

AVIA SOLUTIONS GROUP AB

Independent Auditor's Report,
Separate and Consolidated Financial Statements,
Consolidated Annual Report
For the Year Ended 31 December 2010

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Independent Auditor's Report

To the shareholders of Avia Solutions Group AB

Report on the financial statements

We have audited the accompanying stand alone and consolidated financial statements (together 'the Financial statements') of Avia Solutions Group AB ('the Company') and its subsidiaries (collectively 'the Group') set out on pages 5–50 which comprise stand alone and consolidated balance sheet as of 31 December 2010 and stand-alone and consolidated statements of comprehensive income, changes in equity and cash flows for the period since incorporation (the Company) and the year then ended (the Group), and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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Opinion

In our opinion, the accompanying Financial statements give a true and fair view of the financial position of the Company and the Group as of 31 December 2010, and of their financial performance and their cash flows for the period since incorporation (the Company) and the year then ended (the Group) in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

Furthermore, we have read the consolidated Annual Report for the year ended 31 December 2010 set out on pages 51- 62 and have not noted any material inconsistencies between the financial information included in it and the audited Financial statements for the year ended 31 December 2010.

On behalf of PricewaterhouseCoopers UAB

A handwritten signature in blue ink, appearing to read "C. Butler", with a stylized flourish at the end.

Christopher C. Butler
Director

Vilnius, Republic of Lithuania
19 April 2011

A handwritten signature in blue ink, appearing to read "Rimvydas Jogėla", with a large, circular flourish at the end.

Rimvydas Jogėla
Auditor's Certificate No.000457

AVIA SOLUTIONS GROUP AB
SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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



STATEMENTS OF COMPREHENSIVE INCOME

Approved by the Annual General Meeting of
Shareholders as at _____ 2011

		Year ended 31 December		
		GROUP		COMPANY
		2010	2009	Period since incorporation till 31 December 2010
	Note			
Revenue	6	304 263	233 358	289
Other income	7	7 339	217	-
Aircraft fuel		(88 452)	(47 048)	-
Rent of aircrafts and equipment		(54 240)	(43 479)	-
Employee related expenses	8	(39 561)	(40 528)	(184)
Aircraft servicing and handling expenses		(27 841)	(33 138)	-
Spare parts and consumables expenses		(19 544)	(15 346)	-
Cost of services resold		(9 694)	(3 557)	-
Aircraft maintenance expenses		(8 007)	(4 879)	-
Training and related expenses		(7 132)	(1 518)	-
Depreciation and amortization	9, 15, 16	(4 878)	(4 700)	(10)
Rent and maintenance of premises		(2 777)	(9 414)	-
Impairment of receivables	3.1, 19	(1 420)	(2 769)	-
Other operating expenses	10	(24 224)	(19 350)	(147)
Other gain/(loss) - net	11	13	296	-
Operating profit (loss)		23 845	8 145	(52)
Finance income		814	273	-
Finance cost		(3 989)	(2 083)	(83)
Finance costs – net	12	(3 175)	(1 810)	(83)
Profit (loss) before income tax		20 670	6 335	(135)
Income tax	13	(2 879)	(1 685)	2
Profit (loss) for the year		17 791	4 650	(133)
Profit (loss) for the year attributable to:				
Equity holders		18 013	4 619	(133)
Non-controlling interests		(222)	31	-
		17 791	4 650	(133)
Other comprehensive income:				
Currency translation differences		(16)	-	-
Total comprehensive income for the year		17 775	4 650	133
Total comprehensive income attributable to:				
Equity holders		17 997	4 619	(133)
Non-controlling interests		(222)	31	-
		17 775	4 650	(133)
Basic and diluted earnings (loss) per share (in LTL)	14	4.03	1.01	(0.03)

The notes on pages 10 to 50 form an integral part of these financial statements.

The financial statements on pages 5 to 50 have been approved for issue by the Board of Directors as at 19 April 2011 and signed on their behalf by the General Manager:

General Director
Linas Dovydenas

AVIA SOLUTIONS GROUP AB
SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010



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

BALANCE SHEETS

Approved by the Annual General Meeting of
Shareholders as at _____ 2011

Year ended 31 December				
		GROUP		COMPANY
	Note	2010	2009	2010
ASSETS				
Non-current assets				
Property, plant and equipment	15	29 198	25 340	319
Intangible assets	16	2 723	2 235	7
Financial assets	17	-	-	8 195
Trade and other receivables	19	1 920	4 200	
Deferred income tax assets	26	1 157	1 040	2
		34 998	32 815	8 523
Current assets				
Inventories	18	12 319	9 102	-
Trade and other receivables	19, 20	54 303	21 634	1 066
Short-term bank deposits		1 926	1 468	-
Prepaid income tax		240	165	-
Cash and cash equivalents	21	10 713	5 909	4
		79 501	38 278	1 070
Total assets		114 499	71 093	9 593
EQUITY				
Equity attributable to the Group's equity shareholders				
Share capital	1	4 420	-	4 420
Merger reserve	22	(3 473)	-	-
Cumulative translations differences		(16)	-	-
Retained earnings		24 001	-	(133)
Invested capital	2.13, 22	-	7 015	-
		24 932	7 015	4 287
Non-controlling interests		119	-	-
Total equity		25 051	7 015	4 287
LIABILITIES				
Non-current liabilities				
Borrowings	23	10 580	15 344	-
Security deposits received	25	9 380	-	-
Trade and other payables	24	1 746	3 963	-
Deferred income tax liabilities	26	33	-	-
		21 739	19 307	-
Current liabilities				
Borrowings	23	24 716	8 560	4 698
Trade and other payables	24	37 080	30 457	608
Advances received		2 908	2 630	-
Current income tax liabilities		2 058	1 013	-
Security deposits received	25	947	2 111	-
		67 709	44 771	5 306
Total liabilities		89 448	64 078	5 306
Total equity and liabilities		114 499	71 093	9 593

The notes on pages 10 to 50 form an integral part of these financial statements.

General Director
Linas Dovydenas

AVIA SOLUTIONS GROUP AB
SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010



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

STATEMENTS OF CHANGES IN EQUITY

Approved by the Annual General Meeting of
Shareholders as at _____ 2011

THE GROUP	Note	Equity attributable to equity holders of the Group					Non- control- ling interests	Total equity
		Share capital	Merger reserve	Currency translation differences	Retained earnings	Invested capital		
Balance at 1 January 2009		-	-	-	-	811	261	1 072
Comprehensive income								
Profit for the period		-	-	-	-	4 619	31	4 650
Transactions with owners								
Acquisition of non- controlling interests	22	-	-	-	-	292	(292)	-
Movements in invested capital	22	-	-	-	-	1 293	-	1 293
Total transactions with owners		-	-	-	-	1 585	(292)	1 293
Balance at 31 December 2009 / at 1 January 2010		-	-	-	-	7 015	-	7 015
Comprehensive income								
Currency translation difference	2.3	-	-	(16)	-	-	-	(16)
Profit for the period		-	-	-	18 013	-	(222)	17 791
Total comprehensive income		-	-	(16)	18 013	(7 015)	(222)	17 775
Transactions with owners								
Share issue pursuant to share acquisition agreements	1	150	-	-	-	-	-	150
Issue of additional shares	1	4 270	-	-	-	-	-	4 270
Reallocation of accumulated invested capital pursuant to the Pre-IPO Reorganisation	22	-	26	-	6 308	(7 015)	341	(340)
Effect of transactions with non-controlling interests	1	-	(3 517)	-	-	-	-	(3 517)
Transfer to legal reserve		-	18	-	(18)	-	-	-
Acquisition of subsidiaries	31	-	-	-	(302)	-	-	(302)
Total transactions with owners		4,420	(3 473)	-	5 988	-	341	261
Balance at 31 December 2010		4,420	(3,473)	(16)	24,001	-	119	25,051

THE COMPANY

	Note	Share capital	Retained earnings	Total equity
Transaction with owners				
Share issue pursuant to share acquisition agreements	1	150	-	150
Issue of additional shares	1	4 270	-	4 270
Total transactions with owners		4 420	-	4 420
Net loss - total comprehensive income for the period		-	(133)	(133)
Balance at 31 December 2010		4 420	(133)	4 287

The notes on pages 10 to 50 form an integral part of these financial statements.

General Director
Linas Dovydenas

AVIA SOLUTIONS GROUP AB
SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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



STATEMENTS OF CASH FLOWS

Approved by the Annual General Meeting of
Shareholders as at _____ 2011

		Year ended 31 December		
		GROUP		COMPANY
	Notes	2010	2009	Period since incorporation till 31 December 2010
Operating activities				
Profit (loss) for the year		17 791	4 651	(133)
Income tax	13	2 879	1 685	(2)
<i>Adjustments for:</i>				
Depreciation and amortisation	9, 15, 16	4 878	4 700	10
Discounting effect on deposits placed		1 517	437	-
Interest expenses	12	1 435	910	83
Impairment of accounts receivable,	3.1, 19	1 420	2 769	-
Accruals of c-check costs, hangar lease payments		1 419	2 615	-
Currency translations differences		1 081	(136)	-
Interest income	7	(114)	(217)	-
<i>Changes in working capital:</i>				
- Inventories		(3 217)	(1 085)	-
- Trade and other receivables		(31 002)	(12 921)	(991)
- Trade and other payables, advances received		(96)	6 614	595
- Security deposits received		8 730	(122)	-
Cash generated from (used in) operations		6 721	9 900	(438)
Interest received		14	-	-
Interest paid		(770)	(606)	-
Income tax paid		(1 434)	(1 948)	-
Net cash generated from (used in) operating activities		4 531	7 346	(438)
Investing activities				
Purchase of PPE and intangible assets		(6 948)	(1 904)	-
Proceeds from PPE and intangible assets		82	346	-
Purchase of subsidiary companies		-	-	(4 208)
Loans granted		(5 297)	(2 986)	-
Repayments of loans granted		5 034	2 720	-
Deposits placed		(2 290)	(974)	-
Purchase of subsidiaries net of cash acquired	31	43	-	-
Net cash used in investing activities		(9 376)	(2 798)	(4 208)

AVIA SOLUTIONS GROUP AB
SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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



STATEMENTS OF CASH FLOWS (CONTINUED)

	Notes	Year ended 31 December		
		GROUP		COMPANY
		2010	2009	Period since incorporation till 31 December 2010
Financing activities				
Increase of share capital	1	4 420	-	4 420
Increase of non-controlling interests	22	101	-	-
Capital contribution towards share capital of combining entities	22	-	4	-
Bank borrowings received		17 805	1 622	-
Repayments of bank borrowings		(9 948)	(2 933)	-
Borrowings from related parties received		13 504	-	230
Repayments of borrowings from related parties		(14 908)	3 115	-
Repayments of lease liabilities		(539)	(541)	-
Net cash generated from financing activities		10 435	1 267	4 650
Increase in cash and cash equivalents		5 590	5 815	4
At beginning of year	21	4 416	(1 399)	-
Increase (decrease) in cash and cash equivalents		5 590	5 815	4
At end of year	21	10 006	4 416	4

The notes on pages 10 to 50 form an integral part of these financial statements.

