

AVIA SOLUTIONS GROUP AB
Independent Auditor's Report,
Separate and Consolidated Financial Statements,
Consolidated Annual Report
For the Year Ended 31 December 2013

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

Independent Auditor's Report

To the shareholders of Avia Solutions Group AB

Report on the financial statements

We have audited the accompanying stand-alone and consolidated financial statements of Avia Solutions Group AB ("the Company") and its subsidiaries ("the Group") set out on pages 5 to 63, which comprise the stand-alone and consolidated balance sheets as of 31 December 2013 and the stand-alone and consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information ("the financial statements").

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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PricewaterhouseCoopers UAB, company code 111473315, is a private company registered with the Lithuanian Register of Legal Entities.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company and the Group as of 31 December 2013, and their financial performance and their cash flows for the year then ended 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 2013 set out on pages 64 to 86 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 2013.

On behalf of PricewaterhouseCoopers UAB

A handwritten signature in blue ink, consisting of a large, stylized 'R' followed by a series of loops and a long horizontal stroke extending to the right.

Rimvydas Jogėla
Partner
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania
15 April 2014

AVIA SOLUTIONS GROUP AB
SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013
(All tabular amounts are in LTL '000 unless otherwise stated)



**STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

Approved by the Annual General Meeting of
Shareholders as at 30 April 2014

		Year ended 31 December			
		GROUP		COMPANY	
Note		2013	2012	2013	2012
Continuing operations					
Revenue	5, 6	554 056	535 860	6 499	4 965
Cost of sales	5, 11	(486 305)	(462 212)	(1 626)	(1 206)
Gross profit	5	67 751	73 648	4 873	3 759
General and administrative expenses	11	(61 459)	(43 438)	(8 220)	(4 916)
Other income	7	1 696	412	2 702	2 749
Other gains / (losses) – net	10	12 729	1 004	(2 455)	(1 309)
Operating profit (loss)		20 717	31 626	(3 100)	283
Finance income		575	947	15	307
Finance costs		(3 842)	(2 090)	(23)	(1)
Finance costs – net	12	(3 267)	(1 143)	(8)	306
Share of profit (losses) of associates		(604)	(947)	-	-
Profit (loss) before income tax for continuing operations		16 846	29 536	(3 108)	589
Income tax expense	13	(1 556)	(3 482)	87	793
Profit (loss) for the year from continuing operations		15 290	26 054	(3 021)	1 382
Discontinued operations					
Profit (loss) for the year from discontinued operations	33	16 162	(6 978)	-	-
Profit (loss) for the year		31 452	19 076	(3 021)	1 382
Profit (loss) attributable to:					
Equity holders of the parent					
Profit (loss) for the year from continuing operations		15 232	26 087	(3 021)	1 382
Profit (loss) for the year from discontinued operations		16 393	(6 605)	-	-
Profit (loss) for the year attributable to equity holders of the parent		31 625	19 482	(3 021)	1 382
Non-controlling interests					
Profit (loss) for the year from continuing operations		58	(33)	-	-
(Loss) for the year from discontinued operations		(231)	(373)	-	-
(Loss) for the year attributable to non-controlling interests of the parent		(173)	(406)	-	-
		31 452	19 076	(3 021)	1 382

**STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (CONTINUED)**

Approved by the Annual General Meeting of
Shareholders as at 30 April 2014

		Year ended 31 December			
		GROUP		COMPANY	
	Note	2013	2012	2013	2012
Other comprehensive income					
Continuing operations					
Net gain (loss) on cash flow hedges	2.20, 24	205	(420)	-	-
Income tax effect	2.20, 28	(31)	63	-	-
		174	(357)	-	-
Exchange differences on translation of foreign operations		(309)	(827)	-	-
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods from continuing operations		(135)	(1 184)	-	-
Discontinued operations					
Exchange differences on translation of foreign operations from discontinued operations		(205)	(213)	-	-
Net other comprehensive income (loss) to be reclassified to profit loss in subsequent periods		(340)	(1 397)	-	-
Total comprehensive income for the year attributable to:					
Equity holders of the parent					
Total comprehensive income (loss) for the year from continuing operations		15 096	24 912	(3 021)	1 382
Total comprehensive income (loss) for the year from discontinued operations		16 191	(6 808)	-	-
Total comprehensive income (loss) for the year attributable to equity holders of the parent		31 287	18 104	(3 021)	1 382
Non-controlling interests					
Total comprehensive income (loss) for the year from continuing operations		59	(42)	-	-
Total comprehensive income (loss) for the year from discontinued operations		(234)	(383)	-	-
Total comprehensive income (loss) for the year attributable to non-controlling interests of the parent		(175)	(425)	-	-
		31 112	17 679	(3 021)	1 382
Earnings per share from continuing and discontinued operations attributable to owners of the parent during the year					
Basic earnings per share					
From continuing operations	14	2.583	4.427	(0.512)	0.235
From discontinued operations	14	2.780	(1.121)	-	-
From profit (loss) for the year	14	5.364	3.306	(0.512)	0.235

The notes on pages 13 to 63 form an integral part of these financial statements. The financial statements on pages 5 to 63 have been approved for issue by the Board as at 11 April 2014 and signed on their behalf by the General Director and the Chief Financial Officer.

General Manager
Linas Dovydenas



Chief Financial Officer
Aurimas Sanikovas



AVIA SOLUTIONS GROUP ABSEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013*(All tabular amounts are in LTL '000 unless otherwise stated)***BALANCE SHEETS**Approved by the Annual General Meeting of
Shareholders as at 30 April 2014

		Year ended 31 December			
		GROUP		COMPANY	
	Notes	2013	2012	2013	2012
ASSETS					
Non-current assets					
Property, plant and equipment	15	96 065	64 920	875	818
Intangible assets	16	6 943	6 904	185	156
Investments in subsidiaries	17	-	-	23 870	4 936
Investments in associates	32	-	-	-	1 872
Deferred tax assets	28	11 731	7 631	322	235
Trade and other receivables	19	4 111	3 690	28 744	2 343
		118 850	83 145	53 996	10 360
Current assets					
Inventories	18	125 853	75 592	29	143
Trade and other receivables	19	98 274	93 623	20 015	54 817
Amount due from customers for contract work	20	8 812	8 076	-	-
Prepaid income tax		1 043	809	-	-
Short-term bank deposit		1 506	-	-	-
Cash and cash equivalents	21	21 678	8 913	3 313	548
		257 166	187 013	23 357	55 508
Assets of disposal group classified as held for sale	33	-	29 137	-	1 008
Total assets		376 016	299 295	77 353	66 876

BALANCE SHEETS (CONTINUED)

		Year ended 31 December			
		GROUP		COMPANY	
	Notes	2013	2012	2013	2012
EQUITY					
Equity attributable to the Group’s equity shareholders					
Share capital	22	6 058	5 893	6 058	5 893
Share premium	23	64 538	58 770	64 538	58 770
Legal reserve	24	316	256	69	-
Merger reserve	24	(1 567)	(2 868)	-	-
Fair value reserve	24	(183)	(357)	-	-
Cumulative translations differences		(909)	(397)	-	-
Retained earnings		83 319	53 040	(2 125)	950
Equity attributable to equity holders of the parent		151 572	114 337	68 540	65 613
Non-controlling interests		29	(742)	-	-
Total equity		151 601	113 595	68 540	65 613
LIABILITIES					
Non-current liabilities					
Borrowings	25	45 222	25 785	-	-
Security deposits received	27	2 535	-	-	-
Trade and other payables	26	1 445	1 686	-	-
Government grants		818	-	-	-
Deferred income tax liabilities	28	380	388	-	-
Derivative financial instruments	2.20	214	420	-	-
Financial guarantees	17, 34	-	-	294	58
		50 614	28 279	294	58
Current liabilities					
Borrowings	25	65 095	47 956	7 027	-
Trade and other payables	26	90 160	68 383	1 279	909
Advances received		16 147	6 944	-	-
Current income tax liabilities		1 390	2 070	-	-
Security deposits received	27	1 009	279	-	-
Financial guarantees	17, 34	-	-	213	296
		173 801	125 632	8 519	1 205
Total liabilities		224 415	153 911	8 813	1 263
Liabilities of disposal group classified as held for sale	33	-	31 789	-	-
Total equity and liabilities		376 016	299 295	77 353	66 876

The notes on pages 13 to 63 form an integral part of these financial statements.

General Manager
 Linas Dovydenas



Chief Financial Officer
 Aurimas Sanikovas



AVIA SOLUTIONS GROUP AB
SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013
(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 30 April 2014

THE GROUP

	Equity attributable to equity holders of the Group									Non-	Total
	Share capital	Share premium	Treasury shares	Merger reserve	Legal reserve	Fair value reserve	Currency translation differences	Retained earnings	Total	control-ling interests	equity
Balance at 1 January 2012	5 893	58 770	-	(2 739)	256	-	624	33 531	96 335	18	96 353
Comprehensive income											
Net loss on cash flow hedge (Note 2.20)	-	-	-	-	-	(357)	-	-	(357)	-	(357)
Currency translation difference from continuing operations	-	-	-	-	-	-	(818)	-	(818)	(9)	(827)
Currency translation difference from discontinued operations	-	-	-	-	-	-	(203)	-	(203)	(10)	(213)
Profit (loss) for the period from continuing operations	-	-	-	-	-	-	-	26 087	26 087	(33)	26 054
Profit (loss) for the period from discontinued operations (Note 33)	-	-	-	-	-	-	-	(6 605)	(6 605)	(373)	(6 978)
Total comprehensive income	-	-	-	-	-	(357)	(1 021)	19 482	18 104	(425)	17 679
Transactions with owners											
Acquisition of non-controlling interests (Note 17)	-	-	-	(129)	-	-	-	6	(123)	(7)	(130)
Disposal of non-controlling interests (Note 17)	-	-	-	-	-	-	-	21	21	59	80
Disposal of interest in subsidiary with loss of control (Note 32)	-	-	-	-	-	-	-	-	-	(387)	(387)
Total transactions with owners	-	-	-	(129)	-	-	-	27	(102)	(335)	(437)
Balance at 31 December 2012 / Balance at 1 January 2013	5 893	58 770	-	(2 868)	256	(357)	(397)	53 040	114 337	(742)	113 595
Comprehensive income											
Net profit on cash flow hedge (Note 2.20)	-	-	-	-	-	174	-	-	174	-	174
Currency translation difference from continuing operations	-	-	-	-	-	-	(310)	-	(310)	1	(309)
Currency translation difference from discontinued operations (Note 32)	-	-	-	-	-	-	(202)	-	(202)	(3)	(205)
Profit (loss) for the period from continuing operations	-	-	-	-	-	-	-	15 232	15 232	58	15 290
Profit (loss) for the period from discontinued operations (Note 33)	-	-	-	-	-	-	-	16 393	16 393	(231)	16 162
Total comprehensive income	-	-	-	-	-	174	(512)	31 625	31 287	(175)	31 112
Transactions with owners											
Derecognition of legal and merger reserves, decrease in non-controlling interest related to disposal of subsidiaries (Note 32)	-	-	-	1 301	(96)	-	-	(1 205)	-	946	946
Purchase of treasury shares (Note 32)	-	-	(1 169)	-	-	-	-	-	(1 169)	-	(1 169)
Disposal of treasury shares (Note 32)	-	-	1 169	-	-	-	-	15	1 184	-	1 184
Transfer to legal reserve (Note 24)	-	-	-	-	156	-	-	(156)	-	-	-
Share emission related to purchase of subsidiary (Notes 22, 23, 32)	165	5 768	-	-	-	-	-	-	5 933	-	5 933
Total transactions with owners	165	5 768	-	1 301	60	-	-	(1 277)	5 948	946	6 894
Balance at 31 December 2013	6 058	64 538	-	(1 567)	316	(183)	(909)	83 319	151 572	29	151 601

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

THE COMPANY	Share capital	Share premium	Legal reserve	Treasury shares	Retained earnings	Total equity
Balance at 31 December 2011	5 893	58 770	-	-	(432)	64 231
Net profit - total comprehensive income for the year	-	-	-	-	1 382	1 382
Balance at 31 December 2012 / Balance at 1 January 2013	5 893	58 770	-	-	950	65 613
Net profit - total comprehensive income for the year	-	-	-	-	(3 021)	(3 021)
Transaction with owners						
Transfer to legal reserve (Note 24)	-	-	69	-	(69)	-
Increase in share capital (Notes 22, 23)	165	5 768	-	-	-	5 933
Disposal of subsidiaries / Purchase of treasury shares (Note 32)	-	-	-	(1 169)	-	(1 169)
Disposal of treasury shares (Note 32)	-	-	-	1 169	15	1 184
Total transactions with owners	165	5 768	69	-	(54)	5 948
Balance at 31 December 2013	6 058	64 538	69	-	(2 125)	68 540

The notes on pages 13 to 63 form an integral part of these financial statements.

General Manager
 Linas Dovydenas



Chief Financial Officer
 Aurimas Sanikovas



STATEMENTS OF CASH FLOWS

Approved by the Annual General Meeting of
 Shareholders as at 30 April 2014

	Notes	Year ended 31 December			
		GROUP		COMPANY	
		2013	2012	2013	2012
Operating activities					
Profit (loss) for the year including discontinued operations		31 452	19 076	(3 021)	1 382
Income tax including discontinued operations in 2013 (Notes 13, 33)	13	1 561	3 482	(87)	(793)
<i>Adjustments for:</i>					
Depreciation and amortisation	9,11,15,16	16 794	11 053	345	202
Impairment of accounts receivable, inventories	3.1,5,11,15,18,19	12 753	4 684	1 740	3
Accruals of hangar lease payments, PBH contracts		3 155	(176)	-	-
Interest expenses	12	2 146	1 814	22	-
Share of loss from associates		604	947	-	-
(Profit)/loss on disposal of PPE		229	(7 953)	-	-
Fair value loss on derivative financial instruments	2.20,28	(31)	63	-	-
Discounting effect on deposits placed	27	(357)	-	-	-
Currency translations differences		(617)	(1 427)	-	-
Interest income	12	(972)	(406)	(2 475)	(2 571)
Net fair value of acquiree's net assets over cost	32	(13 893)	-	-	-
Gain on disposal in Group's financial statements (discontinued operations) / Net result of subsidiaries disposal	10,32,33	(16 162)	-	(16)	-
Net fair value loss on investments in subsidiaries / associates classified as held for sale at fair value	10	-	-	2 476	1 291
Amortisation of intra-group financial guarantees	7	-	-	(227)	(178)
<i>Changes in working capital:</i>					
- Inventories		(19 678)	(40 958)	115	(49)
- Trade and other receivables		(1 088)	(34 702)	(6 329)	(2 237)
- Trade and other payables, advances received		3 286	21 566	346	230
- Security deposits received		2 718	283	-	-
Cash generated from (used in) operations		21 900	(22 654)	(7 111)	(2 720)
Interest received		740	206	2 626	2 230
Interest paid		(2 188)	(1 764)	-	-
Income tax paid		(2 500)	(5 965)	-	-
Net cash generated from (used in) operating activities from continuing operations		17 952	(30 177)	(4 485)	(490)
Net cash generated from (used in) operating activities from discontinued operations		-	8 881	-	-
Net cash generated from (used in) operating activities		17 952	(21 296)	-	-
Investing activities					
Purchase of PPE and intangible assets		(28 778)	(22 892)	(476)	(516)
Proceeds from PPE and intangible assets		1 643	15 377	45	2
Loans granted		(1 042)	(7 418)	(1 873)	(26 073)
Repayments of loans granted		9 397	15 774	13 874	25 632
Deposits placed		(963)	(956)	(37)	(24)
Repayments of deposits placed		261	128	-	-
Proceeds from sale of interest in subsidiary with loss of control	17,32	126	-	126	1 243
Purchase of subsidiaries (net of cash acquired)	32	(11 461)	-	(12 470)	-
Establishment of subsidiaries	17	-	-	(150)	-
Net cash used in investing activities from continuing operations		(30 817)	13	(961)	264
Net cash used in investing activities from discontinued operations		-	(3 317)	-	-
Net cash used in investing activities		(30 817)	(3 304)	(961)	264

AVIA SOLUTIONS GROUP AB**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013***(All tabular amounts are in LTL '000 unless otherwise stated)***STATEMENTS OF CASH FLOWS (CONTINUED)**

	Notes	Year ended 31 December			
		GROUP		COMPANY	
		2013	2012	2013	2012
Financing activities					
Bank borrowings received		19 063	29 350	-	-
Repayments of bank borrowings		(16 333)	(7 242)	-	-
Borrowings from related parties received		16 317	835	7 027	-
Repayments of borrowings from related parties		(2 027)	(782)	-	-
Other borrowings received		3	5	-	-
Repayment of other borrowings		-	(1)	-	-
Repayments of lease liabilities		(3 480)	(3 343)	-	-
Proceeds on disposal of treasury shares	32	1 184	-	1 184	-
(Acquisition) of non-controlling interests	17	-	(130)	-	(130)
Net cash generated from financing activities		14 727	18 692	-	-
Increase in cash and cash equivalents		1 862	(5 908)	2 765	(356)
At beginning of year	21	8 913	14 821	548	904
Increase (decrease) in cash and cash equivalents		1 862	(5 908)	2 765	(356)
At end of year	21,25	10 775	8 913	3 313	548

The notes on pages 13 to 63 form an integral part of these financial statements.

General Manager
Linas Dovydenas

A blue ink signature of Linas Dovydenas, written in a cursive style.

Chief Financial Officer
Aurimas Sanikovas

A blue ink signature of Aurimas Sanikovas, written in a cursive style.

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 Company's shares are traded on the Warsaw stock exchange as from 3 March 2011.

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

	2013		2012	
	Number of shares	Percentage owned	Number of shares	Percentage owned
ZIA Valda Cyprus Ltd.	1 939 275	32.01%	1 939 275	32.906%
Vaidas Barakauskas	832 666	13.74%	-	-
Harberin Enterprises Limited	606 551	10.01%	609 051	10.33%
Indeco: Investment and Development UAB	457 184	7.55%	1 292 850	21.938%
ING Otworthy Fundusz Emerytalny	390 000	6.44%	390 000	6.618%
Hubert Bojdo	100 000	1.65%	100 000	1.697%
Anatolij Legenzov	73 255	1.21%	-	-
Aurimas Sanikovas	22 125	0.37%	11 050	0.188%
Other free float	1 637 277	27.02%	1 551 107	26.323%
Total	6 058 333	100.00%	5 893 333	100.00%

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

The number of full time staff employed by the Group at the end of 2013 amounted to 1 342 (2012: 1 095, the number of employees of the Group from continuing operations only at the end of 2012 amounted to 951). The number of full time staff employed by the Company at the end of 2013 amounted to 42 (2012: 28).

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, %		Date of acquiring/establishment and activity
			2013	2012	
AviationCV.com UAB	Lithuania	Pilot and Crew Training	100	100	The subsidiary was established in spring of 2011. The company provides aviation personnel solutions.
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 in Lithuania.
Baltic Ground Services Sp.z.o.o.	Poland	Aircraft Ground Handling and Fuelling	100	100	The subsidiary was established in spring of 2010. It is a direct subsidiary of Baltic Ground Services UAB. The company provides aircraft ground handling and fueling services in Poland.
Baltic Ground Services s.r.l.	Italy	Aircraft Ground Handling and Fuelling	100	100	The subsidiary was established in winter of 2010. It is a direct subsidiary of Baltic Ground Services UAB. The company provides aircraft ground handling services in Italy.

AVIA SOLUTIONS GROUP AB
**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**
(All tabular amounts are in LTL '000 unless otherwise stated)

1 General information (continued)
Share of equity, %

The Group's subsidiaries and associates	Country of establishment	Operating segment	2013	2012	Date of acquiring/establishment and activity
Baltic Ground Services UA TOV	Ukraine	Aircraft Ground Handling and Fuelling	100	100	The subsidiary was established in summer of 2011. It is a direct subsidiary of Ground Handling CIS UAB. The subsidiary does not conduct active operations.
Ground Handling CIS UAB	Lithuania	Aircraft Ground Handling and Fuelling	100	100	The subsidiary was established in summer of 2011. It is a direct subsidiary of Baltic Ground Services UAB. The subsidiary does not conduct active operations.
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 aircraft maintenance, repair and overhaul (MRO) services.
FL Technics Jets UAB	Lithuania	Aircraft maintenance, repair and overhaul (MRO)	100	100	The subsidiary was acquired on 1 December 2010. The company provides maintenance services for business aircraft.
FL Technics Line OOO	Russia	Aircraft maintenance, repair and overhaul (MRO)	93	93	The subsidiary was established in summer of 2011. It is a direct subsidiary of FL Technics AB. The company sells aircraft spare parts in Russia and the CIS.
FL Technics Ulyanovsk OOO	Russia	Aircraft maintenance, repair and overhaul (MRO)	99	99	The subsidiary was established in summer of 2011. It is a direct subsidiary of FLT Trading House UAB. Currently it has started preparations for aircraft maintenance activity in Ulyanovsk, Russia.
FLT Trading House UAB	Lithuania	Aircraft maintenance, repair and overhaul (MRO)	100	100	The subsidiary was acquired on 19 November 2010. The subsidiary does not conduct active operations.
Locatory.com UAB	Lithuania	Aircraft maintenance, repair and overhaul (MRO)	95	95	The subsidiary was established on 7 December 2010. Starting summer 2012, the company provides on-line platform for the aviation industry to search, buy and sell aviation inventory.
Helisota UAB	Lithuania	Helicopters maintenance, repair and overhaul (MRO)	100	-	The subsidiary was acquired on 16 December 2013. The company provides maintenance, repair and overhaul services for helicopters. All information regarding the acquisition of subsidiaries is disclosed in Note 32.
Kauno aviacijos gamykla UAB	Lithuania	Aircraft maintenance, repair and overhaul (MRO)	100	-	It is a direct subsidiary of Helisota UAB. The subsidiary does not conduct active operations. All information regarding the acquisition of subsidiaries is disclosed in Note 32.
Small Planet Airlines UAB	Lithuania	Charter operations (classified as discontinued)	-	95.5	The subsidiary was established on 14 March 2007. In autumn of 2008 the company started charter operations in Lithuania. On 26 March 2013 the subsidiary was sold. All information regarding the disposals of subsidiaries is disclosed in Notes 32, 33.
Small Planet Airlines Sp.z.o.o.	Poland	Charter operations (classified as discontinued)	-	95.5	The subsidiary was established on 25 November 2009. In spring of 2010 the company started charter operations in Poland. On 26 March 2013 the subsidiary was sold. All information regarding the disposals of subsidiaries is disclosed in Notes 32, 33.
Small Planet Airlines s.r.l.	Italy	Charter operations (classified as held for sale)	35.5	35.5	The subsidiary was established on 17 February 2010. In summer of 2011 the company started charter operations in Italy. On 3 January 2012 the Company sold 50 per cent shareholding in the subsidiary. In the beginning of 2014 the associate was sold (Note 36). All information regarding the disposals of associate is disclosed in Notes 32, 33, 36.
Verslo skrydžiai UAB	Lithuania	Business charter operations (new business segment)	100	-	The subsidiary was established on 9 October 2013. Currently it has started preparations for business charter activity.
Storm Aviation Ltd.	The United Kingdom	Aircraft maintenance, repair and overhaul (MRO)	100	100	The subsidiary was acquired on 31 December 2011. It is a direct subsidiary of FL Technics AB. The company provides aircraft line station services.
Storm Aviation (Cyprus) Ltd.	Republic of Cyprus	Aircraft maintenance, repair and overhaul (MRO)	100	100	The subsidiary was acquired on 31 December 2011. It is a direct subsidiary of Storm Aviation Ltd. The company provides aircraft line station services in Cyprus.

