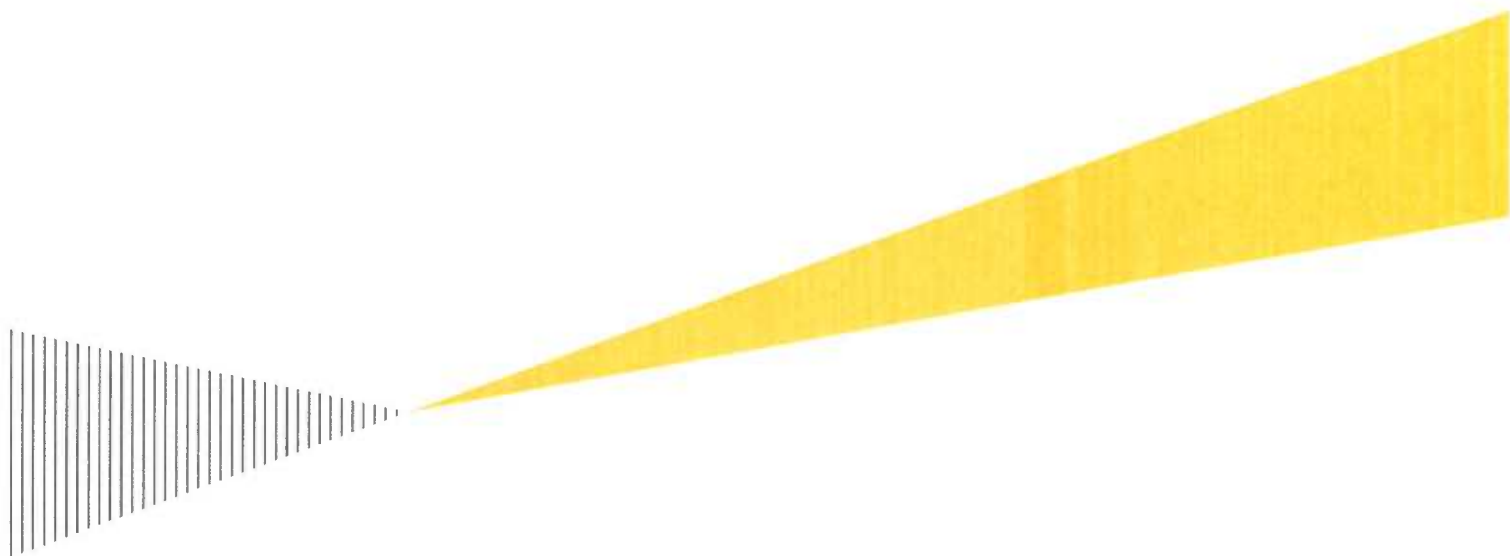


# NAC Aviation 2 A/S

Stratusvej 12, DK-7190 Billund

CVR no. 35 48 71 90



## Annual report

for the year 1 July 2015 - 30 June 2016

Approved at the annual general meeting of shareholders on 22 September 2016

Chairman:



Building a better  
working world



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### Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of NAC Aviation 2 A/S for the financial year 1 July 2015 - 30 June 2016.

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

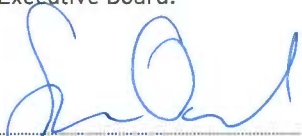
In our opinion, the financial statements give a true and fair view of the Company's financial position at 30 June 2016 and of the results of the Company's operations for the financial year 1 July 2015 - 30 June 2016.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Billund, 22 September 2016

Executive Board:



Søren M. Overgaard  
Managing Director

Board of Directors:



Jette Hulgård  
Chairman



Frank Pedersen



Søren M. Overgaard

## Independent auditors' report

To the shareholders of NAC Aviation 2 A/S

### Independent auditors' report on the financial statements

We have audited the financial statements of NAC Aviation 2 A/S for the financial year 1 July 2015 - 30 June 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

### Management's responsibility for the financial statements

Management is responsible for the preparation of 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 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 financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulations. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 auditors' judgement, 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 auditors consider internal control relevant to the Company's preparation of 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 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.

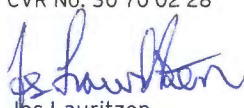
### Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 30 June 2016 and of the results of its operations 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 other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Aarhus, 16 September 2016  
ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR No. 30 70 02 28

  
Jes Lauritzen  
State Authorised Public Accountant

  
Claus Dalager  
State Authorised Public Accountant



## Management's review

### Company details

Name	NAC Aviation 2 A/S
Address, Postal code, City	Stratusvej 12, DK-7190 Billund
CVR No.	35 48 71 90
Established	23 September 2013
Registered office	Billund
Financial year	1 July 2015 - 30 June 2016
Board of Directors	Jette Hulgaard, Chairman Frank Pedersen Søren M. Overgaard
Executive Board	Søren M. Overgaard, Managing Director
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Værkmestergade 25, P O Box 330, 8100 Aarhus C, Denmark



## **Management's review**

### **Operating review**

#### **The Company's business review**

The Company's activities consist of hiring out the Company's portfolio of aircraft on operational leasing contracts.

