AVIA SOLUTIONS GROUP PLC

Independent Auditor’s Report,
Consolidated Financial Statements,
Consolidated Management Report
For the Year Ended 31 December 2022

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BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:

Gediminas Žiemelis
Jonas Janukėnas
Žilvinas Lapinskas
Linas Dovydėnas
Tom Klein
Vygaudas Ušackas (resigned on 1 February 2023)
Pascal Jean Alexandre Picano (appointed on 1 February 2023)

Company Secretary:

Fidema Services

October 28th Avenue, 1
Engomi Business Center, BLC E, Floor 1, Flat 111
2414, Engomi
Cyprus

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 in pages 6 to 109 and comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statements of 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 2022, 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 *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section* of our report. We are independent of the Group in 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.

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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 skepticism 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 with the 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 Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Nicosia, 31 March 2023

(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 2022	Year ended 31 December 2021
Revenue	5	**1 852 686**	**1 014 891**
Other income	5, 6	2 832	3 332
Cost of services and goods	5, 10	(1 193 407)	(615 285)
Depreciation and amortisation	5, 8, 16, 17	(114 781)	(74 338)
Employee related expenses	5, 7	(306 593)	(200 189)
Other operating expenses	5, 11	(79 919)	(68 488)
(Increase) in the provision for impairment of financial assets	5, 14	(12 251)	(12 438)
(Increase) in the provision for impairment of non-financial assets	5, 14	(13 635)	(5 714)
Other gains - net	5, 9	27 045	38 199
Operating profit	5	**161 977**	**79 970**
Finance income	12	3 901	2 919
Finance costs	12	(83 341)	(39 719)
Finance costs – net	12	**(79 440)**	**(36 800)**
Share of (loss)/ profit of equity-accounted investees, net of tax	18	(55 091)	1 458
Profit before income tax		**27 446**	**44 628**
Income tax (expenses)	13	(15 779)	(10 260)
Profit for the year		**11 667**	**34 368**
Profit attributable to:			
Equity holders of the parent		9 560	33 419
Non-controlling interests	26	2 107	949
		11 667	**34 368**
Other comprehensive income			
Net profit gain on cash flow hedges	36	2 105	1 148
Income tax effect		(261)	(602)
		1 844	**546**
Exchange differences on translation of foreign operations		5 678	18 970
Other comprehensive income for the year		**7 522**	**19 516**
Total comprehensive income for the year attributable to:			
Equity holders of the parent		16 978	52 749
Non-controlling interests		2 211	1 135
Total comprehensive income		**19 189**	**53 884**

Consolidated Financial Statements have been approved and signed on 31 March 2023:

Managing Director
Jonas Janukėnas

Director
Žilvinas Lapinskas

Chief Financial Officer
Robertas Čipkus

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

CONSOLIDATED BALANCE SHEET

	Notes	Year ended 31 December 2022	2021
ASSETS			
Non-current assets			
Property, plant and equipment	16	776 321	414 443
Investment property	16	41 640	31 030
Intangible assets	17	110 215	113 584
Investments accounted for using the equity method	18	349	51 602
Deferred tax assets	30	17 646	16 728
Financial assets at fair value through profit or loss	31	1 649	2 924
Non-current derivative financial instruments	36	5 513	4 667
Long-term bank deposits		859	2 297
Non-current trade and other receivables	21	81 120	49 725
		1 035 312	**687 000**
Current assets			
Inventories	20	89 855	73 551
Trade and other receivables	21	259 040	247 093
Financial assets at fair value through profit or loss	31	600	313
Contract assets	22	24 701	20 676
Prepaid income tax		4 410	1 739
Short-term bank deposits		1 504	225 083
Cash and cash equivalents	23	324 718	216 664
		704 828	**785 119**
Non-current assets classified as held for sale	16, 23	**14 162**	**-**
Total assets	5	**1 754 302**	**1 472 119**

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

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Notes	Year ended 31 December 2022	2021
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, 25	860	596
Treasury shares	24	(1 644)	(12)
Merger reserve	25	(456)	(456)
Fair value reserve	36, 25	3 886	2 042
Cumulative translation differences		2 353	(3 221)
Retained earnings		1 816	21 449
Equity attributable to equity holders of the parent		**311 529**	**325 112**
Non-controlling interests	26	4 088	3 267
Total equity		**315 617**	**328 379**
LIABILITIES			
Non-current liabilities			
Convertible preferred shares	37	325 726	300 920
Lease liabilities	27	363 171	126 529
Borrowings	27	234 090	281 613
Government grants	19	106	298
Security deposits received	29	1 068	385
Trade and other payables	28	21 048	18 537
Deferred income tax liabilities	30	11 151	11 626
Derivative financial instruments	36	195	5 865
		956 555	**745 773**
Current liabilities			
Trade and other payables	28	258 053	217 366
Lease liabilities	27	106 285	54 226
Borrowings	27	14 307	17 301
Contract liabilities	5	57 327	77 635
Security deposits received	29	11 282	6 309
Current income tax liabilities		26 118	25 130
		473 372	**397 967**
Total liabilities	5	**1 429 927**	**1 143 740**
Non-current liabilities classified as held for sale	16	**8 758**	**-**
Total equity and liabilities		**1 754 302**	**1 472 119**

Consolidated Financial Statements have been approved and signed on 31 March 2023:

Managing Director
Jonas Janukėnas

Director
Žilvinas Lapinskas

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-control-ling 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 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 31 March 2023:

Managing Director
Jonas Janukėnas

Director
Žilvinas Lapinskas

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 2022	**22 556**	**282 158**	**(12)**	**(456)**	**596**	**2 042**	**(3 221)**	**21 449**	**325 112**	**3 267**	**328 379**
Comprehensive income											
Net gain on cash flow hedge (Note 2.20)	-	-	-	-	-	1 844	-	-	**1 844**	-	**1 844**
Currency translation difference from continuing operations	-	-	-	-	-	-	5 574	-	**5 574**	104	**5 678**
Profit for the period	-	-	-	-	-	-	-	9 560	**9 560**	2 107	**11 667**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**1 844**	**5 574**	**9 560**	**16 978**	**2 211**	**19 189**
Transactions with owners											
Dividend declared (Note 24)	-	-	-	-	-	-	-	(30 000)	**(30 000)**	(583)	**(30 583)**
Purchase of interest in subsidiary	-	-	-	-	-	-	-	807	**807**	(807)	**-**
Allocation to share-based payment reserves	-	-	-	-	264	-	-	-	**264**	-	**264**
Acquisition of treasury shares	-	-	(1 632)	-	-	-	-	-	**(1 632)**	-	**(1 632)**
Total transactions with owners	**-**	**-**	**(1 632)**	**-**	**264**	**-**	**-**	**(29 193)**	**(30 561)**	**(1 390)**	**(31 951)**
Balance at 31 December 2022	**22 556**	**282 158**	**(1 644)**	**(456)**	**860**	**3 886**	**2 353**	**1 816**	**311 529**	**4 088**	**315 617**

Consolidated Financial Statements have been approved and signed on 31 March 2023:

Managing Director
Jonas Janukėnas

Director
Žilvinas Lapinskas

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	**2022**	**2021**
Operating activities			
Profit for the year		11 667	34 368
Income tax expense	13	15 779	10 260
Adjustments for:			
Depreciation and amortisation	5, 8, 16, 17	114 781	74 338
Increase in the provision for impairment of financial assets and other impairment-related expenses	5, 14	25 886	18 152
Interest expenses	12	47 690	33 432
Currency translation differences		9 337	14 492
Discounting effect on financial assets	12	3 260	(1 281)
Fair value loss/ (gains)	12	26 441	(474)
Changes in other reserves		265	265
(Gain) on property, plant and equipment disposals and write-offs		(14 615)	(4 902)
Loss of other investment disposals		50	378
(Gain) on bonds repurchase	12	(2 241)	(40)
(Gain) on termination/modification of lease agreements	9	(6 446)	(13 518)
(Gain) on subsidiaries disposal	33, 9	(2 396)	(5 130)
Amortisation of government grants	2.20, 6, 19	(192)	(237)
Interest income	6	(2 016)	(1 473)
Share of loss/ (profit) loss of associates		55 091	(1 458)
Changes in operating assets and liabilities:			
- Inventories		3 298	(26 844)
- Trade and other receivables, contract assets		(42 187)	(140 502)
- Security deposits placed		(28 291)	(14 444)
- Accrued expenses for certain contracts		(1 351)	(136)
- Trade and other payables, advances received/contract liabilities		16 476	106 822
- Security deposits received		9 332	2 677
Cash generated from operating activities		**239 618**	**84 745**
Interest received		848	1 711
Interest paid		(44 188)	(27 567)
Income tax paid		(20 421)	(16 208)
Net cash generated from operating activities		**175 857**	**42 681**

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

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Notes	Year ended 31 December 2022	2021
Investing activities			
Purchase of property, plant and equipment and intangible assets		(159 070)	(70 253)
Proceeds from property, plant and equipment and intangible assets disposal		3 900	4 129
Net proceeds from aircraft sale leaseback		17 327	-
Purchase of other investment		(607)	(6 626)
Sales of other investment		287	6 370
Loans granted		(5 108)	(10 733)
Repayments of loans granted		3 139	1 311
Bank deposits placed		(1 553)	(225 941)
Repayments of bank deposits placed		226 651	26 471
Purchase of subsidiaries (net of cash acquired)	33	-	(22 826)
Sales of subsidiaries (net of cash disposed)	33	(74)	6 413
Investment into joint venture	18	-	(507)
Net cash from (used in) investing activities		**84 892**	**(292 192)**
Financing activities			
Dividends paid		(30 328)	(293)
Issuance of convertible preferred shares	27, 37	-	300 000
Disposal of interest in a subsidiary (no change in control)	33	(48)	-
Bank borrowings received	27	11 094	22 118
Repayments of bank borrowings	27	(3 891)	(4 121)
Other borrowings received	27	1 630	8 383
Repayments of other borrowings	27	(1 898)	(115)
Repurchase of bonds	27	(64 702)	(509)
Repayments of lease liabilities	27	(63 864)	(37 939)
Net cash (used in)/ from financing activities		**(152 007)**	**287 524**
Increase in cash and cash equivalents		**108 742**	**38 013**
At beginning of year	23	215 865	177 852
At end of year	23	**324 607**	**215 865**

The notes on pages 13 to 109 form an integral part of these financial statements.

