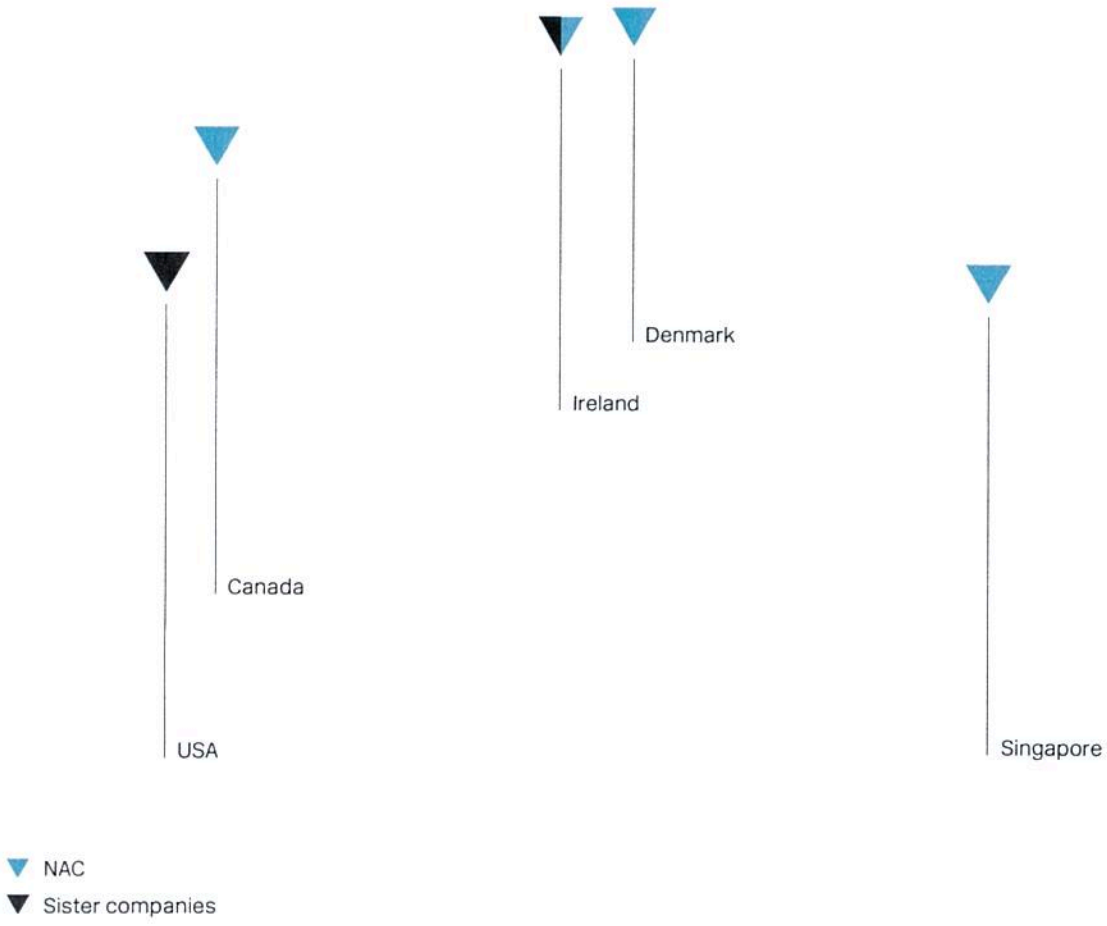
Annual report 2015/2016



Nordic Aviation Capital

Nordic Aviation Capital A/S CVR-No.: 16396994

Nordic Aviation Capital



128 employees

The NAC Turbo Group employs 171 skilled professionals – 128 in NAC and 43 in sister companies.

22%

We delivered a 22% return on equity and net profit after tax increased from USD 111m to USD 142m.

USD 439m

EBITDA increased from USD 230m to USD 439m as a result of increased operating lease revenue.

Nordic Aviation Capital A/S (NAC) is the largest lessor of regional aircraft in the world. It provides aircraft leasing solutions to a wide range of airlines globally. With offices in Canada, Denmark, Ireland, Singapore, UK and USA, NAC is best situated to serve every commercial aviation market across the globe. For over 25 years NAC has been providing flexible, customised and competitive aviation solutions to airlines worldwide. The company boasts an energetic, committed and dedicated team of highly motivated individuals providing an unmatched level of knowledge and expertise to its client base globally.

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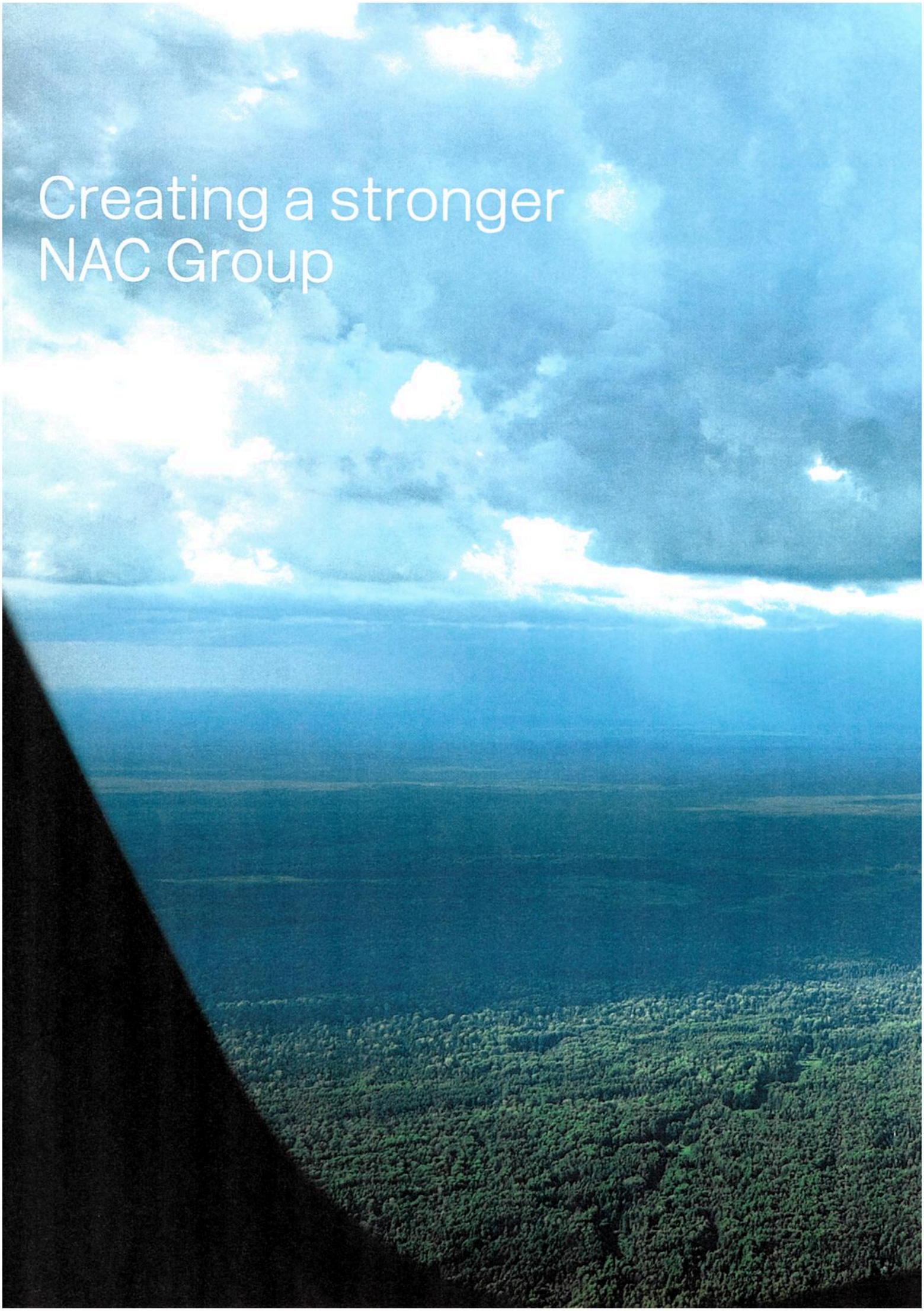

Creating a stronger
NAC Group

In August 2015, our founder, Martin Møller, entered into a partnership with the well-reputed European private equity investor EQT to further develop NAC. The partnership will provide additional financial resources, allowing us to pursue further growth opportunities.

Martin Møller continues as Chairman and remains a significant shareholder holding an economic interest of approximately 50% of the capital.

The transaction resulted in the contribution of an additional USD 100m in equity from Martin Møller, EQT VI and the Danish investment company KIRKBI Invest A/S, an investor in EQT VI and co-investor in NAC.

In the fiscal year 2015/16, a newly established Irish limited company, NAC Turbo Ltd., acquired Nordic Aviation Capital A/S, and NAC Turbo Ltd. subsequently acquired US-based Jetscape Aviation Group Ltd. (Jetscape), a leading player in regional jet leasing, and Irish-based Aldus Aviation Ltd., another regional jet leasing specialist. An additional USD 100m of equity was injected into NAC Turbo Ltd. in connection with these acquisitions.

In this annual report the consolidated financial information relates solely to Nordic Aviation Capital A/S and its subsidiaries (the Group).

The financial statement from NAC Turbo Ltd. will provide information for the entire group and include the newly acquired Nordic Aviation Capital A/S, Jetscape Aviation Group Ltd. and Aldus Aviation Ltd. (The NAC Group).

Another good year

In the fiscal year ending June 30, 2016 Nordic Aviation Capital continued its long track record of improving its financial results year over year. The fiscal year 2015/16 was the 20th consecutive year where we improved earnings. The net result came in at USD 142m as we successfully continued expanding our global focus and structure by adding more customers, more aircraft and more trusted employees to our business.

Many opportunities and challenges presented themselves this past year.
A few highlights include:

- We cemented our position as the premier lessor of turboprop aircraft, expanding our fleet from 235 to 278 aircraft, representing approx. 15% of the world fleet. We continued to invest in both new and used aircraft allowing us to maintain a balanced, diversified fleet of current technology aircraft. We also sold aircraft as part of our on-going portfolio optimization. At fiscal year-end, the weighted-average age of our fleet was 5.6 years.

- We selectively increased our presence in the regional jet market when our parent company NAC Turbo Ltd. acquired Jetscape Aviation Group Ltd. and Aldus Aviation Ltd., respectively. Both companies focused on leasing and trading Embraer E-Jets and the acquisitions allowed the NAC Group to quickly become a significant player in the regional jet market segment. We at NAC subsequently entered into agreements to purchase Delta Air Lines' entire Embraer E-Jet fleet and Air Lease Corporation's E-Jet portfolio and the Group now owns and manages 74 E-Jets or 7% of the world fleet as per June 30, 2016.

- We expanded and diversified our customer base in NAC across all aircraft types from 40 to 53 at June 30, 2016. Our business model is built around the repeat business that comes from long term relationships. As stated in our vision and mission statement: "We will grow our business based on referral sales and repeated sales". Accordingly, we have remained dedicated and committed to deliver customized and bespoke solutions to many of our customers.

