

AVIA SOLUTIONS GROUP (CY) PLC

Financial Statements
For the year ended 31 December 2018
(Unaudited)

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AVIA SOLUTIONS GROUP (CY) PLC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018
(All tabular amounts are in EUR '000 unless otherwise stated)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2018	2017*
Revenue	5, 6	137	-
Other income		-	-
Cost of services and goods	8	(20)	-
Employee related expenses	7	(76)	-
Other operating expenses	9	(33)	-
Depreciation and amortization		-	-
Impairment of financial assets		-	-
Other gain/(loss) - net		-	-
Operating profit (loss)		8	-
Finance income		-	-
Finance costs	10	(8)	-
Finance result – net		(8)	-
Profit before income tax		-	-
Income tax	11	-	-
Profit for the year		-	-
Other comprehensive income			
Net gain on cash flow hedge		-	-
Income tax effect		-	-
Other gain (loss)		-	-
Other comprehensive income (loss)		-	-
Total comprehensive income (loss)		-	-

**The Company has been established on 28th of February 2018, thus the corresponding comparative information is not presented.*

Director
Jonas Janukėnas



Director
Aurimas Sanikovas



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STATEMENT OF FINANCIAL POSITION

	Notes	2018	2017*
ASSETS			
Non-current assets			
Property, plant and equipment		-	-
Intangible assets		-	-
Investments in subsidiaries and associates		-	-
Deferred tax assets		-	-
Trade and other receivables	12, 13	72	-
		<u>72</u>	<u>-</u>
Current assets			
Inventories		-	-
Trade and other receivables	12, 13	80	-
Contract assets		-	-
Advances paid		-	-
Cash and cash equivalents	14	36	-
		<u>116</u>	<u>-</u>
Assets held for sale		-	-
		<u>116</u>	<u>-</u>
Total assets		<u>188</u>	<u>-</u>
EQUITY			
Share capital	1	26	-
Share premium		-	-
Legal reserve		-	-
Retained earnings		-	-
Total equity		<u>26</u>	<u>-</u>
LIABILITIES			
Non-current liabilities			
Loans and borrowings		-	-
Trade and other payables	15	83	-
		<u>83</u>	<u>-</u>
Current liabilities			
Loans and borrowings		-	-
Trade and other payables		-	-
Deferred revenue		-	-
Advances received	15	79	-
		<u>79</u>	<u>-</u>
Total liabilities		<u>162</u>	<u>-</u>
Total equity and liabilities		<u>188</u>	<u>-</u>

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STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Legal reserve	Retained earnings	Total equity
Balance as at 28 February 2018*	-	-	-	-	-
Profit (loss) for the period	-	-	-	-	-
Other comprehensive income	-	-	-	-	-
Contribution to share capital	26	-	-	-	26
Balance at 31 December 2018	26	-	-	-	26

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STATEMENT OF CASH FLOWS

	Notes	2018	2017*
Operating activities			
Profit for the year		-	-
Income tax		-	-
<i>Adjustments for:</i>			
Depreciation and amortization		-	-
Impairment of financial assets		-	-
Interest expenses		-	-
Interest income		-	-
Currency translations differences	11	(8)	-
(Profit) of PPE disposals		-	-
Loss on disposal of investments		-	-
Amortization of intra-group financial guarantees		-	-
<i>Changes in working capital:</i>			
- Inventories		-	-
- Trade and other receivables		(152)	-
- Trade and other payables, advances received		170	-
Cash generated from (used in) operating activities		10	-
Interest received		-	-
Interest paid		-	-
Income tax paid		-	-
Net cash generated from (used in) operating activities		10	-
Investing activities			
Purchase of PPE and intangible assets		-	-
Proceeds from PPE and intangible assets disposal		-	-
Proceeds from issuance of ordinary shares	1	26	-
Net cash (from) used in investing activities		26	-
Increase (decrease) in cash and cash equivalents		36	-
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at the end of the year		36	-

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

1. General information

Avia Solutions Group AB (CY) PLC (referred to as *the Company*) is a public limited liability company incorporated as at 28 February 2018 under the Companies Law of the Republic of Cyprus. The Company's registration code is HE380586. The Company's business address is 28 Oktovriou, 1, Engomi Business Center BLC E, Office 111, Egkomi, 2414, Nicosia, Cyprus.