Consolidated Financial Statements have been approved and signed on 31 March 2023:

Managing Director
Jonas Janukėnas

Director
Žilvinas Lapinskas

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 2022. Mr Vygaudas Usackas was resigned as a Director of the Company on 1 February 2023. On the same date, Mr Pascal Jean Alexandre Picano was appointed as a Director of the Company.

Companies of the Group operate in the following activity areas mainly related to aviation: logistics and distribution, support services.

The number of full-time staffs employed by the Group at the end of 2022 amounted to 5 476 (2021: 4 707).

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

1 General information (continued)

The shareholders' structure of the Company as at 31 December 2022 and 2021 was as follows:

	2022		2021	
	Number of shares	**Percentage owned**	**Number of shares**	**Percentage owned**
FZE Procyone	37 702 469	48,47%	38 371 469	49,33%
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	734 163	0,94%	7 34 163	0,94%
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)	259 008	0,41%	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	7 244 895	9,31%	6 522 423	8,39%
Total issued	**77 777 777**	**100.00%**	**77 777 777**	**100.00%**
Treasury shares	128 514	0,17%	10 014	0,01%
Total issued ordinary shares	**77 649 263**		**77 767 763**	
Certares Compass LLC	19 444 444	100.00%	19 444 444	100.00%
Total issued convertible preferred shares (Note 37)	**19 444 444**	**100.00%**	**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 2022.

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)

Name, Country of establishment	Share of Equity, % 31 December 2022	31 December 2021	Changes during the period
Logistic and distribution segment			
Chapman Freeborn Airchartering BV, Kingdom of Belgium	80%	80%	
Chapman Freeborn Airmarketing GmbH, Germany	100%	100%	
Chapman Freeborn Holdings Limited, The United Kingdom	100%	100%	
Chapman Freeborn International Limited, The United Kingdom	100%	100%	
Chapman Freeborn Airchartering Poland S.p z.o.o, Poland	100%	100%	
Chapman Freeborn Airchartering SL, Kingdom of Spain	100%	100%	
Chapman Freeborn Airchartering Limited, The United Kingdom	100%	100%	
Intradco Cargo Services Limited, The United Kingdom	75%	75%	
Magma Aviation Limited, The United Kingdom	100%	100%	
Chapman Freeborn OBC GmbH, Germany	100%	100%	
Wings 24 Limited, The United Kingdom	100%	100%	
Arcus Air Logistic GmbH, Germany	100%	100%	
Arcus Air Logistic Iberica S.L.U., Spain	100%	100%	
Arcus Air Logistic s.r.o., Slovakia	100%	100%	
Arcus OBC Gmbh, Germany	100%	100%	
Zeusbond Limited, The United Kingdom	75%	75%	
Alltrans Management Pty Limited, Australia	100%	100%	
Chapman Freeborn Airchartering (China) Limited, The United Kingdom	100%	100%	
Chapman Freeborn Airchartering Consulting (Shanghai) Co Ltd, Republic of China	100%	100%	
Chapman Freeborn Airchartering Pvt Limited, India	100%	100%	
Chapman Freeborn Airchartering Pte Limited, Singapore	100%	100%	
Chapman Freeborn Handcarry Limited, Hong Kong	100%	100%	
Chapman Freeborn Airchartering Limited, Canada	100%	100%	It is direct subsidiary of Zeusbond Limited. Effective ownership 75%
Chapman Freeborn Airchartering Inc, United States Of America	100%	100%	
Chapman Freeborn OBC Inc, United States Of America	100%	100%	
CF Couriers LLC, United States Of America	100%	-	Established in January 2022
Chapman Freeborn Aviation Services Fzco, United Arab Emirates	100%	100%	
Chapman Freeborn Aviation Services DMCC, United Arab Emirates	100%	100%	
Chapman Freeborn Airchartering (South Africa) Proprietary Limited, South Africa	100%	100%	
Chapman Freeborn Airchartering Limited, Afghanistan	100%	100%	
SCI France Patrimoine, France	-	100%	Liquidated in April 2022
Chapman Freeborn Havacilik Tasimacilik Ticaret Limited Sirketi, Turkey	100%	100%	
AviaAM Leasing Service Centre AB (previously: AviaAM Leasing AB), Republic of Lithuania	98,84%	98,84%	
AviaAM B02 UAB, Republic of Lithuania	100%	100%	
AviaAM B04 UAB, Republic of Lithuania	100%	100%	
AviaAM B05 UAB, Republic of Lithuania	100%	100%	
AviaAM B06 UAB, Republic of Lithuania	100%	100%	
AviaAM B08 Ltd., Bermuda	100%	100%	
AviaAM B10 Ltd., Republic of Ireland	100%	100%	
AviaAM B11 Ltd., Republic of Ireland	100%	100%	
AAL Capital Aircraft Holdings Ltd., Republic of Cyprus	100%	100%	

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

1 General information (continued)

Name, Country of establishment	Share of Equity, % 31 December 2022	31 December 2021	Changes during the period
Boulevard Two Aircraft Ltd., Republic of Ireland	100%	100%	
Aero City 1 UAB, Republic of Lithuania	100%	100%	
DG AVIA UAB, Republic of Lithuania	100%	100%	
Dikkys Investment Ltd., Republic of Cyprus	-	100%	Sold in June 2022
AviaAM Leasing DMCC (previously: Avia Ultima Limited), Bermuda	100%	100%	
AviaAM Leasing Trading DMCC, Bermuda	100%	-	Established in June 2022
Skyroad Leasing UAB, Republic of Lithuania	100%	100%	
AviaAM Leasing PLC, Republic of Cyprus	100%	100%	
AviaAM Financial Leasing China Co. Ltd, Republic of China*	51%	51%	
SIA SmartLynx Airlines, Republic of Latvia	100%	100%	
SmartLynx Airlines Estonia OÜ, Republic of Estonia	100%	100%	
SmartLynx Airlines Crewing OÜ, Republic of Estonia	100%	100%	
SIA Smartlynx Technik, Republic of Latvia	100%	100%	
SIA Smartlynx Airlines Cabo Verde, Cabo Verde	100%	100%	
Air Holding Limited, Republic of Malta	100%	100%	
Smart Aviation Limited, Republic of Malta	100%	100%	
Smartlynx Airlines Lithuania UAB, Republic of Lithuania	100%	-	Established in August 2022
Smartlynx Airlines Malta limited, Republic of Malta	100%	100%	
SIA Smart Aviation Holdings, Republic of Latvia	100%	100%	
UAB Skyllence, Republic of Lithuania	100%	100%	
Avion Express Malta LTD, Republic of Malta	100%	100%	
Avion Express UAB, Republic of Lithuania	100%	100%	
Avion Express Germany GmbH, Germany	100%	100%	
EYJAFJOLL SAS, France	100%	100%	
BBN Cargo Airlines Holdings UAB, Republic of Lithuania	100%	100%	
Blafugl ehf (Bluebird Nordic), Republic of Iceland	100%	100%	
BBN Airlines Indonesia, Indonesia	100%**	-	Consolidated in October 2022
BBN Hava Yollari ve Tasimacilik Anonim Sirketi, Turkey	100%**	49%	Consolidated in July 2022
KlasJet UAB, Republic of Lithuania	100%	100%	
BPC Travel UAB, Republic of Lithuania	99%	99%	
KIDY Tour LV, Republic of Latvia	100%	100%	
KIDY Tour OÜ, Republic of Estonia	100%	100%	
KIDY Tour UAB, Republic of Lithuania	100%	100%	
Chapman Freeborn RU LLC (previously: KIDY Tour OOO)	-	100%	Sold in March 2022
Support service segment			
Aviator Airport Alliance, AB, Kingdom of Sweden	100%	100%	
Nordic Aero Holding, AB, Kingdom of Sweden	100%	100%	
Copenhagen Flight services, ApS, Kingdom of Denmark	100%	100%	
OY Nordic Airport Services AB, Republic of Finland	100%	100%	
Aviator Airport Services Sweden, AB, Kingdom of Sweden	100%	100%	
Aviator Airport Services Finland, OY, Republic of Finland	100%	100%	
Aviator Airport Alliance, AS, Kingdom of Norway	100%	100%	
Aviator OSL, AS, Kingdom of Norway	100%	100%	
Aviator Airport Alliance Denmark, A/S, Kingdom of Denmark	100%	100%	
Aviator Airport Partner ApS, Kingdom of Denmark	100%	100%	
Aviator Airport Services, AB, Kingdom of Sweden	100%	100%	
Aviator Logistics, AB, Kingdom of Sweden	100%	100%	
Aviator Robotics, AB, Kingdom of Sweden	100%	100%	
Helisota UAB, Republic of Lithuania	100%	100%	