Expansion of our global team
None of our achievements and challenges met would have been possible without the hard work and perseverance of our dedicated team. This past fiscal year offered us the opportunity to expand our staffing through hiring of highly qualified employees to blend with the addition of industry veterans from our parent company's corporate acquisitions. Today, the NAC Group employs 171 skilled professionals in Denmark, Ireland, the United States, Canada and Singapore, 128 of which in the Group. We can truly say that our global reach is founded on a skilled global team of aviation professionals.

Strengthening our financial capacity
Commercial aircraft leasing is a capital intensive business. In order to fund our growth plans, we sought smart, patient equity capital. As we announced in last year's annual report, our founder, Martin Møller, has entered into a partnership with the well-reputed European private equity investor EQT, and the Danish investment company KIRKBI Invest A/S. The parties contributed a total of USD 200m in additional equity to the NAC Group and committed further capital to growth. Martin Møller continues as Chairman and remains a significant shareholder with approximately 50% economic interest of the newly formed holding company (NAC Turbo Ltd.).

We have already started consolidating our position as the largest lessor of turboprop aircraft and in addition, we have made a significant foray into the regional jet market.

To support the growth of our aircraft portfolio, we also continued expanding our financing relationships adding USD 828m to existing loan facilities and sourcing USD 995m in new loan capacity in the fiscal year. We will continue to further expand our sources of financing in the next fiscal year.

Delivering on key objectives
As a result of our activities, we delivered on all of our key objectives. We produced enhanced financial results for the 20th consecutive year and expanded into new markets, preparing ourselves for additional growth.

Søren M. Overgaard
Chief Executive Officer

Overall, we expect to grow our revenue base to USD 700-800m and the net result to USD 150-200m in 2016/17, while maintaining a strong focus on liquidity and financial ratios. This expectation is partly based on the significant expansion of our aircraft portfolio in 2015/16, and partly based on our ability to continuously expand and develop our portfolio throughout 2016/17 and placing aircraft with existing as well as new customers.

Expectations for 2016/2017

In the fiscal year 2016/17, we expect to continue to realize our plans for solid, controlled growth and consolidate our position as the premier lessor of turboprops and regional jets, in line with our strategy.

Overall market conditions are expected to be more or less on par with those of 2015/16. While global economic growth will support a general increase in travel, individual regions and countries may increasingly fluctuate compared to this macro trend. This may present an opportunity for NAC to acquire good vintage aircraft at attractive levels, which we can fine-tune to our high quality standards.

We expect continued growth in demand for aircraft in North America and Europe and we expect to place additional aircraft in these regions with well-established airlines expanding their regional fleets. Oppositely, demand in Latin America is anticipated to be sluggish as a result of continued subdued commodity prices and weak currencies. The Asian region is projected to provide opportunities in some countries with others remaining stagnant.

In the turboprop market, despite some decline in demand and increasing supply of certain aircraft types in 2015/16, we have noticed an increase in NAC's activity over the last 3 months and our transaction pipeline for the coming 6 months is strong. We are confident that we will perform ahead of our competitors in 2016/17 both in terms of placements and income generation. Airlines' and aircraft operators' continued focus on replacing older aircraft with new fuel-efficient aircraft remains an important driver in the turboprop market.

In the regional jet market, demand continues and over the next twenty years this segment is expected to be the fastest growing aircraft segment. We expect to significantly grow our business in the regional jet market following NAC's signed purchase agreement of 44 Embraer E-Jets in 2015/16 and our parent company's acquisition of E-Jet specialists Jetscape Aviation Group and Aldus Aviation Ltd.

Overall, we expect to grow our revenue base to USD 700-800m and the net result to USD 150-200m in 2016/17, while maintaining a strong focus on liquidity and financial ratios. This expectation is partly based on the significant expansion of our aircraft portfolio in 2015/16, and partly based on our ability to continuously expand and develop our portfolio throughout 2016/17 and placing aircraft with existing as well as new customers.

The fiscal year in brief

EBITDA increased from USD 230m to USD 439m as a result of increased operating lease revenue following the continued expansion of our business platform through the addition of new aircraft, new customers and increased business with existing customers. Revenue grew by 55% to USD 610m.

Operating profit increased from USD 239m to USD 303m. The result was negatively impacted by fair value adjustments of aircraft by USD 136m.

Financial expenses increased from USD 127m to USD 151m following increased funding to finance the growing aircraft portfolio.

We delivered a 22% return on equity and net profit after tax increased from USD 111m to USD 142m. We increased our balance sheet by 26% to USD 4,002m from USD 3,173m with an increase in assets primarily attributable to investment in aircraft.

Our equity increased from USD 526m to USD 761m, an improvement of 45%.

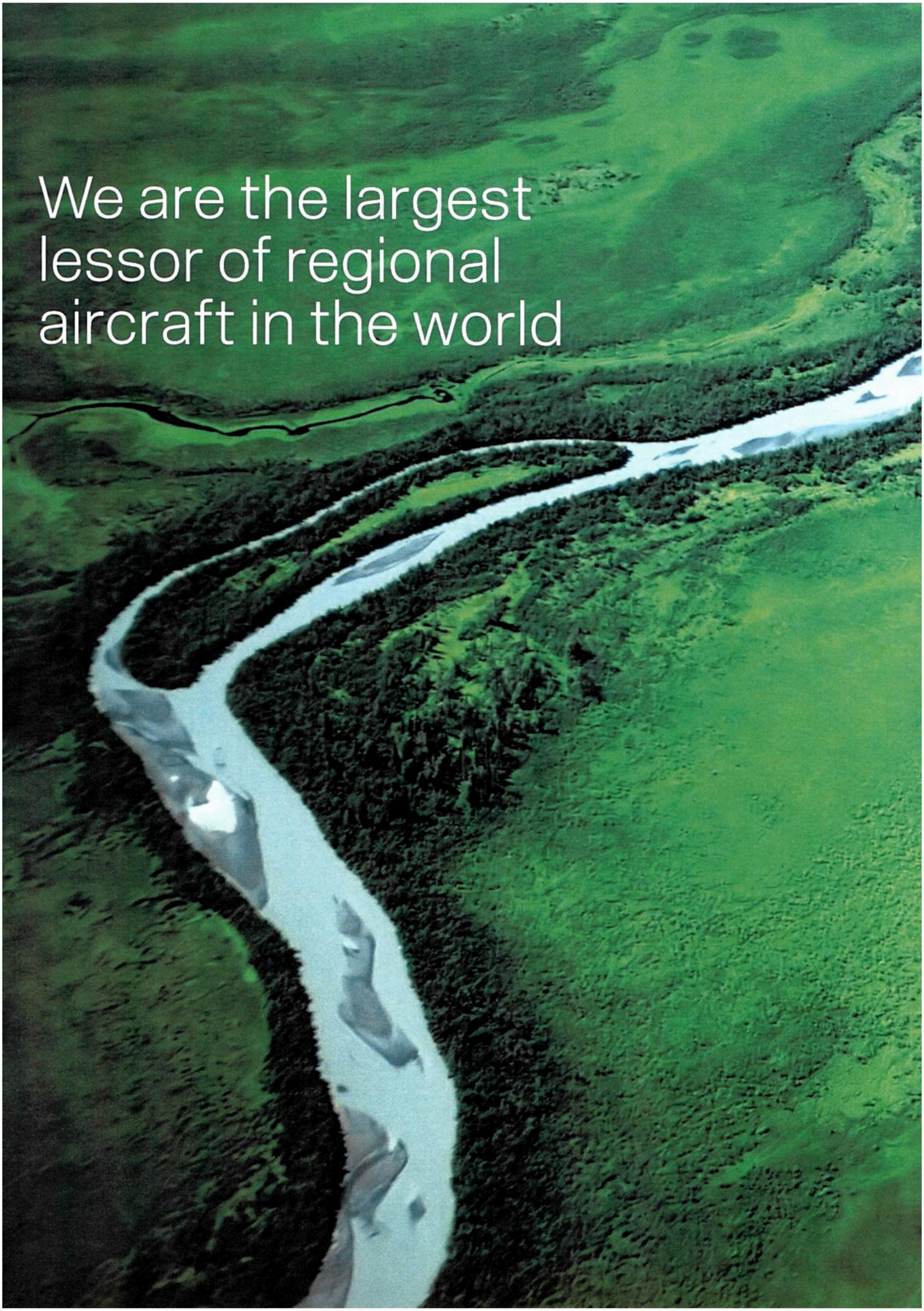
Significant transactions in 2015/16
The summary provides an overview over aircraft delivered to NAC in the 2015/16 fiscal year.

NAC purchased 15 used ATR 72-600, 2 used ATR 42-600 and 1 factory new ATR 72-600, all of which were on existing leases, located in Europe, Asia, North- and South America
NAC purchased 7 factory-new ATR 72-600 and placed them on leases in Europe
NAC purchased 4 factory-new ATR 72-600 and placed them on leases in Asia
NAC purchased 2 used Embraer E190 and 2 used Embraer E175, all of which were on existing leases in Europe
NAC purchased 3 factory-new Bombardier CRJ-1000 and placed them on lease in Asia
NAC purchased 3 factory-new ATR 42-600 and placed them on leases in South America
NAC purchased 3 factory-new ATR 72-600 and placed them on leases in South America
NAC purchased and leased back 2 used Embraer E190 in South America

Selected consolidated financial data

USD m

	2015/16	2014/15	2013/14	2012/13	2011/12
Profit and loss					
Operating lease revenue	558	384	292	234	168
Sale of aircraft, net	9	0	3	14	0
Total revenue	610	392	311	266	175
Distribution costs and administrative expenses	-47	-46	-28	-29	-22
Ordinary operating profit	439	230	169	144	95
Interest expenses, net	-143	-121	-77	-69	-29
Profit after taxes	142	111	81	66	57
Investment					
Investment in aircraft	998	1,116	487	610	494
Balance sheet					
Aircraft	3,606	2,816	1,802	1,534	1,148
Finance lease aircraft	36	71	44	83	70
Cash	170	135	205	126	72
Total assets	4,002	3,173	2,181	1,821	1,387
Equity	761	526	415	333	267
Aircraft financing	2,493	2,037	1,305	1,150	949
Other term loan	0	345	230	130	0
Amounts owed to group enterprises	458	0	0	0	0
Ratios/Statistics					
Solvency ratio	19.0%	16.6%	19.0%	18.3%	19.2%
Interest cover ratio	3.00	1.97	2.74	3.26	3.28
Net gearing	3.66	4.28	3.22	3.48	3.34
Number of aircraft	278	235	163	182	171
Number of full time employees (average)	122	101	91	78	58


We are the largest
lessor of regional
aircraft in the world

15

Approximately 15% of the world fleet

Operating review

The Company
Nordic Aviation Capital A/S (NAC), Billund, Denmark, is a commercial aircraft leasing company focused on acquiring, leasing and selling new and secondhand turboprop and regional jet aircraft for lease to aircraft operators worldwide. We manage our portfolio from our offices in Denmark, Ireland, Canada, USA and Singapore.

