AVIA SOLUTIONS GROUP PLC

Independent Auditor's Report,
Consolidated Financial Statements,
Consolidated Management Report
For the Year Ended 31 December 2021

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BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:

Gediminas Žiemelis (appointed on 12 July 2019)
Jonas Janukėnas (appointed on 28 February 2018)
Žilvinas Lapinskas (appointed on 12 July 2019)
Linas Dovydėnas (appointed on 12 July 2019)
Vygaudas Ušackas (appointed on 16 September 2019)
Tom Klein (appointed on 15 December 2021)

Company Secretary:

Fidema Services (appointed on 28 February 2018)

Registered office:

117 Arc. Makarios Avenue III
Floor 5, Flat 505
3021, Limassol
Cyprus

Registration number:

HE380586

Independent Auditor's Report

To the Members of Avia Solutions Group PLC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Avia Solutions Group PLC (the "Company"), and its subsidiaries (the "Group"), which are presented on pages 6 to 116 and comprise the consolidated balance sheet as at 31 December 2021, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the A*uditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Groupin accordance with the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the consolidated management report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the consolidated management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent withthe consolidated financial statements.

- In our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the consolidated management report.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

N. A. Theodoulou .

Nicos A. Theodoulou
Certified Public Accountant and Registered Auditorfor and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Nicosia, 29 April 2022

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2021	Year ended 31 December 2020
Revenue	5	**1 014 891**	**695 672**
Other income	5, 6	3 332	13 218
Cost of services and goods	5, 10	(615 285)	(418 367)
Depreciation and amortisation	5, 8, 16, 17	(74 338)	(99 205)
Employee related expenses	5, 7	(200 189)	(145 734)
Other operating expenses	5, 11	(68 488)	(46 596)
Impairment losses of financial assets	5, 14	(12 438)	(21 900)
Other impairment-related expenses	5, 14	(5 714)	(7 344)
Other gain/(loss) - net	5, 9	38 199	12 021
Operating profit (loss)	5	**79 970**	**(18 235)**
Finance income	12	2 919	12 271
Finance costs	12	(39 719)	(38 655)
Finance costs – net	12	**(36 800)**	**(26 384)**
Share of profit of equity-accounted investees, net of tax	18	1 458	(1 190)
Profit (loss) before income tax		**44 628**	**(45 809)**
Income tax	13	(10 260)	(5 796)
Profit (loss) for the year		**34 368**	**(51 605)**
Profit (loss) attributable to:			
Equity holders of the parent		33 419	(59 800)
Non-controlling interests	26	949	8 195
		34 368	**(51 605)**
Other comprehensive income			
Net profit (loss) gain on cash flow hedges	36	1 148	2 126
Income tax effect		(602)	(198)
		546	**1 928**
Exchange differences on translation of foreign operations		18 970	(19 441)
Other comprehensive income (loss) for the year		**19 516**	**(17 513)**
Total comprehensive income (loss) for the year attributable to:			
Equity holders of the parent		52 749	(76 921)
Non-controlling interests		1 135	7 803
Total comprehensive income (loss)		**53 884**	**(69 118)**

Consolidated Financial Statements have been approved and signed on 29 April 2022:

Managing Director
Jonas Janukėnas

Director
Vygaudas Ušackas

Chief Financial Officer
Robertas Čipkus

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

CONSOLIDATED BALANCE SHEET

	Notes	Year ended 31 December 2021	2020
ASSETS			
Non-current assets			
Property, plant and equipment	16	414 443	352 931
Investment property	16	26 428	10 132
Intangible assets	17	115 946	102 777
Investments accounted for using the equity method	18	51 602	43 680
Deferred tax assets	30	16 728	17 161
Financial assets at fair value through profit or loss	31	2 924	1 231
Non-current derivative financial instruments	36	4 667	3 563
Long-term bank deposits		2 297	1 226
Non-current trade and other receivables	21	49 725	42 091
		684 760	**574 792**
Current assets			
Inventories	20	73 551	38 976
Trade and other receivables	21	247 036	116 824
Financial assets at fair value through profit or loss	31	313	-
Contract assets	22	20 676	10 128
Prepaid income tax		1 739	1 699
Short-term bank deposit		225 083	25 519
Cash and cash equivalents	3.1, 23	216 664	178 352
		785 062	**371 498**
Total assets	5	**1 469 822**	**946 290**

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

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Notes	Year ended 31 December 2021	2020
EQUITY			
Equity attributable to the Group's equity shareholders			
Share capital	24	22 556	22 556
Share premium	24	282 158	282 158
Other reserves	35	596	331
Treasury shares	24	(12)	(1 165)
Merger reserve	25	(456)	(456)
Fair value reserve	36	2 042	1 496
Cumulative translation differences		(3 221)	(22 005)
Retained earnings		21 449	(11 970)
Equity attributable to equity holders of the parent		**325 112**	**270 945**
Non-controlling interests	26	3 267	2 425
Total equity		**328 379**	**273 370**
LIABILITIES			
Non-current liabilities			
Convertible preferred shares	37	300 920	-
Lease liabilities	27	126 529	115 846
Borrowings	27	281 613	235 195
Government grants	19	298	535
Security deposits received	29	385	505
Trade and other payables	28	18 537	2 450
Deferred income tax liabilities	30	9 329	18 275
Derivative financial instruments	36	5 865	12 453
		743 476	**385 259**
Current liabilities			
Trade and other payables	28	217 366	164 928
Lease liabilities	27	54 226	49 978
Borrowings	27	17 301	5 565
Contract liabilities	5	77 635	33 360
Security deposits received	29	6 309	3 914
Current income tax liabilities		25 130	29 779
Derivative financial instruments	36	-	137
		397 967	**287 661**
Total liabilities	5	**1 141 443**	**672 920**
Total equity and liabilities		**1 469 822**	**946 290**

Consolidated Financial Statements have been approved and signed on 29 April 2022:

Managing Director
Jonas Janukėnas

Director
Vygaudas Ušackas

Chief Financial Officer
Robertas Čipkus

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Group										
	Share capital	Share premium	Treasury shares	Merger reserve	Other reserve	Fair value reserve	Currency translation differences	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2020	22 556	282 158	(1 010)	(456)	60	(432)	(2 956)	41 122	341 042	4 980	346 022
Comprehensive income											
Net gain on cash flow hedge (Note 2.20)	-	-	-	-	-	1 928	-	-	**1 928**	-	**1 928**
Currency translation difference from continuing operations	-	-	-	-	-	-	(19 049)	-	**(19 049)**	(392)	**(19 441)**
Profit (loss) for the period	-	-	-	-	-	-	-	(59 800)	**(59 800)**	8 195	**(51 605)**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**1 928**	**(19 049)**	**(59 800)**	**(76 921)**	**7 803**	**(69 118)**
Transactions with owners											
Dividend paid	-	-	-	-	-	-	-	-	**-**	(675)	**(675)**
Allocation to share-based payment reserves	-	-	-	-	271	-	-	-	**271**	-	**271**
Acquisition of treasury shares through acquired subsidiary	-	-	(155)	-	-	-	-	-	**(155)**	-	**(155)**
Sale of interest subsidiary (Note 33)	-	-	-	-	-	-	-	-	**-**	(70)	**(70)**
Increase of shareholding in subsidiary (Note 33)	-	-	-	-	-	-	-	6 708	**6 708**	(9 613)	**(2 905)**
Total transactions with owners	**-**	**-**	**(155)**	**-**	**271**	**-**	**-**	**6 708**	**6 824**	**(10 358)**	**(3 534)**
Balance at 31 December 2020	**22 556**	**282 158**	**(1 165)**	**(456)**	**331**	**1 496**	**(22 005)**	**(11 970)**	**270 945**	**2 425**	**273 370**

Consolidated Financial Statements have been approved and signed on 29 April 2022:

Managing Director
Jonas Janukėnas

Director
Vygaudas Ušackas

Chief Financial Officer
Robertas Čipkus

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Equity attributable to equity holders of the Group										
	Share capital	Share premium	Treasury shares	Merger reserve	Other reserve	Fair value reserve	Currency translation differences	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2021	22 556	282 158	(1 165)	(456)	331	1 496	(22 005)	(11 970)	270 945	2 425	273 370
Comprehensive income											
Net gain on cash flow hedge (Note 2.20)	-	-	-	-	-	546	-	-	**546**	-	**546**
Currency translation difference from continuing operations	-	-	-	-	-	-	18 784	-	**18 784**	186	**18 970**
Profit (loss) for the period	-	-	-	-	-	-	-	33 419	**33 419**	949	**34 368**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**546**	**18 784**	**33 419**	**52 749**	**1 135**	**53 884**
Transactions with owners											
Dividend paid	-	-	-	-	-	-	-	-	**-**	(293)	**(293)**
Allocation to share-based payment reserves	-	-	-	-	265	-	-	-	**265**	-	**265**
Disposal of treasury shares	-	-	1 153	-	-	-	-	-	**1 153**	-	**1 153**
Total transactions with owners	**-**	**-**	**1 153**	**-**	**265**	**-**	**-**	**-**	**1 418**	**(293)**	**1 125**
Balance at 31 December 2021	**22 556**	**282 158**	**(12)**	**(456)**	**596**	**2 042**	**(3 221)**	**21 449**	**325 112**	**3 267**	**328 379**

Consolidated Financial Statements have been approved and signed on 29 April 2022:

Managing Director
Jonas Janukėnas

Director
Vygaudas Ušackas

Chief Financial Officer
Robertas Čipkus

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

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended 31 December	
	Notes	**2021**	**2020**
Operating activities			
Profit (loss) for the year		34 368	(51 605)
Income tax expense	13	10 260	5 796
Adjustments for:			
Depreciation and amortisation	5, 8, 16, 17	74 338	99 205
Impairment-related expenses	5, 14	18 152	29 244
Interest expenses	12	33 432	38 784
Currency translation differences		14 492	(15 434)
Discounting effect on financial assets		(1 281)	(812)
Fair value (gains)		(474)	(660)
Changes in other reserves		265	271
Loss of PPE disposals and PPE write-offs		(4 902)	588
Loss of other investment disposals		378	2 832
(Gain) from bonds repurchase	12	(40)	(6 073)
(Gain) on termination/modification of lease agreements	9	(13 518)	(13 896)
(Gain) of subsidiaries disposal	33, 9	(5 130)	(3 829)
Amortisation of government grants	2.20, 6, 19	(237)	(238)
Interest income	6	(1 473)	(3 133)
Share of (profit) loss of associates		(1 458)	1 190
Changes in operating assets and liabilities:			
- Inventories		(26 844)	58 453
- Trade and other receivables, contract assets		(140 502)	15 818
- Security deposits placed		(14 444)	(40)
- Accrued expenses for certain contracts		(136)	(255)
- Trade and other payables, advances received/contract liabilities		106 822	(25 283)
- Security deposits received		2 677	1 965
Cash generated from operating activities		**84 745**	**132 888**
Interest received		1 711	952
Interest paid		(27 567)	(29 584)
Income tax paid		(16 208)	(6 885)
Net cash generated from operating activities		**42 681**	**97 371**

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

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Notes	2021	2020
Investing activities			
Purchase of PPE and intangible assets		(70 253)	(93 132)
Proceeds from PPE and intangible assets disposal		4 129	9 145
Payments for financial assets at amortised cost		-	(23 568)
Purchase of other investment		(6 626)	(570)
Sales of other investment		6 370	2 117
Loans granted		(10 733)	(4 733)
Repayments of loans granted		1 311	182
Bank deposits placed		(225 941)	(363 039)
Repayments of bank deposits placed		26 471	418 311
Purchase of subsidiaries (net of cash acquired)	33	(22 826)	(21 351)
Sales of subsidiaries (net of cash disposed)	33	6 413	(5 951)
Investment into joint venture	18	(507)	(1 658)
Net cash used in investing activities		**(292 192)**	**(84 247)**
Financing activities			
Dividends paid		(293)	(675)
Issuance of convertible preferred shares	27, 37	300 000	-
Acquisition of interest in a subsidiary (no change in control)	33	-	(2 905)
Bank borrowings received	27	22 118	8 658
Repayments of bank borrowings	27	(4 121)	(842)
Borrowings from related parties received	27	-	-
Repayments of borrowings from related parties	27	-	-
Other borrowings received	27	8 383	1 878
Repayments of other borrowings	27	(115)	(96)
Repurchase of bonds	27	(509)	(15 578)
Repayments of lease liabilities	27	(37 939)	(37 801)
Net cash from/(used in) financing activities		**287 524**	**(47 361)**
Increase/(decrease) in cash and cash equivalents		**38 013**	**(34 237)**
At beginning of year	23	177 852	212 089
At end of year	23	**215 865**	**177 852**

The notes on pages 13 to 116 form an integral part of these financial statements.

Consolidated Financial Statements have been approved and signed on 29 April 2022:

Managing Director
Jonas Janukėnas

Director
Vygaudas Ušackas

Chief Financial Officer
Robertas Čipkus

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

The Company Avia Solutions Group PLC (referred to as the Company) was incorporated in Cyprus on 28 February 2018 (registration number – HE380586) as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at 28 Oktovriou, 1, ENGOMI BUSINESS CENTER BLC E, Flat 111, Egkomi 2414, Nicosia, Cyprus.

On 9 July 2019 Avia Solutions Group PLC registered a permanent establishment of a foreign legal entity in Lithuania (identification number (code): 9001538174, VAT code: LT100012497310), which is operating in the territory of the Republic of Lithuania.

On 8 October 2021, Avia Solutions Group PLC passed the resolution to increase the authorised share capital of the Company from EUR 22,555,555.33 divided into 77,777,777 ordinary shares of nominal value of EUR 0.29 each to EUR 28,194,444.09 divided into 77,777,777 ordinary shares of nominal value of EUR 0.29 each and 19,444,444 convertible preferred shares of nominal value of EUR 0.29 each. Newly authorized convertible preferred shares are a new class of shares with the rights set out in the new articles of association of the Company. The issued capital and allotment of the convertible preferred shares is at a total issue price of EUR 300,000,000. For accounting purposes, these shares do not meet the definition of an equity instruments and were classified as financial liabilities. For more details refer to Note 37.

The Board of Directors is a collegial management body of the Company consisting of six members. The election of Directors ensures that the principle of proper representation of the rights of all shareholders in the Board of Directors is ensured.

The elected members of the Board at the balance sheet date are the following:

- Gediminas Žiemelis;
- Jonas Janukėnas;
- Žilvinas Lapinskas;
- Linas Dovydėnas;
- Vygaudas Ušackas
- Tom Klein.

All of them were members of the Board throughout the year 2021, except for Tom Klein, who was elected as board member at 15 December 2021.

Companies of the Group operate in the following activity areas: aviation supporting services, aviation logistics and distribution services, aircraft trading and portfolio management, holding, financing and other with aviation not related activities.

The number of full-time staffs employed by the Group at the end of 2021 amounted to 4 707 (2020: 3 983).

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

1 General information (continued)

The shareholders' structure of the Company as at 31 December 2021 and 2020 was as follows:

	2021		**2020**	
	Number of shares	**Percentage owned**	**Number of shares**	**Percentage owned**
FZE PROCYONE	38 371 469	49,33%	39 179 969	50,37%
VERTAS AIRCRAFT LEASING LIMITED	17 078 622	21,96%	17 078 622	21,96%
Mesotania Holdings Ltd.	11 416 335	14,68%	11 416 335	14,68%
Vertas Cyprus Ltd.	2 780 272	3,57%	2 780 272	3,57%
Indeco: Investment and Development UAB	7 34 163	0,94%	872 663	1,12%
Linas Dovydėnas (the Member of the Board of Directors)	322 478	0,41%	322 478	0,41%
Žilvinas Lapinskas (the Member of the Board of Directors)	312 480	0,40%	312 480	0,40%
Jonas Janukėnas (the Member of the Board of Directors, CEO)	174 535	0,22%	174 535	0,22%
Vygaudas Ušackas (the Member of the Board of Directors)	65 000	0,08%	65 000	0,08%
Other Shareholders	6 522 423	8,39%	5 575 423	7,17%
Total issued	**77 777 777**	**100.00%**	**77 777 777**	**100.00%**
Treasury shares	10 014	0,01%	370 014	0,48%
Total ordinary shares	**77 767 763**		**77 407 763**	
Certares Compass LLC	19 444 444	100.00%	-	-
Total convertible preferred shares (Note 37)	**19 444 444**	**100.00%**	**-**	**-**

The ultimate controlling party of the Group is Gediminas Žiemelis. There was no change in the ultimate controlling party during 2021.

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.

The subsidiaries and associates, which are included in the Group's consolidated financial statements are indicated below:

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

1 General information (continued)

The Group's companies	Country of establishment	Operating segment	Share of equity, % 31-12-2021	31-12-2020	Date of acquiring/establishment and activity
ASG Finance Designated Activity Company	Ireland	Unallocated	100	100	The subsidiary was established on 16 September 2019. The company provides financing activities to subsidiaries of the Group.
AviationCV.com UAB	Republic of Lithuania	Aviation Supporting Services	100	100	The subsidiary was established on 13 April 2011. The company provides aviation personnel solutions.
UAB AeroClass	Republic of Lithuania	Aviation Supporting Services	100	100	The subsidiary was established on 15 September 2020. The company is planning to provide aviation training services.
BAA Training UAB	Republic of Lithuania	Aviation Supporting Services	100	100	The Group company was established on 22 November 2006. The company provides aircraft crew training services.
BAA Simulators 2 UAB	Republic of Lithuania	Aviation Supporting Services	100	100	The subsidiary was established on 8 January 2018. The company provides lease of full flight simulators.
BAA Training Vietnam LLC	Socialist Republic of Vietnam	Aviation Supporting Services	100	100	The subsidiary was established on 02 February 2018. The company provides lease of full flight simulators.
ASG Asset Management UAB	Republic of Lithuania	Aviation Supporting Services	100	100	The subsidiary was established on 21 May 2019. The company is providing property management services.
Loop Holding UAB (previously DG21 UAB)	Republic of Lithuania	Unallocated (previously Aviation Supporting Services)	100	100	The subsidiary was acquired on 3 April 2019. Company is engaged in the business of real estate management and operations of Loop hotel.
Tiketa UAB	Republic of Lithuania	Unallocated	-	100	The subsidiary of Loop Holding UAB was acquired on 16 November 2020. The Company is engaged in the business of organizing concerts and shows, distributing tickets and providing rental services for sports and events.
Universali arena UAB	Republic of Lithuania	Unallocated	99.99	99.99	The subsidiary of Loop Holding UAB was acquired on 16 November 2020. The Company is engaged in the business of organizing concerts and shows, distributing tickets and providing rental services for sports and events.
Panevėžio arena UAB	Republic of Lithuania	Unallocated	100	100	The subsidiary of Loop Holding UAB was acquired on 16 November 2020. The Company is engaged in the business of organizing concerts and shows, distributing tickets and providing rental services for sports and events.

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

1 General information (continued)

The Group's companies	Country of establishment	Operating segment	Share of equity, % 31-12-2021	31-12-2020	Date of acquiring/establishment and activity
SEVEN Live UAB	Republic of Lithuania	Unallocated	100	100	The subsidiary of Loop Holding UAB was acquired on 16 November 2020. The Company is engaged in the business of organizing concerts and distributing tickets and providing rental services for sports and events.
SIA Rezidence Kapteini	Republic of Latvia	Unallocated (previously Aviation Supporting Services)	100	100	The subsidiary of Loop Holding UAB was acquired on 3 April 2019. Company is engaged in the business of real estate management.
Helisota UAB	Republic of Lithuania	Aviation Supporting Services	100	100	The subsidiary was acquired on 16 December 2013. The company provides maintenance, repair and overhaul services for helicopters.
Kauno aviacijos gamykla UAB	Republic of Lithuania	Aviation Supporting Services	100	100	The subsidiary was acquired on 16 December 2013. It is a direct subsidiary of BAA Training UAB. The subsidiary provides real estate management services.
Jet Maintenance Solutions UAB	Republic of Lithuania	Aviation Supporting Services	100	100	The subsidiary was acquired on 1 December 2010. The company provides maintenance services for business aircraft.
JetMS Regional UAB	Republic of Lithuania	Aviation Supporting Services	100	100	The subsidiary was established on 7 July 2020. The company is planning to provide maintenance and related services for regional aviation aircraft.
JetMS Holding Ltd	The United Kingdom	Aviation Supporting Services	100	-	The subsidiary was established on 15 February 2021. The company is acting as a holding company which controls 100 % of the share capital in RAS Interiors Limited and 100% of the share capital in RAS Completions Limited.
RAS Interiors Limited	The United Kingdom	Aviation Supporting Services	100	-	The subsidiary was acquired on 2 March 2021. The company provides aircraft interior refurbishment and production services.
RAS Completions Limited	The United Kingdom	Aviation Supporting Services	100	-	The subsidiary was acquired on 2 March 2021. The company provides aircraft exterior painting services.
KlasJet UAB	Republic of Lithuania	Aviation Logistics and Distribution Services	100	100	The subsidiary was established on 9 October 2013. The subsidiary has started business charter activity in summer 2014.
KIDY Tour UAB (previously Tiketa Tour UAB)	Republic of Lithuania	Aviation Logistics and Distribution Services	100	100	The subsidiary was established on 3 December 2015. The company provides tour operator services.
KIDY Tour OÜ (previously Tiketa Tour OÜ)	Republic of Estonia	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 16 September 2016. The company provides tour operator services.

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

1 General information (continued)

The Group's companies	Country of establishment	Operating segment	Share of equity, % 31-12-2021	31-12-2020	Date of acquiring/establishment and activity
KIDY Tour OOO	Russian Federation	Aviation Logistics and Distribution Services	100	100	The subsidiary was established on 6 March 2017. The company does not conduct active operations.
KIDY Tour SIA	Republic of Latvia	Aviation Logistics and Distribution Services	100	100	The subsidiary was established on 9 October 2017. The company does not conduct active operations.
Locatory.com UAB	Republic of Lithuania	Aviation Supporting Services	99	99	The subsidiary was established on 7 December 2010. Starting summer 2012, the company is acting as an aircraft parts locator and offers innovative IT solution for MRO business segment.
BGS ADR SIA	Republic of Latvia	Aviation Supporting Services	100	100	The subsidiary was established on 22 January 2019. Company provides fuel logistic services.
Baltic Ground Services UAB	Republic of Lithuania	Aviation Supporting Services	100	100	The subsidiary was acquired on 31 October 2008. The company provides aircraft ground handling and fuelling services in Lithuania.
RE INVEST BH Limited	The United Kingdom	Aviation Supporting Services	100	-	The subsidiary was established on 12 April 2021. The company will engage in construction of hangar for aircrafts.
BGS Rail Lease LLC	Ukraine	Unallocated	100	100	The subsidiary was established on 3 July 2017. From 10 July 2019 it is the subsidiary of BGS Rail Holdings UAB. The company provides semi wagon lease services.
Baltic Ground Services DE GmbH	Federal Republic of Germany	Aviation Supporting Services	100	100	The subsidiary was established on 11 January 2018. The company is providing fuel logistic services.
Baltic Ground Services HR d.o.o.	Republic of Croatia	Aviation Supporting Services	100	100	The subsidiary was acquired on 16 December 2019. The company is planning to provide aircraft ground handling services.
BGS Rail Holdings UAB	Republic of Lithuania	Unallocated	100	100	The subsidiary was established on 24 October 2017. The company is acting as a holding company for subsidiary BGS Rail LLC. From October 2021 it is direct subsidiary of Avia Solutions Group PLC.
BGS Rail LLC	Ukraine	Unallocated	100	100	The subsidiary was acquired on 13 June 2018. The company provides wagon lease services.
BGS Rail Cargo (previously BGS Trading)	Ukraine	Unallocated	100	100	The subsidiary was acquired on 30 March 2020. The company is planning to provide trading operations.

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

1 General information (continued)

The Group's companies	Country of establishment	Operating segment	Share of equity, % 31-12-2021	31-12-2020	Date of acquiring/establishment and activity
RE Invest LLC	Ukraine	Aviation Supporting Services	100	100	The subsidiary was established on 21 December 2020. It is a direct subsidiary of BGS Rail LLC. The company will engage in construction of hangar for aircrafts.
Baltic Ground Services UA TOV	Ukraine	Aviation Supporting Services	100	100	The subsidiary was established in summer of 2011. The subsidiary provides fuelling services in Ukraine.
Baltic Ground Services RU OOO	Russian Federation	Aviation Supporting Services	100	100	The subsidiary was established on 23 March 2015. It is a direct subsidiary of Baltic Ground Services UAB. The company provides aircraft ground handling, fuelling and transportation services in Russia.
Baltic Ground Services EE OÜ	Republic of Estonia	Aviation Supporting Services	100	100	The subsidiary was established on 31 July 2015. It is a direct subsidiary of Baltic Ground Services UAB. The company provides fuelling services in Estonia.
Baltic Ground Services LV SIA	Republic of Latvia	Aviation Supporting Services	51	51	The subsidiary was acquired on 1 October 2015. It is a direct subsidiary of Baltic Ground Services UAB. The company provides fuelling services in Latvia.
Baltic Ground Services CZ s.r.o.	Czech Republic	Aviation Supporting Services	100	100	The subsidiary was established on 18 December 2015. It is a direct subsidiary of Baltic Ground Services UAB. The company is providing fuelling services in Czech Republic.
Avia Technics Dirgantara PT.	Republic of Indonesia	Aviation Supporting Services	67	67	An investee of FL Technics UAB was established on 5 August 2014. The company provides line and base maintenance services in Jakarta.
FL Technics Asia Co. Ltd.	Kingdom of Thailand	Aviation Supporting Services	99.997	99.997	The subsidiary was established on 4 January 2016. It is a direct subsidiary of FL Technics UAB. The subsidiary is planning to provide aircraft maintenance services in Thailand.
FL Technics GmbH	Republic of Austria	Aviation Supporting Services	100	100	The subsidiary was established on 15 December 2018. The subsidiary provides aircraft maintenance services in Austria.
FL Technics Ukraine MRO LLC	Ukraine	Aviation Supporting Services	100	100	The subsidiary was established on 21 December 2020. It is a direct subsidiary of FL Technics UAB. The subsidiary is planning to provide aircraft maintenance services in Ukraine.
FL Technics S.R.L.	Romania	Aviation Supporting Services	100	100	The subsidiary was established on 1 July 2020. It is a direct subsidiary of FL Technics UAB. The company is planning to provide repairs of fabricated metal products, machinery and equipment.

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

1 General information (continued)

The Group's companies	Country of establishment	Operating segment	Share of equity, % 31-12-2021	Share of equity, % 31-12-2020	Date of acquiring/establishment and activity
FL Technics Ukraine TOV	Ukraine	Aviation Supporting Services	100	100	The subsidiary was established on 17 April 2019. It is a direct subsidiary of FL Technics UAB.
FL Technics Georgia LLC	Georgia	Aviation Supporting Services	100	100	The subsidiary was established on 26 November 2019. It is a direct subsidiary of FL Technics UAB. The company provides aircraft line station services.
FL Technics Engine Services UAB	Republic of Lithuania	Aviation Supporting Services	100	100	The subsidiary was established on 23 April 2019. It is a direct subsidiary of FL Technics UAB. The subsidiary is planning to provide engine and other maintenance services.
FL Technics Ireland Ltd.	Republic of Ireland	Aviation Supporting Services	100	100	The subsidiary was established on 1 February 2019. The subsidiary is planning to provide engine and other maintenance services.
FL Technics Line Maintenance Canada Inc.	Canada	Aviation Supporting Services	100	100	The subsidiary was established on 17 November 2020. It is a direct subsidiary of FL Technics UAB.
FL Technics UAB	Republic of Lithuania	Aviation Supporting Services	100	100	The subsidiary was established on 22 December 2005. The company provides aircraft maintenance, repair and overhaul (MRO) services.
FL Technics Hong Kong Limited	Hong Kong	Aviation Supporting Services	100	100	The subsidiary was established on 27 September 2018. The subsidiary does not conduct active operations.
FL Technics Line OOO	Russian Federation	Aviation Supporting Services	93	93	The subsidiary was established in summer of 2011. It is a direct subsidiary of FL Technics UAB.
"FLM" Flash Line maintenance S.r.l.	Italy	Aviation Supporting Services	100	100	The subsidiary was acquired on 19 February 2020. It is a direct subsidiary of FL Technics UAB. The subsidiary provides aircraft line station services.
Wright International Holding Inc.	Canada	Aviation Supporting Services	100	100	The subsidiary was acquired on 17 November 2020. It is a direct subsidiary of FL Technics Line Maintenance Canada Inc.
Storm Aviation Ltd.	The United Kingdom	Aviation Supporting Services	100	100	The subsidiary was acquired on 31 December 2011. It is a direct subsidiary of FL Technics UAB. The company provides aircraft line station services.
Wright International Aircraft Maintenance Services Inc.	Canada	Aviation Supporting Services	100	100	The subsidiary was acquired on 17 November 2020. It is a direct subsidiary of Wright International Holding Inc. The subsidiary provides aircraft maintenance services.

