

AVIA SOLUTIONS GROUP AB

Consolidated Interim Financial Information
For the Three-Month Period Ended 31 March 2014
(Unaudited)

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

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AVIA SOLUTIONS GROUP AB
 CONSOLIDATED INTERIM FINANCIAL INFORMATION
 FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014
(All tabular amounts are in LTL '000 unless otherwise stated)



CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	January – March	
		2014	2013
Continuing operations			
Revenue	3	133 836	122 678
Cost of sales	4	(116 682)	(106 636)
Gross profit		17 154	16 042
General and administrative expenses	4	(13 569)	(9 557)
Other income		471	188
Other gains / (losses) – net	5	(1 322)	(616)
Operating profit		2 734	6 057
Finance income		80	45
Finance costs		(1 121)	(497)
Finance costs – net	6	(1 041)	(452)
Profit before income tax		1 693	5 605
Income tax expense	7	(158)	(517)
Profit for the period from continuing operations		1 535	5 088
Discontinued operations			
Profit for the period from discontinued operations	15	-	16 162
Profit for the period		1 535	21 250
Profit (loss) attributable to:			
Equity holders of the parent			
Profit for the period from continuing operations		1 636	5 095
Profit for the period from discontinued operations		-	16 393
Profit for the period attributable to equity holders of the parent		1 636	21 488
Non-controlling interests			
(Loss) for the period from continuing operations		(101)	(7)
(Loss) for the period from discontinued operations		-	(231)
(Loss) for the period attributable to non-controlling interests of the parent		(101)	(238)
		1 535	21 250

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CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

		January – March	
	Note	2014	2013
Other comprehensive income			
Continuing operations			
Net gain (loss) on cash flow hedges		(36)	87
Income tax		5	(13)
		<hr/>	<hr/>
Exchange differences on translation of foreign operations		(31)	74
Other comprehensive income (loss) for the period from continuing operations		<hr/>	<hr/>
		(156)	238
		<hr/>	<hr/>
		(187)	312
Discontinued operations			
Exchange differences on translation of foreign operations from discontinued operations		-	(201)
Other comprehensive income (loss) for the period		<hr/>	<hr/>
		(187)	111
 Total comprehensive income for the period attributable to:			
Equity holders of the parent			
Total comprehensive income (loss) for the period from continuing operations		1 458	5 400
Total comprehensive income (loss) for the period from discontinued operations		-	16 190
Total comprehensive income for the period attributable to equity holders of the parent		<hr/>	<hr/>
		1 458	21 590
Non-controlling interests			
Total comprehensive income (loss) for the period from continuing operations		(110)	-
Total comprehensive income (loss) for the period from discontinued operations		-	(229)
Total comprehensive income (loss) for the period attributable to non-controlling interests		<hr/>	<hr/>
		(110)	(229)
		<hr/>	<hr/>
		1 348	21 361
 Earnings per share from continuing and discontinued operations attributable to owners of the parent during the period			
Basic earnings per share			
From continuing operations	9	0.270	0.865
From discontinued operations	9	-	2.782
From profit for the period	9	0.270	3.646

CONSOLIDATED BALANCE SHEET

Non-current assets	Notes	31 March 2014	31 December 2013
ASSETS			
Non-current assets			
Property, plant and equipment	10	95 367	96 065
Intangible assets	10	6 612	6 943
Deferred income tax assets	7	13 426	11 731
Trade and other receivables	11, 16	3 784	4 111
		119 189	118 850
Current assets			
Inventories	13	129 372	125 853
Trade and other receivables	11, 16	122 425	98 274
Amount due from customers for contract work		13 830	8 812
Prepaid income tax		752	1 043
Short-term bank deposit		-	1 506
Cash and cash equivalents	12	12 772	21 678
		279 151	257 166
Total assets		398 340	376 016
EQUITY			
Equity attributable to the Group's equity shareholders			
Share capital	8	6 058	6 058
Share premium	8	64 538	64 538
Legal reserve		316	316
Merger reserve		(1 567)	(1 567)
Fair value reserve		(214)	(183)
Cumulative translations differences		(1 056)	(909)
Retained earnings		84 981	83 319
		153 056	151 572
Equity attributable to equity holders of the parent			
Non-controlling interests		(71)	29
Total equity		152 985	151 601
LIABILITIES			
Non-current liabilities			
Borrowings		35 863	45 222
Security deposits received		2 473	2 535
Trade and other payables	14	1 362	1 445
Government grants		1 596	818
Deferred income tax liabilities	7	380	380
Derivative financial instruments		251	214
		41 925	50 614
Current liabilities			
Borrowings		74 838	65 095
Trade and other payables	14	112 687	90 160
Advances received		13 187	16 147
Current income tax liabilities	7	1 488	1 390
Security deposits received		1 230	1 009
		203 430	173 801
Total liabilities		245 355	224 415
Total equity and liabilities		398 340	376 016