As at 7 September 2018 the Company has changed its legal status from private limited liability company (LTD) to public limited liability company (PLC) and the name from Avia Solution Group AB (CY) LTD to Avia Solution Group AB (CY) PLC. The share capital was increased from 1 000 EUR to 25 700 EUR.

The 99,98 percent of the Company's share capital is owned by Avia Solutions Group AB, which is incorporated under the Companies Law of the Republic of Lithuania. The registered business address of the main shareholder is Smolensko st. 10, LT-03201, Vilnius. (Company's code – 302541648).

The principal activity of the Company is to provide management services to its main shareholder and other group companies.

As at 1 December 2018 the Company has established its sales representative office in Moscow, Russia.

The Company employed 10 employees as at 31 December 2018, of which 8 employees were employed in representative office in Moscow, Russia.

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

2. Summary of significant accounting policies

These financial statements cover the financial period since the Company's establishment as at 28 February 2018 to the financial year then ended 31 December 2018. The principal accounting policies applied in the preparation of these financial statements are set out below.

2.1. Basis of preparation

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in Note 4.

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- (a) *Standards, amendments and interpretations to existing standards that are adopted by EU but are not yet effective and have not been early adopted by the Company:*

IFRS 16, Leases (effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Company has reviewed all of the Company's leasing arrangements outstanding as at 31 December 2018 in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Company's operating leases. As at the reporting date, the Company has non-cancellable operating lease commitments of EUR 1 164 thousand (Note 16).

The Company expects to recognise right-of-use assets and the related lease liabilities of EUR 924 thousand and EUR 1 109 thousand respectively on 1 January 2019. The Company does not expect significant impact of IFRS 16 to its net result and operating cash flows.

The Company will apply the IFRS 16 from its mandatory adoption date of 1 January 2019. The Company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property and all other leases will be measured on transition as if the new rules had always been applied or at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses) as a lessee is permitted to choose, on a lease-by-lease basis, how to measure the right-of-use asset using one of two methods.

IFRIC 23, Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019). IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation. The Company are currently assessing the impact of the new standard on its financial statements.

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Prepayment Features with Negative Compensation - Amendments to IFRS 9 (effective for annual periods beginning on or after 1 January 2019). The amendments enable measurement at amortised cost of certain loans and debt securities that can be prepaid at an amount below amortised cost, for example at fair value or at an amount that includes a reasonable compensation payable to the borrower equal to present value of an effect of increase in market interest rate over the remaining life of the instrument. In addition, the text added to the standard's basis for conclusion reconfirms existing guidance in IFRS 9 that modifications or exchanges of certain financial liabilities measured at amortised cost that do not result in the derecognition will result in a gain or loss in profit or loss. Reporting entities will thus in most cases not be able to revise effective interest rate for the remaining life of the loan in order to avoid an impact on profit or loss upon a loan modification. The Company is currently assessing the impact of this amendment on its financial statements.

(b) *Standards, interpretations and amendments that have not been endorsed by the European Union and that have not been early adopted by the Company:*

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary and the shares of the subsidiary are transferred during the transaction. The Company is currently assessing the impact of these amendments on its financial statements.

Annual Improvements to IFRSs 2015-2017 cycle. The narrow scope amendments impact four standards:

- IFRS 3 was clarified that an acquirer should remeasure its previously held interest in a joint operation when it obtains control of the business.
- Conversely, IFRS 11 now explicitly explains that the investor should not remeasure its previously held interest when it obtains joint control of a joint operation, similarly to the existing requirements when an associate becomes a joint venture and vice versa.
- The amended IAS 12 explains that an entity recognises all income tax consequences of dividends where it has recognised the transactions or events that generated the related distributable profits, e.g. in profit or loss or in other comprehensive income. It is now clear that this requirement applies in all circumstances as long as payments on financial instruments classified as equity are distributions of profits, and not only in cases when the tax consequences are a result of different tax rates for distributed and undistributed profits.
- The revised IAS 23 now includes explicit guidance that the borrowings obtained specifically for funding a specified asset are excluded from the pool of general borrowings costs eligible for capitalisation only until the specific asset is substantially complete.