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

1 General information (continued)

The Group's companies	Country of establishment	Operating segment	Share of equity, % 31-12-2021	Share of equity, % 31-12-2020	Date of acquiring/establishment and activity
Storm Aviation (Nigeria) Ltd.	Federal Republic of Nigeria	Aviation Supporting Services	100	100	The subsidiary was established on 26 August 2016. It is a direct subsidiary of Storm Aviation Ltd. The company provides aircraft line station services in Nigeria.
Storm Aviation (Cyprus) Ltd.	Republic of Cyprus	Aviation Supporting Services	100	100	The subsidiary was acquired on 31 December 2011. It is a direct subsidiary of Storm Aviation Ltd. The company provides aircraft line station services in Cyprus.
Storm Aviation (Germany) GmbH	Federal Republic of Germany	Aviation Supporting Services	100	100	The subsidiary was established on 29 March 2017. It is a direct subsidiary of Storm Aviation Ltd. The company provides aircraft line station services in Germany.
BSTS & Storm Aviation Limited	Republic of Bangladesh	Joint venture	49	49	The company was established as at 30 September 2018 and is providing aircraft maintenance services in Bangladesh.
FL ARI Aircraft Maintenance & Engineering Company CO. LTD	Republic of China	Joint venture	40	40	The company was established as at 18 December 2018 and is providing aircraft maintenance services in China.
BAA Training China Co., Ltd	Republic of China	Joint venture	50	50	The company was established as at 21 October 2019. The company will provide training services and lease of full flight simulators.
AviaAM Leasing AB	Republic of Lithuania	Aircraft Trading and Portfolio Management	98.84	98.84	77,26% of the share capital in the subsidiary was acquired on 2 October 2019. The additional 8,44% and 13,14% of the share capital in AviaAM Leasing AB were acquired on 15 October 2019 and 4 December 2019. The company is acting as a holding company. The subsidiaries of AviaAM Leasing AB are engaged in the business of aircraft leasing, trading and management.
AviaAM B01 UAB	Republic of Lithuania	Aircraft Trading and Portfolio Management	100	100	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of AviaAM Leasing AB.
AviaAM B02 UAB	Republic of Lithuania	Aircraft Trading and Portfolio Management	100	100	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of AviaAM Leasing AB.
AviaAM B04 UAB	Republic of Lithuania	Aircraft Trading and Portfolio Management	100	100	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of AviaAM Leasing AB.
AviaAM B05 UAB	Republic of Lithuania	Aircraft Trading and Portfolio Management	100	100	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of AviaAM Leasing AB.
Vilta UAB	Republic of Lithuania	Aircraft Trading and Portfolio Management	100	-	The subsidiary was acquired on 21 September 2021.It is a direct subsidiary of AviaAM Leasing AB.

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

1 General information (continued)

The Group's companies	Country of establishment	Operating segment	Share of equity, % 31-12-2021	31-12-2020	Date of acquiring/establishment and activity
AviaAM B06 UAB	Republic of Lithuania	Aircraft Trading and Portfolio Management	100	100	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of AviaAM Leasing AB.
BUSNEX UAB	Republic of Lithuania	Unallocated	100	100	The subsidiary was acquired on 2 October 2019 Until 15 July 2020 it was a direct subsidiary of AviaAM Leasing AB. From 15 July 2020 it is direct subsidiary of Avia Solutions Group PLC.
Aero City 1, UAB (previously Sniego takas UAB)	Republic of Lithuania	Aircraft Trading and Portfolio Management	100	100	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of AviaAM Leasing AB.
DG AVIA UAB	Republic of Lithuania	Aircraft Trading and Portfolio Management	100	100	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of AviaAM Leasing AB.
Dariaus ir Gireno 20 UAB	Republic of Lithuania	Aircraft Trading and Portfolio Management	100	100	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of Aero City 1, UAB.
AviaAM B10 Ltd	Republic of Ireland	Aircraft Trading and Portfolio Management	100	100	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of AviaAM Leasing AB.
AviaAM Leasing PLC	Republic of Cyprus	Aircraft Trading and Portfolio Management	100	100	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of AviaAM Leasing AB
AAL Capital Aircraft Holdings Ltd	Republic of Cyprus	Aircraft Trading and Portfolio Management	100	100	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of AviaAM Leasing AB.
AviaAM B08 Ltd	Republic of Bermuda	Aircraft Trading and Portfolio Management	100	100	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of AAL Capital Aircraft Holdings Ltd.
Boulevard Two Aircraft Ltd	Republic of Ireland	Aircraft Trading and Portfolio Management	100	100	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of AAL Capital Aircraft Holdings Ltd.
Dikkys Investments Ltd	Republic of Cyprus	Aircraft Trading and Portfolio Management	100	100	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of AAL Capital Aircraft Holdings Ltd.
AviaAM B11 Ltd	Republic of Ireland	Aircraft Trading and Portfolio Management	100	100	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of AAL Capital Aircraft Holdings Ltd.
AviaAM Leasing Bermuda Ltd	Republic of Bermuda	Aircraft Trading and Portfolio Management	-	-	The subsidiary was acquired on 2 October 2019. Until 23 June 2020 it was a direct subsidiary of AAL Capital Aircraft Holdings Ltd. On 23 June 2020 the company was merged to Avia Ultima Limited.
Regional Charter Capital Ltd	Republic of Bermuda	Aircraft Trading and Portfolio Management	-	-	The subsidiary was acquired on 2 October 2019. It was a direct subsidiary of AviaAM Leasing Bermuda Ltd. On 23 June 2020 the company was merged to Avia Ultima Limited.

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

1 General information (continued)

The Group's companies	Country of establishment	Operating segment	Share of equity, % 31-12-2021	Share of equity, % 31-12-2020	Date of acquiring/establishment and activity
Golden Jet Aviation Trading Ltd	Republic of Bermuda	Aircraft Trading and Portfolio Management	-	-	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of AviaAM Leasing Bermuda Ltd. On 23 June 2020 the company was merged to Avia Ultima Limited.
Skyroad Leasing UAB	Republic of Lithuania	Aircraft Trading and Portfolio Management	100	100	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of AAAL Capital Aircraft Holdings Ltd.
BUSNEX POLAND Sp. z o.o.	Republic of Poland	Unallocated	100	100	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of BUSNEX UAB. The principal activity is import and sale of electric transport vehicles.
Avia Ultima Limited	Republic of Bermuda	Aircraft Trading and Portfolio Management	100	100	The subsidiary was established on 17 June 2020. It is a direct subsidiary of AAL Capital Aircraft Holdings Ltd.
AviaAM Financial Leasing China Co. Ltd.	Republic of China	Joint venture	51	51	The company was acquired on 2 October 2019. The Joint venture company is not consolidated as the Group does not control AviaAM Financial Leasing China Co., Ltd. The principal activity of the joint venture is to provide comprehensive services across the field of aircraft acquisition, lease and sale.
Eyjafjoll SAS	France	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 10 October 2019. The company is acting as a holding company which controls 100 % of the share capital in Avion Express UAB and 100% of the share capital in Avion Malta. The subsidiaries of Eyjafjoll SAS provide logistics services and acts as intermediary in leasing-in and leasing-out the aircraft capacity to non-airline or airline customer.
Avion Express UAB	Republic of Lithuania	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 10 October 2019. It is a direct subsidiary of Eyjafjoll SAS.
Avion Express Malta Ltd	Republic of Malta	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 10 October 2019. It is a direct subsidiary of Eyjafjoll SAS.
Avion Express Germany GmbH	Germany	Aviation Logistics and Distribution Service	100	100	The subsidiary was established on 22 June 2020. It is a direct subsidiary of Avion Express UAB.
Chapman Freeborn Holdings Limited	The United Kingdom	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 11 October 2019. The company is acting as a holding company. The subsidiaries of Chapman Freeborn Holdings Limited provide a wide range of aircraft charter and leasing services to cargo, passenger and VIP charter clients across a broad spectrum of industries.

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

1 General information (continued)

The Group's companies	Country of establishment	Operating segment	Share of equity, % 31-12-2021	31-12-2020	Date of acquiring/establishment and activity
Alltrans Management PTY Ltd	Australia	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn International Limited.
Chapman Freeborn Airchartering Bv	Belgium	Aviation Logistics and Distribution Services	80	80	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn International Limited.
Chapman Freeborn Airchartering Ltd.	Canada	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Zeusbond Limited.
Chapman Freeborn Airchartering (China) Limited	The United Kingdom	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn International Limited.
Chapman Freeborn Airchartering Consulting (Shanghai) Co. Ltd	Republic of China	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn International Limited.
Chapman Freeborn Airmaketing GmbH	Germany	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn International Limited.
Chapman Freeeborn Airchartering pvt Ltd	India	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn International Limited.
Chapman Freeborn International Limited	The United Kingdom	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn International Limited.
Al tajer Al Hur for Air freight and passenger services LLC - Baghdad	Iraq	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn Aviation Services FZE.
Chapman Freeborn OBC GmbH	Germany	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn International Limited.
Chapman Freeborn Handcarry Limited	Hong Kong	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn International Limited.

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

1 General information (continued)

The Group's companies	Country of establishment	Operating segment	Share of equity, % 31-12-2021	31-12-2020	Date of acquiring/establishment and activity
Chapman Freeborn OBC Inc.	United States	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn International Limited.
Chapman Freeborn Airchartering S.p z.o.o	Poland	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn International Limited.
Chapman Freeborn Airchartering PTE. LTD.	Singapore	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn International Limited.
Chapman Freeborn Airchartering (South Africa) Proprietary Limited	South Africa	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn International Limited.
Chapman Freeborn Airchartering SL	Spain	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 11 October 2019 It is a direct subsidiary of Chapman Freeborn International Limited.
Chapman Freeborn Aviation Services FZE	Sharjah - UAE	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn International Limited.
Chapman Freeborn Aviation Services FZCO	Dubai - UAE	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn International Limited.
Chapman Freeborn Airchartering Limited	The United Kingdom	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn International Limited.
Chapman Freeborn Airchartering Inc	USA	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn International Limited.
Intradco Cargo Services Limited	The United Kingdom	Aviation Logistics and Distribution Services	75	75	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Zeusbond Limited.

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1 General information (continued)

The Group's companies	Country of establishment	Operating segment	Share of equity, % 31-12-2021	31-12-2020	Date of acquiring/establishment and activity
Skyllence UAB	Republic of Lithuania	Aviation Logistics and Distribution Services	100	-	The subsidiary was established on 9 June 2021. The company currently does not conduct any active operations.
Magma Aviation Limited	The United Kingdom	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn International Limited.
Wings 24 Limited	The United Kingdom	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn International Limited.
Zeusbond Limited	The United Kingdom	Aviation Logistics and Distribution Services	75	75	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn International Limited.
Chapman Freeborn Airchartering Ltd.	Afghanistan	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn International Limited. The subsidiary is under liquidation procedures.
SCI France Patrimoine	France	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn International Limited. The subsidiary is under liquidation procedures.
Chapman Freeborn Airchartering GmbH	Germany	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn International Limited. The subsidiary is under liquidation procedures.
Chapman Freeborn Havacilik Tasimacilik Ticaret Limited Sirketi	Turkey	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn International Limited. The subsidiary is under liquidation procedures.
Chapman Freeborn Airchartering (Uganda) Limited	Uganda	Aviation Logistics and Distribution Services	-	-	The subsidiary was acquired on 11 October 2019. It was a direct subsidiary of Chapman Freeborn International Limited. On 2 July 2020 the subsidiary was liquidated.
Arcus-Air-Logistic GmbH	Germany	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 18 June 2020. It is a direct subsidiary of Chapman Freeborn Airmarketing GmbH.

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1 General information (continued)

The Group's companies	Country of establishment	Operating segment	Share of equity, % 31-12-2021	31-12-2020	Date of acquiring/establishment and activity
Arcus-Air-Logistic Iberica S.L.U.	Spain	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 18 June 2020. It is a direct subsidiary of Chapman Freeborn Airmarketing GmbH.
Arcus-Air-Logistic s.r.o.	Slovakia	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 18 June 2020. It is a direct subsidiary of Chapman Freeborn Airmarketing GmbH.
Arcus OBC Gmbh	Germany	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 18 June 2020. It is a direct subsidiary of Chapman Freeborn OBC GmbH.
Avia Repair Co. S.L.U.	Spain	Aviation Supporting Services	100	-	The subsidiary was established 7 April 2021. The company currently does not conduct any active operations.
Smart Aviation Holding SIA	Republic of Latvia	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 2 October 2019. The company is acting as a holding company which controls 100 % of the share capital in Smart Lynx Airlines SIA and 51% of the share capital in Eyjafoll SAS. The subsidiaries of Smart Aviation Holding SIA provide aircraft ACMI and full charter services and acts as intermediary in leasing-in and leasing-out the aircraft capacity to non-airline or airline customers.
SIA SMARTLYNX AIRLINES	Republic of Latvia	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of Smart Aviation Holdings SIA.
SmartLynx Airlines Estonia OÜ	Republic of Estonia	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of SMARTLYNX AIRLINES SIA.
SmartLynx Airlines Crewing OÜ	Republic of Estonia	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of SMARTLYNX AIRLINES SIA.
Smartlynx Airlines Malta Limited	Republic of Malta	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of Air Holding Limited.
Air Holding Limited	Republic of Malta	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of Avia Solutions Group PLC.
Smartlynx Airlines Cabo Verde SA	Cabo Verde	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of SMARTLYNX AIRLINES SIA. The subsidiary is under liquidation procedures.

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1 General information (continued)

The Group's companies	Country of establishment	Operating segment	Share of equity, % 31-12-2021	31-12-2020	Date of acquiring/establishment and activity
"SLH Invest LLC (ООО «СЛХ Инвест»)"	Russian Federation	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of SMARTLYNX AIRLINES SIA. The subsidiary is under liquidation procedures.
Smart Aviation Limited	Republic of Malta	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of Avia Solutions Group PLC.
SIA Smartlynx Technik	Republic of Latvia	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of SMARTLYNX AIRLINES SIA.
Blafugl ehf (Bluebird Nordic)	Republic of Iceland	Aviation Logistics and Distribution Services	100	100	The subsidiary was acquired on 30 June 2020. The subsidiary provides import and export air freight services worldwide.
BBN Hava Yolları ve Taşımacılık Anonim Şirketi	Turkey	Joint venture	49	-	The joint venture was established by BBN Cargo Airlines Holdings UAB on 24 December 2021
Aviator Airport Alliance, AB	Kingdom of Sweden	Aviation Supporting Services	100	100	The subsidiary was acquired on 1 March 2020. The company is acting as a holding company. Aviator group subsidiaries provides aircraft ground handling services.
Nordic Aero Holding, AB	Kingdom of Sweden	Aviation Supporting Services	100	100	The subsidiary was acquired on 1 March 2020. It is a direct subsidiary of Aviator Airport Alliance, AB.
Copenhagen Flight services, ApS	Kingdom of Denmark	Aviation Supporting Services	100	100	The subsidiary was acquired on 1 March 2020. It is a direct subsidiary of Nordic Aero Holding, AB.
OY Nordic Airport Services, AB	Republic of Finland	Aviation Supporting Services	100	100	The subsidiary was acquired on 1 March 2020. It is a direct subsidiary of Nordic Aero Holding, AB.
Aviator Airport Services Sweden, AB	Kingdom of Sweden	Aviation Supporting Services	100	100	The subsidiary was acquired on 1 March 2020. It is a direct subsidiary of Nordic Aero Holding, AB.
Aviator Airport Services Finland, OY	Republic of Finland	Aviation Supporting Services	100	100	The subsidiary was acquired on 1 March 2020. It is a direct subsidiary of Nordic Airport Services, AB.
Aviator Airport Alliance, AS	Kingdom of Norway	Aviation Supporting Services	100	100	The subsidiary was acquired on 1 March 2020. It is a direct subsidiary of Aviator Airport Alliance, AB.
Aviator OSL, AS	Kingdom of Norway	Aviation Supporting Services	100	100	The subsidiary was acquired on 1 March 2020. It is a direct subsidiary of Aviator Airport Alliance, AS.
Aviator Airport Services Danmark, A/S	Kingdom of Denmark	Aviation Supporting Services	100	100	The subsidiary was acquired on 1 March 2020. It is a direct subsidiary of Aviator Airport Alliance Danmark, A/S.

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

1 General information (continued)

The Group's companies	Country of establishment	Operating segment	Share of equity, % 31-12-2021	31-12-2020	Date of acquiring/establishment and activity
Aviator Airport Partner ApS	Kingdom of Denmark	Aviation Supporting Services	100	100	The subsidiary was acquired on 1 March 2020. It is a direct subsidiary of Aviator Airport Alliance Danmark, A/S.
Aviator Airport Alliance Danmark, A/S	Kingdom of Denmark	Aviation Supporting Services	100	100	The subsidiary was acquired on 17 February 2020. It is a direct subsidiary of Aviator Airport Alliance AB.
Aviator Airport Services, AB	Kingdom of Sweden	Aviation Supporting Services	100	100	The subsidiary was acquired on 1 March 2020. It is a direct subsidiary of Aviator Airport Alliance Danmark, A/S.
Aviator Robotics, AB	Kingdom of Sweden	Aviation Supporting Services	100	100	The subsidiary was acquired on 1 March 2020. It is a direct subsidiary of Aviator Airport Alliance, AB.
Aviator Logistics AB	Kingdom of Sweden	Aviation Supporting Services	100	100	The subsidiary was established on 21 September 2020. It is a direct subsidiary of Aviator Airport Alliance, AB.
BBN Cargo Airlines Holdings UAB	Republic of Lithuania	Aviation Logistics	100	-	The subsidiary was established on 22 September 2021. It will be acting as a holding company.
Digital Aero Technologies UAB	Republic of Lithuania	unallocated	100	-	The subsidiary was established on 22 September 2021. It will be acting as a holding company.
Sensus Aero UAB	Republic of Lithuania	Aviation Supporting Services	100	-	The subsidiary was established on 23 September 2021. The subsidiary is providing IT related services.
BPC Travel UAB	Republic of Lithuania	Aviation Logistics and Distribution Services	99	-	The subsidiary was acquired on 30 September 2021. The company provides tour operator services.
Chevron Technical Services Limited	The United Kingdom	Aviation Supporting Services	100	-	The subsidiary was acquired on 25 August 2021. The company is providing aerospace solutions to aircraft maintenance industry.
Chevron Aircraft Maintenance Limited	The United Kingdom	Aviation Supporting Services	100	-	The subsidiary was acquired on 25 August 2021. It is a direct subsidiary of Chevron Aircraft Maintenance Ltd.
Certifying Staff. Com B.V.	The United Kingdom	Joint venture	50	-	The joint venture was acquired on 25 August 2021 together with acquisition of Chevron Technical Services Ltd.
Biggin Hill Hangar Company Limited	The United Kingdom	Aviation Supporting Services	100	-	The subsidiary was acquired on 22 October 2021.It is a direct subsidiary of RE INVEST BH Limited.
EVmotors.eu UAB	Republic of Lithuania	unallocated	100	-	The subsidiary was established on 10 December 2021. It is a direct subsidiary of Digital Aero Technologies UAB. The principal activity is import and sale of electric transport vehicles.

** - the percentages represent economic interests*

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 adopted by European Union and the requirements of the Cyprus Companies Law, Cap. 113. The financial statements have been prepared on a going concern basis and under the historical cost convention.

These financial statements include the consolidated financial statements of the Group for the year ended 31 December 2021.

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 Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(a) New and amended standards and interpretations adopted by the Group

Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020). The amendments provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments due on or before 30 June 2021; and there is no substantive change to other terms and conditions of the lease. If a lessee chooses to apply the practical expedient to a lease, it would apply the practical expedient consistently to all lease contracts with similar characteristics and in similar circumstances. The amendment is to be applied retrospectively in accordance with IAS 8, but lessees are not required to restate prior period figures or to provide the disclosure under paragraph 28(f) of IAS 8. The impact of the application of this amendment on the Group's financial statements is disclosed in Note 32.

Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021). The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The amendments cover the following areas:

- Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform: For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform.
- End date for Phase 1 relief for non contractually specified risk components in hedging relationships: The Phase 2 amendments require an entity to prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued. No end date was provided in the Phase 1 amendments for risk components.
- Additional temporary exceptions from applying specific hedge accounting requirements: The Phase 2 amendments provide some additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

2.1 Basis of preparation (continued)

- Additional IFRS 7 disclosures related to IBOR reform: The amendments require disclosure of: (i) how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; (ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of IBOR reform.

The amendments had no material impact on the financial statements of the Group, since the Group has no material instruments, which are directly affected by the IBOR reform.

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 2021 that would be expected to have a material impact to the Group.

(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 Group:

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).
The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.
The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.
IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.
The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.
Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.
IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

2.1 Basis of preparation (continued)

The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis. The Group expects that the amendments will have no material impact on the financial statements.

Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021). In May 2020 an amendment to IFRS 16 was issued that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19, resulting in a reduction in lease payments due on or before 30 June 2021, was a lease modification. An amendment issued on 31 March 2021 extended the date of the practical expedient from 30 June 2021 to 30 June 2022. The Group expects that the amendments will have no material impact on the financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The Group is currently assessing the impact of the amendments on its financial statements.

Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates. The Group is currently assessing the impact of the amendments 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 Group

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). 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. The Group is currently assessing the impact of the amendments on its financial statements

Other standards, interpretations and amendments that have not been endorsed by European Union and that have not been early adopted by the Group:

- IFRS 14, Regulatory Deferral Accounts;
- Classification of liabilities as current or non-current – Amendments to IAS 1;
- Deferred tax related to assets and liabilities arising from a single transaction.

The Group is currently assessing the impact of these amendments on their financial statements.

There are no other new or amended standards and interpretations that are not yet effective and that may have a material impact for the Group.

2.1 Basis of preparation (continued)

2.2 Consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between entities included within the consolidated financial statements have been eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.2 Consolidation (continued)

Associates and joint ventures

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Joint venture is an entity of joint operations, whereby the ventures have a contractual arrangement that establishes joint control over the economic activities of the entity.

Investments in associates and joint ventures are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate or joint venture equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Loans granted and bonds issued to associates or joint ventures are considered as part of net investment and Group's share of losses are allocated to the bonds as required by IAS28.

The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances. After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss of the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case the Group calculates the amount of impairment as being the difference between the fair value of the associate and the carrying amount and recognises the amount in the income statements. When the group's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

Non-controlling interest

Non-controlling interest is that part of the net results and of the net assets of a subsidiary, including the fair value adjustments, which is attributable to interests which are not owned, directly or indirectly, by the Group. Non-controlling interest forms a separate component of the Group's equity.

Transactions with non-controlling interest

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.3 Foreign currency translation

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Foreign exchange gains and losses that relate to borrowings, cash and cash equivalents are presented in the statement of comprehensive income within "finance income or cost". All other foreign exchange gains and losses are presented in the statement of comprehensive income within "other gain / (loss) – net".

In the consolidated financial statements, when the foreign operation is a subsidiary, exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at rates prevailing at the dates of the transactions);
- All resulting exchange differences are recognised as a separate component of equity.

2.4 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of the Company that makes strategic decisions.

2.5 Property, plant and equipment

Property, plant and equipment consist of buildings and structures, construction in progress, vehicles, machinery, aircraft, aircraft under preparation for use, aircraft engines and other non-current tangible assets. Property, plant and equipment are carried at their historical cost less any accumulated depreciation and any accumulated impairment loss. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

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 Group 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.

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

2.5 Property, plant and equipment (continued)

Land is not depreciated. 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:

Buildings and structures	6 – 30 years
Vehicles	4 – 12 years
Machinery	5 – 15 years
Aircraft	4 – 15 years
Aircraft engines	24 – 39 months
Other non-current tangible assets	3 – 15 years

Major additions, modifications and improvements expenditure relating to flight equipment for aircraft leased are capitalized and depreciated over the remaining lease period of the aircraft. Major improvements performed for leased aircraft are capitalized leasehold improvements and depreciated over the period till the next improvement or during the useful life of certain asset. Leasehold improvements are classified as other non-current tangible assets. The assets' residual value and useful lives are reviewed periodically and adjusted if appropriate.

The residual value of aircraft represents the amount the Management believes the aircraft can be sold or traded for at the end of its useful life, before aircraft heavy maintenance. The residual value of aircraft engines represents the amount the Management believes the aircraft engine can be sold or traded for at the end of its useful life, after its tear down into spare parts and components.

Construction in progress is transferred to appropriate groups of fixed assets when it is completed and ready for its intended use. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. When property is retired or otherwise disposed, the cost and related depreciation are removed from the financial statements and any related gains or losses are included in the profit or loss. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other gain/(loss) – net' in the income statement.

The property, plant and equipment caption includes prepayments for assets under preparation for use. Such assets are not depreciated.

Recognition of sales of aircraft initially held for rental

The Group sells aircraft that were initially purchased for rental to customers. As part of the sale, the lease contract is transferred to a new lessor. The lease contract is continuing; however, it ceases from Group's perspective as the lessor changed. The proceeds from the sale of such assets are recognised as revenue.

Cash flows from sales of aircraft initially held for rental

The cash receipts from rents and subsequent sales of aircraft initially held for rental are cash flows from operating activities. Also, the cash payments for the aircraft are cash flows from operating activities.

2.6 Investment property

Investment property is land, buildings or part these items held by the Group to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business.

Investment property is recognized as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the Group, and the cost of an asset can be measured reliably.

An investment property is measured initially at its cost. Transaction costs are included in the initial measurement. Subsequently to initial recognition, investment property is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the straight-line basis to write off the cost of assets to their residual values over their estimated useful life which is from 15 to 25 years.

2.7 Right-of-use assets

Right-of-use assets are measured at cost comprising the following: the amount of the initial measurement of lease liability; any lease payments made at or before the commencement date less any lease incentives received; any initial direct costs, and restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

2.8 Intangible assets

Intangible assets expected to provide economic benefit to the Group 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

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

The costs incurred at each stage in development and operation of Group's own web-sites that meet definition of intangible assets (i.e. identifiability, control over a resource and existence of future economic benefits) is recognised as part of intangible assets. Such expenses include expenses on purchasing or creating content for a web-site, expenses to enable use of the content on the web-site and directly attributable employee related expenses, that have been incurred during the stage of the development of the web-site and additional development of the web-site expenses, that have been incurred during the stage of the operation of the web-site after initial recognition of the intangible assets.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill on acquisitions of associates is included in 'investments in associates'.

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on a disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

2.9 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.

2.10 Financial assets

The Group classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value (either through other comprehensive income (FVOCI), or through profit or loss (FVTPL)), and
- those to be measured at amortised cost.

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

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 Group 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 Group 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.

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.

Impairment

The group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.
For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3 for further details.

2.10 Financial assets (continued)

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 Group 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 Group's procedures for recovery of amounts due.

Derecognition
Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

2.11 Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

In the consolidated income statement of the reporting period and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing activities, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the income statement.

Where a disposal group is still operating, transactions may occur between the disposal group and other companies within the Group. All intra-group balances, intra-group interest income, expenses and other intra-group transactions where goods are sold / purchased between the disposal group and the continuing business are eliminated in full. The principle of elimination of intra-group sales transactions is based on the guidance in IFRS 5 which only allowed expenses to be attributed to the discontinuing operation if they would be eliminated when the operation is disposed of. If the arrangement is expected to continue, the sales and costs are recorded in continuing operations and, therefore, the elimination entries are recorded in discontinued operations.

If non-current assets (or disposal groups) no longer meet the criteria to be classified as held-for-sale, they are reclassified from held-for-sale. On reclassification the Group measures the non-current asset or a disposal group at the lower of its recoverable amount and the carrying amount that would have been recognised had the asset never been classified as held-for-sale.
If the non-current assets/disposal group is not a subsidiary, any resulting adjustment is recognised in profit or loss from continuing operation in the period in which the 'held for sale' criteria cease to be met. In the comparative period, the balance sheet amounts are not represented (so the item continues to be presented as 'held for sale') and their measurement will not be revised.
If a disposal group or a non-current asset is a subsidiary which ceases to be classified as held-for-sale, then the financial statements for the periods since classification as held-for-sale are amended accordingly. The amendment relates to:

(i) the presentation in the balance sheet (the comparatives are represented),
(ii) the change of presentation in the statement of profit/loss and other comprehensive income and the cash flow statement (if the subsidiary was classified as a discontinued operation),
(iii) the remeasurement effect is also recognised retrospectively i.e. to the extent that the amendment relates to earlier periods, it is recognised as a prior-period adjustment (i.e. the amendment is calculated retrospectively) and the opening balance of retained earnings and comparatives are restated, if applicable.

2.12 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 Group 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.

Aircraft is classified to inventory when it is expected that its carrying amount is to be recovered through a sale transaction.

2.13 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Trade receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

The Group apply the simplified approach for calculation of lifetime expected credit losses (ECL) using the provision matrix for all trade receivables except for individual exposures above EUR 2 million or exposures from strategic clients, based on Group'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 Group uses individual assessment model for determining ECL for large trade receivables (above EUR 2 million) or strategic clients based on the Group's Management decision. For these exposures, individual assessment model is used as described in Note 3.1 *Credit Risk*.
The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against in the profit or loss.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional

Impairment

The group assesses on a forward-looking basis the expected credit loss associated with its contract assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk.
For contracts assets, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3 for further details.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

2.14 Cash and cash equivalents

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

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. Bank overdrafts are subtracted from the cash and cash equivalents in the consolidated statements of cash flows.

Interest paid and received are shown under operating activity in the consolidated statements of cash flows.

Cash and cash equivalents are carried at amortised costs because they are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest, and they are not designated at fair value through profit or loss.

2.15 Share capital

Ordinary shares are stated at their par value and classified as equity.

Where the Company or its subsidiaries purchase the Company's equity share capital (treasury shares), in the Group's financial statements the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Group's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction cost and the related income tax effects, is included in equity attributable to the Group's equity holders. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in ordinary course of business. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

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.

2.18 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.19 Provisions

Provisions are recognised when the Group 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 Group 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.

Provisions for "C-check"
Provisions for "C-check" are described in Note 4 "Critical Accounting Estimates and Significant Judgments".

Warranty provisions
Provisions for warranty-related costs are recognised when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

2.20 Derivative financial instruments

The Group uses derivative financial instruments such as interest rate swaps to hedge its cash flow interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value.
The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in Note 36. Movements in the hedging reserve in shareholders' equity are shown in Note 36. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/(losses).

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognised in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item ('aligned time value') are recognised within OCI in the costs of hedging reserve within equity.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the fair value reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognised within OCI in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the fair value reserve within equity.

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

2.20 Derivative financial instruments (continued)

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:
- Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example through cost of sales).
- The gain or loss relating to the effective portion of the foreign currency interest rate swaps hedging different currency borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a financial asset. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other gains/(losses).