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**CONSOLIDATED INTERIM FINANCIAL INFORMATION
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(All tabular amounts are in LTL '000 unless otherwise stated)

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Group								Non-control- ling interests	Total equity	
	Share capital	Share premium	Treasury shares	Merger reserve	Legal reserve	Fair value reserve	Currency translation differences	Retained earnings	Total		
Balance at 1 January 2013	5 893	58 770	-	(2 868)	256	(357)	(397)	53 040	114 337	(742)	113 595
Comprehensive income											
Net gain on cash flow hedge	-	-	-	-	-	74	-	-	74	-	74
Currency translation difference from continuing operations	-	-	-	-	-	-	231	-	231	7	238
Currency translation difference from discontinued operations	-	-	-	-	-	-	(203)	-	(203)	2	(201)
Profit (loss) for the period from continuing operations	-	-	-	-	-	-	-	5 095	5 095	(7)	5 088
Profit (loss) for the period from discontinued operations	-	-	-	-	-	-	-	16 393	16 393	(231)	16 162
Total comprehensive income	-	-	-	-	-	74	28	21 488	21 590	(229)	21 361
Transactions with owners											
Disposal of interest in subsidiary with loss of control (Note 15)	-	-	(1 169)	1 301	(96)	-	-	(1 205)	(1 169)	946	(223)
Total transactions with owners	-	-	(1 169)	1 301	(96)	-	-	(1 205)	(1 169)	946	(223)
Balance at 31 March 2013	5 893	58 770	(1 169)	(1 567)	160	(283)	(369)	73 323	134 758	(25)	134 733
Balance at 1 January 2014	6 058	64 538	-	(1 567)	316	(183)	(909)	83 319	151 572	29	151 601
Comprehensive income											
Net gain on cash flow hedge	-	-	-	-	-	(31)	-	-	(31)	-	(31)
Currency translation difference	-	-	-	-	-	-	(147)	-	(147)	(9)	(156)
Profit (loss) for the period	-	-	-	-	-	-	-	1 636	1 636	(101)	1 535
Total comprehensive income	-	-	-	-	-	(31)	(147)	1 636	1 458	(110)	1 348
Transactions with owners											
Disposal of interest in subsidiary (Note 15)	-	-	-	-	-	-	-	26	26	10	36
Total transactions with owners	-	-	-	-	-	-	-	26	26	10	36
Balance at 31 March 2014	6 058	64 538	-	(1 567)	316	(214)	(1 056)	84 981	153 056	(71)	152 985

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Avia Solutions Group
STATEMENT OF CASH FLOWS

