

AVIA SOLUTIONS GROUP AB

Consolidated Interim Financial Information,
For the Three-Month Period Ended 31 March 2017
(Unaudited)

Beginning of the financial period	1 January 2017
End of reporting period	31 March 2017
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 St. 10, LT-03201 Vilnius, Lithuania
Telephone number	+44 20 808 99777 / +370 5 252 5500
E-mail	info@aviasg.com
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, Private Jet Charter, Flight and Tour Operations

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		January – March	
	Note	2017	2016
Revenue	3	81 062	57 467
Other income	3	74	90
Cost of services and goods	3, 4	(62 171)	(40 339)
Employee related expenses	3	(13 346)	(11 199)
Other operating expenses	3, 5	(4 258)	(3 383)
Depreciation and amortisation	3, 10	(1 179)	(1 174)
Impairment-related expenses	3	(207)	(26)
Other gain/(loss) - net	3	(21)	(143)
Operating profit (loss)		(46)	1 293
Finance income	6	127	93
Finance cost	6	(696)	(672)
Finance costs – net		(569)	(579)
Profit (loss) before income tax		(615)	714
Income tax	7	10	(155)
Profit (loss) for the period		(605)	559
Profit (loss) attributable to:			
Equity holders of the parent		(372)	691
Non-controlling interests		(233)	(132)
		(605)	559
Other comprehensive income			
Net gain on cash flow hedges		7	6
Income tax		(1)	(1)
		6	5
Exchange differences on translation of foreign operations		(74)	105
Other comprehensive income (loss) for the period		(68)	110
Total comprehensive income for the period attributable to:			
Equity holders of the parent		(437)	826
Non-controlling interests		(236)	(157)
		(673)	669
Basic and diluted earnings per share	9	(0.048)	0.089

CONSOLIDATED BALANCE SHEET

	Notes	31 March 2017	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	10	29 842	29 812
Intangible assets	10	6 094	6 056
Deferred income tax assets	7	5 759	5 405
Non-current trade and other receivables	11, 16	9 008	9 138
		50 703	50 411
Current assets			
Inventories	13	29 516	29 087
Trade and other receivables	11, 16	61 972	57 556
Amount due from customers for contract work		6 379	3 593
Prepaid income tax		264	265
Short-term bank deposit		-	61
Cash and cash equivalents	12	5 298	4 732
		103 429	95 294
Total assets	3	154 132	145 705
EQUITY			
Equity attributable to the Group's equity shareholders			
Share capital	8	2 256	2 256
Share premium		33 133	33 133
Legal reserve		192	192
Merger reserve		(457)	(457)
Fair value reserve		(10)	(16)
Cumulative translations differences		(160)	(89)
Retained earnings		24 333	24 705
Equity attributable to equity holders of the parent		59 287	59 724
Non-controlling interests		(700)	(464)
Total equity		58 587	59 260
LIABILITIES			
Non-current liabilities			
Borrowings		5 917	5 994
Government grants		1 464	1 528
Security deposits received		425	416
Trade and other payables	14, 16	215	220
Deferred income tax liabilities	7	367	365
Derivative financial instruments		12	19
		8 400	8 542
Current liabilities			
Trade and other payables	14	46 299	41 208
Borrowings		27 714	25 638
Advances received		11 982	10 002
Security deposits received		106	106
Current income tax liabilities		1 044	949
		87 145	77 903
Total liabilities		95 545	86 445
Total equity and liabilities		154 132	145 705

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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Merger reserve	Legal reserve	Fair value reserve	Currency translation differences	Retained earnings	Total	Non-controlling interests	Total equity
<hr/>										
Balance at 1 January 2016	2 256	33 133	(457)	93	(45)	(137)	16 099	50 942	196	51 138
Comprehensive income										
Net gain on cash flow hedge	-	-	-	-	5	-	-	5	-	5
Currency translation difference	-	-	-	-	-	130	-	130	(25)	105
Profit (loss) for the period	-	-	-	-	-	-	691	691	(132)	559
Total comprehensive income	-	-	-	-	5	130	691	826	(157)	669
Balance at 31 March 2016	2 256	33 133	(457)	93	(40)	(7)	16 790	51 768	39	51 807
<hr/>										
Balance at 1 January 2017	2 256	33 133	(457)	192	(16)	(89)	24 705	59 724	(464)	59 260
Comprehensive income										
Net gain on cash flow hedge	-	-	-	-	6	-	-	6	-	6
Currency translation difference	-	-	-	-	-	(71)	-	(71)	(3)	(74)
Profit (loss) for the period	-	-	-	-	-	-	(372)	(372)	(233)	(605)
Total comprehensive income	-	-	-	-	6	(71)	(372)	(437)	(236)	(673)
Balance at 31 March 2017	2 256	33 133	(457)	192	(10)	(160)	24 333	59 287	(700)	58 587