2.20a Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

Recurring fair value measurements at 31 December 2021	**Level 1**	**Level 2**	**Level 3**
Financial assets			
Financial assets at fair value through profit or loss (FVPL)	3 237	-	-
Hedging derivatives - foreign currency interest rate swap	-	4 667	-
Total financial assets	**3 237**	**4 667**	**-**
Financial liabilities			
Derivatives - commodity swap	-	-	-
Hedging derivatives - foreign currency interest rate swap	-	5 865	-
Convertible preferred shares (Note 37)	-	-	300 920
Total financial liabilities	**-**	**5 865**	**300 920**

Recurring fair value measurements at 31 December 2020	**Level 1**	**Level 2**	**Level 3**
Financial assets			
Financial assets at fair value through profit or loss (FVPL)	1 231	-	-
Hedging derivatives - foreign currency interest rate swap	-	3 563	-
Total financial assets	**1 231**	**3 563**	**-**
Financial liabilities			
Derivatives - commodity swap	-	137	-
Hedging derivatives - foreign currency interest rate swap	-	12 453	-
Total financial liabilities	**-**	**12 590**	**-**

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year.

2.20a Fair value hierarchy (continued)

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Specific valuation techniques used to value financial instruments include:

- for foreign currency interest rate swaps – the present value of the estimated future cash flows based on observable yield curves. Additionally, the instruments' value is agreed upon with bank;
- for foreign currency forwards – the present value of future cash flows based on the forward exchange rates at the balance sheet date;

All of the resulting fair value estimates are included in level 2.

For the method used in determining fair value of convertible preferred shares (level 3) refer to Note 37.

2.21 Government grants

Grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants less any accumulated amortisation. Amortisation is calculated on a straight-line basis over the expected lives of the related assets and is included in "other income". Grants relating to the expenses are included in current liabilities and are credited to the profit or loss on basis to match the appropriate expenses.

2.22 Merger reserve

Merger reserve was formed during business combination (upon pre-IPO Reorganization) in 2010. The merger reserve consists of the difference between the Company purchase consideration for the acquisition of remaining stake of the share capital of the Group companies and nominal value of the share capital acquired.

2.23 Accounting for leases

(a) Accounting for leases where the Group is the lessee

The Group leases many assets, including properties, aircraft, vehicles and equipment.

The Group assesses whether a contract is or contains a lease based on IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases - i.e. these leases are on-balance sheet.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2.23 Accounting for leases (continued)

The Group presents lease liabilities in the statement of financial position.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(b) Accounting for leases where the Group is the sub - lessor
When the Group is an intermediate lessor, it accounts for its interest in the head lease and the sublease separately. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the head lease. It assesses the classification of a sublease as a finance lease or an operating lease with reference to the right-of-use asset arising from the head lease. When subleases are classified as finance leases, the Group derecognises the right-of-use asset relating to the head lease that it transfers to the sublessee and presents the Net investment in the lease in the statement of the financial position. Net investment in the lease is initially recognised at commencement (when the lease term begins), using an incremental borrowing rate corresponding to the head lease. During the term of the sublease the Group recognises finance income on sublease based on pattern reflecting a constant period rate of return on the net investment in the lease.

For subleases classified as operating lease, the Group recognises the lease income as Revenue (Note 2.25).

(c) Accounting for leases where the Group is the lessor
Where the Group is a lessor in a financial lease (which transfers substantially all the risks and rewards incidental to ownership of an underlying asset), the assets leased out are presented as a net investment in the lease. At the commencement date measurement of the net investment in the lease comprises the following lease payments:
- fixed payments (including in-substance fixed payments), less any lease incentives payable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date.

The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the net investment in the lease and reduce the amount of income recognised over the lease term. Finance income from leases is recorded under finance lease income in the statement of comprehensive income.

(d) Leaseback arrangements
When Group enters into sale and leaseback transactions whereby it sells either aircraft to a third party and immediately leases them back. Where sale proceeds received are judged to reflect the aircraft's fair value, any gain or loss arising on disposal is recognized in the income statement, to the extent that it relates to the rights that have been transferred. Gains and losses that relate to the rights that have been retained are included in the carrying amount of the right of use asset recognized at commencement of the lease. Where sale proceeds received are not at the aircraft's fair value, any below market terms are recognized as a prepayment of lease payments, and above market terms are recognized as additional financing provided by the lessor.

2.24 Current and deferred income tax

The tax expenses for the period comprise current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items 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 income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country in which the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If applicable tax regulation is subject to interpretation, it establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

According to Lithuanian, Latvian, Ukrainian, British, Russian and Nigerian legislation, tax losses accumulated are carried forward indefinitely; according to Polish, Czech, Cypriot, Indonesian and Thai legislation, tax losses accumulated per year are carried forward during 5 years. According to Lithuanian legislation starting from 1 January 2014 the tax loss carries forward that is deductible cannot exceed 70% of the current financial year taxable profit.

Tax losses can be carried forward for indefinite period in Lithuania, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the Company changes its activities due to which these losses incurred except when the Company does not continue its activities due to reasons which do not depend on the Company itself.

The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature. Applicable tax rates by each country are disclosed in Note 30.

Deferred tax assets and liabilities are offset only if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and only if the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

2.25 Revenue recognition

Revenue of the Group consists of aircraft and aircraft components maintenance and overhaul, training of aviation specialists, technical consulting, and aircraft ground handling services, into-plane fuelling and web-site subscription services, providing private and corporate charter flights as well as tour operator, aircraft and crew lease revenue, sales of aircraft, commission income and other related services.

Revenue from contracts with customers is recognised when a performance obligation by transferring a good or service to a customer is satisfied at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Sales of services

Aircraft and aircraft components maintenance, training and technical consulting, web-site subscription services are provided to the customers on time and material basis or as a fixed-price contract, with contract generally ranging from less than one year (single contract) to the long-term contract. The Group recognises revenue from these services over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. Revenue from the sale of the equipment (spare parts) are recognised at a point in time, generally upon delivery of the equipment. The price for the spare parts is pre-agreed in the contracts and represents a separate performance obligation.

2.25 Revenue recognition (continued)

Business charter operations revenue, aircraft ground handling and into-plane fuelling revenue is recognized at a point in time, - upon completion of the air transportation or upon delivery of services to the customer.
Most of contracts are fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised. If the contract includes an hourly fee, revenue is recognised in the amount to which the Group has a right to invoice.

Sales of short-term training and other services are recognized at point in time based on actual services provided. Long-term services (pilot and crew training, web-site subscription services) are recognised over the time, based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously.

Sales of goods

Revenue from sale of aircraft, fuel and spare parts is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of equipment, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer. Such elements are not present in the group. In the sale of aircraft transaction, the control is transferred when the aircraft is delivered and the customer has full discretion over the use of the aircraft, and there is no unfulfilled obligation that could affect the customer's acceptance of the aircraft. Delivery does not occur until the aircraft has been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the aircraft in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. In addition, warranties for spare parts are given by the original manufacturer and therefore the Group does not make any warranty provisions over spare parts.

Significant financing component

Generally, the Group receives short-term advances from its customers (these are presented as contract liability). Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Lease revenue

In Aircraft Trading and Portfolio Management segment lease revenue consists of lease revenue (fixed part) and supplemental maintenance rent (variable part) from aircraft leases.

As a lessor, the Group leases aircraft under operating leases and reports rental income on a linear basis over the life of the lease as it is earned. All aircraft lease agreements provide for the payment of a fixed, periodic amount of lease rentals (fixed lease revenue).

In addition to the fixed lease revenue, under the same contracts and for the same aircraft the Group also receives variable lease payments, so called supplemental maintenance rent from aircraft leases, which are calculated based on actual utilization of airframes, engines and other major life-limited components, and which is recognised as revenue over the lease term based on actual usage of the leased aircraft.

Lease revenue is recognised over time based on aircraft hours and cycles in operation

Fixed lease revenue and variable lease revenue are one performance obligation. Lease revenue is not within the Scope of IFRS15 "Revenue from contracts with customers".

2.25 Revenue recognition (continued)

In Aviation Logistics and Distribution Services segment almost all contracts include multiple deliverables, such as the lease of aircraft and related services. As the contracts include a fee per block hour, revenue is recognised in the amount to which the Group has a right to invoice.

IFRS 15 states that if a contract is partially within the scope of another standard, a company should apply any separation and/or measurement guidance in the other standard first. Otherwise, the principles in the revenue standards should be applied to separate and/or initially measure the components of the contract. The Group assessed that even though all arrangements with customers contain operating lease element, there is no difference in how revenue would be recognised under any of them, because:

- under operating lease model revenue is recognised in income on a systematic basis as block hours delivered to block hours promised, which is most representative of the time pattern in which benefit derived from the leased aircraft is diminished; or
- under IFRS 15 revenue is recognised over time using output method, i.e. measuring the progress based on block hours delivered.

The Group recognises revenue from contracts with customers over time and proportionally allocates to different performance obligations based on the actual costs of services provided that are related to each performance obligation or revenue stream (Note 5).

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule or invoices issued. If the services rendered by the Group exceeds the payment, a contract asset is recognised, also referred as accrued income. If the payments exceed the services rendered, a contract liability is recognised, also referred as deferred revenue.

Crew lease revenue is recognized when the Group leases crew without aircraft. Those revenue recognized over time as the services are performed based on hours delivered.

Commission income

The Group acts as an agent for a number of clients. The Group earns a fee or commission in return for arranging the provision of services on behalf of principal. The amounts collected on behalf of the principal are not recognised as revenue. Instead, the commission fees received are recognised as revenue. Commission income is recognized in the accounting period in which control of the services is passed to the customer, which is when the services are rendered, therefore commissions income is recognized at a point of time

Revenue from real estate

Revenue from real estate is recognised in the accounting period in which control of the services (hotel services) is passed to the customer, which is when the services are rendered. Revenue from real estate is recognized over time.

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.

2.26 Employee benefits

Social security contributions

The Group 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 Group 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.

2.26 Employee benefits (continued)

The social security contributions amounting to EUR 21 million for the Group (2020: EUR 16 million for the Group) are recognized as an expense on an accrual basis and are included within employee related expenses.

Bonus plans

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

Supplementary health insurance

The Group 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 Group 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.

Defined contribution pension scheme

The Group operates defined contribution plans for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payments obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plans are held separately from the Group in independently administered funds.

2. 27 Convertible preferred shares

The convertible preferred shares issued by the Group are classified as a financial liability, since they will or might be settled in the entity's own equity instruments and are a structured instrument for which the entity is or might be obliged to deliver a variable number of the entity's own equity instruments.

The Group designated the preferred shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Any directly attributable transaction costs are recognized directly in profit or loss. Subsequent to initial recognition, the preferred shares are carried at fair value with changes in fair value recognized as finance costs in the income statement. Changes in fair value related to changes in the company's own credit risk are presented separately in other comprehensive income, with no subsequent recycling through profit or loss.

The Group does not bifurcate any embedded derivatives from the host instruments and designates the entire instruments as financial liabilities at fair value through profit or loss.

The issued convertible preferred shares are level 3 instruments according to criteria set out in the fair value hierarchy. More details on the features of the instrument are provided in Note 37.

The preferred shares can be redeemed in cash at the option of the Group with consent of the preferred shares holder. They are classified as non-current liabilities if the preferred shares holders cannot demand the Group to redeem the preferred shares for at least 12 months after the end of the reporting period. Terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group'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 Group.

Risk management is carried out by Group'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 Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to US Dollar (USD), British Pound (GBP), Swedish Krona (SEK) and Russian Ruble (RUB). Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities.

For calculation of foreign exchange risk's sensitivity financial assets and financial liabilities, denominated at US-dollars, British Pounds, Swedish krona and Russian Ruble are multiplied by reasonably possible change of EUR to US dollars, EUR to British Pounds, EUR to Swedish krona and EUR to Russian Ruble respectively. Reasonable possible change is provided in the table below:

	2021	**2020**
Reasonably possible change of EUR to USD	8%	9%
Reasonably possible change of EUR to GBP	7%	5%
Reasonably possible change of EUR to RUB	8%	24%
Reasonably possible change of EUR to SEK	2%	4%

As at 31 December 2021 the Group's post-tax profit for the year would have been: EUR 19 780 thousand (2020: EUR 3 918 thousand), higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar denominated trade and other receivables and trade and other payables, EUR 407 thousand (2020: EUR 137 thousand) higher/lower, mainly as a result of foreign exchange gains/losses on translation of British Pound denominated trade and other receivables and trade and other payables, EUR 176 thousand higher/lower, mainly as a result of foreign exchange gains/losses on translation of Swedish krona denominated trade and other receivables and trade and other payables, EUR 77 thousand (2020: EUR 242 thousand) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Russian Ruble denominated trade and other receivables and trade and other payables.

Foreign exchange risk is controlled by monitoring the foreign currency exposure of its purchase contracts and lease commitments. The Group 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 preferred shares are convertible into a variable number of ordinary shares and hence expose the Group to the risk of changes in own share price, in the following years until the conversion.

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

3.1 Financial risk factors (continued)

(c) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from short-term and long-term bank borrowings and lease liabilities at floating interest rates (8% leases are subject to floating interest rate risk from total leases). The Group is not exposed to fair value interest rate risk as loans granted to related parties and interest free deposit placed as a guarantee for lease of aircraft are accounted at amortized cost and are with fixed interest rate. The Group is not exposed to bond interest rate risk as interests are accounted at an amortized cost and are fixed.
Borrowings received at variable interest rates and denominated in the EUR and USD currencies expose the Group to cash flow interest rate risk. As at 31 December 2021 and 31 December 2020 Group's borrowings and lease liabilities at variable rate of 3 or 6 months EURIBOR or LIBOR plus fixed margin were denominated in EUR and USD respectively.

For calculation of interest rate risk sensitivity interest expenses on borrowings, received at variable interest rates, are multiplied by possible interest rate change (hereinafter „reasonable shift"), which are prescribed by the Group. Possible interest rate changes are provided in the table below:

Currency of borrowings	**Reasonable shift**
EUR	1.00 %

The presumable interest rate change creates acceptable impact on Group's annual profit as well as equity and makes EUR 438 thousand in 2021 (2020: EUR 181 thousand) impact on profit or loss.

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 Group'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 exposure of credit risk

The table below summarises all credit risk exposures relating to on-balance sheet items of the Group. Maximum exposure to credit risk before collateral held or other credit enhancements:

	2021	**2020**
Trade receivables (Note 21)	140 645	69 461
Cash in bank (Note 23)	216 031	177 914
Other financial receivables	7 475	6 918
Contract assets (Note 22)	20 676	10 128
Trade receivables from related parties (Notes 21, 34)	538	505
Other financial receivables from related parties (Notes 21, 34)	5 605	4 488
Loans granted to related parties (Note 21)	26 007	22 869
Loans granted (Note 21)	6 330	8 369
Financial assets at fair value through profit or loss	3 237	1 231
Derivative financial instruments (assets)	4 667	3 563
Security deposits	25 367	14 112
Bank deposits	227 381	26 745
	683 959	**346 303**

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

3.1 Financial risk factors (continued)

The maximum exposure to credit risk for trade receivables by geographic region based on customer's incorporation can be specified as follows:

	2021	2020
Germany	21 554	13 701
China	10 046	2 853
United Kingdom	9 793	4 838
United States	9 558	3 773
Hungary	5 907	3 158
Sweden	5 302	4 004
Ireland	5 259	2 623
Russia	3 402	3 293
Ukraine	2 899	1 636
Pakistan	1 569	2 317
Kenya	1 561	2 089
Italy	1 457	2 639
France	1 280	1 579
Hong Kong	55	1 609
Other (less than EUR 1 500 thousand separately)	61 003	19 349
Total trade receivables	**140 645**	**69 461**

The maximum exposure to credit risk for trade receivables by customer can be specified as follows:

	2021	2020
Customer BG	12 276	5 098
Customer T	5 975	3 988
Customer AP	5 690	7 256
Customer AR	2 849	2 264
Customer BQ	2 143	1 257
Customer AS	1 403	2 320
Other (less than EUR 1 500 thousand separately)	110 309	47 278
Total trade receivables	**140 645**	**69 461**

(b) Impairment of financial assets

Groups of financial assets for ECL measurement purposes

The Group has two groups of financial instruments:

- trade receivables and contract assets 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 and 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. General individual assessment model is applied for ECL calculation, described below in paragraph Measurement of ECL - *other financial assets measured at amortised cost*.

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

3.1 Financial risk factors (continued)

The Group's loss allowance provision for financial assets measured at amortised cost as at 31 December 2021 reconciles to the opening loss allowance for that provision as follows:

	Loss allowance provision		
	For trade receivables & contract assets	**For other financial assets**	**Total**
Opening loss allowance as at 1 January 2020	**(17 714)**	**(22 804)**	**(40 518)**
(Increase)decrease in the provision recognised in profit or loss in other expenses during the period (Note 14)	(13 932)	(7 968)	**(21 900)**
Increase in the provision due to acquisitions	(1 990)	(40)	**(2 030)**
Acquisition of credit impaired assets	-	(116)	**(116)**
Reclassification of loss allowance provision	-	(672)	**(672)**
Cumulative currency differences	76	1 429	**1 505**
Receivables written off during the year as uncollectible	2 213	109	**2 322**
As at 31 December 2020 (Note 21, Note 22)	**(31 347)**	**(30 062)**	**(61 409)**
Opening loss allowance as at 1 January 2021	**(31 347)**	**(30 062)**	**(61 409)**
(Increase)decrease in the provision recognised in profit or loss in other expenses during the period (Note 14)	(4 668)	(7 770)	(12 438)
Increase in the provision due to acquisitions	(1 153)	-	(1 153)
Expected credit loss net-off with interest income	-	(1 160)	(1 160)
Acquisition of credit impaired assets	-	(95)	(95)
Reclassification of loss allowance provision	-	205	205
Cumulative currency differences	(571)	(1 916)	(2 487)
Receivables written off during the year as uncollectible	2 249	56	2 305
As at 31 December 2021 (Note 21, Note 22)	**(35 490)**	**(40 742)**	**(76 232)**

Measurement of significant increase in credit risk

The Group 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 Group 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.

The presumptions made by the Management of the Group and presented above are measured on the basis of the historical experience of the Groups aviation business. According to the overdue debt recovery statistical data of the Group 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 Group which is typically a newly established or acquired company for developing a viable business model around an innovative product, service, process or a platform.

3.1. Financial risk factors (continued)

Definition of default

Based on the Group'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.

The management considers that a more lagging default is appropriate due to the specific regulations, authorizations and licencing requirements for aviation business and Group's overall experience with start-up entities.

A summary of the assumptions underpinning the Groups' expected credit loss model is as follows:

Category	Stage	Company definition of category	Basis for recognition of expected credit loss provision
Category 1 Category 2	Stage 1	Financial assets whose credit risk is in line with original expectations.	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.
Category 3 Category 4	Stage 2	Financial assets for which a significant increase in credit risk has occurred compared to original expectations. 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.	Lifetime expected losses
Category 5	Stage 3	Financial assets for which a default is determined. 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.	Lifetime expected losses
Category 6	Stage 3	It becomes probable that a customer will enter to bankruptcy and there is no reasonable expectation of recovery.	Asset is written off through profit or loss to the extent of expected losses

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

3.1 Financial risk factors (continued)

Group uses individual assessment model for determining ECL for large trade receivables (above EUR 2 million), strategic client's other financial assets as described below. The Group uses six categories of internal credit rating (category 1 being least risky and category 6 – defaulted), which reflect credit risk of financial assets. 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 Group's management reviews key macroeconomic indicators for the markets where Group's debtors are operating and determines if there are expected significant changes that would affect ECL. If management determines that there are no such significant expected changes in macroeconomic variables, ECL based on historical information is used.

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 Group does not possess any collateral or other means of recovery. After write-off the Group 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 Group applies 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 Group'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 Group 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.

2021	**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**
GROUP					
Expected loss rate	0,60%	2,51%	9,11%	85,12%	**10,73%**
Gross carrying amount	141 521	7 556	3 404	20 186	172 667
Loss allowance provision	(848)	(190)	(310)	(17 183)	(18 531)

2020	**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**
GROUP					
Expected loss rate	0,90%	1,88%	10,06%	50,63%	**5,36%**
Gross carrying amount	63 404	5 699	1 173	6 560	**76 836**
Loss allowance provision	(569)	(107)	(118)	(3 321)	**(4 115)**

The Group uses individual assessment model for determining ECL for large trade receivables (above EUR 2 million) or strategic clients based on the Group'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*.

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

3.1 Financial risk factors (continued)

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 IFRS 9.

The Group's loss allowance provision as at 31 December 2021 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	0,91%	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.	7 043	(64)
Category 2	Stage 1	8,20%		122	(10)
Category 3	Stage 2	10,05%		209	(21)
Category 4	Stage 2	27,91%		43	(12)
Category 5	Stage 3	84,39%	Lifetime expected losses	1 480	(1 249)
Category 6	Stage 3	98,85%		15 785	(15 603)
Total:		**68,71%**		**24 682**	**(16 959)**

The Group's loss allowance provision as at 31 December 2020 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	0,52%	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.	4 806	(25)
Category 2	Stage 1	5,16%		523	(27)
Category 3	Stage 2	13,25%		498	(66)
Category 4	Stage 2	27,53%		1 391	(383)
Category 5	Stage 3	63,42%	Lifetime expected losses	1 282	(813)
Category 6	Stage 3	99,28%		26 105	(25 918)
Total:		**78,69%**		**34 605**	**(27 232)**

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 Group uses individual assessment model for determining ECL for other financial assets as described above in section "*Measurement of significant increase in credit risk*".

The Group's loss allowance provision as at 31 December 2021 for other financial assets measured at amortised cost is determined as follows:

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

3.1 Financial risk factors (continued)

The Group's loss allowance provision as at 31 December 2021 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	0,54%	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.	46 064	(247)
Category 2	Stage 1	8,62%		116	(10)
Category 1 (for start-ups)	Stage 1	0%		28	-
Category 3	Stage 2	10,12%	Lifetime expected losses	830	(84)
Category 4	Stage 2	32,20%		177	(57)
Category 5	Stage 3	64,00%		25	(16)
Category 6	Stage 3	100,00%		40 328	(40 328)
Total:		**46,53%**		**87 568**	**(40 742)**

The Group's loss allowance provision as at 31 December 2020 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 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.	32 417	(167)
Category 2	Stage 1	5,32%		94	(5)
Category 1 (for start-ups)	Stage 1	0%		35	-
Category 2 (for start-ups)	Stage 1	6,46%		1 843	(119)
Category 3	Stage 2	10,05%	Lifetime expected losses	547	(55)
Category 4	Stage 2	41,80%		244	(102)
Category 5	Stage 3	54,00%		17 711	(9 564)
Category 6	Stage 3	100,00%		20 050	(20 050)
Total:		**41,21%**		**72 941**	**(30 062)**

* Financial ratios are not calculated for *start-up business companies*. Nine internal credit rating categories for *start-up business companies* are assigned on initial recognition depending on the term of activity since establishment. Initially start-up businesses are measured based on 12-month ECL. At each balance sheet date, the Group considers whether there has been a significant increase in credit risk since the initial recognition. According to the definition of significant increase in credit risk for start-up business companies, if a company's operating results are decreasing or 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.

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

3.1 Financial risk factors (continued)

The loss allowance provision for other financial assets at amortised cost as at 31 December 2021 reconciles to the opening loss allowance for that provision as follows:

	Loans	Investment in bonds	Other receivables	Total
Opening loss allowance as at 1 January 2020	**(11 080)**	**(9 792)**	**(1 932)**	**(22 804)**
Increase (decrease) in the provision recognised in profit or loss in other expenses during the period	(7 475)	-	(493)	**(7 968)**
Increase in the provision due to acquisitions	-		(40)	**(40)**
Reclassification of loss allowance provision	-	-	(672)	**(672)**
Acquisition of credit impaired assets	(116)	-	-	**(116)**
Write-offs	111	-	(2)	**109**
Currency translation differences	1 318	-	111	**1 429**
As at 31 December 2020	**(17 242)**	**(9 792)**	**(3 028)**	**(30 062)**
Opening loss allowance as at 1 January 2021	**(17 242)**	**(9 792)**	**(3 028)**	**(30 062)**
Increase (decrease) in the provision recognised in profit or loss in other expenses during the period	(5 348)	-	(2 422)	(7 770)
Increase in the provision due to acquisitions	-	-	-	-
Expected credit loss net-off with interest income	(1 160)	-	-	(1 160)
Reclassification of loss allowance provision	(21)	-	226	205
Acquisition of credit impaired assets	-	-	(95)	(95)
Write-offs	40	-	16	56
Currency translation differences	(839)	(182)	(895)	(1 916)
As at 31 December 2021	**(24 570)**	**(9 974)**	**(6 198)**	**(40 742)**

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 Group's cash and cash equivalents. See the table below for analysis of the Group's cash and cash equivalents according to the credit quality (Note 23):

	2021	**2020**
AA-	905	1 286
A+	31 812	85 698
AA	4	216
A	72 934	19 607
A-	5 580	7 379
AAA	112	1 060
AA+	289	-
BBB+	91 348	101
BBB	5 293	59 030
BBB-	1 698	2 497
BB+	206	-
BB	1 965	-
B+	-	85
B	626	-
B-	298	23
Other	2 961	932
Cash on hand	633	438
	216 664	**178 352**

** - external long-term credit ratings set by international agencies Standards & Poor's, Fitch ratings and Moody's Ratings as at 2020/2021.*

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

3.1 Financial risk factors (continued)

Bank deposits

As at 31 December 2021 the Group had outstanding short-term bank deposits in amount of 225 083 thousand EUR, which were held at A+ rated banks (31 December 2020: 25 519 thousand EUR – A+ rated banks). As at 31 December 2021 the Group had outstanding long-term bank deposits in amount of 2 297 thousand EUR, which were held at A- rated banks (31 December 2020: 1 226 thousand EUR – BBB rated banks).

Security deposit with lessor, loans granted and loans granted to related parties

Security deposit with lessor, loans granted, loans granted to related parties, other receivables and other receivables from related parties held by the Group as of the periods presented are neither past due nor impaired. The Group does not analyse these financial assets according to credit quality.

Liquidity risk

Liquidity risk management implies maintaining sufficient cash and the availability of funding through other group companies. Liquidity risk is managed by the General Managers of entities of the Group in close cooperation with the Company to maintain a minimum required liquidity position.

As at 31 December 2021 current liabilities in sixty-eight subsidiaries of the Group exceeded the current assets. Management of the Group believes that this will not have any impact on the ability of subsidiaries of the Group to continue as going concern (Note 4 "*Going concern"*).

The Group's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these. The table below allocates the Group'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. Trade and other payables and deposits received due within/after 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	**Between 1 - 5 years**	**Over 5 years**
31 December 2021			
Trade and other payables	90 592	5 589	-
Bank overdraft	799	-	-
Bonds issued	18 863	275 708	-
Bank borrowings	5 841	33 406	948
Security deposits received	6 309	385	-
Lease liabilities (Note 27)	66 658	131 822	26 253
Derivative financial instruments	-	5 865	-
Accrued expenses for certain contracts	1 613	-	-
Other borrowings	12 950	10 685	2 958
	203 625	**463 460**	**30 159**
31 December 2020			
Trade and other payables	68 677	50	-
Bank overdraft	500	-	-
Bonds issued	17 279	269 831	-
Bank borrowings	3 865	17 385	-
Security deposits received	4 419	-	-
Lease liabilities (Note 27)	61 497	126 138	14 069
Derivative financial instruments	-	12 453	-
Accrued expenses for certain contracts	1 814	-	-
Other borrowings	2 001	32	-
	160 052	**425 889**	**14 069**

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

3.1 Financial risk factors (continued)

The preferred shares classified as a financial liability are mandatorily settled in shares and do not include a contractual obligation to deliver cash. They do not expose the Group to liquidity risk and hence are not included in the liquidity disclosure.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt. The Group's strategy is to maintain gearing ratio within 30% to 60%.

The Group's gearing ratio is as follows:

	2021	**2020**
Total borrowings (Note 27) *	479 669	406 584
Less: cash and cash equivalents (Note 23)	(216 664)	(178 352)
Net debt*	263 005	228 232
Total equity	328 379	273 370
Total capital	**591 384**	**501 602**
Gearing ratio	44%	46%

*For the purpose of capital risk management, the Group does not include the convertible preferred shares liability in the net debt calculation, since it is not subject to redemption via a cash outflow upon the expected conversion. For more details on the instrument, refer to Note 37.

The Group is subject to covenants imposed by the issued bonds: financial ratios related to net debt, EBITDA, secured indebtedness and other qualitative restrictions. During the years 2021 and 2020, the Group complied the externally imposed capital requirements to which it is subject.

3.3 Fair value estimation

The fair value of financial assets and financial liabilities for the disclosure purposes is estimated by discounting the cash flows from each class of financial assets or financial liabilities.

Fair value of interest free security deposit with the suppliers approximates its carrying value which was calculated discounting nominal value of deposit using market interest rate. Loans to third and related parties were granted at market interest rates, therefore, their carrying value approximate fair value.

The fair value of bank borrowings and leases with variable rates approximate their carrying amount.

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 Group 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:

(a) Expected credit losses (ECL) on accounts receivable

The Group recognises loss allowances for expected credit losses (ECL) on financial assets measured at amortised cost: trade receivable, loans, other receivable, bonds, and accrued revenue. Total ECL amounted to EUR 76 232 thousand as at 31 December 2021 and 61 409 thousand as at 31 December 2020.

Loss allowances for trade receivables and contract assets 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 Group 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 Group 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 Group's historical experience and informed credit assessment and including forward-looking information.

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

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.

(b) Allowances for inventories

The Group has a material inventory balance and performs testing whether inventory balance is properly accounted for at the lower of cost and net realisable value by estimating allowance for slow moving or obsolete inventory. For this estimation the Group reviews major inventory items and establishes net realisable values based on the best estimate of the selling prices of each inventory item, taking into account management's experience and market conditions. Deviations of management estimated selling prices from actual prices at which inventory items may be sold may lead to a material impact on the Group's profit or loss. Allowances for inventories amounted to EUR 11 350 thousand as at 31 December 2021 and EUR 7 696 thousand as at 31 December 2020 and are disclosed in Note 20.