During the fiscal year ended June 30, 2016, we further consolidated our position as the owner of the largest fleet of ATR and Bombardier Q400 worldwide and we continue to be the largest lessor of turboprop aircraft. We focus on fuel efficient turboprop aircraft with a large base of operators and long economic life.

We also added to our strategy with a complementary focus on the sub-130 commercial aircraft position when our parent company, NAC Turbo Ltd., acquired Jetscape Aviation Group, Ltd. ("Jetscape") and Aldus Aviation Ltd. ("Aldus"), both of which concentrate on leasing and trading Embraer E-Jets. We further enhanced our investment in the regional jet market segment as NAC entered into agreements to purchase Delta Air Lines' entire E-Jet fleet (19 aircraft) and substantially all of Air Lease Corporation's E-Jet portfolio (25 aircraft).

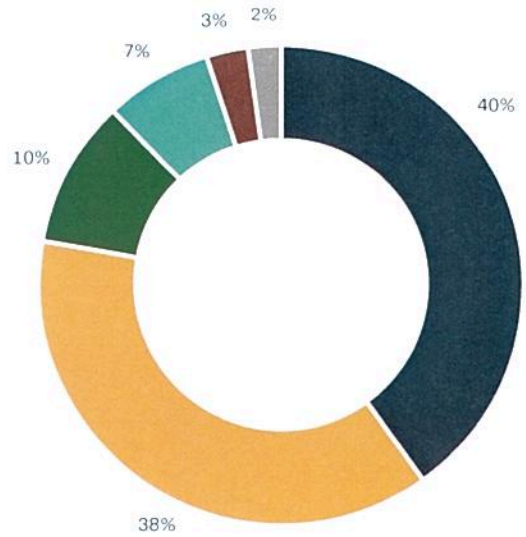
Our aircraft are typically placed on operating leases but we also have a number of finance leases. NAC represents a complete leasing platform where all key functions, including Sales/Marketing, Technical, Legal, Lease Management, Funding, Finance and IT are located in-house. In terms of technical capability, NAC stands out from the other players in the industry as the company has its own EASA Part 145 & Part M aircraft maintenance approval which allows it to perform maintenance on even the largest turboprop aircraft at NAC's own hangar facilities in Billund. We will add E-Jet capabilities to this function in late 2016.

Portfolio
At June 30, 2016, NAC owned 278 aircraft and had purchase commitments for 52 aircraft. Our customer base consisted of 53 airlines in 35 countries. Our aircraft portfolio had a weighted average age of 5.6 years and our lease portfolio had a weighted average remaining lease term of 6.5 years.

Furthermore, our sister companies Jetscape and Aldus owned and managed 74 aircraft and had purchase commitments for 21 aircraft at June 30, 2016. Their combined aircraft portfolio had a weighted average age of 6.2 years and their lease portfolio had a weighted average remaining lease term of 5.1 years. Their combined customer base consisted of 20 airlines in 20 countries.

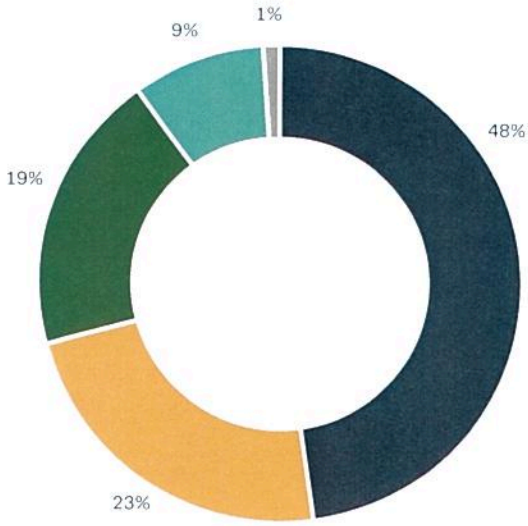
NAC Group in aggregate control approximately 15% of the world's turboprop fleet and around 7% of the global E-Jet fleet.

Revenues by aircraft type



- Dash8-400
- ATR-72
- CRJ-1000
- ATR-42
- CRJ-900
- Other

Revenues by region



- Europe
- Asia and the Pacific
- South and Central America
- North America
- Africa and the Middle East

Markets
The airline industry experienced a reasonable year in 2016.

Both North America and Europe witnessed slow but steady economic recovery which translated into steady demand for aircraft. Europe continues to present opportunities regardless of concerns surrounding the Brexit decision in the United Kingdom and heightened tensions due to the effects of increased terrorist activity. Despite uncertainty and slow economic growth, major airlines have seen significant growth in passenger numbers while other airlines have experienced a challenging operating year as a result of recent terrorist attacks. Despite the localized effects in these countries, Europe overall saw a reasonable performance over the past year.

While recent market commentary points to flattening demand, our experience in Europe has been positive. We have placed a large number of aircraft in the region and have added a number of new customers in 2015/16. What has been particularly pleasing is that these specific airlines have been targets of NAC's for a number of years. The majority of our new customers in the region are well-established airlines and we expect to place additional aircraft with these airlines in the next fiscal year as they expand their regional aircraft fleets.

In our 2014/2015 Annual Report, we raised concerns about new FAA rules in the United States which impact the required qualifications and availability of First Officers on regional flights. These new rules were one of the primary reasons for Republic Airways entering Chapter 11 bankruptcy. As a consequence of the bankruptcy, the airline rejected the Q400 aircraft on lease from us, but as most aircraft were subject to sublease, the rejection had limited financial impact on us.

Consistent with prior years, some countries in the Asia region are experiencing increases in demand for aircraft with others remaining stagnant. The most significant change in the region has been an increase in demand in India. We have taken advantage of the opportunity by beginning to lease into India during the fiscal year, and we see further growth opportunities in the country as the airline business develops into the regional districts.

Over the past few years, Latin American carriers have struggled against a headwind of volatile economic conditions due to falling commodity prices and currency declines against the US Dollar. This has made it difficult for many airlines in the region to service their dollar-based lease payments and aviation fuel costs. Other factors, like Zika virus have negatively affected demand in the region. We expect the Latin American market will worsen before it improves, and while there are significant challenges, we have been working closely with our customers to stay ahead of potential pitfalls.

Markets in the Middle East and Africa have also experienced slowdowns with a deleterious effect on aircraft demand. Consistent with our operating strategy of the past 25 years, we work closely with customers in more difficult circumstances by providing creative solutions that benefit the airline as well as ourselves. Through our long-standing relationships, our understanding of the airline business and our willingness to work with our customers for our mutual benefit, we will ensure that repayments are maximized and that any return of aircraft will be carried out on a low cost basis.

Regional jets
As noted above, in 2016 the NAC Group made the strategic acquisitions of Jetscape and Aldus in the first step towards adding additional aircraft types and customers while maintaining our position as a differentiated aircraft lessor. We see this space as a natural progression that allows us to grow our business in line with our core competencies. The regional jet market represents an opportunity to continue our growth, diversify our portfolio and add new customers as wells as provide further leasing solutions to some of our long standing airline customers that we work with in the turboprop market.

Our strategy in relation to narrowbody or larger aircraft remains unchanged. We are not actively looking for opportunities in this highly competitive sector of the aircraft leasing market. We see more than enough opportunity in both the turboprop and

regional jet markets. Our strategy is to continue to differentiate ourselves through our aircraft portfolio and our stakeholder relationships with airline operators, funders and aircraft manufacturers.

Corporate strategy
Our primary strategic focus has traditionally been to exploit market niches in the regional market, historically focusing on the turboprop segment and more recently on the regional jet market. Through gradually expanding into larger and newer aircraft in response to the demands of our customers, we have grown into the industry leader we are today.

Our unwavering focus on our basic values of professionalism and integrity, as well as our risk management focus at all levels is fundamental to maintaining our solid customer base. In addition, as in prior years, it is worth noticing that the majority of the placements of our newly acquired aircraft are the result of continuing strong relations with existing stakeholders, supplemented with select new customers.

Acquisition of new aircraft is one of several strategic initiatives aimed at ensuring a continued reduction of the average age of the aircraft fleet as well as acquisition of the newest aircraft technology. However, the acquisition and placement of good recent vintage, pre-owned aircraft remains a key aspect of our business. With judicious investment in these aircraft managed by our experienced marketing and technical teams, we have the unique ability to enhance the value of this equipment and deliver a consistently superior product to our customers. Our talented sales and commercial teams based in all major time zones ensures that we stay in close communication with our customers.

A vital part of NAC's strong competitiveness is our efficient operating platform. Also, it remains one of our cornerstones to further build and expand our robust capital structure. In the fiscal year 2015/16 we have therefore continued to actively improve our foundation by implementing new enhanced systems and routines, as well as further developing existing systems. We have focused on expanding the number of select financial partners by adding a number of high quality international banks as well as institutional investors in the private capital markets in the United States, Asia and Europe, thereby further expanding our economic latitude:

- An existing unsecured facility with HPS Investment Partners, LLC (formerly known as Highbridge Principal Strategies) has been increased from USD 345m to USD 470m; this facility has also been novated to our group parent company.
- A USD 320m short-term facility underwritten by Deutsche Bank for the acquisition of 25 ATR72-600 aircraft was obtained in December 2015.
- A new USD 100m commercial debt facility with KfW IPEX Bank for the financing of seven ATR 72-600 aircraft was agreed in June and subsequently signed in July 2016.
- The first ever JOLCO (Japanese Operating Lease with a Call Option) turboprop financing for a lessor, covering three ATR 72-600s. The senior loans in this landmark transaction were provided by DVB Bank (Leading Arranger), Korea Development Bank and Development Bank of Japan, while equity was underwritten by FPG AIM

Furthermore, upsizing of an existing warehouse facility led by Deutsche Bank and Citi from USD 400m to USD 600m was agreed in June and took place in July 2016.

It is one of the lighthouses for NAC's funding strategy to further expand and diversify our sources of capital taking full advantage of the financial strength and market leading position of NAC and thus continue to support our strategy for continued growth.

Our aircraft investments must meet thorough transaction and portfolio criteria and have to be approved by our Investment Committee. We closely monitor our fleet, as well as the operating performance and financial health of each lessee, so that we can be proactive in identifying areas where we may provide value added solutions through cooperation and creativity. To accomplish these goals, we maintain a high level of communication with our customers and continuously update our knowledge of the local marketplace, aviation industry developments and any impending regulatory changes.

Robust financial resources, which among other things mean a strong cash position, are a clear strength and provide us with the freedom to act both quickly and judiciously when required. If necessary, we may use the cash for defensive purposes. Going forward, we expect to maintain ample liquidity and thereby further supporting our future growth.

Risk management

As part of our strategic initiative to create and protect value for our stakeholders, we have entered into a process of implementing an enterprise risk management framework. During the next fiscal year, we will identify particular events or circumstances relevant to our strategic objectives, assess them in terms of their likelihood and the magnitude of their impact and determine appropriate actions or mitigating factors.

Corporate Social Responsibility

NAC does not have a specific policy for Corporate Social Responsibility, including human rights and climate impact, but our business principles and our corporate culture ensure that we take social aspects into account and show consideration for our stakeholders in order to promote long-term sustainability and transparency. We intend to gradually formalize these considerations.