#### **Financial review**

The Company's activities and financial development in the financial year are in accordance with expectations. Management considers the profit for the year satisfactory.

#### **Post balance sheet events**

After the end of the financial year no important matters have occurred, which could be expected to influence or alter the circumstances of the Company in a material way.

#### **Outlook**

The Company is expected to show positive earnings in the coming financial year.



## Financial statements for the period 1 July 2015 - 30 June 2016

### Income statement

Note	USD	2015/16	2014/15
	<b>Revenue</b>	12,390,177	10,836,043
	Production costs	-3,608	-47,134
	<b>Gross profit</b>	12,386,569	10,788,909
	Distribution costs	0	-394,885
	Administrative expenses	-4,655,204	-240,366
	<b>Ordinary operating profit</b>	7,731,365	10,153,658
	Fair value adjustment of other investment assets	-4,564,976	-581,801
	<b>Operating profit</b>	3,166,389	9,571,857
2	Financial income	306,963	167
3	Financial expenses	-3,638,794	-4,382,902
	<b>Profit/loss before tax</b>	-165,442	5,189,122
4	Tax for the year	267,866	-1,342,336
	<b>Profit for the year</b>	102,424	3,846,786
	<b>Proposed profit appropriation</b>		
	Retained earnings	102,424	3,846,786
		102,424	3,846,786



## Financial statements for the period 1 July 2015 - 30 June 2016

### Balance sheet

Note	USD	<u>2015/16</u>	<u>2014/15</u>
	<b>ASSETS</b>		
	<b>Non-current assets</b>		
5	<b>Property, plant and equipment</b>		
	Aircraft	63,857,819	68,422,795
		<u>63,857,819</u>	<u>68,422,795</u>
	<b>Total non-current assets</b>	<u>63,857,819</u>	<u>68,422,795</u>
	<b>Current assets</b>		
	<b>Receivables</b>		
	Trade receivables	2,643,999	415,234
	Joint taxation contribution receivable	2,884,960	2,104,137
		<u>5,528,959</u>	<u>2,519,371</u>
	<b>Cash</b>	737,649	202,389
	<b>Total current assets</b>	<u>6,266,608</u>	<u>2,721,760</u>
	<b>TOTAL ASSETS</b>	<u>70,124,427</u>	<u>71,144,555</u>





Financial statements for the period 1 July 2015 - 30 June 2016

Balance sheet

Note	USD	2015/16	2014/15
	<b>EQUITY AND LIABILITIES</b>		
	<b>Equity</b>		
	Share capital	90,541	90,541
	Retained earnings	9,950,530	9,848,106
	<b>Total equity</b>	<b>10,041,071</b>	<b>9,938,647</b>
	<b>Provisions</b>		
	Deferred tax	4,139,305	3,626,349
	<b>Total provisions</b>	<b>4,139,305</b>	<b>3,626,349</b>
	<b>Liabilities other than provisions</b>		
6	<b>Non-current liabilities other than provisions</b>		
	Mortgage debt	43,915,587	47,761,667
	Other payables	2,220,000	2,220,000
		<b>46,135,587</b>	<b>49,981,667</b>
	<b>Current liabilities other than provisions</b>		
6	Current portion of long-term liabilities	3,897,412	3,710,313
	Payables to group entities	5,057,437	3,740,765
	Other payables	133,615	146,814
	Deferred income	720,000	0
		<b>9,808,464</b>	<b>7,597,892</b>
	<b>Total liabilities other than provisions</b>	<b>55,944,051</b>	<b>57,579,559</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>70,124,427</b>	<b>71,144,555</b>

- 1 Accounting policies
- 7 Collateral
- 8 Contractual obligations and contingencies, etc.
- 9 Related parties



## Financial statements for the period 1 July 2015 - 30 June 2016

### Statement of changes in equity

USD	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 July 2015	90,541	9,848,106	9,938,647
Profit/loss for the year	0	102,424	102,424
<b>Equity at 30 June 2016</b>	<b>90,541</b>	<b>9,950,530</b>	<b>10,041,071</b>

The Company's share capital has remained unchanged since the establishment of the Company.

## Financial statements for the period 1 July 2015 - 30 June 2016

### Notes to the financial statements

#### 1 Accounting policies

The annual report of NAC Aviation 2 A/S for 2015/16 has been prepared in accordance with the provisions applying to reporting class B 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.

#### Reporting currency

The financial statements are presented in USD, as the entity's most significant transactions are settled in USD.

#### 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 recognised 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 recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

#### Income statement

##### Revenue

Revenue comprises payments made under operating leases and income from the sale of aircraft, and is recognised in the income statement when the transfer of risk to the buyer has taken place and the income can be reliably measured, and it is probable that future economic benefits will flow to the entity.

The operational lessees' payments to maintenance reserves are part of the rent and are recognised as part of the revenue, while the disbursements for maintenance are recognised continuously as operating costs.

Revenue is measured at the fair value of the agreed consideration ex. VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

##### Production costs

Production costs include costs incurred in generating the revenue of the year. Such costs include direct and indirect costs for the purchase and maintenance of aircraft.