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	January – March	
		2017	2016
Operating activities			
Profit for the period		(605)	559
Income tax	7	(10)	155
<i>Adjustments for:</i>			
Depreciation and amortisation	3, 10	1 179	1 174
Impairment-related expenses	3	207	26
Accruals of buildings lease payments, PBH contracts		234	352
Interest expenses	6	232	200
Fair value profit on derivative financial instruments		(6)	(5)
Discounting effect on financial assets	6	3	1
(Profit) / loss of PPE disposals		(9)	(13)
Amortisation of government grants		(65)	(65)
Interest income		(9)	(19)
Currency translations differences		(155)	110
<i>Changes in working capital:</i>			
- Inventories		(751)	673
- Trade and other receivables		(7 274)	(4 774)
- Short-term bank deposits		61	(5)
- Trade and other payables, advances received		6 966	224
- Security deposits received		-	(27)
Cash generated from (used in) operations		(2)	(1 434)
Interest paid		(238)	(183)
Income tax paid		(180)	(109)
Net cash generated from (used in) operating activities		(420)	(1 726)
Investing activities			
Purchase of PPE and intangible assets		(935)	(511)
Proceeds from PPE and intangible assets		117	118
Loans granted		(17)	(1 014)
Repayments of loans granted		32	6
Deposits placed		(168)	(151)
Repayments of deposits placed		383	29
Net cash generated from (used in) investing activities		(588)	(1 523)
Financing activities			
Bank borrowings received		2 619	2 090
Repayments of bank borrowings		(2 328)	(2 110)
Borrowings from related parties received	16	1 902	-
Other borrowings received		474	-
Repayments of lease liabilities		(636)	(672)
Net cash generated from (used in) financing activities		2 031	(692)
Increase (decrease) in cash and cash equivalents		1 023	(3 941)
At beginning of period	12	(15 094)	(8 434)
Increase (decrease) in cash and cash equivalents		1 023	(3 941)
At end of period	12	(14 071)	(12 375)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 Accounting policies

The consolidated interim financial information for the three-month period ended 31 March 2017 (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 2016.

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

The consolidated interim financial information for the three-month period ended 31 March 2017 is not audited. Financial Statements for the year ended 31 December 2016 were audited by the external auditor *PricewaterhouseCoopers UAB*.

2 Investments in subsidiaries and associates

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

The Group's companies	Country of establishment	Operating segment	Share of equity, %			Date of acquiring/establishment and activity
			31-03-2017	31-12-2016	31-03-2016	
AviationCV.com UAB	Republic of Lithuania	Crew Training and Staffing	100	100	100	The subsidiary was established in spring of 2011. The company provides aviation personnel solutions.
BAA Training UAB	Republic of Lithuania	Crew Training and Staffing	100	100	100	The Group company was established on 22 November 2006. The company provides aircraft crew training services.
FLT Trading House UAB	Republic of 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.
FL Technics Ulyanovsk OOO	Russian Federation	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.
Helisota UAB	Republic of Lithuania	Aircraft and Helicopter Maintenance, Repair and Overhaul (MRO)	100	100	100	The subsidiary was acquired on 16 December 2013. The company provides maintenance, repair and overhaul services for helicopters.
Kauno aviacijos gamykla UAB	Republic of Lithuania	Aircraft and Helicopter Maintenance, Repair and Overhaul (MRO)	100	100	100	The subsidiary was acquired on 16 December 2013. It is a direct subsidiary of Helisota UAB. The subsidiary does not conduct any significant active operations.
Jet Maintenance Solutions UAB	Republic of 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.