	Notes	January – March	
		2014	2013
Operating activities			
Profit for the period		1 535	21 250
Income tax including discontinued operations in 2013	5,7	158	522
<i>Adjustments for:</i>			
Depreciation and amortisation	4	5 317	3 295
Accruals of hangar lease payments, PBH contracts		2 633	(83)
Interest expenses	6	905	421
Impairment of accounts receivable, inventories	4	402	395
Fair value loss on derivative financial instruments		31	-
Discounting effect on security deposits received		14	-
Loss of PPE disposals		(50)	-
Currency translations differences		(129)	334
Interest income		(316)	(93)
		-	(16 162)
<i>Changes in working capital:</i>			
- Inventories		(3 920)	2 803
- Trade and other receivables		(25 227)	(6 512)
- Trade and other payables, advances received		21 057	(4 932)
- Security deposits received		177	-
Cash generated from operations		2 587	1 238
Interest received		44	182
Interest paid		(774)	(515)
Income tax paid		-	(105)
Net cash generated from (used in) operating activities		1 857	800
Investing activities			
Purchase of PPE and intangible assets		(10 222)	(2 054)
Proceeds from PPE and intangible assets		232	233
Loans granted		(8)	(10)
Repayments of loans granted		-	2 932
Deposits placed		(1 210)	(13)
Repayments of deposits placed		6	217
Net cash generated from (used in) investing activities		(11 202)	1 305

STATEMENT OF CASH FLOWS (CONTINUED)

	Notes	January – March	
		2014	2013
Financing activities			
Increase of non-controlling interests	15	38	-
Bank borrowings received		176	341
Repayments of bank borrowings		(1 679)	(892)
Borrowings from related parties received	16	2 354	2
Repayments of borrowings from related parties	16	(4 383)	-
Other borrowings received		31	-
Repayments of lease liabilities		(780)	(715)
Net cash generated from (used in) financing activities		(4 243)	(1 264)
 Increase (decrease) in cash and cash equivalents			
At beginning of period	12	10 775	8 913
Increase (decrease) in cash and cash equivalents		(13 588)	841
At end of period	12	(2 813)	9 754

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 Accounting policies

The consolidated interim financial information for the three-month period ended 31 March 2014 (hereinafter *The Consolidated Financial Information*) is prepared in accordance with the International Financial Accounting Standards, as adopted by the European Union, includes IAS 34 „Interim financial reporting“. In all material respects, the same accounting principles have been followed as in the preparation of financial statements for 2013.

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

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

2 Investments in subsidiaries and associates

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

The Group's companies	Country of establishment	Operating segment	Share of equity, %			Date of acquiring/establishment and activity
			31-03-2014	31-12-2013	31-03-2013	
AviationCV.com UAB	Lithuania	Crew Training and Staffing	100	100	100	The subsidiary was established in spring of 2011. The company provides aviation personnel solutions.
Baltic Aviation Academy UAB	Lithuania	Crew Training and Staffing	100	100	100	The Group company was established on 22 November 2006. The company provides aircraft crew training services. On 15 April 2014 the Company sold it's 23.09% stakes in Baltic Aviation Academy UAB to the third party (Note 17).
Baltic Ground Services UAB	Lithuania	Aircraft Ground Handling and Fuelling	100	100	100	The subsidiary was acquired on 31 October 2008. The company provides aircraft ground handling and fueling services in Lithuania.
Baltic Ground Services Sp.z.o.o.	Poland	Aircraft Ground Handling and Fuelling	100	100	100	The subsidiary was established in spring of 2010. It is a direct subsidiary of Baltic Ground Services UAB. The company provides aircraft ground handling and fueling services in Poland.
Baltic Ground Services s.r.l.	Italy	Aircraft Ground Handling and Fuelling	100	100	100	The subsidiary was established in winter of 2010. It is a direct subsidiary of Baltic Ground Services UAB. The company provides aircraft ground handling services in Italy.
Baltic Ground Services UA TOV	Ukraine	Aircraft Ground Handling and Fuelling	100	100	100	The subsidiary was established in summer of 2011. It is a direct subsidiary of Ground Handling CIS UAB. The subsidiary does not conduct active operations.
Ground Handling CIS UAB	Lithuania	Aircraft Ground Handling and Fuelling	100	100	100	The subsidiary was established in summer of 2011. It is a direct subsidiary of Baltic Ground Services UAB. The subsidiary does not conduct active operations.
FL Technics AB	Lithuania	Aircraft and Helicopter Maintenance, Repair and Overhaul (MRO)	100	100	100	The subsidiary was established on 22 December 2005. In summer of 2007 the company started aircraft maintenance, repair and overhaul (MRO) services.

