

AVIA SOLUTIONS GROUP AB

Consolidated Interim Financial Information,
For the Nine-Month Period Ended 30 September 2014
(Unaudited)

Beginning of the financial period	1 January 2014
End of reporting period	30 September 2014
Name of the company	Avia Solutions Group, AB (hereinafter "the Company")
Legal form	public company (joint-stock company)
Date of registration	31 August 2010
Code of enterprise	302541648
Name of Register of Legal Entities	State Enterprise Centre of Registers
Registered office	Smolensko Str. 10, LT-03201 Vilnius, Lithuania
Telephone number	+370 5 252 5500
Fax number	+370 5 252 5501
Internet address	www.AviaSG.com
Main activities of consolidated Group	Aircraft and Helicopter Maintenance, Repair and Overhaul, Aircraft Ground Handling and Fuelling, Crew Training and Staffing, Business Charter Operations

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		July – September		January – September	
	Note	2014	2013	2014	2013
Continuing operations					
Revenue	3	174 780	144 319	480 590	405 107
Cost of sales	3, 4	(160 919)	(124 593)	(431 926)	(350 618)
Gross profit	3	13 861	19 726	48 664	54 489
General and administrative expenses	4	(15 462)	(13 831)	(43 811)	(35 179)
Other income		458	308	1 720	805
Other gains / (losses) – net	5	(326)	826	(34)	(459)
Operating profit (loss)		(1 469)	7 029	6 539	19 656
Finance income		263	62	1 830	72
Finance costs		(1 036)	(992)	(3 291)	(3 080)
Finance costs – net	6	(773)	(930)	(1 461)	(3 008)
Profit (loss) before income tax		(2 242)	6 099	5 078	16 648
Income tax expense	7, 16	216	(1 029)	(533)	(2 274)
Profit (loss) for the period from continuing operations		(2 026)	5 070	4 545	14 374
Discontinued operations					
Profit (loss) for the period from discontinued operations	15, 16	(923)	-	(1 000)	14 204
Profit (loss) for the period		(2 949)	5 070	3 545	28 578
Profit (loss) attributable to:					
Equity holders of the parent					
Profit (loss) for the period from continuing operations		(1 979)	5 064	4 513	14 374
Profit (loss) for the period from discontinued operations		(1 526)	-	(1 603)	14 436
Profit (loss) for the period attributable to equity holders of the parent		(3 505)	5 064	2 910	28 810
Non-controlling interests					
Profit (loss) for the period from continuing operations		(47)	6	32	-
(Loss) for the period from discontinued operations		603	-	603	(232)
Profit (loss) for the period attributable to non-controlling interests of the parent		556	6	635	(232)
		(2 949)	5 070	3 545	28 578

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Note	July – September		January – September	
		2014	2013	2014	2013
Other comprehensive income					
Continuing operations					
Net gain (loss) on cash flow hedges		11	(13)	(76)	207
Income tax		(2)	2	11	(31)
		<u>9</u>	<u>(11)</u>	<u>(65)</u>	<u>176</u>
Exchange differences on translation of foreign operations		(548)	(150)	(634)	348
Other comprehensive income (loss) for the period from continuing operations		(539)	(161)	(699)	524
Discontinued operations					
Exchange differences on translation of foreign operations from discontinued operations		37	-	33	44
Other comprehensive income (loss) for the period		(502)	(161)	(666)	568
Total comprehensive income for the period attributable to:					
Equity holders of the parent					
Total comprehensive income (loss) for the period from continuing operations		(2 509)	4 904	3 826	14 896
Total comprehensive income (loss) for the period from discontinued operations		(1 465)	-	(1 546)	14 478
Total comprehensive income (loss) for the period attributable to equity holders of the parent		(3 974)	4 904	2 280	29 374
Non-controlling interests					
Total comprehensive income (loss) for the period from continuing operations		(56)	5	20	2
Total comprehensive income (loss) for the period from discontinued operations		579	-	579	(230)
Total comprehensive income (loss) for the period attributable to non-controlling interests of the parent		523	5	599	(228)
		<u>(3 451)</u>	<u>4 909</u>	<u>2 879</u>	<u>29 146</u>
Earnings per share from continuing and discontinued operations attributable to owners of the parent during the period					
Basic earnings per share					
From continuing operations	9	(0.327)	0.859	0.732	2.441
From discontinued operations	9	(0.252)	-	(0.252)	2.451
From profit (loss) for the period	9	(0.579)	0.859	0.480	4.892

