

AVIA SOLUTIONS GROUP AB

Consolidated Interim Financial Information,
Consolidated Interim Report
For the Six-Month Period Ended 30 June 2014
(Unaudited)

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

CONTENTS	Pages
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	4
CONSOLIDATED BALANCE SHEET	6
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	7
CONSOLIDATED STATEMENT OF Cash flowS.....	9
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION	10
1 Accounting policies.....	10
2 Investments in subsidiaries and associates	10
3 Segment information.....	11
4 Expense by nature	13
5 Other gains / (losses) – net.....	13
6 Finance income and costs	13
7 Income tax and deferred income tax.....	14
8 Share capital.....	14
9 Earnings per share.....	14
10 Property, plant and equipment, intangible assets.....	15
11 Trade and other receivables	15
12 Cash and cash equivalents	16
13 Inventories.....	16
14 Trade and other payables	16
15 Business combination and disposals.....	16
16 Related party transactions.....	18
CONSOLIDATED INTERIM REPORT	20
MANAGEMENT CONFIRMATION OF THE CONSOLIDATED INTERIM FINANCIAL INFORMATION	41

AVIA SOLUTIONS GROUP AB

CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

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



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Note	April – June		January – June		
	2014	2013	2014	2013	
Continuing operations					
Revenue	3	171 974	138 110	305 810	260 788
Cost of sales	4	(154 325)	(119 389)	(271 007)	(226 025)
Gross profit		17 649	18 721	34 803	34 763
General and administrative expenses	4	(14 876)	(11 791)	(28 445)	(21 348)
Other income		791	309	1 262	497
Other gains / (losses) – net	5	1 614	(669)	292	(1 285)
Operating profit		5 178	6 570	7 912	12 627
Finance income		1 487	3	1 567	48
Finance costs		(1 134)	(1 629)	(2 255)	(2 126)
Finance costs – net	6	353	(1 626)	(688)	(2 078)
Profit before income tax		5 531	4 944	7 224	10 549
Income tax expense	7	(572)	(728)	(730)	(1 245)
Profit for the period from continuing operations		4 959	4 216	6 494	9 304
Discontinued operations					
Profit (loss) for the period from discontinued operations	15	-	(604)	-	14 204
Profit for the period		4 959	3 612	6 494	23 508
Profit (loss) attributable to:					
Equity holders of the parent					
Profit for the period from continuing operations		4 779	4 215	6 415	9 310
Profit (loss) for the period from discontinued operations		-	(604)	-	14 436
Profit for the period attributable to equity holders of the parent		4 779	3 611	6 415	23 746
Non-controlling interests					
Profit for the period from continuing operations		180	1	79	(6)
(Loss) for the period from discontinued operations		-	-	-	(232)
Profit (loss) for the period attributable to non-controlling interests of the parent		180	1	79	(238)
		4 959	3 612	6 494	23 508



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

Note	April – June		January – June	
	2014	2013	2014	2013
Other comprehensive income				
Continuing operations				
Net gain (loss) on cash flow hedges	(51)	133	(87)	220
Income tax	8	(20)	13	(33)
	(43)	113	(74)	187
Exchange differences on translation of foreign operations	66	284	(90)	498
	23	397	(164)	685
Other comprehensive income (loss) for the period from continuing operations				
Discontinued operations				
Exchange differences on translation of foreign operations from discontinued operations	-	-	-	44
	23	397	(164)	729
Total comprehensive income for the period attributable to:				
Equity holders of the parent				
Total comprehensive income for the period from continuing operations	4 797	4 616	6 255	9 992
Total comprehensive income (loss) for the period from discontinued operations	-	(604)	-	14 478
	4 797	4 012	6 255	24 470
Non-controlling interests				
Total comprehensive income (loss) for the period from continuing operations	185	(3)	75	(3)
Total comprehensive income (loss) for the period from discontinued operations	-	-	-	(230)
	185	(3)	75	(233)
	4 982	4 009	6 330	24 237
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	0.789	0.717	1.059
From discontinued operations	9	-	(0.103)	-
	9	0.789	0.614	1.059
				4.033

AVIA SOLUTIONS GROUP AB

CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

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


CONSOLIDATED BALANCE SHEET
Non-current assets

 Notes **30 June 2014** **31 December 2013**
ASSETS
Non-current assets

Property, plant and equipment	10	94 070	96 065
Intangible assets	10	6 285	6 943
Deferred income tax assets	7	13 413	11 731
Trade and other receivables	11, 16	3 694	4 111
		117 462	118 850

Current assets

Inventories	13	127 202	125 853
Trade and other receivables	11, 16	114 959	98 274
Amount due from customers for contract work		23 233	8 812
Prepaid income tax		1 755	1 043
Short-term bank deposit		-	1 506
Cash and cash equivalents	12	21 899	21 678
		289 048	257 166
Total assets		406 510	376 016

EQUITY
Equity attributable to the Group's equity shareholders

Share capital	8	6 058	6 058
Share premium		64 538	64 538
Legal reserve		273	316
Merger reserve		(1 577)	(1 567)
Fair value reserve		(256)	(183)
Cumulative translations differences		(996)	(909)
Retained earnings		90 238	83 319
Equity attributable to equity holders of the parent		158 278	151 572
Non-controlling interests		2 919	29
Total equity		161 197	151 601

LIABILITIES
Non-current liabilities

Borrowings		33 162	45 222
Government grants		2 839	818
Security deposits received		2 289	2 535
Trade and other payables	14	1 319	1 445
Deferred income tax liabilities	7	378	380
Derivative financial instruments		302	214
		40 289	50 614

Current liabilities

Borrowings		81 927	65 095
Trade and other payables	14	109 777	90 160
Advances received		11 343	16 147
Security deposits received		1 266	1 009
Current income tax liabilities	7	711	1 390
		205 024	173 801
Total liabilities		245 313	224 415
Total equity and liabilities		406 510	376 016

AVIA SOLUTIONS GROUP AB
 CONSOLIDATED INTERIM FINANCIAL INFORMATION
 FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014
(All tabular amounts are in LTL '000 unless otherwise stated)