General Director
Linas Dovydenas

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

NOTES TO THE FINANCIAL STATEMENTS

1 General information

Avia Solutions Group AB (referred to as *the Company*) is a public limited liability company incorporated at State Enterprise Centre of Registers of the Republic of Lithuania as at 31 August 2010 (Company code – 302541648). The Company is domiciled in Vilnius, the capital of Lithuania. The address of its registered office is as follows: Smolensko 10, LT-03201, Vilnius.

The shareholders' structure of the Company as at 31 December 2010 was as follows:

	Number of shares	%
ZIA Valda Cyprus Ltd.	1 939 275	43.875
Indeco: Investment and Development UAB	1 292 850	29.250
Harberin Enterprises Limited	1 077 375	24.375
Kaikaris Vytautas	55 250	1.250
Butautis Jonas	44 200	1.000
Sanikovas Aurimas	11 050	0.250
	4 420 000	100

The Company's principal activity is the management of its subsidiaries. Companies of the Group operate in the following activity areas: passenger carriage by charter flights; aircraft maintenance, repair and overhaul; aircraft ground handling and fuelling; pilot and crew training.

The number of full time staff employed by the Group at the end of 2010 amounted to 678 (2009: 567). The number of full time staff employed by the Company at the end of 2010 amounted to 8.

The subsidiaries, which are included in the Group's consolidated financial statements are indicated below:

The Group's companies	Country of establishment	Operating segment	Share of equity at 31 December, %		Date of acquiring/establishment and activity
			2010	2009 ¹	
Baltic Aviation Academy UAB	Lithuania	Pilot and Crew Training	100	100	The Group company was established on 22 November 2006. The company provides aircraft crew training services
Baltic Ground Services UAB	Lithuania	Aircraft Ground Handling and Fuelling	100	100	The subsidiary was acquired on 31 October 2008. The company provides aircraft ground handling and fueling services.
Baltic Ground Services Sp.z.o.o.	Poland	Aircraft Ground Handling and Fuelling	100	-	The subsidiary was established in spring of 2010. It is a direct subsidiary of Baltic Ground Services UAB. Currently it has started preparations for aircraft ground handling and fueling activity in Poland.
Baltic Ground Services s.r.l.	Italy	Aircraft Ground Handling and Fuelling	100	-	The subsidiary was established in winter of 2010. It is a direct subsidiary of Baltic Ground Services UAB. Currently it has started preparations for aircraft ground handling and fueling activity in Italy.
FL Technics AB	Lithuania	Aircraft maintenance, repair and overhaul (MRO)	100	100	The subsidiary was established on 22 December 2005. In summer of 2007 the Company started active sales of aircraft maintenance, repair and overhaul (MRO) services.

¹ – As at 31 December 2009 the Subsidiaries were controlled by Avia Solutions Group Holdings AB.

AVIA SOLUTIONS GROUP AB
SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010



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

1 General information (continued)

The Group company	Country of establishment	Operating segment	Share of equity at 31 December, %		Date of acquiring/establishment and activity
			2010	2009 ¹	
FL Technics Jets UAB	Lithuania	Aircraft maintenance, repair and overhaul (MRO)	100	-	The subsidiary was acquired on 1 December 2010. Currently it has started preparations for active sales.
FLT Trading House UAB	Lithuania	Aircraft maintenance, repair and overhaul (MRO)	100	-	The subsidiary was acquired on 19 November 2010. Currently it has started preparations for active sales.
Locatory.com UAB	Lithuania	Aircraft maintenance, repair and overhaul (MRO)	100	-	The subsidiary was established on 7 December 2010. Currently it has started preparations for active sales.
Small Planet Airlines UAB	Lithuania	Charter operations	95.5	100	The subsidiary was established on 14 March 2007. In autumn of 2008 the Company started active sales of charter flights.
Small Planet Airlines AS	Estonia	Charter operations	95.5	100	The subsidiary was established on 5 December 2008. In spring of 2009 the Company started active sales of charter flights.
Small Planet Airlines Sp.z.o.o.	Poland	Charter operations	95.5	100	The subsidiary was established on 25 November 2009. In spring of 2010 the Company started active sales of charter flights.
Small Planet Airlines s.r.l.	Italy	Charter operations	95.5	-	The subsidiary was established on 17 February 2010. Currently the Company has started preparations for charter activity.

¹ – As at 31 December 2009 the Subsidiaries were controlled by Avia Solutions Group Holdings AB.

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

Historical information

Baltic Aviation Academy UAB, Small Planet Airlines UAB, Small Planet Airlines AS Small Planet Airlines Sp. z.o.o., Small Planet Airlines s.r.l., FL Technics AB (referred to as *Avia Solutions Group Companies or the Group*) comprised jointly managed aviation services business under control of Ridota AB (from 2005 till 30 January 2008) and Avia Solutions Group Holdings AB (from 31 January 2008 till 30 September 2010). Both Ridota AB and Avia Solutions Group Holdings AB are referred to as *The Initial Holding Companies*. Baltic Ground Services UAB was acquired on 31 October 2008 and included into the Group.

The Initial Holding Companies also held interest in other entities. These other entities together with the Initial Holding Companies are treated as *Other Initial Group Companies*. Avia Solutions Group Companies and Other Initial Group Companies are treated as *the Initial Group*.

The Initial Group was a wholly owned by three shareholders ŽIA valda AB (45%), Indeco: Investment and Development UAB (30%), and SANITEX BĮ UAB (25%) (hereinafter *the Initial Shareholders*). During 2010 the Initial Shareholders conducted a reorganisation, which was completed on 30 September 2010, whereby the companies comprising the aviation services business of Avia Solutions Group Holdings AB were reorganised under newly set up entity Avia Solutions Group AB (hereinafter *the Company*) (hereinafter *the Pre-IPO Reorganisation*) for the purposes of preparing for the Initial Public Offering. As such, prior to 30 September 2010, the Company did not control the entities it acquired pursuant to the Pre-IPO Reorganisation and did not therefore prepare consolidated financial statements. Accordingly, the comparative consolidated financial statements are based on the combined financial statements of the entities acquired by the Company under the Pre-IPO Reorganisation (hereinafter *the Group*).

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

1 General information (continued)

The immediate and ultimate parent company of the Group is ŽIA Valda AB, which owned 45 per cent of the holding company of Initial Group and exercised the right to appoint the General Director of the holding company which was the only managing body and, therefore, had the power to govern the financial and operating policies of the Group. After pre-IPO Reorganisation ŽIA Valda AB retained the right to appoint the General Director of the holding company and is the ultimate parent company of the Group. The ultimate controlling party is Mr. Gediminas Žiemelis.

During the period from the date of incorporation of the Company until 30 September 2010, significant legal restructuring was undertaken in preparation for the initial offering ("IPO"). The restructuring has been performed in three steps as described below.

The first step – formation of the share capital of Avia Solutions Group AB

The share issue pursuant to Avia Solutions Group AB share acquisition agreements (as at 31 August 2010). Shares have been subscribed and paid-up by 6 shareholders indicated in the table above.

Additional emission of shares of Avia Solutions Group AB (as at 7 September, as cash injection). Shares have been subscribed and paid-up by 6 shareholders indicated in the table above.

Share capital of the Company
150
4 270
4 420

The second step (during September 2010) – acquisition of newly issued share capital in the Group companies for nominal value. After this step, the Company held 90 per cent of share capital in Baltic Ground Services UAB, FL Technics UAB, Baltic Aviation Academy UAB and 85.5 per cent of share capital in Small Planet Airlines companies.

Avia Solutions Group AB purchase consideration for the newly issued shares of the Group companies (paid-up in cash)
 Non-controlling interest purchase consideration for the newly issued shares of the Group companies (paid-up in cash)

Purchase consideration/ nominal value of share capital issued in Group companies
4 165
101
4 266

The third step (during September 2010) – acquisition of the remaining 10 per cent of share capital of the Group companies

The nominal value of the remaining 10 percent of the share capital of the Group companies
 Avia Solutions Group AB purchase consideration for the acquisition of remaining 10 percent of the share capital of the Group companies (payment postponed for 2 years)
 The difference between the consideration and nominal value of the share capital acquired in the third step of the pre-IPO Reorganisation.

473
(3 990)
(3 517)

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU. The financial statements have been prepared on a going concern basis and under the historical cost convention.

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

2.1 Basis of preparation (continued)

These financial statements include the consolidated financial statements of the Group for the year ended 31 December 2010 and stand-alone financial statements of the Company for the period since incorporation till 31 December 2010.

During the period from the date of incorporation until the 30 September 2010 the Group has not in the past constituted a separate legal group, although all combining entities were controlled by one party and managed as one business. The comparative financial information is therefore prepared on a basis that combined/carved out the results, assets and liabilities of each of the companies constituting the aviation services business of the Initial Holding Companies by applying the principles underlying the consolidation procedures of IAS 27 *Consolidated and Separate Financial Statements*. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(a) New and emended standards and interpretations adopted by the Group and the Company

The Group has adopted the following new and amended IFRSs and IFRIC interpretations as of 1 January 2010:

IAS 27, Consolidated and Separate Financial Statements, revised in January 2008 (effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 requires an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the previous standard required the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary has to be measured at its fair value. The Group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control or significant influence from 1 January 2010. Previously, when the Group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date control or significant influence became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets. The Group has applied the new accounting policies prospectively to transactions occurring after 1 January 2010. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

Improvements to International Financial Reporting Standards, issued in April 2009 (amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010; the amendments as adopted by the EU are effective for annual periods starting after 31 December 2009). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations; requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operating decision maker; amending IAS 1 to allow classification of certain liabilities settled by entity's own equity instruments as non-current; changing IAS 7 such that only expenditures that result in a recognised asset are eligible for classification as investing activities; allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent; clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination; amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or

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

2.1 Basis of preparation (continued)

losses on cash flow hedging instruments from equity to profit or loss for the year and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender; amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged. The amendments did not have any effect on the Company's and the Group's financial statements.