Gender diversity

NAC strives to ensure equal opportunities for managers and employees, regardless of gender, ethnicity, age, political and religious convictions, etc.

Pursuant to Danish legislation, NAC sets objectives for the proportion of the underrepresented gender on the Board of Directors. Our ambition, on the basis of the current number of Board members, is that no gender should account for less than 25% of our members. We met our target as the Board of Directors of NAC consists of four members and includes an equal distribution of men and women.

Board of Directors

	2015/2016	2014/2015	2013/2014
Male (%)	2 (50%)	6 (86%)	5 (83%)
Female (%)	2 (50%)	1 (14%)	1 (17%)
Total	4	7	6

NAC managers

At the manager level, the number of women has been stable in recent years. However, as a result of growth in the total number of managers, the proportion of women has decreased slightly. At the end of the fiscal year, male managers represent 74% and female managers represent 26%. This is slightly different than the distribution in the overall organization of 68% men and 32% women.

	2015/2016	2014/2015	2013/2014
Male (%)	14 (74%)	13 (68%)	10 (67%)
Female (%)	5 (26%)	6 (32%)	5 (33%)
Total	19	19	15

It remains our objective to maintain and promote further growth in the proportion of women at manager level while at the same time continuing to recruit the most suitable candidates for each position.

To stimulate a sufficient number of female candidates for any future available position, management proactively, whenever possible, engages in appropriate coaching, mentoring and sponsoring enrollment in external educational opportunities.

We consequently endeavor and actively seek to encourage, where possible, that the possible candidates for any available position always include both genders.

Our primary strategic focus has traditionally been to exploit market niches in the regional market, historically focusing on the turboprop segment and more recently on the regional jet market. Through gradually expanding into larger and newer aircraft in response to the demands of our customers, we have grown into the industry leader we are today.

Organization
In November 2015, we announced the appointment of Søren M. Overgaard as Chief Executive Officer. Replacing Kim Graven-Nielsen, Søren M. Overgaard had played a key role in NAC's senior management since 2012 as Chief Financial Officer. To further strengthen our top management, Michael Østerlund Madsen in March 2016 joined NAC as Chief Financial Officer. Michael Østerlund Madsen has held executive positions in international companies.

During the fiscal year 2015/2016, we added 21 colleagues to the NAC team and at the end of June 2016 we had reached 128 colleagues. Through the creation of NAC Turbo Ltd. and the acquisitions of our sister companies Jetscape and Aldus, we gained additional seasoned aviation professionals.

Our employees are one of the key factors for success, and diversity in cultures, languages and genders is a strength to our company and an exciting part of working life for current and future employees. To meet our future objectives, we are working with different strategic initiatives to further strengthening our organization. One of these strategic initiatives targets continuous development of all employees.

The transformation of the organization to a global group and the addition of energetic and qualified team members have helped us manage growth and build a stronger business, closer to our customers and closer to markets. Hence, we are well positioned for continuing to successfully execute our business strategy and realize our plans for solid, controlled growth. We endeavor to become even better at understanding market expectations as well as the requirements of our customers and other stakeholders. We remain dedicated to this as our highest priority and continue to implement it – the NAC way.

Statement by the Executive Board and Board of Directors

The Executive Board and Board of Directors have today discussed and approved the annual report of Nordic Aviation Capital A/S (the Company) for the financial year 1 July 2015 - 30 June 2016.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's (Nordic Aviation Capital A/S and its subsidiaries, the Group) and the Company's financial position at 30 June 2016 and of the results of the Group's and the Company's operations and consolidated cash flows for the financial year 1 July 2015 - 30 June 2016.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Company's operations and financial matters and the results of the Group's and the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Billund, September 22nd 2016

Executive Board:

Søren M. Overgaard
(Chief Executive Officer)

Michael Østerlund Madsen
(Chief Financial Officer)

Board of Directors:

Martin Møller Nielsen
Chairman

Søren M. Overgaard

Hanne Møller Nielsen

Jette Mariann Hulgaard

Independent auditors' report

To the shareholders of Nordic Aviation Capital A/S

Independent auditors' report on the consolidated financial statements and the parent company financial statements
We have audited the consolidated financial statements and the parent company financial statements of Nordic Aviation Capital A/S for the financial year 1 July 2015 - 30 June 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as for the parent company and consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the consolidated financial statements and the parent company financial statements
Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of consolidated financial statements and parent company financial statements that give a true and fair view 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 Company'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 consolidated financial statements and the parent company financial statements.

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

Our audit has not resulted in any qualification.

Opinion
In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 30 June 2016 and of the results of the Group's and the parent company's operations and consolidated cash flows for the financial year 1 July 2015 - 30 June 2016 in accordance with the Danish Financial Statements Act.

Statement on the Management's review
Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.

Aarhus, 22 September 2016

ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR No.: 30700228

Jes Lauritzen
State Authorised Public Accountant

Claus Dalager
State Authorised Public Accountant

In its 25 years of business NAC has delivered remarkable, consistent growth and established itself as an industry leader with a very distinct and unique business model at its core. It is this business model which has enabled the company to close in excess of 1000 transactions and demonstrate 20 consecutive years of growing financial profitability.

1990
Founded in October 1990 by Martin Møller. Located in Skive, Denmark.

1993-96
Assisted ING Bank with placing a portfolio of 27 Cessna Caravan turboprops and decided in 1996 to purchase the remaining 17 aircraft.

NAC became an LLC.

25th Anniversary

2015 marked the 25th anniversary of NAC. Founded in 1990 by aviation entrepreneur Martin Møller Nielsen, the company has successfully evolved from a one aircraft business to a market-leading enterprise with over 170 employees operating across 10 locations globally. We pride ourselves on the quality and experience of our staff who comprise some of the industry's most experienced aviation personnel.

2004
Moved to Billund, with Billund Airport as closest neighbour. A new office in Ireland opened.

9 ATR aircraft were purchased from Magellan.

2006
The relationship with Bombardier strengthened through acquisition of part of their aircraft leasing portfolio (16 Dash8 aircraft).

2008
In cooperation with Kirk Kapital A/S, NAC purchased a fleet of 39 ATR72 aircraft on lease to American Eagle.

2012
New Executive Management – CEO Kim Graven Nielsen and CFO Søren Overgaard.

2013
NAC and ATR signed a historic agreement for 130 ATR72-600, including 50 firm orders. The contract, including options, amounted to over USD 2.1bn.

NAC signed a loan agreement for USD 230m with US investors.

2014
NAC and ATR signed an order of 75 ATR42-600, including 25 firm orders.

2015
EQT and Kirkbi Invest A/S invested in NAC and at the same time, NAC was acquired by a newly established Irish company, NAC Turbo Ltd.

Together with a new USD 400m debt facility lead by Deutsche Bank and Citibank, this partnership provided additional capital to further develop NAC and allowed NAC to pursue further growth opportunities.

Asset base reached 3bn and the aircraft portfolio reached 235 aircraft after making the largest transaction in company history.

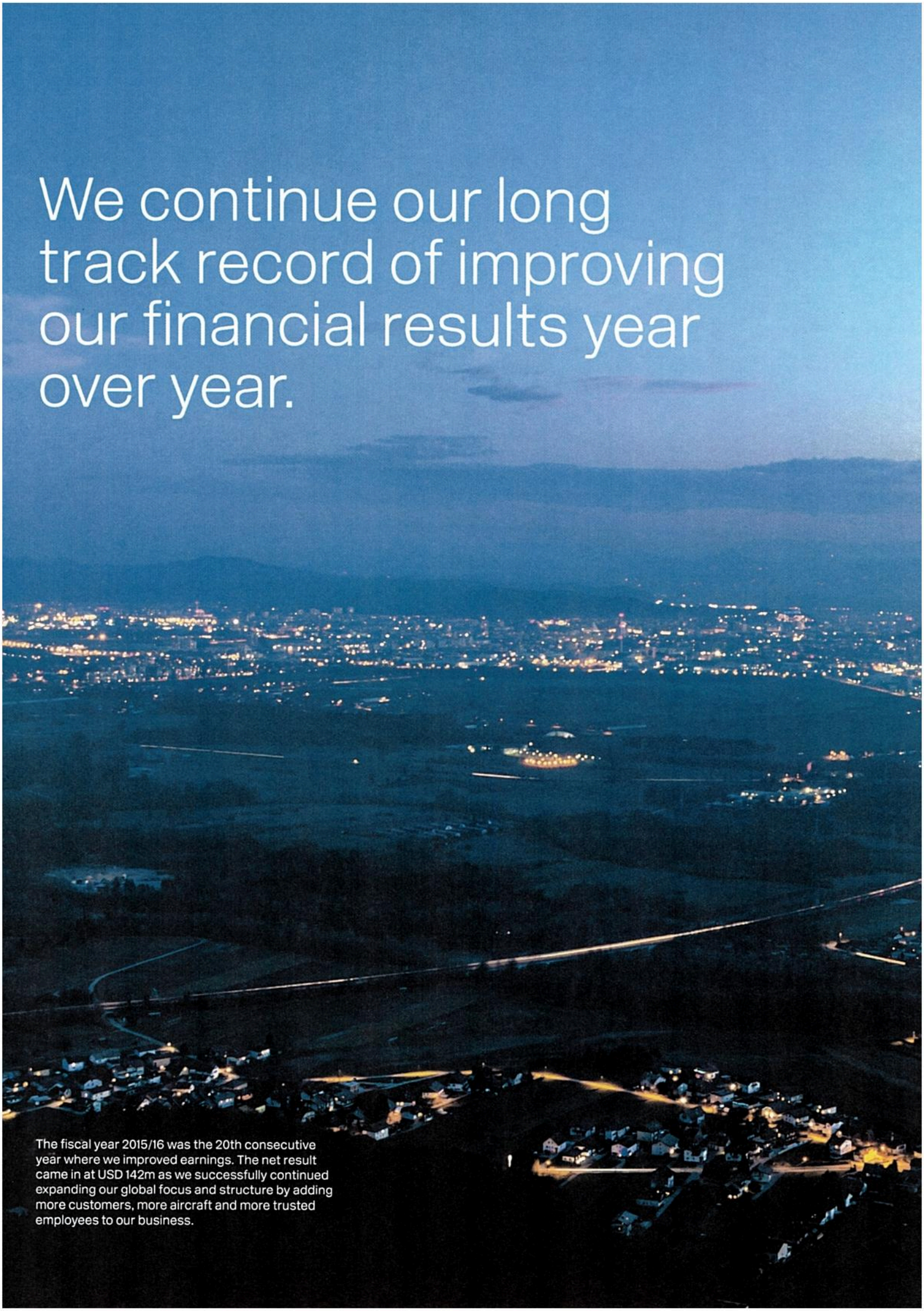
Søren M. Overgaard was appointed new CEO in November 2015.

2016
NAC's parent company NAC Turbo Ltd. acquired US-based Jetscape Aviation Group Ltd. and Irish Aldus Aviation Ltd., both regional jet leasing specialists.