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

1 General information (continued)

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.

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 issued by the International Accounting Standards Board (IASB) and adopted by European Union. The financial statements have been prepared on a going concern basis and under the historical cost convention.

These financial statements include the consolidated financial statements of the Group and stand-alone financial statement of the Company for the year ended 31 December 2013.

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 amended standards and interpretations adopted by the Group and the Company

IFRS 13, Fair value measurement, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The amendments did not have any material effect on the Company's and the Group's financial statements.

Amendments to IAS 1, Presentation of Financial Statements (issued June 2011, effective for annual periods beginning on or after 1 July 2012), changes the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to 'statement of profit or loss and other comprehensive income'. The amended standard resulted in changed presentation of consolidated financial statements, but did not have any impact on measurement of transactions and balances.

Amended IAS 19, Employee Benefits (issued in June 2011, effective for periods beginning on or after 1 January 2013), makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income. The amendments did not have any material effect on the Company's and the Group's financial statements.

Disclosures—Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The amended standard resulted in additional disclosure in these financial statements (Note 3.4), but did not have any impact on measurement of transactions and balances.

Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning 1 January 2013). The improvements consist of changes to five standards, which did not have any material effect on the Company's and the Group's financial statements.

2.1 Basis of preparation (continued)

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

IFRS 10, Consolidated Financial Statements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation - special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Company and the Group are currently assessing the impact of the new standard on its financial statements.

IFRS 11, Joint Arrangements, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities—Non-Monetary Contributions by Ventures". Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. The Company and the Group do not expect this standard to have any material effect on its financial statements.

IFRS 12, Disclosure of Interest in Other Entities, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 sets out the required disclosures for entities reporting under the two new standards: IFRS 10, *Consolidated financial statements*, and IFRS 11, *Joint arrangements*, and replaces the disclosure requirements currently found in IAS 28, *Investments in associates*. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgments and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The Company and the Group are currently assessing the impact of the new standard on its financial statements.

IAS 27, Separate Financial Statements, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013), was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, *Consolidated Financial Statements*. The Company and Group are currently assessing the impact of the amended standard on its financial statements.

IAS 28, Investments in Associates and Joint Ventures, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment of IAS 28 resulted from the Board's project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged. The Company and Group are currently assessing the impact of the amended standard on its financial statements.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The Company and the Group are considering the implications of the amendment, the impact on the Group and the timing of its adoption by the Company and by the Group.

2.1 Basis of preparation (continued)

IFRIC 21 - Levies (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014). The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. The Company and the Group do not expect this standard to have any material effect on its financial statements.

Amendments to IAS 36 - Recoverable amount disclosures for non-financial assets (issued on 29 May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period). The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment. The Company and the Group do not expect this standard to have any material effect on its financial statements.

Amendments to IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting (issued on 27 June 2013 and effective for annual periods beginning 1 January 2014). The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. The Company and the Group do not expect this standard to have any material effect on its financial statements.

The following standards and interpretations are not yet endorsed by the EU therefore did not have impact on the Group's financial statements: *IFRS 9, Financial Instruments: Classification and Measurement, Amendments to IAS 19 – Defined benefit plans: Employee contributions (issued in November 2013 and effective for annual periods beginning 1 July 2014), Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014) and Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).*

There are no other new or revised standards or interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.2 Consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that 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.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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

2.2 Consolidation (continued)

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and deviously held interest measured 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 income statement.

Inter-company transactions, balances and unrealised gains on transactions between entities included within the consolidated financial statements have been eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of 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.

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

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.

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 re-measured.

2.3 Foreign currency translation (continued)

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, 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 gains / (loss) – net".

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.

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, construction in progress, vehicles, machinery, aircraft, aircraft engines and other non-current tangible assets. Property, plant and equipment are carried at their 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 basis to write off the cost of assets to their residual values over their estimated useful life as follows:

Buildings and structures	8 – 22 years
Vehicles	5 – 10 years
Machinery	5 – 8 years
Aircraft	4 – 5 years
Aircraft engines	24 – 39 months
Other non-current tangible assets	3 – 7 years

Major additions, modifications and improvements expenditure relating to 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.

2.5 Property, plant and equipment (continued)

The residual value of aircraft represents the amount the Management believes the aircraft can be sold or traded for at the end of its useful life, before aircraft heavy maintenance. The residual value of aircraft engines represents the amount the Management believes the aircraft engine can be sold or traded for at the end of its useful life, after its tear down into spare parts and components.

Construction in progress is transferred to appropriate groups of fixed assets when it is completed and ready for its intended use.

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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains – net' in the income statement.

2.6 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
Web-site costs	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. 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.

Line maintenance approvals and basic licences for B1/B2 courses are recognised by the Group on the acquisition date of the entity on the basis of the costs, and classified as part of commercial license. The cost related to acquiring a basic licence for is based on an estimate provided by Group's Quality Manager of the cost of reaching the status of B1/B2 engineer, including relevant college courses, exams, preparation of application and cost of submission. The cost related to acquiring line maintenance approvals is based on an estimate of the direct costs, including internal audit, application to the authority, travel and external audit and interviews costs.

The costs incurred at each stage in development and operation of Group's own web-site is recognised as part of intangible assets. Such expenses include expenses on purchasing or creating content for a web-site, expenses to enable use of the content on the web-site and directly attributable employee related expenses, that have been incurred during the stage of the development of the web-site and additional development of the web-site expenses, that have been incurred during the stage of the operation of the web-site after initial recognition of the intangible assets.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill on acquisitions of associates is included in 'investments in associates'.

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

2.6 Intangible assets (continued)

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on a disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

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.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or losses are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

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 Investments in associates in the consolidated financial statements of the Group

The Group's investments in its associates are accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. The income statement reflects the share of the results of operations of the associate.

The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances. After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss of the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case the Group calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognises the amount in the income statement. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

2.11 Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

In the consolidated income statement of the reporting period and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing activities, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the income statement.

Where a disposal group is still operating, transactions may occur between the disposal group and other companies within the Group. All intra-group balances, intra-group interest income, expenses and other intra-group transactions where goods are sold / purchased between the disposal group and the continuing business are eliminated in full. The principle of elimination of intra-group sales transactions is based on the guidance in IAS 35 which only allowed expenses to be attributed to the discontinuing operation if they would be eliminated when the operation is disposed of. If the arrangement is expected to continue, the sales and costs are recorded in continuing operations and, therefore, the elimination entries are recorded in discontinued operations.

2.12 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.

2.13 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.

Interconnection receivables and payables to the same counterparty are stated net, when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis.

2.14 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.

2.15 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. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

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.

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 Borrowings costs

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

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

2.19 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.

Warranty provisions

Provisions for warranty-related costs are recognised when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

2.20 Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as interest rate swaps to hedge its cash flow interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The portion of the gain or loss on the hedging instrument designated as a cash flow hedge is recognised directly in as other comprehensive income in the cash flow hedge reserve.

Fair value of derivatives in the balance sheet are segregated to long-term and short-term parts:

- long-term part of the financial instrument represent discounted cash flows arising from the financial instrument after 1 year, and
- short-term part of the financial instrument represents discounted cash flows arising from the financial instrument within 1 year.

2.21 Government grants

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.

2.22 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 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 instalments due within 12 months which are included in current liabilities.

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

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.

2.23 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.

2.23 Current and deferred income tax (continued)

Profit for 2013 is taxable at a rate of 15% (2012: 15%) in accordance with Lithuanian regulatory legislation on taxation. Profit for 2013 is taxable at a rate of 19% (2012: 19%) in accordance with Polish regulatory legislation on taxation. Profit for 2013 is taxable at a rate of 19% (2012: 19%) in accordance with Ukrainian regulatory legislation on taxation. Profit for 2013 is taxable at a rate of 20% (2012: 20%) in accordance with United Kingdom regulatory legislation on taxation. Profit for 2013 is taxable at a rate of 20% (2012: 20%) in accordance with Russian regulatory legislation on taxation. Profit for 2012 is taxable at a rate of 27.5% (2012: 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.

According to Lithuanian and British legislation, tax losses accumulated as of 31 December 2013 are carried forward indefinitely; according to Polish legislation, tax losses accumulated as of 31 December 2013 are carried forward during 5 years. According to Lithuanian legislation starting from 1 January 2014 the tax loss carry forward that is deductible cannot exceed 70% of the current financial year taxable profit.

Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the Company changes its activities due to which these losses incurred except when the Company does not continue its activities due to reasons which do not depend on the Company itself. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature.

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.

2.24 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.

Sales of services

Revenue of the Group consists of passenger's revenue (discontinued operations), aircraft and aircraft components maintenance and overhaul, training of aviation specialists, technical consulting, and aircraft ground handling services, into-plane fuelling and web-site subscription services.

Passengers' revenue, aircraft ground handling and into-plane fuelling 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, web-site subscription 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 recognized under the service period. Under this method, revenue is generally recognized in proportion to each service month. 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.

2.24 Revenue recognition (continued)

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 comprehensive income.

2.25 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.

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.

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

2.26 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 Company, issuer of an intra-group financial guarantee, recognizes the guarantee liability at its fair value. Where parent entity guarantees the debt of its subsidiary then that transaction is accounted for as an investment in subsidiary as the guarantee is given for the benefit of the subsidiary. Subsequent amortisation and any change in the carrying amount of the liability are recognised in profit or loss.

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 Board of the Company. 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:

	GROUP		Company	
	2013	2012	2013	2012
Reasonably possible change of EUR to US dollars	4%	2 %	-	-

At 31 December 2013 the Group's post-tax profit for the year would have been LTL 1 911 thousand (2012: LTL 1 087 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.

3.1 Financial risk factors (continued)

To manage the foreign exchange risk arising from future financial transactions, the Company entered into forward foreign exchange contracts in 2013. The contract was signed by the Company in December 2013 as the impact of forward foreign exchange transaction is not significant.

(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.

(c) 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.

To manage the interest rate risk the Group's company entered into interest rate swap in 2012, in which it agreed to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amounts. These swaps are designated to hedge the bank loan.

Borrowings received at variable interest rates and denominated in the LTL, EUR and GBP currencies expose the Group to cash flow interest rate risk. As at 31 December 2013 and 2012 Group's non-current borrowings at variable rate of 3 or 6 months EURIBOR plus fixed margin were denominated in EUR and finance lease liabilities at variable rate of 3 or 6 months EURIBOR plus fixed margin were denominated in EUR and GBP.

For calculation of interest rate risk 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 changes are provided in the table below:

Currency of borrowings	Reasonable shift
LTL	1.00 %
EUR	1.00 %

The presumable interest rate change creates acceptable impact on Group's annual profit as well as equity and makes LTL 561 thousand in 2013 (2012: LTL 637 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.

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	
	2013	2012	2013	2012
Trade receivables (Note 19)	64 493	62 969	23	1 404
Cash and cash equivalents (Note 21)	21 678	8 913	3 313	548
Trade receivables from related parties (Notes 19, 34)	4 573	1 837	9 234	3 980
Loans provided (Note 19)	3 785	4 007	3 623	3 887
Security deposit with lessor (Note 19)	2 714	1 780	71	33
Loans provided to related parties (Note 19)	2 271	2 930	33 296	46 322
Other receivables (Note 19)	1 893	1 187	375	223
Other receivables from related parties (Note 19)	128	72	1 002	1 187
	101 535	83 695	50 937	57 584

 (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		COMPANY	
	2013	2012	2013	2012
Group 1: new customers/related parties (less than 6 months)	1 068	4 459	-	1
Group 2: old customers/related parties (more than 6 months)	30 224	19 713	716	1 239
	31 292	24 172	716	1 240

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

* - external long term credit ratings set by international agencies Standards & Poor's as at 2013/2014 and Moody's Ratings as at 2013/2014.

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

3.1 Financial risk factors (continued)

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 B.

See the table below for analysis of the Group's cash and cash equivalents according to the credit quality (Note 21).

	GROUP		COMPANY	
	2013	2012	2013	2012
AA-	4 497	589	14	-
A+	13 444	5 738	3 134	485
A-	907	60	59	60
BBB+	140	374	-	-
BBB	1 396	1 532	-	-
BB	18	3	106	3
B	456	-	-	-
other	54	124	-	-
Cash on hand	766	493	-	-
	21 678	8 913	3 313	548

Security deposit with lessor, loans to related parties

Security deposit with lessor, loans granted, loans granted to related parties, other receivables and other receivables from 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	
	2013	2012	2013	2012
Overdue up to 3 months	24 498	27 534	1 679	1 581
overdue from 4 to 6 months	6 902	5 197	1 634	835
overdue over 6 months	6 374	7 903	5 228	1 729
	37 774	40 634	8 541	4 145

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.

3.1 Financial risk factors (continued)
Movements on the provision for impairment of receivable

GROUP	Trade receivables*	Other receivables*	Prepayments	Loans granted*
At 1 January 2012	3 503	-	-	-
Transferred of provision for impairment of receivables to assets held for sale	(3 292)	-	-	-
Provision for receivables impairment (continuing operations)	3 932	-	-	-
Receivables written off during the year as uncollectible	(211)	-	-	-
At 31 December 2012 / At 1 January 2013	3 932	-	-	-
Provision for trade receivables impairment (continuing operations)	8 906	231	-	86
Provision for trade receivables impairment from acquisition	193	-	1 551	-
Receivables written off during the year as uncollectible	(3 685)	-	-	-
At 31 December 2013 (Note 19)	9 346	231	1 551	86

* - including receivables from related parties

In 2013 the Group recognised allowance for impairment of non-current and other current assets, loans granted, trade and other receivables in the total amount of LTL 12.8 million:

- the allowance for impairment of trade receivables for several clients (mainly for MRO business segment' clients, from CIS countries) in the total amount of LTL 7 483 thousand was recognized due to their insolvency (Note 19);
- the allowance for impairment of loans granted, trade and other receivables in the total amount of LTL 1 740 thousand, related to Group's associate operated in charter activity due to its insolvency (Note 19);
- the allowance for impairment of inventories in the total amount of LTL 3 166 thousand (Note 18) was recognised to represent their net realisable value;
- the allowance for impairment of non-current assets in the total amount of LTL 133 thousand (Note 15) and the allowance for impairment of other current assets in the total amount of LTL 231 thousand were recognised by a change against current operations for the excess of the carrying amount of an asset over its recoverable amount.

COMPANY	Trade receivables*	Other receivables*	Prepayments	Loans granted*
At 1 January 2012	12	-	-	-
Receivables written off during the year as uncollectible	(12)	-	-	-
At 31 December 2012/ At 1 January 2013	-	-	-	-
Provision for receivables impairment (continuing operations)	1 424	231	-	86
Receivables written off during the year as uncollectible	-	-	-	-
At 31 December 2013 (Note 19)	1 424	231	-	86

* - including receivables from related parties

In 2013 the Company recognised allowance for impairment of loans granted, trade and other receivables in the total amount of LTL 1 740 thousand, related to Group's associate operated in charter activity due to its insolvency (Notes 11, 19).

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

3.1 Financial risk factors (continued)

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.

As at 31 December 2013 current liabilities in ten subsidiaries of the Group exceeded the current assets. Management of the Group believes that this will not have any impact on the ability of subsidiaries of the Group to continue as going concern. In addition the parent company – *Avia Solutions Group AB* – is able to provide financial support to enable subsidiaries to continue operations for at least twelve months from the date of approval of the financial statements, if needed.

The Group's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these. The table below allocates 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 - 5 years	Over 5 years
31 December 2013			
Trade and other payables (Note 26)	90 160	979	466
Bank loans	38 247	39 971	-
Borrowings from related parties	14 920	-	-
Bank overdraft (Note 25)	10 903	-	-
Finance lease liabilities (Note 25)	3 476	8 169	-
Security deposits received (Note 27)	1 009	2 907	-
Other borrowings (Note 25)	10	-	-
	158 725	52 026	466
31 December 2012			
Trade and other payables (Note 25)	68 383	1 311	375
Bank loans	46 601	19 944	-
Finance lease liabilities (Note 25)	3 317	7 757	-
Security deposits received (Note 27)	279	-	-
Borrowings from related parties	1	28	-
Other borrowings	-	7	-
	118 581	29 047	375
COMPANY			
31 December 2013			
Trade and other payables (Note 26)	1 279	-	-
31 December 2012			
Trade and other payables (Note 26)	909	-	-

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. The Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements.

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

3.2 Capital risk management (continued)

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.

The Group's strategy is to maintain it within 30% to 40%.

	GROUP		COMPANY	
	2013	2012	2013	2012
Total borrowings (Note 25)	110 317	73 741	7 027	-
Less: cash and cash equivalents (Note 21)	(21 678)	(8 913)	(3 313)	(548)
Net debt	88 639	64 828	3 714	(548)
Total equity	151 601	113 595	68 540	65 613
Total capital	240 240	178 423	72 254	65 065
Gearing ratio	37%	36%	-	-

3.2 Capital risk management (continued)

The increase in the gearing ratio during 2013 resulted primarily from the disposal of subsidiaries and from the issue of share capital as part of the consideration for the acquisition of a subsidiary (Note 32).

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 2013 six 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 client approximates its carrying value which was calculated discounting nominal value of deposit using market interest rate. Loans to related parties were granted at market interest rates, therefore, their carrying value approximate fair 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.

4 Critical Accounting Estimates and Significant Judgements (continued)

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) Accruals for "power-by-the hour" aircraft maintenance contracts

Under the terms of "power by the hour" (PBH) aircraft maintenance contracts, the Group (supplier) has the obligation at its expense to repair and administer the Components' Pool for the Customer's aircraft fleet. Components repair and maintenance expenses have been apportioned to ensure that they are charged to the comprehensive income statement in accordance with the maintenance program over the next 12 months.

(b) Premises lease payments accruals

Under the terms of two aircraft hangars and training building operating lease 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.

(c) 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.

(d) Income taxes

Tax authorities have a right to examine accounting records of the Group at any time 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. The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

(e) Provision for impairment of accounts receivable

Impairment loss of accounts receivable was determined based on the management's estimates on recoverability and timing relating to the amounts that will not be collectable according to the original terms of receivables. This determination requires significant judgement. Judgement is exercised based on significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments. Current estimates of the management could change significantly as a result of change in situation in the market and the economy as a whole. Recoverability rate also highly depends on success rate and actions employed relating to recovery of significantly overdue amounts receivable. For further details, see Note 3.

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

4 Critical Accounting Estimates and Significant Judgements (continued)

(f) Intangible assets

As at acquisition date of the subsidiary line maintenance approvals and basic licenses with carrying amount LTL 3,528 thousand were recognised as intangible assets (Note 2.6) The licences 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.

(g) 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 machinery, buildings and vehicles. The residual value of aircraft represents the amount the Management believes the aircraft can be sold or traded for at the end of its useful life, before aircraft heavy maintenance. The residual value of aircraft engines represents the amount the Management believes the aircraft engine can be sold or traded for at the end of its useful life, after its tear down into spare parts and components (Note 2.5).

(h) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in the note 2.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 16).

5 Segment information

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

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

Business Charter Operations

The business charter operations segment includes carriage of passengers by private and corporate charter flights.

Unallocated Sales

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

The *Charter Operations* segment is no longer disclosed in the segment Note, which was reclassified to assets held for sale in the financial statements for the year ended 31 December 2012 and was disposed on 26 March 2013 (Note 33).

5 Segment information (continued)

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. 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.

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

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, Russian Federation, Italy, Poland and the Great Britain by sales volume depending on where the Group's companies are located.