4 Critical Accounting Estimates and Significant Judgments (continued)

(c) Accruals for "power-by-the hour" aircraft maintenance contracts

Under the terms of "power by the hour" (PBH) aircraft maintenance contracts, the Group (supplier) has the obligation at its expense to repair and administer the Components' Pool for the Customer's aircraft fleet. For this estimation the Group reviews accruals for PBH contracts based on best estimates of the repair or/and maintenance of each component item, taking into account management's experience and market conditions. Deviations of management estimated components' repair and maintenance expenses from actual expenses at which component item may be repaired or/and maintained should not lead to any material impact on the Group's profit or loss. PBH aircraft maintenance contracts accrual amounted to EUR 1 613 thousand as at 31 December 2021 and EUR 1 814 thousand as at 31 December 2020.

(d) Taxes

Tax authorities have a right to examine accounting records of the Group at any time during the 5 year period after the current tax year and account for additional taxes and fines. In the opinion of the Group's management, currently there are no circumstances that might result in a potential material liability in this respect to the Group. The Group is subject to taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Deferred tax assets amounted to EUR 16 728 thousand as at 31 December 2021 and EUR 17 161 thousand as at 31 December 2020 after appropriate offsetting with deferred tax liability and are disclosed in Note 30.

(e) Property, plant and equipment and intangible assets

Estimates concerning useful lives of property, plant and equipment may change due to constant technology advancement. Useful lives of property, plant and equipment are disclosed Note 2.5 and depreciation charge for the year is disclosed in Note 16. Increasing an asset's expected useful life or its residual value would result in a reduced depreciation charge. The useful lives of property, plant and equipment are determined by the management at the time the asset is acquired and reviewed on an annual basis for appropriateness. The lives are based on historical experiences with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology. Most of property, plant and equipment of the Group comprise machinery, buildings and vehicles. The residual value of aircraft engines represents the amount the Management believes, based on historical experience, the aircraft engine can be sold or traded for at the end of its useful life, after its tear down into spare parts and components (Note 2.5).

Property, plant and equipment amounted to EUR 414 443 thousand as at 31 December 2021 and EUR 352 931 thousand as at 31 December 2020 and are disclosed in Note 16. Intangible assets amounted to EUR 115 946 thousand as at 31 December 2021 and EUR 102 777 thousand as at 31 December 2020 and are disclosed in Note 17.

4 Critical Accounting Estimates and Significant Judgments (continued)

(f) Estimated impairment of goodwill and purchase price allocation

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in the Note 2.8. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 17).

As disclosed in Note 2.2, the acquisition method of accounting is used to account for business combinations. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. These calculations require the use of estimates which are disclosed in Note 33 "Business Combinations".

Goodwill amounted to EUR 97 030 thousand as at 31 December 2021 and EUR 84 245 thousand as at 31 December 2020 and is disclosed in Note 17 and Note 33.

(g) Provision for "C-check"

Under some lease contracts, the Group (as a customer) has the obligation at its expense to perform a periodic C-check inspection upon the redelivery of the leased aircraft or at some defined periods if not returned earlier. For this present obligation the Group makes the best estimate for C-check (separate components repair and maintenance) expenses based on historical costs for similar inspections, taking into account management's experience and market conditions. Deviations of management estimated C-Check expenses from actual expenses at which component item may be repaired or/and maintained might occur, although expected not to lead to any material impact on the Group's profit or loss and is accounted for when occur. With the adoption of IFRS 16 Leases effective from 1 January 2019, estimated C-Checks costs related to aircraft leases for which a right-of-use asset is recognised are capitalised to a right-of-use asset when contractual obligation arises (usually after the most recent C-check event) and depreciated during the remaining period until the next C-Check event. In cases when the Group lease contracts do not fall in the scope of IFRS 16 (e. g. power by hour contracts), anticipated and unavoidable C-check provisions are accrued and expensed to profit or loss. Provisions for C-check amounted to EUR 7 910 thousand as at 31 December 2021 and 6 796 thousand as at 31 December 2020 (Note 28).

When the lease contract does not determine the C-check inspection upon the redelivery condition, such costs are capitalized when incurred and depreciated during the remaining period of the lease or until next inspection depending which is first.

(h) Going concern

As stated in the Note 2.1, these consolidated financial statements were prepared on a going concern basis, which assumes continuity of current activities and the realization of assets and settlement of liabilities in the ordinary course of business.

During 2020 operations of the Group were significantly impacted by the spread of COVID-19 virus. The coronavirus pandemic has created an unprecedented situation all around the world, which had a significant impact on the aviation and related services where the Group operates. 2021 saw a partial but sustained traffic recovery in Europe, mass vaccinations and the EU Digital COVID certificate helped deliver strong summer recovery, and traffic has rebounded compared to 2020, however not yet to pre-pandemic levels. The positive changes had direct impact for 2021 as the Group financial performance improved comparing the year 2021 to 2020.

Governments across the world continued the state aid programs to counter the negative effects of the outbreak of COVID -19 on the economy such as employee cost compensation packages, tax deferral plans and other.

Based on the publicly available information at the date these financial statements were authorized for issue, management considers the aviation market to recover to pre-pandemic levels within a few years.

4 Critical Accounting Estimates and Significant Judgments (continued)

As at 31 December 2021 the Group had EUR 216.6 million in cash and cash equivalents and further EUR 225.0 million in short term bank deposits that are expected to remain the main source of liquidity during subsequent full market recovery.

Management reviewed the covenants of bonds and significant borrowings and concluded that the Group will be able to comply with them for at least twelve months from the date of approval of the financial statements.

In management's view, the above factors support the assertion that the Group will have sufficient resources to continue for a period of at least 12 months from the date of authorisation of these financial statements. Management concluded that the range of possible outcomes considered at arriving at this judgment does not give rise to material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern for at least twelve months from the date of approval of the financial statements.

(i) Related party transactions

In the normal course of business, the Group enters into transactions with its related parties. Judgment is applied in determining if transactions are priced at market or non-market rates, where there is no active market for such transactions. For the related party transactions that occurred during the current and prior period refer to Note 34.

(i) Valuation of convertible preferred shares

As at 15 December 2021 the Group has raised capital of EUR 300 million by issuing 19,444,444 convertible preferred shares. The structured equity instrument includes features of dividend rights, conversion and redemption options, liquidation preferences. Based on the financial reporting framework and selected accounting policy the convertible preferred shares are classified as financial liabilities accounted at fair value through profit (loss), while fair value changes relating to Groups' own-credit risk are accounted in other comprehensive income.

Management has applied judgement in determining the fair value of the unquoted equity instrument. Since the shares were recently issued, the instrument fair value at inception was measured as the transaction price (i.e. entry price). The transaction was orderly in nature, it took place between market participants that are independent of each other, both parties were knowledgeable of the transaction. Subsequently management has accounted an fair value adjustment for the cumulative dividend entitlement for the period from inception up to year end. Management is not aware of any significant events or circumstances during the same period, which would affect the fair value of structured equity instrument.

The fair value of a liability should reflect the non-performance risk based on the entity's own credit risk that a market participant might require to undertake the activity. Any changes relating to own credit risk should be accounted in other comprehensive income. Since the transaction occurred close to year end and management is not aware of any significant events, which would affect the Group credit ratings, management deems the potential fair value change related to own credit risk immaterial.

For more details on the instrument, refer to Note 37.

5 Segment information

For management purposes, the Group is organised into business units based on the services provided, and has four reportable operating segments:
- Aviation Supporting Services;
- Aviation Logistics and Distribution Services;
- Aircraft Trading and Portfolio Management;
- Unallocated (holding, financing and other activities not related to aviation).

Aviation Supporting Services

Aviation Supporting Services segment is involved in providing services to airlines to support their business (services and products to aircraft and aircraft itself) using own assets. This segment includes aircraft and aircraft components' maintenance services, repair, overhaul, engineering, spare parts and consumable sale, aircraft handling, passengers servicing, tickets sale and into-plane fuelling, full scope of integrated flight training and recruitment solution services. Management has made judgement that the operating segments share similar economic characteristics such as business nature and long term operating profit margins, therefore could be aggregated.

Aviation Logistics and Distribution Services

Aviation Logistics and Distribution Services segment provide services using aircraft to airline and non-airline customers using contracted capacity. This segment includes logistics services, a wide range of aircraft charter and leasing services to cargo, passenger and VIP charter clients across a broad spectrum of industries. Management has made judgement that the operating segments share similar economic characteristics such as business nature and long term operating profit margins, therefore could be aggregated.

Aircraft Trading and Portfolio Management

Aircraft Trading and Portfolio Management segment is engaged in the business of aircraft leasing, trading and management.

Unallocated Sales

The Unallocated sales include sales of management services, financing and other activities not related to aviation which cannot be attributed to the other segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. The segment performance is analysed on monthly basis based on internal reports provided to the chief operating decision maker of the Group.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment revenue, cost and operating expenses, other income, other gain/loss and segment operating profit include transfers between business segments. Those transfers are eliminated on consolidation.

Management analyses the activities of the Group both from geographic and business perspective. From business perspective the Management used to analyse the Group sales volume and operating profit (loss) based on businesses the Group is involved in (according to the Group companies' activities), referred to as segments. Operating profit (loss) is a measure of segment profit or loss for management analysis purposes. Management also regularly reviews capital investments on segment basis therefore additions to non-current assets has been separately disclosed according to each operating segment.

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

5 Segment information (continued)

The following table present sales to external customers, cost and operating expenses, other income, other gain/loss and operating profit information according to the Group's business segments for year ended 31 December 2021:

Year ended 31 December 2021	**Aviation Support Services**	**Aviation Logistics and Distribution Services**	**Aircraft Trading and Portfolio Management**	**Unallocated***	**Inter-segment transactions**	**Total**
Continuing operations						
Revenue from contracts with external customers	327 270	653 797	576	33 248	-	**1 014 891**
Timing of revenue recognition						
At a point in time	156 663	653 797	30	32 275	-	**842 765**
Over time	170 607	-	546	973	-	**172 126**
Intersegment sales	24 382	12 379	12 905	6 584	(56 250)	**-**
Total revenue	**351 652**	**666 176**	**13 481**	**39 832**	**(56 250)**	**1 014 891**
Other income (Note 6)	1 755	464	1 756	9 992	(10 635)	**3 332**
Cost of services and goods purchased (Note 10)	(162 960)	(482 943)	(2 605)	(17 589)	50 812	**(615 285)**
Employee related expenses (Note 7)	(138 929)	(51 771)	(1 132)	(8 375)	18	**(200 189)**
Impairment losses of financial assets	(2 464)	(2 705)	(7 544)	(6 979)	7 254	**(12 438)**
Other impairment-related expenses	(2 371)	4	(3 219)	(286)	158	**(5 714)**
Other operating expenses (Note 11)	(29 856)	(23 234)	(2 363)	(18 001)	4 966	**(68 488)**
Depreciation and amortisation (Note 8, 16, 17)	(16 923)	(46 009)	(4 648)	(7 383)	625	**(74 338)**
Other gain/(loss) – net (Note 9)	3 203	24 078	5 310	5 232	376	**38 199**
Segment operating profit (loss)	**3 107**	**84 060**	**(964)**	**(3 557)**	**(2 676)**	**79 970**
Finance costs - net (Note 12)						(36 800)
Share of profit (losses) of associates (Note 18)						1 458
Profit (loss) before income tax						**44 628**
Income tax (Note 13)						(10 260)
Net profit (loss) for the period						**34 368**
As at 31 December 2021:						
Segment assets	318 976	432 576	242 628	475 642	-	**1 469 822**
Segment liabilities	207 167	297 313	42 487	594 476	-	**1 141 443**
Acquisition of non-current assets (Notes 16, 17)	33 369	87 230	23 847	11 486	-	**155 932**

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

5 Segment information (continued)

The following table present sales to external customers, cost and operating expenses, other income, other gain/loss and operating profit information according to the Group's business segments for year ended 31 December 2020:

Year ended 31 December 2020	**Aviation Support Services**	**Aviation Logistics and Distribution Services**	**Aircraft Trading and Portfolio Management**	**Unallocated***	**Inter-segment transactions**	**Total**
Continuing operations						
Revenue from contracts with external customers	228 601	367 178	88 308	11 585	-	**695 672**
Timing of revenue recognition						
At a point in time	132 928	366 256	85 782	11 490	-	**596 456**
Over time	95 673	922	2 526	95	-	**99 216**
Intersegment sales	14 260	1 250	6 704	4 676	(26 890)	**-**
Total revenue	**242 861**	**368 428**	**95 012**	**16 261**	**(26 890)**	**695 672**
Other income (Note 6)	1 447	9 958	4 397	6 285	(8 869)	**13 218**
Cost of services and goods purchased (Note 10)	(120 081)	(249 229)	(69 673)	(3 549)	24 165	**(418 367)**
Employee related expenses (Note 7)	(95 123)	(44 802)	(1 057)	(4 785)	33	**(145 734)**
Impairment losses of financial assets	(5 352)	(320)	(13 638)	(8 645)	6 055	**(21 900)**
Other impairment-related expenses	(2 866)	(2 940)	(516)	-	(1 022)	**(7 344)**
Other operating expenses (Note 11)	(23 276)	(19 167)	(2 464)	(6 031)	4 342	**(46 596)**
Depreciation and amortisation (Note 8, 16, 17)	(16 707)	(73 815)	(3 665)	(5 128)	110	**(99 205)**
Other gain/(loss) – net (Note 9)	5 790	12 670	(1 162)	13 679	(18 956)	**12 021**
Segment operating profit	**(13 307)**	**783**	**7 234**	**8 087**	**(21 032)**	**(18 235)**
Finance costs - net (Note 12)						(26 384)
Share of profit (losses) of associates (Note 18)						(1 190)
Profit before income tax						**45 809**
Income tax (Note 13)						(5 796)
Net profit for the period						**(51 605)**
As at 31 December 2020:						
Segment assets	227 741	321 141	147 092	250 316	-	**946 290**
Segment liabilities	138 988	225 400	35 905	272 627	-	**672 920**
Acquisition of non-current assets (Notes 16, 17)	50 449	27 524	32 386	35 391	-	**145 750**

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

5 Segment information (continued)

The Group's revenue from external customers by geographical location of subsidiaries and by business segments detailed below:

Year ended 31 December 2021	**Aviation Support Services**	**Aviation Logistics and Distribution Services**	**Aircraft Trading and Portfolio Management**	**Unallocated**	**Total**
Europe	225 551	547 494	430	33 179	**806 654**
Americas	9 588	35 634	0	0	**45 222**
Asia	43 609	36 185	31	11	**79 836**
CIS	38 762	466	115	58	**39 401**
Africa	9 294	33 236	0	0	**42 530**
Australia and pacific islands	466	782	0	0	**1 248**
Total	**327 270**	**653 797**	**576**	**33 248**	**1 014 891**

Year ended 31 December 2020	**Aviation Support Services**	**Aviation Logistics and Distribution Services**	**Aircraft Trading and Portfolio Management**	**Unallocated**	**Total**
Europe	150 951	278 514	86 004	11 517	**526 986**
Americas	5 186	22 214	-	-	**27 400**
Asia	30 389	41 587	21	12	**72 009**
CIS	34 662	421	2 283	56	**37 422**
Africa	7 343	23 765	-	-	**31 108**
Australia and pacific islands	70	677	-	-	**747**
Total	**228 601**	**367 178**	**88 308**	**11 585**	**695 672**

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

5 Segment information (continued)

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

	31 December 2021	31 December 2020
Trade receivables	141 183	69 966
Contract assets	20 676	10 128
Contract liabilities	77 635	33 360

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer. For contract assets movement disclosure refer to Note 22.

The contract liabilities primarily relate to the deferred revenue – issued sales invoices for good and services not yet provided.

Contract liabilities	**31 December 2021**	**31 December 2020**
Deferred revenue	48 308	9 072
Advances received	22 263	24 287
Advances received from related parties	7 064	1
Total contract liabilities	**77 635**	**33 360**

The amount of revenue recognised during 2021 from performance obligations satisfied that was included in the contract liabilities as at the beginning of the period is EUR 17 703 thousand (2020: EUR 60 109 thousand).

The following table shows unsatisfied performance obligations by segments:

Aviation Support Services	**31 December 2021**
Aggregate amount of contracts that are partially or fully unsatisfied as at 31 December 2021	10 964
Amount of contracts that is expected to be partially or fully satisfied during 2022	(10 964)

Aviation Support Services	**31 December 2020**
Aggregate amount of contracts that are partially or fully unsatisfied as at 31 December 2020	147
Amount of contracts that is expected to be partially or fully satisfied during 2021	(147)

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

5 Segment information (continued)

Aviation Logistics and Distribution Services	**31 December 2021**
Aggregate amount of contracts that are partially or fully unsatisfied as at 31 December 2021	47 768
Amount of contracts that is expected to be partially or fully satisfied during 2022	(47 768)

Aviation Logistics and Distribution Services	**31 December 2020**
Aggregate amount of contracts that are partially or fully unsatisfied as at 31 December 2020	11 153
Amount of contracts that is expected to be partially or fully satisfied during 2021	(11 153)

Unallocated	**31 December 2021**
Aggregate amount of contracts that are partially or fully unsatisfied as at 31 December 2021	-
Amount of contracts that is expected to be partially or fully satisfied during 2022	-

Unallocated	**31 December 2020**
Aggregate amount of contracts that are partially or fully unsatisfied as at 31 December 2020	24
Amount of contracts that is expected to be partially or fully satisfied during 2021	(24)

The Group's revenue from external customers by geographical location of customers on 31 December 2021 and 31 December 2020 detailed below:

	2021	**2020**
Germany	307 204	163 040
Ireland	35 954	97 365
United Kingdom	51 099	46 350
Lithuania	44 237	16 060
Netherlands	39 810	20 011
United States of America	34 917	19 473
Belgium	34 646	25 643
Russian Federation	33 068	28 205
Hungary	30 596	16 388
Ukraine	29 472	14 974
Kenya	29 381	21 555
Sweden	25 777	10 672
Estonia	23 979	10 218
Norway	19 171	15 087
France	18 455	11 693
Latvia	17 839	11 319
Italy	17 427	13 923
Spain	14 787	5 576
Switzerland	14 635	3 488
Turkey	13 693	3 003
Other countries	178 744	141 629
	1 014 891	**695 672**

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

5 Segment information (continued)

The segment's sales to external customers are derived from the following single customers (the customers whose sales revenue exceed 10 per cent of total sales revenue of that segment in any of the years). The table below is presented without revenue from the unallocated business segment:

Aviation Support Services segment	**2021**	**2020**
Other customers	327 270	228 601
	327 270	**228 601**

Aviation Logistics and Distribution Services segment	**2021**	**2020**
Customer AR	141 769	73 549
Other customers	512 028	293 629
	653 797	**367 178**

Aircraft Leasing, Trading and Management segment	**2021**	**2020**
Customer AT	-	85 761
Other customers	576	2 547
	576	**88 308**

EUR 141 769 thousand revenue out of total consolidated EUR 1 014 891 thousand revenue (or around 14 per cent) was received from Customer AR during 2021, EUR 85 761 thousand revenue out of total consolidated EUR 695 672 thousand revenue (or around 12 per cent) was received from Customer AT during 2020.

6 Other income

	2021	**2020**
Penalty income*	187	9 784
Interest income on loans	1 473	2 283
Amortisation of government grants (Note 19)	237	238
Government grants	-	75
Other income	1 435	838
	3 332	**13 218**

* Penalty income is received for terminated ACMI contracts in Aviation Logistics and Distribution Services segment.

7 Employee related expenses

	2021	**2020**
Wages and salaries	183 754	145 282
Government grants for wages and salaries	(6 981)	(16 311)
Social insurance expenses	21 700	15 522
Pension reserve expenses	890	519
Contributions to defined contribution pension schemes	561	451
Benefit related to option scheme (Note 35)	265	271
	200 189	**145 734**
Number of full-time employees at the end of year	**4 707**	**3 983**
Average of full-time employees during the period	**4 189**	**3 927**

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

8 Depreciation and amortisation

	2021	2020
Depreciation of right-of-use asset (IFRS 16)	49 839	77 480
Depreciation of tangible assets (Note 16)	21 223	19 345
Amortisation of intangible assets (Note 17)	3 276	2 380
	74 338	**99 205**

9 Other gains / (losses) – net

	2021	2020
Net gain from COVID-19 related rent concessions	7 591	12 853
Net gain on disposal of subsidiaries (Note 33)	5 130	3 829
Gains/losses from IFRS 16 due to lease termination	6 060	2 579
Net gain on rights transferred due to sales leaseback contracts	5 537	-
Net gain on sales of inventory and other current assets	303	83
Net gain on sales of non-current assets	504	3
Net foreign exchange gain (loss) on operating activities	485	(5 572)
Losses from IFRS 16 due to lease modification	(132)	(1 536)
Net gain/(loss) on sales of financial assets	(277)	(2 426)
Other gain/(loss)	12 998*	2 208
	38 199	**12 021**

* In 2021 companies operating in Aviation Logistics and Distribution Services segment negotiated with lessors and part of the debt related to the pandemic period was waived, resulting in a gain amounting to EUR 9 239 thousand.

10 Cost of goods and services

	2021	2020
Aircraft fuel expenses	199 384	92 407
Cost of purchased services	108 499	76 031
Costs of aircraft sold	-	63 449
Rent of aircraft, training and other equipment and lease related services	119 948	61 605
Cost of goods purchased	71 419	51 493
Aircraft repair and maintenance costs	38 269	36 546
Employee rent and other related personnel expenses	26 290	16 400
Aircraft operations costs and flight related charges	40 013	12 210
Rent and maintenance of premises	14 343	10 597
Government grants	(2 880)	(2 371)
	615 285	**418 367**

The government grants are directly related to compensation for rent expenses.

11 Other operating expenses

	2021	2020
Consultation expenses	27 299	14 019
Office administrative, communications and IT expenses	10 803	7 598
Insurance expenses	7 395	7 369
Transportation and related expenses	5 493	4 830
Business travel expenses	6 075	3 505
Marketing and sales expenses	3 626	2 351
VAT expenses	902	671
Other expenses	6 895	6 253
	68 488	**46 596**

Consultation expenses include statutory audit fees for the audit of the annual financial statements for amount of EUR 1.2 million, for the year 2021 (EUR 1.0 million for the year 2020). Non-audit fees charged by the Group's statutory auditor for tax advisory services for the year-ended 31 December 2021 amounted to €35,200 (2020: NIL).

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

12 Finance income and costs

	2021	2020
Profit from bonds repurchase	40	6 073
Foreign exchange gain on financing activities	-	3 839
Interest income on cash and cash equivalents	140	1 253
Gain from fair value recognized in profit and loss	1 394	151
Other finance income	1 345	955
Finance income	**2 919**	**12 271**
Interest expenses on borrowings	(22 667)	(23 114)
Interest expenses on lease liabilities (IFRS16)	(10 765)	(14 820)
Foreign exchange loss on financing activities	(3 950)	-
Loss from fair value revaluation of convertible preferred shares	(920)	-
Other finance costs	(1 417)	(721)
Finance costs	**(39 719)**	**(38 655)**
Finance costs – net	**(36 800)**	**(26 384)**

13 Income tax and deferred income tax

	2021	2020
Current income tax	(19 818)	(17 101)
Deferred income tax (Note 30)	9 558	11 305
Total income tax expenses	**(10 260)**	**(5 796)**

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

13 Income tax and deferred income tax (continued)

The tax on the Group's profit (loss) before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2021	**2020**
Profit (loss) before tax from continuing operations	**44 628**	**(45 809)**
Tax calculated at a tax rate 15 % in Lithuania	(513)	(3 768)
Tax calculated at a tax rate 20 % in Vietnam	(251)	(145)
Tax calculated at a tax rate 19 % in Poland	80	55
Tax calculated at a tax rate 18 % in Ukraine	813	(1 371)
Tax calculated at a tax rate 20 % in Russia	(191)	(327)
Tax calculated at a tax rate 19 % in United Kingdom	10 210	9 373
Tax calculated at a tax rate 30 % in Germany	5 915	4 319
Tax calculated at a tax rate 30% in Nigeria	(2)	5
Tax calculated at a tax rate 12.5 % in Cyprus	(1 684)	(739)
Tax calculated at a tax rate 22% in Indonesia	263	(81)
Tax calculated at a tax rate 19% in Czech Republic	108	69
Tax calculated at a tax rate 20% in Thailand	(17)	(2)
Tax calculated at a tax rate 25 % in Ireland	(2 616)	(2 507)
Tax calculated at a tax rate 25 % in Austria	4	4
Tax calculated at a tax rate 10 % in Croatia	8	(8)
Tax calculated at a tax rate 16,5 % in Hong Kong	302	(96)
Tax calculated at a tax rate 25 % in Belgium	193	236
Tax calculated at a tax rate 25 % in China	-	-
Tax calculated at a tax rate 28 % in South Africa	77	29
Tax calculated at a tax rate 25 % in Spain	121	298
Tax calculated at a tax rate 21 % in USA	3 381	969
Tax calculated at a tax rate 30 % in Australia	104	69
Tax calculated at a tax rate 35 % in Malta	(1 047)	(556)
Tax calculated at a tax rate 21 % in Slovakia	(1)	6
Tax calculated at a tax rate 17 % in Singapore	281	324
Tax calculated at a tax rate 15 % in Iraq	-	(2)
Tax calculated at a tax rate 26.50 % in Canada	76	85
Tax calculated at a tax rate 22 % in Denmark	(307)	(2 214)
Tax calculated at a tax rate 20 % in Finland	6	(268)
Tax calculated at a tax rate 22 % in Norway	447	38
Tax calculated at a tax rate 20,6 % in Sweden	(700)	(367)
Tax calculated at a tax rate 20 % in Iceland	(1 031)	6
Tax calculated at a tax rate 24 % in Italy	(20)	(82)
Tax calculated at a tax rate 15 % in Latvia	18	-
Tax calculated at a tax rate 16 % in Romania	7	(2)
Tax effects of:		
- Expenses non-deductible for tax purposes	4 702	3 895
- Write off of previously recognised deferred tax assets	724	24
- Deferred tax assets not recognised	5 608	2 238
- Non-taxable income	(2 893)	(1 530)
- Adjustment in respect of prior year (Note 30)	(9 236)	109
- Impact of foreign exchange differences	(389)	(94)
- Other differences	(2 290)	(2 196)
Total income tax expenses	**10 260**	**5 796**

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

14 Impairment-related expenses

	2021	2020
(Reversal of) impairment of prepayments	78	(247)
Impairment of inventories	3 653	4 170
Impairment of other financial assets	7 770	7 968
Impairment of other assets	2	2
Impairment of non-current assets	1 704	1 419
Impairment of goodwill	277	2 000
Impairment of trade receivables and other contract assets	4 668	13 932
Total impairment-related expenses	**18 152**	**29 244**

15 Earnings per share

The Group chose not to present the earnings per share based on IAS 33, since the ordinary shares or potential ordinary shares are not traded in a public market and the Group is not in the process of filing its' financial statements with a securities commission or other regulatory body for the purpose of issuing ordinary shares in a public market.

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

16A Property, plant and equipment

	Buildings and structures	Machi-nery	Vehicles	Other tangible fixed assets	Lease-hold improve-ments	Prepayments for assets under preparation for use	Aircraft	Aircraft engines	Land	Construc-tion in progress	Total
Opening net book amount as at 1 January 2020	**27 837**	**2 995**	**2 880**	**15 812**	**4 919**	**8 388**	**25 387**	**143**	**1 236**	**1 334**	**90 931**
Acquisitions of subsidiaries (Note 33)	10 850	7 017	5	1 950	18	-	-	360	-	-	**20 200**
Additions (Note 5)	5 027	5 649	28 513	7 468	457	18 372	30 771	277	1 846	690	**99 070**
Disposals	-	(94)	(6 265)	(327)	(1 440)	-	(245)	-	-	(310)	**(8 681)**
Disposals of subsidiaries (Note 33)	(437)	(472)	(27)	(94)	-	-	-	-	-	-	**(1 030)**
Reclassifications	2 039	2 820	16 755	(1 256)	1 351	(6 458)	(57)	13	-	(509)	**14 698**
Write-offs	-	(6)	(1)	(478)	-	(192)	-	-	-	-	**(677)**
Impairment loss (recognized) / reversed	-	-	-	-	-	-	(1 403)	-	-	-	**(1 403)**
Cumulative currency differences	(1 086)	19	(2 624)	(325)	(267)	(34)	(2 520)	(51)	(99)	(9)	**(6 996)**
Depreciation charge (Notes 5, 8)	(1 830)	(1 928)	(2 657)	(5 530)	(2 472)	(6)	(4 280)	(123)	-	-	**(18 826)**
Closing net book amount as at 31 December 2020	**42 400**	**16 000**	**36 579**	**17 220**	**2 566**	**20 070**	**47 653**	**619**	**2 983**	**1 196**	**187 286**
At 31 December 2020											
Cost	50 960	26 027	43 028	35 413	6 616	20 070	55 083	1 048	2 983	1 283	**242 511**
Accumulated depreciation	(8 560)	(10 027)	(6 449)	(18 193)	(4 050)	-	(6 064)	(429)	-	(87)	**(53 859)**
Accumulated impairment	-	-	-	-	-	-	(1 366)	-	-	-	**(1 366)**
Net book amount at 31 December 2020	**42 400**	**16 000**	**36 579**	**17 220**	**2 566**	**20 070**	**47 653**	**619**	**2 983**	**1 196**	**187 286**

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

16A Property, plant and equipment (continued)

	Buildings and structures	Machi-nery	Vehicles	Other tangible fixed assets	Lease-hold improve-ments	Prepayments for assets under preparation for use	Aircraft	Aircraft engines	Land	Construc-tion in progress	Total
Opening net book amount as at 1 January 2021	**42 400**	**16 000**	**36 579**	**17 220**	**2 566**	**20 070**	**47 653**	**619**	**2 983**	**1 196**	**187 286**
Acquisitions of subsidiaries (Note 33)	-	921	85	262	111	3	-	-	30	-	**1 412**
Additions (Note 5)	144	2 384	6 976	6 152	1 530	24 304	2 057	-	1 021	16 053	**60 621**
Disposals	(64)	(12)	(3 157)	(466)	(215)	-	-	-	-	(3)	**(3 917)**
Disposals of subsidiaries (Note 33)	-	-	-	(71)	-	-	-	-	-	-	**(71)**
Reclassifications	1 024	162	(287)	1 915	1 255	(6 152)	284	(66)	2 343	(3 325)	**(2 847)**
Write-offs	-	(10)	(542)	(49)	-	-	-	-	-	(87)	**(688)**
Impairment loss (recognized) / reversed	-	-	-	-	-	-	(293)	-	-	-	**(293)**
Cumulative currency differences	(63)	157	2 805	305	175	-	2 425	38	-	1	**5 843**
Depreciation charge (Notes 5, 8)	(3 152)	(2 210)	(3 225)	(6 129)	(1 055)	-	(4 835)	(44)	-	-	**(20 650)**
Closing net book amount as at 31 December 2021	**40 289**	**17 392**	**39 234**	**19 139**	**4 367**	**38 225**	**47 291**	**547**	**6 377**	**13 835**	**226 696**
At 31 December 2021											
Cost	52 063	30 781	49 555	46 283	9 773	38 225	55 306	1 244	6 377	13 835	**303 442**
Accumulated depreciation	(11 774)	(13 389)	(10 321)	(27 144)	(5 406)	-	(6 743)	(697)	-	-	**(75 474)**
Accumulated impairment	-	-	-	-	-	-	(1 272)	-	-	-	**(1 272)**
Net book amount at 31 December 2021	**40 289**	**17 392**	**39 234**	**19 139**	**4 367**	**38 225**	**47 291**	**547**	**6 377**	**13 835**	**226 696**

The group is committed to incurring property, plant and equipment & investment property related capital expenditure in the amount of EUR 13 273 thousand but not recognised as liabilities as at 31 December 2021 (EUR 25 006 thousand as at 31 December 2020). These commitments are expected to be settled in 2022.