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

1 General information (continued)

Name, Country of establishment	Share of Equity, % 31 December 2022	31 December 2021	Changes during the period
Jet Maintenance Solutions UAB, Republic of Lithuania	-	100%	Sold in December 2022
JetMS Regional UAB, Republic of Lithuania	100%	100%	
JetMS Holding Ltd, The United Kingdom	100%	100%	
JetMS Holdings Ltd, Republic of Ireland	100%	-	Established in October 2022
RAS Completions Ltd, The United Kingdom	100%	100%	
JetMS Completions Ltd (previously: RAS Interiors Ltd), The United Kingdom	100%	100%	
FL Technics UAB, Republic of Lithuania	100%	100%	
PT. Avia Technics Dirgantara, Republic of Indonesia	100%	67%	
FL Technics Asia Co. Ltd., Kingdom of Thailand	99,997%	99,997%	
FL Technics Hong Kong Ltd., Hong Kong	100%	100%	
FL Technics GmbH, Republic of Austria	100%	100%	
FLM Flash Line maintenance S.r.l., Italy	100%	100%	
Asg Asset Management Ireland Limited (previously: FL Technics Ireland Ltd), Republic of Ireland	100%	100%	
FL Technics Ukraine MRO LLC, Ukraine	100%	100%	
FL Technics S.R.L., Romania	100%	100%	
FL Technics Georgia LLC, Georgia	100%	100%	
FL TECHNICS UKRAINE TOV, Ukraine	100%	100%	
FL Technics Engine Services UAB, Republic of Lithuania	100%	100%	
FL Technics Line Maintenance Canada Inc., Canada	100%	100%	
FL Technics LLC UAE, United Arab Emirates	100%	-	Established in June 2022
FL Technics Wheels and Brakes Kft., Hungary	100%	-	Established in September 2022
FL Technics Trading DMCC, United Arab Emirates	100%	-	Established in September 2022
Wright International Aircraft Maintenance Services Inc., Canada	100%	100%	
Wright International Holding Inc, Canada	100%	100%	
Storm Aviation Ltd., The United Kingdom	100%	100%	
Storm Aviation (Cyprus) Ltd., Republic of Cyprus	100%	100%	
Storm Aviation (Nigeria) Ltd., Federal Republic of Nigeria	100%	100%	
Storm Aviation (Germany) GmbH, Germany	100%	100%	
Chevron Technical Services Limited, The United Kingdom	100%	100%	
Chevron Aircraft Maintenance Limited, The United Kingdom	100%	100%	
FL Technics Wheels and Brakes GMBH (previously: Baltic Ground Services DE GmbH), Germany	100%	100%	
Biggin Hill Hangar Company Limited, The United Kingdom	100%	100%	
Certifying Staff. Com B.V., The United Kingdom	50%	50%	
FL Technics Line OOO, Russian Federation	-	93%	Sold in April 2022
FL ARI Aircraft Maintenance & Engineering Company Co., Ltd, Republic of China	40%	40%	
BSTS & Storm Aviation, Ltd., Republic of Bangladesh	49%	49%	
BAA Training UAB, Republic of Lithuania	100%	100%	
BAA Training Vietnam LTD, Socialist Republic of Vietnam	100%	100%	
BAA Simulators 2 UAB, Republic of Lithuania	100%	100%	
BAA Training France, France	100%	-	Established in February 2022
ASG Asset Management UAB, Republic of Lithuania	100%	100%	
Kauno aviacijos gamykla UAB, Republic of Lithuania	100%	100%	
Avia Repair Co, S.L.U., Kingdom of Spain	100%	100%	
BAA TRAINING CHINA CO. LTD., Republic of China	50%	50%	
RE INVEST BH Limited, The United Kingdom	100%	100%	
Baltic Ground Services CZ s.r.o., Czech Republic	100%	100%	

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

1 General information (continued)

Name, Country of establishment	Share of Equity, % 31 December 2022	31 December 2021	Changes during the period
Baltic Ground Services EE OÜ, Republic of Estonia	100%	100%	
Baltic Ground Services HR d.o.o, Republic of Croatia	100%	100%	
Baltic Ground Services LV SIA, Republic of Latvia	51%	51%	
Baltic Ground Services RU OOO, Federation of Russia	-	100%	Sold in March 2022
Baltic Ground Services TOV UA, Ukraine	100%	100%	
Baltic Ground Services UAB, Republic of Lithuania	100%	100%	
BGS ADR SIA, Republic of Latvia	100%	100%	
Unallocated			
ASG Finance DAC, Republic of Ireland	100%	100%	
Digital Aero Technologies UAB, Republic of Lithuania	100%	100%	
EVmotors.eu UAB, Republic of Lithuania	100%	100%	
EV MOTORS SP.Z O.O., Poland	100%	-	Established in September 2022
UAB AeroClass, Republic of Lithuania	100%	100%	Previously in Support service segment
Sensus Aero UAB, Republic of Lithuania	100%	100%	Previously in Support service segment
AviationCV.com UAB, Republic of Lithuania	100%	100%	Previously in Support service segment
Locatory.com UAB, Republic of Lithuania	100%	99%	Previously in Support service segment
SIA Rezidence Kapteini, Republic of Latvia	100%	100%	
Avia Solutions Group Arena UAB, Republic of Lithuania	99,99%	99,99%	
Panevėžio arena UAB, Republic of Lithuania	100%	100%	
SEVEN Live UAB, Republic of Lithuania	100%	100%	
Loop Holding UAB, Republic of Lithuania	100%	100%	
BUSNEX POLAND Sp. z o.o., Poland	100%	100%	
BUSNEX UAB, Republic of Lithuania	100%	100%	
Aero City Group UAB, Republic of Lithuania	100%	-	Established in May 2022
DG28 Aero UAB, Republic of Lithuania	100%	-	Established in June 2022
DG30 Aero UAB, Republic of Lithuania	100%	-	Established in June 2022
DG32 Aero UAB, Republic of Lithuania	100%	-	Established in June 2022
DG21 Aero UAB, Republic of Lithuania	100%	-	Established in June 2022
DG25 Aero UAB, Republic of Lithuania	100%	-	Established in June 2022
DG41A Aero UAB, Republic of Lithuania	100%	-	Established in June 2022
AV4 Aero UAB, Republic of Lithuania	100%	-	Established in May 2022
Small Aero UAB, Republic of Lithuania	100%	-	Established in June 2022
BK10 Aero UAB, Republic of Lithuania	100%	-	Established in June 2022
BK14 Aero UAB, Republic of Lithuania	100%	-	Established in May 2022
BK20 Aero UAB, Republic of Lithuania	100%	-	Established in June 2022
EI17A Aero UAB, Republic of Lithuania	100%	-	Established in June 2022
EI18 Aero UAB, Republic of Lithuania	100%	-	Established in June 2022
EI75 Aero UAB, Republic of Lithuania	100%	-	Established in June 2022
Finance Aero UAB, Republic of Lithuania	100%	-	Established in June 2022
Aero Invest 1 UAB, Republic of Lithuania	100%	-	Established in June 2022
Aero Invest 2 UAB, Republic of Lithuania	100%	-	Established in June 2022
DG23 Aero UAB (previously: Nordic NT AB), Republic of Lithuania	100%	-	Acquired in June 2022
Dariaus ir Gireno 20 UAB, Republic of Lithuania	100%	100%	Previously in Logistic and distribution segment
DG40 Aero UAB (previously: Vilta UAB), Republic of Lithuania	100%	100%	Previously in Logistic and distribution segment
Al tajer Al Hur for Air freight and passenger services LLC - Baghdad (Free Merchant), Iraq	100%	100%	Previously in Logistic and distribution segment
Aviation Services Fze (previously: Chapman Freeborn Aviation Service FZE), United Arab Emirates	100%	100%	Previously in Logistic and distribution segment

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

1 General information (continued)

Name, Country of establishment	Share of Equity, % 31 December 2022	31 December 2021	Changes during the period
BGS Rail Cargo, Ukraine	100%	100%	
BGS Rail Holdings UAB, Republic of Lithuania	100%	100%	
BGS Rail Lease TOV, Ukraine	100%	100%	
BGS Rail TOV, Ukraine	100%	100%	
RE Invest LLC, Ukraine	100%	100%	Previously in Support service segment

** - the percentages represent economic interests.*
***- the percentages represent economic interests. The Group has applied significant judgement and assessed that voting rights were not a deciding factor for control and based on contractual terms does control the entities. Therefore, the Group has consolidated the entities under IFRS 10 with no non-controlling 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, except for financial assets at fair value through profit or loss, preferred shares and derivatives, which are accounted at fair value.