The following table presents revenues and profit (loss) from continuing operations and assets and liabilities information according to the Group's business segments for the year ended 31 December 2013:

	Business charter operations (new)	Aircraft maintenance, repair and overhaul	Aircraft ground handling and fuelling	Pilot and crew training	Unallo- cated	Inter- segment elimina- tions	Total continuing operations
Year ended 31 December 2013							
Continuing operations							
Revenue							
Sales to external customers	-	318 905	206 367	27 858	926	-	554 056
Inter-segment sales	-	20 607	70 152	152	5 573	(96 484)	-
Total revenue	-	339 512	276 519	28 009	6 499	(96 483)	554 056
Cost of sales	-	(287 281)	(266 754)	(20 385)	(1 626)	89 741	(486 305)
Segment gross profit	-	52 232	9 765	7 624	4 873	(6 742)	67 751
Impairment-related expenses (Note 11)	-	(10 500)	(269)	(244)	(1 740)	-	(12 753)
Other income							1 696
General and administrative expenses, excluding impairment of receivables, inventories (see details in the table below)							(48 706)
Other gains/(losses) - net							12 729
Operating profit							20 717
Finance costs - net							(3 267)
Share of profit of associates							(604)
Profit before income tax							16 846
Income tax							(1 556)
Net profit for the period from continuing operations							15 290

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5 Segment information (continued)

	Business charter operations (new)	Aircraft maintenance, repair and overhaul	Aircraft ground handling and fuelling	Pilot and crew training	Unallo- cated	Inter- segment elimina- tions	Total continuing operations
As at 31 December 2013							
Segment assets	104	297 433	55 571	13 867	9 041		376 016
Segment liabilities	26	175 345	30 663	10 183	8 198		224 415
Acquisition of non-current assets (continuing operations, Note 15,16)	-	34 030	5 236	2 899	476		42 641
Depreciation and amortization (continuing operations, Note 11,15,16)	-	(11 296)	(3 408)	(1 745)	(345)		(16 794)

The following table presents revenues and profit (loss) from continuing operations and assets and liabilities information according to the Group's business segments for the year ended 31 December 2012:

	Charter operations (discontinued)	Aircraft maintenance, repair and overhaul	Aircraft ground handling and fuelling	Pilot and crew training	Unallo- cated	Inter- segment elimina- tions	Total continuing operations
Year ended 31 December 2012							
Continuing operations							
Revenue							
Sales to external customers	-	289 490	218 389	27 533	448	-	535 860
Inter-segment sales	-	3 599	83 639	69	4 517	(91 824)	-
Total revenue	-	293 089	302 028	27 602	4 965	(91 824)	535 860
Cost of sales	-	(236 426)	(293 035)	(19 379)	(1 206)	87 834	(462 212)
Segment gross profit	-	56 663	8 993	8 223	3 759	(3 990)	73 648
Impairment-related expenses (Note 11)	-	(4 464)	(139)	(78)	(3)	-	(4 684)
Other income							412
General and administrative expenses, excluding impairment of receivables, inventories (see details in the table below)							(38 754)
Other gains/(losses) - net							1 004
Operating profit							31 626
Finance costs - net							(1 143)
Share of profit of associates							(947)
Profit before income tax							29 536
Income tax							(3 482)
Net profit for the period from continuing operations							26 054

As at 31 December 2012							
Segment assets	29 137*	188 988	60 069	11 981	9 120		299 295
Segment liabilities	31 789*	111 294	33 994	8 152	471		185 700
Acquisition of non-current assets (continuing operations, Note 15,16)	-	22 168	7 896	1 617	516		32 197
Depreciation and amortization (continuing operations, Note 11,15,16)	-	6 868	2 617	1 366	202		11 053

* As at the balance date the segment assets and liabilities are disclosed as held for sale (Note 33).

5 Segment information (continued)

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

	GROUP	
	2013	2012
Administration employee related expenses	21 365	15 363
Consultation expenses	3 135	2 660
Rent and maintenance of administration premises	2 910	2 414
Depreciation and amortization of assets related to administration	3 494	2 102
Other operating expenses indirectly related to the operating segments	17 802	16 215
General and administrative expenses, excluding impairment expense	48 706	38 754

The Group's revenue from external customers by geographical location of subsidiaries on 31 December 2013 and 31 December 2012 detailed below:

Lithuania	427 055	402 421
Poland	80 073	96 961
Great Britain	26 945	32 590
Russian Federation	17 323	3 867
Italy	2 660	21
	554 056	535 860

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	
	2013	2012
The aircraft ground handling and fuelling segment		
Customer T	31 679	35 177
Other customers	174 688	183 212
	206 367	218 389

The aircraft maintenance, repair and overhaul (MRO) segment

Customer R	35 785	24 160
Customer E	35 374	27 192
Customer H	23 961	24 223
Other customers	223 785	213 915
	318 905	289 490

The pilot and crew training segment

Customer R	3 001	6 054
Other customers	24 857	21 479
	27 858	27 533

The Group's sales to external customers in 2013 and in 2012 are not derived from the single customers.

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	GROUP		COMPANY	
	2013	2012	2013	2012
6 Revenue				
MRO business segment revenue				
Spare parts and consumable sales	143 417	118 565	-	-
Engine management services	58 022	47 692	-	-
Base maintenance services	43 858	51 004	-	-
Line maintenance services	37 236	46 618	-	-
Engineering services	14 947	13 040	-	-
Business jet MRO	14 442	7 835	-	-
Technical training and consulting services	4 287	3 423	-	-
Components management	1 556	-	-	-
Other MRO services	1 140	1 313	-	-
Aircraft GH & fuelling business segment revenue				
Aircraft fuel revenue	178 308	190 606	-	-
Aircraft ground handling services	28 059	27 783	-	-
Pilot and crew training business segment revenue				
Pilot and crew training revenue	27 858	27 533	-	-
Unallocated business segment revenue				
Sales commissions and fees	926	448	6 499	4 965
	554 056	535 860	6 499	4 965
7 Other income				
Interest income on loans	972	406	2 475	2 571
Late payment and other penalties	724	6	-	-
Amortisation of financial guarantees (Notes 2.26,17,34)	-	-	227	178
	1 696	412	2 702	2 749
8 Employee related expenses				
Wages and salaries	69 901	67 731	3 060	2 242
Social insurance expenses	16 160	13 926	918	627
	86 061	81 657	3 978	2 869
Number of full time employees at the end of year (Note 1)	1 342	951	42	28
In 2013 employee related expense from discontinued operations amounted to LTL 2 378 thousand (2012: LTL 11 554 thousand).				
9 Depreciation and amortization				
Depreciation of tangible assets (Note 15)	15 142	9 789	270	177
Amortisation of intangible assets (Note 16)	1 652	1 264	75	25
	16 794	11 053	345	202
10 Other gain / (losses) – net				
Excess of net fair value of acquiree's net assets over cost (Note 32)	13 893	-	-	-
Net gain/(loss) on sales of non-current assets	(4)	328	13	-
Net gain/(loss) on sales of inventory and other current assets	(44)	195	-	-
Net foreign exchange gain/(loss) on operating activities	(1 116)	481	(8)	(18)
Net gain on sales of subsidiaries	-	-	16	-
Impairment of investments in subsidiaries / associates classified as held for sale (Notes 17, 32, 33)	-	-	(2 476)	(1 291)
	12 729	1 004	(2 455)	(1 309)

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11 Expense by nature

The total amount of expense (cost of sales and general and administrative expenses) by nature as follows:

	GROUP		COMPANY	
	2013	2012	2013	2012
Aircraft fuel expenses	166 025	176 703	-	-
Spare parts and consumables expenses	120 004	118 004	-	-
Employee related expenses (Note 8)	86 061	81 657	3 978	2 869
Cost of services resold	54 023	28 864	-	-
Depreciation and amortisation (Notes 5, 9, 15, 16)	16 794	11 053	345	202
Aircraft maintenance expenses	16 363	10 914	-	-
Training and related expenses	14 413	15 983	8	6
Impairment-related expenses (Notes 3.1, 5, 11, 15)	12 753	4 684	1 740	3
Rent and maintenance of premises	11 916	12 232	502	313
Aircraft servicing and handling expenses	8 228	9 206	-	-
Transportation and related expenses	6 999	4 529	493	379
Consultation expenses	6 837	3 292	603	440
Business travel expenses	5 614	7 903	277	228
Marketing and sales expenses	3 206	3 188	1 280	1 101
Rent of aircraft and equipment	2 622	1 864	-	-
Rent and maintenance of training simulators	2 374	2 032	-	-
Office administrative expenses	2 062	1 281	144	118
Communications expenses	1 798	1 835	238	205
Insurance expenses	1 755	1 441	12	11
IT expenses	1 168	739	83	59
VAT in business use expenses	1 011	866	-	(74)
Bank services	715	594	9	12
Employee lease expenses	710	1 305	-	-
Audit expenses	331	428	59	59
Other expenses	3 982	5 053	75	191
Total of cost of sales, general and administrative expenses	547 764	505 650	9 846	6 122

12 Finance income and costs

Fair value adjustment of security deposit received	372	-	-	-
Foreign exchange gain on financing activities	115	775	7	297
Interest income on cash and cash equivalents	22	34	8	10
Other finance income	66	138	-	-
Finance income	575	947	15	307
Interest expenses on borrowings	2 146	1 814	22	-
Provisions: unwinding of discount	967	-	-	-
Late payment interest - costs	675	248	1	1
Unwinding of discounted security deposits received	41	-	-	-
Fair value adjustment of financial guarantees issued	-	(69)	-	-
Other finance costs	13	97	-	-
Finance costs	3 842	2 090	23	1
Finance costs – net	(3 267)	(1 143)	(8)	306

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13	Income tax	GROUP		COMPANY	
		2013	2012	2013	2012
	Continuing operations				
	Current income tax	4 348	5 269	-	-
	Deferred income tax (Note 28)	(2 792)	(1 787)	(87)	(793)
	Total income tax expenses	1 556	3 482	(87)	(793)

Domestic income tax is calculated at 15 per cent (2012: 15 per cent) of the annual profit for the year, in Poland income tax – 19 per cent (2012: 19 per cent), in Italy – 27.5 per cent (2012: 27.5 per cent). 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 from continuing operations	16 846	29 536	(3 108)	589
Tax calculated at a tax rate 15 % in Lithuania	1 044	4 629	(466)	(88)
Tax calculated at a tax rate 19 % in Poland	(822)	(629)	-	-
Tax calculated at a tax rate 19 % in Ukraine	(7)	(11)	-	-
Tax calculated at a tax rate 20 % in Russia	109	(103)	-	-
Tax calculated at a tax rate 20 % in Great Britain	-	(1 758)	-	-
Tax calculated at a tax rate 27,5 % in Italy	(486)	(71)	-	-
<i>Tax effects of:</i>				
- Expenses non-deductible for tax purposes	1 353	2 011	153	(292)
- Write off of previously recognised deferred tax assets	677	-	-	-
- Adjustment in respect of prior year	(31)	30	-	(675)
- Deferred tax assets not recognised on tax losses	(40)	(662)	191	148
- Non-taxable incomes	(241)	111	35	114
- Effect of changes of tax rate	-	(65)	-	-
Total income tax expenses	1 556	3 482	(87)	(793)

14 Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Profit (loss) attributable to:

Equity holders of the parent

Profit (loss) for the year from continuing operations

15 232 26 087 (3 021) 1 382

Profit (loss) for the year from discontinued operations

16 393 (6 605) - -

Profit (loss) for the year attributable to equity holders of the parent
31 625 19 482 (3 021) 1 382
Weighted average number of ordinary shares (thousand)
5 896 5 893 5 896 5 893
Basic earnings per share

From continuing operations

2.583 4.427 (0.512) 0.235

From discontinued operations

2.780 (1.121) - -

From profit (loss) for the year
5.364 3.306 (0.512) 0.235

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15 Property, plant and equipment

THE GROUP	Buildings and structures	Machi- nery	Vehicles	Other tangible fixed assets	Leasehold improve- ments	Prepayments to tangible assets	Aircraft	Aircraft engines	Construc- tion in progress	Total
Opening net book amount as at 1 January 2012	12 522	24 706	8 630	5 095	837	744	81	-	-	52 615
Disposals of subsidiaries (Note 32)	-	-	(2)	(55)	-	-	-	-	-	(57)
Additions (continuing operations) (Note 5)	1 563	18 516	3 614	5 110	526	863	1 388	-	-	31 580
Additions (discontinued operations)	-	10	-	83	-	-	-	-	-	93
Disposals (continuing operations)	-	(7 807)	(25)	(507)	-	-	-	-	-	(8 339)
Disposals (discontinued operations)	-	(2)	-	-	-	-	-	-	-	(2)
Reclassifications	2 279	(975)	(418)	(105)	-	(781)	-	-	-	-
Write-offs	-	-	-	(663)	-	-	-	-	-	(663)
Cumulative currency differences	64	141	303	24	-	38	-	-	-	570
Depreciation charge (continuing operations, Notes 9,11,15,16)	(1 242)	(5 056)	(1 405)	(2 019)	-	-	(67)	-	-	(9 789)
Depreciation charge (discontinued operations)	-	(8)	-	(62)	(606)	-	-	-	-	(676)
Transferred to disposal group classified as held for sale	-	(16)	-	(165)	(231)	-	-	-	-	(412)
Closing net book amount as at 31 December 2012	15 186	29 922	10 284	6 736	526	864	1 402	-	-	64 920
At 31 December 2012										
Cost	20 992	47 869	12 046	13 682	1 132	864	1 473	-	-	98 058
Accumulated depreciation	(5 806)	(17 947)	(1 762)	(6 946)	(606)	-	(71)	-	-	(33 138)
Net book amount at 31 December 2012 / Opening net book amount as at 1 January 2013	15 186	29 922	10 284	6 736	526	864	1 402	-	-	64 920
Acquisition of subsidiaries (Note 32)	4 932	538	395	584	-	-	-	-	359	6 808
Additions (Note 5)	662	4 963	1 003	5 594	164	2 385	2 240	2 839	21 183	41 033
Disposals	-	(324)	(93)	(23)	-	-	(816)	-	-	(1 256)
Reclassifications	(915)	(13 329)	-	9	-	51	-	13 317	867	-
Write-offs	(99)	(46)	(6)	18	-	-	-	-	-	(133)
Cumulative currency differences	(73)	(20)	(80)	(8)	1	13	-	2	-	(169)
Depreciation charge (Note 9)	(1 349)	(3 230)	(1 572)	(2 752)	(121)	-	(407)	(5 711)	-	(15 142)
Closing net book amount as at 31 December 2013	18 344	18 473	9 931	10 158	570	3 313	2 419	10 447	22 409	96 065
At 31 December 2013										
Cost	29 562	37 633	14 927	21 073	691	3 313	2 788	17 391	22 409	149 787
Accumulated depreciation	(11 218)	(19 160)	(4 996)	(10 915)	(121)	-	(369)	(6 943)	-	(53 722)
Net book amount at 31 December 2013	18 344	18 473	9 931	10 158	570	3 313	2 419	10 447	22 409	96 065

15 Property, plant and equipment (continued)

As at 31 December 2013 buildings of the Group with the carrying amounts of LTL 11.2 million (as at 31 December 2012: LTL 12.1 million), machinery and vehicles of the Group with the carrying amounts of 6.1 LTL million (as at 31 December 2012: 3.5 million) were pledged to the bank as collateral for borrowings (Note 25).

THE COMPANY	Vehicles	Other tangible fixed assets	Total
Opening net book amount as at 1 January 2012	312	341	653
Additions (Note 5)	-	347	347
Disposals	-	(2)	(2)
Write-offs	-	(3)	(3)
Depreciation charge (Note 9)	(45)	(132)	(177)
Closing net book amount as at 31 December 2012	267	551	818
At 31 December 2012			
Cost	333	749	1 082
Accumulated amortisation	(66)	(198)	(264)
Net book amount	267	551	818
Opening net book amount as at 1 January 2013	267	551	818
Additions (Note 5)	95	277	372
Disposals	(40)	(5)	(45)
Write-offs	-	-	-
Depreciation charge (Note 9)	(55)	(215)	(270)
Closing net book amount as at 31 December 2013	267	608	875
At 31 December 2013			
Cost	369	1 020	1 389
Accumulated depreciation	(102)	(412)	(514)
Net book amount	267	608	875

Capital expenditure contracted for at the end of the reporting period but not yet incurred amounted to LTL 2.4 million and related to aircraft maintenance and ground handling equipment group of property, plant and equipment.

During 2013 the Group has capitalised borrowing costs amounting to LTL 111 thousand on construction in progress group of assets. Borrowing costs were capitalised at the weighted average rate of its bank borrowings of 2.11%.

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

	GROUP		COMPANY	
	2013	2012	2013	2012
Cost – capitalised finance lease				
Vehicles	9 178	5 959	-	-
Machinery	7 554	6 717	-	-
Other tangible fixed assets	59	-	-	-
	16 791	12 676	-	-
Accumulated depreciation				
Vehicles	(1 028)	(741)	-	-
Machinery	(1 475)	(1 937)	-	-
Other tangible fixed assets	(2)	-	-	-
	(2 505)	(2 678)	-	-
Net book value	14 286	9 998	-	-

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16 Intangible assets

	Licences	Goodwill	Software	Website	Other intangible assets	Prepayments relating to intangible assets	Total
THE GROUP							
Opening net book amount as at 1 January 2012	5 966	2 762	1 217	94	4	-	10 044
Disposals of subsidiaries (Note 32)	(1 028)	-	-	-	(4)	-	(1 032)
Additions (continuing operations, Note 5)	253	-	247	67	-	50	617
Additions (discontinued operations)	186	-	-	-	-	-	186
Write-offs	-	(336)	-	-	-	-	(337)
Cumulative currency differences	193	-	68	-	-	-	261
Amortisation charge (continuing operations, Note 9, 11, 15, 16)	(833)	-	(402)	(29)	-	-	(1 264)
Amortisation charge (discontinued operations)	(438)	-	(6)	-	-	-	(444)
Transferred to disposal group classified as held for sale (Note 33)	(1107)	-	(20)	-	-	-	(1 127)
Closing net book amount as at 31 December 2012	3 192	2 426	1 104	132	-	50	6 904
At 31 December 2012							
Cost	5 101	2 762	2 867	167	-	50	10 948
Accumulated amortisation and impairment losses	(1 909)	(336)	(1 763)	(35)	-	-	(4 044)
Net book amount	3 192	2 426	1 104	132	-	50	6 904
Opening net book amount as at 1 January 2013	3 192	2 426	1 104	132	-	50	6 904
Acquisition of subsidiaries (Note 32)	-	-	3	-	73	-	76
Additions (Note 5)	674	-	775	79	-	80	1 608
Reclassifications	-	-	50	-	-	(50)	-
Cumulative currency differences	48	-	(48)	7	-	-	6
Depreciation charge (Note 9)	(943)	-	(660)	(49)	-	-	(1 652)
Closing net book amount as at 31 December 2013	2 971	2 426	1 224	169	73	80	6 943
At 31 December 2013							
Cost	5 069	2 762	3 650	238	390	80	12 190
Accumulated amortisation and impairments losses	(2 098)	(336)	(2 426)	(69)	(317)	-	(5 246)
Net book amount	2 971	2 426	1 224	169	73	80	6 943

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16 Intangible assets (continued)

THE COMPANY	Licences	Software	Prepayments relating to intangible assets	Total
Opening net book amount as 1 January 2012	6	5	-	11
Additions (Note 5)	8	112	50	170
Amortisation charge (Note 9)	(5)	(20)	-	(25)
Closing net book amount as at 31 December 2012	9	97	50	156
At 31 December 2012				
Cost	17	119	50	186
Accumulated amortisation	(8)	(22)	-	(30)
Net book amount	9	97	50	156
Opening net book amount as 1 January 2013	9	97	50	156
Additions (Note 5)	49	55	-	104
Reclassification	50	-	(50)	-
Amortisation charge (Note 9)	(28)	(47)	-	(75)
Closing net book amount as at 31 December 2013	80	105	-	185
At 31 December 2013				
Cost	116	175	-	291
Accumulated amortisation	(36)	(70)	-	(106)
Net book amount	80	105	-	185

	COMPANY	
	2013	2012
17 Investments in subsidiaries		
At the beginning of the period	4 936	11 487
Acquisition of subsidiary (Note 32)	18 403	-
Fair value of intra-group financial guarantees (Note 2.26, 34)	381	126
Subsidiary established (Note 1)	150	-
Purchase of non-controlling interests	-	130
Disposal of interest in subsidiary with loss of control (Note 32)	-	(2 636)
Transferred to the <i>assets classified as held for sale</i> (Note 33)	-	(2 299)
Transferred to the <i>associates</i> (Note 32)	-	(1 872)
At the end of the period	23 870	4 936

Disposals and acquisitions in 2013

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

On 16 December 2013, the Company acquired 100% of the share capital of *Helisota UAB* from third parties at a consideration of LTL 18 403 thousand.

Disposals and acquisitions in 2012

On 3 January 2012 the Company sold 50% of subsidiary's *Small Planet Airlines s.r.l. (Italy)* stock. Sales proceeds from the disposal of a 50 per cent shareholding in *Small Planet Airlines S.r.l.* amounted to EUR 763 thousand. Company's remaining stock in *Small Planet Airlines s.r.l. (Italy)* at the end of financial period was 35.5%.

On 31 December 2012, the Company purchased 9% non-controlling interests in *AviationCV.com UAB* at a consideration of LTL 130 thousand. The carrying amount of the non-controlling interests in *AviationCV.com UAB* on the date of purchase was LTL (7) thousand.

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18	Inventories	GROUP		COMPANY	
		2013	2012	2013	2012
	Spare parts and materials – gross amount	82 081	44 727	-	-
	Less: provision for impairment of inventories from continuing operations (Note 11)	(3 166)	(89)	-	-
	Spare parts and materials	78 915	44 638	-	-
	Spare parts and materials from acquisitions – gross amount	25 794	-	-	-
	Less: provision for impairment of inventories from acquisitions	(5 804)	-	-	-
	Spare parts and materials from acquisitions (Note 32)	19 990	-	-	-
	Goods for sale from acquisitions – gross amount	13 015	-	-	-
	Less: provision for impairment of inventories from acquisitions from acquisitions	(1 301)	-	-	-
	Goods for sale from acquisitions (Note 32)	11 714	-	-	-
	Goods for sale	7 279	24 480	-	-
	Aircraft fuel	2 694	3 988	-	-
	Work in progress from acquisitions (Note 32)	2 274	-	-	-
	Goods in transit	1 502	1 363	-	-
	Other inventories	1 485	1 123	29	143
		125 853	75 592	29	143

As at 31 December 2013 spare parts and materials of the Group with the carrying amounts of LTL 23 million (as at 31 December 2012: LTL 15.9 million), aircraft fuel of the Group with the carrying amounts of LTL 2 million (as at 31 December 2012: LTL 3.2 million), goods for sale and other inventories of the Group with carrying amounts of LTL 0.5 million were pledged to the bank as collateral for borrowings (with carrying amounts of LTL 23 million as at 31 December 2013 and LTL 18.1 million as at 31 December 2012) and for bank overdraft (with carrying amounts of LTL 3 million) (Note 25).