(b) *Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group and the Company:*

IFRS 3, Business Combinations, revised in January 2008 (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 did not have a material impact on the Group's and Company's financial statements.

Amendment to IFRS 5, Non-current Assets Held for Sale and Discontinued Operations (and consequential amendments to IFRS 1) (effective for annual periods beginning on or after 1 July 2009). The amendment did not have any effect on the Group's and Company's financial statements.

IFRIC 12, Service Concession Arrangements. The interpretation contains guidance on applying the existing standards by service providers in public-to-private service concession arrangements. Application of IFRIC 12 will not have any impact on the Group's and Company's financial statements.

IFRIC 15, Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009; IFRIC 15 as adopted by the EU is effective for annual periods beginning after 31 December 2009). The amendment did not have any effect on the Group's and Company's financial statements.

Embedded Derivatives - Amendments to IFRIC 19 and IAS 39, issued in March 2009 (effective for annual periods ending on or after 30 June 2009; amendments to IFRIC 19 and IAS 39 as adopted by the EU are effective for annual periods beginning after 31 December 2009). The amendment did not have any effect on the Group's and Company's financial statements.

IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008; IFRIC 16 as adopted by the EU is effective for annual periods beginning after 30 June 2009). The interpretation did not have any effect on the Group's and Company's financial statements.

IFRIC 17, Distributions of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009; IFRIC 17 as adopted by the EU is effective for annual periods beginning after 31 October 2009). The interpretation did not have any effect on the Group's and Company's financial statements.

IFRIC 18, Transfers of Assets from Customers (effective prospectively to transfers of assets from customers received on or after 1 July 2009, earlier application permitted; IFRIC 18 as adopted by the EU is effective for annual periods beginning after 31 October 2009). The interpretation did not have any effect on the Group's and Company's financial statements.

Eligible Hedged Items - Amendment to IAS 39 (effective with retrospective application for annual periods beginning on or after 1 July 2009). The amendment did not have any effect on the Group's and Company's financial statements.

IFRS 1, First-time Adoption of International Financial Reporting Standards, revised in December 2008 (effective for the first IFRS financial statements for a period beginning on or after 1 July 2009; restructured IFRS 1 as adopted by the EU is effective for annual periods beginning after 31 December 2009). The revised standard did not have any effect on the Group's and Company's financial statements.

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

2.1 Basis of preparation (continued)

Group Cash-settled Share-based Payment Transactions - Amendments to IFRS 2 (effective for annual periods beginning on or after 1 January 2010). The amendment did not have any effect on the Group's and Company's financial statements.

Additional Exemptions for First-time Adopters - Amendments to IFRS 1 (effective for annual periods beginning on or after 1 January 2010; not yet adopted by the EU). The amendment did not have any effect on the Group's and Company's financial statements.

(c) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group*

Classification of Rights Issues - Amendment to IAS 32, issued in October 2009 (effective for annual periods beginning on or after 1 February 2010). The Group and the Company are currently assessing the impact of the amendment on its financial statements.

Amendment to IAS 24, Related Party Disclosures, issued in November 2009 (effective for annual periods beginning on or after 1 January 2011). The Group and the Company are currently assessing the impact of the amended standard on disclosures in its financial statements.

IFRS 9, Financial Instruments Part 1: Classification and Measurement, issued in November 2009 (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). The Group and the Company are considering the implications of the standard, the impact on the Group and the Company and the timing of its adoption by the Group.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010). This interpretation will not have any impact on the Group's and Company's financial statements.

Prepayments of a Minimum Funding Requirement - Amendment to IFRIC 14 (effective for annual periods beginning on or after 1 January 2011). This amendment will not have any impact on the Group's and Company's financial statements.

Limited exemption from comparative IFRS 7 disclosures for first-time adopters - Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2010). This amendment will not have any impact on the Group's and Company's financial statements.

Improvements to International Financial Reporting Standards, issued in May 2010 (effective dates vary standard by standard, most improvements are effective for annual periods beginning on or after 1 January 2011; the improvements have not yet been adopted by the EU). The Group and the Company do not expect the amendments to have any material effect on its financial statements.

Disclosures—Transfers of Financial Assets - Amendments to IFRS 7 (effective for annual periods beginning on or after 1 July 2011; not yet adopted by the EU). The Group and the Company do not expect the amendments to have any material effect on its financial statements.

Deferred Tax: Recovery of Underlying Assets - Amendment to IAS 12 (effective for annual periods beginning on or after 1 January 2012; not yet adopted by the EU). The Group and the Company do not expect the amendments to have any material effect on its financial statements.

Severe hyperinflation and removal of fixed dates for first-time adopters - Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2011; not yet adopted by the EU). The Group and the Company do not expect the amendments to have any material effect on its financial statements.

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

2.2 Consolidation

Subsidiaries

A subsidiary is an entity in which the Group, directly or indirectly, has interest of more than 50% of the shares with voting rights or otherwise has power to govern the operating and financial policies so as to obtain economic benefits. All subsidiaries have been consolidated / combined in the Group's financial statements.

An associate is an entity, in which the Group owns between 20% and 50% of the shares with voting rights and over which the Group has significant influence. As at the balance sheet date, the Group had no associates.

A subsidiary is consolidated / combined from the date on which control is transferred to the Group and is no longer consolidated / combined from the date on which control ceases. The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The excess of the consideration transferred the amount of any non-controlling interest in the acquire and the acquisition-date fair value of any previous equity interest in the acquire over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between entities included within the combined / consolidated financial statements have been eliminated. Transactions and balances between the Group and the Initial Group, the Initial Shareholders and their related entities (excluding any member of the Group) (hereinafter „the Related Party“) have been presented in the appropriate caption of the financial statements to which such transactions and balances relate.

Business combinations involving entities under common control

Business combination involving entities under common control is a transaction in which all of the combining entities are controlled by the same party or parties before and after the transaction and that control is not transitory.

As business combinations involving entities under common control are excluded from IFRS 3 scope, management uses merger accounting (otherwise known as 'predecessor accounting'). The principles used by the Group are as follows:

- The Group does not restate assets and liabilities to their fair values. Instead, the Group incorporates the assets and liabilities at the amounts recorded in the books of the combined companies;
- No goodwill arises in predecessor accounting. Differences between the purchase consideration and the nominal value of company's equity acquired are not goodwill, because they are not based on the fair values of both the consideration given and the identifiable assets and liabilities acquired. Instead, the differences are included in equity and presented within the retained earnings (accumulated deficit) in the balance sheet;
- The principles in IAS 27 apply in the application of the predecessor method of accounting and, therefore, results are incorporated from the date the new parent obtains control. The corresponding amounts for the previous year are not restated because the combination did not occur until the current year.

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

2.2 Consolidation (continued)

Non-controlling interest

Non-controlling interest is that part of the net results and of the net assets of a subsidiary, including the fair value adjustments, which is attributable to interests which are not owned, directly or indirectly, by the Group. Non-controlling interest forms a separate component of the Group's equity.

Transactions with non-controlling interest

From 1 January 2010, the Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity. Until 31 December 2009, transactions with share owners of non-controlling interests were treated as transactions with third parties. Disposals to non-controlling interests resulted in gains and losses for the Group that were recorded in the income statement. Purchases from non-controlling interests resulted in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

2.3 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Lithuanian Litas (LTL), which is the functional currency of the Company and the Group.

The litas is pegged to the euro at an exchange rate of LTL 3.4528 = EUR 1

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within "finance income or cost". All other foreign exchange gains and losses are presented in the statement of comprehensive income within "other operating expenses".

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at rates prevailing at the dates of the transactions);
- All resulting exchange differences are recognised as a separate component of equity.

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

2.4 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of the Company that makes strategic decisions.

2.5 Property, plant and equipment

Property, plant and equipment consist of buildings and structures, vehicles, machinery, other non-current tangible assets. Property, plant and equipment is carried at its historical cost less any accumulated depreciation and any accumulated impairment loss. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Land is not depreciated. Depreciation is calculated on the straight-line method to write off the cost of assets to their residual values over their estimated useful life as follows:

Buildings and structures	8 - 15 years
Vehicles	6 - 10 years
Machinery	5 years
Other non-current tangible assets	3 - 6 years

Major additions, modifications and improvements expenditure relating to the flight equipment for aircraft leased are capitalized and depreciated over the remaining lease period of the aircraft. Major improvements performed for leased aircraft are capitalized leasehold improvements and depreciated over the period till the next improvement or during the useful life of certain asset. Leasehold improvements are classified as other non-current tangible assets.

The assets' residual value and useful lives are reviewed periodically and adjusted if appropriate.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

When property is retired or otherwise disposed, the cost and related depreciation are removed from the financial statements and any related gains or losses are included in the profit or loss.

2.6 Intangible assets

Other non-current intangible assets

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

Licenses	3 - 5 years
Software	3 - 5 years
Other non-current intangible assets	1 - 4 years

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

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

2.6 Intangible assets (continued)

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Directly attributable costs, which are incurred to comply with the requirements of certification authority in order to obtain the Air Operator's Certificate (hereinafter – AOC) are capitalised as part of the commercial license. Such expenses include aircraft basic and supplemental rent expenses, aircraft insurance expenses, preparation of aircraft technical documentation expenses, rent and maintenance of premises expenses, employee related expenses and crew training expenses, that have been incurred during the period of the submission of the application for an initial issue of an AOC and the date of receipt of the AOC.

2.7 Impairment of non-financial assets

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

2.8 Financial assets

The Group classifies its financial assets into one of four measurement categories: loans and receivables, financial assets at fair value through profit or loss, held to maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

During the current period the Group did not hold any financial assets at fair value through profit or loss, held to maturity investments and available-for-sale financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' in the balance sheet. The Group assesses at each balance sheet date whether there is objective evidence that a financial assets is impaired. Impairment testing of trade receivables is described in Note 3.1.

2.9 Investments in subsidiaries and associates in the separate financial statements of the Company

Investments in subsidiaries that are included in the separate financial statements of the Company are accounted at cost less impairment provision. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments.

2.10 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of inventories comprises purchase price, taxes (other than those subsequently recoverable by the Group from the tax authorities), transport, handling and other costs directly attributable to the acquisition of inventories. Net realizable value is the estimate of the selling price in the ordinary course of business, less the applicable selling expenses. Inventories that are no longer appropriate for sale are written off.

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

2.11 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against in the profit or loss.

2.12 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. Bank overdrafts are subtracted from the cash and cash equivalents in the consolidated statements of cash flows.

