

AVIA SOLUTIONS GROUP AB

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

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 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	3 752	2 970
Other income	6	852	909
Cost of services and goods	7	(1 007)	(730)
Employee related expenses	8	(2 350)	(1 871)
Other operating expenses	9	(1 399)	(1 055)
Depreciation and amortization	10, 14, 15	(240)	(198)
Impairment of financial assets	3.1, 19	(645)	(396)
Other gain/(loss) - net	11	(187)	(14)
Operating profit (loss)		(1 224)	(385)
Finance income		343	1 500
Finance costs		(11)	(1 044)
Finance result – net	12	332	456
Profit before income tax		(892)	71
Income tax	13	(2)	175
Profit for the year		(894)	246
Other comprehensive income			
Net gain on cash flow hedge		-	-
Income tax effect		-	-
Other gain (loss)		-	-
Other comprehensive income (loss)		-	-
Total comprehensive income (loss)		(894)	246

General Manager
Jonas Janukėnas



Chief Financial Officer
Aurimas Sanikovas



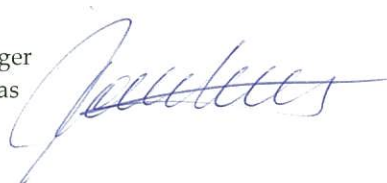
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STATEMENT OF FINANCIAL POSITION

	Notes	2018	2017
ASSETS			
Non-current assets			
Property, plant and equipment	14	240	204
Intangible assets	15	75	162
Investments in subsidiaries and associates	17	6 910	12 778
Deferred tax assets	26	23	183
Trade and other receivables	3.1, 19	20 066	15 939
		<u>27 314</u>	<u>29 266</u>
Current assets			
Inventories		24	21
Trade and other receivables	3.1, 19	4 765	8 141
Advances paid		32	25
Cash and cash equivalents	20	215	155
		<u>5 036</u>	<u>8 342</u>
Assets held for sale	16	5 330	-
		<u>10 366</u>	<u>8 342</u>
Total assets		<u>37 680</u>	<u>37 608</u>
EQUITY			
Share capital	21	2 256	2 256
Share premium	22	33 133	33 133
Legal reserve	23	165	152
Retained earnings		158	1 065
Total equity		<u>35 712</u>	<u>36 606</u>
LIABILITIES			
Non-current liabilities			
Loans and borrowings	24	300	-
Trade and other payables		-	-
Deferred revenue		10	-
Deferred tax liabilities		-	-
Derivative financial instruments		-	-
		<u>310</u>	<u>-</u>
Current liabilities			
Loans and borrowings	24	400	300
Trade and other payables	25	1 207	591
Deferred revenue		50	32
Advances received		1	79
		<u>1 658</u>	<u>1 002</u>
Total liabilities		<u>1 968</u>	<u>1 002</u>
Total equity and liabilities		<u>37 680</u>	<u>37 608</u>

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STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Legal reserve	Retained earnings	Total equity
Balance as at 1 January 2017	2 256	33 133	119	852	36 360
Profit (loss) for the year	-	-	-	246	246
Other comprehensive income	-	-	-	-	-
Transfer to legal reserve	-	-	33	(33)	-
Balance as at 31 December 2017	2 256	33 133	152	1 065	36 606
Profit (loss) for the year	-	-	-	(894)	(894)
Other comprehensive income	-	-	-	-	-
Transfer to legal reserve	-	-	13	(13)	-
Balance at 31 December 2018	2 256	33 133	165	158	35 712

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STATEMENT OF CASH FLOWS

	Notes	2018	2017
Operating activities			
Profit for the year		(894)	246
Income tax	13	2	(175)
<i>Adjustments for:</i>			
Depreciation and amortization	10, 14, 15	240	198
Impairment of financial assets	3.1, 19	645	396
Interest expenses	12	11	5
Interest income	6	(734)	(804)
Currency translations differences	12	(341)	1 050
(Profit) of PPE disposals	11	(6)	-
Loss on disposal of investments	11	183	-
Amortization of intra-group financial guarantees		(118)	(105)
<i>Changes in working capital:</i>			
- Inventories		(3)	(16)
- Trade and other receivables		(118)	(1 068)
- Trade and other payables, advances received		692	(117)
- Security deposits received		-	78
Cash generated from (used in) operating activities		(441)	(312)
Interest received		328	599
Interest paid		-	-
Income tax paid		(7)	(25)
Net cash generated from (used in) operating activities		(120)	262
Investing activities			
Purchase of PPE and intangible assets		(91)	(235)
Proceeds from PPE and intangible assets disposal		-	46
Loans granted		(3 010)	(562)
Repayments of loans granted		2 899	915
Deposits placed		-	(82)
Acquisition of interest in a subsidiary		-	(129)
Share capital increase of subsidiaries		-	(555)
Establishment of subsidiaries	17	(26)	(59)
Net cash (from) used in investing activities		(228)	(661)
Financing activities			
Disposal of interest in a subsidiary		8	-
Borrowings from related parties received		400	300
Net cash (used in) financing activities		408	300
Increase (decrease) in cash and cash equivalents		60	(99)
Cash and cash equivalents at the beginning of the year		155	254
Cash and cash equivalents at the end of the year		215	155

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. General information

Avia Solutions Group AB (referred to as *the Company*) is a public limited liability company incorporated at State Enterprise Centre of Registers of the Republic of Lithuania as at 31 August 2010 (Company code – 302541648). The Company is domiciled in Vilnius, the capital of Lithuania. The address of its registered office is Smolensko st. 10, LT-03201, Vilnius.