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Group								Non-control- ling interests	Total equity	
	Share capita 1	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	-	-	-	-	-	187	-	-	187	-	187
Currency translation difference from continuing operations	-	-	-	-	-	-	495	-	495	3	498
Currency translation difference from discontinued operations	-	-	-	-	-	-	42	-	42	2	44
Profit (loss) for the period from continuing operations	-	-	-	-	-	-	-	9 310	9 310	(6)	9 304
Profit (loss) for the period from discontinued operations	-	-	-	-	-	-	-	14 436	14 436	(232)	14 204
Total comprehensive income	-	-	-	-	-	187	537	23 746	24 470	(233)	24 237
Transactions with owners											
Disposal of subsidiaries / Purchase of treasury shares (Note 15)	-	-	(1 169)	1 301	(96)	-	(73)	-	(37)	947	910
Disposal of treasury shares (Note 15)	-	-	1 169	-	-	-	-	15	1 184	-	1 184
Transfer to legal reserve	-	-	-	-	87	-	(87)	-	-	-	-
Total transactions with owners	-	-	-	1 301	(9)	-	(73)	(72)	1 147	(947)	2 094
Balance at 30 June 2013	5 893	58 770	-	(1 567)	247	(170)	67	76 714	139 954	(28)	139 595

AVIA SOLUTIONS GROUP AB

 CONSOLIDATED INTERIM FINANCIAL INFORMATION
 FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014
(All tabular amounts are in LTL '000 unless otherwise stated)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Equity attributable to equity holders of the Group								Non-control- ling interests	Total equity	
	Share capital	Share premium	Treasury shares	Merger reserve	Legal reserve	Fair value reserve	Currency translation differences	Retained earnings			
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	-	-	-	-	-	(73)	-	-	(73)	-	(73)
Currency translation difference	-	-	-	-	-	-	(87)	-	(87)	(4)	(91)
Profit for the period	-	-	-	-	-	-	-	6 415	6 415	79	6 494
Total comprehensive income	-	-	-	-	-	(73)	(87)	6 415	6 255	75	6 330
Transactions with owners											
Disposal of interest in subsidiaries without loss of control (Note 15)	-	-	-	(10)	(43)	-	-	504	451	2 815	3 266
Total transactions with owners	-	-	-	(10)	(43)	-	-	504	451	2 815	3 266
Balance at 30 June 2014	6 058	64 538	-	(1 577)	273	(256)	(996)	90 238	158 278	2 919	161 197

AVIA SOLUTIONS GROUP AB

CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

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


Avia Solutions Group
CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	January – June	
		2014	2013
Operating activities			
Profit for the period		6 494	23 508
Income tax	7	730	1 245
<i>Adjustments for:</i>			
Depreciation and amortisation	4, 10	11 097	6 839
Interest expenses	6	1 889	905
Accruals of buildings lease payments, PBH contracts		1 212	(322)
Impairment of accounts receivable, inventories	4	714	97
Fair value loss on derivative financial instruments		74	(187)
Discounting effect on security deposits received		28	-
Currency translations differences		16	816
Amortisation of government grants		(247)	-
Interest income		(740)	(303)
Loss of PPE disposals		(1 002)	-
Net result of subsidiary disposal without loss of control	5	(1 190)	-
Gain on disposal of subsidiaries in Group's financial statements (discontinued operations)		-	(19 955)
<i>Changes in working capital:</i>			
- Inventories		(2 064)	(11 533)
- Trade and other receivables		(27 939)	(7 644)
- Trade and other payables, advances received		19 378	11 195
- Security deposits received		177	-
Cash generated from (used in) operations		8 627	4 661
Interest received		89	415
Interest paid		(1 423)	(891)
Income tax paid		(811)	(128)
Net cash generated from (used in) operating activities		6 482	4 057
Investing activities			
Purchase of PPE and intangible assets		(13 778)	(7 204)
Proceeds from PPE and intangible assets		1 592	809
Loans granted		(21)	(29)
Repayments of loans granted		207	2 951
Deposits placed		(1 481)	(87)
Repayments of deposits placed		230	217
Proceeds from sale of subsidiaries		-	(21)
Net cash (from) used in investing activities		(13 251)	(3 364)
Financing activities			
Increase of non-controlling interests	15	4 457	-
Proceeds on disposal of treasury shares		-	1 184
Bank borrowings received		939	2 803
Repayments of bank borrowings		(32 707)	(1 543)
Borrowings from related parties received	16	2 558	5
Repayments of borrowings from related parties	16	(12 673)	-
Other borrowings received		32	-
Repayments of lease liabilities		(1 141)	(1 841)
Net cash generated from financing activities		(38 535)	608
Increase in cash and cash equivalents			
At beginning of period	12	(45 304)	1 301
Increase (decrease) in cash and cash equivalents		(45 304)	1 301
At end of period	12	(34 529)	10 214

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION
1 Accounting policies

The consolidated interim financial information for the six-month period ended 30 June 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 six-month period ended 30 June 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 establishmen	Operating segment	Share of equity, %			Date of acquiring/establishment and activity
			30-06-2014	31-12-2013	30-06-2013	
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	51	100	100	The Group company was established on 22 November 2006. The company provides aircraft crew training services. On 25 June 2014 the Company has completed the sale of 49.00% of shares of Baltic Aviation Academy UAB. First stage of sale was made on 15 April 2014 when the Company sold it's 23.09% stakes in Baltic Aviation Academy UAB to the third party (Note 15).
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.

AVIA SOLUTIONS GROUP AB

CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

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



Avia Solutions Group

The Group's companies	Country of establishment	Operating segment	Share of equity, %			Date of acquiring/establishment and activity
			30-06-2014	31-12-2013	30-06-2013	
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 (Note 15).
Kauno aviacijos gamykla UAB	Lithuania	Aircraft and Helicopter Maintenance, Repair and Overhaul (MRO)	100	100	-	It is a direct subsidiary of Helisota UAB. The subsidiary does not conduct any significant active operations (Note 15).
Verslo skrydžiai UAB	Lithuania	Business charter operations (new business segment)	75	100	-	The subsidiary was established on 9 October 2013. The subsidiary has started 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	The subsidiary was established on 17 February 2010. In summer of 2011 the company started charter operations in Italy. On 16 April 2014 the Company sold it's 35.50% stakes in the subsidiary to the third parties (Note 15).
Storm Aviation 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.
Avia Solutions Group - Airports Management OOO	Russia	Unallocated	100	-	-	The subsidiary was established on 14 March 2014. The company's portfolio includes the development of the Moscow's fourth airport – Ramenskoye International.