2 Investments in subsidiaries and associates (continued)

The Group's companies	Country of establishment	Operating segment	Share of equity, %			Date of acquiring/establishment and activity
			31-03-2014	31-12-2013	31-03-2013	
FL Technics Jets UAB	Lithuania	Aircraft and Helicopter Maintenance, Repair and Overhaul (MRO)	100	100	100	The subsidiary was acquired on 1 December 2010. The company provides maintenance services for business aircraft.
FL Technics Line OOO	Russia	Aircraft and Helicopter Maintenance, Repair and Overhaul (MRO)	93	93	93	The subsidiary was established in summer of 2011. It is a direct subsidiary of FL Technics AB. The company provides aircraft line station services and sells spare parts in Russia and the CIS.
FL Technics Ulyanovsk OOO	Russia	Aircraft and Helicopter Maintenance, Repair and Overhaul (MRO)	99	99	99	The subsidiary was established in summer of 2011. It is a direct subsidiary of FLT Trading House UAB. The subsidiary does not conduct active operations.
FLT Trading House UAB	Lithuania	Aircraft and Helicopter Maintenance, Repair and Overhaul (MRO)	100	100	100	The subsidiary was acquired on 19 November 2010. The subsidiary does not conduct active operations.
Locatory.com UAB	Lithuania	Aircraft and Helicopter Maintenance, Repair and Overhaul (MRO)	95	95	95	The subsidiary was established on 7 December 2010. Starting summer 2011, the company provides on-line platform for the aviation industry to search, buy and sell aviation inventory.
Helisota UAB	Lithuania	Aircraft and Helicopter Maintenance, Repair and Overhaul (MRO)	100	100	-	The subsidiary was acquired on 16 December 2013. The company provides maintenance, repair and overhaul services for helicopters.
Kauno aviacijos gamykla UAB	Lithuania	Aircraft and Helicopter Maintenance, Repair and Overhaul (MRO)	100	100	-	It is a direct subsidiary of Helisota UAB. The subsidiary does not conduct any significant active operations.
Verslo skrydžiai UAB	Lithuania	Business charter operations (new business segment)	75	100	-	The subsidiary was established on 9 October 2013. The subsidiary is under preparations for business charter activity. On 24 January 2014 the Company sold 25 per cent shareholding in the subsidiary (Note 15).
Small Planet Airlines s.r.l.	Italy	Charter operations (discontinued operations)	35.5	35.5	35.5	The subsidiary was established on 17 February 2010. In summer of 2011 the company started charter operations in Italy. On 16 April 2014 the Company sold its 35.50% stakes in the subsidiary (Notes 15, 17).
Storm Aviation Ltd.	The United Kingdom	Aircraft and Helicopter Maintenance, Repair and Overhaul (MRO)	100	100	100	The subsidiary was acquired on 30 September 2011. It is a direct subsidiary of FL Technics AB. The company provides aircraft line station services.
Storm Aviation (Cyprus) Ltd.	Republic of Cyprus	Aircraft and Helicopter Maintenance, Repair and Overhaul (MRO)	100	100	100	The subsidiary was acquired on 30 September 2011. It is a direct subsidiary of Storm Aviation Ltd. The company provides aircraft line station services in Cyprus.

3 Segment information

For management purposes, the Group is organized into business units based on the services provided, and has four reportable operating segments: aircraft and helicopter maintenance, repair and overhaul (MRO); aircraft ground handling and fuelling; crew training and staffing and unallocated segment.