CONSOLIDATED BALANCE SHEET

	Notes	30 September 2014	31 December 2013
Non-current assets			
ASSETS			
Non-current assets			
Property, plant and equipment	10	90 919	96 065
Intangible assets	10	5 973	6 943
Investments into associates	15	26	-
Deferred income tax assets	7	13 627	11 731
Trade and other receivables	11, 17	3 623	4 111
		114 168	118 850
Current assets			
Inventories	13	131 065	125 853
Trade and other receivables	11, 17	115 877	98 274
Amount due from customers for contract work		17 094	8 812
Prepaid income tax		3 160	1 043
Short-term bank deposit		69	1 506
Cash and cash equivalents	12	15 087	21 678
		282 352	257 166
Assets of disposal group classified as held for sale	16	98 889	-
Total assets	3	495 409	376 016
EQUITY			
Equity attributable to the Group's equity shareholders			
Share capital	8	6 058	6 058
Share premium		64 538	64 538
Legal reserve		274	316
Merger reserve		(1 577)	(1 567)
Fair value reserve		(248)	(183)
Cumulative translations differences		(1 474)	(909)
Retained earnings		85 341	83 319
		152 912	151 572
Equity attributable to equity holders of the parent		152 912	151 572
Non-controlling interests		23 470	29
Total equity		176 382	151 601
LIABILITIES			
Non-current liabilities			
Borrowings		31 952	45 222
Government grants		2 970	818
Security deposits received		2 332	2 535
Trade and other payables	14	1 196	1 445
Deferred income tax liabilities	7	342	380
Derivative financial instruments		293	214
		39 085	50 614
Current liabilities			
Borrowings		76 426	65 095
Trade and other payables	14	110 147	90 160
Advances received		15 216	16 147
Current income tax liabilities		883	1 390
Security deposits received		546	1 009
		203 218	173 801
Total liabilities		242 303	224 415
Liabilities of disposal group classified as held for sale	16	76 724	-
Total equity and liabilities		495 409	376 016

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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Group								Non-	Total equity	
	Share capital	Share premium	Treasury shares	Merger reserve	Legal reserve	Fair value reserve	Currency translation differences	Retained earnings	Total	control- ling interests	
Balance at 1 January 2013	5 893	58 770	-	(2 868)	256	(357)	(397)	53 040	114 337	(742)	113 595
Comprehensive income											
Net gain on cash flow hedge	-	-	-	-	-	176	-	-	176	-	176
Currency translation difference from continuing operations	-	-	-	-	-	-	345	-	345	2	347
Currency translation difference from discontinued operations	-	-	-	-	-	-	42	-	42	2	44
Profit for the period from continuing operations	-	-	-	-	-	-	-	14 374	14 374	-	14 374
Profit (loss) for the period from discontinued operations	-	-	-	-	-	-	-	14 436	14 436	(232)	14 204
Total comprehensive income	-	-	-	-	-	176	387	28 810	29 373	(228)	29 145
Transactions with owners											
Disposal of subsidiaries / Purchase of treasury shares (Note 15)	-	-	(1 169)	1 301	(96)	-	(73)	-	(37)	947	910
Disposal of treasury shares (Note 15)	-	-	1 169	-	-	-	-	15	1 184	-	1 184
Transfer to legal reserve	-	-	-	-	87	-	-	(87)	-	-	-
Total transactions with owners	-	-	-	1 301	(9)	-	(73)	(72)	1 147	947	2 094
Balance at 30 September 2013	5 893	58 770	-	(1 567)	247	(181)	(83)	81 778	144 857	(23)	144 834

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Equity attributable to equity holders of the Group								Non- control- ling interests	Total equity	
	Share capital	Share premium	Treasury shares	Merger reserve	Legal reserve	Fair value reserve	Currency translation differences	Retained earnings	Total		
Balance at 1 January 2014	6 058	64 538	-	(1 567)	316	(183)	(909)	83 319	151 572	29	151 601
Comprehensive income											
Net gain on cash flow hedge	-	-	-	-	-	(65)	-	-	(65)	-	(65)
Currency translation difference from continuing operations	-	-	-	-	-	-	(622)	-	(622)	(12)	(634)
Currency translation difference from discontinued operations	-	-	-	-	-	-	57	-	57	(24)	33
Profit for the period from continuing operations	-	-	-	-	-	-	-	4 513	4 513	32	4 545
Profit (loss) for the period from continuing operations	-	-	-	-	-	-	-	(1 603)	(1 603)	603	(1 000)
Total comprehensive income	-	-	-	-	-	(65)	(565)	2 910	2 280	599	2 879
Transactions with owners											
Transfer to legal reserve	-	-	-	-	1	-	-	(1)	-	-	-
Disposal of interest in subsidiaries without loss of control (Note 15)	-	-	-	(10)	(43)	-	-	505	452	2 816	3 268
Purchase of interest in subsidiaries (buy-back) (Note 15)	-	-	-	-	-	-	-	(1 392)	(1 392)	(3 028)	(4 420)
Contribution of a non-controlling interest in the share capital of subsidiaries, related to discontinued operations (Notes 15, 16)	-	-	-	-	-	-	-	-	-	23 054	23 054
Total transactions with owners	-	-	-	(10)	(42)	-	-	(888)	(940)	22 842	21 902
Balance at 30 September 2014	6 058	64 538	-	(1 577)	274	(248)	(1 474)	85 341	152 912	23 470	176 382