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

16B Property, plant and equipment (continued)

Right-of-use assets	Buildings and structures	Machi-nery	Vehicles	Other tangible fixed assets	Leasehold improvements	Aircraft	Aircraft engines	Land	Total
Opening net book amount as at 1 January 2020	**14 775**	**18 778**	**44 729**	**2 690**	**2 519**	**187 707**	**509**	**648**	**272 355**
Additions (Note 5)	11 639	9 116	8 118	869	2 384	11 893	-	89	**44 108**
Acquisitions of subsidiaries (Note 33)	2 246	5 280	62	152	-	22 427	-	117	**30 284**
Disposals of subsidiaries (Note 33)	(43)	(2 205)	(898)	-	-	-	-	-	**(3 146)**
Impairment loss (recognized) / reversed	-	-	-	-	-	(3)	-	-	**(3)**
Reclassified to/from Property, plant and equipment	(9)	1 395	(16 937)	3	(1 192)	(344)	-	-	**(17 084)**
Contract modification / termination	(2 669)	(978)	(4 620)	(22)	-	(64 441)	-	(147)	**(72 877)**
Cumulative currency differences	(444)	(448)	(2 955)	(15)	(159)	(6 485)	(8)	2	**(10 512)**
Depreciation charge (Notes 5, 8)	(5 321)	(2 687)	(3 129)	(1 081)	(2 077)	(62 666)	(501)	(18)	**(77 480)**
Closing net book amount as at 31 December 2020	**20 174**	**28 251**	**24 370**	**2 596**	**1 475**	**88 088**	**-**	**691**	**165 645**
At 31 December 2020									
Cost	26 367	32 329	28 670	4 560	3 592	125 588	979	722	**222 807**
Accumulated depreciation	(6 193)	(4 078)	(4 300)	(1 964)	(2 117)	(37 497)	(979)	(31)	**(57 159)**
Accumulated impairment	-	-	-	-	-	(3)	-	-	**(3)**
Net book amount at 31 December 2020	**20 174**	**28 251**	**24 370**	**2 596**	**1 475**	**88 088**	**-**	**691**	**165 645**

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

16B Property, plant and equipment (continued)

Right-of-use assets	Buildings and structures	Machi-nery	Vehicles	Other tangible fixed assets	Leasehold improvements	Aircraft	Aircraft engines	Land	Total
Opening net book amount as at 1 January 2021	**20 174**	**28 251**	**24 370**	**2 596**	**1 475**	**88 088**	**-**	**691**	**165 645**
Additions (Note 5)	1 961	6 180	3 276	3 873	786	71 235	-	-	**87 311**
Acquisitions of subsidiaries (Note 33)	2 827	-	-	-	30	-	-	-	**2 857**
Disposals of subsidiaries (Note 33)	(2)	-	(22)	-	-	-	-	-	**(24)**
Impairment loss (recognized) / reversed	-	-	-	-	-	-	-	-	**-**
Reclassified to/from Property, plant and equipment	-	(777)	48	(58)	450	-	-	-	**(337)**
Contract modification / termination	(545)	(20)	(1 257)	(1 419)	-	(22 882)	-	-	**(26 123)**
Cumulative currency differences	668	661	1 723	167	106	4 933	-	-	**8 258**
Depreciation charge (Notes 5, 8)	(5 227)	(2 554)	(2 245)	(1 135)	(1 432)	(37 229)	-	(17)	**(49 839)**
Closing net book amount as at 31 December 2021	**19 856**	**31 741**	**25 893**	**4 024**	**1 415**	**104 145**	**-**	**674**	**187 748**
At 31 December 2021									
Cost	31 184	38 225	31 765	7 020	5 330	182 798	-	722	**297 044**
Accumulated depreciation	(11 328)	(6 484)	(5 872)	(2 996)	(3 915)	(78 653)	-	(48)	**(109 296)**
Accumulated impairment	-	-	-	-	-	-	-	-	**-**
Net book amount at 31 December 2021	**19 856**	**31 741**	**25 893**	**4 024**	**1 415**	**104 145**	**-**	**674**	**187 748**

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

16C Property, plant and equipment (continued)

Investment property	**2021**	**2020**
Opening net book amount as at 1 January 2021	**10 132**	**11 842**
Acquisitions of subsidiaries (Note 33)	11 934	-
Additions (Note 5)	4 939	538
Reclassifications	(1 495)	(2 006)
Cumulative currency differences	1 492	277
Depreciation charge (Notes 5, 8)	(574)	(519)
At 31 December 2021	**26 428**	**10 132**
Cost	30 410	13 605
Accumulated depreciation	(3 982)	(3 473)
Net book amount at 31 December 2021	**26 428**	**10 132**

As at 31 December 2021 and at 31 December 2020 the investment properties were office building and hotel in Cyprus and Lithuania. During 2021 rental income from investment property amounted to EUR 480 thousand (2020: EUR 67 thousand). Out of total additions during 2021 amount of EUR 3 701 relates to direct asset acquisitions, while remaining amount consists of subsequent expenditures capitalized.

As at 31 December 2021 buildings and investment property of the Group with the carrying amounts of EUR 25 million (as at 31 December 2020: EUR 29.8 million), machinery, vehicles and aircraft of the Group with the carrying amounts of EUR 18.3 million (as at 31 December 2020: 25 million) were pledged to the bank as collateral for borrowings (Note 27). The terms and conditions relating to pledges are standard.

17 Intangible assets

	Licences	Goodwill	Soft-ware	Website	Customer relation-ship	Other intangible assets	Prepayments relating to intangible assets	Total
Opening net book amount as at 1 January 2020	**343**	**66 894**	**3 731**	**262**	**-**	**2 056**	**1 127**	**74 413**
Acquisitions (disposals) of subsidiaries	2 249	22 265	1 860	-	4 450	2 699	-	**33 523**
Additions (Note 5)	318	-	1 261	37	-	124	294	**2 034**
Reclassifications	-	-	540	-	-	-	(416)	**124**
Write-offs	(5)	-	(26)	-	-	-	-	**(31)**
Impairment	-	(2 000)	-	-	-	-	-	**(2 000)**
Cumulative currency differences	(15)	(2 915)	(45)	-	149	(74)	(6)	**(2 906)**
Amortisation charge (Note 5, 8)	(281)	-	(1 132)	(95)	(265)	(607)	-	**(2 380)**
Closing net book amount as at 31 December 2020	**2 609**	**84 244**	**6 189**	**204**	**4 334**	**4 198**	**999**	**102 777**
At 31 December 2020								
Cost	3 793	84 244	10 565	771	4 599	4 960	999	**109 931**
Accumulated amortisation and impairments losses	(1 184)	-	(4 376)	(567)	(265)	(762)	-	**(7 154)**
Net book amount	**2 609**	**84 244**	**6 189**	**204**	**4 334**	**4 198**	**999**	**102 777**

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

17 Intangible assets (continued)

	Licences	Goodwill	Soft-ware	Website	Customer relation-ship	Other intangible assets	Prepayments relating to intangible assets	Total
Opening net book amount as at 1 January 2021	**2 609**	**84 244**	**6 189**	**204**	**4 334**	**4 198**	**999**	**102 777**
Acquisitions (disposals) of subsidiaries	124	9 406	(1 442)	-	1 350	121	115	**9 674**
Additions (Note 5)	452	-	1 669	121	-	330	474	**3 046**
Reclassifications	(25)	-	427	-	-	(53)	(401)	**(52)**
Write-offs	-	-	-	-	-	(138)	-	**(138)**
Impairment	-	(277)	-	-	-	-	-	**(277)**
Cumulative currency differences	123	3 657	51	-	115	239	7	**4 192**
Amortisation charge (Note 5, 8)	(503)	-	(1 274)	(70)	(579)	(850)	-	**(3 276)**
Closing net book amount as at 31 December 2021	**2 780**	**97 030**	**5 620**	**255**	**5 220**	**3 847**	**1 194**	**115 946**
At 31 December 2021								
Cost	4 443	97 030	12 659	894	6 064	5 459	1 194	**127 743**
Accumulated amortisation and impairments losses	(1 663)	-	(7 039)	(639)	(844)	(1 612)	-	**(11 797)**
Net book amount	**2 780**	**97 030**	**5 620**	**255**	**5 220**	**3 847**	**1 194**	**115 946**

A segment-level summary of the goodwill allocation is presented below:

	31 December 2021	31 December 2020
Aviation Logistics and Distribution Services	54 819	51 988
Aircraft Trading and Portfolio Management	12 389	11 435
Aviation Support Services	26 663	16 698
Unallocated	3 159	4 123
Total goodwill	**97 030**	**84 244**

For the purpose of impairment testing, goodwill is allocated to each group's cash-generating unit (CGU). As of 31 December 2021, there were thirteen cash-generating units identified (ten as at 31 December 2020), which comprise goodwill from:

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

17 Intangible assets (continued)

	31 December 2021	**31 December 2020**
Chapman Freeborn Holdings Limited	22 275	20 808
Aviator Airport Group	15 336	15 666
Avion Express UAB	14 148	13 058
Smart Aviation Holdings SIA	11 633	11 633
AviaAM Leasing AB	12 389	11 435
Chevron Technical Services Limited (provisional)	4 412	-
Biggin Hill Hangar Company Limited (provisional)	3 716	-
Avia Solutions Group Arena UAB, Panevėžio arena UAB, SEVEN Live UAB, Tiketa UAB	2 844	3 809
KIDY Tour OÜ (previously: Tiketa Tour OÜ)	2 905	2 905
Blafugl ehf (Bluebird Nordic)	1 742	1 608
RAS Completions Ltd.	1 354	-
Arcus-Air-Logistic GmbH	1 156	1 080
RAS Interiors Ltd.	814	-
Storm Aviation Ltd.	703	703
Arcus-Air-Logistic S.L.U. – Iberica	625	583
DG21 UAB	315	315
Arcus-Air-Logistic s.r.o. - Slovakia	324	303
Baltic Ground Services LV SIA	299	299
Baltic Ground Services HR	27	27
Arcus OBC GmbH	10	9
Avia Technics Dirgantara PT	3	3
Total goodwill	**97 030**	**84 244**

For the calculation of goodwill for CGU acquired in 2021 see Note 33. For annual goodwill impairment testing purposes, the recoverable amounts of other CGU's have been determined based on value-in-use calculation. This calculation uses pre-tax cash flow projections based on financial budgets approved by management for the five-year period. Management budgeted profit before tax is based on past performances, current industry trends, valued contracts with customers, and its expectations of market development.

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

17 Intangible assets (continued)

The following table sets out the key assumptions for those CGUs that have significant goodwill allocated to them:

	Pre-tax discount rate (%)		Average sales annual growth rate %		Average EBITDA margin rate %		Terminal growth share %		Terminal growth rate %	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Chapman Freeborn Holdings	14,7%	16,7%	10,9%	6%	14%	11%	76%	49%	2,6%	2,6%
Aviator Airport Group	14,4%	14,4%	19%	32%	4%	3%	65%	98%	2,6%	2,6%
Avion Express	12,5%	13,5%	28%	62%	14%	7%	90%	79%	2,6%	2,6%
Smart Aviation Holdings	13,4%	13,1%	15%	51%	19%	30%	70%	69%	2,6%	2,6%
AviaAM Leasing	12,1%	14,6%	33%	(17)%	32%	64%	101%	61%	2,6%	2,6%
KIDY Tour (previously: Tiketa Tour)	12,6%	13,1%	197%	125%	2%	5%	84%	84%	2,6%	2,6%

Assumption

Pre-tax discount rates	Reflect specific risks relating to the relevant segments and the countries in which they operate.
Average sales annual growth rate	Average annual growth rate over the five-year forecast period; based on current industry trends and including long-term inflation forecasts.
Average EBITDA margin rate	Average EBITDA margin rate over the five-year forecast period; based on current industry trends and historical data.
Terminal growth share	Reflect the percentage of terminal growth share in present value of recoverable amount.
Terminal growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period.

For the CGU's the key changes in assumptions relate to average annual sales growth and EBITDA margin. In current year they were revised based on actual performance of the entities during 2021 and expected outlook based on business plans and known industry environment where each CGU operates, taking into consideration publicly available information as of year-end.

17 Intangible assets (continued)

Management projects cashflows based on financial budgets/forecasts for the five-year horizon. Due to the nature of testing the assumptions are subject to estimation uncertainty. Management applies the best estimates about the prospective financial information available as at year end. When assumptions may have significant impact on the test of recoverable value, sensitivity tests are applied.

The estimated recoverable amount of the CGU - Chapman Freeborn Holdings exceeded its carrying amount by approximately six times as at 31 December 2021. The year 2021 were very profitable for this CGU, the revenue increased by approximately 53% EBITDA margin was about 24%. Budgeted EBITDA for the next five years was based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth. Revenue growth was projected to reflect positive cargo market outlook. Management considered and assessed reasonably possible changes for key assumptions and have not identified any instances that could cause the carrying amount of Chapman Freeborn Holdings CGU to exceed its recoverable amount.

The recoverable amount calculated for Aviator Airport Group CGU exceeded its carrying amount by approximately three times as at 31 December 2021. This CGU was acquired by the Group in February of 2020. Aviator Airport Group is providing ground handling services and revenue growth was projected based on new contracts signed and estimated sales volumes according to Eurocontrol forecasts of future traffic. Management has identified that recoverable amount of this CGU would equal its carrying amount if EBITDA margin rate applied to the cash flow projections had been decreased by approximately by 2 p.p.

Smart Aviation Holdings CGU was impacted by the spread of COVID-19 virus, however during the year 2021 revenue was around three times higher compared to 2020 levels. Management of the Group reassessed future forecasts based on the assumption of growth and return to pre-pandemic levels in the year 2022. Based on the estimate the recoverable amount of CGU exceeded its carrying amount as at 31 December 2021. Management has identified that recoverable amount of this CGU would equal its carrying amount if EBITDA margin rate applied to the cash flow projections had been decreased by approximately 5 p.p. If the pre-tax discount rate applied to the cash flow projections of Smart Aviation Holdings had been 5% higher than management's estimates and other assumptions would not change, it would not have resulted in impairment as at 31 December 2021.

Avion Express CGU was the most significantly impacted by the spread of COVID-19 virus as a result of almost suspended ACMI services during pandemic period, however during 2021 revenues grew 122% compared to 2020 levels. The Group reassessed forecasts for the next five years on the assumption that revenue and EBITDA will recover to the level of 2019 in a few years. As at 31 December 2021, the recoverable amount of the entire CGU was EUR 40 million. If the EBITDA margin would decrease by 4 p.p., the carrying amount would be equal to the recoverable amount. According to management estimate, no reasonable change in the assumptions used in impairment testing of the recoverable amount of CGU as of 31 December 2021 would result in material impairment (2020: impairment charge of EUR 2 000 thousand).

The recoverable amount calculated for AviaAM Leasing CGU exceeded its carrying amount by approximately 4 times at 31 December 2021. Budgeted EBITDA for the next five years was based on expectations of future contracts of lease and trade of commercial aircraft. The Management have considered and assessed reasonably possible changes for key assumptions. If the EBITDA margin would decrease by 10 p.p., the carrying amount would be equal to the recoverable amount. According to management estimate, no reasonable change in the assumptions used in impairment testing of the recoverable amount of CGU as of 31 December 2021 would result in material impairment.

The estimated recoverable amount of Tiketa Tour CGU exceeded its carrying amount as at 31 December 2021. Tiketa Tour is providing tour operation services offering holiday tours into Turkish resorts. The operations were also partly suspended during COVID19 period and 2021 showed recovery of 20% compared to 2020, yet being around 20% of pre-pandemic levels. Revenue growth was projected based on expectations of future outcomes as the Management is actively working on developing digital business model which will lead to direct and online sale boost, also new holiday destinations will be offered for customers. The Management has identified that recoverable amount of this CGU would equal its carrying amount if pre-tax discount rate applied to the cash flow projections had been increased by approximately 2%. If the forecasted average sales growth would decrease by half, it would result in impairment of 2.9m EUR. Based on analysis performed, the Management concluded that goodwill is not impaired as at 31 December 2021 (2020: no impairment loss).

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

18 Investments in joint venture

On 24 December 2021 Avia Solutions Group PLC subsidiary together with partners established a joint venture company *BBN Hava Yolları ve Taşımacılık Anonim Şirketi*. The share of equity of the Group is 49% and the Group does not have a control over an investee. The share capital was not paid as at 31 December 2021. The joint venture company is planning to provide ACMI services in Turkey.

On 25 October 2018, AVIA SOLUTIONS GROUP PLC subsidiary Storm Aviation Ltd. together with partners established a joint venture company BSTS & Storm Aviation Limited (Bangladesh). The share of equity of the Group is 49% and the Group does not have a control over an investee. Registered capital is TK 50 000 000 (equivalent of EUR 525 thousand). As at 30 September 2018 the prepayment for amount of TK 9 800 000 (equivalent to EUR 103 thousand) was made by the Group. The company is planning to provide aircraft maintenance services in Bangladesh.

Name of entity	Country of incorporation	% of ownership interest	Measurement method
BSTS & Storm Aviation Limited	Bangladesh	49	Equity

The cost of Group's investment in joint venture as at 31 December 2021 amounted to EUR 107 thousand (as at 31 December 2020 - EUR 103 thousand. Set out below is the summarized financial information for BSTS & Storm Aviation Limited which is accounted for using the equity method:

ASSETS	**31 December 2021**	**31 December 2020**
Property, plant and equipment	11	17
Trade and other receivables	173	60
Cash and cash equivalents	45	166
Total assets	**229**	**243**
LIABILITIES		
Total liabilities	**65**	**59**
Net assets	**164**	**184**
Share of Net assets (49%)	**80**	**90**

On 18 December 2018 AVIA SOLUTIONS GROUP PLC subsidiary FL Technics Hong Kong Limited together with partners established a joint venture company FL ARI Aircraft Maintenance & Engineering Company CO. LTD (China). The share of equity of the Group is 40% and the Group does not have a control over an investee. The joint venture company is providing aircraft maintenance services in China.

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

18 Investments in joint venture (continued)

Name of entity	Place of business/ country of incorporation	% of ownership interest	Measurement method
FL ARI Aircraft Maintenance & Engineering Company CO. LTD	China	40	Equity

The cost of Group's investment in joint venture as at 31 December 2021 amounted to EUR 3 355 thousand (as at 31 December 2020 - EUR 2 608 thousand). Set out below is the summarized financial information for FL ARI Aircraft Maintenance & Engineering Company CO. LTD which is accounted for using the equity method:

ASSETS	**31 December 2021**	**31 December 2020**
Property, plant and equipment	13 412	14 463
Deferred income tax assets	5 281	2 720
Inventories	173	-
Trade and other receivables	1 577	782
Cash and cash equivalents	990	853
Total assets	**21 433**	**18 818**
LIABILITIES		
Non- current liabilities	18 966	17 824
Current liabilities	9 485	2 337
Total liabilities	**28 481**	**20 161**
Net assets	**(7 048)**	**(1 343)**
Share of Net assets (40%)	**(2 819)**	**(537)**

Statement of comprehensive income:

	2021	**2020**
Revenue	**867**	**253**
Cost of Sales	(613)	(4 283)
Operating Expenses	(7 545)	(2 732)
Finance income/cost	(1 312)	48
Profit before income tax	**(8 603)**	**(6 714)**
Income tax	2 119	1 722
Profit (loss) for the reporting period	**(6 484)**	**(4 992)**
Share of profit (loss) attributable to the reporting entity (40%)	**(2 594)**	**(1 997)**

On 2 October 2019 Avia Solutions Group (CY) PLC completed the acquisition of the share capital in *AviaAM Leasing AB*. *AviaAM Leasing AB* holds a 51% stake in a joint venture AviaAM Financial Leasing China Co. Ltd., established on 4 August 2016. The cost of investment in joint venture amounted to USD 39,015 thousand (EUR 34,447 thousand) as at 31 December 2021 and (as at 31 December 2020 – EUR 34,869 thousand). Joint venture is engaged in the business of operating leasing and management of brand new narrow and wide body aircraft.

Name of entity	Place of business/ country of incorporation	% of ownership interest	Measurement method
AviaAM Financial Leasing China Co.	China	51	Equity

Management has concluded that the Group does not control AviaAM Financial Leasing China Co., Ltd., even though it holds more than half of the voting rights of this entity. This is because the shareholder's agreement in relation to AviaAM Financial Leasing China Co., Ltd. requires unanimous consent from both parties for all relevant activities. The two partners have rights to the net assets of the joint venture. This entity is therefore

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

18 Investments in joint venture (continued)

classified as a joint venture in consolidated financial statements and the Group does not consolidate it, but accounts using equity method.

ASSETS	31 December 2021	31 December 2020
Non-current assets		
Property, plant and equipment	700 204	679 875
Security deposits paid	7 731	6 644
	707 935	**686 519**
Current assets		
Trade and other receivables	16 746	35 292
Cash and cash equivalents	68 375	34 566
	85 121	**69 858**
Assets held for sale	-	7 487
Total assets	**793 056**	**763 864**
LIABILITIES		
Non-current liabilities		
Borrowings	500 950	505 913
Trade and other payables	**-**	**-**
Security deposits received	2 178	2 008
	503 128	**507 921**

	31 December 2021	31 December 2020
Current liabilities		
Borrowings	52 717	48 868
Security deposits received	2 119	1 954
Trade and other payables	5 356	4 799
Advance payments received	-	-
Current income tax liabilities	10 458	6 448
	70 650	**62 069**
Liabilities held for sale	-	11
Total liabilities under PRC GAAP *	**573 778**	**570 001**
Net assets under PRC GAAP *	**219 278**	**193 863**
Net assets attributable to shareholders without voting rights (classified as debt according to IFRS)	(124 430)	(112 836)
Net assets under IFRS *	**94 848**	**81 027**
Share of Net assets (51%)	**48 372**	**41 324**
Currency exchange impact	2 853	1 994
Carrying value as at 31 December 2021	**51 225**	**43 318**

** PRC GAAP means the China Accounting Standards as promulgated and amended from time to time and their interpretations, guidelines and implementation rules, which collectively are accepted as generally accepted accounting principles in the People's Republic of China.*

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

18 Investments in joint venture (continued)

Statement of comprehensive income:

	2021	2020
Revenue	**79 167**	**81665**
Other income	826	-
Employee related expenses	(521)	(418)
Other operating expenses	(1 147)	(1 293)
Depreciation and amortisation	(32 499)	(33 713)
Impairment-related expenses	(11 394)	(11 569)
Finance activity- net	(22 421)	(28 616)
Profit before income tax	**12 011**	**6 056**
Income tax	(3 962)	(4 474)
Profit (loss) for the reporting period	**8 049**	**1 582**
Share of profit attributable to the reporting entity	**4 105**	**807**

On 21 October 2019 Avia Solutions Group PLC together with partners established a joint venture company *BAA Training China Co., Ltd*. The share of equity of the Group is 50%, but the Group does not have a control over an investee. The cost of investment in joint venture amounted to EUR 272 thousand as at 31 December 2021 and as at 31 December 2020. The joint venture company is planning to provide aircraft crew training services in China. The joint venture company had no activities during 2021 and 2020.

Name of entity	Place of business/ country of incorporation	% of ownership interest	Measurement method
BAA Training China Co., Ltd.	China	50	Equity

Investments in joint ventures reconciliation to carrying amounts presented below:

	AviaAM Financial Leasing China Co. Ltd.		BSTS & Storm Aviation Limited		FL ARI Aircraft Maintenance & Engineering Company CO. LTD		BAA Training China Co., Ltd		Certifying Staff. Com B.V.
	2021.12.31	2020.12.31	2021.12.31	2020.12.31	2021.12.31	2020.12.31	2021.12.31	2020.12.31	2021.12.31
Opening net assets 1 January	**81 027**	**91 563**	**184**	**201**	**(1 343)**	**30**	**544**	**544**	**140**
Profit for the period	8 049	1 582	(32)	-	(6 484)	(4 992)	-	-	(90)
Other comprehensive income	5 772	(12 118)	12	(17)	779	90	-	-	-
Increase in investment	-	-	-	-	-	3 529	-	-	-
Closing net assets	**94 848**	**81 027**	**164**	**184**	**(7 048)**	**(1 343)**	**544**	**544**	**50**
Group's share in %	51%	51%	49%	49%	40%	40%	50%	50%	50%
Group's share	48 372	41 324	80	90	(2 819)	(537)	272	272	25
Currency translation differences	2 853	1 994	-	-	--	-	-	-	-
Carrying amount 31 December	**51 225**	**43 318**	**80**	**90**	**(2 819)***	**(537)***	**272**	**272**	**25**

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

18 Investments in joint venture (continued)

*The Group provided a loan to FL ARI Aircraft Maintenance & Engineering Company CO. LTD (in amount of USD 2 920 thousand as of 31 December 2021 and 2020) which is considered as part of net investment. Therefore, equity interest is reduced to zero and the loan is reduced by negative carrying amount appropriately as of 31 December 2021 and 2020.

19 Government grants

	2021	2020
Opening net book amount	**535**	**773**
Amortisation (Note 6)	(237)	(238)
Closing net book amount	**298**	**535**
Less non-current portion:	(298)	(535)
Current portion:	**-**	**-**

Government grants amortisation is recognised in "other income". In 2021, EUR 237 thousand of government grant amortisation was credited to the profit or loss on basis to match the appropriate expenses (EUR 238 thousand in 2020). The government grants received relates to the purchase of property, plant and equipment.

During 2021 the Group received grants which relates with COVID-19 to support offered by the governments in terms of employee cost compensation packages amounted to EUR 6 981 thousand (2020: EUR 16 311 thousand), other costs amounted to EUR 2 880 thousand (2020: EUR 2 371 thousand) and tax deferrals during lock downs. Grants relating to the expenses were credited to the profit or loss on basis to match the appropriate expenses.

20 Inventories

	2021	2020
Spare parts and materials – gross amount	42 020	37 178
Less: provision for impairment of inventories	(8 831)	(7 249)
Spare parts and materials	**33 189**	**29 929**
Goods for sale – gross amount	6 397	2 092
Less: provision for impairment of inventories	(634)	(447)
Goods for sale	**5 763**	**1 645**
Aircraft - gross amount	31 279	1 750
Less: provision for impairment of aircraft	(1 885)	-
Aircraft	**29 394**	**1 750**
Aircraft components	131	216
Aircraft fuel	1 330	1 056
Work in progress	592	480
Goods in transit	468	91
Other inventories	2 684	3 809
	73 551	**38 976**

The allowance for impairment of inventories in the total amount of EUR 3.7 million was additionally recognised in 2021 to represent their net realisable value (2020: EUR 4.2 million).

As at 31 December 2021 spare parts and materials of the Group with the carrying amounts of EUR 686 thousand (as at 31 December 2020: EUR 482 thousand), goods for sale, goods in transit, and other inventories of the Group with carrying amounts of EUR 736 thousand (as at 31 December 2020: EUR 1.1 million) were pledged to the bank as collateral for borrowings (Note 27).