These financial statements include the consolidated financial statements of the Group for the year ended 31 December 2022.

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 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 impact of the application of this amendment on the Group's financial statements is disclosed in Note 32.

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 property, plant and equipment 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 has to use IAS 2 to measure the cost of those items. Cost does not include depreciation of the asset being tested because it is not yet 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

2.1 Basis of preparation (continued)

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 fulfill 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.

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 amendments had no material impact on the financial statements of the Group.

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 2022 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:

IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset)

2.1 Basis of preparation (continued)

(ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognizing the loss immediately. The Group expects that the amendment will have no material impact on the financial statements.

Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The following amendments to IFRS 17 were made:

- Effective date: The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023; and the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023.
- Expected recovery of insurance acquisition cash flows: An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.
- Contractual service margin attributable to investment services: Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an 'investment-return service' under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.
- Reinsurance contracts held – recovery of losses: When an entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognise a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.
- Other amendments: Other amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments.

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

2.1 Basis of preparation (continued)

to accounting policy disclosures. The Group expects that the amendments will have no material impact on the 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 expects that the amendment will have no material impact on the financial statements.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The Group expects that the amendment will have no material impact on the financial statements.

Transition option to insurers applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to the transition requirements in IFRS 17 provides insurers with an option aimed at improving the usefulness of information to investors on initial application of IFRS 17. The amendment relates to insurers' transition to IFRS 17 only and does not affect any other requirements in IFRS 17. The transition requirements in IFRS 17 and IFRS 9 apply at different dates and will result in the following one-time classification differences in the comparative information presented on initial application of IFRS 17: accounting mismatches between insurance contract liabilities measured at current value and any related financial assets measured at amortised cost; and if an entity chooses to restate comparative information for IFRS 9, classification differences between financial assets derecognised in the comparative period (to which IFRS 9 will not apply) and other financial assets (to which IFRS 9 will apply). The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets. When initially applying IFRS 17, entities would, for the purpose of presenting comparative information, be permitted to apply a classification overlay to a financial asset for which the entity does not restate IFRS 9 comparative information. The transition option would be available, on an instrument-by-instrument basis; allow an entity to present comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset, but not require an entity to apply the impairment requirements of IFRS 9; and require an entity that applies the classification overlay to a financial asset to use reasonable and supportable information available at the transition date to determine how the entity expects that financial asset to be classified applying IFRS 9. The Group expects that the amendment will have no material impact on the 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.

2.1 Basis of preparation (continued)

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;
- Lease Liability in a Sale and Leaseback - Amendments to IFRS 16.

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.

2.2 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. The cash payments made or received are presented under financing activities.

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 gains – 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, that are held for use in the supply of services or for administrative purposes and are expected to be used during more than one period. 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.

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 taken on lease by the Group are capitalized and depreciated over the remaining lease period of the aircraft. Major improvements performed for aircraft taken on lease 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.

Leasehold improvements, which can be recovered and used after the lease term are classified as part of property, plant and equipment. Leasehold improvements will be returned to lessor after lease term are classified as part of right-of-use asset.

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.

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

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 gains – net' in the income statement.

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 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.

2.7 Intangible assets (continued)

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.

2.8 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.

2.9 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.

2.9 Financial assets (continued)

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.

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.

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.

2.10 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.

2.11 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 or its components are classified to inventory when it is expected that its carrying amount is to be recovered through a sale transaction.

2.12 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).

2.12 Trade receivables (continued)

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.

2.13 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.

2.14 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.

2.15 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.

2.16 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.

2.17 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.

2.18 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.

2.19 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.

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.

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

2.19 Derivative financial instruments (continued)

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).

2.19a 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 2022	**Level 1**	**Level 2**	**Level 3**
Financial assets			
Financial assets at fair value through profit or loss (FVPL)	2 249	-	-
Hedging derivatives - foreign currency interest rate swap	-	5 513	-
Total financial assets	**2 249**	**5 513**	**-**
Financial liabilities			
Hedging derivatives - foreign currency interest rate swap	-	195	-
Convertible preferred shares (Note 37)	-	-	325 726
Total financial liabilities	**-**	**195**	**325 726**

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			
Hedging derivatives - foreign currency interest rate swap	-	5 865	-
Convertible preferred shares (Note 37)	-	-	300 920
Total financial liabilities	**-**	**5 865**	**300 920**

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

2.20 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.

2.21 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.

2.22 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.

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.

2.22 Accounting for leases (continued)

(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.
Where the Group is a lessor under an operating lease, the underlying asset continues to be accounted in accordance with IAS 16, and Group recognises the lease income as Revenue (Note 2.25).

(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.

2.23 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.

2.24 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.

2.24 Current and deferred income tax (continued)

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

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.

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 flights 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 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

As a lessor, the Group accounts rental income on a linear basis over the life of the lease as it is earned.

In Logistics and Distribution Services segment almost all contracts include multiple deliverables, such as the lease of aircraft and related services (crew, maintenance, insurance). 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.

2.25 Revenue recognition (continued)

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.

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.

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.

The social security contributions amounting to EUR 32 million for the Group (2021: EUR 21 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.

2.26 Employee benefits (continued)

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.

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.

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

3.1 Financial risk factors (continued)

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) and Swedish Krona (SEK). 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 are multiplied by reasonably possible change of EUR to US dollars, EUR to British Pounds and EUR to Swedish krona respectively. Reasonable possible change is provided in the table below:

	2022	**2021**
Reasonably possible change of EUR to USD	6%	8%
Reasonably possible change of EUR to GBP	5%	7%
Reasonably possible change of EUR to SEK	8%	2%

As at 31 December 2022 the Group's post-tax profit for the year would have been: EUR 26 241 thousand (2021: EUR 19 780 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 738 thousand (2021: EUR 407 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 469 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.

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

(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 2022 and 31 December 2021 Group's borrowings and lease liabilities at variable rate of 3 or 6 months EURIBOR 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 %

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

3.1 Financial risk factors (continued)

The presumable interest rate change creates acceptable impact on Group's annual profit as well as equity and makes EUR 298 thousand in 2022 (2021: EUR 438 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:

	2022	**2021**
Trade receivables (Note 21)	155 429	140 645
Cash in bank (Note 23)	323 889	216 031
Other financial receivables (Note 21)	4 083	7 532
Contract assets (Note 22)	24 701	20 676
Trade receivables from related parties (Notes 21, 34)	917	538
Other financial receivables from related parties (Notes 21, 34)	7 010	5 605
Loans granted to related parties (Note 21)	26 637	26 007
Loans granted (Note 21)	8 112	6 330
Financial assets at fair value through profit or loss	-	3 237
Derivative financial instruments (assets)	5 513	4 667
Security deposits	49 246	25 367
Bank deposits	2 363	227 381
	607 900	**684 016**

(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:

	2022	2021
Germany	33 385	21 554
Ireland	16 159	5 259
United States	12 571	9 558
United Kingdom	10 713	9 793
Hungary	8 874	5 907
Poland	8 125	1 309
Sweden	4 995	5 302
Norway	4 817	5 791
United Arab Emirates	3 890	1 842
Indonesia	3 028	2 077
Finland	2 617	1 660
France	2 568	1 280
Saudi Arabia	2 554	94
Lithuania	2 442	1 563
Belgium	2 273	1 028
Ukraine	2 139	2 899
Pakistan	2 069	1 569
Kenya	2 042	1 561
Luxembourg	2 037	450
Spain	2 023	2 365
Other	26 108	57 784
Total trade receivables	**155 429**	**140 645**

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

	2022	2021
Customer T	10 740	5 975
Customer BR	9 549	-
Customer AP	9 176	5 690
Customer BQ	6 873	2 143
Customer BM	4 961	5 689
Customer AR	4 670	2 849
Customer BP	4 474	2 970
Customer BS	3 938	-
Customer BW	3 334	538
Other	97 714	114 791
Total trade receivables	**155 429**	**140 645**

(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 2022 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 2021	**(31 347)**	**(30 062)**	**(61 409)**
(Increase) in the provision recognised in profit or loss in other expenses during the year (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)**
Opening loss allowance as at 1 January 2022	**(35 490)**	**(40 742)**	**(76 232)**
(Increase) in the provision recognised in profit or loss in other expenses during the year (Note 14)	(9 898)	(2 353)	(12 251)
(Increase) in the provision due to acquisitions	-	-	-
Expected credit loss net-off with interest income	-	(1 266)	(1 266)
Acquisition of credit impaired assets	-	-	-
Reclassification of loss allowance provision	(1 702)	179	(1 523)
Cumulative currency differences	(306)	(1 115)	(1 421)
Decrease in the provision due to disposals	705	-	705
Receivables written off during the year as uncollectible	590	-	590
As at 31 December 2022 (Note 21, Note 22)	**(46 101)**	**(45 297)**	**(91 398)**

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.