3 Segment information

For management purposes, the Group is organized into business units based on the services provided, and has five reportable operating segments: business charter operations; 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 six-month period ended 30 June 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
Six-month period ended 30 June 2014							
Revenue							
Sales to external customers	242	187 204	101 365	16 571	428	-	305 810
Inter-segment sales	-	9 890	18 375	72	2 749	(31 086)	-
Total revenue	242	197 094	119 740	16 643	3 177	(31 086)	305 810
Cost of sales	(359)	(169 945)	(116 348)	(11 157)	(889)	27 691	(271 007)
Segment gross profit	(117)	27 149	3 392	5 486	2 288	(3 395)	34 803
As at 30 June 2014							
Segment assets	314	313 611	64 952	20 689	6 944		406 510

The following table presents sales to external customers, costs of sales and gross profit information according to the Group's business segments for the six-month period ended 30 June 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
Six-month period ended 30 June 2013						
Revenue						
Sales to external customers	150 814	94 845	14 516	613	-	260 788
Inter-segment sales	3 660	36 767	30	2 812	(43 269)	-
Total revenue	154 474	131 612	14 546	3 425	(43 269)	260 788
Cost of sales	(126 169)	(127 469)	(10 616)	(736)	38 965	(226 025)
Segment gross profit	28 305	4 143	3 930	2 689	(4 304)	34 763
As at 30 June 2013						
Segment assets	219 172	58 483	14 999	16 030		308 684

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.

AVIA SOLUTIONS GROUP AB

CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

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


4 Expense by nature

	April – June		January – June	
	2014	2013	2014	2013
Aircraft fuel expenses	50 458	42 420	83 181	77 088
Employee related expenses	27 337	21 325	52 129	41 926
Spare parts and consumables expenses	26 550	24 055	51 608	49 859
Aircraft and rotorcraft maintenance expenses	24 434	2 937	30 564	7 070
Cost of services resold	13 616	20 000	32 327	31 024
Depreciation and amortisation (Note 10)	5 780	3 543	11 097	6 839
Training and related expenses	5 068	4 893	7 663	8 101
Rent and maintenance of premises	3 376	2 652	6 826	5 759
Transportation and related expenses	2 511	971	4 659	2 538
Aircraft servicing and handling expenses	2 099	574	4 019	2 337
Business travel expenses	1 685	1 433	3 071	2 987
Consultation expenses	821	1 870	1 952	2 443
Marketing and sales expenses	649	998	1 415	1 541
VAT in business use expenses	630	288	738	559
IT expenses	613	431	884	640
Insurance expenses	557	400	1 244	848
Rent of aircraft and equipment	542	947	612	1 408
Communications expenses	504	442	926	867
Impairment-related expenses	312	(298)	714	97
Office administrative expenses	302	338	816	548
Employee lease expenses	145	117	268	567
Bank services	124	180	257	347
Audit expenses	98	52	181	60
Other expenses	990	612	2 301	1 920
Total of cost of sales, general and administrative expenses	169 201	131 180	299 452	247 373

5 Other gains / (losses) – net

Net gain on disposal of subsidiary without loss of control (Note 15)	1 190	-	1 190	-
Net gain/(loss) on sales of non-current assets and inventories	922	(19)	981	40
Net foreign exchange (loss) on operating activities	(498)	(650)	(1 879)	(1 325)
	1 614	(669)	292	(1 285)

6 Finance income and costs

Foreign exchange gain on financing activities	1 480	-	1 546	38
Interest income on cash and cash equivalents	7	3	21	10
Finance income	1 487	3	1 567	48
Interest expenses on borrowings	(984)	(484)	(1 889)	(905)
Late payment interest - costs	(76)	(31)	(111)	(106)
Unwinding of discounted security deposits received	(14)	-	(190)	-
Foreign exchange loss on financing activities	-	(230)	-	(230)
Other finance costs	(60)	(884)	(65)	(885)
Finance costs	(1 134)	(1 629)	(2 255)	(2 126)
Finance costs – net	353	(1 626)	(688)	(2 078)



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:

	April – June		January – June	
	2014	2013	2014	2013
Current income tax	(557)	(954)	(2 410)	(1 606)
Deferred income tax	(15)	226	1 680	361
Total income tax expenses	(572)	(728)	(730)	(1 245)

8 Share capital

On 30 June 2014 the share capital of the Company amounts to LTL 6 058 333 and consists of 6 058 333 ordinary registered shares with a nominal value of one litas each (on 31 December 2013 – 6 058 333, on 30 June 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.

	April – June		January – June	
	2014	2013	2014	2013
Profit (loss) attributable to:				
Equity holders of the parent				
Profit (loss) for the year from continuing operations	4 779	4 215	6 415	9 310
Profit (loss) for the year from discontinued operations	-	(604)	-	14 436
Profit (loss) for the year attributable to equity holders of the parent	4 779	3 611	6 415	23 746
Weighted average number of ordinary shares (thousand)				
	6 058	5 881	6 058	5 887
Basic earnings per share				
From continuing operations	0.789	0.717	1.059	1.581
From discontinued operations	-	(0.103)	-	2.452
From profit for the period	0.789	0.614	1.059	4.033

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	11 822	680
Disposals	(1 067)	-
Write-offs	(2)	-
Depreciation charge (Note 4)	(6 164)	(675)
Cumulative currency differences	(352)	(5)
Closing net book amount as at 30 June 2013	69 157	6 903
Opening net book amount as at 1 January 2014	96 065	6 943
Additions	8 910	405
Disposals	(828)	-
Write-offs	(1)	-
Depreciation charge (Note 4)	(10 146)	(951)
Cumulative currency differences	70	(112)
Closing net book amount as at 30 June 2014	94 070	6 285

30 June 2014 31 December 2013

11 Trade and other receivables

	30 June 2014	31 December 2013
Trade receivables	75 577	72 523
Less: provision for impairment of trade receivables from continuing operations	(7 858)	(7 837)
Less: provision for impairment of trade receivables from acquisitions	-	(193)
Trade receivables – net	67 719	64 493
Prepayments	16 676	12 111
Less: provision for impairment of prepayments	(1 551)	(1 551)
Prepayments – net	15 125	10 560
Loans granted	3 676	3 785
Less: provision for impairment of loans granted	(86)	-
Loans granted - net	3 590	3 785
VAT receivables	10 439	9 340
Receivables from related parties	10 933	5 889
Less: provision for impairment of trade receivables from related parties	(1 556)	(1 316)
Receivables from related parties - net (Note 16)	9 377	4 573
Deferred charges	3 933	2 448
Other receivables	2 810	2 075
Less: provision for impairment of other receivables	(231)	(182)
Other receivables – net	2 579	1 893
Loans granted to related parties	2 279	2 357
Less: provision for impairment of loans granted to related parties	-	(86)
Loans granted to related parties – net (Note 16)	2 279	2 271
Security deposit – net	3 564	2 714
Other receivables from related parties	35	177
Less: provision for impairment of other receivables from related parties	-	(49)
Other receivables from related parties – net (Note 16)	35	128
Deferred charges to related parties (Note 16)	-	180
Prepayments from related parties (Note 16)	13	-
Less non-current portion :	118 653	102 385
Current portion :	(3 694)	(4 111)
	114 959	98 274