The Company's shares were traded on Warsaw stock exchange from 3 March 2011 until 20 November 2018. The main shareholders of the Company as at 31 December were:

	2018		2017	
	Number of shares	Percentage owned	Number of shares	Percentage owned
Vertas Cyprus Ltd.	2 175 045	27.96%	2 290 045	29.44%
HAIFO LTD	1 947 578	25.04%	-	-
Indeco: Investment and Development UAB	832 666	10.71%	832 666	10.71%
Other (individually less than 10%)	2 822 488	36.29%	4 655 066	59.85%
Total	7 777 777	100.00%	7 777 777	100.00%

The principal activity of the Company is to provide management services to its subsidiaries and other holding activities.

The Company employed 80 full-time employees as at 31 December 2018 (31 December 2017: 72).

Along with these separate financial statements, the management of the Company have prepared the set of consolidated financial statements combining the balances and the financial results of the Company and its' controlling entities (the Group). The consolidated financial statements of the Group were issued and approved by the management of the Company and is available at the Company's office Smolensko st. 10, LT-03201, Vilnius.

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.

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2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1. Basis of preparation

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

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.

(a) *New and amended standards and interpretations adopted by the Company:*

IFRS 9, Financial Instruments: Classification and Measurement (effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVTPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVTPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

The Company have early adopted IFRS 9 Financial Instruments with the date of initial application of 1 January 2017, as the new accounting policies provide more reliable and relevant information for users to assess the amounts, timing and uncertainty of future cash flows. The impact of this standard to the financial statements was disclosed in the audited separate and consolidated financial statements of the Company and the Group for the year ended 2017. Comparative figures in these financial statements present the same accounting principles.

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IFRS 15, Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018).

The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. Application of this standard does not affect the financial position or results of the Company.

Amendments to IFRS 15, Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018).

The amendments do not change the underlying principles of the standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new standard. Application of this amendments does not affect the financial position or results of the Company.

Share-based Payments - Amendments to IFRS 2 (effective for annual periods beginning on or after 1 January 2018).

The amendments mean that non-market performance vesting conditions will impact measurement of cash-settled share-based payment transactions in the same manner as equity-settled awards. The amendments also clarify classification of a transaction with a net settlement feature in which the entity withholds a specified portion of the equity instruments, that would otherwise be issued to the counterparty upon exercise (or vesting), in return for settling the counterparty's tax obligation that is associated with the share-based payment. Such arrangements will be classified as equity-settled in their entirety. Finally, the amendments also clarify accounting for cash-settled share based payments that are modified to become equity-settled, as follows (a) the share-based payment is measured by reference to the modification-date fair value of the equity instruments granted as a result of the modification; (b) the liability is derecognised upon the modification, (c) the equity-settled share-based payment is recognised to the extent that the services have been rendered up to the modification date, and (d) the difference between the carrying amount of the liability as at the modification date and the amount recognised in equity at the same date is recorded in profit or loss immediately. Application of this amendments does not affect the financial position or results of the Company.

Annual Improvements to IFRSs 2014–2016 Cycle (effective for annual periods beginning on or after 1 January 2018).

The improvements impact these standards:

- IFRS 1 was amended to delete some of the short-term exemptions from IFRSs after those short-term exemptions have served their intended purpose.
- The amendments to IAS 28 clarify that venture capital organisations or similar entities have an investment-by-investment choice for measuring investees at fair value. Additionally, the amendment clarifies that if an investor that is not an investment entity has an associate or joint venture that is an investment entity, the investor can choose on an investment-by-investment basis to retain or reverse the fair value measurements used by that investment entity associate or joint venture when applying the equity method.

Application of this amendments does not affect the financial position or results of the Company.

Transfers of Investment Property - Amendments to IAS 40 (effective for annual periods beginning on or after 1 January 2018).

The amendment clarified that to transfer to, or from, investment properties there must be a change in use. This change must be supported by evidence; a change in intention, in isolation, is not enough to support a transfer. Application of this amendments does not affect the financial position or results of the Company.

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IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after 1 January 2018). The interpretation applies where an entity either pays or receives consideration in advance for foreign currency-denominated contracts. The interpretation clarifies that the date of transaction, i.e the date when the exchange rate is determined, is the date on which the entity initially recognises the non-monetary asset or liability from advance consideration. However, the entity needs to apply judgement in determining whether the prepayment is monetary or non-monetary asset or liability based on guidance in IAS 21, IAS 32 and the Conceptual Framework. Application of this amendment does not affect the financial position or results of the Company.

There are no other new or revised standards or interpretations that are effective for the first time for the financial year beginning on or after 2018 that would be expected to have a material impact to the Company.

(b) 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 261 thousand (see Note 27).

After elimination of short-term lease and low value leases, for the remaining lease commitments the Company expects to recognise right-of-use assets and the related lease liabilities of approximately EUR 242 thousand on 1 January 2019. The Company does not expect significant impact of IFRS 16 implementation to its net result and operating cash flows.

The Company's activities as a lessor are not material and hence the Company does not expect any significant impact on the financial statements.

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

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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.

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.

- (c) *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 possible impact of the new standards on its financial statements.