##### Distribution costs

Distribution costs include costs incurred in preparation for entering into lease contracts, promotional activities and shipment of aircraft.

##### Administrative expenses

Administrative expenses include costs incurred for management and administration of the Company.

## Financial statements for the period 1 July 2015 - 30 June 2016

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Financial income and expenses

Financial income and expenses comprise interest income and expense, realised and unrealised gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on account tax scheme etc.

##### Tax

NAC Aviation 2 A/S is taxed jointly with the parent company, Nordic Aviation Capital A/S. The current Danish corporation tax is allocated by the settlement of joint taxation contribution between the jointly taxed companies in proportion to their taxable income. In this relation, companies with tax loss carryforwards receive joint taxation contribution from companies that have used these losses to reduce their own taxable profits. The jointly taxed companies are taxed under the on account tax scheme.

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

##### Balance sheet

##### Property, plant and equipment

Aircraft hired out on operating leases or at hand are regarded as investment assets and are measured at fair value.

The fair value is determined based on comparable deals or on basis of an external valuation of the individual aircraft.

Payments made under operating leases are recognised in the income statement as incurred over the term of the lease.

##### Receivables

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

##### Equity

##### *Proposed dividends*

Proposed dividends are recognised 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

Current tax payable and receivable is recognised 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.

## Financial statements for the period 1 July 2015 - 30 June 2016

### Notes to the financial statements

#### 1 Accounting policies (continued)

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. Where different tax rules can be applied to determine the tax base, deferred tax is measured based on Management's planned use of the asset or settlement of the liability, respectively. Deferred tax is measured in accordance with 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 crystallise as current tax.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation; 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.

#### Liabilities

Loans from banks and loans from group enterprises are recognised at the date of borrowing at the net proceeds received less transaction costs incurred. In subsequent periods, the loans are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement during the term of the loan.

Other liabilities are measured at net realisable value.

#### Deferred income

Deferred income comprises payments received regarding revenue in the following year.

## Financial statements for the period 1 July 2015 - 30 June 2016

### Notes to the financial statements

<b>2 Financial income</b>		
Other interest income	306,897	167
Exchange adjustments	66	0
	<u>306,963</u>	<u>167</u>
<b>3 Financial expenses</b>		
Interest expenses, group entities	1,035,978	865,050
Other interest expenses	2,601,785	2,548,263
Exchange adjustments	0	968,264
Other financial expenses	1,031	1,325
	<u>3,638,794</u>	<u>4,382,902</u>
<b>4 Tax for the year</b>		
Estimated tax charge for the year	-780,823	-2,104,137
Deferred tax adjustments in the year	744,426	3,323,581
Tax adjustments, prior years	0	130,234
Change in tax rate	-231,469	-7,342
	<u>-267,866</u>	<u>1,342,336</u>

The estimated tax charge for the year includes tax refunds received, totalling DKK 780.823, between jointly taxed entities.

<b>5 Property, plant and equipment</b>	
USD	<u>Aircraft</u>
Cost at 1 July 2015	69,701,142
Cost at 30 June 2016	69,701,142
Value adjustments at 1 July 2015	-1,278,347
Revaluations in the year	-4,564,976
Value adjustments at 30 June 2016	-5,843,323
<b>Carrying amount at 30 June 2016</b>	<u>63,857,819</u>

<b>6 Long-term liabilities</b>				
USD	<u>Total debt at</u>	<u>Repayment,</u>	<u>Long-term</u>	<u>Outstanding debt</u>
	30/6 2016	next year	portion	after 5 years
Mortgage debt	47,812,999	3,897,412	43,915,587	26,764,805
Other payables	2,220,000	0	2,220,000	2,220,000
	<u>50,032,999</u>	<u>3,897,412</u>	<u>46,135,587</u>	<u>28,984,805</u>

### 7 Collateral

Aircraft with a carrying amount of USD 63,858 thousand at 30 June 2016 has been provided as collateral for aircraft financing, USD 47,813 thousand.

## Financial statements for the period 1 July 2015 - 30 June 2016

### Notes to the financial statements

#### 8 Contingent liabilities and other financial obligations

##### Other contingent liabilities

The Company is jointly taxed with its parent, Nordic Aviation Capital A/S, which acts as management company, and together with other jointly taxed group entities, the Company has joint and several liability for payment of income taxes as well as withholding taxes on interest, royalties and dividends.

#### 9 Related parties

NAC Aviation 2 A/S' related parties comprise the following:

##### Parties exercising control

Related party	Domicile	Basis for control
Nordic Aviation Capital A/S	Stratusvej 12, DK-7190 Billund	Hold the majority of the share capital

##### Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent's consolidated financial statements
Nordic Aviation Capital A/S	Stratusvej 12, DK-7190 Billund	Available at the Company's address
NAC Turbo Limited	Bedford Place, Henry Street, Limerick City, Ireland	Available at the Company's address

##### Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the votes or minimum 5% of the share capital:

Name	Domicile
Nordic Aviation Capital A/S	Stratusvej 12 DK-7190 Billund