CONSOLIDATED STATEMENT OF CASH FLOWS

		January – September	
	Notes	2014	2013
Operating activities			
Profit for the period		3 545	28 578
Income tax including discontinued operations	7, 16	284	2 274
<i>Adjustments for:</i>			
Depreciation and amortisation	4, 10	16 476	10 565
Interest expenses	6	2 457	1 423
Impairment of accounts receivable, inventories	4	2 463	2 997
Accruals of buildings lease payments, PBH contracts		1 979	(344)
Fair value loss on derivative financial instruments		65	(176)
Discounting effect on security deposits received	6	42	-
Currency translations differences		(221)	270
Amortisation of government grants		(416)	-
Loss of PPE disposals		(912)	-
Interest income		(1 029)	(610)
Net result of subsidiary disposal without loss of control	5	(1 190)	-
Net fair value of net assets disposals		-	(19 955)
<i>Changes in working capital:</i>			
- Inventories		(6 254)	(20 192)
- Trade and other receivables		(29 953)	(11 021)
- Short-term bank deposits		1 437	-
- Trade and other payables, advances received		21 591	13 941
- Security deposits received		206	-
Cash generated from operations		10 570	7 751
Interest received		132	706
Interest paid		(2 057)	(1 513)
Income tax paid		(1 078)	(1 330)
Net cash generated from operating activities from continuing operations		7 567	5 614
Net cash generated from (used in) operating activities from discontinued operations		(76 904)	-
Net cash generated from (used in) operating activities		(69 337)	5 614
Investing activities			
Purchase of PPE and intangible assets		(16 030)	(17 055)
Proceeds from PPE and intangible assets		2 171	867
Purchase of subsidiaries (net of cash acquired)		-	(63)
Purchase of associates	15	(26)	-
Loans granted		(388)	(86)
Repayments of loans granted		3 937	9 205
Deposits placed		(1 621)	(133)
Repayments of deposits placed		573	330
Net cash (from) used in investing activities		(11 384)	(6 935)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

		January – September	
	Notes	2014	2013
Financing activities			
Increase of non-controlling interests	15	4 457	-
Decrease of non-controlling interests	15	(4 420)	-
Proceeds on disposal of treasury shares	15	-	1 184
Bank borrowings received		1 706	11 587
Repayments of bank borrowings		(34 513)	(3 108)
Borrowings from related parties received	17	2 564	11
Repayments of borrowings from related parties	17	(13 729)	-
Other borrowings received		34	3
Repayments of lease liabilities		(2 357)	(3 158)
Net cash generated from (used in) financing activities from continuing operations		(46 258)	6 519
Net cash generated from financing activities from discontinued operations		78 502	-
Net cash generated from financing activities		32 244	6 519
Increase in cash and cash equivalents		(48 477)	5 198
At beginning of period	12	10 775	8 913
Increase (decrease) in cash and cash equivalents		(48 477)	5 198
At end of period	12	(37 702)	14 111

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 Accounting policies

The consolidated interim financial information for the nine-month period ended 30 September 2014 (hereinafter *The Consolidated Financial Information*) is prepared in accordance with the International Financial Accounting Standards, as adopted by the European Union, includes IAS 34 „Interim financial reporting“. In all material respects, the same accounting principles have been followed as in the preparation of financial statements for 2013.

The presentation currency is litas. The consolidated financial information is presented in thousands of litas, unless indicated otherwise. The consolidated financial information is prepared under the historical cost convention.

The consolidated interim financial information for the nine-month period ended 30 September 2014 is not audited. Financial Statements for the year ended 31 December 2013 were audited by the external auditor *PricewaterhouseCoopers UAB*.

2 Investments in subsidiaries and associates

The consolidated group (hereinafter *the Group*) consists of the Company, its subsidiaries and associates. The subsidiaries and associates are listed below.

The Group's companies	Country of establishment	Operating segment	Share of equity, %			Date of acquiring/establishment and activity
			30-09-2014	31-12-2013	30-09-2013	
Avia Solutions Group - Airports Management OOO	Russia	Airport Infrastructure Management (classified as discontinued)	100	-	-	The subsidiary was established on 14 March 2014 (Notes 15, 16). The company's portfolio includes the development of the Moscow's fourth airport – Ramenskoye International.
Avia Solutions Group B.V.	Netherlands	The associate	30	-	-	The associate was acquired in the third quarter 2014 (Note 15).
AviationCV.com UAB	Lithuania	Crew Training and Staffing	100	100	100	The subsidiary was established in spring of 2011. The company provides aviation personnel solutions.
Baltic Aviation Academy UAB	Lithuania	Crew Training and Staffing	100	100	100	The Group company was established on 22 November 2006. The company provides aircraft crew training services.
Baltic Ground Services Sp.z.o.o.	Poland	Aircraft Ground Handling and Fuelling	100	100	100	The subsidiary was established in spring of 2010. It is a direct subsidiary of Baltic Ground Services UAB. The company provides aircraft ground handling and fuelling services in Poland.
Baltic Ground Services s.r.l.	Italy	Aircraft Ground Handling and Fuelling	100	100	100	The subsidiary was established in winter of 2010. It is a direct subsidiary of Baltic Ground Services UAB. The company provides aircraft ground handling services in Italy.
Baltic Ground Services UAB	Lithuania	Aircraft Ground Handling and Fuelling	100	100	100	The subsidiary was acquired on 31 October 2008. The company provides aircraft ground handling and fuelling services in Lithuania.
Baltic Ground Services UA TOV	Ukraine	Aircraft Ground Handling and Fuelling	100	100	100	The subsidiary was established in summer of 2011. It is a direct subsidiary of Ground Handling CIS UAB. The subsidiary does not conduct active operations.
Ground Handling CIS UAB	Lithuania	Aircraft Ground Handling and Fuelling	100	100	100	The subsidiary was established in summer of 2011. It is a direct subsidiary of Baltic Ground Services UAB. The subsidiary does not conduct active operations.