2.13 Invested capital

The Company did not exist until 23 August 2010, and did not become the parent company of the Group until 30 September 2010. Therefore it is not meaningful to show share capital or an analysis of reserves for the Group before 30 September 2010. Invested capital represents the difference between the cumulative investment in the entities which form the combined Group and any non-controlling interest (being interest not controlled by the holding company of the Initial Group) which is disclosed as a separate element of equity. Details of invested capital's structure and movements were included in Note 22.

2.14 Share capital

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

Where the Company or its subsidiaries purchase the Company's equity share capital (treasury shares), in the Company's and the Group's financial statements the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction cost and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.15 Earnings per share

Basic EPS is calculated by dividing net profit for the year attributable to controlling equity shareholders of the Group by the number of ordinary shares of the Company outstanding after the Pre-IPO Reorganisation (see Note 1). The net profit for the year attributable to controlling equity shareholders of the Group has been calculated assuming that the equity ownership structure which was established after the Pre-IPO Reorganisation as at 30 September 2010 has been in place during the whole period presented in these consolidated financial statements.

2.16 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in ordinary course of business. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

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

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs that are directly attributable to the acquisition of a qualifying asset are capitalised as part of the cost of that asset during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed. The capitalising of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete.

2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.19 Grants relating to expenses and purchase of property, plant and equipment

Grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Grants relating to the purchase of property, plant and equipment are included in non-current liabilities and are credited to the profit or loss on a straight-line basis over the expected lives of the related assets. Grants relating to the expenses are included in non-current liabilities and are credited to the profit or loss on basis to match the appropriate expenses.

2.20 Accounting for leases

a) Accounting for leases where the Group is the lessee

Operating leases

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

Finance leases

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

The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

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

2.20 Accounting for leases (continued)

b) Accounting for leases where the Group is the sub - lessor

Rental income from operating sub – lease is recognized on a straight-line basis over the period of the lease.

c) Accounting for leases where the Group is the lessor

Operating leases

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset. They are depreciated over their expected useful lives on a basis consistent with similar assets. Lease income is recognised over the term of the lease on a straight-line basis.

2.21 Current and deferred income tax

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

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Profit for 2010 is taxable at a rate of 15% (2009: 20%) in accordance with Lithuanian regulatory legislation on taxation. Profit for 2010 is taxable at a rate of 19% (2009: 19%) in accordance with Polish regulatory legislation on taxation. Profit for 2010 is taxable at a rate of 27.5% in accordance with Italian regulatory legislation on taxation.

The current income tax charge is calculated and accrued for in the financial statements on the basis of information available at the moment of the preparation of the financial statements, and estimates of income tax performed by the management in accordance with legislation on taxation in the country where the Group operates.

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

According to Lithuanian legislation, tax losses accumulated as of 31 December 2010 are carried forward indefinitely.

Deferred tax assets and liabilities are offset only if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and only if the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

2.22 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue of the Group is shown net of value-added tax, returns, rebates and discounts, sales taxes. Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

2.22 Revenue recognition (continued)

Sales of services

Revenue of the Group consists of passenger's revenue, aircraft and aircraft components maintenance and overhaul, training of aviation specialists, technical consulting, aircraft ground handling services and into-plane fueling.

Passengers' revenue, aircraft ground handling and into-plane fueling revenue is recognized as earned, - upon completion of the air transportation or upon delivery of services to the customer.

Aircraft and aircraft components maintenance, training and technical consulting services are provided to the customers on time and material basis or as a fixed-price contract, with contract generally ranging from less than one year (single contract) to the long-term contract.

Revenue from fixed-price contracts is recognised under the percentage-of-completion method. Under this method, revenue is generally recognised based on the services performed to date as a percentage of the total services to be performed. Stage of completion is determined with a reference to the proportion that man hours worked to date bear to the estimated total man hours per contract.

Sales of goods

Sales of goods are recognised when goods are delivered to the customer, the customer has full discretion over the use of the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group have objective evidence that all criteria for acceptance have been satisfied.

Interest income

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

Interest income on loans granted are classified as „other income“, while interest income on cash and cash equivalents are classified as „finance income“ in the consolidated statement of the comprehensive income.

2.23 Employee benefits

Social security contributions

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

Bonus plans

The Group recognises a liability and an expense for bonuses based on predefined targets. The Group recognises related liability where contractually obliged or where there is a past practice that has created a constructive obligation.

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

2.23 Employee benefits (continued)

Supplementary health insurance

The Group paid supplementary health insurance contributions to the insurance company on behalf of its employees. Supplementary health insurance for employees is the possibility to get health care and health improvement services in a selected health care institution. The supplementary health insurance contributions are recognized as an expense when incurred.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

2.24 Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised as financial liabilities at the date the guarantee is issued. Liabilities arising from financial guarantee contracts are initially recognised at fair value and subsequently measured at the higher of the expected liability under the guarantee and the amount initially recognised less any cumulative amortisation. The fair value of the financial guarantee is determined the estimated amount that would be payable to a third party for assuming the obligation.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects of the financial performance of the Group.

Risk management is carried out by Group's top management close cooperation with the management of shareholders. Top management meetings are held to discuss overall risk management and analyze each case, as well as actions to cover specific areas, such as foreign exchange risk, interest rate risk, credit risk and investing excess liquidity.

Market risk

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to US Dollar (USD). Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities.

For calculation of foreign exchange risk's sensitivity trade and other receivables and trade and other payables, denominated at US-dollars are multiplied by reasonably possible change of EUR (to which LTL is pegged) to US dollars. Reasonable possible change is provided in the table below:

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

3.1 Financial risk factors (continued)

	GROUP		COMPANY
	2010	2009	2010
Reasonably possible change of EUR to US dollars	9 %	2 %	-

At 31 December 2010 post-tax profit for the year would have been LTL 1 631 thousand (2009: LTL 312 thousand) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated trade and other receivables and trade and other payables.

Foreign exchange risk is controlled by monitoring the foreign currency exposure of its purchase contracts and lease commitments. The Group seeks to reduce its foreign rate exchange exposure through a policy of matching possible receipts and payments in each individual currency.

(b) Price risk

The Group is not exposed to price risk of financial instruments since it does not possess any material financial instruments that could be sensitive to such risk.

(ci) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from short-term and long-term bank borrowings and finance lease liabilities at floating interest rates. The Group is not exposed to fair value interest rate risk as loans granted to related parties and interest free deposit placed as a guarantee for lease of aircraft are accounted at amortized cost and are with fixed interest rate.

Borrowings received at variable interest rates and denominated in the LTL, EUR currencies expose the Group to cash flow interest rate risk. As at 31 December 2010 and 2009 Group's non-current borrowings at variable rate of 6 month EURIBOR plus fixed margin were denominated in EUR, bank overdraft at variable rate of 6 months VILIBOR plus fixed margin was denominated in LTL and finance lease liabilities at variable rate of 6 months EURIBOR plus fixed margin was denominated in EUR.

For calculation of interest rate risk's sensitivity interest expenses on borrowings, received at variable interest rates, are multiplied by possible interest rate change (hereinafter „reasonable shift“), which are prescribed by the Group. Possible interest rate change are provided in the table below:

Currency of borrowings	Reasonable shift
LTL	4.00 %
EUR	1.00 %

The presumable interest rate change creates acceptable impact on Group's annual profit as well as equity and makes LTL 170 thousand in 2010 (2009: LTL 163 thousand) impact on profit or loss.

Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks, financial institutions, shareholders and their related parties, lessor as well as credit exposures to customers, including outstanding receivables and committed transactions. Credit risks are controlled by the application of credit terms and monitoring procedures.

The Group's procedures are in force to ensure that services are sold only to customers with an appropriate credit history and do not exceed acceptable credit exposure limit. Cash transactions are limited to high credit quality financial institutions.

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

3.1 Financial risk factors (continued)

(a) Maximum exposure of credit risk

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

	GROUP		COMPANY
	2010	2009	2010
Trade receivables (Note 19)	29 174	11 389	-
Security deposit with lessor (Note 19)	5 296	2 746	-
Other receivables (Note 19)	730	430	-
Loans to related parties (Notes 19, 32)	644	1 774	73
Other receivables from related parties (Note 19)	490	-	-
Trade receivables from related parties (Notes 19, 31)	180	30	347
Cash and cash equivalents (Note 21)	10 713	5 909	4
	46 737	22 278	424

(b) Financial assets neither past due nor impaired

Trade receivables and trade receivables from related parties

The Group's customers do not have external credit ratings, however the management of the Group measures credit quality of trade receivables and trade receivables from related parties based on the period of relationship with certain debtor. Two groups are distinguished: new customers/related parties (period of relationship less than 6 months) and old customers/related parties (more than 6 months).

For analysis of credit quality of neither past due nor impaired trade receivables and trade receivables from related parties based see the table below:

Group 1: new customers/related parties (less than 6 months)	1 083	406	301
Group 2: old customers/related parties (more than 6 months)	12 981	2 643	-
	14 064	3 049	301

Cash and cash equivalents (assessed in accordance with long-term borrowings ratings*)

All cash and cash equivalents held by the Group as of the periods presented are neither past due, nor impaired. The Group chooses the banks and financial institutions with a Fitch rating not lower than D.

See the table below for analysis of the Group's cash and cash equivalents according to the credit quality.

AA-	1 182	2 143	-
A+	4 827	492	4
A	2 645	-	-
A-	107	344	-
B+	758	624	-
B	633	2 303	-
other	561	3	-
	10 713	5 909	4

* - external long term credit ratings set by international agencies Standarts & Poors as at August 2010 and FitchRatings as at March 2010/2011.

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

3.1 Financial risk factors (continued)

Security deposit with lessor, loans to related parties

Security deposit with lessor and loans to related parties held by the Group as of the periods presented are neither past due nor impaired. The Group does not analyse these financial assets according to credit quality.

(c) Financial assets past due but not impaired

Trade receivables that are past due up to 6 months and for which no evident impairment indicator is identified by the Group are classified as past due but not impaired. Trade receivables overdue more than 6 months may be considered as not impaired if the Group has evidence that the amounts due will be repaid.

The ageing of past due, but not impaired trade receivables is as follows:

	GROUP		COMPANY
	2010	2009	2010
<i>Overdue up to 3 months</i>	12 853	2 029	46
<i>overdue from 4 to 6 months</i>	1 390	5 470	-
<i>overdue over 6 months</i>	1 047	871	-
	15 290	8 370	46

(d) Impaired financial assets

Trade and other receivables for which the Group has identified evident impairment indicator irrespective of the payment delay period are considered as impaired receivables. Evident impairment indicators include significant financial difficulties of the debtor or other events that significantly increase the risk of default on a receivable amount. The impairment of trade and other receivables is performed going individually through the customers list and assessing the expectation of recovery.