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19	Trade and other receivables	GROUP		COMPANY	
		2013	2012	2013	2012
	Trade receivables	72 523	66 901	1 426	1 404
	Less: provision for impairment of trade receivables from continuing operations (Note 3.1)	(7 837)	(3 932)	(1 403)	-
	Less: provision for impairment of trade receivables from acquisitions (Note 3.1)	(193)	-	-	-
	Trade receivables – net	64 493	62 969	23	1 404
	Receivables from related parties	5 889	1 837	9 255	3 980
	Less: provision for impairment of trade receivables from related parties (Note 3.1)	(1 316)	-	(21)	-
	Receivables from related parties – net (Note 34)	4 573	1 837	9 234	3 980
	Other receivables	2 075	1 187	557	223
	Less: provision for impairment of other receivables (Note 3.1)	(182)	-	(182)	-
	Other receivables - net	1 893	1 187	375	223
	Prepayments	12 111	11 576	1 022	100
	Less: provision for impairment of prepayments from acquisitions (Note 3.1)	(1 551)	-	-	-
	Prepayments - net	10 560	11 576	1 022	100
	Other receivables from related parties	177	72	1 051	1 187
	Less: provision for impairment of other receivables from related parties (Note 3.1)	(49)	-	(49)	-
	Other receivables from related parties – net (Note 34)	128	72	1 002	1 187
	Loans granted to related parties	2 357	2 930	33 382	46 322
	Less: provision for impairment of loans granted to related parties (Note 3.1)	(86)	-	(86)	-
	Loans granted to related parties – net (Note 34)	2 271	2 930	33 296	46 322
	VAT receivables	9 340	8 760	28	14
	Loans granted - net	3 785	4 007	3 623	3 887
	Security deposit with lessor	2 714	1 780	71	33
	Deferred charges	2 448	2 191	75	10
	Deferred charges to related parties (Note 34)	180	-	-	-
	Prepayments from related parties (Note 34)	-	4	10	-
		102 385	97 313	48 759	57 160
	Less non-current portion :	(4 111)	(3 690)	(28 744)	(2 343)
	Current portion :	98 274	93 623	20 015	54 817

All non-current receivables are due in 2020. The fair values of trade and other receivables are approximate to their carrying values. The weighted average interest rate of loans granted to third parties was 4.97% (2012: 4.44%). The weighted average interest rate of loans granted to related parties was 4.48% (2012: 4.83%).

As at 31 December 2013 trade receivables of the Group with the carrying amounts of LTL 21.3 million (as at 31 December 2012: LTL 5.2 million) were pledged to the bank as collateral for bank borrowings and overdraft (Note 25).

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

EUR	32 267	34 683	68	1 459
US dollars	14 854	21 080	2	1
LTL	13 616	3 118	9 187	3 924
PLN	118	1 059	-	-
Other	8 211	4 866	-	-
	69 066	64 806	9 257	5 384

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	GROUP		COMPANY	
	2013	2012	2013	2012
20 Contracts in progress				
Contract costs incurred and recognised profits (less losses) to date	14 105	8 076	-	-
Advances received on contracts in progress	(5 293)	-	-	-
Amounts due from customers on contracts in progress	8 812	8 076	-	-
21 Cash and cash equivalents				
Cash in bank	20 912	8 420	3 313	548
Cash on hand	766	493	-	-
Cash and cash equivalents	21 678	8 913	3 313	548
Bank overdraft (Note 25)	(10 903)	-	-	-
	10 775	8 913	3 313	548

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies (Note 3.1):

US dollars	7 103	381	-	-
LTL	6 920	1 425	3 134	483
EUR	5 816	3 110	14	2
RUB	1 437	2 743	106	3
PLN	212	953	59	60
GBP	190	286	-	-
Other	-	15	-	-
	21 678	8 913	3 313	548

22 Share capital

On 31 December 2013 the share capital of the Company amounts to 6 058 333 litas and consists of ordinary registered shares with a nominal value of one litas each (on 31 December 2012 – 5 893 333 ordinary registered shares). It was increased from 5 893 333 litas to 6 058 333 litas by issue additional 165 000 ordinary shares with a par value LTL 1 each (Notes 23, 32). All shares are fully paid up.

23 Share premium

On 16 December 2013 the Company issued additional 165,000 ordinary shares with a par value LTL 1 each for issue price of PLN 43.60 (LTL 35.96) (Note 22, 32). Following the increase of the capital, share premium amounts to 64,537,999 litas.

The balance of share premium as at 31 December 2011 / The balance of share premium as at 31 December 2012		58 770
Contribution to share premium by share-exchange (Note 32)		5 768
The balance of share premium as at 31 December 2013		64 538

AVIA SOLUTIONS GROUP ABSEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
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The merger reserve consists of the difference between the *Avia Solutions Group AB* purchase consideration for the acquisition of remaining stake of the share capital of the Group companies and nominal value of the share capital acquired.

The legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfer of 5% of net profit, calculated in accordance with Lithuanian regulatory legislation on accounting, is compulsory until the reserve including share premium reaches 10% of the share capital. The legal reserve can be used to cover the accumulated losses. The amount of the legal reserve surplus which exceeds the size of legal reserve required by the legislation can be added to retaining earnings for the profit distributing purpose.

Fair value reserves comprise changes in fair value of cash flow hedge.

25	Borrowings	GROUP		COMPANY	
		2013	2012	2013	2012
	Non-current				
	Bank borrowings	37 765	19 007	-	-
	Finance lease liabilities	7 457	6 744	-	-
	Borrowings from related parties	-	27	-	-
	Other non-current borrowings	-	7	-	-
		45 222	25 785	-	-
	Current				
	Bank borrowings	36 770	45 261	-	-
	Borrowings from related parties	14 335	-	7 027	-
	Bank overdraft (Note 21)	10 903	-	-	-
	Finance lease liabilities	3 075	2 695	-	-
	Other current borrowings	10	-	-	-
		65 095	47 956	7 027	-
	Total borrowings	110 317	73 741	7 027	-

As at 31 December 2013 buildings and machinery (Note 15), inventories (Note 18) and trade receivables (Note 19) of the Group with the carrying amounts of LTL 64.1 million were pledged to the bank as collateral for bank borrowings. As at 31 December 2012 buildings and machinery (Note 15), inventories (Note 18) and trade receivables (Note 19) of the Group with the carrying amounts of LTL 39.9 million were pledged to the bank as collateral for bank borrowings. These bank borrowings are secured under the Surety ship of the Company as well (Note 34).

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

EUR	93 898	72 241	-	-
US dollars	14 294	-	7 027	-
GBP	1 236	1 388	-	-
LTL	826	34	-	-
Other currency	63	78	-	-
	110 317	73 741	7 027	-

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:

Less than 1 year	65 095	36 315	7 027	-
Between 1 and 5 years	45 222	37 426	-	-
	110 317	73 741	7 027	-

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25 Borrowings (continued)

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

	GROUP		COMPANY	
	2013	2012	2013	2012
Bank overdraft	2.09%	-	-	-
Finance lease liabilities	3.46%	5.42%	-	-
Borrowings from related parties	7.09%	5.24%	7.00%	-
Bank borrowings	2.38%	1.89%	-	-

Finance lease liabilities – minimum lease payments:

Not later than 1 year	3 476	3 317	-	-
After 1 year but not later than 5 years	8 169	7 757	-	-
Less: future finance lease charges	(1 113)	(1 636)	-	-
Present value of finance lease liabilities	10 532	9 438	-	-
Present value of finance lease liabilities:				
Not later than 1 year	3 075	2 695	-	-
After 1 year but not later than 5 years	7 457	6 743	-	-
	10 532	9 438	-	-

26 Trade and other payables

Trade payables	58 335	52 672	176	189
Accruals for hangar lease payments, PBH contracts and other accrued expenses	22 629	8 016	501	351
Salaries and social security payable	5 616	3 723	363	143
Deferred revenue	1 797	2 740		
Provisions	613	402		
Amounts payable to related parties (Note 34)	574	1 035	108	151
Other payables	2 041	1 481	131	75
	91 605	70 069	1 279	909
Less: non-current portion	(1 445)	(1 686)	-	-
Current portion	90 160	68 383	1 279	909

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

LTL	47 216	18 181	1 123	839
US dollars	32 911	33 276	22	1
EUR	4 447	12 982	4	42
GBP	3 230	4 667	4	-
RUB	2 272	485	24	-
PLN	1 519	444	102	21
Other currencies	10	34	-	6
	91 605	70 069	1 279	909

27 Security deposits received

Security deposits repayable after one year at nominal value	3 916	-	-	-
Less: discounting effect (at 3.95%)	(372)	-	-	-
Security deposits repayable after one year	2 535	-	-	-
Security deposits repayable within one year	1 009	279	-	-
	3 544	279	-	-

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28 Deferred income taxes

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

	GROUP		COMPANY	
	2013	2012	2013	2012
Deferred tax assets				
At beginning of the period	7 631	7 533	235	49
(Charged) credited to the income statement (continuing operations, Note 13)	2 747	2 137	87	793
Acquisition of subsidiaries (Note 32)	1 432	-	-	-
(Charged) credited directly to the equity (Notes 2.20, 24)	(31)	63	-	-
Currency translation differences	(108)	138	-	-
(Charged) credited to the income statement (discontinued operations) (Note 33)	-	238	-	-
Disposal of subsidiary with loss of control (Note 32)	-	(962)	-	-
Transferred to the disposal group classified as held for sale (Note 33)	-	(1 516)	-	-
Tax loss transferred within the Group	-	-	-	(607)
At end of year	11 731	7 631	322	235
Deferred tax liabilities				
At beginning of the period	(388)	(289)	-	-
Charged (credited) to the income statement (continuing operations)	45	(350)	-	-
Currency translation differences	(37)	(8)	-	-
Transferred to the disposal group classified as held for sale (Note 33)	-	533	-	-
Disposal of subsidiary with loss of control (Note 32)	-	18	-	-
Charged (credited) to the income statement (discontinued operations) (Note 33)	-	(292)	-	-
At end of year	(380)	(388)	-	-

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

Deferred tax assets

Deferred income tax to be recovered within 1 year	2 279	563	50	-
Deferred income tax to be recovered after 1 year	9 452	7 068	272	235
	11 731	7 631	322	235

Deferred tax liabilities

Deferred income tax to be recovered within 1 year	293	331	-	-
Deferred income tax to be recovered after 1 year	87	57	-	-
	380	388	-	-

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.

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of LTL 0.8 million (in 2012: LTL 0 million) in respect of losses amounting to LTL 4.7 million (2012: LTL 0 million) that can be carried forward against future taxable income. Losses amounting to LTL 3.9 million expire in 2014 – 2017.

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28 Deferred income taxes (continued)

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:

GROUP - deferred tax assets	Accumulated taxable losses	Impairment of receivables	Discounting effect	Accruals for unused vacation	Other accrued expenses	Accelerated tax depreciation	Fair value loss	Total
At 31 December 2011	6 349	140	18	233	793	-	-	7 533
(Charged) credited to the income statement (continuing operations, Note 13)	1 497	473	-	16	151	-	-	2 137
(Charged) credited to the income statement (discontinued operations)	422	131	(3)	8	(320)	-	-	238
Currency translation differences	193	-	-	(3)	(52)	-	-	138
(Charged) credited directly to the equity (Note 24)	-	-	-	-	-	-	63	63
Disposal of subsidiary (Note 32)	(780)	-	-	-	(182)	-	-	(962)
Transferred to the disposal group classified as held for sale (Note 33)	(1 347)	(271)	(15)	(60)	177	-	-	(1 516)
At 31 December 2012 / At 1 January 2013	6 334	473	-	194	567	-	63	7 631
Reclassifications	-	-	-	-	(145)	145	-	-
(Charged) credited to the income statement (continuing operations, Note 13)	321	763	(54)	12	1 165	540	-	2 747
Acquisition of subsidiaries (Note 32)	29	1 348	-	26	29	-	-	1 432
Currency translation differences	(154)	46	-	26	(14)	-	-	(37)
(Charged) credited directly to the equity (Notes 2.20, 24)	-	-	-	-	-	-	(31)	(108)
At 31 December 2013	6 578	2 630	(54)	258	1 602	685	32	11 731

GROUP - deferred tax liabilities	Accelerated tax depreciation	Other accrued expenses	Total
At 31 December 2011	-	289	289
Charged to the income statement (continuing operations) (Note 13)	-	350	350
Charged to the income statement (discontinued operations) (Note 33)	-	293	293
Currency translation differences	-	7	7
Disposal of subsidiary (Note 32)	-	(18)	(18)
Transferred to the disposal group classified as held for sale (Note 33)	-	(533)	(533)
At 31 December 2012 / At 01 January 2013	-	388	388
Reclassifications	332	(332)	-
Currency translation differences	-	37	37
Charged to the income statement (continuing operations) (Note 13)	(48)	3	(45)
At 31 December 2013	284	96	380

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28 Deferred income taxes (continued)

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

COMPANY - deferred tax assets	Accruals for unused vacation	Impairment of receivables	Accumulated taxable losses	Total
At 31 December 2011	7	-	42	49
Credited (charged) to the profit or loss (Note 13)	3	-	790	793
Tax loss transferred within the Group	-	-	(607)	(607)
At 31 December 2012	10	-	225	235
Credited (charged) to the profit or loss (Note 13)	6	238	(157)	87
At 31 December 2013	16	238	68	322

In 2012 tax authorities have confirmed the deductible temporary difference of LTL 7.5 million directly related to issue of share capital (Note 23) in respect of deferred tax assets that was not recognised at the balance sheet of the Company in previous financial year. In 2012 the Company has transferred the part (amounted to LTL 4.5 million) of these accumulated taxable losses to the profitable subsidiary (the transaction fee was LTL 607 thousand).

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 (2012: 15% rate), in Poland - at 19% rate (2012: 19% rate), in Great Britain - at 20% rate (2012: 26% rate), in Russia - at 20% rate (2012: 20% rate), in Ukraine - at 19% rate (2012: 19% rate), in Italy - at 27.5% rate (2012: 27.5% rate).

29 Financial instruments by category	GROUP		COMPANY	
	2013	2012	2013	2012
<i>Category – Loans and receivables</i>				
Trade receivables (Note 19)	64 493	62 969	23	1 404
Cash and cash equivalents (Note 21)	21 678	8 913	3 313	548
Trade receivables from related parties (Note 19)	4 573	1 837	9 234	3 980
Loans provided (Note 19)	3 785	4 007	-	3 887
Security deposit with lessor (Note 19)	2 714	1 780	71	33
Loans provided to related parties (Notes 19, 34)	2 271	2 930	33 296	46 322
Other receivables (Note 19)	1 893	1 187	375	223
Other receivables from related parties (Note 19)	128	72	1 002	1 187
	101 535	83 695	47 314	57 584
<i>Category – financial liabilities measured at amortised cost</i>				
Bank loans (Note 25)	74 536	64 268	-	-
Trade payables (Note 26)	58 335	52 672	176	189
Borrowings from related parties (Note 25)	14 335	27	7 027	-
Bank overdraft (Notes 21, 25)	10 904	-	-	-
Finance lease liabilities (Note 25)	10 532	9 439	-	-
Other payables (Note 26)	2 041	1 481	131	75
Trade payables to related parties (Notes 26, 34)	574	1 035	108	151
Other borrowings (Note 25)	10	7	-	-
	171 267	128 929	7 442	415

30 Operating lease

The Group leases two aircraft hangars, training building, flight simulator, premises and commercial vehicles under operating lease agreements. The lease terms are between one and fifteen years, and the majority of lease agreements are renewable at the end of this lease period at market value. The operating lease expenditure charged to the income statement during the year are as follows:

	GROUP		COMPANY	
	2013	2012	2013	2012
Premises	3 764	2 618	304	49
Aircraft hangars	3 286	3 153	-	-
Flight simulator	2 244	1 924	-	-
Commercial vehicles	161	229	-	-
Warehouse	-	159	-	-
	9 455	8 083	304	49

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

Not later than 1 year	8 399	7 494	385	43
Later than 1 year but not later than 5 years	19 536	18 393	143	41
Later than 5 years	13 009	12 753	-	-
	40 944	38 640	528	84

31 Management compensation

Following the acquisition of Storm Aviation Ltd. in September 2011 some members of the management of the subsidiary have disposed their shares at discounted value. According to the acquisition agreement, the difference between the fair value of the shares disposed by the members of the subsidiary's management and their discounted value at the acquisition date would be recognized as post-combination employee services in profit or loss during the three years period, if the Management of subsidiary achieve appointed EBITDA targets. If targets would have been achieved, the least effect on profit or loss during the whole period would be LTL 140 thousand (2012: LTL 140 thousand). However, the targets are not yet achieved and according to the Group's management estimate, they will be hardly achievable in the remaining period therefore the above agreement has not been accounted for in the Group's profit or loss.

32 Business combination and disposal
Disposal in 2013

On 29 March 2013, the Group sold 95.5% of the share capital of *Small Planet Airlines UAB (Lithuania)* and *Small Planet Airlines Sp.z.o.o. (Poland)* to the management of these companies Mr. Vytautas Kaikaris (65.5%) and Mr. Andrius Staniulis (30%). Before the transaction Mr. Vytautas Kaikaris already owned 4.5% stake in both companies.

Details of sale price and assets and liabilities arising from the disposal in Group's financial statements are as follows:

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32 Business combination and disposal (continued)

	<i>Small Planet Airlines UAB - disposal's carrying amount</i>	<i>Small Planet Airlines Sp.z.o.o. – disposal's carrying amount</i>	<i>Inter- company transactions of disposal group</i>	Total disposal's carrying amount
Receivables	14 332	8 157	(2 112)	20 377
Security deposits placed	3 660	4 862	-	8 522
Loans granted	3 003	-	(2 419)	584
Cash and cash equivalents	561	98	-	659
Inventories	560	3	-	563
Property, plant and equipment	156	93	-	249
Intangible assets	34	1 125	-	1 159
Deferred income tax assets	-	918	-	918
Deferred income tax liabilities	(58)	(473)	-	(531)
Financial guarantees	(86)	-	86	-
Security deposits received	(1 941)	(8 403)	-	(10 344)
Borrowings	(9 866)	(2 419)	2 419	(9 866)
Payables	(21 790)	(13 636)	2 112	(33 314)
Total identifiable net assets	(11 435)	(9 675)	86	(21 024)
NCI based on proportionate share of net assets (4.5%)	515	435	(4)	946
Group's net assets / (liabilities) attributed to equity holders of the parent	(10 920)	(9 240)	82	(20 078)
Proceeds from sale of interest in subsidiaries				1 024
<i>Other items:</i>				
Exchange differences on translation of foreign operations				202
Gain on disposal, directly recognised in Group's profit or loss (Note 33)				21 304
Deferred consideration (treated as interest free loan for two years)				500
Share-exchange consideration				524
Sales price				1 024

Deferred consideration relates to a loan provided to one of the new shareholders of Small Planet Airlines for purchase of the shares. During the disposal of subsidiaries to Mr. Vytautas Kaikaris the Company has acquired 0.375% shares (or 22 119 ordinary shares) of the Company from him. These shares of the Company owned by Mr. Vytautas Kaikaris were considered to be treasury shares and directly deducted from shareholders' equity in the Company's and Group's balance sheets at the market price of the date of the transaction, i.e. at total purchase cost of LTL 1 169 thousand. LTL 524 thousand of the shares acquired was a consideration received for the shares of Small Planet airlines and LTL 645 thousand relates to a repayment of the loan by Mr Kaikaris.

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

Details of revenue, cost of sales and income tax expenses of disposal group (charter operations business segment) classified as discontinued operations are disclosed in Note 33.

As a result of the Group's disposal programme following the *Charter Operations business segment*, the Company's investments in associate *Small Planet Airlines S.r.l.* have been presented as held for sale in the Company and in the Group balance sheet at 31 December 2013. The carrying amount of the investments in associate held for sale is EUR 1 (Note 10, 33). The Group's investments in its associates at 31 December 2013 amounted to LTL 0 thousand through post-acquisition changes in the Group's share of net assets of the associate (at 31 December 2012: LTL 0 thousand).

32 Business combination and disposals (continued)

Charter operations business segment qualifies to be treated as disposed at 31 December 2013. The disposal group has operations with all business segments of the Group: it purchases aircraft maintenance, ground handling, fuelling, and crew training and business management services at market prices.

Acquisition in 2013

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

	<i>Helisota UAB - acquiree's carrying amount</i>	<i>Kauno aviacijos gamykla UAB - acquiree's carrying amount</i>	Fair value adjustment / reclassification*	Inter-company transactions of acquiree's	Fair values recognised on acquisition
Inventories (Note 18)	38 912	17	(4 951)	-	33 978
Receivables	7 839	30	1 094*	(26)	8 937
Property, plant and equipment (Note 15)	2 395	4 439	(26)	-	6 808
Investments in subsidiaries	1 992	-	-	(1 992)	-
Short-term bank deposits	1 506	-	-	-	1 506
Cash and cash equivalents	991	18	-	-	1 009
Deferred income tax assets (Note 28)	774	75	583	-	1 432
Loans granted	130	-	-	(130)	-
Intangible assets (Note 16)	76	-	-	-	76
Borrowings	(7 549)	(130)	-	130	(7 549)
Payables	(13 806)	(120)	-	26	(13 900)
Total identifiable net assets	33 260	4 329	(3 300)	(1 992)	32 297
Total identifiable net assets acquired					32 297
Purchase consideration - paid in cash					(12 470)
Purchase consideration - share-exchange (Notes 22, 23)					(5 933)
Excess of fair value of acquiree's net assets over cost (recognised directly in profit)					13 893
Analysis of cash flows on acquisition:					
Consideration paid in cash					(12 470)
Cash acquired with the subsidiary					1 009
Acquisition of subsidiaries, net of cash acquired					(11 461)

The income statement of *Helisota UAB* for the period since the acquisition date until the end of reporting period is not included in the consolidated statement of comprehensive income as the impact of consolidation is not significant.

The group recognised a gain of LTL 13.9 million arising from the acquisition as a result of successful negotiation with non-controlling interests of *Helisota UAB*. The gain is included in other gain / (losses) – net in the Group's statement of comprehensive income for the year ended 31 December 2013.

Purchase consideration – share-exchange relates to additional 165,000 shares issued by the Company and related share premium resulting from measurement of the share emission at the closing price of the Company's shares on the WSE on the trading day immediately preceding the day of the transaction (Notes 22, 23). This new share emission was used to pay for the shares of *Helisota UAB* in addition to cash payment. The total purchase consideration in share exchange amounted in LTL 5,9 million.

32 Business combination and disposals (continued)

According to the acquisition agreement, two private investors have acquired a put option, i.e. a right to redeem the acquired shares (through share-exchange transaction) of *Avia Solutions Group AB* during the three years period at a pre-determined fixed price, if the Management of *Helisota UAB* achieves appointed EBT targets. The fair value of the put option has not yet been determined but the Management believes that it should not be material to the financial statements. As the fair value of the put option is not yet determined, the business combination accounting is not yet completed. The initial accounting for the business combination should be completed not later than within 12 months after the business combination took place.