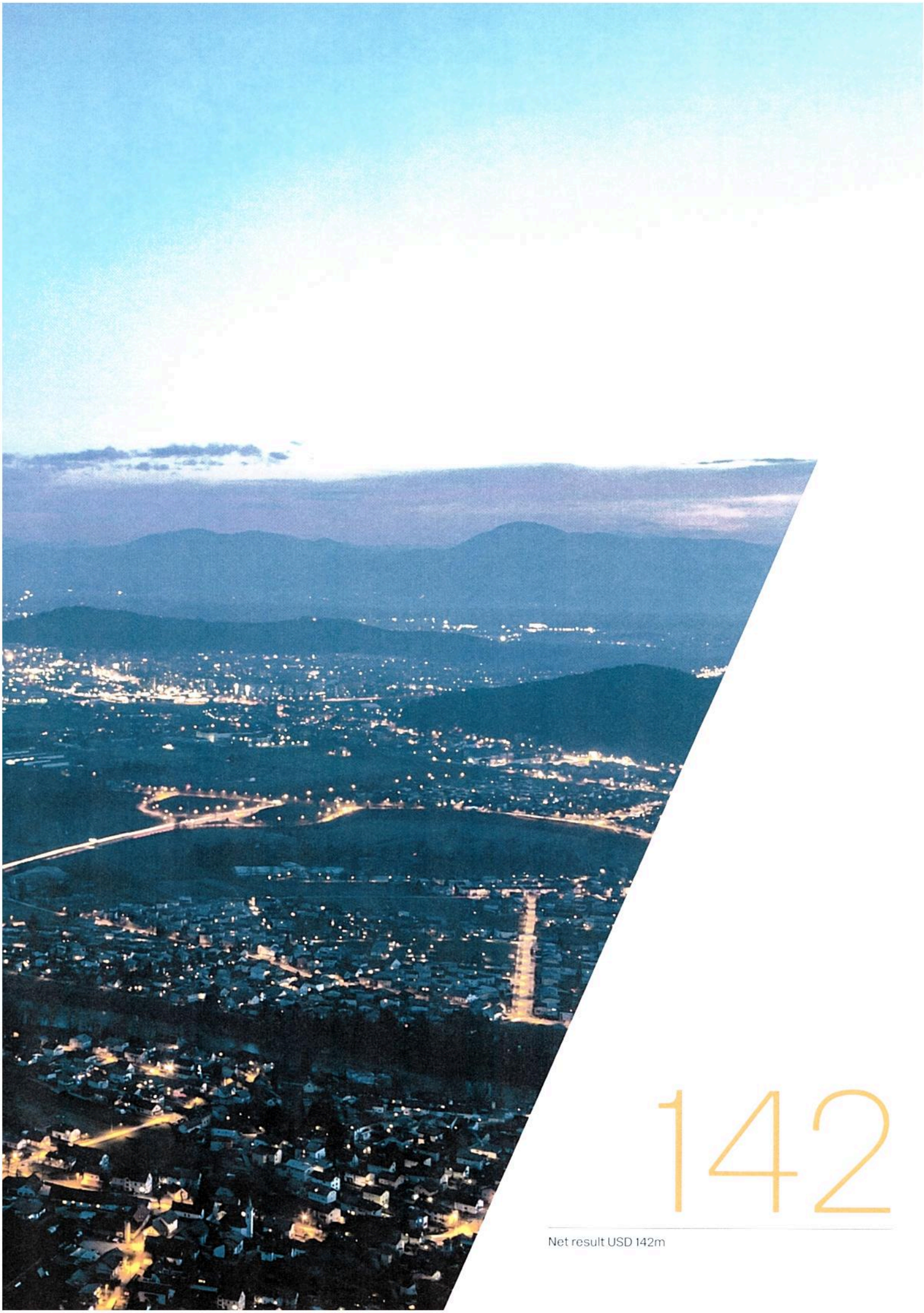
The three combined businesses have enabled NAC to expand into the regional jet market segment and allowed the NAC Group to quickly become a significant player in this market.

Michael Østerlund Madsen was appointed new CFO in March 2016.

We continue our long track record of improving our financial results year over year.



The fiscal year 2015/16 was the 20th consecutive year where we improved earnings. The net result came in at USD 142m as we successfully continued expanding our global focus and structure by adding more customers, more aircraft and more trusted employees to our business.



142

Net result USD 142m

Consolidated financial statements

1st of July 2015 - 30th of June 2016

Income statement

		Consolidated	
USD'000	Note	2015/16	2014/15
Revenue	1	610.028	392,048
Production costs	2	-124,008	-115,938
Distribution costs and administrative expenses	2, 3	-47,219	-45,642
Ordinary operating profit		**438,801**	**230,468**
Value adjustments of aircraft	7	-136,262	8,517
Operating profit		**302,539**	**238,985**
Financial income	4	8,087	6,189
Financial expenses	5	-150,592	-126,781
Profit from ordinary activities before tax		**160,034**	**118,393**
Tax on profit from ordinary activities	6	-18,206	-7,736
Profit for the year		**141,828**	**110,657**

PROPOSED PROFIT APPROPRIATION

USD'000		
Retained earnings	141,828	110,657
	141,828	**110,657**

Balance sheet (assets)

USD'000	Note	Consolidated 2015/16	2014/15
ASSETS			
Non-current assets			
Property, plant and equipment	7		
Aircraft		3,606,009	2,815,935
Predelivery payments		102,767	95,872
Buildings		11,336	11,898
Fixtures and fittings, tools and equipment		170	272
		3,720,282	2,923,977
Investments			
Securities		912	2,649
		912	2,649
Total non-current assets		**3,721,194**	**2,926,626**
Current assets			
Inventories			
Consumables		12,528	9,326
		12,528	9,326
Receivables			
Trade receivables		26,753	7,109
Deposits		12,998	5,707
Receivables, finance leases	9	35,526	70,718
Other receivables		18,623	16,411
Prepayments	10	3,714	2,653
		97,614	102,598
Cash at bank and in hand		**170,495**	**134,869**
Total current assets		**280,637**	**246,793**
Total assets		**4,001,831**	**3,173,419**

Balance sheet (equity and liabilities)

		Consolidated	
USD'000	Note	2015/16	2014/15
EQUITY AND LIABILITIES			
Equity			
Share capital	11	747	597
Revaluation reserve		262	262
Reserves for market value for interest swaps		-8,669	-2,265
Retained earnings		768,816	527,138
Total equity		**761,156**	**525,732**
Provisions			
Deferred tax	12	74,220	61,482
Total provisions		**74,220**	**61,482**
Liabilities other than provisions			
Non-current liabilities	13		
Deposits		86,268	73,444
Mortgage debt		2,760	3,065
Aircraft financing		2,128,621	1,824,269
Amounts owed to group enterprises		345,000	0
Other term loans		0	345,000
Engine provisions, finance leases		6,025	4,875
		2,568,674	2,250,653
Current liabilities			
Current portion of non-current liabilities	13	387,757	232,488
Credit institutions		0	58
Trade payables		11,077	13,763
Amounts owed to group enterprises		112,851	0
Corporation tax	14	16,948	11,539
Other payables		65,819	75,680
Deferred income	15	3,329	2,024
		597,781	335,552
Total liabilities other than provisions		**3,166,455**	**2,586,205**
Total equity and liabilities		**4,001,831**	**3,173,419**
Committed facilities	16		
Contingent items, etc.	17		
Mortgage and security	18		
Related parties	19		

Statement of changes in equity

Consolidated

USD'000	Share capital	Revaluation reserve	Reserves for market value of interest swaps	Retained earnings	Total
Equity at 1 July 2014	597	262	-2,265	527,138	525,732
Capital injection	150	0	0	99,850	100,000
Market value adjustment for interest swaps	0	0	-7,236	0	-7,236
Deferred tax of market value of interest swaps	0	0	832	0	832
Transferred via the profit appropriation account	0	0	0	141,828	141,828
Equity at 30 June 2016	**747**	**262**	**-8,669**	**768,816**	**761,156**

Cash flow statement

		Consolidated	
USD'000	Note	2015/16	2014/15
Revenue		610,028	392,048
Costs		-171,227	-161,580
Profit/loss from sale of non-current assets	1	-8,757	6,143
Profit/loss from sale on finance leases	1	0	-5,823
Depreciation		967	763
Installment financial leases	9	32,116	23,658
Other adjustments without affecting the income statement		-8,639	8,014
Cash flows from operations before changes in working capital		454,488	263,223
Changes in working capital	20	-21,214	24,216
Cash generated from operations (operating activities)		433,274	287,439
Interest received		8,087	6,189
Interest paid		-133,170	-98,901
Cash generated from operations (ordinary activities)		308,191	194,727
Corporation tax paid	14	-1,236	-2,796
Cash flows from operating activities		**306,955**	**191,931**
Acquisition of assets recognised as property, plant, equipment and finance leases	7	-994,807	-1,133,118
Acquisition of shares in subsidiaries		-6,000	0
Disposal of assets recognised as property, plant, equipment and finance leases		80,261	44,554
Cash flows from investing activities		**-920,546**	**-1,088,564**
External financing:			
Capital injection		100,000	0
Repayment of long-term debt		-278,828	-235,080
Proceeds from loans		828,103	1,063,007
Cash flows from financing activities		**649,275**	**827,927**
Cash flows from operating, investing and financing activities		**35,684**	**-68,706**
Cash and cash equivalents at 1 July		134,811	203,517
Cash and cash equivalents at 30 June		**170,495**	**134,811**
Cash		170,495	134,869
Credit institutions		0	-58
Cash and cash equivalents at 30 June		**170,495**	**134,811**

The cash flow statement cannot be directly derived from the other components of the consolidated and parent company financial statements.