AVIA SOLUTIONS GROUP AB

CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

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



	30 June 2014	31 December 2013	30 June 2013
12 Cash and cash equivalents			
Cash and cash equivalents	21 899	21 678	10 214
Bank overdraft	(56 428)	(10 903)	-
	(34 529)	10 775	10 214
	30 June 2014	31 December 2013	
13 Inventories			
Spare parts and materials – gross amount	96 771	107 875	
Less: provision for impairment of inventories	(9 654)	(8 970)	
Spare parts and materials	96 771	98 905	
Goods for sale – gross amount	22 882	20 294	
Less: provision for impairment of inventories	(1 301)	(1 301)	
Goods for sale	21 581	18 993	
Aircraft fuel	4 307	2 694	
Work in progress	2 529	2 274	
Goods in transit	83	1 502	
Other inventories	1 931	1 485	
	127 202	125 853	
14 Trade and other payables			
Trade payables	63 757	58 335	
Accruals for hangar lease payments, PBH contracts and other accrued expenses	34 941	22 629	
Salaries and social security payable	6 621	5 616	
Deferred revenue	1 940	1 797	
Amounts payable to related parties (Note 16)	823	574	
Provisions	512	613	
Other payables	2 502	2 041	
	111 096	91 605	
Less: non-current portion	(1 319)	(1 445)	
Current portion	109 777	90 160	
15 Business combination and disposals			
<i>Disposals in 2014</i>			

Disposals in 2014

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

On 16 April 2014 the Group sold it's 35.50% 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 was EUR 1.

15 Business combination and disposals (continued)

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

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:

	April – June		January – June	
	2013	2012	2013	2012
Discontinued operations				
Revenue	-	58 767	19 998	93 928
Cost of sales	-	(57 976)	(22 549)	(92 460)
Gross profit (loss)	-	791	(2 551)	1 468
(Loss) before income tax from operating activities	(604)	(2 407)	(5 746)	(6 006)
Income tax expense	-	189	(5)	508
(Loss) from operating activities, net of tax	(604)	(2 218)	(5 751)	(5 498)
Gain on sale of discontinued operations	-	-	19 955	1 304
Net profit (loss) for the period from discontinued operations	(604)	(2 218)	14 204	(4 194)

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:

	January – June	
	2014	2013
Sales of assets to:		
Entities having significant influence	-	2
Other related parties	1 713	8
	1 713	10
Sales of services to:		
Entities having significant influence	2	1
Other related parties	12 017	5 298
	12 019	5 299
Total sales of assets and services	13 732	5 309

16 Related party transactions (continued)

	January – June	
	2014	2013
Purchases of assets from:		
Other related parties	12	330
	12	330
Purchases of services from:		
Entities having significant influence	60	55
Other related parties	2 967	2 844
	3 027	2 899
Total purchases of assets and services	3 039	3 229

	30 June 2014	31 December 2013
Trade receivables from related parties		
Loans provided to other related parties (Note 11)	2 279	2 271
Trade receivables from other related parties (Note 11)	9 375	4 571
Trade receivables from entities having significant influence (Note 11)	2	2
Other trade receivables from related parties (Note 11)	35	128
Deferred charges to other related parties (Note 11)	-	180
Prepayments from other related parties (Note 11)	13	-
	11 704	7 152
Payables and advances received from related parties		
Loans received from other related parties	4 283	14 335
Trade payables to other related parties (Note 14)	800	566
Advances received from other related parties	1 065	1 528
Trade payables to entities having significant influence (Note 14)	22	8
Other payables to other related parties (Note 14)	1	-
	6 171	16 437

CONSOLIDATED INTERIM REPORT

I. GENERAL INFORMATION

Reporting period **Six-month period ended 30 June 2014**

Issuer and its contact details

Name of the Issuer	Avia Solutions Group AB
Legal form	(hereinafter – 'Avia Solutions Group AB' or 'the Company')
Date of registration	Public company (joint-stock company)
Name of Register of Legal Entities	31 August 2010
Code of enterprise	State Enterprise Centre of Registers
Registered office	302541648
Telephone number	Smolensko St 10, LT-03201 Vilnius, Lithuania
Fax number	+370 5 252 5500
E-mail	+370 5 252 5501
Internet address	info@aviasg.com 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;
- Crew Training and Staffing;
- Business Charter Operations;
- Charter Operations (discontinued);
- Airport Infrastructure Management (new).

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*), *Storm Aviation (Cyprus) Ltd.* (*Storm Aviation Cyprus*), *Helisota UAB* (*Helisota*) and include: rotorcraft and 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.

Base maintenance

FL Technics occupies 3 aircraft maintenance hangars together with administrative, warehouse and back shop facilities in Vilnius International Airport and Kaunas International Airport – 22,100 sq. meters in total. The hangars are comprised of total 8 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 30 June 2014 *FL Technics* and *Storm Aviation* collectively operated twenty one line stations (at 31 December 2013 – nineteen line stations, at 30 June 2013 – eighteen 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.

Stock and in-house capabilities are listed in databases such as ILS, Parts Base and Locatory.com. Moreover, online access to a warehouse and possibility of e-purchases are offered to clients. *FL Technics* AB provides cost saving programs for airlines, including engine material management and component repair management, which includes landing gear overhaul.

In addition to ad hoc and pool agreements, the power-by-the-hour (PBH) products have been introduced for existing and new customers.

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

Helisota is an international provider of integrated maintenance, repair and overhaul (MRO) services to rotorcraft aviation. The company is the EASA Part 145 and Part 147 organization as well as the 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 30 June 2014, *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).

Crew Training and Staffing

Crew Training and Staffing 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, *Baltic Aviation Academy* offers Ab Initio and Type Rating pilot training, Cabin Crew, Ground Handling, Flight Dispatch, Instructor and supporting aviation training course 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. Its training center is an integrated learning complex with modern auditoriums, rest areas, dining rooms and specialized training facilities equipped with FNPT II (Flight Navigation Procedures Trainer); aircraft fleet of 1 Cessna 172S, 9 Tecnam P2002JF and 1 Tecnam 2006T; Boeing 737-300/400/500 and Airbus 320 Full Flight Simulators (FFS), Real Fire Fighting and Smoke Trainer. In addition to the above mentioned simulators, Boeing 737-CL/NG, 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 FFS, and other numerous aircraft type simulators *Baltic Aviation Academy* leases from UK, Spain, France, USA, Sweden, Germany and Russia.