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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.

2.3. Property, plant and equipment

Property, plant and equipment consist of vehicles and other non-current tangible assets. 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 as follows:

Vehicles	4 – 12 years
Other non-current tangible assets	3 – 15 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

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

2.4. 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 as follows:

Licenses	3 - 20 years
Software	3 - 20 years
Web-site costs	5 years
Other non-current intangible assets	1 - 4 years

Useful lives and amortisation methods of the intangible assets are reviewed, and adjusted if appropriate, at each reporting date.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or loss arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are included within 'Other gain / (loss) – net' in the statement of profit or loss.

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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.

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.

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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.

Presentation of allowance for ECL in the statement of financial position:

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. The loss allowance is charged to profit or loss and is recognised in operating expenses as impairment-related expenses.

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. 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.

2.10. 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 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.

2.11. Capitalization of borrowing cost

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.

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2.13. Financial guarantee contracts

Financial guarantee contracts issued by the Company 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.

2.14. 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.

Profit for 2018 is taxable at a rate of 15 % (2017: 15%) in accordance with Lithuanian regulatory legislation on taxation. According to Lithuanian legislation, tax losses accumulated as at 31 December 2018 are carried forward indefinitely except for tax loss arising from the transfer of securities.

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.

2.15. 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.

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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

2.16. Employee benefits

Social security contributions

The Company pays social security contributions to the state Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Company pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period.

Bonus plans

The Company recognises a liability and an expense for bonuses based on predefined targets. The Company recognises related liability where contractually obliged or where there is a past practice that has created a constructive obligation.

Supplementary health insurance

The Company paid supplementary health insurance contributions to the insurance company on behalf of its employees. Supplementary health insurance for employees is the possibility to get health care and health improvement services in a selected health care institution. The supplementary health insurance contributions are recognized as an expense when incurred.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

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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, fair value interest rate risk, cash flow interest rate risk and price 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). 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	PLN	GBP	RUB	Total
Loans granted	15 285	-	-	-	-	15 285
Trade receivables	1 292	31	-	-	-	1 323
Receivable from investment in bonds	-	5 730	-	-	-	5 730
Other financial receivables	1 368	1 125	-	-	-	2 493
Cash and cash equivalents	112	26	16	-	61	215
Off-balance items (Note 28)	33 945	-	-	-	-	33 945
	52 002	6 912	16	-	61	58 991
Loans and borrowings	700	-	-	-	-	700
Trade payables	1 194	8	4	1	-	1 207
	1 894	8	4	1	-	1 907
Net exposure	50 108	6 904	12	(1)	61	57 084
2017	EUR	USD	PLN	GBP	RUB	Total
Loans granted	13 936	-	-	-	-	13 936
Trade receivables	2 500	1	-	-	-	2 501
Receivable from investment in bonds	-	5 469	-	-	-	5 469
Other financial receivables	1 379	795	-	-	-	2 174
Cash and cash equivalents	114	-	17	-	24	155
Off-balance items (Note 28)	21 401	-	-	-	-	21 401
	39 330	6 265	17	-	24	45 636
Loans and borrowings	300	-	-	-	-	300
Trade payables	591	-	-	-	-	591
	891	-	-	-	-	891
Net exposure	38 439	6 265	17	-	24	44 745

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

	2018	2017
Reasonably possible change of EUR to US dollars	5%	12%

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

	2018			2017		
	Profit or loss			Profit or loss		
		Strengthening	Weakening		Strengthening	Weakening
Reasonably possible change of EUR to US dollars	5%	(345)	345	12%	(752)	752

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.

(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 significant interest rate risk as all loans are granted and received with fixed interest rates.

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:

	2018	2017
Loans granted	15 285	13 936
Trade receivables	1 323	2 501
Receivable from investment in bonds	5 730	5 469
Other financial receivables	2 493	2 174
Cash and cash equivalents	215	155
	25 046	24 235
Off-balance - financial guarantees issued on behalf of subsidiaries	33 945	21 401
Total	58 991	45 636

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

	2018	2017
Credit exposure to related parties (Note 28)	57 155	45 116
Credit exposure to third parties	1 836	520
Total	58 991	45 636

(b) *Impairment of financial assets*

Grouping of financial assets for ECL measurement purposes

The Company has two groups of financial instruments:

- trade receivables for which lifetime ECL is calculated using simplified approach described below in paragraph Measurement of ECL - *Trade receivables*;
- other financial assets measured at amortized cost (includes loans granted, bonds, other receivables). 12-month ECL is calculated for these financial assets if no significant increase in credit risk is identified, or lifetime ECL if significant increase in credit risk is identified. Individual assessment model is applied for ECL calculation, described below in paragraph Measurement of ECL - *other financial assets measured at amortised cost*.