Parent company financial statements

1st of July 2015 - 30th of June 2016

Income statement

Parent company

USD'000	Note	2015/16	2014/15
Revenue	1	44,222	32,536
Production costs	2	-16,236	-17,681
Distribution costs and administrative expenses	2,3	-19,110	-27,478
Ordinary operating profit		**8,876**	**-12,623**
Value adjustments of aircraft	7	-3,869	-4,624
Operating profit		**5,007**	**-17,247**
Share of profit after tax from subsidiaries	8	122,065	133,771
Share of profit after tax from associated companies	8	1,381	113
Financial income	4	65,045	38,498
Financial expenses	5	-46,476	-51,435
Profit from ordinary activities before tax		**147,022**	**103,700**
Tax on profit from ordinary activities	6	-5,194	6,957
Profit for the year		**141,828**	**110,657**

PROPOSED PROFIT APPROPRIATION

USD'000		
Net revaluation according to the equity method	102,536	105,884
Retained earnings	39,292	4,773
	141,828	**110,657**

Balance sheet (assets)

		Parent company	
USD'000	Note	2015/16	2014/15
ASSETS			
Non-current assets			
Property, plant and equipment	7		
Aircraft		12,204	25,650
Predelivery payments		76,028	88,745
Fixtures and fittings, tools and equipment		170	272
		88,402	114,667
Investments			
Investments in subsidiaries	8	573,695	445,967
Investments in associated companies	8	8,986	35,268
Securities		897	2,649
		583,578	483,884
Total non-current assets		**671,980**	**598,551**
Current assets			
Inventories			
Consumables		7,032	4,176
		7,032	4,176
Receivables			
Trade receivables		3,151	480
Amounts owed by group enterprises		617,436	357,792
Deposits		11,440	4,119
Receivables, finance leases	9	0	4,500
Other receivables		3,227	4,218
Prepayments	10	0	410
		635,254	371,519
Cash at bank and in hand		**146,823**	**104,813**
Total current assets		**789,109**	**480,508**
Total assets		**1,461,089**	**1,079,059**

Balance (equity and liabilities)

		Parent company	
USD'000	Note	2015/16	2014/15
EQUITY AND LIABILITIES			
Equity	11		
Share Capital		747	597
Reserves for market value for interest swaps		-380	-976
Net revaluation according to the equity method		513,127	417,591
Retained earnings		247,662	108,520
Total equity		**761,156**	**525,732**
Provisions			
Deferred tax	12	4,520	4,039
Total provisions		**4,520**	**4,039**
Liabilities other than provisions			
Non-current liabilities	13		
Deposits		1,802	2,006
Aircraft financing		2,866	7,366
Amounts owed to group enterprises		345,000	0
Other term loans		0	345,000
		349,668	354,372
Current liabilities			
Current portion of non-current liabilities	13	8,751	8,802
Credit institutions		0	0
Trade payables		6,180	6,611
Amounts owed to group enterprises		304,525	143,981
Corporation tax	14	19,180	12,710
Other payables		7,067	22,569
Deferred income	15	42	243
		345,745	194,916
Total liabilities other than provisions		**695,413**	**549,288**
Total equity and liabilities		**1,461,089**	**1,079,059**
Committed facilities	16		
Contingent items, etc.	17		
Mortgage and security	18		
Related parties	19		

Statement of changes in equity

Parent company

USD'000	Share capital	Reserves for market value of interest swaps	Net revaluation according to the equity method	Retained earnings	Total
Equity at 1 July 2015	597	-976	417,591	108,520	525,732
Capital injection	150	0	0	99,850	100,000
Market value adjustment for interest swaps	0	764	-8,000	0	-7,236
Deferred tax of market value of interest swaps	0	-168	1,000	0	832
Transferred via the profit appropriation account	0	0	102,536	39,292	141,828
Equity at 30 June 2016	**747**	**-380**	**513,127**	**247,662**	**761,156**

Notes

1st of July 2015 - 30th of June 2016

Notes

		Consolidated		Parent company	
	USD'000	2015/16	2014/15	2015/16	2014/15
1	**REVENUE**				
	Lease income	375,158	284,001	8,077	8,998
	Sale of aircraft, net	8,757	-6,143	-32	794
	Sale on Finance leases, net	0	5,823	0	0
	Early termination fee	1,319	220	0	0
	Engine reserve, recurrent	135,299	100,397	3,629	3,680
	Engine reserve, acquired	47,848	0	0	0
	Workshop sales	1,637	4,542	505	705
	Other income	40,010	3,208	32,043	18,359
		610,028	**392,048**	**44,222**	**32,536**
	Geographical distribution				
	Africa and the Middle East	1%	1%	0%	0%
	Asia and the Pacific	23%	22%	1%	0%
	Europe	48%	59%	95%	90%
	North America	9%	4%	0%	0%
	South and Central America	19%	14%	4%	10%
		100%	**100%**	**100%**	**100%**
2	**COSTS**				
	Staff costs				
	Wages and salaries	17,102	16,280	10,897	9,321
	Pensions	465	362	280	222
	Other social security costs	379	200	151	70
		17,946	**16,842**	**11,328**	**9,613**
	Average number of full-time employees	**122**	**101**	**74**	**64**
	Staff costs are recognized as follows in the consolidated and parent financial statements:				
	Production	3,078	3,381	2,330	2,425
	Sale and administration	14,868	13,461	8,998	7,188
		17,946	**16,842**	**11,328**	**9,613**

Remuneration of the parent company Executive Board of USD 2,706t is included in staff costs (2014/15: USD 1,533t).

Notes

		Consolidated		Parent company	
	USD'000	2015/16	2014/15	2015/16	2014/15
2	**COSTS (CONTINUED)**				
	Depreciation and impairment				
	Property, plant and equipment	967	763	186	91
		967	**763**	**186**	**91**
	Depreciation and impairment relate to:				
	Production	14	15	14	13
	Sale and administration	953	748	172	78
		967	**763**	**186**	**91**
3	**FEE PAID TO AUDITORS APPOINTED AT THE ANNUAL GENERAL MEETING**				
	Total fees paid to EY				
	Audit service	67	82	56	71
	Tax advice services	32	29	32	29
	Other non-audit services	251	638	251	638
		350	**749**	**339**	**738**
4	**FINANCIAL INCOME**				
	Interest, receivables	2,138	243	76	0
	Interest, banks etc.	363	232	268	140
	Interest income from group enterprises	0	0	64,032	35,127
	Interest regarding finance leases	5,585	5,018	668	998
	Exchange rate adjustments	0	696	0	2,233
	Capital gains on securities	1	0	1	0
		8,087	**6,189**	**65,045**	**38,498**

Notes

		Consolidated		Parent company	
	USD'000	2015/16	2014/15	2015/16	2014/15
5	**FINANCIAL EXPENSES**				
	Interest, credit institutions and bank loans	130,486	91,488	36,814	26,539
	Other interest	491	3,772	0	0
	Exchange rate adjustments	598	0	115	0
	Borrowing costs etc.	12,686	21,933	3,216	15,308
	Capital loss on securities	1,831	2,622	1,831	2,622
	Value adjustment of finance lease	4,500	6,966	4,500	6,966
		150,592	**126,781**	**46,476**	**51,435**

6	**TAX ON PROFIT FROM ORDINARY ACTIVITIES**				
	Current tax	5,467	17,340	4,881	12,710
	Adjustment of deferred tax	13,120	-9,422	313	-19,667
	Effect lower tax rate	-381	-182	0	0
		18,206	**7,736**	**5,194**	**-6,957**

Notes

Consolidated

USD'000	Aircraft	Pre-delivery payments	Buildings	Fixtures and fittings, tools and equipment	Total
7 **PROPERTY, PLANT AND EQUIPMENT**					
Cost at 1 July 2015	2,949,923	95,872	15,192	865	3,061,852
Additions	937,956	91,101	219	84	1,029,360
Purchase of associated company	10,214	0	0	0	10,214
Transferred predelivery payments	49,653	-49,653	0	0	0
Disposals	-71,504	-34,553	0	0	-106,040
Cost at 30 June 2016	3,876,242	102,767	15,411	949	3,995,386
Revaluation at 1 July 2015	0	0	350	0	350
Revaluation	0	0	0	0	0
Revaluation at 30 June 2016	0	0	350	0	350
Value adjustments at 1 July 2015	-133,988	0	0	0	-133,988
Value adjustments	-136,245	0	0	0	-136,245
Value adjustments at 30 June 2016	-270,233	0	0	0	-270,233
Depreciation and impairment at 1 July 2015	0	0	-3,644	-593	-4,237
Depreciation	0	0	-781	-186	-967
Depreciation and impairment at 30 June 2016	0	0	-4,425	-779	-5,204
Carrying amount at 30 June 2016	**3,606,009**	**102,767**	**11,336**	**170**	**3,720,282**
Assets held under operating leases	**3,407,751**				
Depreciated over	–	–	**20 years**	**5 years**	

Specification of value adjustments for the year:

Value adjustments of aircraft acquired during the year	13,016
Changes in valuations compared to 1 July 2015	-149,278
Value adjustments, Income Statement	-136,262
Reversed value adjustments of aircraft sold	17
	-136,245

Notes

Parent company

USD'000	Aircraft	Pre-delivery payments	Fixtures and fittings, tools and equipment	Total
7 **PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**				
Cost at 1 July 2015	63,083	88,745	865	152,693
Additions	0	57,169	84	57,253
Disposals	-10,500	-69,886	0	-80,386
Cost at 30 June 2016	52,583	76,028	949	129,560
Value adjustments at 1 July 2015	-37,433	0	0	-37,433
Value adjustments	-2,946	0	0	-2,946
Value adjustments at 30 June 2016	-40,379	0	0	-40,379
Depreciation and impairment at 1 July 2015	0	0	-593	-593
Depreciation	0	0	-186	-186
Depreciation and impairment at 30 June 2016	0	0	-779	-779
Carrying amount at 30 June 2016	**12,204**	**76,028**	**170**	**88,402**
Assets held under operating leases	**12,204**			
Depreciated over	–	–	**5 years**	

Specification of value adjustments for the year:

Changes in valuations compared to 1 July 2015	-3.869
Value adjustments, income statement	-3.869
Reversed value adjustments of aircraft sold	923
	-2,946

Notes

		Subsidiaries		Associated companies
USD'000	2015/16	2014/15	2015/16	2014/15
8 **INVESTMENT IN SUBSIDIARIES AND ASSOCIATED COMPANIES**				
Cost at 1 July	63,644	63,644	0	0
Additions	6,000	0	0	0
Disposals	-89	0	0	0
Cost at 30 June	69,555	63,644	0	0
Value adjustments at 1 July	382,323	276,964	35,268	35,155
Adjustment at 1 July	0	0	0	0
Paid dividend	0	-28,000	-7,500	0
Value adjustment, purchase	14,419	0	0	0
Share of profit for the year after tax	107,646	133,771	1,381	113
Disposals	-8,639	0	-20,163	0
Interest swap adjustments	8,391	-412	0	0
Value adjustments at 30 June	504,140	382,323	8,986	35,268
Carrying amount at 30 June	**573,695**	**445,967**	**8,986**	**35,268**
Shared profit for the year after tax	107,646	133,771	1,381	113
Value adjustments, purchase	14,419	0	0	0
Share of profit after tax from subsidiaries	**122,065**	**133,771**	1,381	113

Notes

		Consolidated		Parent company	
	USD'000	2015/16	2014/15	2015/16	2014/15
9	**RECEIVABLES FINANCE LEASES**				
	Receivable, finance leases at 1 July	70,718	44,061	4,500	20,609
	Income from finance leases	585	59,629	0	0
	Installments during the year	-5,136	-22,663	0	-5,350
	Repayment, finance leases	-26,980	-995	0	-1,445
	Transferred to property, plant and equipment	839	0	0	0
	Adjustment of value, finance leases	-4,500	-6,966	-4,500	-6,966
	Offset Engine provision, finance leases	0	-2,348	0	-2,348
		35,526	**70,718**	**0**	**4,500**
	Due within one year	6,495	9,605	0	4,500
	Due after one year	29,031	61,113	0	0
		35,526	**70,718**	**0**	**4,500**
	Due after five years	**13,215**	**37,049**	**0**	**0**
10	**PREPAYMENTS**				
	Prepaid costs relating to the period after 30 June	3,714	2,653	0	410
		3,714	**2,653**	**0**	**410**
11	**SHARE CAPITAL**				
	The share capital comprises:				
	3,500 shares at DKK 1,000 nominal value at 1 July	597	597	597	597
	Addition 1,000 shares at 1,000 nominal value	150	0	150	0
		747	**597**	**747**	**597**