Business Charter Operations

Verslo skrydžiai UAB (*KlasJet*), operating under the registered brand name "KlasJet", is a business charter carrier, specializing in private and corporate charter flights as well as comprehensive aircraft management solutions. *KlasJet* is perfectly positioned to provide ad-hoc and VIP flight services to customers and partners across Russia, Eastern Europe and the CIS regions at any time. *KlasJet* has a fleet of two business jets. All aircraft are leased under operating lease agreements.

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 Note 15 of the Group's Financial Information for the six-month period ended 30 June 2014.

Airport Infrastructure Management (new)

The Group is engaged in airport infrastructure development and management activities through its newly established subsidiary – *Avia Solutions Group – Airports Management OOO*. The company's portfolio includes the development of the Moscow's fourth airport – Ramenskoye International – and other airport projects with the current focus into Russian market.

The Group's vision and mission

The Group'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 30 June 2014, 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	Dariaus ir Girėno str. 21, Vilnius, Lithuania tel. +370 5 2525536, fax. +370 5 2525537, info@balticaa.com , www.balticaa.com	51.00
Baltic Ground Services UAB	11 August 2005, code 300136658, Register of Legal Persons of the Republic of Lithuania	Rodūnai 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

Name of the company	Date of registration, code, name of Register of Legal Entities	Contact details	Effective holding of the Company (%)
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
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	Sovetskaya 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
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	75.00
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
Avia Solutions Group - Airports Management OOO	14 March 2014, code 1147746272190, State Register of Legal Entities of Russian Federation	1st Tverskaya-Yamskaja str., 23, Building 1, 4th entrance, 4th floor, 125047, Moscow, Russia Tel. +7 495 956 10 06 info@rampart.aero, www.rampart.aero	100.00

Information about date of acquiring/establishment and activity of Group's subsidiaries is provided in Note 2 of the Group's Financial Statements for the period ended 30 June 2014.

As at 30 June 2014 the Company had the representative office (the branch of *Avia Solutions Group AB*) in the Russian Federation, in Moscow (contact details: 1st Tverskaya-Yamskaja Str., 23, building 1, 4th entrance, 4th floor 125047, Moscow, Russia)

Agreements with intermediaries of public trading in securities

Since 31 August 2010 the Company and Orion Securities UAB FMI (code 122033915), A. Tuméno 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

During the six-month period ended 30 June 2014 *Avia Solutions Group AB* and its subsidiaries (hereinafter – the Group) earned net profit from continuing operations of LTL 6.5 million. Comparing with six-month period ended 30 June 2013 the consolidated revenue from continuing operations has increased up to LTL 306 million, or by 17% as compared with LTL 261 million.

Key events during six-month period ended 30 June 2014 are summarized below:

Date	Operating Segment	Event
January 2014	Unallocated	<i>Avia Solutions Group AB</i> signs an investment agreement with TVK Rossiya, part of Rostec, for the development and management of the fourth Moscow airport hub on the basis of existing Ramenskoe aerodrome.
January 2014	Aircraft Maintenance, Repair and Overhaul (MRO)	<i>FL Technics Jets UAB</i> has become certified as a maintenance organization in compliance with Section A of Annex II (Part-145) No 2042/2003, approved to provide line and base maintenance services for Bombardier CRJ100/200/440 and Bombardier Challenger 850 aircraft.

The major events in the Group's structure during six-month period ended 30 June 2014 were as follows:

Date	Operating Segment	Event
January 2014	Unallocated / Business Charter Operations	<i>Avia Solutions Group AB</i> sold 25% of the share capital of the subsidiary <i>Verslo skrydžiai UAB</i> to <i>Small Planet Airlines UAB</i> .
March 2014	Unallocated / Airport Infrastructure Management	On 14 March 2014 <i>Avia Solutions Group AB</i> established the subsidiary <i>Avia Solutions Group - Airports Management OOO</i> in the Russian Federation. The company's portfolio includes the development of the Moscow's fourth airport – Ramenskoye International.
April 2014	Unallocated	The Supervisory Council of <i>Avia Solutions Group AB</i> decided to re-elect the following persons (currently members of the Management Board of the Company) as the members of the Management Board of the Company: Gediminas Ziemelis, Aurimas Sanikovas, Zilvinas Lapinskas, Daumantas Lapinskas and Anatolij Legenzov for the upcoming tenure of four years, but in any case not longer than until the Annual General Meeting of Shareholders, to be held in 2018.
April 2014	Unallocated / Discontinued Operations	On 16 April 2014 <i>Avia Solutions Group AB</i> sold its 35.50% stakes in <i>Small Planet Airlines s.r.l. (Italy)</i> to the third parties.
May 2014	Unallocated	Mr. Hubert Bojdo resigned from his position of a member of the Company's Supervisory Council effective as of 16 May 2014.
June 2014	Unallocated / Crew Training and Staffing	<i>Avia Solutions Group AB</i> has completed the sale of 49 percent of shares of its subsidiary – <i>Baltic Aviation Academy UAB</i> to an unrelated third party. Following the sale <i>Avia Solutions Group AB</i> remains the major shareholder of Baltic Aviation Academy UAB with a 51 percent shareholding.

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	January – June		Change
	2014	2013	
Revenue from continuing operations (LTL thousand)	305 810	260 788	+17.3%
Operating profit from continuing operations (LTL thousand)	7 912	12 627	-37.3%
<i>Operating profit margin (%)</i>	2.6	4.8	-2.2pp
Profit before income tax from continuing operations (LTL thousand)	7 224	10 549	-31.5%
Net profit for the period from continuing operations (LTL thousand)	6 494	9 304	-30.2%
Net profit for the period from discontinued operations (LTL thousand)	-	14 204	-
Net profit for the period (LTL thousand)	6 494	23 508	-72.4%
<i>Net profit for the period from continuing operations margin (%)</i>	2.1	3.6	-1.5pp
Earnings per share from continuing operations (LTL)	1.059	1.581	-33.0%
Earnings per share from discontinued operations (LTL)	-	2.452	-
Earnings per share (LTL)	1.059	4.033	-73.7%
Weighted number of shares (thousand)	6 058	5 893	+2.8%

Financial ratios	January – June		Change
	2014	2013	
Return on equity (ROE)* (%)	4.0	16.8	
Gearing ratio** (%)	36.6	32.6	
Equity to total assets ratio*** (%)	39.7	45.3	
Liquidity ratio	1.4	1.6	