The Company's loss allowance provision for financial assets measured at amortised cost as at 31 December 2018 reconciles to the opening loss allowance for that provision as follows:

	Loss allowance provision		
	For trade receivables	For other financial assets	Total
Opening loss allowance as at 1 January 2017	(588)	(656)	(1 244)
(Increase) decrease in the provision	(450)	(777)	(1 227)
As at 31 December 2017	(1 038)	(1 433)	(2 471)
Opening loss allowance as at 1 January 2018	(1 038)	(1 433)	(2 471)
(Increase) decrease in the provision	16	(661)	(645)
Reclassification of loss allowance provision	250	(250)	-
Foreign currency impact	-	-	-
Write-offs	-	-	-
As at 31 December 2018	(772)	(2 344)	(3 116)

Measurement of significant increase in credit risk

The Company measures the probability of default upon initial recognition of a financial asset and at each balance sheet date considers whether there has been a significant increase in credit risk since the initial recognition. To assess whether there is a significant increase in credit risk the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. The following indicators are assessed when analysing whether significant increase in credit risk has occurred:

- significant changes in internal credit rating (described below in paragraph "Other financial assets measured at amortised cost");
- significant change in external credit rating (if available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the client's ability to meet its obligations;
- actual or expected significant changes in the operating results of a client.

A significant increase in credit risk is presumed when the following events are identified:

- for all debtors except for *start-up business companies* - if probability of default calculated based on the individual assessment model (described below) increases by more than 20 per cent;
- for *start-up business companies* (see definition below) – if the budgets are not followed three years in a row.

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The presumptions made by the Managements of the Company and presented above are measured on the basis of the historical experience of the Company's business. According to the overdue debt recovery statistical data of the Company the Management believes that the credit risk has not increased significantly since initial recognition even if the contractual payments are more than 30 days past due.

Start-up business company – is a subsidiary or associate of the Company which is typically a newly established or acquired company for developing a viable business model around an innovative product, service, process or a platform.

Definition of default

Based on the Company's historical statistical information on debt recovery and experience in aviation business, a default on a financial asset is determined when either of these events take place:

- probability of default calculated based on the internal model is more than 50 percent;
- *start-up business company* does not meet its budgets for 5 years.

Write-off policy

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan and the Company does not possess any collateral or other means of recovery. After write-off the Company continues to engage in enforcement activity with attempt to recover the receivable due. Any recoveries are recognised as a gain in profit/loss.

Measurement of ECL- trade receivables and other contract assets

The Company apply the simplified approach for calculation of lifetime expected credit losses using the provision matrix for all trade receivables except for individual exposures above EUR 2 million or exposures from strategic clients, based on Company's management decision. To measure the expected credit losses using provision matrix, trade receivables are split into separate pools, based on shared credit risk characteristics. Receivables in each pool are grouped according to payment delay days and loss rates are applied to each delay group. The loss rates are calculated using statistical recovery information from the last 5 years (when available) and adjusted if considered necessary taking into account forward looking information. The table below shows expected credit loss information calculated for the Company according to each delay group. As trade receivables usually do not include any collateral or other credit enhancements, expected loss rate equals probability of default.

2018	Not past due and past due up to 30 days	31-90 days past due	91-180 days past due	More than 180 days past due	Total
Expected loss rate	1.24%	2.18%	2.35%	9.85%	2.67%
Gross carrying amount	566	229	85	132	1 012
Loss allowance provision	(7)	(5)	(2)	(13)	(27)
2017	Not past due and past due up to 30 days	31-90 days past due	91-180 days past due	More than 180 days past due	Total
Expected loss rate	1.30%	4.08%	8.00%	50.00%	4.85%
Gross carrying amount	230	98	25	18	371
Loss allowance provision	(3)	(4)	(2)	(9)	(18)

The Company uses individual assessment model for determining ECL for large trade receivables (above EUR 2 million) or strategic clients based on the Company's Management decision. For these exposures, individual assessment model is used as described below in the paragraph *Measurement of ECL - other financial assets at amortised cost*.

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Lifetime expected credit loss is calculated for trade receivables applying the simplified approach and they are classified in Stage 2 in line with requirements of IFRS9.

The Company's loss allowance provision as at 31 December 2018 for large trade receivables, and receivables from strategic clients is determined as follows:

Internal credit rating	Credit stage	Expected credit losses	Basis for recognition of expected credit loss provision	Gross carrying amount	Loss allowance provision
Category 1	Stage 1	1,20%	12 months expected losses.	4	-
Category 6	Stage 3	100,00%	Lifetime expected losses	410	(410)
Category 7 (for start-ups)	Stage 2	50,07%		669	(335)
				1 083	(745)

The Company's loss allowance provision as at 31 December 2017 for large trade receivables, and receivables from strategic clients is determined as follows:

Internal credit rating	Credit stage	Expected credit losses	Basis for recognition of expected credit loss provision	Gross carrying amount	Loss allowance provision
Category 1	Stage 1	0,94%	12 months expected losses.	424	(4)
Category 2	Stage 1	6,31%		111	(7)
Category 4	Stage 2	15,27%	Lifetime expected losses	1 100	(168)
Category 5	Stage 2	50,00%		26	(13)
Category 6	Stage 3	100%		479	(479)
Category 3 (for start-up)	Stage 2	12,67%		442	(56)
Category 7 (for start-up)	Stage 2	50,00%		586	(293)
				3 168	(1 020)

Measurement of ECL - other financial assets measured at amortised cost

Other financial assets at amortised cost include corporate bonds, loans to related parties and key management personnel, lease receivables and other receivables.