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2 Investments in subsidiaries and associates (continued)

The Group's companies	Country of establishment	Operating segment	Share of equity, %			Date of acquiring/establishment and activity
			31-03-2017	31-12-2016	31-03-2016	
KIDY Tour UAB	Republic of Lithuania	Private Jet Charter, Flight and Tour Operations	100	100	100	The subsidiary was established on 3 December 2015. The company provides tour operator services.
KIDY Tour OÜ	Republic of Estonia	Private Jet Charter, Flight and Tour Operations	100	100	-	The subsidiary was acquired on 16 September 2016 (Note 15). The company is engaged in providing its clients with tour operator as well as other related services.
KIDY Tour OOO	Russian Federation	Private Jet Charter, Flight and Tour Operations	100	-	-	The subsidiary was established on 6 March 2017 (Note 15). The company will provide tour operator services.
KlasJet UAB	Republic of Lithuania	Private Jet Charter, Flight and Tour Operations	100	100	75	The subsidiary was established on 9 October 2013. The subsidiary has started business charter activity in summer 2014. On 24 January 2014 the Company sold 25 per cent shareholding in the subsidiary and on 27 September 2016 those shares were bought back (Note 15).
Laserpas UAB	Republic of Lithuania	Private Jet Charter, Flight and Tour Operations	90	90	90	The subsidiary was established in summer of 2011. It was a direct subsidiary of Baltic Ground Services UAB. On 28 April 2015, 90% of share capital was sold to Avia Solutions Group AB and the remaining part is held by the general director of Laserpas UAB. The subsidiary started unmanned aerial flight operations.
Locatory.com UAB	Republic of Lithuania	Aircraft and Helicopter Maintenance, Repair and Overhaul (MRO)	95	95	95	The subsidiary was established on 7 December 2010. Starting summer 2012, the company is acting as an aircraft parts locator and offers innovative IT solution for MRO business segment.
Baltic Ground Services UAB	Republic of Lithuania	Aircraft Ground Handling and Fuelling	100	100	100	The subsidiary was acquired on 31 October 2008. The company provides aircraft ground handling and fuelling services in Lithuania.
Baltic Ground Services Sp.z.o.o.	Republic of Poland	Aircraft Ground Handling and Fuelling	100	100	100	The subsidiary was established in spring of 2010. It is a direct subsidiary of Baltic Ground Services UAB. The company provides aircraft ground handling and fuelling services in Poland.
Baltic Ground Services UA TOV	Ukraine	Aircraft Ground Handling and Fuelling	50	50	50	The subsidiary was established in summer of 2011. It was a direct subsidiary of Laserpas UAB till August 2015 when it was sold to Baltic Ground Services UAB. On 29 September 2015, 50% of share capital was sold to a third party. The subsidiary provides fuelling services in Ukraine.
Baltic Ground Services RU OOO	Russian Federation	Aircraft Ground Handling and Fuelling	100	100	100	The subsidiary was established on 23 March 2015. It is a direct subsidiary of Baltic Ground Services UAB. The company provides aircraft ground handling services in Russia.
Baltic Ground Services EE OÜ	Republic of Estonia	Aircraft Ground Handling and Fuelling	100	100	100	The subsidiary was established on 31 July 2015. It is a direct subsidiary of Baltic Ground Services UAB. The company provides fuelling services in Estonia.

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2 Investments in subsidiaries and associates (continued)

The Group's companies	Country of establishment	Operating segment	Share of equity, %			Date of acquiring/establishment and activity
			31-03-2017	31-12-2016	31-03-2016	
Baltic Ground Services LV SIA	Republic of Latvia	Aircraft Ground Handling and Fuelling	51	51	51	The subsidiary was acquired on 1 October 2015. It is a direct subsidiary of Baltic Ground Services UAB. The company provides fuelling services in Latvia.
Baltic Ground Services CZ s.r.o.	Czech Republic	Aircraft Ground Handling and Fuelling	100	100	100	The subsidiary was established on 18 December 2015. It is a direct subsidiary of Baltic Ground Services UAB. The company will provide fuelling services in Czech Republic.
FL Technics UAB	Republic of 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 Technics Dirgantara PT.	Republic of Indonesia	Aircraft and Helicopter Maintenance, Repair and Overhaul (MRO)	25	25	25	An investee of FL Technics UAB was established on 5 August 2014. The company provides line maintenance services in Jakarta. The Group has a control over an investee.
FL Technics Asia Co. Ltd.	Kingdom of Thailand	Aircraft and Helicopter Maintenance, Repair and Overhaul (MRO)	99.997	99.997	99.997	The subsidiary was established on 4 January 2016 (Note 15). It is a direct subsidiary of FL Technics UAB. The subsidiary will provide aircraft maintenance services in Thailand.
FL Technics Line OOO	Russian Federation	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 UAB.
Storm Aviation Ltd.	The United Kingdom	Aircraft and Helicopter Maintenance, Repair and Overhaul (MRO)	100	100	100	The subsidiary was acquired on 31 December 2011. It is a direct subsidiary of FL Technics UAB. 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 31 December 2011. It is a direct subsidiary of Storm Aviation Ltd. The company provides aircraft line station services in Cyprus.
Storm Aviation (Nigeria) Ltd.	Federal Republic of Nigeria	Aircraft and Helicopter Maintenance, Repair and Overhaul (MRO)	100	100	100	The subsidiary was established on 26 August 2016 (Note 15). It is a direct subsidiary of Storm Aviation Ltd. The company provides aircraft line station services in Nigeria.