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

21 Trade and other receivables

	2021	2020
Trade receivables	175 571	100 445
Less: provision for impairment of trade receivables	(34 926)	(30 984)
Trade receivables – net	**140 645**	**69 461**
Prepayments	39 008	9 563
Less: provision for impairment of prepayments	(232)	(204)
Prepayments - net	**38 776**	**9 359**
Other receivables	13 847	10 245
Discounting of other receivables	(93)	(66)
Less: provision for impairment of other receivables	(6 081)	(2 985)
Other receivables – net	**7 673**	**7 194**
Trade receivables from related parties	849	606
Less: provision for impairment of trade receivables from related parties	(311)	(101)
Trade receivables from related parties - net (Note 34)	**538**	**505**
Loans granted to related parties	26 144	23 199
Less: provision for impairment of loans granted to related parties	(137)	(330)
Loans granted to related parties - net	**26 007**	**22 869**
Loans granted	30 890	25 433
Discounting of loans granted	(127)	(152)
Less: provision for impairment of loans granted	(24 433)	(16 912)
Loans granted - net	**6 330**	**8 369**
Other receivables from related parties	5 794	4 641
Discounting of other receivables from other related parties	(157)	(125)
Less: provision for impairment of other receivables from related parties	(32)	(28)
Other receivables from related parties – net (Note 34)	**5 605**	**4 488**
VAT receivables	8 872	8 200
Receivables from investment in bonds - gross	9 974	9 792
Less: provision for impairment of receivables from investment in bonds	(9 974)	(9 792)
Receivables from investment in bonds - net	**-**	**-**
Deferred charges	36 202	14 066
Security deposit – net	25 367	14 112
Deferred charges to related parties (Note 34)	732	37
Security deposits from related parties placed – net (Note 34)	9	3
Prepayments from related parties (Note 34)	5	252
Total trade and other receivables:	**296 761**	**158 915**
Less non-current portion:	(49 725)	(42 091)
Current portion:	**247 036**	**116 824**

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

21 Trade and other receivables (continued)

Non-current portion of other receivables is disclosed below:

	2021	2020
Loans granted to related parties	24 916	22 195
Less: provision for impairment of loans granted to related parties	(131)	(326)
Loans granted to related parties - net	**24 785**	**21 869**
Loans granted	24 292	20 612
Less: provision for impairment of loans granted	(19 869)	(12 263)
Loans granted - net	**4 423**	**8 349**
Prepayments - gross	243	48
Less: provision for impairment of prepayments	-	-
Prepayments - net	**243**	**48**
Security deposits from related parties placed – net (Note 35)		-
Security deposit – net	16 321	7 479
Other receivables	6 193	4 659
Less: provision for impairment of other receivables	(5 456)	(2 457)
Other receivables – net	**737**	**2 202**
Other receivables from related parties	3 233	2 155
Less: provision for impairment of other receivables from related parties	(17)	(11)
Other receivables from related parties – net	**3 216**	**2 144**
Total	**49 725**	**42 091**

Classification of trade and other receivables to non-financial and financial is disclosed below:

	2021	2020
Financial trade and other receivables		
Trade receivables	140 645	69 461
Trade receivables from related parties (Note 35)	538	505
Other receivables	7 475	6 918
Loans granted to related parties (Note 35)	26 007	22 869
Other receivables from related parties (Note 35)	5 605	4 488
Security deposits	25 367	14 112
Loans granted	6 330	8 369
	211 967	**126 722**
Non-financial trade and other receivables		
Prepayments	38 776	9 359
Other non-financial receivables	198	276
VAT receivables	8 872	8 200
Deferred charges	36 202	14 066
Deferred charges to other related parties (Note 35)	732	37
Security deposit with lessor from related parties (Note 35)	9	3
Prepayments to other related parties (Note 35)	5	252
	84 794	**32 193**
Total	**296 761**	**158 915**

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

21 Trade and other receivables (continued)

All non-current receivables as at 31 December 2021 are due until 2031. All non-current receivables as at 31 December 2020 were due until 2025. The fair values of trade and other receivables are approximate to their carrying values. The weighted average interest rate of loans granted to third parties was 6.73% (2020: 6.46%). The weighted average interest rate of loans granted to related parties was 5.05% (2020: 4.26%).

As at 31 December 2021 trade receivables of the Group with the carrying amounts of EUR 1.3 million (as at 31 December 2020: EUR 1.3 million) and other receivables of the Group with the carrying amounts of EUR 257 thousand (as at 31 December 2020: EUR 1.7 million) were pledged to the bank as collateral for bank borrowings and overdraft (Note 27).

The carrying amounts of the Group's trade and other financial receivables, trade receivables and other financial receivables from related parties, loans granted, security deposits, contract assets are denominated in the following currencies:

	2021	2020
EUR	74 972	53 122
US dollars	119 828	68 047
GBP	8 807	4 155
RUB	116	433
SEK	8 181	5 077
Other	20 739	6 016
	232 643	**136 850**

22 Contract assets

	2021	2020
Contract costs incurred and recognised profits (less losses) to date	23 904	14 836
Advances received on contracts in progress	(2 975)	(4 446)
Less: provision for impairment of amounts due from customers on contracts in progress	(253)	(262)
Amounts due from customers on contracts in progress	**20 676**	**10 128**

23 Cash and cash equivalents

	2021	2020
Cash in bank	216 031	177 914
Cash on hand	633	438
Cash and cash equivalents	**216 664**	**178 352**
Bank overdraft (Note 27)	(799)	(500)
Total	**215 865**	**177 852**

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

23 Cash and cash equivalents (continued)

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies (Note 3.1):

	2021	2020
EUR	105 572	45 090
US dollars	91 795	123 206
SEK	4 262	1 301
GBP	4 485	2 433
RUB	505	97
Other	10 045	6 225
	216 664	**178 352**

24 Share capital and Share premium

On 31 December 2021 and on 31 December 2020 the share capital of *the Company* amounted to EUR 22 555 555 and consisted of 77 777 777 ordinary registered shares with a nominal value of 0.29 Euro each. All shares were fully paid up and authorised share capital is the same as issued and paid up share capital.

As at 31 December 2021 the Group had 10 014 treasury shares (370 014 as at 31 December 2020) which are deducted from the equity attributable to the Group's equity holders.

None of the shareholders of the Company have any special controlling rights. Rights of all shareholders are equal. One ordinary registered share of AVIA SOLUTIONS GROUP PLC gives one vote in the General Meeting of Shareholders. As mentioned above one of the Company's' subsidiary owned 10 014 shares of the Company as at 31 December 2021.

The Company is not aware of any agreements between the shareholders that could limit transfer of securities and/or their ability to exercise their voting rights.

On 31 December 2021 and on 31 December 2010 the share premium of *the Company* amounted to EUR 282 158 thousand. During 2020 and 2021 there was no movement of share premium.

25 Reserves

The merger reserve consists of the difference between the purchase consideration for the acquisition of remaining stake of the share capital of the Group companies and nominal value of the share capital acquired (Note 2.22).

Fair value reserves comprise changes in fair value of cash flow hedge (Note 2.20).

Other reserves are formed for option agreements which give the right for the Group employees to put back acquired shares of the Company during the period from 2019 to 2024 (Note 35).

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

26 Non-controlling interests

Non-controlling interests

Name	Country of incorporation	Operating segment	Ownership interest held by NCI (in %) 2021	2020
Baltic Ground Services LV SIA	Latvia	Aviation Supporting Services	49	49
FL Technics Line OOO	Russia	Aviation Supporting Services	7	7
Locatory.com UAB	Lithuania	Aviation Supporting Services	1	1
Avia Technics Dirgantara PT.	Indonesia	Aviation Supporting Services	33	33
AviaAM Leasing AB	Lithuania	Aircraft Trading and Portfolio Management	1,16	1,16
Chapman Freeborn Airchartering BV	Belgium	Aviation Logistics and Distribution Services	20	20
Intradco Cargo Services Limited	The United Kingdom	Aviation Logistics and Distribution Services	25	25
Zeusbond Limited	The United Kingdom	Aviation Logistics and Distribution Services	25	25
Chapman Freeborn Airchartering Ltd	Canada	Aviation Logistics and Distribution Services	25	25
BPC Travel UAB	Lithuania	Aviation Logistics and Distribution Services	1	-
Baltic Ground services UA TOV	Ukraine	Aviation Supporting Services	-	-

Set out below is the summarized financial information for non-controlling interests:

Year ended 31 December 2021	Chapman Freeborn Airchartering Ltd	Baltic Ground Services LV SIA	FL Technics Line OOO	Locatory.com UAB	Avia Technics Dirganta ra PT.	AviaAM Leasing AB	Chapman Freeborn Airchartering BV	BPC Travel UAB	Intradco Cargo Services Limited	Zeusbond Limited	Total
Non-current assets	3	120	1	692	6 216	162 352	53	261	726	1	**170 425**
Current assets	71	2 047	85	207	6 695	96 643	1 492	758	8 348	58	**116 404**
Non-current liabilities	-	-	-	(953)	(7 344)	(38 315)	-	(360)	-	-	**(46 972)**
Current liabilities	(67)	(263)	(41)	(724)	(6 875)	(38 898)	(568)	(604)	(7 165)	-	**(55 205)**
Net assets	**7**	**1 904**	**45**	**(778)**	**(1 308)**	**181 782**	**977**	**55**	**1 909**	**59**	**184 652**
Net assets attributable to NCI	**2**	**933**	**3**	**(36)**	**(432)**	**2 109**	**195**	**1**	**477**	**15**	**3 267**
Revenue	-	12 547	71	1 348	13 189	56 190	1 469	1 693	3 243	-	**89 750**
Profit	6	789	45	(191)	851	2 727	576	49	778	-	**5 630**
Profit allocated to NCI	**1**	**387**	**3**	**(17)**	**281**	**(15)**	**115**	**-**	**194**	**-**	**949**
Dividends paid to NCI	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**293**	**-**	**293**

AviaAM Leasing AB during 2021 has used EUR (25 222) thousand in operating activities (2020: generated EUR 27 189 thousand), generated EUR 25 030 thousand from investing activities (2020: used EUR (34 314) thousand), generated EUR 22 387 thousand from financing activities (2020: used EUR (7 022) thousand).

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26 Non-controlling interests (continued)

Year ended 31 December 2020	Baltic Ground Services TOV UA	Baltic Ground Services LV SIA	FL Technics Line OOO	Locatory. com UAB	Avia Technics Dirgantar a PT.	AviaAM Leasing AB	Chapman Freeborn Aircharte ring BV	Chapman Freeborn Aircharte ring S.p z.o.o	Intradco Cargo Services Limited	Zeusbon d Limited	Logik Logistics Internati onal Limited	Magma Aviation Limited
Non-current assets	-	144	-	1 348	7 098	167 246	65	-	634	1	-	-
Current assets	-	1 272	43	698	3 805	53 223	1 326	-	2 858	55	-	-
Non-current liabilities	-	-	-	(755)	(3 741)	(14 413)	-	-	-	-	-	-
Current liabilities	-	(300)	(44)	(3 159)	(9 258)	(29 908)	(993)	-	(1 339)	-	-	-
Net assets	**-**	**1 115**	**(1)**	**(1 868)**	**(2 097)**	**176 148**	**398**	**-**	**2 153**	**56**	**-**	**-**
Net assets attributable to NCI	**-**	**546**	**-**	**(19)**	**(691)**	**1 957**	**80**	**-**	**538**	**14**	**-**	**-**
Revenue	4 054	6 133	86	1 301	7 577	92 117	1 692	2 186	3 186	-	288	203 109
Profit	(240)	38	431	32	(429)	15 290	698	1 040	1 403	-	26	34 773
Profit allocated to NCI	**(120)**	**19**	**30**	**-**	**(141)**	**277**	**140**	**181**	**306**	**-**	**5**	**7 497**
Dividends paid to NCI	**-**	**-**	**-**	**-**	**-**	**-**	**168**	-	**139**	**-**	**-**	**368**

27 Borrowings

	2021	2020
Non-current		
Bank borrowings	31 663	15 890
Lease liabilities	126 529	115 846
Bonds issued	238 204	219 273
Borrowings from related parties	-	-
Other borrowings	11 746	32
	408 142	**351 041**
Current		
Bank overdraft (Note 23)	799	500
Bank borrowings	4 124	3 074
Lease liabilities	54 226	49 978
Borrowings from related parties	-	-
Other current borrowings	12 378	1 991
	71 527	**55 543**
Total borrowings	**479 669**	**406 584**

As at 31 December 2021 buildings and machinery (Note 16), inventories (Note 20) and trade receivables (Note 21) of the Group with the carrying amounts of EUR 46.2 million were pledged to the bank as collateral for bank borrowings. As at 31 December 2020 buildings and machinery (Note 16), inventories (Note 20) and trade receivables (Note 21) of the Group with the carrying amounts of EUR 32.8 million were pledged to the bank as collateral for bank borrowings.

On 3 December 2019 Avia Solutions Group PLC completed bonds issue process and issued USD 300 000 thousand of senior unsecured notes which included 7,875% USD interest. The notes were issued in the Euronext Dublin.

The Company or its subsidiaries may, at any time and from time to time, seek to retire or purchase outstanding debt (including bonds) through cash purchases, in open-market purchases, privately negotiated transactions or otherwise. Such repurchases, if any, will be upon such terms and at such prices as we may determine, and will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors.

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

27 Borrowings (continued)

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

	2021	2020
EUR	75 154	53 871
USD	367 124	332 819
RUB	468	595
GBP	6 256	2 356
SEK	5 266	1 754
Other	25 401	15 189
	479 669	**406 584**

The table below analyses the Group's borrowings into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date:

	2021	2020
Less than 1 year	71 537	55 543
Between 1 and 5 years	384 163	339 787
Over 5 years	23 969	11 254
	479 669	**406 584**

Bank overdraft amounting to EUR 799 thousand as at 31 December 2021 (2020: EUR 500 thousand) is extended every 12 months according to the agreements with the bank.

The weighted average interest rates (%) at the balance sheet date were as follows:

	2021	2020
Lease liabilities	7.26%	7.51%
Bank overdraft	2.49%	3.00%
Bank borrowings	4.34%	4.36%
Bonds issued	8.50%	8.50%
Borrowings from related parties	-	-

As at 31 December 2021 and 2020 borrowings from related parties are not secured.

Lease liabilities – minimum lease payments:

	2021	2020
Not later than 1 year	66 658	61 497
After 1 year but not later than 5 years	131 822	126 138
After 5 years	26 253	14 069
Less: future lease charges	(43 978)	(35 880)
Present value of lease liabilities	**180 755**	**165 824**
Present value of lease liabilities:		
Not later than 1 year	54 243	49 978
After 1 year but not later than 5 years	106 060	104 592
After 5 years	20 452	11 254
	180 755	**165 824**

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

27 Borrowings (continued)

Reconciliation of movements of liabilities to cash flow arising from financing activities and net debt:

	Bank overdraft	Bank borrowings	Bonds	Other borrowings	Lease liabilities	Convertible preferred shares (Note 37)	Total
Balance as at 1 January 2021	**500**	**18 964**	**219 273**	**2 024**	**165 823**	**-**	**406 584**
Changes from financing cash flows	-	17 997	(509)	8 268	(37 939)	300 000	**287 817**
Changes arising from obtaining or losing control of subsidiaries (Note 33)	-	637	-	40	3 332	**-**	**4 009**
Foreign exchange adjustments	-	729	18 423	(153)	10 169	**-**	**29 168**
Change in bank overdraft and cash	299	-	-	-	-	**-**	**299**
Change in fair value						920	**920**
New leases	-	-	-	-	82 229	**-**	**82 229**
Disposals of subsidiaries	-	(200)	-	-	(24)	**-**	**(224)**
Other non-cash changes*	-	(2 340)	1 017	13 945	(42 835)	**-**	**(30 213)**
Balance as at 31 December 2021	**799**	**35 787**	**238 204**	**24 124**	**180 755**	**300 920**	**780 589**

**Other non-cash changes from lease liabilities amount includes EUR 27 million for lease termination most in Aviation Logistics and Distribution Services, customized discount because of COVID-19 to lease agreements amounted to EUR 7.6 million and lease modifications amounted to EUR 2.5 million.*

	Bank overdraft	Bank borro-wings	Bonds	Other borrowings	Lease liabilities	Convertible preferred shares (Note 37)	Total
Balance as at 1 January 2020	**5 163**	**10 417**	**261 411**	**143**	**237 193**	**-**	**514 327**
Changes from financing cash flows	-	7 816	(15 578)	1 782	(37 801)	**-**	**(43 781)**
Changes arising from obtaining or losing control of subsidiaries (Note 33)	-	1 439	-	27	29 397	**-**	**30 863**
Foreign exchange adjustments	-	(531)	(21 772)	72	(13 000)	**-**	**(35 231)**
Change in bank overdraft and cash	(4 663)	-	-	-	-	**-**	**(4 663)**
New leases	-	-	-	-	41 688	**-**	**41 688**
Other non-cash changes*	-	(177)	(4 788)	-	(91 654)	**-**	**(96 619)**
Balance as at 31 December 2020	**500**	**18 964**	**219 273**	**2 024**	**165 823**	**-**	**406 584**

**Other non-cash changes from lease liabilities amount includes EUR 73 million for lease termination most in Aviation Logistics and Distribution Services and customized discount because of COVID-19 to lease agreements amounted to EUR 12 million.*

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

28 Trade and other payables

	2021	2020
Trade payables	82 732	59 653
Accrued expenses	63 399	42 607
Salaries and social security payable	47 995	37 129
Provisions*	10 619	8 653
Employee benefit obligations	299	177
Amounts payable to related parties (Note 34)	596	408
Dividends payable	6	6
Payable for PPE	3 403	5 133
VAT payable	7 742	6 168
Pension reserve accrual	287	250
Other payables to related parties (Note 34)	1	3 124
Other payables	18 824	4 071
	235 903	**167 378**
Less: non-current portion	(18 537)	(2 450)
Current portion	**217 366**	**164 928**

*Major part of the amounts consists of C-check provisions disclosed in Note 4(g).

The carrying amounts of the Group's trade and other financial payables, amounts payable to related parties, payables for property, plant and equipment are denominated in the following currencies:

	2021	2020
US dollars	46 417	40 662
EUR	39 885	22 090
SEK	1 685	1 764
GBP	3 870	2 177
RUB	807	1 171
Other currencies	3 516	3 986
	96 180	**71 850**

29 Security deposits received

	2021	2020
Security deposits repayable after one year at nominal value	387	508
Less: discounting effect (at 2.83%)	(2)	(3)
Security deposits repayable after one year	**385**	**505**
Security deposits repayable within one year	6 314	3 917
Less: discounting effect (at 4.52%)	(5)	(3)
Total	**6 694**	**4 419**

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

30 Deferred income taxes

The gross movement in deferred income tax assets and deferred income tax liabilities accounts is as follows:

	2021	2020
Deferred tax assets		
At beginning of the period	**17 298**	**10 141**
Acquisitions (disposals) of subsidiaries (Note 33)	7	(234)
(Charged) credited to the income statement	(1 058)	8 322
Recognised through OCI	-	(130)
Credited directly to the equity	-	-
Currency translation differences	481	(801)
At end of year	**16 728**	**17 298**

	2021	2020
Deferred tax liabilities		
At beginning of the period	**18 412**	**14 960**
Charged (credited) to the income statement	(10 617)	(2 983)
Acquisitions of subsidiaries (Note 33)	(12)	7 105
Recognised through OCI	602	68
Currency translation differences	944	(738)
At end of year	**9 329**	**18 412**

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2021	2020
Deferred tax assets		
Deferred income tax to be recovered within 1 year	7 871	10 834
Deferred income tax to be recovered after 1 year	8 857	6 464
	16 728	**17 298**
Deferred tax liabilities		
Deferred income tax to be recovered within 1 year	8 053	18 033
Deferred income tax to be recovered after 1 year	1 276	379
	9 329	**18 412**

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.

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

30 Deferred income taxes (continued)

The movement in deferred tax assets and deferred tax liabilities of the Group is as follows:

Deferred tax assets	**Accruals for unused vacation**	**Discounting effect**	**Impairment of receivables**	**Accumulated taxable losses****	**C-check provisions**	**Other accrued expenses**	**Difference between tax basis and accounting basis of aircraft**	**Revaluation of financial assets at fair value through OCI**	**Other**	**Total**
At 1 January 2021	**53**	**95**	**3 488**	**10 867**	**659**	**768**	**(1 923)**	**(93)**	**3 384**	**17 298**
Acquisitions (disposals) of subsidiaries	4	-	95	6	-	27	(17)	-	(108)	**7**
Credited to the income statement (Note 13)	22	(301)	58	(811)	577	339	(785)	-	(157)	**(1 058)**
Recognised through OCI	-	-	-	-	-	-	-	-	-	**-**
Currency translation differences	2	(11)	18	332	81	16	(6)	-	260	**692**
At 31 December 2021	**81**	**(217)**	**3 659**	**10 394**	**1 317**	**1 150**	**(2 731)**	**(93)**	**3 379**	**16 939**

Deferred tax liabilities	**Accelerated tax depreciation**	**Deferred charges**	**Other accrued expenses**	**Exchange rate differences for tax purposes (depreciation)**	**Supplemental rent**	**Difference between tax basis and accounting basis of aircraft**	**Other***	**Total**
At 1 January 2021	**346**	**(180)**	**(45)**	**181**	**334**	**200**	**17 576**	**18 412**
Acquisitions (disposals) of subsidiaries	-	-	-	-	-	171	(183)	**(12)**
Credited to the income statement (Note 13)	9	(584)	6	161	(436)	33	(9 806)	**(10 617)**
Recognised through OCI	-	-	-	-	-	-	602	**602**
Currency translation differences	1	4	-	6	5	32	1 107	**1 155**
At 31 December 2021	**356**	**(760)**	**(39)**	**348**	**(97)**	**436**	**9 296**	**9 540**

*Other deferred tax liabilities included EUR 10 000 thousand fair value adjustment on acquisition of *Smartlynx Airlines SIA*, which was calculated on undistributed profits in Latvia and Estonia, that could be taxed upon distribution of dividends. Due to decreased likelihood of distribution amount was reversed in 2021. In case dividends would be distributed by Latvian and Estonian subsidiaries they would be taxed based on statutory rates in Latvia and Estonia.

**Deferred tax asset from accumulated taxable losses relies on utilisation, which is dependent on future taxable profits. Management based on forward looking estimates expect to utilise the deferred tax asset within the foreseeable future up to 5 years.

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

30 Deferred income taxes (continued)

Deferred tax assets	Accruals for unused vacation	Discounting effect	Impairment of receivables	Accumulated taxable losses	C-check provisions	Other accrued expenses	Difference between tax basis and accounting basis of aircraft	Revaluation of financial assets at fair value through OCI	Other	Total
At 1 January 2020	**66**	**128**	**3 454**	**3 655**	**250**	**1 355**	**707**	**40**	**486**	**10 141**
Acquisitions (disposals) of subsidiaries	(11)	-	(14)	451	357	-	-	-	(1 017)	**(234)**
Credited to the income statement (Note 13)	4	(29)	58	7 159	117	(489)	(2 774)	-	4 276	**8 322**
Recognised through OCI	-	-	-	-	-	-	-	(132)	2	**(130)**
Credited directly to the equity (IFRS16 adoption impact)	-	-	-	-	-	-	-	-	-	**-**
Currency translation differences	(6)	(4)	(10)	(398)	(65)	(98)	144	(1)	(363)	**(801)**
At 31 December 2020	**53**	**95**	**3 488**	**10 867**	**659**	**768**	**(1 923)**	**(93)**	**3 384**	**17 298**

Deferred tax liabilities	Accelerated tax depreciation	Deferred charges	Other accrued expenses	Exchange rate differences for tax purposes (depreciation)	Supplemental rent	Difference between tax basis and accounting basis of aircraft	Other*	Total
At 1 January 2020	**1 638**	**-**	**(47)**	**417**	**2 355**	**190**	**10 407**	**14 960**
Acquisitions (disposals) of subsidiaries	-	-	-	-	-	-	7 105	**7 105**
Credited to the income statement (Note 13)	(1 266)	(129)	2	(225)	(1 761)	19	377	**(2 983)**
Recognised through OCI	-	-	-	-	-	-	68	**68**
Currency translation differences	(26)	(51)	-	(11)	(260)	(9)	(381)	**(738)**
At 31 December 2020	**346**	**(180)**	**(45)**	**181**	**334**	**200**	**17 576**	**18 412**

*Other deferred tax liabilities include EUR 10 000 thousand fair value adjustment on acquisition of *Smartlynx Airlines SIA*, which was calculated on undistributed profits in Latvia and Estonia, that will be taxed upon distribution of dividends.

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

30 Deferred income taxes (continued)

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

The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	2021	2020
Deferred tax assets		
Deferred income tax assets	16 728	17 161
Deferred income tax liabilities	(9 329)	(18 275)
	7 399	**(1 114)**

The following amounts prior to offsetting of balances, are shown in the notes above

	2021	2020
Deferred tax assets		
Deferred income tax assets	16 939	17 298
Deferred income tax liabilities	(9 540)	(18 412)
	7 399	**(1 114)**

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 related to the entities operating in Lithuania are calculated at 15% rate (2020: 15% rate), in Poland - at 19% rate (2020: 19% rate), in United Kingdom – at 19% rate (2020: 19% rate), in Russia – at 20% rate (2020: 20% rate), in Ukraine – at 18% rate (2020: 18% rate), in Nigeria – at 30% rate (2020: 30% rate), in Cyprus – at 12.5% rate (2020: 12.5% rate), in Indonesia – at 25% rate (2020: 25% rate), in Germany – at 30% rate (2020: 30% rate), in Sweden – 20.6% rate (2020: 21.4%).

Deferred income tax asset is recognized from accumulated taxable losses, generated by Group entities, to the extent that it will be realized by the Group entities generating taxable profits by the way of accumulated taxable loss transfer or sale. Deferred income tax asset which was not recognized from accumulated taxable losses amounted to EUR 2 880 thousand as at 31 December 2021 (EUR 4 380 thousand as at 31 December 2020), the taxable losses could be used indefinitely.

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

31 Financial instruments by category

	2021	2020
Category – financial assets measured at amortised costs		
Trade receivables (Note 21)	140 645	69 461
Cash and cash equivalents (Note 23)	216 664	178 352
Contract assets (Note 22)	20 676	10 128
Trade receivables from related parties (Notes 21, 34)	538	505
Other receivables	7 475	6 918
Loans granted to related parties (Notes 21, 34)	26 007	22 869
Other receivables from related parties (Notes 21, 34)	5 605	4 488
Loans granted (Note 21)	6 330	8 369
Bank deposits	227 381	26 745
	651 321	**327 835**
Category – financial assets measured at FVOCI		
Derivative financial instruments (assets)	**4 667**	**3 563**
Category – financial assets measured at FVTPL		
Derivative financial instruments (assets)	-	1 231
Securities held for trading (level 1)	3 237	-
	3 237	**1 231**
Category – financial liabilities measured at amortised cost		
Trade payables (Note 28)	82 732	59 653
Bank overdraft (Notes 23, 27)	799	500
Lease liabilities (Note 27)	180 755	165 823
Bonds issued	238 204	219 273
Bank loans (Note 27)	35 787	18 964
Other payables	9 448	3 534
Payables to related parties (Notes 28, 34)	596	3 532
Payable for PPE (Note 28)	3 403	5 133
Other borrowings (Note 27)	24 124	2 024
Dividends payable	6	6
Borrowings from related parties (Notes 27, 34)	-	-
	575 854	**478 442**
Category – financial liabilities measured at FVOCI		
Derivative financial instruments (liability)	**5 865**	**12 453**
Category – financial liabilities measured at FVTPL		
Convertible preferred shares (Note 37)	300 920	-
Derivative financial instruments (liability)	-	137
	300 920	**137**

32 Leases

The future aggregate minimum lease payments (until maturity date) under leases, for which the group has applied the exemption as at 31 December 2021 are as follows:

	Expenses during reporting period	Not later than 1 year	Later than 1 year but not later than 5 years	Later than 5 years
Short-term leases	1 408	569	-	-
Low value leases	601	585	649	5
Total	**2 009**	**1 154**	**649**	**5**

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

32 Leases (continued)

Variable lease payments during 2021 amounted to EUR 15 455 thousand. The increase compared to prior year is related to more new aircraft leases signed or exiting contracts modified to 'power by hours' terms, which are variable in nature and do not fall in scope of IFRS 16.

The future aggregate minimum lease payments under leases, for which the group has applied the exemption as at 31 December 2020 are as follows:

	Expenses during reporting period	Not later than 1 year	Later than 1 year but not later than 5 years	Later than 5 years
Short-term leases	2 742	1 854	-	-
Low value leases	283	254	237	-
Total	**5 120**	**2 108**	**237**	**-**

Variable lease payments during 2020 amounted to EUR 2 095 thousand.

The Group applied the practical expedient to all rent concessions that meet the conditions in the amendment "Covid-19-Related Rent Concessions". As mentioned in Note 2.1, this amendments to IFRS 16 were issued on 28 May 2020 and effective for annual periods beginning on or after 1 January 2020. The amendments provided lessees with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. The Group elected to account for rent concessions in the same way as they would if they were not lease modifications. The amount recognised for the reporting period to reflect changes in lease payments that arise from rent concessions to which the lessee has applied the practical expedient resulted in EUR 7 591 thousand gain (2020: EUR 12 853) and is presented in the statement of comprehensive income within "other gain / (loss) – net". Lease contract terminations during the reporting period are related to negotiations with lessors as part of circumstances caused by COVID-19, regular aircraft lease contracts do not have unilateral termination options for the lessee.

33 Business combinations and disposals

The primary reason for all business combinations mentioned below is the Group's overall strategy to expand and diversify its operations.

Acquisitions, established and disposals in 2021

On 22 October 2021, Avia Solutions Group PLC subsidiary completed the acquisition of 100% of the shareholding of Biggin Hill Hangar Company Ltd. The new subsidiary is the owner of Hangar 510, a Fixed Base Operations (FBO) and Maintenance Repair & Overhaul (MRO) centre of operations at London Biggin Hill Airport. At the time the consolidated interim financial information was authorised for issue, the Group had not yet completed the accounting for the acquisition of Biggin Hill Hangar Company Ltd.

The provisionally determined fair values of the assets and liabilities of Biggin Hill Hangar Company Ltd. as at the date of acquisition are as follows:

	Acquiree's fair value	
	GBP	**EUR**
Investment property	7 629	9 029
Trade and other receivables	51	60
Short-term bank deposits	62	73
Contract liabilities	(153)	(181)
Total identifiable net assets acquired	**7 589**	**8 982**
Purchase consideration	**10 712**	**12 678**
Goodwill as at 30 September 2021	**3 123**	**3 696**
Currency translation differences	-	20
Goodwill as at 31 December 2021	**3 123**	**3 716**

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

33 Business combination and disposal (continued)

Purchase consideration – cash outflow:	**EUR**
Outflow of cash to acquire subsidiary:	
Cash consideration for Biggin Hill Hangar Company Ltd.	(12 678)
Net outflow of cash – investing activities	**(12 678)**

Fair values of net assets acquired that were recognized in relation to the fair value of intangible assets and investment property have been determined provisionally, since management has not finalized the valuations. If new information obtained within one year of the date of acquisition about the facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provision that existed at the date of acquisition, then the accounting of the acquisition will be revised.