The Company uses individual assessment model for determining ECL for other financial assets. The Company uses six categories of internal credit rating (category 1 being least risky and category 6 – defaulted), which reflect credit risk of financial assets. Other financial assets are assigned to a certain category using a combination of these indicators:

- EBITDA margin;
- liquidity ratio;
- equity ratio;
- debt ratio;
- average ageing of receivable;
- default risk of the country where client is running its business (used for government-owned companies)

Expected changes in macroeconomic situation is incorporated as part of the internal rating model. The Company's management reviews key macroeconomic indicators for the markets where Company's debtors are operating and determines if there are expected significant changes that would effect ECL. If management determines that there are no such significant expected changes in macroeconomic variables, ECL based on historical information is used.

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The Company's loss allowance provision as at 31 December 2018 for other financial assets measured at amortised cost is determined as follows:

Internal credit rating*	Credit stage	Expected credit losses	Basis for recognition of expected credit loss provision	Gross carrying amount	Loss allowance provision
Category 1	Stage 1	0,60%	12 months expected losses.	13 651	(82)
Category 3	Stage 2	12,50%		8 351	(1 044)
Category 4	Stage 2	29,37%		2 094	(615)
Category 6	Stage 2	100,00%		119	(119)
Category 1 (for start-ups)	Stage 1	0,91%	Lifetime expected losses	441	(4)
Category 3 (for start-ups)	Stage 1	9,86%		294	(29)
Category 7 (for start-ups)	Stage 2	50,00%		902	(451)
				25 852	(2 344)

The Company's loss allowance provision as at 31 December 2017 for other financial assets measured at amortised cost is determined as follows:

Internal credit rating*	Credit stage	Expected credit losses	Basis for recognition of expected credit loss provision	Gross carrying amount	Loss allowance provision
Category 1	Stage 1	0,52%	12 month expected losses	13 563	(71)
Category 2	Stage 1	4,24%		1 511	(64)
Category 3 (for start-up)	Stage 1	12,54%	Lifetime expected losses	7 163	(898)
Category 7 (for start-up)	Stage 3	50,00%		750	(375)
Category 6	Stage 3	100,00%		25	(25)
				23 012	(1 433)

*Financial ratios are not calculated for *start-up business companies*. Nine internal credit rating categories for *start-up business companies* are assigned depending on the term of activity since establishment. Initially start-up businesses are measured based on 12 month ECL. According to the definition of significant increase in credit risk for start-up business companies, if a company does not meet its budgets for three years, it is treated as a significant increase in credit risk and lifetime ECL is calculated. 1-3 categories for *start-up business companies* are measured as 12 month ECL, 4-8 categories - lifetime expected losses and written off if they fall to the 9th category.

The loss allowance provision for other financial assets at amortised cost as at 31 December 2018 reconciles to the opening loss allowance for that provision as follows:

	Loss allowance provision			
	Corporate bonds	Loans	Other receivables	Total
Opening loss allowance as at 1 January 2017	(541)	(655)	(111)	(1 307)
Provision recognized in profit or loss	(243)	168	(51)	(126)
As at 31 December 2017	(784)	(487)	(162)	(1 433)
Opening loss allowance as at 1 January 2018	(784)	(487)	(162)	(1 433)
Provision recognized in profit or loss	(34)	(453)	(424)	(911)
Reclassification of loss allowance provision	-	-	-	-
As at 31 December 2018	(818)	(940)	(586)	(2 344)

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

Major amounts of cash are held in the banks and financial institutions 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.

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

	2018	2017
A	164	131
BB	51	24
	215	155

* - external long term credit ratings set by international agencies Standards & Poor's as at 2018/2017 and Moody's Ratings as at 2018/2017.

Liquidity risk

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

The Company's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these. The table below allocates the Company's financial liabilities into relevant maturity groupings based on remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Carrying amount	Less than 1 year	Between 1 - 5 years	Over 5 years
31 December 2018				
Loans and borrowings	700	425	309	-
Trade and other payables	1 207	1 207	-	-
	1 907	1 632	309	-
31 December 2017				
Loans and borrowings	300	309	-	-
Trade and other payables	591	591	-	-
	891	900	-	-

3.2. Capital risk management

Pursuant to the Lithuanian Law on Companies the authorised share capital of a public limited liability company must be not less than EUR 40 000, and the shareholder's equity should not be lower than 50 per cent of the entity's registered share capital. As at 31 December 2018 and 2017 the Company did comply with these requirements.

3.3. 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, loans and other financial assets to third and related parties are granted at market interest rates, therefore their carrying values at the balance sheet date corresponds their fair values.

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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.

Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include are *Provision for impairment of accounts receivable*.

The Company recognises loss allowances for expected credit losses (ECL) on financial assets measured at amortised cost: trade receivable, loans, other receivable, bonds, and accrued revenue.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL, all other financial assets with no significant increase in credit risk are measured as 12-month ECL, with significant increase in credit risk – lifetime ECL:

- Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument;
- 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

For more detailed information about ECL modules used by the Company and significant increase in credit risk details see Note 3.1 Credit Risk.

5. Segment information

The Company's revenue mainly comprise income from management consultations and other holding activities, therefore it does not have any reportable business segments. Revenue from main activity of the Company amounted to EUR 3 752 thousand in 2018 and EUR 2 970 thousand in 2017.