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2 Investments in subsidiaries and associates (continued)

The Group's companies	Country of establishment	Operating segment	Share of equity, %			Date of acquiring/establishment and activity
			30-09-2014	31-12-2013	30-09-2013	
FL Technics Jets UAB	Lithuania	Aircraft and Helicopter Maintenance, Repair and Overhaul (MRO)	100	100	100	The subsidiary was acquired on 1 December 2010. The company provides maintenance services for business aircraft.
FL Technics Line OOO	Russia	Aircraft and Helicopter Maintenance, Repair and Overhaul (MRO)	93	93	93	The subsidiary was established in summer of 2011. It is a direct subsidiary of FL Technics AB. The company provides aircraft line station services and sells spare parts in Russia and the CIS.
FL Technics Ulyanovsk OOO	Russia	Aircraft and Helicopter Maintenance, Repair and Overhaul (MRO)	99	99	99	The subsidiary was established in summer of 2011. It is a direct subsidiary of FLT Trading House UAB. The subsidiary does not conduct active operations.
FLT Trading House UAB	Lithuania	Aircraft and Helicopter Maintenance, Repair and Overhaul (MRO)	100	100	100	The subsidiary was acquired on 19 November 2010. The subsidiary does not conduct active operations.
Globus Distributions OAO	Russia	Airport Infrastructure Management (classified as discontinued)	99.983	-	-	It is a direct subsidiary of Avia Solutions Group – Airports Management OOO. The subsidiary was established on 30 September 2014 (Notes 15, 16).
Helisota UAB	Lithuania	Aircraft and Helicopter Maintenance, Repair and Overhaul (MRO)	100	100	-	The subsidiary was acquired on 16 December 2013. The company provides maintenance, repair and overhaul services for helicopters (Note 15).
Kauno aviacijos gamykla UAB	Lithuania	Aircraft and Helicopter Maintenance, Repair and Overhaul (MRO)	100	100	-	It is a direct subsidiary of Helisota UAB. The subsidiary does not conduct any significant active operations (Note 15).
Locatory.com UAB	Lithuania	Aircraft and Helicopter Maintenance, Repair and Overhaul (MRO)	95	95	95	The subsidiary was established on 7 December 2010. Starting summer 2011, the company provides on-line platform for the aviation industry to search, buy and sell aviation inventory.
RAMPORT AERO OAO	Russia	Airport Infrastructure Management (classified as discontinued)	75	-	-	It is a direct subsidiary of Avia Solutions Group – Airports Management OOO. The subsidiary was established on 30 July 2014 (Notes 15, 16).
Small Planet Airlines s.r.l.	Italy	The associate	-	35.5	35.5	The subsidiary was established on 17 February 2010. In summer of 2011 the company started charter operations in Italy. On 16 April 2014 the Company sold it's 35.50% stakes in the subsidiary to the third parties (Note 15).
Storm Aviation (Cyprus) Ltd.	Republic of Cyprus	Aircraft and Helicopter Maintenance, Repair and Overhaul (MRO)	100	100	100	The subsidiary was acquired on 30 September 2011. It is a direct subsidiary of Storm Aviation Ltd. The company provides aircraft line station services in Cyprus.
Storm Aviation Ltd.	The United Kingdom	Aircraft and Helicopter Maintenance, Repair and Overhaul (MRO)	100	100	100	The subsidiary was acquired on 30 September 2011. It is a direct subsidiary of FL Technics AB. The company provides aircraft line station services.
Verslo skrydžiai UAB	Lithuania	Business charter operations	75	100	-	The subsidiary was established on 9 October 2013. The subsidiary has started business charter activity in summer 2014. On 24 January 2014 the Company sold 25 per cent shareholding in the subsidiary (Note 15).

3 Segment information

For management purposes, the Group is organized into business units based on the services provided, and has six reportable operating segments:

- (1) aircraft and helicopter maintenance, repair and overhaul (MRO);
- (2) aircraft ground handling and fuelling;
- (3) crew training and staffing;
- (4) business charter operations;
- (5) unallocated segment;
- (6) airport infrastructure management (new; classified as discontinued; Note 16).

The unallocated sales include sales of management services, which cannot be attributed to the other segments. The management assesses the performance of the Group based on measure of Gross Profit.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment cost of sales and segment gross profit include transfers between business segments. Those transfers are eliminated in consolidation.

The following table present sales to external customers, costs of sales and gross profit information according to the Group's business segments for the nine-month period ended 30 September 2014:

	Aircraft maintenance, repair and overhaul	Aircraft ground handling and fuelling	Pilot and crew training	Business charter operations	Airport Infra- structure Manage- ment (new)	Unallo- cated	Inter- segment trans- actions	Total
Nine-month period ended 30 September 2014								
Revenue								
Sales to external customers	272 577	181 606	23 536	2 229	-	642	-	480 590
Inter-segment sales	11 661	19 105	83	95	-	4 153	(35 097)	-
Total revenue	284 238	200 711	23 619	2 324	-	4 795	(35 097)	480 590
Cost of sales	(249 201)	(192 529)	(15 910)	(2 593)	-	(1 379)	29 686	(431 926)
Segment gross profit	35 037	8 182	7 709	(269)	-	3 416	(5 411)	48 664
As at 30 September 2014								
Segment assets	310 753	62 431	16 612	990	98 889*	5 734		495 409

* As at the balance date the segment assets are disclosed as held for sale (Note 16).