Notes

USD'000	Consolidated 2015/16	Consolidated 2014/15	Parent company 2015/16	Parent company 2014/15
12 DEFERRED TAX				
Deferred tax at 1 July	61,482	66,005	4,039	23,542
Adjustment at 1 July, to Corporation tax payable	0	3,958	0	0
Adjustment market value of interest swaps	0	105	168	164
Adjustment of deferred tax	13,120	-9,422	313	-19,667
Effect lower tax rate	-382	-182	0	0
Group relief	0	1,018	0	0
Deferred tax at 30 June	**74,220**	**61,482**	**4,520**	**4,039**
Provisions for deferred tax relate to:				
Property, plant and equipment, incl. finance leases receivable	99,890	78,982	4,926	7,105
Tax-deductible borrowing costs, etc.	-417	-3,056	-406	-3,066
Tax loss carry forwards	-25,253	-14,444	0	0
	74,220	**61,482**	**4,520**	**4,039**

Notes

		Consolidated		Parent company
USD'000	2015/16	2014/15	2015/16	2014/15
13 NON-CURRENT LIABILITIES				
Liabilities are allocated as follows:				
Deposits				
Long-term	86,268	73,444	1,802	2,006
Short-term	21,567	18,361	450	501
	107,835	**91,805**	**2,252**	**2,507**
Mortgage debt				
Long-term	2,760	3,065	0	0
Short-term	285	224	0	0
	3,045	**3,289**	**0**	**0**
Aircraft financing				
Long-term	2,128,621	1,824,269	2,866	7,366
Short-term	364,399	212,684	8,301	8,301
	2,493,020	**2,036,953**	**11,167**	**15,667**
Amounts owed to group enterprises				
Long-term	345,000	0	345,000	0
Short-term	0	0	0	0
	345,000	**0**	**345,000**	**0**
Other term loans				
Long-term	0	345,000	0	345,000
Short-term	0	0	0	0
	0	**345,000**	**0**	**345,000**
Engine provision, finance leases				
Long-term	6,025	4,875	0	0
Short-term	1,506	1,219	0	0
	7,531	**6,094**	**0**	**0**
Total non-current liabilities including current portion	**2,956,431**	**2,483,141**	**358,419**	**363,174**
Liabilities are recognised as follows in the balance sheet:				
Non-current liabilities	2,568,674	2,250,653	349,668	354,372
Current liabilities	387,757	232,488	8,751	8,802
	2,956,431	**2,483,141**	**358,419**	**363,174**
Non-current liabilities falling due after more than five years after the balance sheet date (carrying amount)	**1,103,984**	**992,927**	**0**	**3,116**

Notes

USD'000	Consolidated 2015/16	Consolidated 2014/15	Parent company 2015/16	Parent company 2014/15
14 CORPORATION TAX PAYABLE				
Corporation tax payable at 1 July	11,539	1,975	12,710	0
Adjustment of corporation tax at 1 July, from merger	0	-3,958	1,589	0
Current tax including jointly taxed subsidiaries	5,467	17,340	4,881	12,710
Corporation tax paid during the year	-1,236	-2,796	0	0
Group relief	1,178	-1,022	0	0
Corporation tax payable at 30 June	**16,948**	**11,539**	**19,180**	**12,710**

15 DEFERRED INCOME				
Lease income after closing date	3,329	2,024	42	243
Deferred income at 30 June	**3,329**	**2,024**	**42**	**243**

16 COMMITTED FACILITIES

The group had undrawn committed loan facilities totaling 200m USD for purchase of aircraft as per 30 June 2016.

In addition to its cash deposits, Nordic Aviation Capital A/S had undrawn facilities in Danish banks totaling 3m USD (consolidated 4m USD) as per 30 June 2016.

17 CONTINGENT ITEMS, ETC.

The company had entered into operating leases of three aircraft. The total lease commitment amount was 58m USD per 30 June 2016. The lease agreements terminate in 2017, 2019 and 2021, respectively.

Pending legal actions/claims

The parent company had following the loss of the court case against a Danish bankruptcy estate, regarding the right of disposal of aircraft engines negotiated a settlement agreement in the amount of 5.7 mDKK with the estate. This settlement was subject to the approval by the relevant interest holder in the engines. Further the parent company had filed a claim against Gorrissen Federspiel due to the fact that the lawfirm as counsel to NAC filed the application to High Court too late. Gorrissen Federspiel and their insurer Tryg acknowledged their liability but the amount of the filing has been disputed.

Joint taxation

The parent company and the Danish subsidiaries are jointly taxed. The companies are indefinitely, jointly and severally liable for Danish corporate taxes and withholding taxes from profit, interest and royalties within the joint taxation circle. Any subsequent corrections of the taxable joint taxation income or withholding taxes can entail that the companies are liable for a large amount.

Notes

18 MORTGAGE AND SECURITY

Consolidated

Lease agreements, Lease income and insurance amounts have been assigned to the bank and chattel mortgages registered to the mortgagor and letter of indemnity totaling 3,482m USD have been issued, providing security in aircraft registered abroad. The security has been registered with the air service of the registration country or in the national register, and the company cannot sell the aircraft without permission from the financing bank. The carrying amount of these aircraft amounted to 3,471m USD as per 30 June 2016.

As security for debt in mortgage banks 3m USD, security has been provided in buildings, which had a carrying amount of 11m USD as per 30 June 2016.

Pledge in cash and cash equivalents of 10m USD.

Parent company

Chattels mortgages registered to the mortgager totaling 8m USD have been issued providing security in aircraft registered in Trafikstyrelsen in Denmark (The Danish Civil Aviation Administration), which have a carrying amount of 1m USD at 30 June 2016.

Lease agreements, lease income and insurance amounts have been assigned to the bank and chattel mortgages registered to the mortgagor and letter of indemnity totaling 15m USD have been issued, providing security in aircraft registered abroad. The security has been registered with the air service of the registration country or in the national register and the company cannot sell the aircraft without permission from the financing bank. The carrying amount of these aircraft amounted to 4m USD at 30 June 2016.

The parent company has guaranteed for loans given to the subsidiaries for the total amount of 2,481m USD.

Pledge in securities have been issued totaling 2t USD.

The parent company has pledged the shares of all its subsidiaries.

Notes

19 NORDIC AVIATION CAPITAL A/S' RELATED PARTIES ARE:

Control and ownership
NAC Turbo Limited who owns 100% of the shares

Control
Nordic Aviation Capital A/S' related parties exercising significant influence comprise subsidiaries, as described in note 8, and the companies' Executive Board and Board of Directors, executive employees and their family members. Furthermore, related parties comprise companies in which the above persons have substantial interests.

Subsidiaries comprise in Denmark:
Nordic Aviation Financing ApS
NAC Aviation 2 A/S
NAC Aviation 3 A/S

In Ireland:
Nordic Aviation Contractor (Ireland) Ltd, Nordic Aviation Services Ltd, NAC Aviation 2 Ltd, NAC Aviation 3 Ltd, NAC Aviation 4 Ltd, NAC Aviation 6 Ltd, NAC Aviation 7 Ltd, NAC Aviation 8 Ltd, NAC Aviation 9 Ltd, NAC Aviation 10 Ltd, NAC Aviation 11 Ltd, NAC Aviation 12 Ltd, NAC Aviation 14 Ltd, NAC Aviation 15 Ltd, NAC Aviation 16 Ltd, NAC Aviation 17Ltd, NAC Aviation 18 Ltd, NAC Aviation 19 Ltd, NAC Aviation 20 Ltd, NAC Aviation 21 Ltd, NAC Aviation 22 Ltd, NAC Aviation 23 Ltd, NAC Aviation 24 Ltd, NAC Aviation 25 Ltd, NAC Aviation 26 Ltd, NK Leasing Ltd and NK Aviation Ltd

In Cyprus:
NAC Aviation Cyprus 1 Ltd, NAC Aviation Cyprus 2 Ltd. and Merlano Ltd.

In Singapore:
Nordic Aviation Capital Pte, Nordic Aviation Leasing Pte Ltd, Nordic Aviation Leasing Two Pte Ltd, Nordic Aviation Leasing Three Pte Ltd, Nordic Aviation Leasing Four Pte Ltd, Nordic Aviation Leasing Five Pte Ltd, Nordic Aviation Leasing Six Pte Ltd, Nordic Aviation Leasing Seven Pte Ltd, Nordic Aviation Leasing Eight Pte Ltd, Nordic Aviation Leasing Nine Pte Ltd, Nordic Aviation Leasing Ten Pte Ltd, Nordic Aviation Leasing Eleven Pte Ltd, Nordic Aviation Leasing Twelve Pte Ltd, Nordic Aviation Leasing Fourteen Pte. Ltd, Nordic Aviation Leasing Fifteen Pte. Ltd, Nordic Aviation Leasing Sixteen Pte. Ltd, Nordic Aviation Leasing Seventeen Pte. Ltd, Nordic Aviation Leasing Eighteen Pte. Ltd, Nordic Aviation Leasing Nineteen Pte. Ltd, Nordic Aviation Leasing Twenty Pte. Ltd, Nordic Aviation Leasing Twentyone Pte. Ltd, Nordic Aviation Leasing Twentytwo Pte. Ltd, Nordic Aviation Financing One Pte Ltd and Nordic Aviation Financing Two Pte Ltd

In United Kingdom:
NAC Services UK Limited
NAC Aviation UK 1 Ltd
NAC Aviation UK 2 Ltd

In France:
NAC Aviation France 1 SAS.
NAC Aviation France 2 SAS.
NAC Aviation France 4 SAS.
NAC Aviation France 5 SAS.
NAC Aviation France 6 SAS.
NK Aviation France SAS

In Canada:
NAC Aviation Canada, Inc.

KN Operating Ltd is an associated company, which is owned 50 %.
Nordic Aviation Inc. and Welbeck Property Group Ltd. are also related parties.

All transactions between related companies are made on a commercial basis.

Notes

19 RELATED PARTIES (CONTINUED)

The following shareholders are registered in the company's share register as owning a minimum of 5 % of the voting rights or a minimum of 5 % of the share capital.

NAC Turbo Limited, 5th floor, Bedfor Place, Henry Street, Limerick

	Consolidated	
USD'000	**2015/16**	**2014/15**
20 CHANGES IN WORKING CAPITAL		
Change in consumables	-3,202	-1,147
Change in trade and other receivables	-21,855	-5,105
Change in deposits (assets)	-7,291	-1,034
Change in prepayments	-1,061	-595
Change in engine provisions	1,437	-1,097
Change in trade and other payables	-12,547	30,043
Change in deposits (liabilities)	16,030	2,476
Change in deferred income (liabilities)	1,305	675
Working capital at take over of subsidiary	5,970	0
	-21,214	**24,216**

Accounting policies

The annual report of Nordic Aviation Capital A/S for 2015/16 has been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

The annual report is presented in USD. The USD exchange rate was per 30 June 2016 670.09 and per 30 June 2015 666.76.

Consolidated financial statements
The consolidated financial statements comprise the parent company, Nordic Aviation Capital A/S, and subsidiaries in which Nordic Aviation Capital A/S directly or indirectly holds more than 50% of the voting rights or which it, in some other way, controls. Enterprises in which the group holds between 20% and 50% of the voting rights and over which it exercises significant influence, but which it does not control, are considered associates, cf. the group chart.