If the acquisition of *Helisota UAB* took place at the beginning of the year 2013, the revenue of the Group for 2013 would have been greater by LTL 48.3 million and the net result would have been less by LTL 2.2 million. If the acquisition of *Helisota UAB* took place at the beginning of the year 2012, the revenue of the Group for 2012 would have been greater by LTL 42.3 million and the net result would have been greater by LTL 5.6 million.

Disposal in 2012

On 3 January 2012, the Group sold 50 % of the share capital of *Small Planet Airlines s.r.l. (Italy)* to third parties. Sales proceeds from the disposal of a 50 per cent shareholding in *Small Planet Airlines S.r.l.* amounted to EUR 763 thousand. *Small Planet Airlines s.r.l.* became the associate of the Group in which the Company holds interest of 35.50 per cent. Details of sale price and assets and liabilities arising from the disposal are as follows:

	Small Planet Airlines s.r.l. - disposal's carrying amount
Cash and cash equivalents	2 670
Property, plant and equipment (Note 15)	57
Intangible assets (Note 16)	1 032
Deferred income tax assets (Note 28)	962
Receivables	6 231
Payables	(7 878)
Borrowings	(389)
Deferred income tax liabilities (Note 28)	(18)
Net assets disposed	2 667
Proceeds from sale of interest in subsidiary with loss of control	2 637
Less: cost of investment in subsidiary (50 per cent of net assets disposed)	(1 333)
Gain on disposal in Group's financial statements (discontinued operations):	1 304

33 Non-current assets held for sale and discontinued operations

As a result of the Group's disposal programme following the *Charter Operations business segment*, various assets and associated liabilities, have been presented as held for sale in the Group balance sheet at 31 December 2012. The carrying amount of the assets held for sale is LTL 29 137 thousand, with associated liabilities of LTL 31 789 thousand.

The Group has disposed of *Charter operations* business segment, which qualifies to be treated as discontinued as at 31 December 2012. The disposal group has operations with all business segments of the Group: it purchases aircraft maintenance, ground handling, fuelling, crew training and business management services at market prices. The value of charter operations purchased by the disposal group during the first quarter 2013 (from 1 January 2013 until the date of disposal, Note 32) was LTL 8.7 million (during the whole 2012: LTL 54.4 million). As the arrangement for purchase from the Group will continue in the future, the results of aircraft maintenance, ground handling, fuelling and crew training operations include the amount of LTL 8.6 million that will become external revenue in the first quarter of 2013 (2012: LTL 54.0 million). The remaining LTL 0.1 million (2012: LTL 0.4 million) is the business management revenue that will no longer accrue to the Group following the disposal.

AVIA SOLUTIONS GROUP AB

SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
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(All tabular amounts are in LTL '000 unless otherwise stated)


33 Non-current assets held for sale and discontinued operations (continued)
GROUP
31 December 2012
(a) Assets of disposal group classified as held for sale

Property, plant and equipment (Note 15)	412
Intangible assets (Note 16)	1 127
Deferred income tax assets (Note 28)	1 516
Security deposits placed	5 681
Inventory	540
Prepaid income tax	441
Trade receivables	9 926
Loans provided	580
Other current assets	1 237
Deferred charges	6 139
Cash and cash equivalents	1 538
Total, excluding IC transactions with the Group	29 137
IC transactions with the Group	6 222
Total, including IC transactions with the Group	35 359

(b) Liabilities of disposal group classified as held for sale

Non-current liabilities	457
Deferred income tax liabilities (Note 28)	533
Trade and other payables	25 328
Other current liabilities	5 471
Total, excluding IC transactions with the Group	31 789
IC transactions with the Group	19 715
Total, including IC transactions with the Group	51 504

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

GROUP	January-March	
	2013	2012
Revenue	19 745	232 824
Cost of sales	(22 346)	(225 354)
Gross profit (loss) from discontinued operations	(2 601)	7 470
Profit (loss) before income tax from operating activities	(5 137)	(8 228)
Income tax expense	(5)	(54)
Profit (loss) from operating activities, net of tax	(5 142)	(8 282)
Gain on sale of discontinued operations (Note 32)	21 304	1 304
Net profit (loss) for the year from discontinued operations	16 162	(6 978)

COMPANY
(a) Assets of disposal group classified as held for sale

Investments in subsidiaries classified as held for sale (Notes 10, 17)	-	2 299
Investments in associate classified as held for sale (Notes 32, 36)	2 476	-
Net fair value loss of investments in subsidiaries classified as held for sale through profit or loss (Note 10)	(2 476)	(1 291)
Assets of disposal group classified as held for sale	-	1 008

The Company's investments in associate *Small Planet Airlines S.r.l.* have been presented as held for sale in the Company balance sheet at 31 December 2013. The carrying amount of the investments in associate held for sale is EUR 1 (Note 10, 33).

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

**34 Related party transactions**

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

The following transactions were carried out with related parties:

	GROUP		COMPANY	
Sales of assets:	2013	2012	2013	2012
Subsidiaries of the Group	-	-	-	2
Entities having significant influence	2	-	-	-
Other related parties	-	235	-	2
	2	235	-	4
Sales of services to:				
Entities having significant influence	2	2	2	2
Subsidiaries of the Group	-	-	5 618	4 542
Associates of the Group	1 374	3 493	7	5
Other related parties	14 265	2 341	652	367
	15 641	5 836	6 279	4 916
Total sales of assets and services	15 643	6 071	6 279	4 920

In year 2013 amount of sales of consulting and management services from the Company to its related parties was LTL 6 279 thousand (2012: LTL 4 916 thousand). In year 2013 amount of sales of aircraft maintenance services from the Group to companies of *AviaAM Leasing AB* Group was LTL 13 582 thousand (2012: LTL 1 973 thousand).

Purchases of assets from:

Subsidiaries of the Group	-	-	27	-
Other related parties	478	1 776	-	-
	478	1 776	27	-

Purchases of services from:

Entities having significant influence	101	80	65	25
Subsidiaries of the Group	-	-	93	126
Other related parties	6 994	5 376	24	15
	7 095	5 456	182	166
Total purchases of assets and services	7 573	7 232	209	166

In year 2013 amount of purchases of premises lease services from *VA Reals AB* was LTL 5 644 thousand (in 2012: LTL 5 263 thousand).

AVIA SOLUTIONS GROUP AB
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34	Related party transactions (continued)	GROUP		COMPANY	
		2013	2012	2013	2012
	Trade receivables from related parties				
	Trade receivables from entities having significant influence	2	-	-	-
	Trade receivables from subsidiaries of the Company	-	-	9 165	3 881
	Trade receivables from other related parties	4 571	1 837	69	99
	Trade receivables from related parties – net (Note 19)	4 573	1 837	9 234	3 980
	Deferred charges to other related parties	180	-	-	-
	Other receivables from subsidiaries of the Company (Note 19)	-	-	990	1 115
	Other receivables from related parties (Note 19)	128	72	12	72
	Prepayments from subsidiaries of the Group	-	-	10	-
	Prepayments from entities having significant influence (Note 19)	-	1	-	-
	Prepayments from other related parties (Note 19)	-	3	-	-
		4 881	1 913	10 246	5 167
	Payables and advances received from related parties				
	Amounts payable to entities having significant influence (Note 26)	8	7	2	1
	Amounts payable to subsidiaries of the Company (Note 26)	-	-	105	19
	Amounts payable to other related parties (Note 26)	566	1 028	1	131
	Advances received from other related parties	1 528	-	-	-
		2 102	1 035	108	151
	Loans received from related parties				
	Beginning of the period	41	272	-	-
	Reclassification of interest from other related parties to interest from third parties	(13)	-	-	-
	Transferred to the liabilities classified as held for sale	-	(266)	-	-
	Loans received from subsidiaries of the Group	-	-	-	-
	Loans received from other related parties	16 375	287	7 027	-
	Loan repayments to entities having significant influences	-	-	-	-
	Loan repayments to subsidiaries of the Group	-	-	-	-
	Loans repayments to other related parties / set-offs	(2 068)	(266)	-	-
	Interest on loans charged (2013 - at 7%)	136	14	22	-
	Interest on loans repaid / set-offs	(136)	-	(22)	-
	End of the period	14 335	41	7 027	-
	Less: non-current portion	-	(27)	-	-
	Current portion (including accrued interest expense):	14 335	14	7 027	-

AVIA SOLUTIONS GROUP AB
**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
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34	Related party transactions (continued)	GROUP		COMPANY	
		2013	2012	2013	2012
	Loans to related parties				
	Beginning of the period	3 025	784	47 509	37 264
	Reclassification of loans advanced to subsidiaries of the Group to loans advanced	-	1 200	(8 931)	-
	Loans advanced to subsidiaries of the Group	-	-	919	18 441
	Loans advanced to other related parties	1 005	710	951	718
	Loans advanced to the associate	-	691	-	691
	Loan repayments received/set-offs from subsidiaries of the Group	-	-	(4 791)	(9 864)
	Loan repayments received from other related parties (set-offs)	(375)	(420)	(29)	-
	Reclassification of loans advanced to other related parties to loans advanced	(598)	-	(598)	-
	Loan repayments received/set offs from associate	(605)	-	(605)	-
	Impairment of loan to associate (Note 3.1)	(86)	-	(86)	-
	Interest charged to subsidiaries of the Group	-	-	1 920	2 235
	Interest charged to other related parties	133	60	5	55
	Interest received/set-offs from subsidiaries of the Group	-	-	(1 902)	(2 031)
	Interest received/set-offs from other related parties	(11)	-	(2)	-
	Reclassification of interest from other related parties to interest from third parties	(40)	-	(40)	-
	Impairment of interest from associate	(49)	-	(23)	-
	End of the period	2 399	3 025	34 297	47 509
	Less non-current portion:	(2 138)	(1 424)	(28 598)	(1 031)
	Current portion (including accrued interest income):	261	1 601	5 699	46 478

As at 30 December 2013 the Company granted a loan to Mr. Aurimas Sanikovas (Chief Financier Officer of the Company) in amount of LTL 1 million for purchasing shares of *Avia Solutions Group AB*. Shares are pledged to the Company under this agreement. According to this loan agreement the borrower has the right to require the Company to redeem the shares in a period from 31 March 2014 to 31 December 2018 if the Group achieves appointed EBT targets. The Group's management does not expect this loan to have any material effect on the Group's financial statements.

Intra – group financial guarantees provided on behalf of a Subsidiary of the Company

In 2011 the Company issued an intra-group financial guarantee on behalf of its subsidiary for bank loans amounting to LTL 45 million as at 31 December 2013, related towards financing of working capital and towards refinancing of existing financial obligations. The liabilities secured by these guarantees were also secured by pledge of buildings and spare parts owned by a subsidiary (Note 25).

In 2013 the Company issued an intra-group financial guarantee on behalf of its subsidiary for bank overdraft amounting to LTL 11 million as at 31 December 2013, related towards financing of working capital and towards refinancing of existing financial obligations. The liabilities secured by these guarantees were also secured by pledge of machinery, vehicles, aircraft fuel and trade receivables owned by a subsidiary (Note 25).

In 2013 the Company issued an intra-group financial guarantee on behalf of its subsidiary for bank loans amounting to LTL 18 million as at 31 December 2013, related towards financing of costs related to the aviation hangar construction. The liabilities secured by these guarantees were also secured by pledge of lease right regarding the land plot, future aviation hangar, future hangar's equipment and other fixed assets owned by a subsidiary (Note 25).

Date of issue	Issued to	On behalf of	Valid till	Amounts as of 2013.12.31
2011.09.30	The Bank	The Subsidiary	2017.08.31	LTL 45 299 thousand
2013.10.23	The Bank	The Subsidiary	2014.10.23	LTL 10 903 thousand
2013.04.08	The Bank	The Subsidiary	2018.03.20	LTL 18 369 thousand

AVIA SOLUTIONS GROUP AB**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2013***(All tabular amounts are in LTL '000 unless otherwise stated)***35 Remuneration of the Group's and the Company's key management**

Key management includes General Directors of the Group companies, Chief Financial Officer, Financial Directors of the Group companies, Directors of main units and departments. Transactions with Group's key management are as follows:

	GROUP		COMPANY	
	2013	2012	2013	2012
Salaries including termination benefits	6 435	8 103	712	720
Social insurance expenses	1 783	2 457	221	222
Bonuses	280	206	-	-
	8 498	10 766	933	942
The number of key management at the end of year	50	56	3	3

36 Events after the balance sheet date

The Company has signed an investment agreement with TVK Rossiya, part of Russia's largest state-owned holding company Rostec, for the development and management of the fourth Moscow airport hub on the basis of existing Ramenskoe aerodrome. Under the agreement, the parties will establish a special purpose company, where the Company is required to invest 1 billion RUB (approx. 76 million LTL) into the company's share capital, receiving up to 75% of the company's shares whereas TVK Rossiya, shareholder of the remaining shares, will contribute real estate that is necessary for airport development.

The Company sold its 35.50% stakes in Small Planet Airlines s.r.l. (Italy) to the third parties.

On the 3 January 2014 the Company issued a guarantee to a bank on behalf of a subsidiary in the amount of EUR 869 thousand to secure the bank loan.

In February 2014 the Company signed the agreement for sale 49% stakes in Baltic Aviation Academy UAB to third party. On 15 April 2014 the first stage of sale transaction was completed: the Company sold its 23.09% stakes in Baltic Aviation Academy UAB to the third party. The whole sale transaction will be completed until 31 May 2014.

General Manager
Linās Dovydenas

A stylized blue ink signature of Linas Dovydenas.

Chief Financial Officer
Aurimas Sanikovas

A stylized blue ink signature of Aurimas Sanikovas.

SEPARATE AND CONSOLIDATED ANNUAL REPORT

Approved by the Board as at 15 April 2014

I. GENERAL INFORMATION

Reporting period

Year ended 31 December 2013

Issuer and its contact details

Name of the Issuer

Avia Solutions Group AB
(hereinafter – ‘Avia Solutions Group AB’ or ‘the Company’)

Legal form

Public company (joint-stock company)

Date of registration

31 August 2010

Name of Register of Legal Entities

State Enterprise Centre of Registers

Code of enterprise

302541648

Registered office

Smolensko St 10, LT-03201 Vilnius, Lithuania

Telephone number

+370 5 252 5500

Fax number

+370 5 252 5501

E-mail

info@aviasg.com

Internet address

www.aviasg.com

Persons responsible for the accuracy of the provided information:

Name	Position	Telephone number	E-mail
Linas Dovydenas	CEO of Avia Solutions Group AB	+370 5 252 5500	Linas.Dovydenas@aviasg.com
Aurimas Sanikovas	CFO of Avia Solutions Group AB	+370 5 252 5500	Aurimas.Sanikovas@aviasg.com
Irina Travkina	Deputy CFO of Avia Solutions Group AB	+370 5 252 5500	Irina.Travkina@aviasg.com

Main activities

Avia Solutions Group AB is a holding company together with its subsidiaries (hereinafter collectively – the ‘Group’) engaged in delivering our clients integrated aviation related services.

The Group operates in four business segments:

- Aircraft Maintenance, Repair and Overhaul (MRO);
- Aircraft Ground Handling and Fuelling;
- Pilot and Crew Training
- Business Charter Operations (new)
- Charter Operations (discontinued);

The *Charter Operations* segment is no longer disclosed. It was reclassified to assets held for sale in the financial statements for the year ended 31 December 2012 and was disposed on 26 March 2013. Information about discontinued operations is provided in Notes 32, 33 of the Group’s and the Company’s Financial Statements for the year ended 31 December 2013.

Aircraft Maintenance, Repair and Overhaul (MRO)

Activities in our MRO business segment are conducted by FL Technics AB (*FL Technics*), FL Technics Jets UAB (*FL Technics Jets*), FL Technics Line OOO (*FL Technics Line*), Locatory.com AB (*Locatory.com*), Storm Aviation Limited (*Storm Aviation*) and include: aircraft base and line maintenance; component management; engineering services; spare parts and consumable sales; technical training; consulting; engine maintenance management; aircraft parts marketplace services, business jet maintenance and repair services and other related aircraft maintenance services. In December 2013 the Group acquired a new subsidiary Helisota UAB (*Helisota*) due to increase the presence in the MRO business segment in the new Helicopter MRO sub-segment.

Base maintenance

FL Technics occupies 2 aircraft maintenance hangars together with administrative, warehouse and back shop facilities in Vilnius International Airport – 13,742 sq. meters in total. The hangars are comprised of total 5 airframe maintenance bays. Utilizing these hangars and the nearby premises *FL Technics* provides base maintenance services, including: aircraft base maintenance checks, structure inspection and structure repairs, routine maintenance, technical defect rectification, interior refurbishment, minor / major modifications (avionics, airframe), engine replacement, landing gear replacement and non-destructive testing.

Line maintenance

Line maintenance is defined as maintenance that is carried out before each flight to ensure that the aircraft is fit for the intended flight and includes: daily service and weekly checks, unscheduled checks, troubleshooting, defect rectification and minor component replacement. As at 31 December 2013 *FL Technics* and *Storm Aviation* collectively operated nineteen line stations (at 31 December 2012 – twenty five line stations).

Continuing airworthiness management (engineering) services

FL Technics provides comprehensive engineering management services to the aircraft operators, airlines and leasing companies. Basic engineering services provided by *FL Technics* include: aircraft airworthiness review and renewal, engine condition monitoring, aircraft weighting, flight data read-out, monitoring and analysis and ageing aircraft programs.

Spare parts and consumable sales

FL Technics provides comprehensive spare parts management services including: planning / provisioning, purchasing, inventory control, asset management, warehousing and distribution of spare parts and consumables. One of the core competences of *FL Technics* is spare parts logistics based on experience and enhanced with good geographical location of Lithuania.

Technical training and consulting services

FL Technics provides technical training for aviation specialists involved in the maintenance and repair of aircraft, as well as other specialized training programs and consulting services. The training programs, which are drawn up in accordance with the requirements of EASA, cover four main areas: basic maintenance training, aircraft type training, specialized aviation training and other consulting services.

Engine and Components management services

FL Technics provides comprehensive engine and component management services aimed at saving its customers' time and money. Scrap replacement materials are provided during a shop visit. *FL Technics* also offers a number of alternative options to deal with the engine, landing gear, APU and other components' problems, including exchange, sale, purchase and lease of an engine or its components.

Other MRO services

Other MRO services are mainly comprised of non-destructive testing (eddy current, magnetic particle, dye penetrate and ultrasonic) of airframes and components services provided by *FL Technics*, and of aircraft parts marketplace services provided by *Locatory.com*. *Locatory.com* develops and maintains its own trading platform catered specifically to the aircraft spare parts aftermarket while offering proactive customer support and enhancing the industry with effective supply chain management solutions.

Business jet MRO

FL Technics Jets is a global provider of tailor-made maintenance, repair and overhaul services for business aviation. The Company provides base maintenance services for Hawker 700-900XP and Bombardier CL-600-2B19 families.

Helicopter MRO (new business sub-segment)

On 16 December 2013, the Group acquired 100% of the share capital of *Helisota UAB (Helisota)* and 100% of the share capital of its subsidiary *Kauno aviacijos gamykla UAB (KAG)* from third parties. As a result of the acquisition, the Group is expected to increase its presence in the MRO segment, in the new Helicopter MRO sub-segment. *Helisota* is an international provider of integrated maintenance, repair and overhaul (MRO) services for rotorcraft aviation. The company is an EASA Part 145 and Part 147 organization as well as an authorized Mil Helicopters and Robinson R44 service center. Based on certified services and products *Helisota* supports various government and private rotorcraft operators from 25 countries worldwide.

Aircraft Ground Handling and Fuelling

Aircraft ground handling and fuelling services are conducted by three Subsidiaries of the Company, namely: *Baltic Ground Services UAB (Baltic Ground Services LT)*, *Baltic Ground Services Sp. z.o.o. (Baltic Ground Services PL)* and *Baltic Ground Services s.r.l. (Baltic Ground Services IT)*. *Baltic Ground Services LT*, *Baltic Ground Services PL* and *Baltic Ground Services IT* are jointly referred to as "Baltic Ground Services".

Baltic Ground Services is a regional group of ground handling companies, which provide full range of aircraft ground handling and fuelling services. As 31 December 2013, *Baltic Ground Services* activities were concentrated in Vilnius International Airport and Palanga International Airport (conducted through *Baltic Ground Services LT*), in Warsaw Chopin Airport, Krakow International Airport and Katowice International Airport in the Republic of Poland (conducted through *Baltic Ground Services PL*) and in Lamezia Terme Airport in Italy (conducted through *Baltic Ground Services IT*). Chopin

Pilot and Crew Training

Pilot and crew training operations are carried through *Baltic Aviation Academy UAB (Baltic Aviation Academy)* and *AviationCV.com UAB (AviationCV.com)*.

AviationCV.com is a global provider of aviation specialist resourcing solutions for airlines, MRO providers and other industry players. The company has its own vast database of flight crew members, aircraft engineers and other aviation specialists aimed at meeting short and long term HR needs of the global aviation industry.

Certified as ATO (Approved Training Organization), *Baltic Aviation Academy* offers Ab Initio and Type Rating pilot training, Cabin Crew, Ground Handling, instructor and supporting aviation course training solutions. Headquartered in Vilnius (Lithuania) the academy is providing the custom tailored training solutions wrapped in the personal care and seeks to establish itself as a leading aviation training center in Central Europe. *Baltic Aviation Academy* occupies 1,330 sq. m. training center equipped with FNPT II (Flight Navigation procedure trainer); aircraft fleet of Cessna 172, Tecnam P2002JF and Tecnam 2006T; Boeing 737-300/-400/-500 and Airbus 319-320-321 Full Flight Simulators (FFS), Real Fire Fighting and Smoke Trainer. In addition to the above mentioned simulators, Boeing 737-CL/NG, 747, 757, 767, 777; Airbus 319-320-321, 330, 340; ATR 42, 72; Bombardier CRJ-100/200, 700/900, Dash 8Q-400, Embraer 135/145, 170/190; SAAB 2000, 340 FFS, and other numerous aircraft type simulators *Baltic Aviation Academy* leases from UK, Spain, France, USA, Sweden, Germany and Russia.

Business Charter Operations (new business segment)

New subsidiary, Verslo skrydžiai UAB (*KlasJet*), was established on 9 October 2013. Currently it has started preparations for business charter activity.