2 Investments in subsidiaries and associates (continued)

The Group's companies	Country of establishment	Operating segment	Share of equity, %			Date of acquiring/establishment and activity
			31-03-2017	31-12-2016	31-03-2016	
Storm Aviation (Germany) GmbH	Federal Republic of Germany	Aircraft and Helicopter Maintenance, Repair and Overhaul (MRO)	100	-	-	The subsidiary was established on 29 March 2017 (Note 15). It is a direct subsidiary of Storm Aviation Ltd. The company will provide aircraft line station services in Germany.
Avia Solutions Group B.V.	Netherlands	The associate	30	30	30	The associate was acquired in the third quarter 2014.
Avia Solutions Group - Airports Management OOO	Russian Federation	Airport Infrastructure Management	30*	30*	30*	The company was established on 14 March 2014. The company's portfolio includes the development of the Moscow's fourth airport – Zhukovsky International. On 30 September 2015 it was sold to the associate.
RAMPART AERO OAO	Russian Federation	Airport Infrastructure Management	22.5*	22.5*	22.5*	It is a direct subsidiary of Avia Solutions Group – Airports Management OOO. It was established on 30 July 2014. Starting autumn 2014 it is engaged in construction and development of the Moscow's fourth airport – Zhukovsky International. On 30 September 2015, Avia Solutions Group – Airports Management OOO and its' subsidiaries were sold to the associate.
International Airport Ramenskoye AO	Russian Federation	Airport Infrastructure Management	22.5*	22.5*	-	It is a direct subsidiary of RAMPART AERO OAO. It was established in 2016 and provides services in the Zhukovsky International airport.
RAMPART SECURITY OOO	Russian Federation	Airport Infrastructure Management	22.5*	22.5*	22.5*	It is a direct subsidiary of RAMPART AERO OAO. The subsidiary was established on 6 May 2015 and will provide services in the Zhukovsky International airport. On 30 September 2015 Avia Solutions Group – Airports Management OOO and its' subsidiaries were sold to the associate.

* - in case of indirect associates the percentages represent economic interests.

As at 31 March 2017 the Company had one representative Office in Russia, 1st Tverskaya-Yamskaja St., 23, building 1, 4th entrance, 4th floor, Moscow and no branches.

The number of full-time staff employed by the Group on 31 March 2017 amounted to 2 033 (31 December 2016: 1 954; 31 March 2016: 1 712). The number of full-time staff employed by the Company on 31 March 2017 amounted to 62 (31 December 2016: 60; 31 March 2016: 63).

3 Segment information

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

- (1) aircraft and helicopter maintenance, repair and overhaul (MRO);
- (2) aircraft ground handling and fuelling;
- (3) crew training and staffing;
- (4) private jet charter, flight and tour operations;
- (5) 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 Operating 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, cost and operating expenses, other income, other gain/loss and segment operating profit include transfers between business segments. Those transfers are eliminated in consolidation.

The following tables present sales to external customers, cost and operating expenses, other income, other gain/loss and operating profit information according to the Group's business segments for the three-month period ended 31 March 2017 and for the three-month period ended 31 March 2016:

	Aircraft maintenance, repair and overhaul	Aircraft ground handling and fuelling	Pilot and crew training	Charter, Flight and Tour Operations	Unallocated	Inter-segment transactions	Total
Three-month period ended 31 March 2017							
Sales to external customers	33 903	40 210	3 959	2 827	163	-	81 062
Inter-segment sales	1 029	2 112	27	4	558	(3 730)	-
Total revenue	34 932	42 322	3 986	2 831	721	(3 730)	81 062
Other income	113	34	10	-	148	(231)	74
Cost of services and goods purchased	(20 862)	(39 173)	(2 041)	(2 797)	(133)	2 835	(62 171)
Depreciation and amortisation	(489)	(463)	(160)	(20)	(48)	1	(1 179)
Employee related expenses	(9 715)	(2 065)	(846)	(309)	(411)	-	(13 346)
Other operating expenses	(3 283)	(565)	(696)	(246)	(248)	780	(4 258)
Impairment-related expenses	(145)	(35)	(25)	-	(2)	-	(207)
Other gain/(loss) - net	(51)	47	7	(1)	3	(26)	(21)
Segment operating profit	500	102	235	(542)	30	(371)	(46)
As at 31 March 2017							
Segment assets	95 490	34 406	8 887	3 033	12 316	-	154 132

	Aircraft maintenance, repair and overhaul	Aircraft ground handling and fuelling	Pilot and crew training	Charter, Flight and Tour Operations	Unallocated	Inter-segment transactions	Total
Three-month period ended 31 March 2016							
Sales to external customers	34 411	18 907	2 714	1 339	96	-	57 467
Inter-segment sales	484	202	20	-	499	(1 205)	-
Total revenue	34 895	19 109	2 734	1 339	595	(1 205)	57 467
Other income	102	63	10	-	191	(276)	90
Cost of services and goods purchased	(21 990)	(16 289)	(1 283)	(1 331)	(103)	657	(40 339)
Depreciation and amortisation	(562)	(419)	(157)	(4)	(36)	4	(1 174)
Employee related expenses	(8 444)	(1 554)	(658)	(156)	(387)	-	(11 199)
Other operating expenses	(2 727)	(410)	(463)	(153)	(209)	579	(3 383)
Impairment-related expenses	(26)	-	-	-	-	-	(26)
Other gain/(loss) - net	(90)	(51)	-	2	1	(5)	(143)
Segment operating profit	1 158	449	183	(303)	52	(246)	1 293
As at 31 March 2016							
Segment assets	85 705	21 843	6 669	1 101	9 250	-	124 568

3 Segment information (continued)

Four reportable Group's business segments were influenced by seasonal movements on both summer and winter periods. The highest growth comes in summer-season (June-September) from aircraft ground handling and fuelling and private jet charter, flight and tour 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.

4 Cost of goods and services

	January – March	
	2017	2016
Aircraft fuel expenses	35 413	14 988
Cost of goods purchased	14 382	11 572
Cost of purchased services	9 065	11 396
Rent of aircraft, training and other equipment	1 662	954
Rent and maintenance of premises	1 649	1 429
	62 171	40 339

5 Other operating expenses

Transportation and related expenses	1 255	1 071
Business travel expenses	745	623
Consultation expenses	586	445
Marketing and sales expenses	423	241
Office administrative, communications and IT expenses	338	286
Insurance expenses	278	229
Other expenses	633	488
	4 258	3 383

6 Finance income and costs

Interest income on cash and cash equivalents	2	4
Other finance income	125	89
Finance income	127	93
Foreign exchange loss on financing activities	(373)	(438)
Interest expenses on borrowings	(232)	(200)
Unwinding of discounted financial assets received	(3)	(1)
Other finance costs	(88)	(33)
Finance costs	(696)	(672)
Finance costs – net	(569)	(579)

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 Russia – 20 per cent, in Ukraine – 18 per cent, in Latvia – 15 per cent, in Indonesia – 25 per cent, in Thailand – 20 per cent, in Cyprus – 12.5 per cent, in Nigeria – 30 per cent, in Czech Republic – 19 per cent. Deferred income tax asset and liability related to the entities operating in Lithuania are calculated at 15% rate (2016: 15% rate), in Poland - at 19% rate (2016: 19% rate), in the United Kingdom – at 20% rate (2016: 20% rate), in Russia – at 20% rate (2016: 20% rate), in Ukraine – at 18% rate (2016: 18% rate), in Latvia – at 15% rate (2016: 15% rate), in Indonesia – at 25% rate (2016: 25% rate), in Thailand – at 20% rate (2016: 20% rate), in Cyprus – at 12.5% rate (2016: 12.5% rate), in Nigeria – at 30% rate (2016: 30% rate), in Czech Republic – at 19% rate (2016: 19% rate). Corporate income tax in Estonia is shifted from the moment of earning the profits to the moment of their distribution, i.e. until dividends pay out.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when deferred income taxes relate to the same fiscal authority. The tax expenses for the period comprise current and deferred tax as follows:

	January – March	
	2017	2016
Current income tax	(342)	(161)
Deferred income tax	352	6
Total income tax expenses	10	(155)

8 Share capital

On 31 March 2017 the share capital of the Company amounts to EUR 2 255 555 and consists of 7 777 777 ordinary registered shares with a nominal value of 0.29 Euro each (on 31 December 2016 – 7 777 777 ordinary registered shares). All shares are fully paid up.