3.1. Financial risk factors (continued)

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.

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 statement of profit or loss and other comprehensive income.

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.

2022	**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	0,40%	2,57%	6,72%	78,63%	**13,33%**
Gross carrying amount	122 997	7 532	3 498	25 957	**159 984**
Loss allowance provision	(487)	(194)	(235)	(20 409)	**(21 325)**

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)**

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 2022 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	0,07%	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.	37 978	(27)
Category 2	Stage 1	9,13%		1 675	(153)
Category 3	Stage 2	10,45%	Lifetime expected losses	507	(53)
Category 4	Stage 2	24,15%		1 526	(405)
Category 5	Stage 3	83,20%		1 658	(1 430)
Category 6	Stage 3	99,14%		22 505	(22 310)
Total:		**36,91%**		**65 849**	**(24 378)**

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%	Lifetime expected losses	209	(21)
Category 4	Stage 2	27,91%		43	(12)
Category 5	Stage 3	84,39%		1 480	(1 249)
Category 6	Stage 3	98,85%		15 785	(15 603)
Total:		**68,71%**		**24 682**	**(16 959)**

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 2022 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 2022 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	1,08%	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.	12 901	(139)
Category 2	Stage 1	7,00%		1 443	(101)
Category 1 (for start-ups)	Stage 1	0%		-	-
Category 3	Stage 2	9,94%	Lifetime expected losses	483	(48)
Category 4	Stage 2	25,00%		108	(27)
Category 5	Stage 3	64,00%		25	(16)
Category 6	Stage 3	99,96%		44 551	(44 532)
Total:		**75,36%**		**59 511**	**(44 863)**

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)**

* 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 2022 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 2021	**(17 242)**	**(9 792)**	**(3 028)**	**(30 062)**
(Increase) in the provision recognised in profit or loss in other expenses during the year	(5 348)	-	(2 422)	(7 770)
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)**
Opening loss allowance as at 1 January 2022	**(24 570)**	**(9 974)**	**(6 198)**	**(40 742)**
(Increase) in the provision recognised in profit or loss in other expenses during the year	(1 107)	-	(1 246)	(2 353)
Increase in the provision due to acquisitions	-	-	-	-
Expected credit loss net-off with interest income	(1 266)	-	-	(1 266)
Reclassification of loss allowance provision	169	-	10	179
Currency translation differences	(618)	(146)	(351)	(1 115)
As at 31 December 2022	**(27 392)**	**(10 120)**	**(7 785)**	**(45 297)**

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):

	2022	2021
AA-	56 372	905
A+	103 436	31 812
AA	190	4
A	17 831	72 934
A-	1 251	5 580
AAA	25	112
AA+	149	289
BBB+	105 285	91 348
BBB	22 630	5 293
BBB-	7 378	1 698
BB+	25	206
BB	3 386	1 965
B+	89	-
B	-	626
B-	1 616	298
CCC	1 351	-
Other	2 875	2 961
Cash on hand	829	633
	324 718	**216 664**

** - external long-term credit ratings set by international agencies Standards & Poor's, Fitch ratings and Moody's Ratings as at 2022/2023.*

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

3.1 Financial risk factors (continued)

Bank deposits

As at 31 December 2022 the Group had outstanding short-term bank deposits in amount of 1 504 thousand EUR, which were held at A+ and BBB+ rated banks (31 December 2021: 225 083 thousand EUR – A+ rated banks). As at 31 December 2022 the Group had outstanding long-term bank deposits in amount of 859 thousand EUR, which were held at A+ and BBB+ rated banks (31 December 2021: 2 297 thousand EUR – A- 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 2022 current liabilities in seventy-one 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 2022			
Trade and other payables	98 387	6 892	17
Bank overdraft	298	-	-
Bonds issued	14 700	200 160	-
Bank borrowings	4 863	30 581	2 292
Security deposits received	11 282	1 068	-
Lease liabilities	141 586	396 315	65 797
Derivative financial instruments	-	195	-
Accrued expenses for certain contracts	458	-	-
Other borrowings	11 784	15 166	4 286
	283 358	**650 377**	**72 392**
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	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**

(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:

	2022	**2021**
Total borrowings (Note 27) *	717 853	479 669
Less: cash and cash equivalents (Note 23)	(324 718)	(216 664)
Net debt*	393 135	263 005
Total equity	315 617	328 379
Total capital	**708 752**	**591 384**
Gearing ratio	55%	44%

*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 2022 and 2021, 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 contract assets. Total ECL amounted to EUR 91 398 thousand as at 31 December 2022 and 76 232 thousand as at 31 December 2021.

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.

(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 14 455 thousand as at 31 December 2022 and EUR 11 350 thousand as at 31 December 2021 and are disclosed in Note 20.

4 Critical Accounting Estimates and Significant Judgments (continued)

(c) Taxes

Tax authorities have a right to examine accounting records of the Group at any time during the various periods (depending on jurisdiction) 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 17 646 thousand as at 31 December 2022 and EUR 16 728 thousand as at 31 December 2021 after appropriate offsetting with deferred tax liability and are disclosed in Note 30.

(d) 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 776 321 thousand as at 31 December 2022 and EUR 414 443 thousand as at 31 December 2021 and are disclosed in Note 16. Intangible assets amounted to EUR 110 215 thousand as at 31 December 2022 and EUR 113 584 thousand as at 31 December 2021 and are disclosed in Note 17.

(e) 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 85 952 thousand as at 31 December 2022 and EUR 88 902 thousand as at 31 December 2021 and is disclosed in Note 17 and Note 33.

4 Critical Accounting Estimates and Significant Judgments (continued)

(f) 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 18 819 thousand as at 31 December 2022 and 7 910 thousand as at 31 December 2021 (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.

(g) 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.

As at 31 December 2022 the Group had EUR 324.7 million in cash and cash equivalents and further EUR 1.5 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.

(h) 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.

4 Critical Accounting Estimates and Significant Judgments (continued)

(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.

As at 31 December 2022, management has applied judgement in determining the fair value of the unquoted equity instrument. The Group has used the discounted cash flow method to determine the underlying share value of the Group and adopted equity allocation model to determine the fair value of the preferred shares. Key inputs used in the valuation of own equity price include prospective financial information forecast, discount rate, terminal growth rate, discount for lack of marketability. The key inputs used in the equity allocation method are share price of own equity, risk-free rate, standard deviation of comparable equity prices, time estimate up to liquidity event and lack of control discount. Since part of the inputs are not observable, the valuation is subject to high uncertainty, therefore management has prepared sensitivity analysis on potential instrument valuation outcomes.

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

(j) Impact of Russia-Ukraine war

On 24 February 2022 Russia started a military invasion of the independent state of Ukraine (the "Ukraine War"). The military attack affected not only Ukraine, Russia and Belarus, but also the Europe and the world. In response to the Ukraine War, the United States, the European Union, the United Kingdom and other countries have implemented the comprehensive sanctions against Russia and Belarus. The sanctions include prohibitions regarding, inter alia, the supply of aircraft and aircraft components directly or indirectly, to any natural or legal person, entity or body in Russia or for use in Russia.

As of 31 December 2022, the Group has six entities in Ukraine, none in Russia or Belarus. Before intercompany eliminations, total revenues generated by these entities in 2022 was 40 756 thousand EUR and total assets comprised to EUR 67 648 thousand.

During 2022, the Group has accounted EUR 5 098 thousand impairment charges related to receivables from Russian based entities. In addition, EUR 3 742 thousand impairment charges related to rail wagon recoverability in Ukraine were formed.

As of 31 December 2022, the Group has an outstanding right-of-use assets and lease liabilities for aircrafts in amount of EUR 5 454 thousand and deposits placed in amount of EUR 2 600 thousand, these balances were related to sanctioned entities. When the sanctions were announces, the aircrafts were not prepared for intended use by management. Further contract settlement, terminations or asset recoverability are subject to subsequent regulatory developments.

The Group had an equity share in the joint venture company AviaAM Financial Leasing China Co. Ltd., which was being accounted using equity method. The entity had significant exposure in aircraft fleet, which was leased to Russian-based lessee and after the leased aircrafts were seized by Russian authorities, the entity has accounted significant asset impairment charges. Consequently, at Group level, share of loss of equity-accounted investees in amount of EUR 55 million was charged, effectively reducing the carrying amount of investment to zero. For details refer to Note 18.

In relation to making estimates and impairment testing the prospective financial information was taken into consideration the impact of the Russia-Ukraine war.

5 Segment information

Before 1st January 2022

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.

5 Segment information (continued)

After 1st January 2022

Since 2019, the Group has revised its strategy and positioning in the market, when taking into consideration changes in the airline industry due to the impact of pandemic. AviaAM Group has transformed its' business model with key purpose of providing group entities with aircraft capacity by organizing aircraft transformations and entering sale-leaseback transactions. Routinely reviewed financial information by the Board of Directors (chief operating decision body who is responsible for allocation of resources of the Group) has changed significantly in the year 2022.