The Company's vision and mission

The Company's vision is to be the best partner in aviation related services in the region. By employing professionalism of our employees, taking responsibility and being flexible in finding the best way to improve any situation we enable customers to focus on their core activities. The Group's mission is to create value for shareholders and customers by providing professional and high-quality aviation related services.

As on 31 December 2013, the Group consisted of the parent company, *Avia Solutions Group AB*, (registered on 31 August 2010, code 302541648, name of the Register of Legal Entities: State Enterprise Center of Registers; address: Smolensko St 10, LT-03201 Vilnius tel.: +370 5 252 5500; fax. +370 5 252 5501; e-mail: info@aviasg.com; internet address: www.aviasg.com) and its effective subsidiaries:

Name of the company	Date of registration, code, name of Register of Legal Entities	Contact details	Effective holding of the Company (%)
AviationCV.com UAB	13 April 2011, code 302615625, Register of Legal Persons of the Republic of Lithuania	Smolensko str. 10, LT-03201 Vilnius, Lithuania tel. +370 5 2525500, fax. +370 5 2525501, info@aviationcv.com , www.aviationcv.com	100.00
Baltic Aviation Academy UAB	22 November 2006, code 300618099, Register of Legal Persons of the Republic of Lithuania	Darius ir Girėno str. 21, Vilnius, Lithuania tel. +370 5 2525536, fax. +370 5 2525537, info@balticaa.com , www.balticaa.com	100.00
Baltic Ground Services UAB	11 August 2005, code 300136658, Register of Legal Persons of the Republic of Lithuania	Rodūnios road 6, LT- 02187 Vilnius, Lithuania tel. +370 5 252 55 92, fax. +370 5 252 50 07, info@bgs.aero , www.bgs.aero	100.00
Baltic Ground Services PL Sp. z.o.o.	15 April 2010, code 0000353957, Register of Entrepreneurs of the National Court Register held by the District Court for the Capital City of Warsaw in Warsaw, XIII Commercial Division of the National Court Register	17 Stycznia 45 B, 02-146 Warsaw, Poland, tel. +48 22 256 99 00, fax. +48 22 256 99 01, info@bgs.aero , www.bgs.aero	100.00
Baltic Ground Services UA TOV	29 August 2011, code 37856865, State Register of Legal Entities and Individual Entrepreneurs of Ukraine	Kniazhnyj Zaton str. 2/30, 02095, Kiev, Ukraine, tel. +370 5 252 55 92, fax. +370 5 252 50 07, info@bgs.aero , www.bgs.aero	100.00
Baltic Ground Services s.r.l.	Code R.E.A. RM-1287462, Company Registration Number c/o Chamber of Commerce: CCIAA T 76480595	Casella postale 140,88040, Lamezia Terme (CZ),Italy, tel . +39 0968 418540, fax : +39 0968 418540, info@bgs.aero , www.bgs.aero	100.00
Ground Handling CIS UAB	04 July 2011, code 302644356, Register of Legal Persons of the Republic of Lithuania	Rodūnios road 6, LT- 02187 Vilnius, Lithuania tel. +370 5 252 55 92, fax. +370 5 252 50 07, info@bgs.aero , www.bgs.aero	100.00
FL Technics AB	22 December 2005, code 300517602, Register of Legal Persons of the Republic of Lithuania	Rodūnios road 18, LT-02188 Vilnius, Lithuania tel. +370 5 252 5015, fax. +370 5 252 5646, info@fltechnics.com , www.fltechnics.com	100.00
FL Technics Jets UAB	11 June 2007, code 300869952, Register of Legal Persons of the Republic of Lithuania	Naugarduko g. 100, LT-03160 Vilnius, Lithuania tel. +370 5 252 5662, fax. +370 5 252 5646, info@fltjets.com , www.fltjets.com	100.00

Name of the company	Date of registration, code, name of Register of Legal Entities	Contact details	Effective holding of the Company (%)
FL Technics Line OOO	03 August 2011, code 7746600289, State Register of Legal Entities of Russian Federation	Vnukovo International Airport, 2nd Reysovaya Street 2, Building 5, Moscow, Russia tel. +7 915 270 4220, fax. +370 5 252 5646, line@fltechnics.com, www.fltechnicsline.com	93.00
FL Technics Ulyanovsk OOO	22 July 2011, code 7329004322, State Register of Legal Entities of Russian Federation	Sovietskaya str. 6, 433400, Cherdakly, Cherdaklinsky District, Ulyanovsk Region, Russian Federation tel. +370 682 30366, fax. +370 5 252 5646 www.fltechnicsulyanovsk.ru,	99.00
FLT Trading House UAB	26 May 2010, code 302514409, Register of Legal Persons of the Republic of Lithuania	Žirmūnų str. 139, Vilnius, Lithuania tel. 370 5 252 5500, fax. +370 5 2525501,	100.00
Locatory.com UAB	7 December 2010, code 302572273, Register of Legal Persons of the Republic of Lithuania	Smolensko str. 10, LT-03201 Vilnius, Lithuania tel. +370 5 252 5500, fax. +370 5 252 5501, info@locatory.com, www.locatory.com	95.00
Helisota UAB	7 May 1997, code 134953768, Register of Legal Persons of the Republic of Lithuania	Europos Ave. 5, LT-46329 Kaunas, Lithuania tel. +370 3 742 1637, fax. +370 3 742 0420, helisota@helisota.com, www.helisota.com	100.00
Kauno aviacijos gamykla UAB	16 July 1993, code 133745440, Register of Legal Persons of the Republic of Lithuania	Europos Ave. 21, LT-46329 Kaunas, Lithuania tel. + 370 3 742 0395, fax. +370 3 742 0994 kag@kaunas.omnitel.net	100.00
Small Planet Airlines S.r.l.	17 February 2010, code PD-390928, Padova Chamber of Commerce	Padova (PD) Galleria dei Borromeo 3 cap 35137, Italy tel. +390 6 650 2751, fax. +390 6 65027 5333, www.smallplanet.aero	35.5
Verslo skrydžiai UAB	9 October 2013, code 303163347, Register of Legal Persons of the Republic of Lithuania	Smolensko str. 10, LT-03201 Vilnius, Lithuania tel. +370 5 252 5581, fax. +370 5 252 5529 info@klasjet.aero, www.klasjet.aero	100.00
Storm Aviation (Cyprus) Ltd.	30 September 2011, code HE290461, Ministry of Commerce, Industry and Tourism, Department of Registrar of Companies and Official Receiver Nicosia	Rafail Santi 58, Nefeli Court 11, 1st floor, Flat/Office 104-105, 6052, Larnaca, Cyprus www.fltechnicsline.com	100.00
Storm Aviation Limited	30 September 2011, code 05229468, The Registrar of Companies for England	Unit 259 Capability Green Luton LU1 3LU, Great Britain, tel. +44 (0) 1582 390640 sales@stormaviation.com, www.fltechnicsline.com	100.00

Information about date of acquiring/establishment and activity of Group's subsidiaries is provided in Note 1 of the Group's Financial Statements for the year ended 31 December 2013.

As at 31 December 2013 the Company had no branches.

Agreements with intermediaries of public trading in securities

Since 31 August 2010 the Company and Orion Securities UAB FMĮ (code 122033915), A. Tumėno St. 4, B corps, 7 floor, LT-01109 Vilnius, have an agreement on accounting of the Company's securities and services related to the accounting of securities.

II. FINANCIAL AND OPERATIONAL INFORMATION

In 2013 *Avia Solutions Group AB* and its subsidiaries (hereinafter – the Group) earned net profit from continuing operations of LTL 15.3 million (in 2012: LTL 26.1 million). Comparing with 2012 the consolidated revenue from continuing operations has increased up to LTL 554 million, or by 3.4 % as compared with LTL 536 million in 2012. Results were generated primarily as a result of strategic decisions made.

Key events during 2013 are summarized below:

Date	Operating Segment	Event
February 2013	Aircraft Maintenance, Repair and Overhaul (MRO)	<i>FL Technics</i> became an exclusive sales and marketing representative of the global aviation components supplier <i>Seal Dynamics</i> in Russia, the CIS and twelve CEE states
April 2013	Aircraft Maintenance, Repair and Overhaul (MRO)	<i>FL Technics Jets</i> became an exclusive distributor of aviation oils and liquids for Russian aircraft in Eastern Europe
May 2013	Aircraft Ground Handling and Fuelling	<i>Baltic Ground Services UAB</i> completed certification of a new glycerin-based Type I de-icing fluid Defrosol ADF
August 2013	Aircraft Maintenance, Repair and Overhaul (MRO)	<i>FL Technics</i> received ISO 9001:2008 certificate. The project was funded by European Regional Development Fund (ERDF) under European Growth Programme's second priority 'Increasing business productivity and improving the business environment' measure 'Process LT'.
November 2013	Aircraft Maintenance, Repair and Overhaul (MRO)	<i>FL Technics Jets</i> became the first Tronair authorized service center in Eastern Europe, Russia and the CIS
December 2013	Aircraft Maintenance, Repair and Overhaul (MRO)	<i>FL Technics AB</i> has signed an agreement with Lithuanian Business Support Agency regarding LTL 10 million (EUR 2.9 million) European Union Structural Funds grant. The EU Structural Funds grant will finance part of equipment cost for the new <i>FL Technics</i> hangar facility in Kaunas, Lithuania,

The major events to the Group's structure during 2013 were as follows:

Date	Operating Segment	Event
March 2013	Unallocated	Mr Vytautas Kaikaris was resigned from the Management Board of <i>Avia Solutions Group AB</i>
March 2013	Charter operations	95,5% stakes in <i>Small Planet Airlines UAB</i> (Lithuania) and <i>Small Planet Airlines Sp. z o. o.</i> (Poland) were sold
April 2013	Unallocated	Mr Daumantas Lapinskas was elected to the Management Board of <i>Avia Solutions Group AB</i>
October 2013	Business charter (new business segment)	New subsidiary <i>Verslo skrydžiai UAB</i> was established
December 2013	Aircraft Maintenance, Repair and Overhaul (MRO)	<i>Avia Solutions Group AB</i> completed the acquisition of 100% of the share capital in <i>Helisota UAB</i> and its subsidiary <i>Kauno aviacijos gamykla UAB</i>
December 2013	Unallocated	Issue of additional 165,000 ordinary shares
December 2013	Unallocated	Mr Zilvinas Lapinskas and Mr Anatolij Legenzov were elected to the Management Board of <i>Avia Solutions Group AB</i> . Mr Jonas Butautis and Mr Saulius Batavicius were re-called from the Management Board of <i>Avia Solutions Group AB</i> as a result of their resignation from the managers of the subsidiaries

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

Key figures of the Group

Financial figures	2013	2012	Change
Revenue from continuing operations (LTL thousand)	554 056	535 860	+3.4%
Operating profit from continuing operations (LTL thousand)	20 717	31 626	-34.5%
Operating profit margin (%)	3.7	5.9	-2.2pp
Profit before income tax from continuing operations (LTL thousand)	16 846	29 536	-43.0%
Net profit for the period from continuing operations (LTL thousand)	15 290	26 054	-41.3%
Net profit for the period from discontinued operations (LTL thousand)	16 162	(6 978)	+231.6%
Net profit for the period (LTL thousand)	31 452	19 076	+64.8%
Net profit for the period from continuing operations margin (%)	2.8	4.9	-2.1pp
Earnings per share from continuing operations (LTL)	2.583	4.427	-41.7%
Earnings per share from discontinued operations (LTL)	2.780	(1.121)	+250.0%
Earnings per share (LTL)	5.364	3.306	+62.3%
Weighted number of shares (thousand)	5 896	5 893	+0.1%

Financial ratios	31 December 2013	31 December 2012
Return on equity (ROE)* (%)	21	17
Gearing ratio** (%)	37	36
Equity to total assets ratio*** (%)	40	38
Liquidity ratio	1.48	1.16
Number of full-time employees at the end of the period of the whole Group	1 342	1 095
Number of full-time employees at the end of the period (from the continuing operations only)	1 342	951

* - Return on equity (ROE) = Net profit for the period / Total equity

** - Gearing ratio = Net debt / (Net debt + Total equity), Net debt = Borrowings – Cash and cash equivalents

*** - Equity ratio = Total equity / Total assets

Operating figures	2013	2012	Change
Number of SOLD man-hours in base maintenance	247 722	307 900	-19.5%
Number of SOLD man-hours in engineering	60 091	50 076	+20.0%
Number of SOLD man-hours in maintenance training	8 406	6 155	+36.6%
Number of line stations at the end of the period	19	25	-6
Number of aircrafts served	9 541	9 969	-4.3%
Number of passengers served	1 493 981	1 480 225	+0.9%
Volume of fuel sold (tonnes)	62 236	61 150	+1.8%
TRTO - Number of sold theoretical training hours	8 203	6 587	+24.5%
TRTO - Number of sold practical training (FFS) hours	12 294	12 712	-3.3%

Revenue related to continuing operations

The total consolidated Group's revenue from continuing operations for the year 2013 was LTL 554 million, an increase by 3.4 per cent over the total revenue of LTL 536 million for the year 2012. During 2013 revenue from *Aircraft maintenance* and *Pilot and crew training business segment's* continued to grow while revenue from *Ground handling and fuelling segment* went down.

A significant growth as compared with 2012 was in *Aircraft maintenance segment* where revenues to external customers increased by LTL 30 million and amounted to LTL 319 million in 2013 as compared to LTL 289 million in 2012, which is higher than 10% increase. The growth was driven primarily by increase in engine management services, expansion of spare parts and consumable services, technical training and consulting services and new services' offering such as components management. In addition to that revenue from business jet maintenance and repair increased to LTL 14.4 million in 2013 as compared to LTL 7.8 million in 2012, which is higher than 84% increase.

Ground handling and fuelling segment revenues to external customers have decreased by LTL 12 million (decrease of 5.5%) and amounted to LTL 206 million in 2013 as compared to LTL 218 million in 2012. The decrease was caused by fallen aircraft fuel contracts in Poland.

Pilot and crew training business segment's revenues to external customers have slightly increased by LTL 0.3 million (increase of 1.2%). In 2013 subsidiaries offering training services generated LTL 28 million revenues.

Operating expenses related to continuing operations

In year 2013 the most significant nominal change in operating expenses was due to the higher amounts sold. The most significant element in expenses is aircraft fuel expenses which totaled to LTL 166 million (decrease of LTL 11 million compared to LTL 177 million in 2012).

Spare parts and consumables expenses in 2013 have not increased significantly and were totaling to LTL 120 million in comparison to LTL 118 million (increased by 1.7%).

Most significant changes in year 2013 were in rent of aircraft and equipment and aircraft maintenance expenses. Over the year rent of aircraft and equipment expenses grew by LTL 1 million and equaled to LTL 2.6 million in total at 31 December 2013 (increase of 41%). Aircraft maintenance expenses in 2013 changed by LTL 5 million or by 50% and reached LTL 16 million mainly due to increase by LTL 5.8 million in new subcontracting of engine management and engineering services.

Cost of services resold increased by 87% and amounted to LTL 54 million in 2013 primarily as a result of additional engines released expenses and additional PBH-related expenses related to establishment and rapid growth of new MRO business sub-segment *Component management*.

In 2013 the Group recognised allowance for impairment of non-current and other current assets, loans granted, trade and other receivables in the total amount of LTL 12.8 million mainly due to insolvency of MRO business segment' clients from CIS countries, and of the Group's associate operated in charter activity and due to represent net realisable value of inventories. Details about impairment-related expenses are provided in Note 3.1 of the Group's Financial Statements for the year ended 31 December 2013.

The Group considerably expanded range of subsidiaries operating in three out of four segments. Therefore, employee related expenses in 2013 increased by 5.4%, consultation expenses – by 106% and equaled to LTL 6.8 million in 2013 compared to LTL 3.3 million in 2012, transportation and related expenses – by 55%.

Net financial costs increased by 186% primarily as a result of increase in interest expenses on borrowing, late payments and discounting charge for financial services as at 31 December 2013.

Balance sheet and cash flow

During 2013 total assets of the Group increased by LTL 77 million or 26% per cent primarily as a result of an increase in property, plant and equipment, inventories and of the acquisition of new subsidiaries.

During 2013 total liabilities increased by LTL 71 million up to LTL 224 million. A meaningful impact to a change had an increase in bank borrowings and the acquisition of new subsidiaries.

In 2013 net cash flow generating from operating activities increased by LTL 39 million up to LTL 18 million as compared to 2012.

In 2013 the Group spent LTL 29 million in purchase of PPE and intangible assets primarily for acquisition of equipment for expansion of aircraft maintenance and pilot training capabilities.

In 2013 net cash flow generated from financing activities was LTL 15 million. The majority of it was bank borrowings and borrowings from related parties amounting to LTL 35 million.

Information about related party transactions

Information about related party transactions is provided in Note 34 of the Group's Financial Statements for the year ended 31 December 2013.

Following the International Financial Reporting Standards as adopted by the EU, the parties related to the Company and the Group are the Company's subsidiaries and associates, entities having significant influence over the Company, key management personnel of the Group and other related parties. Entities having significant influence over the Company and the Group are ZIA Valda Cyprus Ltd and ZIA Valda AB (the sole shareholder of ZIA Valda Cyprus Ltd). Transactions with these companies are presented separately. Related parties also include subsidiaries of ZIA Valda AB group. They are presented as other related parties. Transactions with related parties are carried out based on the arm's length principle.

The Company and its subsidiaries are providing to each other business consulting and management services, aircraft maintenance, providing of spare parts, crew training and aircraft ground handling, fuelling services. In year 2013 amount of sales of consulting and management services from the Company to its related parties was LTL 6 279 thousand (2012: LTL 4 916 thousand). In year 2013 amount of sales of aircraft maintenance services from the Group to related parties of *AviaAM Leasing AB Group* was LTL 13 582 thousand (2012: LTL 1 973 thousand). In year 2013 amount of purchases of premises lease services from related party *VA Reals AB* was LTL 5 644 thousand (in 2012: LTL 5 263 thousand).

Investments related to continuing operations

The Group has been expanding its assets investing in Property, plant and equipment as well as Intangible assets for the total amount of LTL 43 million.

During 2013 capital investments amounted to LTL 43 million (LTL 32 million during 2012). The majority of capital investments (80 per cent or LTL 34 million) went to expansion of the development of aircraft maintenance, repair and overhaul business segment, mainly to construction of new 8000 sq.m hangar at Kaunas International Airport. The remaining part was invested into aircraft ground handling equipment and into aircraft fleet of pilot and crew training center.

Investments ('000 LTL)	2013	2012	Change
Aircraft maintenance, repair and overhaul business segment	34 030	22 168	53.5%
Aircraft ground handling and fuelling business segment	5 236	7 896	-31.9%
Pilot and crew training business segment	2 898	1 617	79.6%
Unallocated business segment	477	516	-7,6%
	42 641	32 197	+32.9%

All details concerning the assets of the Group are presented in the Separate and Consolidated Financial Statements for the year ended 31 December 2013 (Notes 5, 15, 16).

Research and development activities

There were no major research and development projects undertaken during 2013, except the on-going development and improvement of the Group's services and

- Development of spare parts trade platform (www.locatory.com);
- Development of web-platform for training planning, track relevant training information (www.balticaa.com/en/my-baa/);
- Web-based aviation training management software *MOMook* dedicated for ATO, Type Rating Training Centers, Ab Initio Training Centers, and airlines with training centers.

Environmental protection

In its activities, the Group uses innovative means and the modern technological processes that meet all ecological standards and help reduce the negative impact on the environment.

Risk management

The main risk factors associated with the activities of the Group are as follows:

- Strategic risk;
- Demand for aviation services;
- Changes in the legal regulation of the Group's activities;
- Competition with other market players;
- Currencies' exchange rates fluctuation;
- General economic situation in the Republic of Lithuania;
- Changes in the Lithuanian legislation;
- Safety, Health and Environmental (SHE) risks

Strategic risk arises from adverse or erroneous business decisions, improper decisions implementation or lack of response to any political or regulatory developments. In 2013 the Group is not exposed to strategic risk.

Demand for aviation services risk is a risk of getting lower profit than planned due to negative changes in aviation services market. In 2013 the Group is not exposed to demand for aviation services risk.

Changes in the legal regulation of the Group's activities risk is a risk of an increase in the loss and (or) loss of goodwill and a decrease of trust which can be due to external factors (such as law violations, regulatory non-compliance, failure to comply with contractual obligations with third parties) or internal factors (such as violations of ethical standards, failure to comply with internal regulations internal fraud, etc.). Legal department manages legal compliances risks – lawyers are involved in the agreements processes.

Competition with other market players risk arises when price pressure and other competitive challenges may cause the profitability of the Group's activities to deviate from the projected levels. Companies' management is constantly monitoring the market and relevant decisions to increase competitiveness are being made.

An economic downturn could have a significant detrimental effect on the achievement of the targets. This effect could be aggravated by *volatility in currencies*. The sensitivities to variations in several key currencies are given in Note 3.1. The Group will proceed with its profit protection plans, including further control on operating working capital.

The Group has strict safety policies which mitigate *Safety, Health and Environmental (SHE)* risks.

The Group's and the Company's activities expose it to the following financial risks: market risk (including foreign exchange risk, and cash flow and fair value interest rate risk), credit risk, liquidity risk.

The Group's Policy for Treasury Management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects of the financial performance of the Group.

The Company's financial risk management is carried out by the CFO and the Management Board.

Information about the Company's the Group's financial risk management is provided in Note 3 of the Group's Financial Statements for the year ended 31 December 2013.

Significant post balance sheet events

The Company has signed an investment agreement with TVK Rossiya, part of Russia's largest state-owned holding company Rostec, for the development and management of the fourth Moscow airport hub on the basis of existing Ramenskoe aerodrome. Under the agreement, the parties will establish a special purpose company, where the Company is required to invest 1 billion RUB (approx. 76 million LTL) into the company's share capital, receiving up to 75% of the company's shares whereas TVK Rossiya, shareholder of the remaining shares, will contribute real estate that is necessary for airport development.

The Company sold its 35,5% stakes in Small Planet Airlines s.r.l. (Italy) to the third parties.

On the 3 January 2014 the Company issued a guarantee to a bank on behalf of a subsidiary in the amount of EUR 0.9 million to secure the bank loan.

In February 2014 the Company signed the agreement for sale 49% stakes in Baltic Aviation Academy UAB to third party. On 15 April 2014 the first stage of sale transaction was completed: the Company sold its 23.09% stakes in Baltic Aviation Academy UAB to the third party. The whole sale transaction will be completed until 31 May 2014.