The Company is currently assessing the impact of the new standard on its financial statements.

2.2. Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Company financial statements are presented in Euro (EUR), which is the functional and presentation currency of the Company.

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2.3. Property, plant and equipment

Property, plant and equipment are carried at their historical cost less any accumulated depreciation and accumulated impairment loss, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the property, plant and equipment.

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

Depreciation is calculated on the straight-line basis to write off the cost of assets to their residual values over their estimated useful life.

2.4. Intangible assets

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

2.5. Investments into subsidiaries and associates

Investments in subsidiaries and associates in the separate financial statements of the Company are accounted for at cost less impairment losses, if any.

2.6. Assets held for sale

Non-current assets (or disposal group) is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Two general requirements for the non-current assets (or disposal group) to be classified as held for sale shall be met: the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such assets; and its sale must be highly probable. Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

2.7. Impairment of non-financial assets

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

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2.8. Financial instruments

Financial assets:

Recognition and initial measurement:

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement:

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

During the current and previous periods all of the Company's financial assets were classified at amortised cost.

Write-off:

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Impairment of financial assets:

The methods applied for calculation of expected credit losses (ECL) for financial assets are disclosed in Note 3.1.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss. During the current and previous periods all of the Company's financial assets were classified at amortised cost.

2.9. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of inventories comprises purchase price, taxes (other than those subsequently recoverable by the Company from the tax authorities), transport, handling and other costs directly attributable to the acquisition of

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inventories. Net realizable value is the estimate of the selling price in the ordinary course of business, less the applicable selling expenses. Inventories that are no longer appropriate for sale are written off.

2.10. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, call deposits held within banks, other short-term highly liquid investments with original maturities of three months or less.

2.11. Capitalization of borrowing costs

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

2.12. Provisions

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

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

2.13. Income tax

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

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred tax is determined using tax rates (and legislation) that have been enacted or substantially enacted on the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

The standard rate of Cyprus corporate income tax for 2018 is 12.5%.

Income tax expense is calculated and accrued for in the financial statements based on information available at the moment of the preparation of the financial statements.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income tax levied by the same taxation authority on the same taxable entity. Current tax assets and tax liabilities are offset where the same taxable entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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2.14. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue of the Company is shown net of value-added tax, returns, rebates and discounts, sales taxes. Revenue is measured based on the consideration specified in a contract with a customer.

The Company recognizes revenue when it transfers control over good or services to a customer. The Company transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- the Company's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Interest income

Interest income is recognized on a time-proportion basis using the effective interest method to the gross carrying amount of a financial asset except for credit-impaired financial assets. Interest revenue for credit-impaired financial assets is calculated by applying the effective interest rate to the amortised cost of the financial asset from initial recognition.

Dividend income

Dividend income from investments is recognized when the right to receive payment has been established.

2.15. Financial guarantee contracts

Financial guarantee contracts are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised as financial liabilities at the date the guarantee is issued. Liabilities arising from financial guarantee contracts are initially recognised at fair value and subsequently measured at the higher of the expected loss allowance for that guarantee measured in accordance with IFRS9 or amount initially recognised less any cumulative amortisation.

The loss allowance for expected credit losses on the financial guarantee is determined the estimated amount of expected credit losses (or credit risk) that would be payable to a third party for assuming the obligation.

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3. Financial risk management

3.1. Financial risk factors

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

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

Market risk

(a) Foreign exchange risk

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

The tables below provide summary on the Company's exposure to currency risk.