3 Segment information (continued)

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

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

The following table present sales to external customers, costs of sales and gross profit information according to the Group's business segments for the three-month period ended 31 March 2014:

	Business charter operations (new)	Aircraft and helicopter maintenance, repair and overhaul (MRO)	Aircraft ground handling and fuelling	Crew training and staffing	Unallocated	Inter-segment eliminations	Total continuing operations
Three-month period ended 31 March 2014							
Revenue							
Sales to external customers							
	-	87 009	41 008	5 604	215	-	133 836
Inter-segment sales	-	6 901	11 527	46	1 349	(19 823)	-
Total revenue	-	93 910	52 535	5 650	1 564	(19 822)	133 836
Cost of sales	(26)	(78 972)	(51 273)	(4 120)	(460)	18 169	(116 682)
Segment gross profit	(26)	14 938	1 261	1 530	1 104	(1 653)	17 154
As at 31 March 2014							
Segment assets	160	315 595	59 416	15 971	7 198	-	398 340

The following table presents sales to external customers, costs of sales and gross profit information according to the Group's business segments for the three-month period ended 31 March 2013:

	Aircraft and helicopter maintenance, repair and overhaul (MRO)	Aircraft ground handling and fuelling	Crew training and staffing	Unallocated	Inter-segment eliminations	Total continuing operations
Three-month period ended 31 March 2013						
Revenue						
Sales to external customers						
	73 014	43 748	5 534	382	-	122 678
Inter-segment sales	1 296	16 823	12	1 432	(19 563)	-
Total revenue	74 310	60 571	5 546	1 814	(19 563)	122 678
Cost of sales	(60 048)	(58 720)	(4 608)	(352)	17 092	(106 636)
Segment gross profit	14 262	1 851	938	1 462	(2 471)	16 042
As at 31 March 2013						
Segment assets	195 072	61 157	14 391	16 764	-	287 384

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

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



	January – March	
	2014	2013
4 Expenses by nature		
Aircraft fuel expenses	32 723	34 668
Spare parts and consumables expenses	25 058	25 804
Employee related expenses	24 792	20 601
Cost of services resold	18 711	11 025
Aircraft and helicopter maintenance expenses	6 131	4 133
Depreciation and amortisation (Note 10)	5 317	3 295
Rent and maintenance of premises	3 450	3 107
Training and related expenses	2 595	3 208
Transportation and related expenses	2 148	1 567
Aircraft servicing and handling expenses	1 921	1 763
Business travel expenses	1 386	1 554
Consultation expenses	1 131	573
Marketing and sales expenses	767	543
Insurance expenses	688	449
Office administrative expenses	514	210
Rent and maintenance of training simulators	464	583
Communications expenses	422	426
Impairment-related expenses	402	395
IT expenses	271	209
Bank services	134	167
Employee lease expenses	123	450
VAT in business use expenses	108	271
Audit expenses	83	8
Rent of aircraft and equipment	70	461
Other expenses	842	723
Total of cost of sales, general and administrative expenses	130 251	116 193
5 Other gains / (losses) – net		
Gain on sales of non-current assets and inventories	59	59
Net foreign exchange gain/(loss) on operating activities	(1 381)	(675)
	(1 322)	(616)
6 Finance income and costs		
Foreign exchange gain on financing activities	66	38
Interest income on cash and cash equivalents	14	7
Finance income	80	45
Interest expenses on borrowings	(905)	(421)
Provisions: unwinding of discount	(162)	-
Late payment interest - costs	(35)	(75)
Unwinding of discounted security deposits received	(14)	-
Other finance costs	(5)	(1)
Finance costs	(1 121)	(497)
Finance costs – net	(1 041)	(452)

7 Income tax and deferred income tax

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

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

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

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

	January – March	
	2014	2013
Current income tax	(1 853)	(652)
Deferred income tax	1 695	135
Total income tax expenses	(158)	(517)

8 Share capital

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

9 Earnings per share

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

	January – March	
	2014	2013
Profit (loss) attributable to:		
Equity holders of the parent		
Profit (loss) for the year from continuing operations	1 636	5 095
Profit (loss) for the year from discontinued operations	-	16 393
 Profit (loss) for the year attributable to equity holders of the parent	1 636	21 488
Weighted average number of ordinary shares (thousand)		
Basic earnings per share		
From continuing operations	0.270	0.865
From discontinued operations	-	2.782
From profit for the period	0.270	3.646