The following table presents sales to external customers, costs of sales and gross profit information according to the Group's business segments for the nine-month period ended 30 September 2013:

	Aircraft maintenance, repair and overhaul	Aircraft ground handling and fuelling	Pilot and crew training	Business charter operations	Airport Infra- structure Manage- ment (new)	Unallo- cated	Inter- segment trans- actions	Total
Nine-month period ended 30 September 2013								
Revenue								
Sales to external customers	222 986	160 497	20 767	-	-	857	-	405 107
Inter-segment sales	9 981	59 495	131	-	-	4 158	(73 765)	-
Total revenue	232 967	219 992	20 898	-	-	5 015	(73 765)	405 107
Cost of sales	(190 486)	(211 174)	(15 616)	-	-	(1 123)	67 781	(350 618)
Segment gross profit	42 481	8 818	5 282	-	-	3 892	(5 984)	54 489
As at 30 September 2013								
Segment assets	232 714	60 791	15 254	-	-	14 848		323 607

3 Segment information (continued)

Four reportable Group's business segments were influenced by seasonal movements on both summer and winter periods. The highest growth comes in summer-season (June-September) from aircraft ground handling and fuelling and business charter operations segments, and in the winter-season (October-April) increase of sales is recorded in aircraft and helicopters maintenance, repair and overhaul (MRO) and crew training segment. The Management motivates these seasonal movements to have a material effect on Group's consolidated revenue.

	July – September		January – September	
	2014	2013	2014	2013
4 Expense by nature				
Aircraft fuel expenses	67 105	52 920	150 285	130 008
Employee related expenses	27 174	20 592	79 212	62 518
Spare parts and consumables expenses	25 241	26 321	76 849	76 180
Cost of services resold	16 924	12 104	49 251	43 129
Aircraft and helicopter maintenance expenses	11 372	2 743	41 936	9 813
Depreciation and amortisation (Note 10)	5 379	3 726	16 476	10 565
Transportation and related expenses	4 149	1 388	8 807	3 925
Aircraft servicing and handling expenses	3 134	1 923	7 153	4 260
Rent and maintenance of premises	3 128	2 820	9 954	8 578
Training and related expenses	2 752	3 971	10 415	12 072
Impairment-related expenses	1 749	2 900	2 463	2 997
Business travel expenses	1 616	1 374	4 687	4 362
Marketing and sales expenses	1 505	683	2 920	2 223
Consultation expenses	977	1 746	2 925	4 189
Communications expenses	612	502	1 538	1 369
Insurance expenses	570	430	1 815	1 279
IT expenses	437	314	1 321	954
Office administrative expenses	417	207	1 233	755
VAT in business use expenses	368	257	1 106	816
Employee lease expenses	285	29	553	595
Other expenses	1 487	1 474	4 838	5 210
Total of cost of sales, general and administrative expenses	176 381	138 424	475 737	385 797
5 Other gains / (losses) – net				
Net gain on sales of non-current assets and inventories	7	30	988	70
Net foreign exchange (loss) on operating activities	(333)	796	(2 212)	(529)
Net gain on disposal of subsidiary without loss of control (Note 15)	-	-	1 190	-
	(326)	826	(34)	(459)

	July – September		January – September	
	2014	2013	2013	2014
6 Finance income and costs				
Interest income on cash and cash equivalents	21	4	42	14
Foreign exchange gain on financing activities	-	58	1 546	96
Other finance income	242	-	242	-
Finance income	263	62	1 830	110
Late payment interest - costs	(92)	(112)	(203)	(218)
Interest expenses on borrowings	(568)	(518)	(2 457)	(1 423)
Foreign exchange loss on financing activities	(139)	-	(139)	(230)
Unwinding of discounted security deposits received	(14)	-	(42)	-
Provisions: unwinding of discount	-	-	(162)	-
Other finance costs	(223)	(362)	(288)	(1 247)
Finance costs	(1 036)	(992)	(3 291)	(3 118)
Finance costs – net	(773)	(930)	(1 461)	(3 008)

7 Income tax and deferred income tax

Domestic income tax is calculated at 15 per cent of the annual profit for the year, in Poland income tax – 19 per cent, in the United Kingdom – 20 per cent, in Russian Federation – 20 per cent, in Ukraine – 19 per cent, in Italy – 27.5 per cent.

Deferred income tax asset and liability related to the entities operating in Lithuania are calculated at 15% rate (2013: 15% rate), in Poland - at 19% rate (2013: 19% rate), in the United Kingdom – at 20% rate (2013: 20% rate), in Russian Federation – at 20% rate (2013: 20% rate), Ukraine – at 19% rate (2013: 19% rate), in Italy – at 27.5% rate (2013: 27.5% rate).

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when deferred income taxes relate to the same fiscal authority.

The tax expenses from continuing operations for the period comprise current and deferred tax as follows:

	July – September		January – September	
	2014	2013	2014	2013
Current income tax	(115)	(1 415)	(2 467)	(3 021)
Deferred income tax	331	386	1 934	747
Total income tax expenses	216	(1 029)	(533)	(2 274)

8 Share capital

On 30 September 2014 the share capital of the Company amounts to LTL 6 058 333 and consists of 6 058 333 ordinary registered shares with a nominal value of one litas each (on 31 December 2013 – 6 058 333, on 30 September 2013 – 5 893 333 ordinary registered shares). All shares are fully paid up.