9 Earnings per share

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

	January – March	
	2017	2016
Profit (loss) for the period attributable to equity holders of the parent	(372)	691
Weighted average number of ordinary shares (thousand)	7 778	7 778
Basic and diluted earnings per share	(0.048)	0.089

10 Property, plant and equipment, intangible assets

	Property, plant and equipment	Intangible assets
Opening net book amount as at 1 January 2016	28 609	2 273
Additions	993	173
Disposals	(80)	-
Cumulative currency differences	(17)	(2)
Depreciation charge (Note 3)	(1 116)	(58)
Closing net book amount as at 31 March 2016	28 389	2 386
Opening net book amount as at 1 January 2017	29 812	6 056
Additions	965	167
Disposals	(34)	-
Cumulative currency differences	150	(1)
Depreciation charge (Note 3)	(1 051)	(128)
Closing net book amount as at 31 March 2017	29 842	6 094

11 Trade and other receivables

	31 March 2017	31 December 2016
Trade receivables	49 380	51 049
Less: provision for impairment of trade receivables	(10 179)	(10 418)
Trade receivables – net	39 201	40 631
Other receivables	1 090	1 334
Less: provision for impairment of other receivables	(43)	(18)
Other receivables – net	1 047	1 316
Loans granted	251	275
Less: provision for impairment of loans granted	(25)	(25)
Loans granted - net	226	250
VAT receivables	7 741	5 155
Receivables from investment in bonds from other related parties (Note 16)	6 985	7 175
Prepayments	5 678	4 812
Trade receivables from related parties (Note 16)	2 689	991
Deferred charges	2 245	2 199
Accrued revenue	1 882	759
Security deposit	1 859	2 073
Other receivables from related parties (Note 16)	747	677
Loans granted to related parties (Note 16)	639	636
Prepayments from related parties (Note 16)	25	5
Security deposits from related parties placed (Note 16)	16	15
Less non-current portion :	70 980	66 694
Current portion :	(9 008)	(9 138)
	61 972	57 556

12 Cash and cash equivalents

Cash and cash equivalents	5 298	4 732
Bank overdraft	(19 369)	(19 826)
	(14 071)	(15 094)

13 Inventories

	31 March 2017	31 December 2016
Spare parts and materials – gross amount	25 116	24 896
Less: provision for impairment of inventories	(4 643)	(4 633)
Spare parts and materials	20 473	20 263
Goods for sale – gross amount	6 182	6 367
Less: provision for impairment of inventories	(48)	(48)
Goods for sale	6 134	6 319
Aircraft fuel	1 791	1 458
Work in progress	329	294
Goods in transit	33	41
Other inventories	756	712
	29 516	29 087

14 Trade and other payables

	31 March 2017	31 December 2016
Trade payables	26 560	24 504
Accruals for hangar lease payments, PBH contracts and other accrued expenses	11 411	9 488
Salaries and social security payable	6 186	5 103
Provisions	553	496
Deferred revenue	331	261
Amounts payable to related parties (Note 16)	335	448
Other payables	1 138	1 128
	46 514	41 428
Less: non-current portion	(215)	(220)
Current portion	46 299	41 208

15 Business combination and disposals

Establishment in 2017

On 6 March 2017, *KIDY Tour OOO* was established by *Avia Solutions Group AB*. Registered capital RUB 3 million, *Avia Solutions Group AB* paid for share capital RUB 1.5 million (equivalent to EUR 24 thousand). Remaining RUB 1.5 million of share capital is to be paid within 3 months of establishment of *KIDY Tour OOO*.

On 29 March 2017, *Storm Aviation (Germany) GmbH* was established by the *FL Technics UAB* subsidiary *Storm Aviation Ltd*. Registered capital is EUR 12 500, *Storm Aviation Ltd*. fully paid for share capital.