<i>Impaired trade and other receivables – gross amount</i>	1 420	2 855	-
<i>Less: provision for impairment of trade receivables</i>	(1 420)	(2 855)	-
<i>Impaired trade and other receivables – net amount</i>	-	-	-
	-	-	-

Movements on the Group's provision for impairment of trade receivables (including trade receivables from related parties):

<i>At 1 January</i>	2 855	4 858	-
<i>Provision for trade receivables impairment</i>	1 420	2 892	-
<i>Receivables written off during the year as uncollectible</i>	(2 855)	(4 895)	-
At 31 December	1 420	2 855	-

Liquidity risk

Liquidity risk management implies maintaining sufficient cash and the availability of funding through other group companies. Liquidity risk is managed by the General Managers of entities of the Group in close cooperation with the Company to maintain a minimum required liquidity position.

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

3.1 Financial risk factors (continued)

As at 31 December 2010 current liabilities of the Company and three subsidiaries of the Group, which were established in the year of 2010, exceeded current assets. Management of the Group believes that this will not have any impact on the ability of the Company and subsidiaries of the Group to continue as going concern. In addition the parent company – Avia Solutions Group AB – is able to provide with financial support to enable subsidiaries to continue in operation for at least thirteen months from the date of financial statements, if needed. Actions that management of the Company is going to take to ensure the ability of the Company to continue as a going concern are summarized in Note 4.

The Group's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these. The table below analyses the Group's financial liabilities into relevant maturity groupings based on remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Trade and other payables and deposits received due within/after 12 months equal their carrying balances as the impact of discounting is not significant.

GROUP	Less than 1 year	Between 1 - 2 years	Over 2 years
31 December 2010			
Borrowings from shareholders and their related	13 609	706	5 539
Bank loans	11 769	1 599	3 194
Security deposits received	947	500	9 396
Finance lease liabilities	702	1 360	-
Trade and other payables	37 081	247	1 499
	64 108	4 412	19 628
31 December 2009			
Borrowings from related parties	5 420	2 274	8 007
Bank loans	3 494	1 862	4 432
Security deposits received	2 111	-	-
Finance lease liabilities	798	702	1 332
Trade and other payables	30 458	832	3 131
	40 170	5 670	16 902
COMPANY			
31 December 2010			
Borrowings from related parties	4 911	-	-
Trade and other payables	608	-	-
	5 519	-	-

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

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

3.2 Capital risk management (continued)

The Group's strategy is to reduce the gearing ratio and to maintain it within 45% to 55%.

	GROUP		COMPANY
	2010	2009	2010
Total borrowings (Note 23)	35 296	23 904	4 698
Less: cash and cash equivalents	(10 713)	(5 909)	(4)
Net debt	24 583	17 995	4 694
Total equity	25 051	7 015	4 287
Total capital	49 634	25 010	8 982
Gearing ratio	50%	72%	52%

Pursuant to the Lithuanian Law on Companies the authorised share capital of a public limited liability company and private limited liability company must be not less than LTL 150,000 and LTL 10,000, respectively, and the shareholders' equity should not be lower than 50 per cent of the entity's registered share capital. As at 31 December 2010 two Group companies did not comply with these requirements.

According to the Lithuanian Law on Companies, a general meeting of shareholders to rectify the situation must be convened. In the case, if the general meeting of shareholders did not rectify the situation within six months, an application to the court to reduce the authorised capital must be filed.

3.3 Fair value estimation

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

Fair value of interest free security deposit with the lessor approximates its carrying value which was calculated discounting nominal value of deposit using market interest rate. Loans to related parties were granted close to the year end at market interest rates, therefore, their carrying value approximate fair value. As at 31 December 2010 the fair value of loans received from related parties at fixed interest rates was approximately LTL 1,5 million lower than their carrying value.

The fair value of bank borrowings and finance lease with variable rates approximates their carrying amount.

4 Critical Accounting Estimates and Significant Judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

(a) Going concern assumptions

At the end of 2010, the Company's current liabilities exceeded current assets by LTL 4.2 million. Nevertheless, the Company's financial statements have been prepared on a going concern principle, based on assumption that it will continue operations in the foreseeable future.

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

4 Critical Accounting Estimates and Significant Judgements (continued)

As at the date of preparation of these financial statements the Company has issued additional 1,473,333 ordinary shares with a par value LTL 1 each for issue price of PLN 52. Following the increase of the share capital total number of shares amounts to 5,893,333 with par value LTL 1 each. On 3 March 2011 shares of the Company were introduced to trading at Warsaw Stock Exchange (see Notes 1, 34). Management believes that sufficient financial resources will be available to the Company to continue as a going concern.

(b) C-check costs accruals

During the aircraft lease term and until the lease contract termination date, the Group (lessee) has the obligation, at its expense, to maintain and repair the aircraft in accordance with the maintenance program. C-check expenses are incurred once in 18 – 24 months. Accruals for such expenses is based on an average cost of all C-Check per flight hour and recognised in the profit or loss on straight-line basis.

(c) Premises and training simulators lease payments accruals

Under the terms of two aircraft hangars, training building and training simulator lease operating agreement, various rentals were payable during the lease term and until the lease contract termination date. Lease payments have been apportioned to ensure that they are charged to the comprehensive income statement on a straight-line basis over the period of the lease.

(d) Related-party transactions

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

(e) Income taxes

Tax authorities have a right to examine accounting records of the Group at anytime during the 5 year period after the current tax year and account for additional taxes and fines. In the opinion of the Group's management, currently there are no circumstances that might result in a potential material liability in this respect to the Group.

(f) Earnings per Share

While calculating Earnings per Share in these financial statements the Group has assumed that the equity ownership structure which was established after the Pre-IPO Reorganisation as at 30 September 2010 and the share capital issued by the Company during the Pre-IPO Reorganisation process has been in place during the whole period presented in these consolidated financial statements. Such assumptions have been made with the aim to present comparable and consistent historical Earnings per Share ratios for the periods presented.

(g) Intangible assets

Costs that are directly attributable to obtain the AOC are recognized as intangible assets (Note 2.6). The AOC expected to provide economic benefits to the Group in future periods are measured at acquisition cost, which includes directly attributable expenses, as described in Note 2.6, less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on the straight-line basis over estimated economic benefit period of 5 years.

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4 Critical Accounting Estimates and Significant Judgements (continued)

(h) Property, plant and equipment

Estimates concerning useful lives of property, plant and equipment may change due to constant technology advancement. Useful lives of property, plant and equipment are disclosed Note 2.5 and depreciation charge for the year is disclosed in Note 15. Increasing an asset's expected useful life or its residual value would result in a reduced depreciation charge. The useful lives of property, plant and equipment are determined by the management at the time the asset is acquired and reviewed on an annual basis for appropriateness. The lives are based on historical experiences with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology. Most of property, plant and equipment of the Group comprise buildings and vehicles.

5 Segment information

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

Charter Operations

The charter operations segment includes carriage of passengers by charter flights.

Aircraft Maintenance, Repair and Overhaul (MRO)

The aircraft maintenance, repair and overhaul (MRO) segment is involved in aircraft and aircraft components' maintenance, repair, overhaul, engineering, spare parts and consumable sale, technical personnel training.

Aircraft Ground Handling and Fuelling

The aircraft ground handling and fuelling segment is involved aircraft handling, passengers servicing, tickets sale and into-plane fuelling.

Pilot and Crew Training

The pilot and crew training segment is involved in full scope of integrated flight training solutions

Unallocated Sales

The Unallocated sales include sales of management services, which cannot be attributed to the other segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. The segment performance is analysed on monthly basis based on internal reports provided to the chief operating decision maker of the Group.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2.

Management analyses the activities of the Group both from geographic and business perspective.

From business perspective the Management used to analyse Group sales volume and gross profit (loss) based on businesses the Group is involved in (according to Group companies' activities), referred to as segments. Gross profit (loss) is a measure of segment profit or loss for management analysis purposes.

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5 Segment information (continued)

Operating expenses, which are directly related to the operating segments (including administration employee related expenses, rent and maintenance of administration premises, depreciation and amortization of non-current assets, used for administrative purposes, business travel expenses, related to sales, consultation expenses, office administrative expenses and other), and the amount of impairment losses, recognised in profit or loss during the period, are allocated to the particular segments. Other operating expenses, indirectly related to the operating segments, are not allocated to the operating segments.

Financial activities and income taxes are managed on a Group level and are not allocated to the operating segments as well. Management also regularly reviews capital investments on segment basis therefore additions to non-current assets has been separately disclosed according to each operating segment.

Geographically, Management separately considers operations in Lithuania, Estonia and Poland by sales volume depending on where the Group's companies are located.

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 expense and segment result include transfers between business segments. Those transfers are eliminated in consolidation. The following table presents revenues and profit (loss) and assets and liabilities information according to the Group's business segments for the nine-month period ended 31 December 2010:

	Charter operations	Aircraft maintenance, repair and overhaul (MRO)	Aircraft ground handling and fuelling	Pilot and crew training	Unallo- cated	Inter- segment elimina- tions	Total continuing operations
Year ended 31 December 2010							
Revenue							
Sales to external customers	157 360	76 788	57 621	12 494	-	-	304 263
Other income	7 173	140	-	26	-	-	7 339
Inter-segment sales	4 620	8 627	17 660	404	289	(31 600)	-
Total revenue	169 153	85 555	75 281	12 924	289	(31 600)	311 602
Cost of sales	(159 289)	(58 322)	(67 074)	(8 553)	(177)	29 875	(263 540)
Segment gross profit	9 864	27 233	8 207	4 371	112	(1 725)	48 062
Impairment of receivables, inventories	(1 295)	(108)	(17)	-	-	-	(1 420)
Other operating expenses (see details in the table below)							(22 797)
Operating profit							23 845
Finance costs - net							(3 175)
Profit before income tax							20 670
Income tax							(2 879)
Net profit for the period							17 791
As at 31 December 2010							
Segment assets	28 806	56 412	23 542	4 577	1 162		114 499
Segment liabilities	(31 879)	(34 200)	(14 158)	(4 138)	(5 073)		(89 448)
Acquisition of non-current assets	1 269	4 768	2 265	653	336		9 291
Depreciation and amortization	118	3 635	891	224	10		4 878

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5 Segment information (continued)

The following table presents revenues and profit (loss) and assets and liabilities information according to the Group's business segments for the year ended 31 December 2009:

GROUP	Charter operations	Aircraft maintenance, repair and overhaul	Aircraft ground handling and fuelling	Pilot and crew training	Inter-segment eliminations	Total continuing operations
Year ended 31 December 2009						
Revenue						
Sales to external customers	155 905	62 459	10 822	4 172		233 358
Other income	196	-	21	-		217
Inter-segment sales	3 350	7 288	15 509	323	(26 470)	-
Total revenue	159 451	69 747	26 352	4 495	(26 470)	233 575
Cost of sales	(146 933)	(54 112)	(23 255)	(2 577)	25 695	(201 182)
Segment gross profit	12 518	15 635	3 097	1 918	(775)	32 393
Impairment of receivables, inventories	(811)	(1 548)	(410)	-	-	(2 769)
Other operating expenses (see details in the table below)						(21 479)
Operating profit						8 145
Finance costs - net						(1 810)
Profit (loss) before income tax						6 335
Income tax						(1 685)
Net profit (loss) for the year						4 650
As at 31 December 2009						
Segment assets	18 201	39 293	11 588	2 011		71 093
Segment liabilities	(20 247)	(31 910)	(9 937)	(1 984)		(64 078)
Acquisition of non-current assets	45	1 646	213	102		2 006
Depreciation and amortisation	46	3 253	1 206	195		4 700

The Group's other operating expenses indirectly related to the operating segments detailed below:

	GROUP	
	2010	2009
Administration employee related expenses	10,821	13,188
Consultation expenses	2,720	2,861
Rent and maintenance of administration premises	1,868	2,187
Depreciation and amortization of assets related to administration	567	426
Other operating expenses indirectly related to the operating segments	6,821	2,817
Other operating expenses	22,797	21,479

The Group's revenue from external customers by geographical location of subsidiaries on 31 December 2010 and 31 December 2009 detailed below:

	GROUP	
	2010	2009
Lithuania	257 977	201 177
Estonia	29 109	32 181
Poland	17 177	-
	304 263	233 358

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

5 Segment information (continued)

The segment's sales to external customers are derived from the following single customers (the customers whose sales revenue exceed 10 per cent of total sales revenue of that segment in any of the years):

		GROUP	
		2010	2009
The charter operations segment			
Customer B		39,015	39,771
Customer A		35,192	45,727
Customer Q		16,778	10,442
Customer D		16,547	14,587
Customer C		3,860	23,274
Other customers		45,968	22,104
		157,360	155,905
The aircraft ground handling and fuelling segment			
Customer J		12,450	251
Customer K		3,989	3,170
Customer L		2,159	1,320
Other customers		39,023	6,081
		57,621	10,822
The aircraft maintenance, repair and overhaul (MRO) segment			
Customer H		18,411	2,302
Customer E		9,096	13,763
Customer F/O		8,347	6,541
Other customers		40,934	35,047
		76,788	62,459
The pilot and crew training segment			
Customer R		3,964	-
Customer S		1,524	-
Customer N		1,068	1,107
Customer M		963	1,229
Customer O/F		339	568
Other customers		11,192	2,375
		12,494	4,172

The Group's sales to external customers are derived from the following single customers (the customers whose sales revenue exceed 10 per cent of total sales revenue of the Group in any of the years):

		GROUP	
Customer	Identity of segment/segments	2010	2009
Customer B	Passengers carriage	39,015	39,771
Customer A	Passengers carriage	35,192	45,727
Other customers	All business segments	230,056	147,860
		304,263	233,358

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	GROUP		COMPANY
	2010	2009	Period since incorporation till 31 December 2010
6 Revenue			
Aircraft fuel revenue	92 783	47 344	-
Passengers' revenue	70 665	96 028	-
Aircraft maintenance Revenue	51 185	54 304	-
Aircraft and aircrew lease	44 777	17 614	-
Training and consulting revenue	14 172	4 834	289
Revenue of services resold	12 412	4 149	-
Spare parts and consumable revenue	10 664	3 396	-
Aircraft ground services	7 605	5 689	-
	304 263	233 358	289
7 Other income			
Late payment penalties	7 225	-	-
Interests income on loans	114	217	-
	7 339	217	-
8 Employee related expenses			
Wages and salaries	29 744	30 839	141
Social insurance expenses	9 817	9 689	43
	39 561	40 528	184
Number of employees at the end of year	678	567	8
9 Depreciation and amortization			
Depreciation of tangible assets (note 15)	4 290	4 433	10
Amortisation of intangible assets (note 16)	588	267	-
	4 878	4 700	10
10 Other operating expenses			
Business Travel Expenses	4 838	3 092	12
Transportation and Related Expenses	3 725	3 759	25
Insurance expenses	3 708	2 786	-
Consultation Expenses	2 311	2 861	73
Employee Lease Expenses	1 631	1 731	-
Foreign exchange loss on operating activities	1 361	(136)	7
Marketing and Sales Expenses	1 341	942	12
Rent and maintenance of training simulators	964	577	-
Office Administrative Expenses	794	634	5
Communications Expenses	668	470	5
Bank services	422	408	1
IT expenses	404	413	-
Audit expenses	182	120	-
Other Expenses	1 875	1 693	7
	24 224	19 350	147

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	GROUP		COMPANY
	2010	2009	Period since incorporation till 31 December 2010
11 Other gain – net			
Sales of inventory and assets	90	699	-
Net fair value of acquiree's net assets over cost	(5)	-	-
Costs of inventory and assets sold	(72)	(403)	-
	13	296	-
12 Finance income and costs			
Discounting of security deposit received	557	-	-
Unwinding of discounted deposits	179	134	-
Interest income on cash and cash equivalents	78	86	-
Late payment interest - revenue	-	53	-
Finance income	814	273	-
Unwinding of discounted borrowings	2 153	448	-
Interest expenses on borrowings	1 435	910	83
Late payment interest - costs	291	563	-
Discounting of security deposit placed	100	124	-
Foreign exchange loss on financing activities	6	34	-
Other finance costs	4	4	-
Finance costs	3 989	2 083	83
Finance costs – net	(3 175)	(1 810)	(83)
13 Income tax			
Current income tax	2 963	1 576	-
Deferred income tax (Note 26)	(84)	109	(2)
Total income tax expenses	2 879	1 685	(2)

Domestic income tax is calculated at 15 per cent (2009: 20 per cent) of the annual profit for the year, in Poland income tax – 19 per cent, in Italy – 27.5 per cent. The annual profit earned by companies located in Estonia is not taxed. The tax on the Group's profit (loss) before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

Profit (loss) before tax	20 669	6 335	(135)
Less: annual profit (loss) before tax earned by the entity located in Estonia	1 061	(2 035)	-
Profit (loss) before tax	21 730	4 300	(135)
Tax calculated at a tax rate of 15% (2009: 20%)	3 697	862	(20)
Tax calculated at a tax rate of 19% (2009 - 19%)	(463)	(2)	-
Tax calculated at a tax rate of 27.5%	(111)	-	-
<i>Tax effects of:</i>			
- Expenses not deductible for tax purposes	421	648	18
- Non-taxable incomes	(498)	-	-
- Deferred tax assets not recognised on tax losses	(167)	8	-
- Effect of changes of tax rate	-	349	-
- Adjustment in respect of prior year	-	(6)	-
- Unrecognised deferred tax asset in prior years	-	(174)	-
Total income tax expenses	2 879	1 685	(2)

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14 Earnings per share

The following reflects the income and adjusted share data used in EPS computations. The assumptions used in calculation of weighted average number of ordinary shares and profit (loss) attributable to equity holders were explained in Notes 1, 2.13 and 4.

	GROUP		COMPANY
	2010	2009	Period since incorporation till 31 December 2010
Profit (loss) for the year	17 791	4 650	(133)
Less: profit (loss) attributable to minority interests calculated in accordance with the structure as at 31 December 2010	25	(172)	-
Profit (loss) attributable to equity ownership holders of the Company calculated in accordance with shareholders structure as at 31 December 2010	17 816	4 478	(133)
Weighted average number of ordinary shares (thousand)	4 420	4 420	4 420
EPS – basic and diluted (in LTL)	4.03	1.01	(0.03)

15 Property, plant and equipment

THE GROUP	Buildings and structures	Machinery	Vehicles	Other tangible fixed assets	Prepayments to tangible assets	Total
Opening net book amount as at 1 January 2009	15 510	4 607	6 190	2 849	-	29 156
Additions	-	89	188	546	-	823
Disposals	-	(63)	(42)	(101)	-	(206)
Write-offs	-	-	-	-	-	-
Depreciation charge	(1 116)	(1 429)	(784)	(1 104)	-	(4 433)
Closing net book amount as at 31 December 2009	14 394	3 204	5 552	2 190	-	25 340
At 31 December 2009						
Cost	16 720	6 815	6 459	4 243	-	34 237
Accumulated amortisation	(2 326)	(3 611)	(907)	(2 053)	-	(8 897)
Net book amount	14 394	3 204	5 552	2 190	-	25 340
Opening net book amount as at 1 January 2010	14 394	3 204	5 552	2 190	-	25 340
Additions	-	3 498	1 686	2 034	997	8 215
Disposals	-	(19)	-	(48)	-	(67)
Write-offs	-	(106)	62	44	-	-
Depreciation charge	(1 116)	(1 448)	(541)	(1 185)	-	(4 290)
Closing net book amount as at 31 December 2010	13 278	5 129	6 759	3 035	997	29 198
At 31 December 2010						
Cost	16 720	10 675	10 305	6 952	997	45 649
Accumulated amortisation	(3 442)	(5 546)	(3 546)	(3 917)	-	(16 451)
Net book amount	13 278	5 129	6 759	3 035	997	29 198

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15 Property, plant and equipment (continued)

THE COMPANY	Machinery	Other tangible fixed assets	Total
Opening net book amount as at 31 August 2010	-	-	-
Additions	64	265	329
Depreciation charge	(2)	(8)	(10)
Closing net book amount as at 31 December 2010	62	257	319
At 31 December 2010			
Cost	64	265	329
Accumulated amortisation	(2)	(8)	(10)
Net book amount	62	257	319

As at 31 December 2010 buildings of the Group with the carrying amounts of LTL 13 278 thousand were pledged to the bank as collateral for borrowings (Note 23).