The Group's management made the decision to revise IFRS 8 reporting starting from 1st December 2022 and to distinguish the following reportable segments:

- Logistics and Distribution Services. Segment provides services using aircraft to airline and non-airline customers using contracted capacity. This segment includes logistics services, a wide range of aircraft charter and ACMI services to cargo, passenger and VIP charter clients across a broad spectrum of industries, as well as aircraft sourcing and leasing services.
- Support Services. The 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.
- Unallocated. Holding, asset management, financing services, railway business and other business not related to aviation.

Comparative disclosures related to the change in segment reporting are provided in Note 5.

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 analyses 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)

After 1st of January 2022
The following tables present sales to external customers, cost and operating expenses, other income, other gain/loss and operating profit information according to the Group's business segments for years ended 31 December 2022 and 2021:

Year ended 31 December 2022	**Logistics and Distribution**	**Support Services**	**Unallocated**	**Inter-segment transactions**	**Total**
Continuing operations					
Revenue from contracts with external customers	1 255 680	562 023	34 983	-	**1 852 686**
Timing of revenue recognition					
At a point in time	*1 255 008*	*473 731*	*33 354*	-	***1 762 093***
Over time	*672*	*88 292*	*1 629*	-	***90 593***
Intersegment sales	5 491	45 795	8 592	(59 878)	**-**
Total revenue	**1 261 171**	**607 818**	**43 575**	**(59 878)**	**1 852 686**
Other income (Note 6)	1 550	808	15 565	(15 091)	**2 832**
Cost of services and goods purchased (Note 10)	(932 334)	(310 603)	(16 904)	66 434	**(1 193 407)**
Employee related expenses (Note 7)	(74 415)	(216 933)	(15 275)	30	**(306 593)**
(Increase)/ decrease in the provision for impairment of financial assets	(807)	(10 349)	(14 422)	13 327	**(12 251)**
(Increase)/ decrease in the provision for impairment of non-financial assets	(3 750)	(2 693)	(8 192)	1 000	**(13 635)**
Other operating expenses (Note 11)	(40 183)	(36 166)	(11 940)	8 370	**(79 919)**
Depreciation and amortisation (Note 8, 16, 17)	(87 663)	(19 709)	(7 547)	138	**(114 781)**
Other gains/ (losses) – net (Note 9)	22 256	4 026	(434)	1 197	**27 045**
Segment operating profit (loss)	**145 825**	**16 199**	**(15 574)**	**15 527**	**161 977**
Finance costs - net (Note 12)					(79 440)
Share of (loss) of associates (Note 18)					(55 091)
Profit before income tax					**27 446**
Income tax (Note 13)					(15 779)
Net profit for the period					**11 667**
As at 31 December 2022:					
Segment assets	1 009 481	343 112	401 709	-	**1 754 302**
Segment liabilities	647 226	220 839	561 862	-	**1 429 927**
Acquisition of non-current assets (Notes 16, 17)*	117 674	21 078	14 214	-	**152 966**

**Excluding Right-of-use asset additions.*

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

5 Segment information (continued)

Year ended 31 December 2021	**Logistics and Distribution Services**	**Support Services**	**Unallocated**	**Inter-segment transactions**	**Total**
Continuing operations					
Revenue from contracts with external customers	654 373	331 559	28 959	-	**1 014 891**
Timing of revenue recognition					
At a point in time	*653 827*	*160 952*	*27 986*	-	**842 765**
Over time	*546*	*170 607*	*973*	-	**172 126**
Intersegment sales	13 910	24 492	4 981	(43 383)	**-**
Total revenue	**668 283**	**356 051**	**33 940**	**(43 383)**	**1 014 891**
Other income (Note 6)	2 158	1 892	9 919	(10 637)	**3 332**
Cost of services and goods purchased (Note 10)	(474 133)	(167 472)	(13 169)	39 489	**(615 285)**
Employee related expenses (Note 7)	(52 903)	(137 480)	(10 164)	358	**(200 189)**
(Increase)/ decrease in the provision for impairment of financial assets	(10 249)	(3 631)	(5 812)	7 254	**(12 438)**
(Increase)/ decrease in the provision for impairment of non-financial assets	(3 215)	(2 368)	(289)	158	**(5 714)**
Other operating expenses (Note 11)	(25 542)	(29 116)	(18 501)	4 671	**(68 488)**
Depreciation and amortisation (Note 8, 16, 17)	(50 657)	(17 742)	(6 564)	625	**(74 338)**
Other gains – net (Note 9)	29 386	3 284	5 213	316	**38 199**
Segment operating profit (loss)	**83 128**	**3 418**	**(5 427)**	**(1 149)**	**79 970**
Finance costs - net (Note 12)					(36 800)
Share of profit of associates (Note 18)					1 458
Profit before income tax					**44 628**
Income tax (expenses) (Note 13)					(10 260)
Net profit for the period					**34 368**
As at 31 December 2021:					
Segment assets	675 205	331 175	465 739	-	**1 472 119**
Segment liabilities	339 807	208 002	595 931	-	**1 143 740**
Acquisition of non-current assets (Notes 16, 17)*	111 077	33 369	11 486	-	**155 932**

**Excluding Right-of-use asset additions.*

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

5 Segment information (continued)

Before 1st of January 2022

The following tables present sales to external customers, cost and operating expenses, other income, other gain/loss and operating profit information according to the Group's business segments for years ended 31 December 2022 and 2021:

Year ended 31 December 2022	**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	547 740	1 237 139	18 541	49 266	-	**1 852 686**
Timing of revenue recognition						
At a point in time	*458 843*	*1 237 139*	*17 869*	*48 241*	-	***1 762 092***
Over time	*88 897*	-	*672*	*1 025*	-	***90 594***
Intersegment sales	46 138	15 877	20 994	10 496	(93 505)	**-**
Total revenue	**593 878**	**1 253 016**	**39 535**	**59 762**	**(93 505)**	**1 852 686**
Other income (Note 6)	802	835	1 377	14 692	(14 874)	**2 832**
Cost of services and goods purchased (Note 10)	(300 325)	(934 487)	(12 779)	(30 175)	84 359	**(1 193 407)**
Employee related expenses (Note 7)	(220 361)	(72 863)	(1 552)	(11 847)	30	**(306 593)**
(Increase)/ decrease in the provision for impairment of financial assets	(9 744)	(524)	(283)	(15 027)	13 327	**(12 251)**
(Increase)/ decrease in the provision for impairment of non-financial assets	(3 137)	(48)	(3 702)	(7 748)	1 000	**(13 635)**
Other operating expenses (Note 11)	(37 823)	(37 241)	(3 502)	(10 667)	9 314	**(79 919)**
Depreciation and amortisation (Note 8, 16, 17)	(19 591)	(82 151)	(5 512)	(8 131)	604	**(114 781)**
Other gains/(losses) – net (Note 9)	3 390	4 562	17 697	(428)	1 824	**27 045**
Segment operating profit (loss)	**7 089**	**131 099**	**31 279**	**(9 569)**	**2 079**	**161 977**
Finance costs - net (Note 12)						(79 440)
Share of (losses) of associates (Note 18)						(55 091)
Profit before income tax						**27 446**
Income tax (expenses) (Note 13)						(15 779)
Net profit for the period						**11 667**
As at 31 December 2022:						
Segment assets	343 112	812 738	209 813	401 709	-	**1 767 372**
Segment liabilities	220 839	622 171	25 055	561 862	-	**1 429 927**
Acquisition of non-current assets (Notes 16, 17)*	21 078	20 490	97 184	14 214	-	**152 966**

**Excluding Right-of-use asset additions.*

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

5 Segment information (continued)

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)**
(Increase)/ decrease in the provision for impairment of financial assets	(2 464)	(2 705)	(7 544)	(6 979)	7 254	**(12 438)**
(Increase)/ decrease in the provision for impairment of non-financial assets	(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 gains – 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 of associates (Note 18)						1 458
Profit before income tax						**44 628**
Income tax (expenses) (Note 13)						(10 260)
Net profit 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**

**Excluding Right-of-use asset additions.*

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

5 Segment information (continued)

After 1st of January 2022

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

Year ended 31 December 2022	**Logistics and Distribution**	**Support Services**	**Unallocated**	**Total**
Europe	1 022 234	438 339	34 117	**1 494 690**
Asia	105 755	76 425	399	**182 579**
Americas	68 323	24 031	135	**92 489**
Africa	59 079	7 456	33	**66 568**
CIS	161	12 478	296	**12 935**
Australia and pacific islands	128	3 294	3	**3 425**
Total	**1 255 680**	**562 023**	**34 983**	**1 852 686**

Year ended 31 December 2021	**Logistics and Distribution**	**Support Services**	**Unallocated**	**Total**
Europe	547 927	230 110	28 617	**806 654**
Asia	36 212	43 535	89	**79 836**
Americas	35 634	9 461	127	**45 222**
Africa	33 236	9 255	39	**42 530**
CIS	582	38 735	84	**39 401**
Australia and pacific islands	782	463	3	**1 248**
Total	**654 373**	**331 559**	**28 959**	**1 014 891**

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

5 Segment information (continued)

Before 1st of January 2022

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

Year ended 31 December 2022	Aviation Support Services	Aviation Logistics and Distribution Services	Aircraft Trading and Portfolio Management	Unallocated	Total
Europe	423 680	1 021 565	668	48 777	**1 494 690**
Americas	24 164	67 360	964	1	**92 489**
Asia	76 630	88 846	16 909	194	**182 579**
CIS	12 487	161	-	287	**12 935**
Africa	7 482	59 079	-	7	**66 568**
Australia and pacific islands	3 297	128	-	-	**3 425**
Total	**547 740**	**1 237 139**	**18 541**	**49 266**	**1 852 686**

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**

(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 2022	31 December 2021
Trade receivables	156 469	141 183
Contract assets	24 701	20 676
Contract liabilities	57 327	77 635

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 2022**	**31 December 2021**
Deferred revenue	28 011	48 308
Advances received	21 814	22 263
Advances received from related parties	7 502	7 064
Total contract liabilities	**57 327**	**77 635**

The amount of revenue recognised during 2022 from performance obligations satisfied that was included in the contract liabilities as at the beginning of the period is EUR 60 868 thousand (2021: EUR 17 703 thousand).