9 Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to the parent entity's ordinary equity holders by the weighted average number of ordinary shares in issue during the period. The Group has no dilutive potential ordinary shares and therefore diluted earnings per share are the same as basic earnings per share.

	<u>July – September</u>		<u>January – September</u>	
	2014	2013	2014	2013
Profit (loss) attributable to:				
Equity holders of the parent				
Profit (loss) for the year from continuing operations	(1 979)	5 064	4 436	14 374
Profit (loss) for the year from discontinued operations	(1 526)	-	(1 526)	14 436
Profit (loss) for the year attributable to equity holders of the parent	(3 505)	5 064	2 910	28 810
Weighted average number of ordinary shares (thousand)	6 058	5 893	6 058	5 889
Basic earnings per share				
From continuing operations	(0.327)	0.859	0.732	2.441
From discontinued operations	(0.252)	-	(0.252)	2.451
From profit for the period	(0.579)	0.859	0.480	4.892

10 Property, plant and equipment, intangible assets

	<u>Property, plant and equipment</u>	<u>Intangible assets</u>
Opening net book amount as at 1 January 2013	64 920	6 904
Additions	21 478	1 184
Disposals	(1 048)	-
Write-offs	(2)	-
Depreciation charge (Note 4)	(9 442)	(1 123)
Cumulative currency differences	(146)	(67)
Closing net book amount as at 30 September 2013	75 760	6 898
Opening net book amount as at 1 January 2014	96 065	6 943
Additions	11 423	549
Disposals	(1 115)	-
Write-offs	(119)	-
Depreciation charge (Note 4)	(15 004)	(1 472)
Cumulative currency differences	(331)	(47)
Closing net book amount as at 30 September 2014	90 919	5 973

	30 September 2014	31 December 2013
11 Trade and other receivables		
Trade receivables	92 430	72 523
Less: provision for impairment of trade receivables	(10 703)	(8 030)
Trade receivables – net	81 727	64 493
Prepayments	10 409	12 111
Less: provision for impairment of prepayments	(1 551)	(1 551)
Prepayments – net	8 858	10 560
Loans granted	300	3 785
Less: provision for impairment of loans granted	(86)	-
Loans granted - net	214	3 785
Receivables from related parties	3 904	5 889
Less: provision for impairment of trade receivables from related parties	-	(1 316)
Receivables from related parties - net (Note 17)	3 904	4 573
Other receivables	2 351	2 075
Less: provision for impairment of other receivables	(231)	(182)
Other receivables – net	2 120	1 893
Loans granted to related parties	2 285	2 357
Less: provision for impairment of loans granted to related parties	-	(86)
Loans granted to related parties – net (Note 17)	2 285	2 271
Other receivables from related parties	48	177
Less: provision for impairment of other receivables from related parties	-	(49)
Other receivables from related parties – net (Note 17)	48	128
VAT receivables	12 862	9 340
Deferred charges	4 128	2 448
Security deposit – net	3 354	2 714
Deferred charges to related parties (Note 17)	-	180
	119 500	102 385
Less non-current portion :	(3 623)	(4 111)
Current portion :	115 877	98 274
12 Cash and cash equivalents		
Cash and cash equivalents	15 087	14 111
Bank overdraft	(52 789)	-
	(37 702)	14 111
13 Inventories		
Spare parts and materials – gross amount	113 240	107 875
Less: provision for impairment of inventories	(9 452)	(8 970)
Spare parts and materials	103 788	98 905
Goods for sale – gross amount	19 687	20 294
Less: provision for impairment of inventories	(1 301)	(1 301)
Goods for sale	18 386	18 993
Aircraft fuel	4 342	2 694
Work in progress	2 409	2 274
Goods in transit	6	1 502
Other inventories	2 134	1 485
	131 065	125 853

	30 September 2014	31 December 2013
14 Trade and other payables		
Trade payables	64 473	58 335
Accruals for hangar lease payments, PBH contracts and other accrued expenses	34 068	22 269
Salaries and social security payable	7 697	5 616
Deferred revenue	1 418	1 797
Amounts payable to related parties (Note 17)	884	574
Provisions	498	613
Other payables	2 309	2 041
	111 343	91 605
Less: non-current portion	(1 196)	(1 445)
Current portion	110 147	90 160

15 Business combination and disposals

Disposals in 2014

On 24 January 2014, the Group sold 25% of the share capital of the subsidiary *Verslo skrydžiai UAB* to *Small Planet Airlines UAB*. Sales proceeds from the disposal of a 25 per cent shareholding in *Verslo skrydžiai UAB* amounted to LTL 37.5 thousand.

In February 2014 *Avia Solutions Group AB* signed the agreement for sale 49% stakes in *Baltic Aviation Academy UAB* to third party. On 15 April 2014 the first stage of sale transaction was completed: *Avia Solutions Group AB* sold it's 23.09% stakes in *Baltic Aviation Academy UAB* to the third party. On 26 June 2014 the Group completed the sale of 49 percent of shares of its subsidiary – *Baltic Aviation Academy UAB*. Sales proceeds from the disposal of a 49 percent shareholding in *Baltic Aviation Academy UAB* amounted to EUR 1.28 million. Following the sale *Avia Solutions Group AB* remained the major shareholder of *Baltic Aviation Academy UAB* with a 51 per cent shareholding.

On 16 April 2014 the Group sold it's 35.50% stake in *Small Planet Airlines s.r.l. (Italy)* to the third parties.