* - *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	January – June		Change
	2014	2013	
Number of SOLD man-hours (aircraft MRO base maintenance)	178 020	140 014	+27.1%
Number of SOLD man-hours (engineering)	35 199	29 878	+17.8%
Number of SOLD man-hours (maintenance training)	6 511	2 423	+168.7%
Number of line stations (at the end of the period)	21	18	+3
Number of aircraft served	5 706	3 867	+47.6%
Number of passengers served	811 428	602 759	+34.6%
Volume of fuel sold (tonnes)	44 882	28 208	+59.1%
TRTO - Number of SOLD theoretical training hours	4 320	4 193	+3.0%
TRTO - Number of SOLD practical training (FFS) hours	6 883	6 440	+6.9%

Consolidated revenue related to continuing operations

The total consolidated Group's revenue from continuing operations for the six-month period ended 30 June 2014 was LTL 306 million, an increase by 17.3 per cent over the total revenue of LTL 261 million for the six-month period ended 30 June 2013. During the period ended 30 June 2014 revenue from all business segments continued to grow comparing to the same period in 2013.

Most significant growth as compared with the first half-year of 2013 was in aircraft and rotorcraft maintenance segment where revenues to external customers increased by LTL 36 million and amounted to LTL 187 million. The growth was driven primarily by significant increase in demand for engineering and technical training services, by sustainable growth in spare parts and business Jet MRO sub- segments and by offering of new services as Helicopter MRO (new services are related to acquisitions in December, 2013).

Crew training and staffing segment' revenue to external customers increased by 14% due to geographical expansion to Asia Pacific markets, due to focusing on highest gross profit business lines as A320 and B737 CL, and due to reaching good utilisation of simulator's located in Vilnius.

Cost of sales and general and administrative expenses of the Group related to continuing operations

During the six-month period ended 30 June 2014 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 by 8% up to LTL 83 million (increase of LTL 6 million compared to LTL 77 million during the first half of the year of 2013). The increase in aircraft fuel expenses was driven by the increase in into-plane fuelling revenue at the same rate.

Employee related expenses during the six-month period ended 30 June 2014 increased up to LTL 52 million (24% increase comparing to LTL 41.9 million during the six-month period ended 30 June 2013) mainly due to increased number of full-time employees (from 1 022 full-time employees at the end of the first half-year 2013 until 1 437 full-time employees at the end of the first half-year of 2014). The rising number of employees was driven by the hiring of new employees to support constant Group's expansion and due to new acquisitions in MRO business segment.

Most significant changes during the six-month period ended 30 June 2014 were in *aircraft and helicopter maintenance expenses* together with *cost of services resold, spare parts and consumables expenses*. Over the reporting period the total amount of above-mentioned expenses increased by LTL 27 million or by 30% and reached LTL 115 million mainly due to acquisition of new rotorcraft MRO sub-segment, due to significant increase in PBH-related expenses, engines released expenses and additional maintenance expenses generated from operation in new maintenance facility at Kaunas International Airport. Considering the needs of detailed analysis of MRO subsidiaries accounts, the Management has decided to re-classify *aircraft and helicopter maintenance expenses, cost of services resold, spare parts and consumables expenses* between existent groups. The comparative amounts were not reclassified accordingly, therefore, the Group analyses above-mentioned expenses only together.

During the six-month period ended 30 June 2014 the Group recognised *allowance for impairment of non-current and other current assets* in the total amount of LTL 0.7 million mainly to represent net realisable value of inventories.

Consolidated net profit

During the reporting period *consolidated net profit* has decreased by LTL 17 million up to LTL 6.5 million as compared with LTL 23.5 million during the same period in 2013. The decline in consolidated net profit was driven primarily by decrease in net profit from discontinued operations. 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). Gain on disposal of discontinued operations, directly recognised in Group's profit or loss for the 6 months period ended 30 June 2013, was LTL 20 million (details about disposal are provided in Note 15 of the Group's Interim Financial Information for the six-month period ended 30 June 2014).

During the six-month period ended 30 June 2014 the Group earned *net profit from continuing operations* of LTL 6.5 million. The decrease by 30% over the net profit from continuing operations of LTL 9.3 million for six-month period ended 30 June 2013 is related to implementation of new aircraft maintenance facility in Kaunas (Lithuania), further development of the fourth Moscow airport hub on the basis of existing Ramenskoe aerodrome, and to the decrease in profitability of spare parts', engine management', engineering', base maintenance' and into-plane fuelling' sub-segments.

Balance sheet and cash flow

During first half of the 2014 year total assets of the Group increased by LTL 32 million or 8% per cent primarily as a result of an increase in current trade receivables, amount due from customers for contract work, and inventories. Increase in *amount due from customers for contract work* was resulted by LTL 14 million due to increase in number of long-term contracts related to MRO business segment. Increase in *trade and other receivables* was resulted by increase in receivables by LTL 17 million due to increase in overall revenues and especially in revenues of from aircraft ground handling and fuelling business segment that are received in aviation high season. In addition, *prepayments* increase by LTL 4 million primarily due to prepayments on jet-fuel and *other receivables* increased by LTL 2 million primarily due to government grant related to several projects developed by MRO business segment, as construction of new maintenance facilities in Kaunas and technical personnel training.

During the six-month period ended 30 June 2014 total liabilities increased by LTL 21 million up to LTL 245 million. A meaningful impact to a change had an increase in *bank overdraft* primarily due to necessity to finance new hangar in Kaunas construction, acquisition of aircraft maintenance equipment and repayment of bank loans. *Trade and other payables* increase by LTL 19 million as a result of expansion of operations.

During the six-month period ended 30 June 2014 *net cash flow generating from operating activities* increased by LTL 2.4 million up to LTL 6.5 million as compared to the six-month period ended 30 June 2013. Despite net result of LTL 6.5 million and increased depreciation and amortization in amount of LTL 11.1 million, majority of it was used to finance trade and other receivables as mentioned above.

During the six-month period ended 30 June 2014 *net cash flow used in financing activities* was LTL 39 million. The Group repaid bank loans in amount of LTL 33 million and borrowing from related parties in amount of LTL 13 million, and received *bank overdraft* in amount of LTL 45 million.

During the six-month period ended 30 June 2014 the Group spent LTL 14 million in purchase of PPE and intangible assets primarily for acquisition of equipment for expansion of aircraft maintenance capabilities and aircraft fleet for crew training business segment. Additional deposits were placed in amount of LTL 1.5 million (as compared to LTL 0.09 million placed during the six-month period ended 30 June 2013) for expansion of fuelling capabilities.