6. Other income

	2018	2017
Interest income on loans and other financial assets	734	804
Amortization of financial guarantees	118	105
	852	909

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7. Cost of services and goods

	2018	2017
Cost of purchased services	611	403
Rent and maintenance of premises	396	327
	<u>1 007</u>	<u>730</u>

8. Employee related expenses

	2018	2017
Wages and salaries	1 868	1 456
Social insurance expenses	482	415
	<u>2 350</u>	<u>1 871</u>
Number of full time employees at the end of year	80	72

9. Other operating expenses

	2018	2017
Consultation expenses	682	370
Marketing and sales expenses	281	290
Business travel expenses	151	108
Office administrative, communications and IT expenses	142	141
Transportation and related expenses	85	94
Insurance expenses	12	6
Other expenses	46	46
	<u>1 399</u>	<u>1 055</u>

10. Depreciation and amortisation

	2018	2017
Depreciation of tangible assets	93	67
Amortization of intangible assets	147	131
	<u>240</u>	<u>198</u>

11. Other gain / (losses) – net

	2018	2017
Net gain/(loss) on sales of non-current assets	6	2
Net gain/(loss) on sales of inventory and other current assets	-	-
Net foreign exchange gain/(loss) on operating activities	(10)	(12)
Net gain/(loss) on sales of interests in subsidiaries & associate	(183)	(4)
	<u>(187)</u>	<u>(14)</u>

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12. Finance income and costs

	2018	2017
Interest income on cash and cash equivalents	-	-
Dividend income	-	1 500
Foreign exchange gain on financing activities	342	-
Other finance income	2	-
Finance income	344	1 500
Foreign exchange loss on financing activities	-	(1 038)
Interest expenses on borrowings	(11)	(5)
Other finance costs	-	(1)
Finance costs	(11)	(1 044)
Finance income / (costs) – net	333	456

13. Income tax and deferred income tax

Income tax charge to profit and loss are provided below:

	2018	2017
Current income tax	-	10
Compensation for transfer of tax losses	158	-
Change in deferred income tax (Note 26)	(160)	165
Total income tax charge	(2)	175

The effective income tax calculation is provided below:

	2018	2017
Profit (loss) before tax	(892)	71
Tax calculated at a tax rate 15 %	134	(11)
<i>Tax effects of:</i>		
- Expenses non-deductible for tax purposes	(133)	(65)
- Non-taxable income	21	241
- Transfer of accumulated tax losses between Group companies	(24)	10
- Adjustment in respect of prior year	-	-
Tax loss carried forward	(2)	175

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14. Property, plant and equipment

	Vehicles	Other tangible fixed assets	Total
Carrying amount as at 1 January 2017	51	110	161
Additions	41	111	152
Disposals	(34)	(8)	(42)
Depreciation	(12)	(55)	(67)
Carrying amount as at 31 December 2017	46	158	204
At 31 December 2017			
Acquisition cost	122	529	651
Accumulated depreciation	(76)	(371)	(447)
Carrying amount	46	158	204
Carrying amount as at 1 January 2018	46	158	204
Additions	47	117	164
Disposals	(35)	-	(35)
Depreciation	(12)	(81)	(93)
Carrying amount as at 31 December 2018	46	194	240
At 31 December 2018			
Acquisition cost	128	622	750
Accumulated depreciation	(82)	(428)	(510)
Carrying amount as at 31 December 2018	46	194	240

The Company's property, plant and equipment are not pledged to secure its financial obligation or restricted for use by any other means.

15. Intangible assets

	Licenses	Software	Total
Opening net book amount as 1 January 2017	44	170	214
Additions	54	28	82
Disposals	(3)	-	(3)
Amortization	(46)	(85)	(131)
Closing net book amount as at 31 December 2017	49	113	162
At 31 December 2017			
Cost	188	296	484
Accumulated amortization	(139)	(183)	(322)
Net book amount	49	113	162
Opening net book amount as 1 January 2018	49	113	162
Additions	33	27	60
Disposals	-	-	-
Amortization	(45)	(102)	(147)
Closing net book amount as at 31 December 2018	37	38	75
At 31 December 2018			
Cost	221	323	544
Accumulated amortization	(183)	(286)	(469)
Net book amount	38	37	75

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16. Assets held for sale

On 27 December 2018 the Management Board of the Company approved the intention to sell the shares of the subsidiary – Helisota UAB. The related cost of the investment was reclassified to assets held for sale in the Company's statement of the financial position (Note 17). The management of the Company set out the selling price not to be lower than its carrying amount. The management of the Company intensively seeks for the buyer of the shares and expects to execute the sale transaction in 2019.

17. Investments in subsidiaries and associate

Movement of the investments into subsidiaries and associate during the respective year is provided below:

	<u>2018</u>	<u>2017</u>
At the beginning of the period	12 778	10 508
Purchase of interest in subsidiary	-	178
Disposal of interest in subsidiary & associate	(1 584)	(47)
Reclassification to Assets held for sale (Note 16)	(5 330)	-
Share capital increase of subsidiaries	874	2 170
Fair value of intra-group financial guarantees	146	91
Impairment provision	-	(181)
Subsidiary established	26	59
At the end of the period	6 910	12 778



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The list of the Company's direct holdings into subsidiaries and associates are provided below:

Name of subsidiary/ associate	Country of establishment	Cost 2018-12-31	Cost 2017-12-31	Ownership % 31-12-2018	Ownership % 31-12-2017	Year of acquisition/ establishment	Activity
Avia Solutions Group (CY) LTD	Republic of Cyprus	26	-	99.98	-	2018	Management consulting services.
AviationCV.com UAB	Republic of Lithuania	40	40	100.00	100.00	2011	Aviation personnel solutions.
BAA Training UAB	Republic of Lithuania	1 464	1 464	100.00	100.00	2006	Aircraft crew training services.
Helisota UAB	Republic of Lithuania	-	5 330	100.00	100.00	2013	MRO services for helicopters. Reclassified to assets held for sale in 2018
Jet Maintenance Solutions UAB	Republic of Lithuania	892	892	100.00	100.00	2010	Maintenance services for business aircraft
KIDY Tour UAB	Republic of Lithuania	545	545	100.00	100.00	2015	Tour operator services.
KIDY Tour OÜ	Republic of Estonia	2 185	1 310	100.00	100.00	2016	Tour operator services.
KIDY Tour OOO	Russian Federation	49	49	100.00	100.00	2017	Tour operator services.
KIDY Tour SIA	Republic of Latvia	10	10	100.00	100.00	2017	Tour operator services.
Laspas UAB	Republic of Lithuania	-	1 394	-	50.00	2011	Shares were sold in 2018
Baltic Ground Services UAB	Republic of Lithuania	309	261	100.00	100.00	2008	Aircraft ground handling and fuelling services.
FL Technics UAB	Republic of Lithuania	1 390	1 293	100.00	100.00	2005	MRO services.
Locatory UAB	Republic of Lithuania	-	-	95.00	95.00	2010	Aircraft parts locator and IT solutions for MRO
United Airports Management B.V	Netherlands	-	190	-	30.00	2014	All shares sold in 2018.
TOTAL		6 910	12 778				

On 5 December 2018, Avia Solutions Group AB subsidiary FLT Trading House UAB has been liquidated. On 14 March 2018, Avia Solutions Group AB subsidiary FL Technics Ulyanovsk OOO has been liquidated. As at 31 December 2018 and 2017 the Company had a sales representative office in Moscow, Russia. The representative office was closed in early 2019.

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18. Financial instruments by category

All financial assets are classified by the Company under category – amortised cost. The split of the financial assets are provided below in the table:

	2018	2017
Loans granted	15 285	13 936
Trade receivables	1 323	2 501
Receivable from investment in bonds	5 730	5 469
Other financial receivables	2 493	2 174
Cash and cash equivalents	215	155
	25 046	24 235

All financial liabilities are classified by the Company under category – amortised cost. The split of the financial liabilities is provided below in the table:

	2018	2017
Loans and borrowings	700	300
Trade payables	1 207	591
	1 907	891

19. Trade and other receivables

	2018	2017
Trade receivables	507	621
Less: provision for impairment of trade receivables	(412)	(489)
Trade receivables – net	95	132
Trade receivables from related parties	1 588	2 918
Less: provision for impairment of trade receivables from related parties	(360)	(549)
Trade receivables from related parties - net (Note 28)	1 228	2 369
Loans granted	1 450	56
Less: provision for impairment of loans granted	(57)	(25)
Loans granted - net	1 393	31
Loans granted to related parties	14 775	14 367
Less: provision for impairment of loans granted to related parties	(883)	(462)
Loans granted to related parties - net (Note 28)	13 892	13 905
Receivables from investment in bonds from other related parties	6 548	6 253
Less: provision for impairment of investment in bonds from other related parties	(818)	(784)
Receivables from investment in bonds from other related parties – net (Note 28)	5 730	5 469
Other receivables	204	202
Less: provision for impairment of other receivables	(71)	-
Other receivables - net	133	202
Other receivables from related parties	2 875	2 134
Less: provision for impairment of other receivables from related parties	(515)	(162)
Other receivables from related parties – net (Note 28)	2 360	1 972
	24 831	24 080
Less non-current portion:	(20 066)	(15 939)
Current portion:	4 765	8 141

All non-current receivables are due until 2025. The fair values of trade and other receivables are approximate to their carrying values. Weighted average interest rate of loans granted to third parties was 3.94% (2017: 4.07%). Weighted average interest rate of loans granted to related parties was 3.46% (2017: 4.31%).

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The carrying amounts of the Company's trade and other financial receivables are denominated in the following currencies:

	2018	2017
EUR	17 945	17 815
USD	6 886	6 265
Other	-	-
	24 831	24 080

20. 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 (Note 3.1):

	2018	2017
EUR	112	114
USD	26	-
PLN	16	17
RUB	61	24
Other	-	-
	215	155

21. Share capital

On 31 December 2018 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 2017 – 7 777 777 ordinary registered shares, share capital amounted to EUR 2 255 555). All shares are fully paid up.

22. Share premium

During 2018 and 2017 there was no movement of share premium

23. Legal reserves

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

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24. Borrowings

	2018	2017
Non-current		
Bank borrowings	-	-
Finance lease liabilities	-	-
Borrowings from related parties (Note 28)	300	
Other non-current borrowings	-	-
	<u>300</u>	<u>-</u>
Current		
Bank borrowings	-	-
Finance lease liabilities	-	-
Borrowings from related parties (Note 28)	400	300
Other current borrowings	-	-
	<u>400</u>	<u>300</u>
Total borrowings	<u>700</u>	<u>300</u>

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

	2018	2017
EUR	700	300
Other	-	-
	<u>700</u>	<u>300</u>

The table below analyses the Company's borrowings by relevant maturity groupings based on the contractual maturity date:

	2018	2017
Less than 1 year	400	300
Between 1 and 5 years	300	-
Over 5 years	-	-
	<u>700</u>	<u>300</u>

The weighted average interest rates (%) at the balance sheet date were as follows 3.5% for 2018 and 2.68% for 2017. As at 31 December 2018 and 2017 borrowings from related parties are not pledged.