Acquisition in 2014

In September 2014 *Avia Solutions Group AB* completed a buy-back of 49% of the share capital in *Baltic Aviation Academy UAB* from an unrelated third party. In June 2014 the Seller purchased 49 percent stake in the Subsidiary, however was unable to fulfil certain condition subsequent relating to business development. As a result the Company exercised call option and bought back entire shareholding in *Baltic Aviation Academy* at consideration received during the sale of the entity that amounted to EUR 1.28 million.

In the third quarter 2014, the Company acquired a 30% of the share capital in *Avia Solutions Group B.V.* The investment in the associate was EUR 7.5 thousand.

Establishments in 2014

On 14 March 2014, the Company established the subsidiary *Avia Solutions Group – Airports Management OOO*. The investment in the subsidiary was RUB 1 million, forming 100% of the share capital of the subsidiary. On 30 July 2014, *Avia Solutions Group – Airports Management OOO* established the subsidiary *RAMPORT AERO OAO*. The investment in the subsidiary was RUB 1000 million, forming 75% of the share capital of the subsidiary. On 30 September 2014, *Avia Solutions Group – Airports Management OOO* established the subsidiary *Globus Distributions OAO*. The investment in the subsidiary was RUB 10 million, forming 99.983% of the share capital of the subsidiary. The assets and liabilities related to *Avia Solutions Group – Airports Management OOO* and its subsidiaries have been presented as held for sale on the 30 September 2014 balance sheet (Note 16).

15 Business combination and disposals (continued)

Acquisition in 2013

On 16 December 2013, the Group acquired 100% of the share capital of *Helisota UAB* and 100% of the share capital of its subsidiary *Kauno aviacijos gamykla UAB* from third parties. As a result of the acquisition, the Group is expected to increase its presence in the MRO segment, in the new Helicopter MRO sub-segment. Details of purchase consideration and assets and liabilities arising from the acquisitions are presented in the audited financial statements for the year ended 31 December 2013.

Establishment in 2013

On 9 October 2013, the Company established the subsidiary *Verslo skrydžiai UAB*. The investment in the subsidiary was LTL 150 thousand.

Disposal in 2013

On 29 March 2013, the Group sold 95.5% of the share capital of *Small Planet Airlines UAB* (Lithuania) and *Small Planet Airlines Sp.z.o.o.* (Poland) to the management of these companies Mr. Vytautas Kaikaris (65.5%) and Mr. Andrius Staniulis (30%). Before the transaction Mr. Vytautas Kaikaris already owned 4.5% stake in both companies. Details of sale price and assets and liabilities arising from the disposal in Group's financial statements are as follows:

	<i>Small Planet Airlines UAB - disposal's carrying amount</i>	<i>Small Planet Airlines Sp.z.o.o. – disposal's carrying amount</i>	Inter- company transactions of disposal group	Total disposal's carrying amount
Property, plant and equipment	156	93	-	249
Intangible assets	34	1 125	-	1 159
Deferred income tax assets	-	918	-	918
Inventories	560	3	-	563
Receivables	14 243	8 274	(2 112)	20 405
Loans granted	3 003	-	(2 428)	575
Security deposits placed	3 660	4 862	-	8 522
Cash and cash equivalents	561	98	-	659
Deferred income tax liabilities	(58)	(590)	-	(648)
Financial guarantees	(86)	-	86	-
Payables	(22 533)	(13 637)	2 112	(34 058)
Borrowings	(9 052)	(2 419)	2 428	(9 043)
Security deposits received	(1 941)	(8 403)	-	(10 344)
Net assets disposed	(11 453)	(9 676)	86	(21 043)
NCI based on proportionate share of net assets (4.5%)	515	435	(3)	947
Group's net assets attributed to equity holders of the parent	(10 938)	(9 241)	83	(20 096)
Proceeds from sale of interest in subsidiaries				1 024
Other items				(1 165)
Gain on disposal, directly recognised in Group's profit or loss (discontinued operations):				19 955
Deferred consideration (treated as interest free loan for two years)				500
Share-exchange consideration				524
Sales price				1 024

15 Business combination and disposals (continued)

Deferred consideration relates to a loan provided to one of the new shareholders of *Small Planet Airlines* for purchase of the shares. During the disposal of subsidiaries to Mr. Vytautas Kaikaris the Company has acquired 0.375% shares (or 22 119 ordinary shares) of the Company from him.

These shares of the Company owned by Mr. Vytautas Kaikaris were considered to be treasury shares and directly deducted from shareholders' equity in the Company's and Group's balance sheets at the market price of the date of the transaction, i.e. at total purchase cost of LTL 1 169 thousand. LTL 524 thousand of the shares acquired was a consideration received for the shares of *Small Planet Airlines* and LTL 645 thousand relates to a repayment of the loan by Mr Kaikaris.

Treasury shares were sold on 21 May 2013. Sales proceeds from the disposal of treasury shares of the Company amounted to LTL 1 184 thousand. After the treasury stock sale, the Company's retained earnings were increased by LTL 15 thousand.