On consolidation, intra-group income and expenses, investments in subsidiaries, intra-group balances and dividends, and realized and unrealized gains and losses on intra-group transactions are eliminated.

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of net assets or liabilities at the acquisition date. Enterprises acquired or formed during the year are recognized in the consolidated financial statements from the date of acquisition. Enterprises disposed of are recognized in the consolidated income statement until the date of disposal. The comparative figures are not adjusted for acquisitions or disposals.

Gains or losses on disposal of subsidiaries and associates are stated as the difference between the sales amount and the carrying amount of net assets at the date of disposal, including non-amortized goodwill and anticipated disposal costs.

Acquisitions of enterprises are accounted for using the purchase method, according to which the identifiable assets and liabilities acquired are measured at their fair values at the date of acquisition. Provision is made for costs related to adopted and announced plans to restructure the acquired enterprise. The tax effect of the restatement of assets and liabilities is taken into account.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill), including restructuring provisions, is recognized as intangible assets and amortized on a systematic basis in the income statement based on an individual assessment of the useful life of the asset, not exceeding 20 years. Any excess of the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition (negative goodwill), representing an anticipated adverse development in the acquired enterprises, is recognized in the balance sheet as deferred income and recognized in the income statement as the adverse development is realized. Negative goodwill not related to any anticipated adverse development is recognized in the balance sheet at an amount corresponding to the fair value of non-monetary assets. The amount is subsequently recognized in the income statement over the average useful lives of the non-monetary assets.

Goodwill and negative goodwill from acquired enterprises can be adjusted until the end of the year following the year of acquisition.

Foreign currency translation
On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognized in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognized in the latest financial statements is recognized in the income statement as financial income or financial expenses.

Foreign subsidiaries and associates are considered separate entities. The income statements are translated at

the average exchange rates for the month, and the balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on translation of the opening equity of foreign subsidiaries at the exchange rates at the balance sheet date and on translation of the income statements from average exchange rates to the exchange rates at the balance sheet date are recognized directly in equity.

Foreign exchange adjustments of intra-group balances with independent foreign subsidiaries, which are considered part of the investment in the subsidiary, are recognized directly in equity.

Foreign exchange gains and losses on loans and derivative financial instruments designated as hedges of foreign subsidiaries are also recognized directly in equity.

Derivative financial instruments
Derivative financial instruments are initially recognized in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognized asset or liability are recognized in the income statement together with changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets and liabilities are recognized in other receivables or other payables and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognized in equity are transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously deferred in equity are transferred to the income statement in the period in which the hedged item affects the profit/loss for the year.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognized in the income statement on a regular basis.

Changes in the fair value of derivative financial instruments used to hedge net investments in independent foreign subsidiaries or associates are recognized directly in equity.

Income statement

Revenue
Revenue comprises rental income from operating leases, workshop sale and sale of aircraft, net and is recognized in the income statement provided that transfer of risk to the buyer has taken place before year end and that the income can be reliably measured and is expected to be received.

Sale of aircraft comprise sales price of aircraft recognized as current assets and net gain from sale of aircraft recognized as non-current assets.

The operating lessees' payments to maintenance reserves are part of the lease and are recognized as revenue, whereas payments made to maintenance are entered regularly as operating expenses. There is no accrual or provision based on the view points (I) that the maintenance reserves belong to NAC and (II) that the regular income from maintenance reserves for the entire operating lease fleet more than covers the expenses stated.

Revenue is measured ex. VAT, taxes and discounts in connection with the sale.

Production costs
Production costs comprise costs, including depreciation and amortization and salaries, incurred in generating the revenue for the year. Such costs include direct costs for acquisition/value adjustments (regarding aircraft recognized as current assets) and maintenance of aircraft.

Distribution costs and administrative expenses
Distribution costs and administrative expenses comprise costs incurred during the year for promotion, management and administration of the group including expenses for administrative staff, management, office premises and office expenses and depreciation.

Value adjustments of aircraft
Aircraft are adjusted at fair value on an ongoing basis. Value adjustments of aircraft comprise value adjustments regarding aircraft.

Profits/losses from investments in subsidiaries and associates
The proportionate share of the results after tax of the individual subsidiaries is recognized in the income statement of the parent company after full elimination of intra-group profits/losses.

The proportionate share of the results after tax of the associates is recognized in both the parent company and the consolidated income statement after elimination of the proportionate share of intra-group profits/losses.

Financial income and expenses
Financial income and expenses comprise interest income and expense, financial income from finance leases, realized and unrealized gains and losses on securities, payables and transactions denominated in foreign currencies as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year
The company is covered by the Danish rules on compulsory joint taxation of the group's Danish subsidiaries. Subsidiaries form part of the joint taxation from the date on which they are included in the consolidation of the consolidated financial statements and up to the date on which they exit the consolidation.

The company is the administrative company for the joint taxation and consequently settles all corporation tax payments with the tax authorities.

The current Danish corporation tax is allocated by settlement of joint taxation contribution between the jointly taxed companies in proportion to their taxable income. In this relation, companies with tax loss carry-forwards receive joint taxation contribution from companies that have used these losses to reduce their own taxable profits.

Tax for the year comprises current tax, joint taxation contributions for the year and changes in deferred tax for the year – due to changes in the tax rate. The tax expense relating to the profit/loss for the year is recognized in the income statement, and the tax expense relating to amounts recognized in equity is posted directly in equity.

Balance sheet

Property, plant and equipment

Aircraft
Aircraft under operating leases or in stock are considered investment assets and are adjusted at fair value on an ongoing basis. The fair values are determined on the basis of comparable transactions or on the basis of an external assessment of the individual aircraft.

Payments from operating leases are recognized in the income statement, in the net revenue over the term of the lease.

Pre delivery payments
Pre delivery payments comprise payments regarding future acquisitions of aircraft.

Other property, plant and equipment
Buildings, other assets, fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment. The basis for depreciation is cost less expected residual value after the end of the useful lives.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:
Buildings: 20 years
Other assets, fixtures and fittings, tools and equipment: 5 years

Depreciation is recognized in the income statement as production costs, distribution costs and administrative expenses, respectively.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the sales price less disposal costs and the carrying amount at the date of disposal. The gains or losses are recognized in the income statement as depreciation.

Impairment
The carrying amount of other property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation.

Investments in subsidiaries and associates
Investments in subsidiaries and associates are measured according to the equity method.

Shares in companies run in co-operation with other companies are considered joint ventures and are included in the consolidated account on a pro rata basis.

Investments in subsidiaries and associates are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the group's accounting policies minus or plus unrealised intra-group profits and losses and plus or minus any residual value of positive or negative goodwill determined in accordance with the purchase method.

Net revaluation of investments in subsidiaries and associates is recognized in the reserve for net revaluation according to the equity method in equity to the extent that the carrying amount exceeds cost.

On acquisition of subsidiaries, the purchase method is applied, cf. consolidated financial statements above.

Securities
Securities comprising listed shares and not listed shares. The shares are measured at fair value at the balance sheet date.

Inventories
Inventories are measured at cost in accordance with the FIFO method. Where the net realizable value is lower than cost, inventories are written down to this lower value.

Cost for consumables comprises purchase price plus delivery costs.
The net realizable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected sales price.

Receivables
Receivables are measured at amortized cost. Write-down is made for bad debt losses based on an individual assessment of receivables.

Finance leases
Finance leases are recognized under receivables at an amount equivalent to the current value of the cash flow in the lease contract by using the lease contracts' internal discount rate.

Write-down is made for bad debt losses based on an individual assessment of finance leases.

When the Company enters into a finance lease, the gains or losses on the sale are recognized in the income statement as net revenue.

Prepayments
Prepayments comprise costs incurred concerning subsequent financial years.

Equity

Reserve for net revaluation according to the equity method
Net revaluation of investments in subsidiaries and associates is recognized at cost in the reserve for net revaluation according to the equity method.

The reserve may be eliminated in case of losses, realization of investments or a change in accounting estimates.

The reserve cannot be recognized at a negative amount.

Dividends
Proposed dividends are recognized as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax
In its capacity as the administrative company, Nordic Aviation Capital A/S is liable for its subsidiaries' corporation taxes towards the tax authorities concurrently with the payment of joint taxation contribution by the subsidiaries.

Current tax payable and receivable is recognized in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Joint taxation contribution payable and receivable is recognized in the balance sheet as "Corporation tax receivable" or "Corporation tax payable".

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognized on temporary differences relating to goodwill, which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognized at the expected value of their utilization; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Adjustment is made to deferred tax resulting from elimination of unrealized intra-group profits and losses.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallize as current tax.

Liabilities
Financial liabilities are recognized at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortized cost, corresponding to the capitalized value using the effective interest rate.

Accordingly, the difference between the proceeds and the nominal value is recognized in the income statement over the term of the loan.

Payments to engine and maintenance reserves for finance leases are considered deposits and recognized under liabilities as these reserves shall accrue to the lessee when exercising the bargain purchase option.

Other liabilities are measured at realizable value.

Deferred income
Deferred income comprises payments received concerning income in subsequent years.

Cash flow statement
The cash flow statement shows the group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the group's cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and disposals of enterprises is shown separately in cash flows from investing activities. Cash flows from acquisitions of enterprises are recognized in the cash flow statement from the date of acquisition. Cash flows from disposals of enterprises are recognized up until the date of disposal.

Cash flows from operating activities
Cash flows from operating activities area calculated as the group's share of profit/loss for the year adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities
Cash flows from investing activities comprise payments in connection with acquisitions and disposals of enterprises and activities and of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities
Cash flows from financing activities comprise changes in the size or composition of the group's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt, and payment of dividends to shareholders.

Cash and cash equivalents
Cash and cash equivalents comprise cash, bank loans and short-term marketable securities, which are freely negotiable into cash, which are subject to an insignificant risk of changes in value.

Segment information
Information is provided on geographical markets. Segment information is based on the group's accounting policies, risks and internal financial management.

Financial ratios
The financial ratios stated in the "selected consolidated financial data" have been calculated as follows:

Solvency ratio	Equity at year end * 100 / Total equity and liabilities at year end
Interest cover	Ordinary operating profit / Financial expenses
Net gearing	Net interest bearing debt / Equity at year end

In the fiscal year 2016/17, we expect to continue to realize our plans for solid, controlled growth and consolidate our position as the premier lessor of turboprops and regional jets, in line with our strategy.

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CVR-No.: 19 39 89 94
Founded: 26 June 1996
Domicile: Billund
Fiscal year: 1 July-30 June

Board of directors
Martin Møller Nielsen, Chairman
Hanne Møller Nielsen
Jette M. Hulgaard
Søren M. Overgaard

Management
Søren M. Overgaard
Michael Østerlund Madsen

Auditors
Ernst & Young
Godkendt Revisionspartnerselskab
Værkmestergade 25
8000 Aarhus C

Annual general meeting
This years' annual general meeting is held on 22 September 2016

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