10 Property, plant and equipment, intangible assets

	Property, plant and equipment	Intangible assets
Opening net book amount as at 1 January 2013	64 920	6 904
Additions	5 590	300
Disposals	(989)	-
Depreciation charge (Note 4)	(3 046)	(249)
Cumulative currency differences	(224)	(3)
Closing net book amount as at 31 March 2013	66 251	6 952
Opening net book amount as at 1 January 2014	96 065	6 943
Additions	4 235	165
Disposals	(66)	-
Write-offs	(1)	-
Depreciation charge (Note 4)	(4 829)	(488)
Cumulative currency differences	(37)	(8)
Closing net book amount as at 31 March 2014	95 367	6 612

11 Trade and other receivables

	31 March 2014	31 December 2013
Trade receivables	91 105	72 523
Less: provision for impairment of trade receivables	(9 108)	(7 837)
Less: provision for impairment of trade receivables from acquisitions (Note 15)	-	(193)
Trade receivables – net	81 997	64 493
Receivables from related parties	1 167	5 889
Less: provision for impairment of trade receivables from related parties	(359)	(1 316)
Receivables from related parties – net (Note 16)	808	4 573
Prepayments	18 127	12 111
Less: provision for impairment of prepayments from acquisitions (Note 15)	(1 551)	(1 551)
Prepayments - net	16 576	10 560
Other receivables	3 834	2 075
Less: provision for impairment of other receivables	(239)	(182)
Other receivables - net	3 595	1 893
Other receivables from related parties	72	177
Less: provision for impairment of other receivables from related parties	(49)	(49)
Other receivables from related parties – net (Note 16)	23	128
Loans granted to related parties	2 360	2 357
Less: provision for impairment of loans granted to related parties	(86)	(86)
Loans granted to related parties – net (Note 16)	2 274	2 271
VAT receivables	10 617	9 340
Security deposit with lessor	3 883	2 714
Loans granted – net	3 790	3 785
Deferred charges	2 646	2 448
Deferred charges to related parties (Note 16)	-	180
Less non-current portion :		
Current portion :	126 209	102 385
	(3 784)	(4 111)
	122 425	98 274

11 Trade and other receivables (continued)

The Group's prepayments as at 31 March 2014 increased as compared with opening balance sheet amount primarily due to increase in prepayments relating to the tangible assets in the MRO business segment by 3 million.

	31 March 2014	31 December 2013	31 March 2013
12 Cash and cash equivalents			
Cash and cash equivalents	12 772	21 678	9 754
Bank overdraft	(15 585)	(10 903)	-
	(2 813)	10 775	9 754
		31 March 2014 31 December 2013	
13 Inventories			
Spare parts and materials – gross amount	109 475	107 875	
Less: provision for impairment of inventories	(9 270)	(8 970)	
	100 205	98 905	
Spare parts and materials			
Goods for sale – gross amount	21 584	20 294	
Less: provision for impairment of inventories	(1 301)	(1 301)	
	20 283	18 993	
Goods for sale			
Aircraft fuel	4 785	2 694	
Work in progress	2 267	2 274	
Goods in transit	42	1 502	
Other inventories	1 790	1 485	
	129 372	125 853	
14 Trade and other payables			
Trade payables	68 102	58 335	
Accruals for hangar lease payments, PBH contracts and other accrued expenses	32 254	22 629	
Salaries and social security payable	7 457	5 616	
Deferred revenue	3 054	1 797	
Provisions	464	613	
Amounts payable to related parties (Note 16)	1 036	574	
Other payables	1 682	2 041	
	114 049	91 605	
Less: non-current portion	(1 362)	(1 445)	
Current portion	112 687	90 160	
15 Business combination and disposals			
<i>Disposals in 2014</i>			
On 24 January 2014, the Group sold 25% of the share capital of the subsidiary <i>Verslo skrydžiai UAB</i> to <i>Small Planet Airlines UAB</i> . Sales proceeds from the disposal of a 25 per cent shareholding in <i>Verslo skrydžiai UAB</i> amounted to LTL 37.5 thousand.			