Leased assets, where the Group is a lessee under finance lease contracts comprised as follows as at 31 December:

	GROUP		COMPANY
	2010	2009	2010
Cost – capitalised finance lease			
Vehicles	2 155	3 477	-
Machinery	939	54	-
	3 094	3 531	-
Accumulated depreciation			
Vehicles	(526)	(498)	-
Machinery	(298)	(5)	-
	(824)	(503)	-
Net book value	2 270	3 028	-

16 Intangible assets

THE GROUP	Licences	Software	Other intangible assets	Prepayments relating to intangible assets	Total
Opening net book amount as at 1 January 2009	181	177	1	960	1 319
Additions	171	1 012	-	-	1 183
Reclassifications	-	960	-	(960)	-
Depreciation charge	(64)	(202)	(1)	-	(267)
Closing net book amount as at 31 December 2009	288	1 947	-	-	2 235
At 31 December 2009					
Cost	370	2 238	1	-	2 609
Accumulated amortisation	(82)	(291)	(1)	-	(374)
Net book amount	288	1 947	-	-	2 235
Opening net book amount as at 1 January 2010	288	1 947	-	-	2 235
Additions	1 011	65	-	-	1 076
Depreciation charge	(164)	(424)	-	-	(588)
Closing net book amount as at 31 December 2010	1 135	1 588	-	-	2 723

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16 Intangible assets (continued)

	Licences	Software	Other intangible assets	Prepayments relating to intangible assets	Total
THE GROUP					
At 31 December 2010					
Cost	1 364	2 311	-	-	3 675
Accumulated amortisation	(229)	(723)	-	-	(952)
Net book amount	1 135	1 588	-	-	2 723

	Software	Total
THE COMPANY		
Opening net book amount as at 31 August 2010	-	-
Additions	7	7
Closing net book amount as at 31 December 2010	7	7
At 31 December 2010		
Cost	7	7
Accumulated amortisation	-	-
Net book amount	7	7

	GROUP		COMPANY
	2010	2009	Period since incorporation till 31 December 2010
17 Financial assets			
At the beginning of the period	-	-	-
Purchase consideration of the newly issued shares of the Subsidiaries (Note 1)	-	-	4 165
Purchase consideration of the acquisition of remaining 10 percent of the share capital of the Subsidiaries (Note 1)	-	-	3 990
Acquisition of subsidiaries (Note 31)	-	-	30
Subsidiary established	-	-	10
At the end of the period	-	-	8 195

	GROUP		COMPANY
	2010	2009	2010
18 Inventories			
Spare parts and materials	8 213	6 684	-
Less: provision for impairment of spare parts	-	-	-
Spare parts and materials - net	8 213	6 684	-
Aircraft fuel	1 764	1 149	-
Goods for sale	1 637	932	-
Goods in transit	550	234	-
Other inventories	155	103	-
	12 319	9 102	-

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	GROUP		COMPANY
	2010	2009	2010
19 Trade and other receivables			
Trade receivables	30 480	13 059	-
Less: provision for impairment of trade receivables	(1 306)	(1 670)	-
Trade receivables – net	29 174	11 389	-
Receivables from related parties	197	1 215	347
Less: provision for impairment of trade receivables from related parties	(17)	(1 185)	-
Receivables from related parties - net (Note 32)	180	30	347
Security deposit with lessor	5 406	2 935	-
Discounting of security deposit (at 6 per cent)	(110)	(189)	-
Security deposit – net	5 296	2 746	-
Other receivables	826	430	-
Less: provision for impairment of other receivables	(96)	-	-
Other receivables - net	730	430	-
Prepayments	8 182	3 912	4
Deferred charges	7 103	2 409	576
Amount due from customers for contract work (Note 20)	2 937	1 486	-
VAT receivables	1 449	1 591	65
Loans to related parties	644	1 774	73
Other receivables from related parties	490	-	-
Deferred charges to related parties	24	67	-
Prepayments from related parties	14	-	-
	56 223	25 834	1 066
Less non-current portion :	(1 920)	(4 200)	-
Current portion :	54 303	21 634	1 066

All non-current receivables are due in 2012.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

EUR	19 049	5 392	40
US dollars	6 604	4 464	-
LTL	2 659	1 561	307
PLN	783	2	-
EEK	166	-	-
Other	93	-	-
	29 354	11 419	347

20 Contracts in progress

Contract costs incurred and recognised profits (less losses) to date	3 171	1 486	-
Advances received on contracts in progress	(234)	-	-
Amounts due from customers on contracts in progress	2 937	1 486	-

21 Cash and cash equivalents

Cash and cash equivalents	10 713	5 909	4
Bank overdraft	(707)	(1 493)	-
	10 006	4 416	4

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22 Invested capital

	Share capital of the Group companies	Merger reserve	Currency translation differences	Retained earnings	Invested capital
Opening balance of invested capital as at 1 January 2009	429	16	-	366	811
Net profit (loss) for the year				4 619	4 619
Change in minority interests	8	-		284	292
Increase in share capital of the Group companies	1 289	-	-	-	1 289
Paid-up share capital in newly established Group companies	4	-	-	-	4
Closing balance of invested capital as at 31 December 2009 / 1 January 2010	1 730	16	-	5 269	7 015
Transfer to legal reserve	-	10	-	(10)	-
Elimination of share capital of the Group companies	(340)	-	-	-	(340)
Reallocation of share premium of Group's Company	(1 289)	-	-	1 289	-
Allocation of net assets to non-controlling interests	(101)	-	-	(240)	(341)
Reallocation to other reserves	-	(26)	-	(6 308)	(6 334)
Closing balance of invested capital as at 31 December 2009	-	-	-	-	-

Legal reserves of the Group companies have been transferred to merger reserve upon pre-IPO Reorganization.

	GROUP		COMPANY
	2010	2009	2010
23 Borrowings			
Non-current			
Borrowings from related parties	5 082	7 824	-
Bank borrowings	4 284	5 713	-
Finance lease liabilities	1 214	1 807	-
	10 580	15 344	-
Current			
Borrowings from related parties	12 793	4 912	4 698
Bank borrowings	10 555	1 548	-
Bank overdraft	707	1 493	-
Finance lease liabilities	661	607	-
	24 716	8 560	4 698
Total borrowings	35 296	23 904	4 698

The carrying amounts of the Group's borrowings are denominated in the following currencies:

US dollars	16 420	2 038	-
LTL	10 585	12 225	4 698
EUR	8 291	9 641	-
	35 296	23 904	4 698

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23 Borrowings (continued)

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

	GROUP		COMPANY
	2010	2009	2010
Less than 1 year	24 653	8 560	4 698
Between 1 and 5 years	6 938	11 420	-
Over 5 years	3 705	3 924	-
	35 296	23 904	4 698

The weighted average interest rates (%) at the balance sheet date (excluding finance lease) were as follows:

Borrowings from related parties	7.50%	7.03%	8%
Bank overdraft	7.00%	8.72%	-
Finance lease liabilities	5.84%	2.65%	-
Bank borrowings	3.51%	5.62%	-

Finance lease liabilities – minimum lease payments:

Not later than 1 year	702	798	-
After 1 year but not later than 5 years	1 360	2 033	-
After 5 years	-	-	-
Less: future finance lease charges	(187)	(417)	-
Present value of finance lease liabilities	1 875	2 414	-

Present value of finance lease liabilities:

Not later than 1 year	598	607	-
After 1 year but not later than 5 years	1 277	1 807	-
After 5 years	-	-	-
	1 875	2 414	-

24 Trade and other payables

Trade payables	19 462	12 832	243
Accruals for c-check, hangar lease payments and other accrued expenses	8 474	9 293	121
Amounts payable to related parties (Note 32)	3 860	10 009	176
Salaries and social security payable	2 904	1 978	59
Provision for maintenance costs	2 151	-	-
Deferred revenue	1 805	-	-
Other payables	170	308	9
	38 826	34 420	608
Less: non-current portion	(1 746)	(3 963)	-
Current portion	37 080	30 457	608

The Group established a provision as of 31 December 2010 for aircraft maintenance costs. The total amount of provision will be used till 30 June of 2011.

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

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	GROUP		COMPANY
	2010	2009	2010
24 Trade and other payables (continued)			
LTL	17 989	18 470	454
US dollars	11 514	11 157	-
EUR	4 771	4 299	154
EEK	1 411	418	-
PLN	1 183	9	-
Other currencies	1 958	67	-
	38 826	34 420	418

25 Security deposits received

Security deposits repayable after one year at nominal value	9 896	-	-
Less: discounting effect (at 7.06 % discounting rate)	(516)	-	-
Security deposits repayable after one year	9 380	-	-
Security deposits repayable within one year	947	2 111	-
	10 327	2 111	-

Long-term security deposit in amount of LTL 9 396 at its nominal value serves as a security for the performance by the lessee of its obligations under aircraft lease agreements. This security deposit is denominated in USD.

Other long-term security deposit in amount of LTL 500 at its nominal value and all short-term security deposits serve as a security for the performance by customers of their obligations under sales agreements of charter flights. These security deposits are denominated in LTL and EUR.

26 Deferred income taxes

The gross movement in deferred income tax assets and deferred income tax liabilities accounts is as follows:

	GROUP		COMPANY
	2010	2009	Period since incorporation till 31 December 2010
Deferred tax assets			
At beginning of the period	1 040	1 149	-
Income statement credit (charge) (Note 13)	117	(109)	2
At end of year	1 157	1 040	2
Deferred tax liabilities			
At beginning of the period	-	-	-
Income statement credit (charge) (Note 13)	(33)	-	-
At end of year	(33)	-	-

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

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

26 Deferred income taxes (continued)

	GROUP		COMPANY
	2010	2009	2010
Deferred tax assets			
Deferred income tax to be recovered within 1 year	1 053	446	2
Deferred income tax to be recovered after 1 year	104	594	-
	1 157	1 040	2
Deferred tax liabilities			
Deferred income tax to be recovered within 1 year	(33)	-	-
Deferred income tax to be recovered after 1 year	-	-	-
	(33)	-	-

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

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

	Accumulated taxable losses	Impairment of receivables	Discounting effect	Accruals for unused vacation	Other accrued expenses	Total
GROUP - deferred tax assets						
At 31 December 2008	-	-	40	559	550	1 149
Charged / (credited) to the profit or loss	-	82	159	(427)	78	(109)
At 31 December 2009	-	82	199	132	628	1 040
Charged / (credited) to the profit or loss	505	71	(259)	26	(229)	117
At 31 December 2010	505	153	(60)	158	398	1 157
GROUP - deferred tax liabilities					Other accrued expenses	Total
At 31 December 2009					-	-
Charged / (credited) to the profit or loss					(33)	(33)
At 31 December 2010					(33)	(33)

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

COMPANY - deferred tax assets	Accumulated taxable losses	Total
At 31 August 2010	-	-
Charged / (credited) to the profit or loss	2	2
At 31 December 2010	2	2

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

Deferred income tax asset and liability related to the entities operating in Lithuania are calculated at 15% rate (2009: 15% rate), in Poland - at 19% rate (2009: 19% rate), in Italy - at 27.5% rate. Due to the nature of the taxation system, the companies registered in Estonia don't have any differences between the tax bases of assets and their carrying amounts, no deferred income tax assets and liabilities arise.