Information about related party transactions

Information about related party transactions is provided in Note 16 of the Group's Financial Statements for the period ended 30 June 2014.

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.

During the period ended 30 June 2014 amount of sales of aircraft maintenance services, business jet MRO services and business charter services from the Group to *AviaAM Leasing AB Group* (classified as *other related part* of the Group) was LTL 11 566 thousand, amount of non-current assets sold *AviaAM Leasing AB Group* was LTL 1 713 thousand.

During the period ended 30 June 2014 amount of purchases of premises lease services from related party *VA Reals AB* (classified as *other related part* of the Group) was LTL 2 877 thousand.

During the period ended 30 June 2014 amount of sales of consulting and management services from the Company to other related parties was LTL 325 thousand.

Investments related to continuing operations

The Group has been expanding its assets investing in Property, plant and equipment as well as Intangible assets. During the six-month period ended 30 June 2014 capital investments amounted to LTL 9.3 million (LTL 12.5 million during the six-month period ended 30 June 2013). The majority of capital investments (64 per cent or LTL 6 million) went to expansion of the development of aircraft maintenance, repair and overhaul business segment. The remaining part was invested into aircraft fleet of crew training business segment and some to aircraft ground handling equipment.

Investments ('000 LTL)	January - June		
	2014	2013	Change
Aircraft maintenance, repair and overhaul business segment	5 967	5 130	+16.3%
Aircraft ground handling and fuelling business segment	723	4 506	-84.0%
Crew Training and Staffing business segment	2 330	2 579	-9.6%
Business charter operations	26	-	-
Unallocated business segment	269	287	-6.3%
Total	9 315	12 502	-25.5%

All details concerning the assets of the Group are presented in Consolidated Interim Financial Information for the period ended 30 June 2014 (Notes 10).

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

- a) Development of spare parts trade platform (www.locatory.com);
- b) Development of web-platform for training planning, track relevant training information (www.balticaa.com/en/my-baa/);
- c) 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;
- *Recent global sovereign debt crisis (new risk factor);*
- *International economic and aviation industry conditions (new risk factor).*

Strategic risk arises from adverse or erroneous business decisions, improper decisions implementation or lack of response to any political or regulatory developments. As at 30 June 2014 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. As at 30 June 2014 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 analysed at the end of the year. 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 recent global sovereign debt crisis could result in higher borrowing costs and more limited availability of credit, as well as impact the overall industry, in which the Group operates and the financial health of the Group's counterparties. Due to on-going recession and financial disturbance in Europe the availability of capital can be limited and therefore the cost of borrowing can increase. Poor economic situation in Greece, Spain, Ireland, Cyprus and other EU Member States might further negatively affect the commercial situation of many banks operating in Europe.

Constantly changing *world economic conditions* and already worsening of political and economic relations between the EU and Russia may have a material adverse effect on the development and management of the Group's activity. The future operating results of the Group are significantly impacted by *general aviation industry conditions* as well. All of the above factors or worsening of the stagnating Russian economy, may lead the Group to suspend the further implementation of business strategy, which may have a material adverse effect on the Group's business, financial condition or results of operations.

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.

Plans and forecasts

In the second half of 2014 year 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 rotorcraft 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

On 30 June 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 30 June 2013 – 5 893 333 ordinary registered shares). 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).

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 14 August 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	506 696	8.36	8.36
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	-	1 932 512	31.90	31.90
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 13 August 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 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	33 150	0.55%

The number of shareholders on the shareholders registration day for the Annual General Meeting of Shareholders, which was held on 30 April 2014, was 4.

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

On 30 June 2014 neither the Company nor its subsidiaries 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	30 June 2014	31 December 2013
Avia Solutions Group AB	47	42
AviationCV.com UAB	13	15
Baltic Aviation Academy UAB	56	61
Baltic Ground Services UAB	232	223
Baltic Ground Services Sp.z.o.o	95	92
Baltic Ground Services s.r.l.	5	-
Ground Handling CIS UAB	-	-
Baltic Ground Services UA TOV	-	-
FL Technics AB	681	612
FL Technics Jets UAB	60	51
FL Technics Line OOO	10	7
FL Technics Ulyanovsk OOO	-	-
FLT Trading House UAB	-	-
Locatory.com UAB	19	23
Storm Aviation Ltd.	44	51
Storm Aviation Cyprus Ltd.	3	2
Verslo skydžiai UAB	3	-
Helisota UAB	164	158
Kauno aviacijos gamykla UAB	5	5
Avia Solutions Group - Airports Management OOO	-	-
Number of all full-time employees at the end of the period	1 437	1 342

During the six-month period ended 30 June 2014 the average number of employees was 1 481, while the total number of Group's staff has increased by 95 (which amounts to 7% 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*, *Locatory.com UA* and *Storm Aviation Ltd.* due to further expansion of offered services and substantial growth of sales.

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

Employee category	30 June 2014	Average monthly salary, LTL	31 December 2013	Average monthly salary, LTL*
Management (first and second level managers)	271	6 411	242	6 198
Specialists (qualified and/or certified, if the Company requires)	802	4 254	643	4 274
Other operative staff	364	2 473	294	2 412
Number of full-time employees at the end of the period and weighted average monthly salary	1 437	4 210	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 of the Group and average salaries by categories:

Employee category	30 June 2014	Average monthly salary, LTL	31 December 2013	Average monthly salary, LTL*
Management (first and second level managers)	9	1 168	10	1 662
Specialists (qualified and/or certified, if the Company requires)	59	3 599	17	2 916
Other operative staff	53	2 438	24	1 797
Number of part-time employees at the end of the period and weighted average monthly salary	121	2 910	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 of the Group (including part-time employees) by education level:

Education level	30 June 2014	31 December 2013
University third cycle studies (doctoral, postgraduate and residency studies)	2	4
University second cycle studies (master and specialized professional studies)	328	275
First cycle studies (bachelor studies, including non-university studies)	673	601
Secondary professional education	251	226
Secondary education	290	288
Primary education	14	16
Number of employees (including part-time employees) at the end of the period	1 558	1 410

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

Employee category	30 June 2014	Average monthly salary, LTL	31 December 2013	Average monthly salary, LTL*
Management (first and second level managers)	6	14 733	12	12 002
Specialists (qualified and/or certified, if the Company requires)	24	3 802	12	2 741
Other operative staff	17	2 391	18	2 926
Number of full-time employees at the end of the period and weighted average monthly salary	47	4 687	42	5 466

*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 of the Company and average salaries by categories:

Employee category	30 June 2014	Average monthly salary, LTL	31 December 2013	Average monthly salary, LTL*
Management (first and second level managers)	-	-	2	128
Specialists (qualified and/or certified, if the Company requires)	4	3 997	-	-
Other operative staff	3	1 505	5	1 549
Number of part-time employees at the end of the period and weighted average monthly salary	7	2 929	7	1 143

*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

Starting from 1 January 2014 the Company has newly re-classified employees between groups regarding their competence and responsibilities.