15 Business combination and disposals (continued)

On 16 April 2014 the Group sold its 35.50% stakes in *Small Planet Airlines s.r.l.* (Italy) to the third parties (Note 17). As a result of the Group's disposal program following the Charter Operations business segment, the Group's investments in associate *Small Planet Airlines S.r.l.* have been presented as held for sale in the Group balance sheet at 31 December 2013 and at 31 March 2014. The carrying amount of the investments in associate held for sale is EUR 1.

Acquisition in 2013

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

Disposal in 2013

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

	<i>Small Planet Airlines UAB - disposal's carrying amount</i>	<i>Small Planet Airlines Sp.z.o.o. - disposal's carrying amount</i>	Inter-company transactions of disposal group	Total disposal's carrying amount
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				21 304
Deferred consideration (treated as interest free loan for two years)				500
Share-exchange consideration				524
Sales price				1 024

15 Business combination and disposals (continued)

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

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

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

	<u>January – March</u>	<u>2013</u>
Discontinued operations		
Revenue	19 745	
Cost of sales	(22 346)	
Gross profit (loss)	(2 601)	
(Loss) before income tax from operating activities	(5 137)	
Income tax expense	(5)	
(Loss) from operating activities, net of tax	(5 142)	
Gain on sale of discontinued operations	21 304	
Net profit (loss) for the period from discontinued operations	16 162	

16 Related party transactions

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

The following transactions were carried out with related parties:

	<u>January – March</u>	<u>2013</u>
	<u>2014</u>	<u>2013</u>
Sales of services to:		
Entities having significant influence	1	-
Other related parties	4 641	3 043
	4 642	3 043
Total sales of assets and services	4 642	3 043
Purchases of assets from:		
Other related parties	12	330
	12	330
Purchases of services from:		
Entities having significant influence	22	29
Other related parties	1 579	1 495
	1 601	1 524
Total purchases of assets and services	1 613	1 854

16 Related party transactions (continued)

	31 March 2014	31 December 2013
Trade receivables from related parties		
Loans provided to other related parties (Note 11)	2 274	2 271
Trade receivables from other related parties (Note 11)	806	4 571
Trade receivables from entities having significant influence (Note 11)	2	2
Other trade receivables from related parties (Note 11)	23	128
Deferred charges to other related parties (Note 11)	-	180
	3 105	7 152
Payables and advances received from related parties		
Loans received from other related parties	12 318	14 335
Trade payables to other related parties (Note 14)	1 024	566
Advances received from other related parties	897	1 528
Trade payables to entities having significant influence (Note 14)	11	8
Other payables to other related parties (Note 14)	1	-
	14 251	16 437

17 Events after the balance sheet date

In February 2014 *Avia Solutions Group AB* signed the agreement for sale 49% stakes in *Baltic Aviation Academy UAB* to third party. On 15 April 2014 the first stage of sale transaction was completed: *Avia Solutions Group AB* sold it's 23.09% stakes in *Baltic Aviation Academy UAB* to the third party. The whole sale transaction will be completed until 31 May 2014.

On 16 April 2014 the Group sold it's 35.50% stakes in associate *Small Planet Airlines s.r.l.* (Italy) to the third parties (Note 15).

AVIA SOLUTIONS GROUP AB
CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014
(All tabular amounts are in LTL '000 unless otherwise stated)



MANAGEMENT CONFIRMATION OF THE CONSOLIDATED INTERIM FINANCIAL INFORMATION

Following Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Bank of Lithuania, We, Linas Dovydėnas, General Director of Avia Solutions Group AB, and, Aurimas Sanikovas, Chief Financial Officer of Avia Solutions Group AB, hereby confirm that, to the best of our knowledge, the not audited Avia Solutions Group AB Consolidated Interim Financial Statements for the three-month period ended 31 March 2014, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position, profit or loss and cash flows of the Group of undertakings.

General Manager

A blue ink signature of Linas Dovydėnas, General Director of Avia Solutions Group AB.

Linas Dovydėnas

Chief Financial Officer

A blue ink signature of Aurimas Sanikovas, Chief Financial Officer of Avia Solutions Group AB.

Aurimas Sanikovas

15 May, 2014