2018	EUR	USD	RUB	Total
Trade receivables	4	18	-	22
Cash and cash equivalents	9	-	27	36
	13	18	27	58
Trade payables	-	-	-	-
	-	-	-	-
Net exposure	13	18	27	58

For calculation of foreign exchange risks' sensitivity trade and other receivables and trade and other payables, denominated at USD or RUB are multiplied by reasonably possible change of EUR to USD or RUB exchange rate. Reasonable possible change is provided in the table below:

	2018	2017
Reasonably possible change of EUR to US dollars	5%	-
Reasonably possible change of EUR to Russian rubles	13%	-

The impact to the profit and loss of reasonable possible change in the foreign currency rates is provided in the table below:

	2018	
	Profit or loss	
	Strengthening	Weakening
Reasonably possible change of EUR to US dollars	5%	(1)
Reasonably possible change of EUR to RUB dollars	13%	(4)

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

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(b) Price risk

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

(c) Cash flow and fair value interest rate risk

The Company is not bearing interest rate risk.

Credit risk

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

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

(a) Maximum credit risk exposure

The table below summarises credit risk exposures of the Company. Maximum exposure to credit risk before collateral held or other credit enhancements are presented below:

	<u>2018</u>	<u>2017</u>
Trade receivables	22	-
Total	<u>22</u>	<u>-</u>

The maximum exposure to credit risk for financial assets is provided below:

	<u>2018</u>	<u>2017</u>
Credit exposure to related parties (Note 17)	22	-
Credit exposure to third parties	-	-
Total	<u>22</u>	<u>-</u>

(b) Impairment of financial assets

The Company has adopted policies and methods for calculation of the expected credit losses (ECL) as set out by the entire group of the Avia Solutions Group AB. As the amounts of the financial assets as at 31 December 2018 are minor, the Company have not been exposed to any impairment losses.

Cash and cash equivalents

Major amounts of cash are held in the banks with a Standards & Poor's rating not lower than "B-", the impact of IFRS 9 has no significant effect on the measurement and valuation of the Company's cash and cash equivalents.

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

	<u>2018</u>	<u>2017</u>
B+	27	-
B-	9	-
	<u>36</u>	<u>-</u>

Liquidity risk

Liquidity risk management implies maintaining sufficient cash and the availability of funding through the shareholder or other group companies.

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3.2. Fair value of financial assets and liabilities

The Company's financial assets and financial liabilities are accounted for at amortised cost and does not carry any financial instruments at their fair values. Based on the Company's management estimation the carrying values of the trade receivables at the balance sheet date corresponds to their fair values.

4. Critical Accounting Estimates and Significant Judgments

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

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

As at 31 December 2018 the Company's management have not identified any critical estimates and significant judgments.

5. Segment information

The Company's revenue mainly comprise income from management consultations, premises sublease and other holding activities, therefore it does not have any reportable business segments.

6. Revenue

	<u>2018</u>	<u>2017</u>
Consulting revenue	115	-
Income from premises sublease	22	-
	<u>137</u>	<u>-</u>

7. Employee related expenses

	<u>2018</u>	<u>2017</u>
Wages and salaries	71	-
Social insurance expenses	5	-
	<u>76</u>	<u>-</u>
Number of employees at the end of year	10	-

8. Cost of goods and services

	<u>2018</u>	<u>2017</u>
Rent and maintenance of premises	20	-
	<u>20</u>	<u>-</u>

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9. Other operating expenses

	2018	2017
Business travel expenses	13	-
Office administrative, communications and IT expenses	5	-
Consultation expenses	4	-
Transportation and related expenses	4	-
Other expenses	7	-
	<u>33</u>	<u>-</u>

10. Finance income and costs

	2018	2017
Finance income	<u>-</u>	<u>-</u>
Foreign exchange loss	(8)	-
Other finance costs	-	-
Finance costs	<u>(8)</u>	<u>-</u>
Finance result – net	<u>(8)</u>	<u>-</u>

11. Income tax and deferred income tax

The Company has not earned taxable income or incurred taxable losses for the year ended 31 December 2018, thus have no corporate income tax liability or deferred income tax as at 31 December 2018. The standard corporate income tax rate in Cyprus is 12.5%.