Details of revenue, cost of sales and income tax expenses of disposal group (charter operations business segment) classified as discontinued operations are as follows:

	<u>July – September</u>		<u>January – September</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Discontinued operations				
Revenue	-	-	-	19 998
Cost of sales	-	-	-	(22 549)
Gross profit (loss)	-	-	-	(2 551)
(Loss) before income tax from operating activities	-	-	-	(5 746)
Income tax expense	-	-	-	(5)
(Loss) from operating activities, net of tax	-	-	-	(5 751)
Gain on sale of discontinued operations	-	-	-	19 955
Net profit (loss) for the period from discontinued operations	-	-	-	14 204

16 Non-current assets held for sale and discontinued operations

Further stages of development of *Airport Infrastructure Development and Management* activity through Group's subsidiary – *Avia Solutions Group – Airports Management OOO* will require additional equity in the Project. The decision to attract additional equity partners and the expected dilution resulted assets and associated liabilities, related to *Avia Solutions Group – Airports Management OOO* companies, to be presented as held for sale in the consolidated balance sheet as at 30 September 2014. The carrying amount of the assets held for sale is LTL 98 889 thousand and associated liabilities amounted to LTL 76 724 thousand. The completion date for the transaction is expected by September 2015.

GROUP

	<u>30 September 2014</u>
(a) Assets of disposal group classified as held for sale	
Property, plant and equipment	23 387
Deferred income tax assets	820
Trade receivables	704
Short-term bank deposits	70 330
Cash and cash equivalents	3 648
Total, excluding IC transactions with the Group	98 889
IC transactions with the Group	-
Total, including IC transactions with the Group	98 889

16 Non-current assets held for sale and discontinued operations (continued)

	<u>30 September 2014</u>
(b) Liabilities of disposal group classified as held for sale	
Non-current liabilities	75 781
Deferred income tax liabilities	580
Trade and other payables	363
Total, excluding IC transactions with the Group	<u>76 724</u>
IC transactions with the Group	-
Total, including IC transactions with the Group	<u>76 724</u>

(c) Revenue, cost of sales and income tax expenses of disposal group classified as held for sale

	<u>July – September</u>		<u>January – September</u>	
	2014	2013	2014	2013
Revenue	-	-	-	-
Cost of sales	-	-	-	-
Gross profit (loss) from discontinued operations	-	-	-	-
(Loss) before income tax for the year from discontinued operations	(1 153)	-	(1 249)	-
Income tax expense	230	-	249	-
(Loss) for the year from discontinued operations	<u>(923)</u>	-	<u>(1 000)</u>	-

17 Related party transactions

Related parties of the Company and the Group include entities having significant influence over the Company, key management personnel of the Group and other related parties. Entities having significant influence over the Company and the Group are *ZIA Valda Cyprus Ltd* and *ZIA Valda AB* (the sole shareholder of *ZIA Valda Cyprus Ltd*). Transactions with these companies are presented separately. Related parties also include subsidiaries of *ZIA Valda AB* group. They are presented as other related parties. Related parties of the Company also include subsidiaries of the Group.

The following transactions were carried out with related parties:

	<u>January – September</u>	
	2014	2013
Sales of assets to:		
Entities having significant influence	-	6
Other related parties	1 713	19
	<u>1 713</u>	<u>25</u>
Sales of services to:		
Entities having significant influence	6	2
Other related parties	15 320	7 992
	<u>15 326</u>	<u>7 994</u>
Total sales of assets and services	<u>17 039</u>	<u>8 017</u>

17 Related party transactions (continued)

	January – September	
	2014	2013
Purchases of assets from:		
Other related parties	412	343
	412	343
Purchases of services from:		
Entities having significant influence	97	71
Other related parties	4 294	4 083
	4 391	4 154
Total purchases of assets and services	4 803	4 497
	30 September 2014	31 December 2013
Trade receivables from related parties		
Trade receivables from other related parties (Note 11)	3 901	4 573
Loans provided to other related parties (Note 11)	2 285	2 271
Other trade receivables from related parties (Note 11)	48	128
Trade receivables from entities having significant influence (Note 11)	3	-
Deferred charges from other related parties (Note 11)	-	180
	6 237	7 152
Payables and advances received from related parties		
Loans received from other related parties	3 419	-
Advances received from other related parties	2 471	1 528
Trade payables to other related parties (Note 14)	869	566
Trade payables to entities having significant influence (Note 14)	15	8
	6 774	2 102

18 Events after balance sheet date

On 7 October 2014 the Bank of Lithuania approved the prospectus on admission of new ordinary registered shares of the Company to trading on the regulated market (Warsaw Stock Exchange). The approved Prospectus does not foresee the public offering of Company's shares, and the Prospectus is designated solely for the purpose of admission of up to 1.719.444 units of Company's shares, to be newly issued during the increase of the authorised capital, to trading on the aforementioned regulated market. The Prospectus is published through on-line information system of the Warsaw Stock Exchange and on the Company's website <http://www.aviasg.com>.

MANAGEMENT CONFIRMATION OF THE CONSOLIDATED INTERIM FINANCIAL INFORMATION

Following Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Bank of Lithuania, We, Linas Dovydenas, General Director of *Avia Solutions Group AB*, and, Aurimas Sanikovas, Chief Financial Officer of *Avia Solutions Group AB*, hereby confirm that, to the best of our knowledge, the unaudited *Avia Solutions Group AB* Interim Consolidated Financial Statements for the nine-month period ended 30 September 2014, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position, profit or loss and cash flows of the Group of undertakings.

General Manager
Linas Dovydenas



1 December, 2014

Chief Financial Officer
Aurimas Sanikovas