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

Education level	30 June 2014	31 December 2013
University third cycle studies (doctoral, postgraduate and residency studies)	-	-
University second cycle studies (master and specialized professional studies)	21	20
First cycle studies (bachelor studies, including non-university studies)	29	26
Secondary professional education	2	-
Secondary education	2	3
Primary education	-	-
Number of employees (including part-time employees) at the end of the period	54	49

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.

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 the six-month period ended 30 June 2014 two meetings of the Supervisory Council were held. The Supervisory Council analysed the consolidated annual report of the Company for the year ended 31 December 2013, audited annual financial statements of the Company and of the Group for the year ended 31 December 2013, the draft decision on distribution of profit (loss) of the Company for the year ended 31 December 2013, discussed the Company's first quarter results for the year 2014.

The Supervisory Council elected members of the Board of the Company, the Chairman of the Supervisory Council of the Company, the third member to the work group of the Supervisory Council – the Audit Committee, and the third member to the work group of the Supervisory Council – the Nomination and Remuneration Committee as well.

Members of the Supervisory Council

Currently the Supervisory Council is comprised of four members elected for four years.

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	2 June 2014	2 June 2018
Džiuginta Balčiūnė	Member of the Supervisory Council	2 June 2014	2 June 2018
Dariusz Marek Formela	Member of the Supervisory Council (the independent member)	2 June 2014	2 June 2018
Vaidas Barakauskas	Member of the Supervisory Council	2 June 2014	2 June 2018

* - but, in any case, not longer than Annual Shareholders' Meeting to be held in April 2018.

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.LL.P.) in Humboldt University, Law faculty, in Berlin, Germany.

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 hold 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 the six-month period ended 30 June 2014 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

Currently the Audit Committee consists of three members.

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	2 June 2014	2 June 2018
Dariusz Formela	Member of the Audit Committee (the independent member)	2 June 2014	2 June 2018
Vladas Bagavičius	Member of the Audit Committee	2 June 2014	2 June 2018

* - but, in any case, not longer than Annual Shareholders' Meeting to be held in April 2018.

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

The Nomination and Remuneration Committee activities

During the six-month period ended 30 June 2014 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

Currently the Nomination and Remuneration Committee consists of three members.

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 Vaidas Barakauskas	Chairmen of the Nomination and Remuneration Committee	2 June 2014	2 June 2018
Mrs Džiuginta Balčiūnė	Member of the Nomination and Remuneration Committee	2 June 2014	2 June 2018
Mr Vladas Bagavičius	Member of the Nomination and Remuneration Committee	2 June 2014	2 June 2018

* - but, in any case, not longer than Annual Shareholders' Meeting to be held in April 2018.

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

The Board Activities

During the six-month period ended 30 June 2014 fourteen meetings of the Board were held. During all Board meetings there was quorum prescribed by legal acts. The Board approved the Surety ship Agreements, the establishment of the new subsidiary – Avia Solutions Group – Airport Management, approved the sale of 49 percent of shares of *Baltic Aviation Academy UAB*, elected Mr Gediminas Žiemelis as a Chairman of the Board, agreed all related matters to Strategic Operating Plan and others. During the meetings the set of annual financial statements of the Group for 2013 was approved.

Members of the Board

The Supervisory Council of Avia Solutions Group AB on 25 April 2014 unanimously decided to re-elect the following persons (currently members of the Management Board of the Company) as the members of the Management Board of the Company: Gediminas Žiemelis, Aurimas Sanikovas, Žilvinas Lapinskas, Daumantas Lapinskas and Anatolij Legenzov for the upcoming tenure of four years, but in any case not longer than until the Annual General Meeting of Shareholders, to be held in 2018.

On 28 April 2014, the Board elected Mr Gediminas Žiemelis as Chairman of the Board.

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 April 2014	25 April 2018
Mr Aurimas Sanikovas	Member of the Management Board	25 April 2014	25 April 2018
Mr Daumantas Lapinskas	Member of the Management Board	25 April 2014	25 April 2018
Mr Žilvinas Lapinskas	Member of the Management Board	25 April 2014	25 April 2018
Mr Anatolij Legenzov	Member of the Management Board	25 April 2014	25 April 2018

* - but, in any case, not longer than Annual Shareholders' Meeting to be held in 2018.

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 33,150 shares of *Avia Solutions Group AB* that accounts to almost 0.55 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 Scolarship 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, Stockholm, 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 Dovydėnas	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 Dovydėnas. Mr Linas Dovydėnas 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 Dovydėnas 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 Dovydėnas 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 Dovydėnas 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 Dovydėnas owns 441,717 shares in AviaAM Leasing AB (1.02% of all the shares). Mr Linas Dovydėnas 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 the first half-year of 2014:

Position ('000 LTL)	Six-month period ended 30 June 2014
<i>Remuneration of key management of the Company</i>	
Members of Supervisory Board	18
Members of Management Board	356
Company's Administration (General Manager, Chief Financier)	200
<i>Remuneration of key management of the Group</i>	
Members of Supervisory Board	33
Members of Management Board	590
Administration of Group's Companies (General Managers, Chief Financiers)	2 035

Average monthly salary of the Group's General Managers and Chief Financiers for the six-month period ended 30 June 2014:

Position (LTL)	Six-month period ended 30 June 2014
Company's Administration (General Manager, Chief Financier)	16 684
Administration of Group's Companies (General Managers, Chief Financiers)	13 565

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 the six-month period ended 30 June 2014.

During the six-month period ended 30 June 2014 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 Dovydėnas from *Avia Solutions Group AB*, which constituted 20,077 Lt and the loan granted to Mr Aurimas Sanikovas from *Avia Solutions Group AB*, which constituted 937,950 Lt as at 30 June 2014. 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.

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 2014, 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 2014, and to make the assessment of the consolidated annual report of the Company for the year 2014. 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 2014 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, Džiuginta Balčiūnė, 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 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, *Avia Solutions Group AB* Consolidated Financial Statements for the six-month period ended 30 June 2014 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 Group of undertakings, and Consolidated Interim Report for the six-month period ended 30 June 2014 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 Dovydėnas



14 August, 2014

Chief Financial Officer
Aurimas Sanikovas