The acquired business contributed revenues of EUR 180 thousand and net profit of EUR 64 thousand to the Group for the period from 1 November to 31 December 2021. If the acquisition had occurred on 1 January 2021, consolidated pro-forma revenue and net profit for the year ended 31 December 2021 would have been EUR 918 thousand and EUR 264 thousand respectively. These amounts have been calculated using the subsidiary's stand-alone results and adjusting them for the impact of fair value adjustments identified during purchase price allocation procedure as if they had been applied from 1 January 2021, together with the consequential tax effects.

Goodwill recorded in connection with acquisition is primarily attributable to the synergies expected to arise after the acquisition of those businesses and expected profitability of the acquired business acquired.

On 30 September 2021 Avia Solutions Group PLC completed acquisition of 99% of the share capital of BPC Travel UAB for consideration for amount of EUR 7 thousand (28.8% from related party for amount of EUR 1 thousand). Fair value of the net assets acquired as at the date of acquisition were equal to EUR 72 thousand. BPC Travel UAB is an operating travel agency in Lithuania, offering its clients a full range of travel related services.

On 23 September 2021, the Group established new subsidiary UAB Sensus Aero. Registered capital is EUR 100 thousand. The subsidiary is planning to provide IT programming and consultation services.

On 22 September 2021, the Group established new subsidiary UAB Digital Aero Technologies. Registered capital is EUR 50 thousand. The company is acting as a holding company.

On 22 September 2021, the Group established new subsidiary UAB BBN Cargo Airlines Holdings. Registered capital is EUR 100 thousand. The company is acting as a holding company.

On 20 September 2021 AviaAM Leasing AB subsidiary AeroCity1 UAB (previously Sniego takas UAB) completed acquisition of 100% of the share capital in Vilta UAB. The main activity of Vilta UAB is management, administration, and development of real estate (offices and warehouses). The provisionally determined fair values of the assets and liabilities of Vilta UAB as at the date of acquisition are as follows:

	USD	**EUR**
Investment property	3 376	2 915
Inventory	9	8
Trade and other receivables	27	23
Cash and cash equivalents	132	114
Trade and other payables	(42)	(36)
Total identifiable net assets acquired	**3 502**	**3 024**
Purchase consideration	**3 502**	**3 024**
Goodwill as at 30 September 2021	**-**	**-**

Fair values of net assets acquired that were recognized in relation to the fair value of intangible assets and investment property have been determined provisionally, since management has not finalized the valuations. If new information obtained within one year of the date of acquisition about the facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provision that existed at the date of acquisition, then the accounting of the acquisition will be revised.

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

33 Business combination and disposal (continued)

Purchase consideration – cash outflow:	
Outflow of cash to acquire subsidiary:	
Cash consideration Vilta UAB	(3 024)
Balance acquired:	
Cash Vilta UAB	114
Net outflow of cash – investing activities	**(2 910)**

The acquired business contributed revenues of EUR 81 thousand and loss of EUR 11 thousand to the Group for the period from 1 October to 31 December 2021. If the acquisition had occurred on 1 January 2021, consolidated pro-forma revenue and loss for the year ended 31 December 2021 would have been EUR 330 thousand and EUR 77 thousand respectively. These amounts have been calculated using the subsidiary's stand-alone results and adjusting them for the impact of fair value adjustments identified during purchase price allocation procedure as if they had been applied from 1 January 2021, together with the consequential tax effects.

On 25 August 2021 Storm Aviation Ltd. acquired 100% of the share capital of the UK-based Chevron Technical Services Limited (CIT) and its Prestwick-based subsidiary Chevron Aircraft Maintenance Limited (CAM) providing aerospace solutions to the aircraft maintenance industry. At the time the consolidated interim financial information was authorised for issue, the Group had not yet completed the accounting for the acquisition of Chevron Technical Services Limited and Chevron Aircraft Maintenance Limited.

The provisionally determined fair values of the assets and liabilities of Chevron Technical Services Limited and Chevron Aircraft Maintenance Limited as at the date of acquisition are as follows:

	Acquiree's fair value	
	GBP	**EUR**
Property, plant and equipment	3 238	3 763
Intangible assets	98	114
Investments into associates	59	69
Inventory	776	902
Trade and other receivables	2 073	2 409
Contract assets	305	354
Cash and cash equivalents	332	386
Borrowings and lease liabilities	(3 908)	(4 541)
Deferred income tax liabilities	(65)	(76)
Trade and other payables	(2 692)	(3 129)
Contract liabilities	(107)	(124)
Current income tax liabilities	(19)	(22)
Total identifiable net assets acquired	**90**	**105**
Purchase consideration	**3 800**	**4 416**
Goodwill as at 30 September 2021	**3 710**	**4 311**
Currency translation differences	-	101
Goodwill as at 31 December 2021	**3 710**	**4 412**

Fair values of net assets acquired that were recognized in relation to the fair value of intangible assets and property, plant and equipment have been determined provisionally, since management has not finalized the valuations. If new information obtained within one year of the date of acquisition about the facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provision that existed at the date of acquisition, then the accounting of the acquisition will be revised.

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

33 Business combination and disposal (continued)

Purchase consideration – cash outflow:	
Outflow of cash to acquire subsidiary:	
Cash consideration Chevron Technical Services Limited and Chevron Aircraft Maintenance Limited	(4 416)
Balances acquired:	
Cash Chevron Technical Services Limited	274
Cash Chevron Aircraft Maintenance Limited	112
Net outflow of cash – investing activities	**(4 030)**

The acquired businesses contributed revenues of EUR 3 273 thousand and net profit of EUR 120 thousand to the Group for the period from 1 October to 31 December 2021. If the acquisition had occurred on 1 January 2021, consolidated pro-forma revenue and loss for the year ended 31 December 2021 would have been EUR 9 357 thousand and EUR 742 thousand respectively.

These amounts have been calculated using the subsidiary's stand-alone results and adjusting them for the impact of fair value adjustments identified during purchase price allocation procedure as if they had been applied from 1 January 2021, together with the consequential tax effects.

Goodwill recorded in connection with acquisition is primarily attributable to the assembled professionals, synergies expected to arise after the acquisition of those businesses and expected profitability of the acquired business driven by professionalism of work force acquired.

On 9 June 2021, the Group established new subsidiary UAB Skyllence. Registered capital is EUR 100 thousand. The subsidiary is planning to provide jet charter broker services.

On 12 April 2021, the Group established new subsidiary RE INVEST BH Limited. Registered capital is GBP 200 thousand. The subsidiary is planning to provide other with aviation not related services.

On 21 April 2021, the Group established new subsidiary Avia Repair Co. S.L.U. Share capital is not yet paid. The subsidiary is planning to provide MRO services.

On 15 February 2021, the Group subsidiary Jet Maintenance Solutions UAB established new subsidiary JetMS Holding limited. Registered capital is GBP 10 thousand. The company is acting as a holding company.

On 2 March 2021 JetMS Holding limited acquired 100% of the shareholding of the UK-based RAS Group, comprising of RAS Completions Limited and RAS Interiors Limited. RAS Group is a long-established aircraft interior, exterior, and completions company specialising in interior repairs, manufacturing, and exterior paint refinishing for both VIP and Commercial aircraft.

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

33 Business combination and disposal (continued)

The determined fair values of the assets and liabilities of RAS Completions Limited and RAS Interiors Limited as at the date of acquisition are as follows:

RAS Completions Limited	**GBP**	**EUR**
Intangible assets	366	421
Property, plant and equipment	234	269
Deferred income tax	84	96
Inventory	25	28
Trade and other receivables	725	833
Cash and cash equivalents	146	168
Deferred income tax liabilities	(84)	(97)
Borrowings	(160)	(184)
Trade and other payables	(674)	(773)
Net assets acquired RAS Completions Limited	**662**	**761**
RAS Interiors Limited		
Intangible assets	1 022	1 174
Property, plant and equipment	60	69
Deferred income tax	104	120
Inventory	160	184
Trade and other receivables	258	296
Cash and cash equivalents	334	384
Deferred income tax liabilities	(194)	(223)
Trade and other payables	(627)	(722)
Net assets acquired RAS Interiors Limited	**1 117**	**1 282**
Total identifiable net assets acquired	**1 779**	**2 043**
Purchase consideration	**3 300**	**3 791**
Contingent consideration*	**300**	**345**
Goodwill as at 29 February 2021	**1 821**	**2 092**
Currency translation differences	-	76
Goodwill as at 31 December 2021	**1 821**	**2 168**

* Contingent payment in the amount of EUR 345 thousand out of total shares purchase price was placed in an escrow account, to be released upon signing of the specific contract following mutually agreed provisions. Management of the Company has no doubts in respect of the fulfilment of this condition, therefore 100% of contingent payment was recognized as at 31 December 2021.

Purchase consideration – cash outflow:	**EUR**
Outflow of cash to acquire subsidiary:	
Cash consideration RAS Completions Limited and RAS Interiors Limited	(4 136)
Balances acquired:	
Cash RAS Completions Limited	168
Cash RAS Interiors Limited	384
Net outflow of cash – investing activities	**(3 584)**

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

33 Business combination and disposal (continued)

The acquired businesses contributed revenues of EUR 5 024 thousand and loss of EUR 563 thousand to the Group for the period from 1 March to 31 December 2021. If the acquisition had occurred on 1 January 2021, consolidated pro-forma revenue and loss for the year ended 31 December 2021 would have been EUR 6 081 thousand and EUR 1 471 thousand respectively. These amounts have been calculated using the subsidiary's stand-alone results and adjusting them for the impact of fair value adjustments identified during purchase price allocation procedure as if they had been applied from 1 January 2021, together with the consequential tax effects.

Goodwill recorded in connection with acquisitions is primarily attributable to the assembled professionals, synergies expected to arise after the acquisition of those businesses and expected profitability of the acquired business driven by professionalism of work force acquired.

On 2 July 2021, Avia Solutions Group PLC sold its 100% of shares in the subsidiary Tiketa UAB. Sales proceeds from the disposal amounted to EUR 6 960 thousand. Disposal's carrying amount of assets and liabilities below.

Details of sale price and assets and liabilities arising from the disposal in Group's financial statements are as follows:

	Tiketa UAB – disposal carrying value **EUR**
Property, plant and equipment	94
Intangible assets	2 131
Trade and other receivables	607
Cash and cash equivalents	546
Deferred income tax liabilities	(209)
Trade and other payables	(1 340)
Total identifiable net assets disposed	**1 829**
Proceeds from sale of interest in subsidiaries	**6 960**
Gain (loss) on disposal, directly recognised in disposal's group other gains/(losses)	**5 131**

34 Related party transactions

Related parties of the Group include entities having significant influence over the Group, parent, key management personnel of the Group and other related parties which are controlled by the ultimate beneficial owner or close members of that person's family. Entities having significant influence over the Group are *VERTAS AIRCRAFT LEASING LIMITED* and *Vertas Management AB.* Parent entity - *PROCYONE FZE*. Transactions with these companies are presented separately. Related parties include subsidiaries of the entities having significant influence over the Group. They are presented as other related parties.

The following transactions were carried out with related parties:

	2021	2020
Sales of services to:		
Entities having significant influence	49	26
Other related parties	111	1 252
	160	**1 278**
Sales of assets:		
Entities having significant influence	-	-
Other related parties	-	41
Total sales of assets and services	**160**	**1 319**

In year 2021 amount of sales of aircraft maintenance services from the Group to related parties was not material (2020: EUR 1 018 thousand).

	2021	2020
Purchases of assets from:		
Other related parties	4 418	8 225
Other gains	309	-
	4 727	**8 225**
Purchases of services from:		
Parent	330	214
Entities having significant influence	-	-
Other related parties	2 771	2 575
	3 101	**2 789**
Other income	**1 088**	**864**
Finance costs	**(304)**	**(411)**
Total purchases of assets, services, other income and finance costs	**8 612**	**11 467**

In year 2021 amount of purchases of premises lease services from related parties was EUR 1 659 thousand (in 2020: 1 557 EUR thousand).

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

34 Related party transactions (continued)

	2021	2020
Trade receivables from related parties:		
Trade receivables from entities having significant influence	66	36
Trade receivables from other related parties	783	570
Impairment of trade receivables from other related parties	(311)	(101)
Trade receivables from related parties – net (Note 21)	**538**	**505**
Security deposit with lessor from related parties (Note 21)	**9**	**3**
Other receivables from Parent	2 436	2 309
Other receivables from entities having significant influence	1 720	1 157
Other receivables from other related parties	1 481	1 050
Impairment of other receivables from other related parties	(32)	(28)
Other receivables from related parties – net (Note 21)	**5 605**	**4 488**
Receivables from investment in bonds - gross	-	-
Impairment of receivables from investment in bonds	-	-
Receivables from investment in bonds - net (Note 21)	**-**	**-**
Prepayments from related parties (Note 21)	5	252
Amount due from customers for contract work from other related parties (Notes 21)	1	7
Deferred charges (Note 21)	732	37
	6 890	**5 292**
Payables and advances received from related parties:		
Amounts payable to other related parties (Note 28)	557	388
Lease liabilities	10 389	11 316
Advances received from other related parties	7 064	1
Other financial payables to other related parties	1	3 107
Other financial payables to Parent	-	17
Other accrued expenses from other related parties	-	20
Amounts payable to Parent (Note 28)	39	20
	18 050	**14 869**

Loans granted to related parties:	**2021**	**2020**
Beginning of the period	**24 555**	**21 257**
Loans granted to the Parent	-	5 691
Loans provided to entities having significant influence	2 077	2 938
Loans granted to other related parties	5 702	1 599
Loans from acquisition of new subsidiaries	-	-
Currency translations differences	1 351	(29)
Loan repayments received from other related parties (set-offs)	(3 285)	(6 586)
Losses recognised using the equity method in excess of the entity's investment	(1 783)	(537)
Loan reclassified to intra-group due to acquisition	(231)	-
Interest charged to other related parties	1 166	299
Interest paid	(101)	(77)
End of the period*	**29 451**	**24 555**
Less non-current portion:	(24 914)	(22 195)
Current portion (including accrued interest income):	**4 537**	**2 360**

**As at 31 December 2021 loans granted to other related parties included loan granted to Parent for amount of EUR 9 583 thousand (EUR 9 290 thousand as at 31 December 2020).*

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

34 Related party transactions (continued)

Loans received from related parties:	**2021**	**2020**
Beginning of the period	**-**	**-**
Loans received from other related parties	-	-
Interest on loans repaid / set-offs	-	-
End of the period	**-**	**-**
Less: non-current portion	-	-
Current portion (including accrued interest expense):	**-**	**-**

In 2021 December, the Group issued convertible preferred shares (Note 37). After the transaction, the investor is considered as a related party, since the counterparty may exercise significant influence on the Group with one selected member in the Board of Directors.

In 2019 the Company signed put option agreements with the Group employees, related to the Key Management of the Group, which give the right to put back acquired shares of the Company during the period from August 2019 to November 2024, at any time after the demand.

In 2019 the Group granted loans to the employees, related to the Key Management of the Group, in amount of EUR 825 thousand (at the interest rate of 4.5%) for purchasing shares of the Company. According to these loan agreements the employee has the right to put back the shares to the Group in a period from August 2019 to November 2024, at any time after the demand.

The management of the Group has evaluated that the above-mentioned option agreements made with the members of the Key Management of the Group do not have a material impact on these financial statements.

35 Remuneration of the Group's key management

Key management includes General Directors of the Company and key subsidiaries, Chief Financial Officer of the Company, members of the Board of Directors and supervisory board. Transactions with Group's key management are as follows:

	2021	**2020**
Salaries including termination benefits	1 603	1 502
Social insurance expenses	127	154
Bonuses	25	480
Employee benefits	6	18
Termination benefits	35	-
Other	43	-
	1 839	**2 154**
Loans granted to key management at the end of year	1 378	1 890
The number of key management personnel during the year	13	12

As at 31 December 2021 and as at 31 December 2020 the Group had sixteen signed put option agreements which give the right to put back acquired shares of the Company during the period from 2019 to 2024. These contracts are signed with the Group employees, related to the Management of the Group, and have service conditions included. Additionally, these contracts have a lock up mechanism over ability to sell shares of the entity to the 3rd parties during a four years period. Shares underlying those contracts were sold on a discount to the interest of managers of the group, which therefore is an indication for share based payment accounting. The management of the Group has evaluated the above-mentioned option agreements and calculated the benefit received by the managers for an amount of EUR 1 059 thousand, which is amortized during 4-year vesting period in equal parts. During 2021 the part of benefit included in the consolidated statement of comprehensive income amounts to EUR 265 thousand (EUR 271 thousand during 2020).

In 2021 the Group granted loans to the above-mentioned Key Management personnel of the Group in relation to the share acquisitions as described above, in the amount of EUR 877 thousand (2020: EUR 846 thousand).

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

36 Derivatives

The Group has the following derivative financial instruments in the following line items in the balance sheet:

	2021	2020
Non-current assets		
Foreign currency interest rate forward - cash flow hedges	**4 667**	**3 563**
Current liabilities		
Commodity swap	**-**	**137**
Non-current liabilities		
Foreign currency interest rate swap - cash flow hedges	**5 865**	**12 453**

Hedging reserves

The Group's hedging reserves disclosed in consolidated statements of changes in equity as fair value reserve relate to the following hedging instruments:

	Foreign currency interest rate swap
Opening balance 1 January 2020	**(481)**
Change in fair value of hedging instrument recognised in OCI	2 137
Deferred tax	(200)
Closing balance 31 December 2020	**1 456**

	Foreign currency interest rate swap
Opening balance 1 January 2021	**1 456**
Change in fair value of hedging instrument recognised in OCI	1 153
Deferred tax	(602)
Closing balance 31 December 2021	**2 007**

There were no reclassifications from the cash flow hedge reserve to profit or loss during the period in relation to the foreign currency swap.

Amounts recognised in profit or loss

In addition to the amounts disclosed in the reconciliation of hedging reserves above, the following amounts were recognised in profit or loss in relation to derivatives:

	2021	2020
Net gain/(loss) on foreign currency forwards not qualifying as hedges included in other finance income/(costs)	-	(36)
Net gain/(loss) on foreign currency options not qualifying as hedges included in other finance income/(costs)	-	(341)
	-	**(377)**

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

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

36 Derivatives (continued)

For hedges of foreign currency purchases, the group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the group uses the hypothetical derivative method to assess effectiveness.

In hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the Group or the derivative counterparty.

The Group enters into currency swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The group does not hedge 100% of its cash flows, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, there is an economic relationship.

Hedge ineffectiveness for currency swaps is assessed using the same principles as for hedges of foreign currency purchases. It may occur due to:
- the credit value/debit value adjustment on the currency swaps which is not matched by the loan, and
- differences in critical terms between the currency swaps and loans.

There was no recognised ineffectiveness during 2021 and 2020 in relation to the foreign currency swap.

Effects of hedge accounting on the financial position and performance

The effects of the foreign currency swaps on the group's financial position and performance are as follows:

	2021	**2020**
Foreign cross-currency interest rate swap		
Carrying amount (non-current asset)	4 667	3 563
Carrying amount (non-current liability)	(5 865)	(12 453)
Notional amount	121 013	120 752
Maturity date	May 2022 – November 2024	May 2021 – November 2024
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments since 1 January	1 148	2 137
Change in value of hedged item used to determine hedge effectiveness	(1 148)	(2 137)

37 Convertible preferred shares

On 15 December 2021 the Group issued non-voting convertible preferred shares amounting to EUR 300 million to investor Certares Compass LLC. The key terms of the convertible preferred shares are:
- **Dividend rights.** Preferred shares are with a fixed dividend of 8% per annum, payable in kind (i.e. not payable in cash). After the fourth year, the dividend rate will increase by 1% per year;
- **Conversion feature and liquidation preferences.** Upon a qualified liquidity event, the convertible preferred shares are mandatory converted into variable number of ordinary shares; The variable number of shares depends on the outcome of share price at liquidity event date.
- **Redemption option.** The group may redeem the preferred shares (including accrued dividends) after 1 year based on trailing 12 months EBITDA, however the preferred shares investor at their sole discretion would be able to convert into 20% of Groups common equity.

Based on IFRS accounting requirements they are classified as a financial liability, since the preferred shares do not pass the "fixed-for-fixed" test (i.e. instrument to be settled by the issuer delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash) and therefore do not meet the definition of equity instrument. The preferred shares are a senior security to all existing common equity of the Company but junior to the Group existing debt and senior bonds.

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

37 Convertible preferred shares (continued)

The preferred shares include embedded conversion options and the Group irrevocably designated the entire instrument to be measured at fair value through profit or loss. In general, the fair value measurement is within level 3 of the fair value hierarchy due to unobservable inputs.

The movement of the convertible preferred shares is set out as below:

	Convertible preferred shares
Opening balance 1 January 2021	**-**
Issuance of convertible preferred shares	300 000
Change in fair value recognised in profit (loss) (Note 12)*	920
Change in fair value recognised in OCI (own credit risk)	-
Closing balance 31 December 2021	**300 920**

*Given the short period between the issue date and the reporting date, the fair value of the instrument was determined as the nominal amount plus the accrued mandatory dividend. The preferred shares were issued at fair value 15 December 2021 and from the issue date up to year end, there were no known events which could have material impact on the valuation of the instrument, in particular, the changes in unobservable inputs. Management considered that fair value changes in the convertible preferred shares that are attributable to changes of credit risk of this liability are not material.

Subsequently, the fair value of the preferred shares will be estimated using the option pricing model. The unobservable inputs will include price of own equity, time up to liquidity event, risk-free rate, standard deviation of comparable equity instruments and discount for lack of control.

38 Events after the reporting date

Indirect subsidiary of Avia Solutions Group PLC has disposed its' investment in Baltic Ground Services RU OOO for consideration amount of 1 EUR.

Impact of Russia-Ukraine conflict

On 24 February 2022 Russia started a military invasion of the independent state of Ukraine. The military attack affected not only Ukraine, Russia and Belarus, but also the Europe and the world. The Group has analysed the potential impact of the implementation of the comprehensive sanctions against Russia and Belarus on the economic activities of the Group's suppliers, customers and counterparties.

At 31 December 2021 the Group had consolidated the following subsidiaries in Ukraine:
- Baltic Ground Services TOV UA
- BGS Rail TOV
- BGS Rail Cargo
- BGS Rail Lease TOV
- RE Invest LLC
- FL Technics Ukraine MRO LLC
- Fl Technics Ukraine Line Maintenance LLC

The entities contributed 25 373 thousand EUR revenues (2.4% from total consolidated) during 2021 and had 66 774 thousand EUR assets (4.5% of total consolidated) as at 31 December 2021. The major amount of assets comprises of either owned or leased rail-way wagons. As of the date of financial statements, management is aware that around 11% of wagon fleet is located in affected high risk areas and might be subject to impairment.

At 31 December 2021 the Group had consolidated the following subsidiaries in Russia:
- Chapman Freeborn RU LLC
- Baltic Ground Services RU OOO
- FL Technics Line OOO

The entities contributed 2 900 thousand EUR revenues (0.3% from total consolidated) during 2021 and had 2 365 thousand EUR assets as at 31 December 2021.

38 Events after the reporting date (continued)

On February 2022 the Group announced to cease any activities in Russia, including closure of representation office in Moscow.

For the year 2021 the Group total revenues from clients incorporated in Russia were 33 040 thousand EUR (3.1% from total consolidated revenue). Starting March 2022 following the imposed sanctions no sales to Russian clients are being made.

For the year 2021 the Group total revenues from clients incorporated in Ukraine were 29 478 thousand EUR (2.8% from total consolidated revenue). After year-end there was a decrease of sales to Ukrainian clients due to yet continuing war in the region and since majority of clients are from the railway business, which is operating locally. Exact estimate cannot be made as of the date of financial statements.

After the year end, the total trade and other receivables (excluding contribution from above-mentioned subsidiaries in the affected regions) before the invasion and imposed sanctions from Russian incorporated clients were around 5 300 thousand EUR, while receivables from Ukrainian based clients were around 500 thousand EUR. Due to the negative events the likelihood of asset recoverability has significantly decreased. Management is continuously monitoring the changing situation and expects to form impairment related to these amounts in 2022 Q1.

The Group has a joint venture (hereinafter – JV) AviaAM Financial Leasing China Co. Ltd in People's Republic of China, which, through the subsidiaries in Ireland, leases 13 aircraft to the Russian-based lessee. The European Union has given leasing companies to wind up current lease contracts in Russia until 28 March 2022. On the date of issue of the consolidated financial statements, JV has terminated all lease agreements with the Russian-based lessee and waits for aircraft to be repossessed. None of aircraft is repossessed on the date of issue of the consolidated financial statements. Getting the aircraft back could be challenging due to airspace bans, potential SWIFT payment transfer issues and industry concerns that the Russian government could nationalize the fleet to maintain domestic capacity. Russia's aviation regulator recommended that all Russian airlines with aircraft leased from foreign lessors avoid flying overseas where the aircraft risked being detained upon arrival.

It is unclear what the condition of these assets will be at the time of repossession if it happens and whether any such aircraft could be re-leased or sold. Any failure to promptly repossess aircrafts will adversely affect JV business and financial results. The Russian-based lessee continued to fly JV's aircraft notwithstanding the leasing termination. Aircraft that remain in Russia may suffer damage or deterioration due to inadequate maintenance and lack of spare parts.

Currently JV consults with legal experts and prepares documentation for possible legal proceedings. JV will initiate legal proceedings in case the lessee will not redeliver aircraft within the reasonable time. Therefore, the Group is exposed to the impairment into JV risk in case the aircraft is not repossessed.

Aircraft leased by JV to the Russian-based lessee are largely financed by the Chinese banks (the aircraft are also pledged to these banks). Therefore, Chinese banks are exposed to the higher risk in case of the worst-case scenario of not repossessing the aircraft. Nevertheless, JV preliminary agreed with the Chinese banks on the provision of the half year grace period.

Depending on the time of aircraft redelivery, aircraft technical status and commercial terms of new aircraft lease agreements the magnitude of impairment of the Group's investment into JV could vary and be up to EUR 51 million, which represents the carrying value of investment in the Group's balance sheet as at 31 December 2021. Therefore, high uncertainty exists over value of investment into JV.

At the same time, due to uncertainty regarding possibility to receive future revenue from the Russian-based lessee and uncertainty regarding repossession of aircraft, the Group might lose up to EUR 5.5 million of budgeted per year profit from investment into joint venture in the upcoming years.

The Group also considers that it is not possible to predict the broader or longer-term consequences of the war in Ukraine, which could include expansion of the conflict, further sanctions, embargoes, regional instability, geopolitical shifts and adverse effects on macroeconomic conditions, security conditions, fuel prices, currency exchange rates and financial markets. Such geopolitical instability and uncertainty could have a negative impact on the Group ability to lease aircrafts, collect payments from, and support customers in certain regions based on trade restrictions, embargoes and export control law restrictions, and logistics restrictions including closures of air space, and could materially and adversely affect our business.

38 Events after the reporting date (continued)

The Group does not outsource operational business processes services (e.g., IT services) from Ukrainian, Russian or Belarusian service providers, in this way minimising the risk of cybersecurity.

Management considers the financial impact and market conditions arising from the war in Ukraine and subsequent sanctions on Russia and Belarus to be non-adjusting post balance sheet event.

Management concluded that the range of possible outcomes does not give rise to material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern for at least twelve months from the date of approval of the financial statements. The Group has sufficient financial resources to continue its' operations and the impacted areas of business does not have material effect on the prospective financial information.

There were no other material post balance sheet events, which have a bearing on the understanding of these consolidated financial statements.

Consolidated Financial Statements have been approved and signed on 29 April 2022:

Managing Director
Jonas Janukėnas

Director
Vygaudas Ušackas

Chief Financial Officer
Robertas Čipkus

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

CONSOLIDATED MANAGEMENT REPORT Approved by the Board as at 29 April 2022

I. GENERAL INFORMATION

Reporting period **Year ended 31 December 2021**

Issuer and its contact details

Name of the Issuer **AVIA SOLUTIONS GROUP PLC**
(hereinafter – '*Company Avia Solutions Group PLC*' or 'the Company')

Legal form	Public limited company
Date of registration	28th February 2018
Code of enterprise	HE380586
Registered office	117 Arc. Makarios Avenue III, Floor 5, Flat 505, 3021, Limassol Cyprus
Telephone number	+44 20 808 99777
E-mail	info@aviasg.com
Internet address	www.aviasg.com

The Board of Directors presents its report together with the audited consolidated financial statements of the Company for the year ended 31 December 2021.

Changes in group structure

As at 31 December 2021, the Group consisted of the parent company, *Avia Solutions Group PLC* and its subsidiaries and associate which are disclosed in note 1 "General information" in the Consolidated Financial Statements for the year ended 31 December 2021. All changes in the Group structure are presented in the Note 33 of these Consolidated Financial Statements for the year ended 31 December 2021.

As at 31 December 2021 *Avia Solutions Group PLC* headquartered in 117 Arc. Makarios Avenue III, Floor 5, Flat 505, 3021, Limassol Cyprus and had permanent establishment in Republic of Lithuania, Dariaus ir Gireno st. 21a, LT-02189 Vilnius, Lithuania.

Main activities

AVIA SOLUTIONS GROUP PLC is a holding company and together with its subsidiaries (hereinafter collectively – the 'Group' or 'ASG Group') are engaged in delivering clients integrated aviation related services.

Avia Solutions Group PLC is one of the global leaders in capacity management in passenger and cargo aviation. Avia Solutions Group PLC goal is to become a world-wide leader in end-to-end capacity solutions for passenger and cargo airlines worldwide. ASG Group provides passenger and cargo airlines with short term aircraft leases under the ACMI model (aircraft, crew, maintenance and insurance), helping customers to improve fleet utilization and profitability in uncertain market conditions.