25. Trade and other payables

	2018	2017
Amounts payable to related parties (Note 28)	402	15
Trade payables	334	84
Salaries and social security payable	398	359
Prepayments received from related parties (Note 28)	35	77
Other accrued expenses	24	18
Other payables	14	38
	<u>1 207</u>	<u>591</u>
Less: non-current portion	-	-
Current portion	<u>1 207</u>	<u>591</u>

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26. Deferred income taxes

The movement in the deferred income tax asset is as follows:

	2018	2017
Deferred income tax asset		
At beginning of the period	183	129
Charged to profit or loss	(160)	165
Charge to equity	-	(111)
At end of year	23	183

Deferred income tax asset for the year is recognised to the extent that the realization of the related tax benefit through the future taxable profit is probable. The movement in deferred tax assets and deferred tax liabilities of the Company is as follows:

	Accruals for unused vacation	Impairment of receivables	Accumulated taxable losses	Total
At 31 December 2016	5	124	-	129
Effect of IFRS9 adoption	-	(111)	-	(111)
Charged to the profit or loss	2	(12)	175	165
At 31 December 2017	7	1	175	183
Charged to the profit or loss	(7)	(1)	(152)	(160)
At 31 December 2018	-	-	23	23

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when deferred income taxes relate to the same fiscal authority. Deferred income tax asset and liability are calculated at 15% rate (2017: 15% rate),

27. Operating lease

The operating lease expenses charged to profit or loss during the year are as follows:

	2018	2017
Premises	259	251
Other	-	-
	259	251

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

	2018	2017
Not later than 1 year	108	298
Later than 1 year but not later than 5 years	153	584
Later than 5 years	-	-
	261	882

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28. Related party transactions

Related parties of the Company include entities having significant influence over the Company, key management personnel of the Company 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.

The following transactions were carried out with related parties:

	2018	2017
Sales of services and goods to:		
Subsidiaries of the Company	2 646	2 128
Entities having significant influence	12	8
Other related parties	737	540
	3 395	2 676
Purchases of services and goods from:		
Subsidiaries of the Company	655	34
Entities having significant influence	2	1
Other related parties	224	180
	881	215
Interest income		
Subsidiaries of the Company	499	558
Entities having significant influence	-	-
Other related parties	336	350
	835	908
Interest expenses		
Subsidiaries of the Company	11	5
Entities having significant influence	-	-
Other related parties	-	-
	11	5

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

	2018	2017
Trade receivables - net		
Subsidiaries of the Company	1 119	1 829
Entities having significant influence	2	1
Other related parties	107	539
	1 228	2 369
Receivable bonds - net		
Subsidiaries of the Company	-	-
Entities having significant influence	-	-
Other related parties	5 730	5 469
	5 730	5 469
Other receivable - net		
Subsidiaries of the Company	1 156	1 177
Entities having significant influence	-	-
Other related parties	1 204	795
	2 360	1 972

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Loans receivable - net		
Subsidiaries of the Company	13 170	13 440
Entities having significant influence	-	-
Other related parties	722	465
	<u>13 892</u>	<u>13 905</u>

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

	<u>2018</u>	<u>2017</u>
Payables and advances received		
Subsidiaries of the Company	437	8
Entities having significant influence	-	84
Other related parties	-	-
	<u>437</u>	<u>92</u>

Loans and other borrowings to the related parties as at 31 December were as follows:

	<u>2018</u>	<u>2017</u>
Loans and borrowings		
Subsidiaries of the Company	300	300
Entities having significant influence	-	-
Other related parties	400	-
	<u>700</u>	<u>300</u>

The Company has provided guarantees to the financial institutions as a security for loans granted to subsidiaries in total amount of EUR 33 945 thousand as at 31 December 2018 (EUR 21 401 thousand as at 31 December 2017).

29. Remuneration of the Company's key management

Key management includes General Director and Chief Financial Officer of the Company and its representative offices, Transactions with Company's key management are as follows:

	<u>2018</u>	<u>2017</u>
Salaries including termination benefits	187	253
Social insurance expenses	58	42
Bonuses	-	-
	<u>245</u>	<u>295</u>

The number of key management at the end of year	2	3
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On 30 December 2013 the Company granted a loan to the employee, related to the Key Management in amount of EUR 272 thousand (at the interest rate of 4.5%) for purchasing shares of Avia Solutions Group AB. The maturity of the loan is 31 December 2018.

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30. Events after the reporting date

On 28 December 2018 the shareholders of Avia Solutions Group AB approved the reorganisation of AB Avia Solutions Group by the way of cross-border merger upon which Avia Solutions Group AB will be merged to AVIA SOLUTIONS GROUP (CY) PLC (having its registered office at: 28 Oktovriou, 1, ENGOMI BUSINESS CENTER BLC E, Flat/Office 111, Egkomi, 2414, Nicosia, Republic of Cyprus; company number: HE 380586; data collected and stored in the Register of Companies of the Republic of Cyprus). The exact date of the merger is not confirmed yet.

General Manager
Jonas Janukėnas



* * * *



Chief Financial Officer
Aurimas Sanikovas