Plans and forecasts

In 2014 the Group will strive for revenue increase in all business lines with the focus on lean operations and profitability. The Group will also work on integration of newly acquired helicopter maintenance business and implementation of IT solutions for overall business effectiveness. It is expected to continue sustainable growth and geographical expansion.

III. INFORMATION ABOUT SHARE CAPITAL AND SHAREHOLDERS

Share capital

The authorised capital of the Company as at 31 December 2013 was LTL 6,058,333 and is divided into 6,058,333 ordinary shares with a par value of LTL 1 each. All shares carry equal voting rights. All shares are fully paid up.

On 3 March 2011 shares of the Company were introduced to trading at Warsaw Stock Exchange (code: AVIASG).

During the disposal of *Small Planet Airlines UAB* and *Small Planet Airlines Sp.z.o.o* to Mr Vytautas Kaikaris the Company has acquired 0.375% shares (or 22 119 ordinary shares) of the Company. These shares of the Company owned by Mr Vytautas Kaikaris were considered to be treasury shares and directly deducted from shareholders' equity in the Company's and Group's balance sheet at their purchase cost of LTL 1 169 thousand. These treasury shares were sold on 21 May 2013. Sales proceeds from the disposal of treasury shares of the Company amounted to LTL 1 184 thousand. After the treasury stock sale, the Company's retained earnings were increased by LTL 15 thousand (Details of this transaction are disclosed in Note 32 of the Group's Financial Statements for the year ended 31 December 2013).

Details of revenue, cost of sales and income tax expenses of disposal group (charter operations business segment) classified as discontinued operations are disclosed in Note 33.

On 16 December 2013 the Company issued additional 165,000 ordinary shares with a par value LTL 1 each for issue price of PLN 43.60 (LTL 35.96) (Notes 22, 32). Following the increase of the capital, share premium amounts to 64,537,999 litas.

Shareholders

Shareholders, holding more than 5 per cent of the share capital and votes, as on 31 December 2013:

No.	Name of the shareholder	Company code and address	Number of ordinary registered shares owned by the shareholder	Share of the share capital (%)	Share of votes given by the shares owned by the right of ownership (%)
1.	ZIA Valda Cyprus Ltd.	Company code: HE 284966 Address: 1 Avlonos Street, Maria House, 5th floor, 1075 Nicosia, Cyprus	1 939 275	32.01	32.01
2.	Indeco Investment and Development UAB	Company code: 300134995 Address: Žirmūnų g. 139, Vilniaus m., Vilniaus m. sav., LT-09120	1 289 850	21.29	21.29
3.	Harberin Enterprises Limited	Company code: HE 268672 Address: 1 Avlonos Street, Maria House, 5th floor, 1075 Nicosia, Cyprus	607 051	10.02	10.02
4.	ING Otworthy Fundusz Emerytalny (Open pension fund)	Company code: NIP 526-22-41-523 Address: ul. Topiel 12; 00-342 Warsaw, Poland	390 000	6.44	6.44
5.	Other shareholders	-	1 832 157	30.24	30.24
Total			6 058 333	100.00	100.00

Shareholders, holding more than 5 per cent of the share capital and votes, as on 28 March 2014:

No.	Name of the shareholder	Company code and address	Number of ordinary registered shares owned by the shareholder	Share of the share capital (%)	Share of votes given by the shares owned by the right of ownership (%)
1.	ZIA Valda Cyprus Ltd.	Company code: HE 284966 Address: 1 Avlonos Street, Maria House, 5th floor, 1075 Nicosia, Cyprus	1 939 275	32.01	32.01
2.	Vaidas Barakauskas	-	832 666	13.74	13.74
3.	Harberin Enterprises Limited	Company code: HE 268672 Address: 1 Avlonos Street, Maria House, 5th floor, 1075 Nicosia, Cyprus	606 551	10.01	10.01
4.	Indeco: Investment and Development UAB	Company code: 300134995 Address: Žirmūnų g. 139, Vilniaus m., Vilniaus m. sav., LT-09120	457 184	7.55	7.55
5.	ING Otwarty Fundusz Emerytalny (Open pension fund)	Company code: NIP 526-22-41-523 Address: ul. Topiel 12; 00-342 Warsaw, Poland	390 000	6.44	6.44
6.	Other shareholders	-	1 832 657	30.25	30.25
Total			6 058 333	100.00	100.00

The number of shares owned by the Management of the Company, members of the Management Board and Supervisory Council as on 31 December 2013 is listed in the table below:

Name	Role in the Company's Management	Number of shares	%
Mr Hubert Bojdo	Member of the Supervisory Board	100 000	1.65%
Mr Aurimas Sanikovas	Member of the Management Board, CFO of Avia Solutions Group AB	22 125	0.37%

The number of shares owned by the Management of the Company, members of the Management Board and Supervisory Council as on 28 March 2014 is listed in the table below:

Name	Role in the Company's Management	Number of shares	%
Mr Vaidas Barakauskas	Member of the Supervisory Board	832 666	13.74%
Mr Hubert Bojdo	Member of the Supervisory Board	100 000	1.65%
Mr Anatolij Legenzov	Member of the Management Board, CEO of Helisota UAB	73 255	1.21%
Mr Aurimas Sanikovas	Member of the Management Board, CFO of Avia Solutions Group AB	22 125	0.37%

The number of shareholders on the shareholders registration day for the Annual General Meeting of Shareholders, which was held on 30 April 2013, was 3. The number of shareholders on the shareholders registration day (2 December 2013) for the Extraordinary General Meeting of Shareholders, which was held on 5 December 2013, was 3.

As at 31 December 2013 the Group had no agreements which would expire, go into effect or alter if controlling bodies of the Company will change.

Treasury stocks

During the disposal of Small Planet Airlines UAB and Small Planet Airlines Sp.z.o.o to Mr Vytautas Kaikaris the Company has acquired 0.375% shares (or 22 119 ordinary shares) of the Company. These shares of the Company owned by Mr Vytautas Kaikaris were considered to be treasury shares and directly deducted from shareholders' equity in the Company's and Group's balance sheet at their purchase cost of LTL 1 169 thousand.

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

On 31 December 2013 neither the Company nor its subsidiaries do not hold any treasury stock.

Acquisition of treasury stocks

Under applicable Lithuanian laws a qualified $\frac{3}{4}$ majority of votes of shareholders is required to adopt a resolution on the acquisition of its own shares. The Company is not entitled to exercise property and non-property rights conferred by such shares.

The Company may acquire its own shares under the following conditions: a) the acquisition of its own shares shall occur within a period of eighteen months after the resolution of the General Shareholders' Meeting specifying the terms, conditions and purpose for the acquisition of its own shares is adopted; (b) the total nominal value of the shares to be acquired shall not exceed one-tenth of the share capital of the Company; (c) after the acquisition of its own shares, the Company's equity shall not fall below the sum of the paid share capital, mandatory reserve and the reserve for acquisition of own shares; (d) price for the treasury shares shall be paid from a special reserve for acquisition of its own shares which has to be formed by the Company prior to acquisition; (e) acquired shares shall be fully paid; (f) acquisition of its own shares by the Company shall ensure equal possibilities for all shareholders to sell their shares to the Company.

Shares that were acquired infringing the above listed requirements (a)-(d) must be sold within twelve months from the acquisition of these shares. If the shares are not sold during this period, then the corresponding portion of the share capital of the Company must be annulled.

Shall the Company undertake no actions to annul the preference shares which were acquired infringing the above listed requirements, the share capital shall be reduced accordingly by the court decision. The right to apply to the court shall be vested in the manager of the Company, the Management Board, the shareholder and the creditor. The General Manager of the Company shall be responsible for compliance with the requirements set for the acquisition of the treasury shares of the Company.

Shareholders' rights

None of the shareholders of the Company have any special controlling rights. Rights of all shareholders are equal. The number of *Avia Solutions Group AB* shares that provide voting rights during the General Meeting of Shareholders amounts to 6,058,333. One ordinary registered share of *Avia Solutions Group AB* gives one vote in the General Meeting of Shareholders. The Company and its' subsidiaries do not own any shares of the Company.

The Company is not aware of any agreements between the shareholders that could limit transfer of securities and/or their ability to exercise their voting rights.

Type of shares	Number of shares	Nominal value in LTL	Total nominal value in LTL	ISIN
Ordinary registered shares	6,058,333	1	6,058,333	LT0000128381

Information about trading in the Company's securities

On 3 March 2011 shares of the Company were introduced to trading at Warsaw Stock Exchange (code: AVIASG).

Securities of the Company's subsidiaries are not traded publicly.

Dividends

The Company has not paid out to the shareholders any dividends.

IV. PERSONNEL

The breakdown of the number of full-time employees by the Group's companies:

The Group's companies	31 December 2013	31 December 2012	Change
*Avia Solutions Group AB	42	28	14
AviationCV.com UAB	15	5	10
Baltic Aviation Academy UAB	61	57	4
Baltic Ground Services UAB	223	194	9
Baltic Ground Services Sp.z.o.o	92	95	(3)
Baltic Ground Services s.r.l.	-	-	-
Ground Handling CIS UAB	-	-	-
Baltic Ground Services UA TOV	-	-	-
FL Technics AB	612	450	162
FL Technics Jets UAB	51	31	20
FL Technics Line OOO	7	6	1
FL Technics Ulyanovsk OOO	-	-	-
FLT Trading House UAB	-	-	-
Locatory.com UAB	23	17	5
Storm Aviation Ltd.	53	68	(15)
Verslo skydžiai UAB	-	-	-
Helisota UAB**	158	-	158
Kauno aviacijos gamykla UAB**	5	-	5
Small Planet Airlines UAB*	-	112	(112)
Small Planet Airlines Sp.z.o.o (Poland)*	-	32	(32)
Number of all full-time employees at the end of the period	1 342	1 095	247
Number of full-time employees without Charter operations segment at the end of the period	1 342	951	391

* The companies are disclosed as discontinued operations as at 31 December 2012 and were sold as at 31 March 2013.

** On 16 December 2013 the Group acquired Helisota UAB with its subsidiary Kauno aviacijos gamykla UAB where 163 full-time employees are employed as at 31 December 2013.

During the year 2013 the average number of employees *without Charter operations segment* was 1 308, while the total number of Group's staff has increased by 247 (which amounts to 23% increase). The most significant positive change of 10 per cent has occurred in following companies: *Avia Solutions Group AB, AviationCV.com UAB, FL Technics AB, FL Technics Jets UAB, FL Technics Line OOO and Locatory.com UAB* due to further expansion of offered services and substantial growth of sales. The most significant negative change of 10 per cent has occurred in *Storm Aviation Ltd.* due to decreased number of line stations.

The breakdown of the number of full-time employees and average salaries by categories in 2013:

Employee category	31 December 2013	Average monthly salary, LTL*
Management (first and second level managers)	242	6 198
Specialists (qualified and/or certified, if the Company requires)	643	4 274
Other operative staff	294	2 412
Number of employees (including part-time employees) at the end of the period and weighted average monthly salary	1 179	4 205

*average salary calculated for all companies except Helisota UAB and Kauno aviacijos gamykla UAB which were acquired on 16 December 2013. Full-time employees in these companies distributed in the following categories: management – 11 employees, specialists – 33 employees, other operative staff – 119 employees

The breakdown of the number of part-time employees and average salaries by categories in 2013:

Employee category	31 December 2013	Average monthly salary, LTL*
Management (first and second level managers)	10	1 662
Specialists (qualified and/or certified, if the Company requires)	17	2 916
Other operative staff	24	1 797
Number of employees (including part-time employees) at the end of the period and weighted average monthly salary	51	2 143

**average salary calculated for all companies except Helisota UAB and Kauno aviacijos gamykla UAB which were acquired on December 2013. Part-time employees in these companies distributed in the following categories: management – 2 employees, specialists – 5 employees, other operative staff – 10 employees*

The breakdown of the number of employees (including part-time employees) by education level in 2013:

Education level	31 December 2013
University third cycle studies (doctoral, postgraduate and residency studies)	4
University second cycle studies (master and specialized professional studies)	275
First cycle studies (bachelor studies, including non-university studies)	601
Secondary professional education	226
Secondary education	288
Primary education	16
Number of employees (including part-time employees) at the end of the period	1 410

V. MANAGING BODIES OF THE ISSUER

According to the Articles of Association of *Avia Solutions Group AB*, the managing bodies of the Company are General Meeting of Shareholders, the Supervisory Council, the Board and the Head of the Company (the General Director). The Supervisory Board is responsible for the supervision of activities of the Company and its management bodies. Board is responsible for the strategic management of the Company (including the appointment and removal of the General Director), whereas the General Director manages day-to-day operations of the Company and has the exclusive right to represent the Company in relations with third parties.

The decisions of the General Meeting made regarding the matters of competence of the General Meeting, are binding upon the Shareholders, the Supervisory Council, the Board, General Director and other officials of the Company. The Shareholders of the Company have the right to participate in the General Meeting.

The Supervisory Council is a collegial supervisory body, which is responsible for supervising the activities of the Company and its management bodies, the appointment and removal of the members of the Management Board, submitting its comments and proposals to the General Meeting on the Company's operating strategy, set of annual financial statements, draft of profit/loss appropriation, the annual report of the Company, the activities of the Management Board and the General Director, submitting proposals to revoke decisions of the General Meeting, Management Board or General Director, etc. The Supervisory Council consists of five members for a term of four years. Members of the Supervisory Council institutes two committees: Nomination and Remuneration Committee and Audit Committee. Three members of the Supervisory Council comprise Nomination and Remuneration Committee and three members of the Supervisory Council comprise the Audit Committee (currently – 2 members).

The Nomination and Remuneration Committee is a collegial body, which is established to assist the Supervisory Council in all matters relating to the appointment of candidates to the Company's Board members, company directors or senior management positions.

The Audit Committee is a collegial body, which is established to observe the integrity of financial information, review internal controls and risk management systems, ensure the effectiveness of internal control functions, make recommendations to the Supervisory Council in relation to the selection of the audit firm, etc. The members of the Committees as well as their Chairmen are appointed by the Supervisory Council, based on the recommendations of (i) the Nomination and Remuneration Committee (in case of the Audit Committee) and (ii) the elected members of the Nomination and Remuneration Committee (in case of the Nomination and Remuneration Committee). The Committees consist of a number of members established by the Supervisory Council, but in any event not less than 3 members of who has to be the members of the Supervisory Council. The members of the Committees may receive remuneration for work in the Committees which shall be established by the Supervisory Council. The Supervisory Council has the right to withdraw the entire Committees *in corpore* or their individual members and to appoint a new Committees or individual members of the Committees.

Members serving on the Board of the Company are acting jointly as a governing body of the Company. The Board approves the operating strategy, the annual report of the Company, the management structure of the Company and the positions of the employees, the positions to which employees are recruited by holding competitions, regulations of branches and representative offices of the Company, etc. The Board consists of five members. The members of the Board are elected for a term of four years. The Chairman of the Board is elected by the Board from its members for four years. The members of the Board are elected by the Supervisory Council in accordance with the procedure established by the Law on Companies of the Republic of Lithuania.

The Board elects and recalls the General Director, sets his/her remuneration and other conditions of the employment agreement, approves his/her office regulations, induces and applies penalties to him/her. The General Director is the Head of the Company. The Head of the Company is a one-man management body of the Company and, within his scope of authority, organizes the day-to-day operation of the Company.

Procedure for amending the Company's Articles of Association

Avia Solutions Group AB Articles of Association provides that present Articles of Association of the Company may be amended in the manner prescribed by the Lithuanian Company Law.

The Supervisory Council activities

According to the Articles of Association the Supervisory Council should be comprised of five members.

During 2013 seven meetings of the Supervisory Council were held. The Supervisory Council discussed the Company's financial report for the first quarter of 2013, for the five months and six months periods of 2013, discussed monthly results for July – period, elected the member and chairmen of the Audit Committee, elected the chairmen of the Nomination and Remuneration Committee, appointed Mr Daumantas Lapinskas, Mr Anatolij Legenzov and Mr Žilvinas Lapinskas as the members of the Management Board, recalled Mr Jonas Butautis and Mr Saulius Batavičius from Management Board of the Company.

Members of the Supervisory Council

On 23 August 2010, the founder of *Avia Solutions Group AB* elected a Supervisory Board (for four-year term) consisting of the following nominees: Hubert Bojdo, Dawid Sukacz, Michail Ireneusz Bobrowski, Vladas Bagavičius and Džiuginta Balčiūnė. On 25 August 2010, the Supervisory Council elected Mr Vladas Bagavičius as a Chairman of the Supervisory Council.

Currently the Supervisory Council is comprised of five members elected for the tenure of four years: Mrs Irtautė Ščerbavičienė had resigned, Mr Vaidas Barakauskas has been elected.

The table below indicates the elected members of the Supervisory Council at the balance sheet date:

Name	Position within the Company	In the position	
		Since	Until
Supervisory Council			
Vladas Bagavičius	Chairman of the Supervisory Council	23 August 2010	23 August 2014
Džiuginta Balčiūnė	Member of the Supervisory Council	23 August 2010	23 August 2014
Hubert Bojdo	Member of the Supervisory Council	23 August 2010	23 August 2014
Dariusz Marek Formela	Member of the Supervisory Council (the independent member)	29 April 2011	23 August 2014
Vaidas Barakauskas	Member of the Supervisory Council	5 December 2013	23 August 2014*

* - but, in any case, not longer than Annual Shareholders' Meeting to be held in April 2014.

Information about all members of the Supervisory Council is presented below:

Mr Vladas Bagavičius. Mr Vladas Bagavičius is experienced in legal and management issues. He started his career in 1996 as a lawyer in the Central Securities Depository of Lithuania and from 2000 acted as the Head of the Law and Administration Division in the Depository. In 2004, he created his own law firm and acted as an independent attorney-at-law Vladas Bagavičius. In 2007 he cooperated with one of the major law firms in Lithuania Sutkienė, Pilkauskas & Partners (presently, law firm TARK GRUNTE SUTKIENE). Since 2008 Mr Vladas Bagavičius acts as a member of the Management Board in *Agrowill Group AB*. Mr Vladas Bagavičius graduated from the Vilnius University, Faculty of Law in 1997.

Mrs Džiuginta Balčiūnė. Mrs Džiuginta Balčiūnė has a considerable legal experience. She gained her professional experience at the law firm Broda-Warnke-Schartner in Berlin (in 2003), in the Chamber of Industry and Commerce in Berlin (in 2005), at the law firm N. Motiejuniene, M. Pukas and Partners (Rödl & Partner UAB) in Vilnius, Lithuania (in 2006) and in the Political Unit of Representation of the European Commission in Berlin (in 2006). Mrs Džiuginta Balčiūnė worked as an associate lawyer at the law firm Bernotas and Dominas GLIMSTEDT in Vilnius (2006–2008) and as an associate lawyer at the law firm RAIDLA LEJINS & NORCOUS in Vilnius (2009–10) and since 2010 she acted as an independent attorney-at-law Džiuginta Balčiūnė. Mrs Džiuginta Balčiūnė acted as a member of the Supervisory Board in *Agrowill AB*. Mrs Džiuginta Balčiūnė has a special knowledge in mergers and acquisitions, real estate law, bankruptcy and restructuring. Džiuginta Balčiūnė graduated from the Vilnius University, Faculty of Law in 2004 and obtained a Master of German and European Law and Legal Practice (M.L.L.P.) in Humboldt University, Law faculty, in Berlin, Germany.

Mr Hubert Bojdo. Mr Hubert Bojdo started his career in 1996 as a Stock Exchange Broker at the Brokerage House of Polish Investment Bank SA (1996 – 1997). He continued in Arthur Andersen Sp. z o.o (1997–2002) as a Manager in the Tax Department and Deloitte Doradztwo Podatkowe Sp. z o.o. (2002–2006) as a Director in charge of the International Taxation Group. In 2006 he became one of the founders of HB & Partners Tax Advisory and until 2009 acted as the Managing Partner. Since 2008 he is acting as a Vice President for Rubicon Partners NFI SA and since 2009 as a Vice President of Rubicon Partners Dom Maklerski SA. In addition, he is acting as a member of the Supervisory Council of Mirbud SA, IQ Partners SA and Voxel SA. Mr Hubert Bojdo is a former member of the Supervisory Councils of IB System SA, Magna Polonia NFI SA and HPF TFI SA. In 1997 he obtained a Master's degree at the Faculty of Banking and Finance in the Warsaw School of Economics and in 1999 he undertook studies for PhD candidates at the Foreign Trade Faculty in the Warsaw School of Economics. Mr Hubert Bojdo is also a licensed stock exchange broker (since 1995) and a licensed tax advisor (since 2003). Mr Hubert Bojdo owns 100,000 shares in the *Avia Solutions Group AB* (1.65% of all the shares).

Mr Dariusz Formela. Mr Dariusz Formela' work experience and competence directly connected to collegial organs: from 2000 he acted as the member of the Supervisory Board in Makton SA, the member of the Supervisory Board in PGE in Lodz, the Vice-Chairman of the Supervisory Board of Unipetrol, the Chairman of the Supervisory Board in Plock Industry and Technology Park SA, the Chairman of the Supervisory Board Kedzierzyn Kozle Orlen Transport Ltd., the Chairman of the Supervisory Board Orlen Laboratorium z.o.o., the Chairman of the Supervisory Board Administration ORLEN z.o.o., the Chairman of the Supervisory Board ORLEN Prevention z.o.o., the Chairman of the Supervisory Board ORLEN Protection Co. o.o., the Vice-Chairman of the Supervisory Board ORLEN Accounting Ltd., the Vice-Chairman of the Supervisory Board ORLEN Upstream z.o.o., the Member of the Supervisory Board Spolana a.s. and Kaučuk a.s. Since 2009 Mr Dariusz Formela is acting as the Member of the management board of PKM DUDA SA, a representative of Shareholding Banks.

Mr Dariusz Formela graduated from University of Gdansk, Faculty of Law and Administration in 1998 and obtained a Master's degree in the University of Bradford in 2006. He undertook postgraduate studies: Powers of members of supervisory boards in state-owned companies (state exam), Study for Investment Advisors and Securities Analysts (Business Development Institute), Postgraduate Studies Enterprise Value Management (School of Economics); Postgraduate Management Studies XX edition of the School of Economics (Department of Finance).