12. Financial instruments by category

All financial assets are classified by the Company under category of amortised cost. As at 31 December 2018 the financial assets of the Company comprise unpaid invoices for the services provided and are disclosed below.

	2018	2017
Trade receivables	22	-
	<u>22</u>	<u>-</u>

As at 31 December 2018 the Company does not hold any financial liabilities.

13. Trade receivables and other assets

	2018	2017
Long term security deposit for premises rent	72	-
Advance payment for premises rent	55	-
Trade receivables from related parties (Note 17)	22	-
Prepayments to related parties for services provided (Note 17)	3	-
	<u>152</u>	<u>-</u>
Less: provision for impairment	-	-
Total	<u>152</u>	<u>-</u>
Less non-current portion:	<u>(72)</u>	<u>-</u>
Current portion:	80	-

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All non-current assets are due until 2022. The fair values of trade and other receivables are approximate to their carrying values. The carrying amounts of the Company's trade receivables are denominated in the following currencies:

	2018	2017
EUR	4	-
USD	18	-
Other	-	-
	22	-

14. Cash and cash equivalents

The Company is holding all its cash in the current accounts at the bank. The carrying amounts of the Company's cash and cash equivalents are denominated in the following currencies:

	2018	2017
EUR	9	-
RUB	27	-
	36	-

15. Trade payable and other liabilities

	2018	2017
Advances received from related party for services provided (Note 17)	79	-
Security deposit for premises sublease from related party (Note 17)	83	-
	162	-
Less: non-current portion	(83)	-
Current portion	79	-

16. Operating lease

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

	2018	2017
Less than 1 year	325	-
Between 1 and 5 years	839	-
Over 5 years	-	-
	1 164	-

17. Related party transactions

Related parties of the Company include all the entities directly or indirectly controlled by Avia Solutions Group AB, entities having significant influence over the Company, key management personnel and other related parties. Entities having significant influence over the Company are *Vertas Cyprus Ltd* and *Vertas Management AB* (the sole shareholder of *Vertas Cyprus Ltd*). Transactions with these companies are presented separately. Related parties also include subsidiaries of *Vertas Management AB* group. They are presented as other related parties.

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The following transactions were carried out with related parties:

	2018	2017
Sales of services and goods to:		
Avia Solutions Group AB companies	123	-
Entities having significant influence	-	-
Other related parties	9	-
	<u>132</u>	<u>-</u>
Purchases of services and goods from:		
Avia Solutions Group AB companies	-	-
Entities having significant influence	-	-
Other related parties	6	-
	<u>6</u>	<u>-</u>

Amounts receivable from the related parties as at 31 December were as follows:

	2018	2017
Trade receivables		
Avia Solutions Group AB companies	8	-
Entities having significant influence	-	-
Other related parties	14	-
	<u>22</u>	<u>-</u>
Other receivable and advance paid		
Avia Solutions Group AB companies	-	-
Entities having significant influence	-	-
Other related parties	3	-
	<u>3</u>	<u>-</u>

Amounts payable to the related parties as at 31 December were as follows:

	2018	2017
Payables and advances received		
Avia Solutions Group AB companies	79	-
Entities having significant influence	-	-
Other related parties	83	-
	<u>162</u>	<u>-</u>

18. Remuneration of the Company's key management

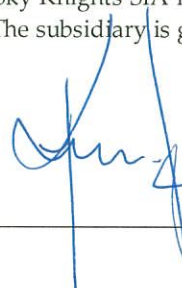
Key management includes the Directors of the Company as well as managing director of the representative office in Moscow, Russia. During the year ended 31 December 2018, salaries and related social contributions paid to the management amounted to EUR 2 thousand. There were no other transactions with the key management personnel during the financial year.

19. Events after the reporting date

On 15 January 2019 the Company has established a new subsidiary Sky Knights SIA in Riga, the Republic of Latvia. Registered capital of the newly established subsidiary is EUR 3 000. The subsidiary is going to provide flight support services to airlines.

Director
Jonas Janukėnas





Director
Aurimas Sanikovas