The following table shows unsatisfied performance obligations by segments:

Support Services	**31 December 2022**
Aggregate amount of contracts that are partially or fully unsatisfied as at 31 December 2022	6 490
Amount of contracts that is expected to be partially or fully satisfied during 2023-2024	(6 490)

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)

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

5 Segment information (continued)

Logistics and Distribution Services	**31 December 2022**
Aggregate amount of contracts that are partially or fully unsatisfied as at 31 December 2022	10 800
Amount of contracts that is expected to be partially or fully satisfied during 2023-2024	(10 800)

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)

Unallocated	**31 December 2022**
Aggregate amount of contracts that are partially or fully unsatisfied as at 31 December 2022	-
Amount of contracts that is expected to be partially or fully satisfied during 2023	-

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	-

The Group's revenue from external customers by geographical location of customers on 31 December 2022 and 31 December 2021 detailed below:

	2022	**2021**
Germany	582 230	307 204
Ireland	112 747	35 954
United Kingdom	176 971	51 099
Lithuania	76 189	44 237
Netherlands	55 645	39 810
United States of America	60 858	34 917
Belgium	45 089	34 646
Luxembourg	40 285	19 171
Hungary	57 610	30 596
Ukraine	28 321	29 472
Kenya	33 347	29 381
Sweden	31 946	25 777
Estonia	34 082	23 979
Norway	39 223	19 171
France	25 137	18 455
Nigeria	25 609	2 238
Poland	25 195	11 533
Turkey	48 304	13 693
Other countries	353 898	243 558
	1 852 686	**1 014 891**

(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:

Support Services segment	**2022**	**2021**
Other customers	562 023	331 559
	562 023	**331 559**

Logistics and Distribution Services segment	**2022**	**2021**
Customer AR	125 196	141 769
Other customers	1 130 484	512 604
	1 255 680	**654 373**

EUR 125 196 thousand revenue out of total consolidated EUR 1 852 686 thousand revenue (or around 7 per cent) was received from Customer AR during 2022, EUR 141 769 thousand revenue out of total consolidated EUR 695 672 thousand revenue (or around 14 per cent) was received from Customer AR during 2021.

6 Other income	**2022**	**2021**
Interest income on loans	2 016	1 473
Amortisation of government grants (Note 19)	192	237
Government grants	-	-
Penalty income*	81	187
Other income	543	1 435
	2 832	**3 332**

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

7 Employee related expenses	**2022**	**2021**
Wages and salaries	271 141	183 754
Government grants for wages and salaries	(359)	(6 981)
Social insurance expenses	32 902	21 700
Pension reserve expenses	1 045	890
Contributions to defined contribution pension schemes	1 600	561
Benefit related to option scheme (Note 35)	264	265
	306 593	**200 189**
Number of full-time employees at the end of year	**5 476**	**4 707**
Average of full-time employees during the year	**5 284**	**4 189**

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

8	**Depreciation and amortisation**	**2022**	**2021**
	Depreciation of right-of-use asset (Note 16)	85 595	49 839
	Depreciation of tangible assets (Note 16)	25 040	21 223
	Amortisation of intangible assets (Note 17)	4 146	3 276
		114 781	**74 338**

9	**Other gains – net**	**2022**	**2021**
	Net gain from COVID-19 related rent concessions	-	7 591
	Net gain on disposal of subsidiaries (Note 33)	2 396	5 130
	Gains from IFRS 16 due to lease termination	480	6 060
	Net gain on rights transferred due to sales leaseback contracts	16 347	5 537
	Net gain on sales of inventory and other current assets	121	303
	Net gain/(loss) on sales of non-current assets	(290)	504
	Net foreign exchange (loss)/gain on operating activities	(2 855)	485
	Gain/(loss) on IFRS 16 due to lease modification	5 966	(132)
	Net gain/(loss) on sales of financial assets	1 550	(277)
	Other gains*	3 330	12 998
		27 045	**38 199**

* In 2021 companies operating in 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**	**2022**	**2021**
	Aircraft fuel expenses	421 701	199 384
	Cost of purchased services	149 994	108 499
	Costs of aircraft sold	1 716	-
	Rent of aircraft, training and other equipment and lease related services	209 277	119 948
	Cost of goods purchased	113 424	71 419
	Aircraft repair and maintenance costs	112 722	38 269
	Employee rent and other related personnel expenses	96 493	26 290
	Aircraft operations costs and flight related charges	70 581	40 013
	Rent and maintenance of premises	19 195	14 343
	Government grants	(1 696)	(2 880)
		1 193 407	**615 285**

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

11	**Other operating expenses**	**2022**	**2021**
	Consulting expenses	17 372	27 299
	Office administrative, communications and IT expenses	14 035	10 803
	Insurance expenses	10 336	7 395
	Transportation and related expenses	10 716	5 493
	Business travel expenses	7 994	6 075
	Marketing and sales expenses	5 275	3 626
	VAT expenses	1 411	902
	Other expenses	12 780	6 895
		79 919	**68 488**

Consulting expenses include statutory audit fees for the audit of the annual financial statements for amount of EUR 1.6 million, for the year 2022 (EUR 1.2 million for the year 2021). Non-audit fees charged by the Group's statutory auditor for tax advisory services for the year-ended 31 December 2022 amounted to EUR 4 thousand (2021: EUR 35.2 thousand).

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

		2022	2021
12	**Finance income and costs**	**2022**	**2021**
	Profit from bonds repurchase	2 241	40
	Interest income on cash and cash equivalents	1 489	140
	Gain from fair value recognized in profit and loss	-	1 394
	Other finance income	171	1 345
	Finance income	**3 901**	**2 919**
	Interest expenses on borrowings	(22 704)	(22 667)
	Interest expenses on lease liabilities	(24 986)	(10 765)
	Foreign exchange loss on financing activities	(3 937)	(3 950)
	Loss from fair value change of convertible preferred shares (Note 37)	(24 806)	(920)
	Unwinding of discounted financial assets received	(3 260)	-
	Loss from fair value recognized in profit and loss	(1 635)	-
	Other finance costs	(2 013)	(1 417)
	Finance costs	**(83 341)**	**(39 719)**
	Finance costs – net	**(79 440)**	**(36 800)**

13	**Income tax (expenses)**	**2022**	**2021**
	Current income tax	(20 041)	(19 818)
	Deferred income tax (Note 30)	4 262	9 558
	Total income tax (expenses)	**(15 779)**	**(10 260)**

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

13 Income tax expenses (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:

	2022	2021
Profit before tax from continuing operations	**27 446**	**44 628**
Tax calculated at a tax rate 15 % in Lithuania	(3 987)	(513)
Tax calculated at a tax rate 20 % in Vietnam	(78)	(251)
Tax calculated at a tax rate 19 % in Poland	77	80
Tax calculated at a tax rate 18 % in Ukraine	(527)	813
Tax calculated at a tax rate 20 % in Russia	(44)	(191)
Tax calculated at a tax rate 19 % in United Kingdom	8 754	10 210
Tax calculated at a tax rate 30 % in Germany	4 141	5 915
Tax calculated at a tax rate 30% in Nigeria	(15)	(2)
Tax calculated at a tax rate 12.5 % in Cyprus	(3 127)	(1 684)
Tax calculated at a tax rate 22% in Indonesia	1 058	263
Tax calculated at a tax rate 19% in Czech Republic	121	108
Tax calculated at a tax rate 20% in Thailand	19	(17)
Tax calculated at a tax rate 25 % in Ireland	(2 128)	(2 616)
Tax calculated at a tax rate 25 % in Austria	5	4
Tax calculated at a tax rate 10 % in Croatia	(2)	8
Tax calculated at a tax rate 16,5 % in Hong Kong	114	302
Tax calculated at a tax rate 25 % in Belgium	262	193
Tax calculated at a tax rate 25 % in China	-	-
Tax calculated at a tax rate 28 % in South Africa	27	77
Tax calculated at a tax rate 25 % in Spain	135	121
Tax calculated at a tax rate 21 % in USA	3 322	3 381
Tax calculated at a tax rate 30 % in Australia	(60)	104
Tax calculated at a tax rate 35 % in Malta	5 139	(1 047)
Tax calculated at a tax rate 21 % in Slovakia	2	(1)
Tax calculated at a tax rate 17 % in Singapore	185	281
Tax calculated at a tax rate 15 % in Iraq	-	-
Tax calculated at a tax rate 26.50 % in Canada	44	76
Tax calculated at a tax rate 22 % in Denmark	187	(307)
Tax calculated at a tax rate 20 % in Finland	1 053	6
Tax calculated at a tax rate 22 % in Norway	(114)	447
Tax calculated at a tax rate 20,6 % in Sweden	(245)	(700)
Tax calculated at a tax rate 20 % in Iceland	432	(1 031)
Tax calculated at a tax rate 24 % in Italy	141	(20)
Tax calculated at a tax rate 15 % in Latvia	(6)	18
Tax calculated at a tax rate 20 % in Estonia	(43)	-
Tax calculated at a tax rate 23 % in Turkey	(580)	-
Tax calculated at a tax rate 16 % in Romania	18	7
Tax effects of:		
- Expenses non-deductible for tax purposes	11 495	4 702
- Write off of previously recognised deferred tax assets	343	724
- Deferred tax assets not recognised	3 351	5 608
- Non-taxable income	(3 410)	(2 893)
- Adjustment in respect of prior year	(661)	(9 236)
- Impact of foreign exchange differences	(1 605)	(389)
- Other differences	(8 014)	(2 290)
Total income tax expenses	**15 779**	**10 260**