Therefore, ASG Group business is based on three complementary business activities centred around ACMI lease solutions:
- cargo and passenger ACMI;
- aviation support services (maintenance, repair, fueling and other services)
- trading and conversion of aircraft.

ACMI Capacity management concept allows to convert fixed costs into variable, helping customers to improve profitability and flexibility while allowing for attractive margins to be earned by ASG Group. This is complemented by strong resilience of business fundamentals due to counter-cyclicality of key revenue drivers. Capacity sharing will increasingly impact the airline industry, and the ACMI lease market is projected to grow in the foreseeable future.

Capacity management model used by ASG, addresses the need for greater efficiency, by tackling economic cycles, different seasonality patterns throughout the Globe in passenger traffic and cargo demand fluctuations, and selected industry shocks (e.g., COVID19, e-commerce growth, etc.)

ASG Group ACMI Capacity management model is supplemented by Aviation Supporting Services like maintenance, repair, ground handling and training.

Aircraft Trading and Portfolio Management segment mainly caters for the needs of Aviation Logistics and Distribution Segment fleet expansion.

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

- Aviation Logistics and Distribution Services;
- Aviation Supporting Services;
- Aircraft Trading and Portfolio Management;
- Unallocated segment (holding, financing and other with non-aviation related activities).

Aviation Logistics and Distribution Services Segment

Aviation Logistics and Distribution Services segment provide services using aircraft to airline and non-airline customers using contracted capacity. This segment includes logistics services, a wide range of aircraft charter and leasing services to cargo, passenger and VIP charter clients across a broad spectrum of industries.

Aircraft, crew, maintenance and insurance (ACMI) operations

ACMI activity is carried through *Smartlynx Airlines SIA* (*Smartlynx*) with its subsidiaries and *Avion Express UAB and Avion Express Malta Ltd (Avion)*. *Smartlynx and Avion* also provide international passenger charter services.

ACMI providers core business is the provision of short- and long-term ACMI services to other carries globally. ACMI offer primarily wet lease and damp leases of their mainline narrow-body aircraft fleet, which, in turn, they source from lessors on the basis of dry leases.

Under "wet leases," ACMI providers as lessors, provide an aircraft, complete crew, maintenance, and insurance to another airline or other type of business acting as a broker of air travel, as lessee, who generally pays by hours operated and is responsible for covering fuel expenses, airport fees and other duties and taxes. Typically, flights are operated under the lessees' flight numbers. Under "damp leases," ACMI lessors, provide an aircraft, flight crew and maintenance, but the lessees provide the cabin crew.

During 2021 Group introduced new Aircraft types to its fleet, the Airbus 330, Airbus 321 Cargo configuration and Boeing 737NG Cargo configuration.

Charter Services

Smartlynx operates passenger charter flights from Estonia and Latvia to various leisure locations across Europe, Africa and Asia, including Turkey, Greece, Italy, Spain, Tunis, Morocco and Egypt. Avion Express operates passenger charter flights from Lithuania to various leisure locations across Southern Europe, Canary Islands, North Africa and Middle East. Charter service contracts are usually for a term of between one to two years. Due to the market size, usually one aircraft of up to 180 seats is split between two to three different tour operators. The tour operators are charged per seat block of the flight. The price is then adjusted to reflect changes in fuel prices as at the time of the flight, therefore the risk relating to fluctuations on fuel price is transferred to tour operators.

Cargo services

Cargo services are carried through Chapman Freeborn Holding, Bluebird Nordic and Smartlynx companies.

Group provides a wide range of aircraft charter and leasing services to cargo, passenger and VIP charter clients across a broad spectrum of industries. Services include sourcing aircraft to meet the client's charter requirements, and ensuring airlines and operators are thoroughly screened and monitored. Group also offers a range of additional services including pre-flight advice and airport representation, and operates an in-house division which provides 24/7 assistance to customers, such as flight monitoring and securing ground handling, diplomatic clearances and flight permits.

Group primary focus is the provision of global air cargo charter solutions and arranging charters for the delivery of heavy and outsized equipment (e.g., oil and gas equipment, aircraft engines, and vehicles), time critical consignments (such as automotive cargo and manufacturing components) and all other types of freight, for companies and suppliers in multiple industries.

Group also coordinates ad-hoc and large-scale humanitarian relief flight operations for the United Nations, governments and other aid providers, including airlifts, airdropping, search and rescue flights, delivery of humanitarian goods (such as life-saving medicines, food and equipment), evacuation flights and aircraft leasing.

Group through Magma Aviation, also offers specialist air cargo management which markets dedicated widebody cargo aircraft capacity, contracted on an exclusive basis from third party airlines, where offers a wide range of ad-hoc and regular flying capacity to various clients comprising of freight forwarders, block space consolidators and charter brokers.

ACMI (wet lease) cargo activity

ACMI (wet lease) cargo activity is carried through Bluebird Nordic company.

ACMI cargo core business is the provision of short- and long-term ACMI services to other carriers globally. The offer is primarily wet lease of their mainline narrow-body, converted freighter, aircraft fleet, which, in turn, they source from lessors on the basis of dry leases.

As a lessor under "wet leases," provide service is an aircraft, complete crew, maintenance, and insurance to integrators and other airline or other type of business acting as a broker of cargo, as lessee, who generally pays by hours operated and is responsible for covering fuel expenses, airport fees and other duties and taxes. Group operates its own line maintenance stations at Liege in Belgium, at Keflavik in Iceland and Copenhagen in Denmark

Cargo Charter Services

Group offers charter services to the air cargo market, from single full charters to series of charters. The customers are mainly charter brokers looking for a single full charter. Destinations are usually intra-Europe destinations, carrying time sensitive materials such as automotive industry parts, perishables, live animals, and pharmaceuticals. Occasional flights are from Europe to Africa, North and South America and Asia.

Customers are also served the general airfreight market to and from Iceland with scheduled services from Iceland to Ireland, Continental Europe and Canada for more than 200 worldwide destinations through interline connections with UPS, Emirates and IAG (BA, Aer Lingus, and Iberia).

On-board courier

Group provides transportation solutions tailored to clients' specific requirements, with dedicated couriers accompanying each shipment from pick-up to delivery. Group delivers for time-critical cargo, such spare parts, samples, prototypes and important documents, for companies and suppliers in the automotive, fashion, pharmaceutical, hi-tech sectors, aerospace and medical sectors. Group utilises both individual contractors and a technological platform for booking and tracking shipments.

Private Jet Charter, Flight and Tour Operation services

The Group is involved in private jet charter operations related activities conducted through KlasJet UAB.

Group is one of the leading private and corporate jet charter, providing exclusive flights to clients all over the world. The company has a proven reputation in aviation with over 20 years of combined experience in organising corporate and leisure flights for group transportation.

Aviation Supporting Services Segment

Aviation Supporting Services segment is involved in providing services to airlines to support their business. This segment includes aircraft and aircraft components' maintenance services, repair, overhaul, engineering, spare parts and consumable sale, aircraft handling, passengers servicing, tickets sale and into-plane fuelling, full scope of integrated flight training and recruitment solution services

Aircraft Maintenance, Repair and Overhaul (MRO) services

Group is a global one-stop-shop providing a wide range of MRO solutions for various Boeing, Airbus, ATR, Embraer, Bombardier CRJ, and other types of aircraft, including aircraft base and line maintenance, component management, engineering services, spare parts and consumable sales, technical training, consulting, engine maintenance management, aircraft parts marketplace services, and other related aircraft services. ASG Group provides these services primarily through FL Technics UAB (*FL Technics*), Jet Maintenance Solutions Regional UAB (*Jet Maintenance Solutions Regional*) and its subsidiaries, including Storm Aviation Limited (*Storm Aviation*).

Group occupies 6 aircraft maintenance hangars together with administrative, warehouse and back shop facilities in Vilnius International Airport, Kaunas International Airport, Soekarno - Hatta International Airport, Jakarta, London Stansted Airport, Harbin Taiping International Airport, China and Glasgow Prestwick Airport – 57,600 sq. meters in total.

Line maintenance is defined as maintenance that is carried out before each flight to ensure that the aircraft is airworthy and fit for the intended flight and includes: daily service and weekly checks, unscheduled checks, 24/7 AOG support troubleshooting, defect rectification and minor component replacements. As at 31 December 2021 ASG Group subsidiaries collectively had 71 approved line stations and operated in 60 line stations (at 31 December 2020 – operated in 64 line stations).

Engine, Airframe and Material Services

Group purchases, sells, exchanges, leases, repairs engine and airframe assets (engines, landing gears, APUs), spare parts and materials, wheels & brakes, tools & ground support equipment, consumables & chemicals. The company is official distributor for a large number of parts and equipment manufacturers.

Aircraft Ground Handling, Fuelling and Logistics services

Aircraft Ground Handling, Fuelling and Logistics services are carried through Baltic Ground Handling Services and Aviator Airport Alliance companies.

Group operates in 29 airports across Northern and Central Europe, providing ground handling, de-icing, fuelling and fuel logistics services in airports of Lithuania, Latvia, Estonia, Ukraine, Czech Republic as well as Denmark, Sweden, Finland and Norway.

Group takes care of customer airlines' passengers and the aircrafts while on the ground. This includes Passenger and Baggage Handling, Lounge Services, De-icing, Cargo and full Freight Handling and PRM Services.

Group secured long-term agreements and serves airlines such as Ryanair, SAS, Lufthansa Group, and Air France-KLM Group. In 2021 Group won the significant tender for Ryanair and Eurowings in Sweden and extended the existing agreement scope with Norwegian in Norway.

Group is one of the reliable partners for clients in the International Carriage of Dangerous Goods by Road (ADR Logistics) business field.

Crew Training and Staffing

Crew training and staffing operations are carried through BAA Training.

Group is one of the TOP three independent aviation training providers in Europe expanding globally. Group training facilities also operates in Spain, Vietnam, China and will open a new training centre near Paris Orly airport in France in year 2023. Group is one of the very few EASA standard Approved Training Organizations (ATO) in Europe delivering both Ab Initio and Type Rating training. Group Training offers a total of more than 45 training programs, including MPL, distance learning and virtual reality-based training options using a fleet of own simulators and a network of over 69 partners' simulators in 19 locations.

Group Training companies' premises in Europe occupy approx. 13,000 sq. meters in Lithuania, Vietnam and Spain.

Aircraft Trading and Portfolio Management Segment

Aircraft Trading and Portfolio Management segment is engaged in the business of aircraft leasing, trading and management. These services are provided primarily through *AviaAM Leasing AB* and its subsidiaries.

AviaAM Leasing AB together with its subsidiaries acquire, lease and trade commercial aircraft. The main purpose of *AviaAM* is to create capacity and provide aircraft for Group *Aviation Logistics and Distribution* ACMI and Cargo company's business needs. *AviaAM* is capacity cycle is finding and purchasing aircraft, usually in Passenger configuration, converting it to Cargo configuration, leasing to Group Cargo providers and selling it to Lessors with lease attached, to generate attractive returns on equity.

AviaAM leases its aircraft to airlines pursuant to net operating ("dry") leases that require the lessee to pay for maintenance, insurance, taxes and all other aircraft operating expenses during the lease term.

Unallocated Segment

The Unallocated segment includes management services, financing activities to subsidiaries and other with non-aviation related activities which cannot be attributed to the other segments.

Railway Semi-Wagons Lease is provided via BGS Rails

In 2021 the railcars fleet increased by 273 units, or by 12%, to 2590 units. Group strongly expanded its presence in logistics services, where it operated both semi-wagons and grain hoppers, hence positioning itself among top 5-10 companies. Freight rates in the railway market posted strong growth in 2H 2021, mainly driven by an increase in commodities prices and grain export volumes. However, the Russian invasion into Ukraine in February 2022 brought the Group railcars lease and logistics businesses to a standstill, with its outlook being highly uncertain as of the timing of this report.

Group is also engaged in the number of Real Estate projects, mainly serving Group expansion needs.

II. FINANCIAL AND OPERATIONAL INFORMATION

The consolidated financial statements of the Group have been prepared according to International Financial Reporting Standards as adopted by the European Union.

In 2021 *Avia Solutions Group PLC* and its subsidiaries (hereinafter – the Group) generated net profit of EUR 34,4 million (in 2020 net loss - EUR 51,6 million). The consolidated revenue has increased up to EUR 1 014,9 million, or by around 46% as compared with EUR 695,7 million in 2020.

Key figures of the Group

Financial ratios	2021	2020
Return on equity (ROE)* (%)	10.47	-18.9
Gearing ratio** (%)	44.5	45.5
Equity to total assets ratio*** (%)	22.3	28.9
Liquidity ratio	2.0	1.3
Number of full-time employees at the end of the period	4 707	3 983

* - ***Return on equity (ROE)*** = *Net profit for the period / Total equity*
** - ***Gearing ratio*** **=** *Net debt / (Net debt + Total equity),* ***Net debt*** = *Borrowings – Cash and cash equivalents*
*** - ***Equity ratio*** = *Total equity / Total assets*

Financial figures	2021	2020	Change
Revenue (EUR thousand)	1 014 891	695 672	*+45.9%*
Operating profit (EUR thousand)	79 970	(18 235)	*+538.5%*
Operating profit margin (%)	*7.9*	*-2.6*	*10.5 p.p.*
Profit (loss) before income tax (EUR thousand)	44 628	(45 809)	*+197.4%*
Net profit (loss) for the period (EUR thousand)	34 368	(51 605)	*+166.6%*
Net profit (loss) for the period margin (%)	*2.8*	*-7.4*	*10.20 p.p.*
Profit (loss) for the year attributable to equity holders of the parent	33 419	(59 800)	*+155.9%*

Operating figures	2021	2020	Change
Cargo Gross Revenue under management (EUR thousand)	925 146	680 923	*+35.8%*
Block Hours Passenger (hours)	23 596	10 682	*+120.9%*
Block Hours Cargo (hours)	60 700	30 813	*+97%*
Number of aircraft at the end of the period (owned or leased)	93	54	*+39*
Number of aircrafts served (thousands)	82.3	39.3	*+109.3%*
Number of passengers served (millions)	6.3	4.3	*+46.6%*
Number of lease days for rail wagons (thousand)	799	623	*+28.3%*
Number of rail wagons at the end of the period	2 390	2 295	*+4.1%*
Training simulators number of hours sold (thousands)	39.3	35.9	*+9.5%*
Number of SOLD man-hours in MRO (hours thousand)	744	624	*+19.3%*
Number of line stations at the end of the period (approved)	71	64	*+10.9%*

Revenue related to operations

The total consolidated Group's revenue for the year ended 31 December 2021 was EUR 1 014 million, an increase by around 46 per cent over the total revenue of EUR 696 million for the year ended 31 December 2020.

During the period significant revenue growth was noticed in *Aviation Logistics and Distribution Services segment* as compared to the same period in 2020. Revenue to external customers in this segment increased by EUR 286,6 million and amounted to EUR 653,8 million in 2021 as compared to EUR 367,2 million in 2020, which is a 78% increase. The growth was impacted primarily by significant demand of cargo services during ongoing COVID19 pandemic period. Cargo services contributed EUR 455.7 million in Group revenue during 2021.

In 2021 *Aviation Support Services segment* revenue to external customers increased by EUR 98.7 million and amounted to EUR 327,3 million in 2021 as compared to EUR 228,6 million in 2020. The growth was driven by reduced constrains on the COVID19 pandemic, which contributed to increased service delivery.

Expenses related to operations

Due to significant growth in aviation logistics and distribution as mentioned above, cost of goods purchased during 2021 increased by EUR 20,0 million to EUR 71,5 million as compared with EUR 51,5 million in the 2020. Costs of purchased services increased by EUR 32.4 million to EUR 108.5 million during 2021 from EUR 76.1 million in 2020, this was also mostly driven by aviation logistics and distribution services.

Rent of aircraft, training and other equipment expenses increased by EUR 58,3 million from EUR 61,6 million during 2020 to EUR 119,9 million during 2021 as a result of significant increased Cargo activities.

The employee related expenses during 2021 increased by 37,4% and equalled to EUR 200.2 million compared with EUR 145,7 million in 2020 due to new subsidiaries acquired which are disclosed in Note 33 of the Group's Financial Statements for the year ended 31 December 2021 and increased number of employees during 2021.

The increase in other operating expenses was mainly influenced by growth of consultation expenses by EUR 13,3 million to EUR 27,3 million during 2021 from EUR 14,0 million in 2020 and by growth of office administrative, communications and IT expenses from EUR 7,6 million in 2020 to EUR 10,8 million in 2021 due to acquisitions of new subsidiaries during the period. Business travel expenses increased by around 74.3% up to EUR 6.1 million due to decreased COVID 19 pandemic effect and relieved traveling restrictions during 2021 compared to EUR 3.5 million in 2020.

Net financial costs increased primarily as a result of interest expenses from bonds, which were issued at the end of 2019.

Balance sheet and cash flow

During the 2021 total assets of the Group increased by EUR 545,4 million or 57,6% comparing with EUR 946,3 million as at 31 December 2020 primarily due to increased level of short-term bank deposit which was the result of issuance of convertible preferred shares and recovery of Aviation business, which resulted in increased trade and other receivables.

During the year ended 31 December 2021 total liabilities increased by EUR 468,5 million up to EUR 1 141 million primarily due to significant increase in convertible preferred shares.

During the year ended 31 December 2021 net cash flow used in investing activities was EUR 300.2 million. The Group invested EUR 78,3 million to purchase property, plant and equipment and intangible assets, EUR 225,9 million cash outflow from bank deposits and EUR 22,8 million net cash outflow was the result of acquisition of new subsidiaries.

During the year ended 31 December 2021 net cash flow gained in financing activities was EUR 287.5 million which was primarily due to issuance of convertible preferred shares (net inflow EUR 300 million) and bank borrowings received (net inflow EUR 22,1 million).

Information about related party transactions

Information about related party transactions is provided in Note 34 of the Group's Financial Statements for the year ended 31 December 2021.

Related parties include the following:

- Entities having significant influence over the Group;
- Associates and joint ventures of the Group;
- Key management personnel of the Group;
- Other related parties.

Following the International Financial Reporting Standards as adopted by the EU, the parties related to the Group are the Group's associates, entities having significant influence over the Group, key management personnel of the Group and other related parties. Entities having significant influence over the Group are *PROCYONE FZE, VERTAS AIRCRAFT LEASING LIMITED, Vertas Cyprus Ltd, 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. Transactions with related parties are carried out based on the arm's length principle.

The Group and its related parties are providing to each other business consulting and management services, aircraft maintenance, providing of spare parts, private jet charter services. During the 2021 amount of sales of aircraft maintenance services from the Group to related parties was not material (2020: EUR 1 018 thousand). During the year ended 31 December 2021 amount of purchases of premises lease services was EUR 1 659 thousand (in 2020: EUR 1 557 thousand).

Investments into property, plant and equipment

The Group has increased the level of its assets by investing in property, plant and equipment for the total amount of EUR 65,6 million (during 2020: EUR 95,1 million). The majority of capital investments were used for acquisitions and capital improvement of aircraft and acquisitions of full flight simulators.

Investments ('000 EUR)	**2021**	**2020**	**Change**
Aviation Logistics and Distribution Services	9 447	12 259	*-22.94%*
Aviation Support Services	24 300	26 503	*-8.31%*
Aircraft Trading and Portfolio Management	23 848	27 894	*-14.50%*
Unallocated business segment	7 964	28 460	*-72.02%*
Total investments	**65 559**	**95 116**	*-31.07%*

All details concerning the non-current assets of the Group are presented in the Consolidated Financial Statements for the year ended 31 December 2021 (Notes 5, 16, 17).

Research and development activities

During the year ended 31 December 2021 the Group invested into on-going improvements of Group's services and especially:

- Development of process-based IT solution for aircrafts MRO organization. Modules that will be developed: Bidding & Quoting, Planning, HR, Quality, Execution, Parts & Tools, integrations with 3rd party software, such as Airbus (AMM documentation), Quantum, Navision, etc.
- Development of modern web-based and cloud-enabled operation management solution for airports and ground handling operators. SENSUS.AERO provides following modules: AODB (Airport Operational Data Base), RMS (Resource Management System), FIDS (Flight Information Display System), PA (Public Announcement), Quality Control System, GSE (Ground Service Equipment) management, commerce and billing, reporting, Rostering (Staff planning), Slot Coordination System, Fuel Operation management, Fuel Storage Management and DCS (Departure Control System);
- Updated *Locatory.com* website had significant impact for platform database growth which achieved 14.4 billion aircraft parts. Strong focus on customer support services and development of simplified modern user interface increased amount of satisfied platform users;
- In 2021 Group launched *Aeroclass.org* e-learning platform for aviation professionals.

Environmental protection

In its activities, the Group uses innovative means and the modern technological processes that meet all ecological standards and help reduce the negative impact on the environment.

- All company's employees comply with environmental requirements in accordance with applicable state laws, local regulations of airports, and other controlling authorities such as storage in special containers and shipment for recycling of used fuel, lubricants, chemicals, and other hazardous waste. In the event of any environmental incident, it should be reported immediately to company's manager, airport and other concerned authorities in order to mitigate the impact.

- Avia Solutions Group has implemented a unified document management system in some of our offices that allows us to present needed information in a paperless way, without unnecessary paper documents. In 2021, more than 4000 documents were signed with qualified signatures in our document management system and there are almost 62 thousand workflows, directives and other documents online for our team members to get familiar with.

Risk management

The main risk factors associated with the activities of the Group are as follows:

- Strategic risk;
- Changes in the legal regulation of the Group's activities;
- Competition with other market players;
- Currencies' exchange rates fluctuation;
- Safety, Health and Environmental (SHE) risks.

Strategic risk arises from adverse or erroneous business decisions, improper decisions implementation or lack of response to any political or regulatory developments. In 2021 the Group was constantly monitoring its' strategic risk.

Changes in the legal regulation of the Group's activities risk is a risk of an increase in the loss and (or) loss of goodwill and a decrease of trust which can be due to external factors (such as law violations, regulatory non-compliance, failure to comply with contractual obligations with third parties) or internal factors (such as violations of ethical standards, failure to comply with internal regulations internal fraud, etc.). Legal department manages legal compliances risks – lawyers are involved in agreement review process.

An economic downturn could have a significant detrimental effect on the achievement of the targets. This effect could be aggravated by *volatility in currencies*. The sensitivities to variations in several key currencies are analysed at the end of the year. The Group will proceed with its profit protection plans, including further control on operating working capital.

The Group has strict safety policies which mitigate *Safety, Health and Environmental (SHE) risks*.

Competition with other market players risk arises when price pressure and other competitive challenges may cause the profitability of the Group's activities to deviate from the projected levels. Group's management is constantly monitoring the market and relevant decisions to increase competitiveness are being made.

The Group's activities expose it to the following financial risks: market risk (including foreign exchange risk, and cash flow and fair value interest rate risk), credit risk, liquidity risk. The Group's Policy for Treasury Management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects of the financial performance of the Group.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to US Dollar (USD), British Pound (GBP), Swedish Krona and Russian Ruble (RUB). Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities. Foreign exchange risk is controlled by monitoring the foreign currency exposure of its purchase contracts and lease commitments. The Group seeks to reduce its foreign rate exchange exposure through a policy of matching possible receipts and payments in each individual currency.

The Group's interest rate risk arises from short-term and long-term bank borrowings and finance lease liabilities at floating interest rates. The Group is not exposed to fair value interest rate risk as loans granted to related parties and interest free deposit placed as a guarantee for lease of aircraft are accounted at amortized cost and are with fixed interest rate.

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 Group'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.

Liquidity risk management implies maintaining sufficient cash and the availability of funding through other group companies. Liquidity risk is managed by the General Managers of entities of the Group in close cooperation with the Company to maintain a minimum required liquidity position.

More detail information about the Group's financial risk management is provided in Note 3 of the Group's Financial Statements for the year ended 31 December 2021.

Significant post balance sheet events

All significant post balance sheet events of the Group are presented in the Note 38 in the Consolidated Financial Statements for the year ended 31 December 2021.

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

Impact of COVID-19

During 2020 operations of the Group were significantly impacted by the spread of COVID-19 virus. The coronavirus pandemic has created an unprecedented situation all around the world, which had a significant impact on the aviation and related services where the Group operates. 2021 saw a partial but sustained traffic recovery in Europe, mass vaccinations and the EU Digital COVID certificate helped deliver strong summer recovery, and traffic has rebounded compared to 2020, however not yet to pre-pandemic levels. The positive changes had direct impact for 2021 as the Group financial performance improved comparing the year 2021 to 2020.

Plans and forecasts

In management's view, the above factors support the assertion that the Group will have sufficient resources to continue for a period of at least 12 months from the date of authorisation of these financial statements. Management concluded that the range of possible outcomes considered at arriving at this judgment does not give rise to material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern for at least twelve months from the date of approval of the financial statements.

III. INFORMATION ABOUT SHARE CAPITAL AND SHAREHOLDERS

Share capital

On 31 December 2021 the share capital of the Company amounted to EUR 28 194 444 and consisted of 77 777 777 ordinary registered shares with a nominal value of 0.29 Euro each and 19,444,444 convertible preferred shares of nominal value of EUR 0.29 each. All shares were fully paid up.

On 31 December 2021 and on 31 December 2020 the share premium of the Company amounted to EUR 282 158 thousand. During 2021 there was no movement of share premium.

Shareholders

Shareholders, holding more than 5 per cent of the share capital and votes, as on 31 December 2021:

		31 December 2021		31 December 2020	
		Number of shares	**Percentage owned**	**Number of shares**	**Percentage owned**
1.	FZE PROCYONE	38 371 469	49.33%	39 179 969	50.37%
2.	VERTAS AIRCRAFT LEASING LIMITED	17 078 622	21.96%	17 078 622	21.96%
3.	Mesotania Holdings Ltd.	11 416 335	14.68%	11 416 335	14.68%
4.	Other Shareholders	10 911 351	14.03%	10 102 851	12.99%
	Total issued	**77 777 777**	**100.00%**	**77 777 777**	**100.00%**
	Treasury shares	10 014	0,01%	370 014	0.48%
	Total	**77 767 763**		**77 407 763**	
	Certares Compass LLC	19 444 444	100.00%	-	-
	Total convertible preferred shares	**19 444 444**	**100.00%**	**-**	**-**

The number of shares directly owned by the Management of the Company and Directors of the Board as on 31 December 2021 is listed in the table below:

Name	Role in the Company's Management	Number of shares	%
Jonas Janukėnas	Member of the Board of Directors, CEO of AVIA SOLUTIONS GROUP PLC	174 535	0.22
Žilvinas Lapinskas	Member of the Board of Directors, CEO of FL Technics UAB	312 480	0.40
Linas Dovydėnas	Member of the Board of Directors	322 478	0.41
Vygaudas Ušackas	Member of the Board of Directors	65 000	0.08

From February 2019, the ultimate controlling party of the Group is Gediminas Žiemelis. Before February 2019, there was no ultimate controlling party, just entities having significant influence. There were no changes in the ultimate controlling party during 2021.

Treasury stocks

As at 31 December 2021 the Group has 10 014 treasury shares which are deducted from equity attributable to the Group's equity holders. On 31 December 2020 the Group had 370 014 treasury shares which were deducted from equity attributable to the Group's equity holders.

Shareholders' rights

None of the shareholders of the Company have any special controlling rights. Rights of all shareholders are equal. One ordinary registered share of *AVIA SOLUTIONS GROUP PLC* gives one vote in the General Meeting of Shareholders and newly authorized convertible preferred shares are a new class of shares with the rights set out in the new articles of association of the Company. As mentioned above one of the Company's' subsidiaries owned 10 014 shares of the Company **as** at 31 December 2021 (370 014 as at 31 December 2020).

The Company is not aware of any agreements between the shareholders that could limit transfer of securities and/or their ability to exercise their voting rights.

Type of shares	Number of shares	Nominal value in EUR	Total nominal value in EUR
Ordinary registered shares	77,777,777	0.29	22,555,555
Convertible preferred shares	19,444,444	0,29	56,388,89

Dividends

During 2021 dividends for amount of 293 EUR thousand were paid to minority shareholders, no dividends were declared or paid to the equity holders of the parent Company. The Company has paid 675 thousand dividends to the minority shareholders during the year ended 31 December 2020.

IV. INFORMATION ABOUT BOARD OF DIRECTORS

Board of Directors is a collegial management body of the Company consisting of five members. The election of Directors ensures that the principle of proper representation of the rights of all shareholders in the Board of Directors is ensured.

The table below indicates the elected members of the Board at the balance sheet date:

Name	Position within the Company
Gediminas Žiemelis	Chairman of the Board of Directors
Jonas Janukėnas	Member of the Board of Directors, CEO of Avia Solutions Group
Žilvinas Lapinskas	Member of the Board of Directors, CEO of FL Technics UAB
Linas Dovydėnas	Member of the Board of Directors, CCO of Avia Solutions Group
Vygaudas Ušackas	Member of the Board of Directors
Tom Klein	Member of the Board of Directors

All of them were members of the Board throughout the year 2021, except for Tom Klein, who was elected as board member at 15 December 2021. Member of the Board Mr Linas Dovydėnas, Mr. Gediminas Žiemelis, and Mr Žilvinas Lapinskas were appointed as Directors on the 12th of July 2019. Mr. Vygaudas Ušackas was appointed as Director on the 16th of September 2019.

In accordance with the Company's Articles of Association Messrs Jonas Janukėnas and one of Linas Dovydėnas, Gediminas Žiemelis and Žilvinas Lapinskas will retire at the next Annual General Meeting and, being eligible, offer themselves for re-election.

V. OTHER INFORMATION

Information about trading in the Company's securities

As at 31 December 2021 equity securities of the Company and the Company's subsidiaries are not publicly traded.

Events after the balance sheet date

The material post balance sheet events, which have a bearing on the understanding of the consolidated financial statements are disclosed in Note 38.

Auditors

The Independent auditors, PricewaterhouseCoopers Limited, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By Order of the Board

Managing Director
Jonas Janukėnas

Director
Vygaudas Ušackas

Chief Financial Officer
Robertas Čipkus