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	GROUP		COMPANY
	2010	2009	2010
27 Financial instruments by category			
<i>Category – Loans and receivables</i>			
Trade receivables (Note 19)	29 174	11 389	-
Security deposit with lessor (Note 19)	5 296	2 746	-
Other receivables (Note 19)	730	430	-
Loans to related parties (Notes 19, 32)	644	1 774	73
Other receivables from related parties (Note 19)	490	-	-
Trade receivables from related parties (Notes 19, 32)	180	30	347
Cash and cash equivalents (Note 21)	10 713	5 909	4
	46 737	22 278	424

Category – financial liabilities measured at amortised cost

Trade payables (Note 24)	19 462	12 832	243
Borrowings from related parties (Note 23)	17 875	12 736	4 698
Bank loans (Note 23)	14 839	7 261	-
Trade payables to related parties (Notes 24, 32)	3 860	10 009	176
Finance lease liabilities (Note 23)	1 875	2 414	-
Bank overdraft (Notes 21, 23)	707	1 493	-
Other payables (Note 24)	170	308	9
	58 788	47 053	5 126

28 Financial guarantees provided on behalf of Other Related Parties

In 2010 one company of the Group issued guarantee on behalf of other related party for bank loans amounting to LTL 5 million as at 31 December 2010, related to the acquisition of aircraft. The liabilities secured by these guarantees were also secured by pledge of aircraft owned by the related party.

Date of issue	Issued to	On behalf of	Valid till	Amounts as of 2010.12.31, LTL
2010.04.02	DnB Nord Bank	One of Other Initial Group Companies	2014.02.28	5 000 000

29 Operating lease

The Group leases aircraft, two aircraft hangars, training building, flight simulator, premises, commercial vehicles and warehouse under operating lease agreements which expire between 2010 – 2021. The operating lease expenditure charged to the profit or loss are as follows:

	GROUP		COMPANY
	2010	2009	Period since incorporation till 31 December 2010
Aircraft	41 267	37 749	-
Aircraft hangars	3 147	6 374	-
Premises	1 376	1 301	-
Flight simulator	796	780	-
Commercial vehicles	62	69	-
Warehouse	32	32	-
	46 680	46 305	-

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29 Operating lease (continued)

Aircraft fleet of the Group held under operating lease at the end of December 2010 comprised of 5 Boeing 737-300, 1 Boeing 757-200 and 1 sub-leased to third parties Boeing 757-200. The aircraft operating lease expenditure include aircraft supplemental rents to the lessor based on the actual flight hours (in 2010: LTL 10 946 thousand; in 2009: LTL 12 061 thousand) and sub-lease payments (in 2010: LTL 10 009 thousand; in 2009: LTL 5 854 thousand).

The future aggregate minimum lease payments under operating leases are as follows:

	GROUP		COMPANY
	2010	2009	2010
Not later than 1 year	28 300	33 071	55
Later than 1 year but not later than 5 years	82 525	99 370	82
Later than 5 years	20 461	12 286	-
	131 286	144 727	137

The amount of future aggregate minimum lease payments does not include supplemental rents to the lessor as these payments are based on the actual flight hours. Future sublease payments in amount of LTL 27 247 thousand will be received under non-cancellable long-term sublease agreements in 2011-2015.

30 Management compensation

Following the pre-IPO reorganisation in September 2010 some members of the management of the Group have acquired shares in the Group companies at their nominal value. According to the Shareholders agreement, restrictions on selling of these shares during the two years time are imposed. The difference between the estimated fair value of the shares acquired by the members of management and their nominal value would be recognized as management compensation in profit or loss during the two year period. According to the management estimate, total effect on profit or loss during the whole period would be LTL 1.8 million.

31 Business combination

On 19 November 2010, the Company acquired 100% of the share capital of FLT Trading House UAB from a third party. On 1 December 2010, the Company acquired 100% of the share capital of FL Technics Jets UAB from a related party. Details of purchase consideration and assets and liabilities arising from the acquisitions are as follows:

	FL Technics Jets UAB - acquiree's carrying amount	FLT Trading House UAB - acquiree's fair value
Property, plant and equipment	2	-
Trade and other receivables	100	1,954
Cash and cash equivalents	66	7
Borrowings	(395)	(1,953)
Trade and other payables	(55)	(3)
Net assets acquired	(282)	5
Excess of fair value of the acquiree's net assets over cost (recognised directly in equity)	302	-
Excess of fair value of the acquiree's net assets over cost (recognised directly in profit or loss)	-	5
Total purchase consideration - paid in cash	20	10

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31 Business combination (continued)

If the acquisition of FL Technics Jets UAB took place at the beginning of the year 2010, the revenue of the Group for 2010 would have been greater by LTL 4 thousand and the net result would have been less by LTL 206 thousand. The net loss of LTL 300 thousand was included in the Group's results for 2010 since the acquisition date.

If the acquisition of new-established FLT Trading House UAB took place in May 2010, the revenue of the Group for 2010 would have been greater by LTL 7 thousand and the net result would have been less by LTL 5 thousand.

32 Related party transactions

The parties are considered related when one party has the possibility to control the other one or have significant influence over the other party in making financial and operating decisions.

The ultimate parent company of the Group is ŽIA Valda AB (hereinafter - *the Ultimate Parent*). Transactions and balances with the Ultimate Parent and with Other Initial Group Companies are disclosed below separately. Related parties also include other shareholders of the Group, subsidiaries of ŽIA Valda AB and other ŽIA Valda AB related parties with which the Group is under common control (hereinafter - *Other Related Parties*).

Most material transactions were performed with AviaAM Leasing AB Group companies (Other Initial Group Companies), Nuomuva AB (Other Initial Group Companies) and VA Reals AB (Other Related Parties). These transactions are disclosed separately below.

The following transactions were carried out with related parties:

	GROUP		COMPANY
	2010	2009	Period since incorporation till 31 December 2010
Sales of assets:			
Other Initial Group Companies	193	61	-
Other Initial Group Companies	193	61	-
Sales of services to:			
The Ultimate Parent		78	-
Other Initial Group Companies	915	2 583	-
Other Related Parties	218	1 642	289
	1 133	4 303	289
Total sales of assets and services	1 326	4 303	289
Purchases of assets from:			
Other Initial Group Companies	339	7	336
Other Related Parties	107	7	-
	446	14	336

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32 Related party transactions (continued)

	GROUP		COMPANY
	2010	2009	Period since incorporation till 31 December 2010
Purchases of services from:			
The Ultimate Parent	112	110	16
Other Initial Group Companies	22 927	27 277	-
Other Related Parties	5 651	9 412	98
	28 690	36 799	114
Total purchases of assets and services	29 136	36 812	450

In year 2010 amount of purchases of premises lease services from VA Reals AB was LTL 4,101 thousand (2009: LTL 7,507 thousand). In year 2010 amount of purchases of aircraft lease services from Nuomuva AB was LTL 13,253 thousand (2009: LTL 25,341 thousand), from AviaAM Leasing AB Group companies was LTL 8,775 thousand (2009: LTL 0 thousand).

	GROUP		COMPANY
	2010	2009	2010
Trade receivables from related parties			
Trade receivables from ŽIA valda AB	-	7	-
Trade receivables from Other Initial Group Companies	130	23	113
Other related parties	67	1 185	234
Less: provision for impairment of receivables from other related parties	(17)	(1 185)	-
Other related parties – net	50	-	234
Other trade receivables from related parties	490		-
Prepayments from ŽIA Valda AB	3		-
Prepayments from Other Initial Group Companies	11		-
	684	30	347

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

Payables and advances received from related parties

Amounts payable to the Ultimate Parent	37	3	37
Amounts payable to Other Initial Group Companies	2 518	7 789	-
Amounts payable to other related parties	1 305	2 217	140
	3 860	10 009	177

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32 Related party transactions (continued)

	GROUP		COMPANY
	2010	2009	Period since incorporation till 31 December 2010
Loans received from related parties			
Beginning of the period	12 736	9 980	-
Acquisition (Note 31)	395	-	-
Loans received from the Other Initial Group Companies / set-offs	13 590	3 115	4 697
Loans received from other related parties	4 467	-	-
Loan repayments to Other Initial Group Companies	(13 470)	(779)	-
Interest on loans charged (2010 – at 7.23%, 2009 - at 5.95%)	2 946	501	83
Interest on loans repaid / set-offs	(2 347)	(81)	-
End of the period	18 317	12 736	4 780
Less: non-current portion	(5 082)	(7 824)	-
Current portion (including accrued interest expense):	13 235	4 912	4 780

Loans to related parties

Beginning of the period	1 774	659	-
Loans advanced to Other Initial Group Companies	5 186	1 070	-
Loans advanced to other related parties	218	3 270	73
Loan repayments received/set-offs from Other Initial Group Companies	(6 231)	(63)	-
Loan repayments received/set-offs from other related parties	(93)	(3 162)	-
Interest charged (2010 – at 5.75%, 2009 - at 8%)	35	173	-
Interest received / set-off	(235)	(173)	-
End of the period	654	1 774	73
Less non-current portion:	-	(1 256)	-
Current portion (including accrued interest income):	654	518	73

33 Remuneration of the Group's top management

General Directors, Managing and Finance Directors of entities are considered as the key management personnel. Transactions with Group's key management are as follows:

Salaries	2 604	2 936	120
Social insurance expenses	888	949	37
Bonuses	264	85	-
	3,756	3 970	157
The number of key management at the end of year	26	18	3

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34 Events after the balance sheet date

On 18 January 2011 Baltic Ground Services signed agreement for the increase of overdraft facility with a bank up to EUR 750 thousand and extension of LTL 1 700 thousand credit facility.

On 18 February 2011 the Company issued additional 1,473,333 ordinary shares with a par value LTL 1 each for issue price of PLN 52. Following the increase of the share capital total number of shares amounts to 5,893,333 with par value LTL 1 each. On 3 March 2011 shares of the Company were introduced to trading at Warsaw Stock Exchange.

In March and April 2011 the Company granted loans to subsidiaries in total amount of LTL 25 625 thousand.

On 18 March the Group has signed Airbus 320 lease agreement. Indemnity under the lease agreement for lease payment to the lessor in the amount of USD 12 million is provided by Small Planet Airlines UAB.

On 13 April 2011 the Company established a subsidiary AviationCV.com UAB. The company is intended to be engaged in offering flight crew lease and consulting services for corporate clients, as well as maintaining an online database for aviation jobseekers AviationCV.com.

General Director
Linas Dovydenas