Establishment in 2016

On 4 January 2016, *FL Technics Asia Co Ltd*. was established by the Company's subsidiary *FL Technics UAB*. Registered capital is Baht 10 000 000, *FL Technics UAB* paid for share capital EUR 65 thousand and THB 7.5 million (equivalent to EUR 191 thousand). Remaining 0.003% of share capital is held by 2 private persons.

On 26 August 2016, *Storm Aviation (Nigeria) Ltd*. was established by the *FL Technics UAB* subsidiary *Storm Aviation Ltd*. Registered capital is Naira 10 000 000, *Storm Aviation Ltd*. fully paid for share capital (equivalent to GBP 26 thousand).

Investment in the associate in 2016

On 1 August 2016 *Avia Solutions Group AB* agreed to contribute the accrued interests on bonds issued by its associate *Avia Solutions Group B.V.* as a share premium contribution without issuing any new shares. Contributed amount of accrued interests was in the amount of USD 204 thousand (equivalent to EUR 183 thousand). The Group's investment in its associate as at 31 December 2016 amounted to EUR 0 thousand through post-acquisition changes in the Group's share of net assets of the associate's consolidated group.

15 Business combination and disposals (continued)

Acquisitions in 2016

On 16 September 2016 *Avia Solutions Group AB* completed the acquisition of 100 percent of the share capital in *GoAdventure OÜ* which was renamed to *KIDY Tour OÜ* following the acquisition. As a result of the acquisition, the Group is expected to increase its presence in the Tour Operation segment. According to the share sale and purchase agreement the purchase price was EUR 746 thousand and USD 1 657 thousand (equivalent to EUR 1 472 thousand) which included remuneration for the share capital as well as the transfer of the claims in respect of the debt (equal to EUR 909 thousand). Details of purchase consideration and assets and liabilities arising from them acquisition are as follows:

	<i>KIDY Tour OÜ - acquiree's fair value</i>
Tangible and intangible long-term assets	29
Security deposits placed	357
Loans granted	60
Receivables	8
Prepayments	59
Cash and cash equivalents	7
Bank overdraft	(8)
Advances received	(143)
Payables	(1 965)
Total identifiable net assets acquired	(1 596)
Purchase consideration - setting off against liabilities	1 309
Excess of cost over fair value of acquiree's net assets (recognised as goodwill)	2 905

The values included in purchase price allocation are provisional and will be updated within 12 months period after the acquisition date.

On 27 September 2016, the Group acquired 25% of the share capital of *Klasjet UAB* from a third party and increased a control in the subsidiary to 100%. *Avia Solutions Group AB* paid EUR 14 509 for the shares.

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. The following transactions were carried out with related parties:

	January – March	
	2017	2016
Sales of services to:		
Entities having significant influence	2	2
Other related parties	2 056	711
	2 058	713
Total sales of assets and services	2 058	713
Purchases of services from:		
Entities having significant influence	2	-
Other related parties	705	720
	707	720
Total purchases of assets and services	707	720

16 Related party transactions (continued)

	31 March 2017	31 December 2016
Trade receivables from related parties		
Receivables from investment in bonds from related parties (Note 11)	6 985	7 175
Trade receivables from entities having significant influence (Note 11)	1	1
Trade receivables from other related parties (Note 11)	2 688	990
Other receivables from related parties (Note 11)	747	677
Loans provided to other related parties (Note 11)	639	636
Prepayments from related parties (Note 11)	25	5
Security deposit with lessor from related parties (Note 11)	16	15
	11 101	9 499
Payables and advances received from related parties		
Loans received from related parties	1 902	-
Advances received from related parties	432	572
Trade and other payables to entities having significant influence (Note 14)	1	-
Trade and other payables to other related parties (Note 14)	334	448
	2 669	1 020

AVIA SOLUTIONS GROUP AB
CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017
(All tabular amounts are in EUR '000 unless otherwise stated)



MANAGEMENT CONFIRMATION OF THE CONSOLIDATED INTERIM FINANCIAL INFORMATION

Following Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Bank of Lithuania, I, Acting General Manager of *Avia Solutions Group AB*, hereby confirm that, to the best of my knowledge, the unaudited *Avia Solutions Group AB* Interim Consolidated Financial Information for the three-month period ended 31 March 2017, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position, profit or loss and cash flows of the Group of undertakings.

Acting General Manager
Aurimas Sanikovas

A handwritten signature in black ink, appearing to read 'Aurimas Sanikovas', is written over a vertical line. The signature is fluid and cursive, with a distinct 'A' at the beginning.

15 May, 2017