Mr Vaidas Barakauskas. Mr Vaidas Barakauskas has a considerable management experience: from 1992 till 2008 he acted as the president in Fima UAB, until this day he is a Board Member in this Company. Mr Vaidas Barakauskas is a director in Ilzenbergo dvaras UAB as well as in Indeco: Investment and Development UAB. From 2010 Mr Vaidas Barakauskas is an indirect shareholder of *Avia Solutions Group AB*. From 2012 he holds a position of president of Lithuanian Modern Pentathlon Federation. Mr Vaidas Barakauskas graduated from Vilnius University, Faculty of Mathematics, where he obtained bachelor degree in Mathematics, and in 2002 he obtained an executive MBA at the Baltic Management Institute. Mr Vaidas Barakauskas owns 832,666 shares in the *Avia Solutions Group AB* (13.78% of all the shares).

The Audit Committee activities

During 2013 no meetings of the Audit Committee were held.

According to the Regulations of the Audit Committee the main functions of this committee are as follows:

- to observe the integrity of financial information provided by the Company with particular attention to the relevance and consistency of methods used by the Company and the Group;
- to ensure the effectiveness of internal control functions;
- to make recommendations to the Supervisory Council with regard to the selection of external audit firm, its appointment, reappointment and dismissal, and with the terms and conditions of agreement with the audit firm. The Committee shall examine situations in which the audit firm or an auditor has a basis to resign, and provide recommendations on actions required in such case;
- to monitor the independence and objectivity of the external audit firm, to check whether the audit firm takes into account the requirements in relation to the audit partner rotation, inspect the amount of remuneration paid by the Company to the audit firm and other matters, etc.

Members of the Audit Committee

On 1 September, 2010 the Supervisory Council elected Mr Michail Ireneusz Bobrowski, Mr Vladas Bagavičius and Mrs Džiuginta Balčiūnė as members of the Audit Committee.

Currently the Audit Committee consists of three members: Mr Dariusz Formela and Mrs Irtautė Ščerbavičienė have been elected, Mr Michail Ireneusz Bobrowski and Mr Vladas Bagavičius have resigned.

The table below indicates the elected members of the Audit Committee at the balance sheet date:

Name	Position within the Company	In the position	
		Since	Until*
Audit Committee			
Džiuginta Balčiūnė	Member of the Audit Committee	1 September 2010	23 August 2014
Dariusz Formela	Member of the Audit Committee (the independent member)	1 July 2011	23 August 2014
Not elected	Member of the Audit Committee	-	23 August 2014

* - but, in any case, not longer than Annual Shareholders' Meeting to be held in April 2014.

Information about members of the Audit Committee is presented in paragraphs above.

The Nomination and Remuneration Committee activities

During 2013 no meetings of the Nomination and Remuneration Committee were held.

The Regulations of the Nomination and Remuneration Committee foresees that the Committee shall provide the assistance to the Supervisory Council in all matters relating to the appointment of candidates to the Management Board members, directors or senior management positions. Specifically, the Committee shall:

- select and recommend candidates to the Supervisory Council to vacant positions in the management bodies. The Committee shall assess the balance of skills, knowledge and experience in management bodies, establish the list of roles and capabilities required for each office, and assess the time required for carrying out the obligations;
- discuss the nominations proposed by the Company's shareholders and management to the Board members or senior management;

- recommend candidates to the Supervisory Council to other committees established by the Supervisory Council;
- regularly assesses the structure, size, composition and performance of management bodies, provide guidance on how to achieve the necessary changes;
- regularly evaluate knowledge, skills and experience of individual directors and shall notify the Supervisory Council;
- provide assistance to the Supervisory Council in all matters relating to the establishment of remuneration of the members of management bodies and senior management, etc.

Members of the Nomination and Remuneration Committee

On 1 September, 2010 the Supervisory Council elected Mr Hubert Bojdo, Mr Dawid Sukacz and Mrs Džiuginta Balčiūnė as members of the Nomination and Remuneration Committee.

Currently the Nomination and Remuneration Committee consists of three members: Mr Vladas Bagavičius has been elected, Mr Dawid Sukacz has resigned.

The table below indicates the elected members of the Nomination and Remuneration Committee at the balance sheet date:

Name	Position within the Company	In the position	
		Since	Until*
Nomination and Remuneration Committee			
Mr Hubert Bojdo	Chairmen of the Nomination and Remuneration Committee	1 September 2010	23 August 2014
Mrs Džiuginta Balčiūnė	Member of the Nomination and Remuneration Committee	1 September 2010	23 August 2014
Mr Vladas Bagavičius	Member of the Nomination and Remuneration Committee	1 July 2011	23 August 2014

* - but, in any case, not longer than Annual Shareholders' Meeting to be held in April 2014.

Information about all members of the Nomination and Remuneration Committee is presented in paragraphs above.

The Board Activities

During 2013 thirty three meetings of the Board were held. During all Board meetings there was quorum prescribed by legal acts. The Board adopted a decision to invest into the legal entities. Board of governors approved subsidiary's FL Technics AB investment project to hangar construction in Kaunas airport, approved the pledge of the assets of the subsidiaries FL Technics AB and Baltic Ground Services UAB and the Surety ship Agreement, approved the new subsidiary acquisition and the establishment of the new subsidiary, determined the conditions of the issue of the Company's new shares. The Board also discussed and agreed all related matters to investment project in Russia. During the meetings the set of annual financial statements of the Group for 2012 was approved.

Members of the Board

On 25 August 2010, the Supervisory Council elected a Board (for four-year term) consisting of the following nominees: Mr Gediminas Žiemelis, Mr Aurimas Sanikovas, Mr Jonas Butautis, Mr Saulius Batavičius and Mr Vytautas Kaikaris.

On 25 August 2010, the Board elected Mr Gediminas Žiemelis as Chairman of the Board.

Currently the Management Board consists of five members: Mr Saulius Batavičius, Mr Jonas Butautis and Mr Vytautas Kaikaris have resigned, Mr Daumantas Lapinskas, Mr Žilvinas Lapinskas and Mr Anatolij Legenzov have been elected.

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

Name	Position within the Company	In the position	
		Since	Until*
Management Board			
Mr Gediminas Žiemelis	Chairman of the Management Board	25 August 2010	25 August 2014
Mr Aurimas Sanikovas	Member of the Management Board	25 August 2010	25 August 2014
Mr Daumantas Lapinskas	Member of the Management Board	9 April 2013	25 August 2014
Mr Žilvinas Lapinskas	Member of the Management Board	16 December 2013	25 August 2014
Mr Anatolij Legenzov	Member of the Management Board	16 December 2013	25 August 2014

* - but, in any case, not longer than Annual Shareholders' Meeting to be held in April 2014.

Information about all members of the Board is presented below:

Mr Gediminas Žiemelis. Mr Gediminas Žiemelis has a unique management and advisory experience. In 2008, under the request of the Prime Minister of the Republic of Lithuania he gave practical proposals on anti-crisis actions to be taken. He started his career in 1999 as the assistant manager of the Vindication and Fraud Division in Lietuvos taupomasis bankas, AB (currently, Swedbank, AB), the Department of Problematic Assets and Vindication (1999–2001). He acted as the General Manager of Žvilgsnis iš arčiau UAB (2001–2005) (currently named Creditinfo UAB), which was engaged mainly in debt recovery and credit risk management, the General Manager of ŽIA VALDA AB (2002–2006) and the General Manager of brokerage firm Finhill UAB FMĮ (in 2007). Mr Gediminas Žiemelis is a shareholder and a member of the Management Board in ŽIA VALDA AB and since 2007 he acts as the Manager of the Development Department. Since 2005 Mr Gediminas Žiemelis also acts as the Manager in East Mining Group UAB, since 2006 – as the General Manager of Eastern Agro Holdings UAB. Since 2009 till 2010 Mr Gediminas Žiemelis also acted as a consultant in Avia Solutions Group Holdings AB. Moreover, Mr Gediminas Žiemelis is a member of the Supervisory Board in Agrowill AB since 2010. Mr Gediminas Žiemelis also acted as a member of the Management Board of AviaAM Leasing AB (since 2012). Mr Gediminas Žiemelis obtained a bachelor's degree at the Faculty of Business Management in the Vilnius Gediminas Technical University, Lithuania in 1999 and a master's degree at the Faculty of Law in the Mykolas Romeris University, Lithuania in 2006. He has also finished the Program for Leadership Development (PLD) in the Harvard Business School, Boston, MA, U.S.: Accelerating the Careers of High-Potential Leaders. Mr Gediminas Žiemelis is also one of the initiators of establishment of the Association of Aviation Companies (www.aia.lt) (in 2009). Mr Gediminas Žiemelis owns 162,962 shares in the AviaAM Leasing AB (0.38% of all the shares).

Mr Aurimas Sanikovas. Mr Aurimas Sanikovas started his career as an audit associate in PricewaterhouseCoopers, Lithuania in 2001. In 2007 his last position held at the company was that of a manager. He performed supervision and execution of audit engagement performed in accordance with the IAS and US GAAS. Mr Aurimas Sanikovas has principal expertise in telecommunications, IT, manufacturing, construction, consumer products and energy sectors. From 2007 till 2010 he acted as the Chief Financial Officer of Avia Solutions Group Holdings AB. Mr Aurimas Sanikovas also acted as a member of the Management Board of Avia Asset Management AB (2008–2010), a member of the Management Board of FL Technics (2008–2010) and a member of the Management Board of Small Planet Airlines Sp.z.o.o. and Small Planet Airlines AS (2009–2010). He has also acted as the General Manager of Avia Funds Management UAB (2010–2011). Moreover, since 2010 Mr Aurimas Sanikovas is a member of the Supervisory Board of Agrowill Group AB. Mr Aurimas Sanikovas also acted as a member of the Management Board of AviaAM Leasing AB (since 2012). His main responsibilities at the Group include control of operations of subsidiaries, leading budgeting, reporting, treasury and risk management functions, finance function staffing, fund raising, deal structuring, tax planning and managing resolution of finance related issues. Mr Aurimas Sanikovas obtained his bachelor's and master's degrees in economics at the Faculty of Economics, Vilnius University, Lithuania with an exchange term in the University of Copenhagen. Since 2006 Mr Aurimas Sanikovas is a fellow of the Association of Chartered Certified Accountants (FCCA). Mr Aurimas Sanikovas owns 294,478 shares in the AviaAM Leasing AB (0.68% of all the Shares). Mr Aurimas Sanikovas is a direct shareholder of the Company and has 22,125 shares of *Avia Solutions Group AB* that accounts to almost 0,37 per cent of the share capital. Mr Aurimas Sanikovas does not participate in the capital of any other legal entities.

Mr Daumantas Lapinskas. Mr Daumantas Lapinskas has more than 16 years of experience in sectors as diverse as public service (in 2009–2010 was an advisor to the Minister of Economy, Lithuania, served as the Vice Minister of Economy in the 15th Government of Lithuania), banking (more than seven years at the European Bank for Reconstruction and Development, executing monitoring debt, equity and working capital financing projects for the Companies in CEE and CIS), trading and private business. Mr Daumantas Lapinskas held board positions in the following companies: Invest Lietuva (2010–2012), Enterprise Lithuania (2010–2012), JSC Investicijų Verslo Garantijos (INVEGA) (Chairman of the Board). Mr Daumantas Lapinskas graduated from Vilnius University where he obtained bachelor degree in Economics (specialization in Finance), and in 1999 he obtained a master's in International Economics and Finance at the Brandeis University, USA (Edmund S. Muskie Scholarship in Economics). Since 2013 Mr Daumantas Lapinskas is a Deputy CEO at *Avia Solutions Group AB*. Mr Daumantas Lapinskas does not have interest in the share capital of any legal entities.

Mr Žilvinas Lapinskas. Mr Žilvinas Lapinskas has a deep international business expertise. He started his career as sales manager in Rubikon Prodimpeksas, since 1999 works in City Service – OMX listed company, where he held CCO and Head of Facilities Management Department positions prior to becoming CEO in 2004. Mr Žilvinas Lapinskas took LEAN 6 Sigma Implementation courses as well as Facilities Management course at Dalkia Facility Management, Stocholm, Sweden. Mr Žilvinas Lapinskas holds a bachelor degree in Business management. Since November 2013 Mr Žilvinas Lapinskas is CEO at FL Technics AB.

Mr Anatolij Legenzov. Mr Anatolij Legenzov started his career in 1996 in Oxford Health Plans, LLC as an IT Support Analyst. He worked for this company for 2 years and since 1998 started his career in Helisota UAB. Prior to becoming General Director in 2013 Mr Anatolij Legenzov held International Sales Representative, Director International Sales, and Director for Commerce positions. Since 2011 he is a member of Helisota UAB Board. Mr Anatolij Legenzov studied in Kaunas University of Technology, obtained bachelor degree in Computer Science from University of Bridgeport and master degree in Computer Science from Columbia University. In 2001 he obtained an executive MBA at the Vytautas Magnus University. Mr Anatolij Legenzov is a direct shareholder of the Company and has 73,255 shares of *Avia Solutions Group AB* that accounts to almost 1,21 per cent of the share capital. Mr Anatolij Legenzov does not participate in the capital of any other legal entities.

Members of the Company's Administration

Company's Administration consists of three key executives: the Chief Financial Officer, the Director of Development and the General Director. All the employees of the Company are directly subordinated and report to the General Director.

Name	Position within the Company	In the position	
		Since	Until
Key Executives			
Mr Linas Dovydenas	General Manager	25 August 2010	Indefinite
Mr Aurimas Sanikovas	Chief Financial Officer	30 September 2010	Indefinite
Mr Gediminas Žiemelis	Director of Development	30 September 2010	Indefinite

Mr Linas Dovydenas. Mr Linas Dovydenas started his career in 1995 in Sanitex UAB, Lithuania. He worked for this company for 7 years and his last two positions held at the company were Key Account Manager and Regional Manager Horeca. From 2002 to 2007 he acted for Philip Morris Baltic States. He held the following positions at the company: Supervisor Key Accounts Baltic States, Manager National Sales Estonia, Manager Customer Development Lithuania and Manager National Sales Lithuania. Mr Linas Dovydenas joined the Group in 2008. He held a position of the Chairman of the Supervisory Board of Small Planet Airlines AS and was a member of the Management Board in FL Technics. Mr Linas Dovydenas also acted as a member of the Management Board of AviaAM Leasing AB (since 2012). He leads the management team in planning, development and implementation strategies to meet agreed organizational plans within agreed budgets and timescales. In 1997 Mr Linas Dovydenas obtained a bachelor's degree in Business and Business Administration at the Faculty of Economics, Vilnius University, and in 2006 he obtained an executive MBA at the Baltic Management Institute. Mr Linas Dovydenas owns 441,717 shares in AviaAM Leasing AB (1.02% of all the shares). Mr Linas Dovydenas does not participate in the capital of any other legal entities.

Information about Mr Gediminas Žiemelis and Mr Aurimas Sanikovas is presented in paragraphs above.

Information about remuneration of key management of the Company and the Group personnel is provided in Note 35 of the Company's and the Group's Financial Statements for the year ended 31 December 2013. Members of Supervisory and Management Boards do not receive salary except if they are employed by the Group.

Information about total amounts calculated for Management groups of the Company and the Group during 2013 and 2012:

Position ('000 LTL)	2013	2012	Change
<i>Remuneration of key management of the Company</i>			
Members of Supervisory Board	-	-	-
Members of Management Board	-	-	-
Company's Administration (General Manager, Chief Financier)	415	415	-
<i>Remuneration of key management of the Group</i>			
Administration of Group's Companies (General Managers, Chief Financiers)	3 085	2 770	23%

Average monthly salary of the Group's General Managers and Chief Financiers:

Position (LTL)	2013	2012	Change
Company's Administration (General Manager, Chief Financier)	17 289	17 289	-
Administration of Group's Companies (General Managers, Chief Financiers)	14 287	12 825	+11.4%

There were no annual compensation (tantiemes) paid to the Company's Management, to the Company's Board members or Company's Supervisory board member during 2013.

In 2013 there were no guarantees or sponsorship granted to the members of the Supervisory or Management Boards or Management by the Company as well as none of subsidiaries paid salaries or other pay-outs to the members of the Boards or the employees of the Company for being members of their managing bodies, except the loan taken by Mr Linas Dovydenas from Avia Solutions Group AB, which constituted 20,077 Lt and new loan granted to Mr Aurimas Sanikovas from Avia Solutions Group AB, which constituted 937,950 Lt as at 31 December 2013. The loan to Mr. Aurimas Sanikovas was granted for purchasing shares of Avia Solutions Group AB. Shares are pledged to the Company under this agreement. According to this loan agreement Mr. Aurimas Sanikovas (the borrower) has the right to require the Company to redeem the shares in a period from 31 March 2014 to 31 December 2018 if the Group achieves appointed EBT targets. The Group's Management does not expect this loan to have any material effect on the Group's financial statements. Information about this loan is provided in Note 34 of the Group's Financial Statements for the year ended 31 December 2013.

During the year there were no transactions with subsidiaries or other related parties under harmful conditions for the Group.

All the Company's employment agreements with the employees, including management, of the Company are concluded following requirements of the Labour Code of the Republic of Lithuania. Employees are employed and laid off following requirements of the Labour Code.

There are no material agreements to which the Company is a party and which would come into effect, be amended or terminated in case of change in the Company's control.

Auditors

Auditors from PricewaterhouseCoopers UAB audited the balance sheet of the Company and together with its consolidated subsidiaries for the years ended 31 December 2008, 2009, 2010, 2011, 2012 and 2013 and the related statement of comprehensive income, statement of changes in equity and statement of cash flows and a summary of significant accounting policies and other explanatory notes for the years then ended.

On 30 April 2013, the shareholders of the Company during the Annual General Meeting of Shareholders elected UAB PricewaterhouseCoopers as the Company's audit enterprise for the period of the next year to perform the audit of the annual consolidated financial statements of the Company for the year 2013, and to make the assessment of the consolidated annual report of the Company for the year 2013. Shareholders authorized the Company's General Manager to conclude the agreement for audit services, establishing the payment for services as agreed between the parties but in any case not more than 350 000 (three hundred and fifty thousand) Litas (VAT excluded) for the audit of the Company's annual consolidated financial statements for the year 2013 and assessment of the Company's consolidated annual reports.

VI. INFORMATION ABOUT COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company essentially follows a recommendatory Corporate Governance Code for the WSE Listed Companies (hereinafter 'the Governance Code') prepared and announced on 30 June 2011. This announced version of Corporate Governance Statement of *Avia Solutions Group AB* is available on the corporate website: www.aviasg.com in the "Investor Relations" section dedicated to the Company's shareholders under "Reports, codes" in the "WSE Best Practice" tab: <http://www.aviasg.com/en/investor-relations/reports-codes/wse-best-practice.html>.

The WSE has a corporate governance code, which is the Code of Best Practice for WSE Listed Companies, the most recent version being the Appendix to Resolution No.19/1307/2012 of the Exchange Supervisory Board dated 21 November 2012 (the "WSE Corporate Governance Code") which can be found on the website dedicated to the corporate governance at the Warsaw Stock Exchange: www.corp-gov.gpw.pl.

The Company acknowledges the importance of good corporate governance and intends to seek the compliance with the WSE Corporate Governance Code to the extent possible. Especially, the Company intends to be as transparent as it is legally and practically possible using multilingual Company's website. Moreover, some members of the Supervisory Council are independent. However, due to, inter alia, differences between Polish and Lithuanian Corporate Law the Company does not comply with the following rules of the WSE Corporate Governance Code:

- **Rule II.3 and Rule III.9**, according to which the Supervisory Council should approve a significant transaction/agreement with a related entity at the request of the Management Board. In accordance with Lithuanian law, the Supervisory Council is not entitled to approve any decisions of the Management Board;
- **Rule III.8**, according to which annex I to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) council should apply to the tasks and the operation of the committees of the Supervisory Council. As at the date of this Annual Report, the Supervisory Council has not formed any committee, however due to the limited number of the Supervisory Council members the entire Supervisory Council acts as the particular committee and it aims to apply the rules indicated in the Commission Recommendation mentioned above;
- **Rule IV 10**, according to which the Company should enable its shareholders to participate in a general meeting using electronic communication means through real-life broadcast of General Meetings and real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting. The Company does not enable participation in the general meeting by using electronic communication means through real-life broadcast and real-time bilateral communication. However, the Company does not exclude that such means will be adopted in the future.

Furthermore, the Company does not comply with the following recommendations:

- **Recommendation I.1**, regarding on-line broadcasting of general meeting. The Company does not enable on-line broadcasts of general meetings over the Internet, record general meetings, and publish the recordings on the company website. However, the Company intends to expand its website in line with development of its corporate events in order to meet the expectations of the investors and shareholders.
- **Recommendation I.5**, regarding remuneration policy. Currently, the Company does not have a remuneration policy adopted. The Company does not exclude that the remuneration policy will be adopted by the General Meeting in the future.
- **Recommendation I.9**, regarding balanced proportion of men and women in the Management Board and Supervisory Council. Currently, there is only one woman in governing bodies of the Company, Dziuginta Balciune, a member of the Supervisory Council. The Company supports this recommendation. However the members of the Supervisory Board are appointed by the General Meeting of Shareholders and therefore the compliance with this recommendation depends on the shareholders' future decisions.
- **Recommendation I.12**, according to which the Company should enable its shareholders to exercise the voting right during a general meeting either in person or through a proxy, outside the venue of the general meeting, using electronic communication means. Currently, the Company does not envisage possibility to enable its shareholders to exercise the voting right during a general meeting outside the venue of the general meeting, using electronic communication means. However, the Company does not exclude that relevant solutions will be introduced in the future.

CONFIRMATION OF RESPONSIBLE PERSONS

Following Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Bank of Lithuania, We, Linas Dovydenas, General Director of *Avia Solutions Group AB*, and, Aurimas Sanikovas, Chief Financial Officer of *Avia Solutions Group AB*, hereby confirm that, to the best of our knowledge, *Avia Solutions Group AB* Separate and Consolidated Financial Statements for the year ended 31 December 2013 as set out on above are prepared in accordance with International Financial Reporting Standards as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position, profit or loss and cash flows of the Company and the Group of undertakings, and Consolidated Annual Report for the year 2013 includes a fair review of the development and performance of the business and the position of the Company and the Group of undertakings in relation to the description of the main risks and contingencies faced thereby.

General Director
Linas Dovydenas



Chief Financial Officer
Aurimas Sanikovas