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

14 Provision for impairment of financial and non-financial assets

	2022	2021
Impairment of prepayments	498	78
Impairment of inventories	4 769	3 653
Impairment of other financial assets	2 353	7 770
Impairment of other assets	-	2
Impairment of non-current assets	5 463	1 704
Impairment of goodwill	2 905*	277
Impairment of trade receivables and other contract assets	9 898	4 668
Total impairment-related expenses	**25 886**	**18 152**

*Full amount represents impairment of Kidy Tour OU goodwill in 2022.

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 (continued)

	Buildings and structures	Machinery	Vehicles	Other tangible fixed assets	Leasehold improve-ments	Prepayments for assets under preparation for use	Aircraft	Aircraft engines	Land	Construction 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).

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

16A Property, plant and equipment (continued)

	Buildings and structures	Machinery	Vehicles	Other tangible fixed assets	Leasehold improve-ments	Prepayments for assets under preparation for use	Aircraft	Aircraft engines	Land	Construction in progress	Total
Opening net book amount as at 1 January 2022	**40 289**	**17 392**	**39 234**	**19 139**	**4 367**	**38 225**	**47 291**	**547**	**6 377**	**13 835**	**226 696**
Additions (Note 5)	4 631	2 730	2 467	12 063	2 359	10 675	89 809	1 473	5 795	7 613	**139 615**
Disposals	(34)	(20)	(2 400)	(374)	(83)	-	(1 860)	-	-	(1)	**(4 772)**
Disposals of subsidiaries (Note 33)	(99)	(93)	(159)	(16)	-	-	-	-	-	(9)	**(376)**
Reclassifications	13 677	17 396	(347)	503	5 087	(22 058)	(20 481)	-	(2 767)	(17 372)	**(26 362)**
Write-offs	(150)	(19)	-	(303)	-	-	(292)	-	-	-	**(764)**
Asset classified as held for sale	(12 847)	-	-	-	-	-	-	-	(1 123)	-	**(13 970)**
Impairment loss (recognized) / reversed	-	(4)	(3 777)	13	-	-	(1 568)	(254)	-	-	**(5 590)**
Cumulative currency differences	242	(219)	2 400	(209)	40	(19)	1 155	16	9	(4)	**3 411**
Depreciation charge (Notes 5, 8)	(3 118)	(2 911)	(3 465)	(7 359)	(1 327)	-	(5 421)	(294)	-	-	**(23 895)**
Closing net book amount as at 31 December 2022	**42 591**	**34 252**	**33 953**	**23 457**	**10 443**	**26 823**	**108 633**	**1 488**	**8 291**	**4 062**	**293 993**
At 31 December 2022											
Cost	69 367	58 207	45 390	62 045	14 299	26 823	129 315	2 274	8 291	8 355	**424 366**
Accumulated depreciation	(26 776)	(23 952)	(7 660)	(38 588)	(3 856)	-	(18 238)	(535)	-	(4 293)	**(123 898)**
Accumulated impairment	-	(3)	(3 777)	-	-	-	(2 444)	(251)	-	-	**(6 475)**
Net book amount at 31 December 2022	**42 591**	**34 252**	**33 953**	**23 457**	**10 443**	**26 823**	**108 633**	**1 488**	**8 291**	**4 062**	**293 993**

The Group is committed to incur property, plant and equipment & investment property related capital expenditure in amount of EUR 4 574 thousand as at 31 December 2022 (EUR 13 273 thousand as at 31 December 2021).

The Group has classified an office building with the related land as asset held for sale in amount of thousand 13 970 EUR, since it is expected that within 12 months they would be disposed. Major liability associated with the asset is an external bank loan (Note 27). The purpose of transaction is related to prudent cashflow management. The assets and liabilities held for sale are included in the Logistics & Distribution reportable segment.

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

16B Property, plant and equipment (continued)

Right-of-use assets	Buildings and structures	Machinery	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)**
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**

*During the year 2022 – EUR 23 750 thousand aircraft right-of-use asset additions were related to sale leaseback transactions. The purpose of such transactions is to manage cashflows in operations and retain the asset benefits for future operations.

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

16B Property, plant and equipment (continued)

Right-of-use assets	Buildings and structures	Machinery	Vehicles	Other tangible fixed assets	Leasehold improvements	Aircraft	Aircraft engines	Land	Total
Opening net book amount as at 1 January 2022	**19 856**	**31 741**	**25 893**	**4 024**	**1 415**	**104 145**	**-**	**674**	**187 748**
Additions (Note 5)	3 433	5 263	2 877	1 878	4 190	372 318	960	5	**390 924**
Disposals of subsidiaries (Note 33)	(69)	(4)	(106)	-	(13)	-	-	(4)	**(196)**
Impairment loss (recognized) / reversed	-	-	(12)	-	-	-	-	-	**(12)**
Reclassified to/from Property, plant and equipment	86	160	(86)	17	118	-	-	-	**295**
Contract modification / termination	(404)	2	(33)	(161)	-	(12 844)	-	-	**(13 440)**
Cumulative currency differences	(78)	(408)	1 439	(67)	99	1 631	(10)	(2)	**2 604**
Depreciation charge (Notes 5, 8)	(5 338)	(3 364)	(2 483)	(1 252)	(1 393)	(71 595)	(151)	(17)	**(85 595)**
Closing net book amount as at 31 December 2022	**17 486**	**33 390**	**27 487**	**4 439**	**4 416**	**393 655**	**799**	**656**	**482 328**
At 31 December 2022									
Cost	34 062	42 512	35 763	6 850	7 936	505 987	948	722	**634 780**
Accumulated depreciation	(16 576)	(9 122)	(8 276)	(2 411)	(3 520)	(112 332)	(149)	(66)	**(152 452)**
Accumulated impairment	-	-	-	-	-	-	-	-	**-**
Net book amount at 31 December 2022	**17 486**	**33 390**	**27 487**	**4 439**	**4 416**	**393 655**	**799**	**656**	**482 328**

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

16C Property, plant and equipment (continued)

Investment property	**2022**	**2021**
Opening net book amount as at 1 January	**31 030**	**10 132**
Acquisitions of subsidiaries (Note 33)	4 027	16 536
Additions (Note 5)	8 959	4 939
Reclassifications	(1 692)	(1 495)
Cumulative currency differences	461	1 492
Depreciation charge (Notes 5, 8)	(1 145)	(574)
At 31 December	**41 640**	**31 030**
Cost	46 767	35 012
Accumulated depreciation	(5 127)	(3 982)
Net book amount at 31 December	**41 640**	**31 030**

As at 31 December 2022 and at 31 December 2021 the investment properties were office premises and hotel in Cyprus and Lithuania. During 2022 rental income from investment property amounted to EUR 801 thousand (2021: EUR 480 thousand). Out of total additions during 2022 amount of EUR 1 166 thousand relates to direct asset acquisitions, while remaining amount consists of subsequent expenditures capitalized (during 2021 – EUR 3 701 thousand).

As at 31 December 2022 buildings and investment property of the Group with the carrying amounts of EUR 9.1 million (as at 31 December 2021: EUR 25 million), machinery, vehicles and aircraft of the Group with the carrying amounts of EUR 15.8 million (as at 31 December 2021: 18.3 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	Software	Website	Customer relationship	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	1 151	1 278	(1 442)	-	5 715	495	115	**7 312**
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	**3 807**	**88 902**	**5 620**	**255**	**9 585**	**4 221**	**1 194**	**113 584**
At 31 December 2021								
Cost	5 470	88 902	12 659	894	10 429	5 833	1 194	**125 381**
Accumulated amortisation and impairments losses	(1 663)	-	(7 039)	(639)	(844)	(1 612)	-	**(11 797)**
Net book amount	**3 807**	**88 902**	**5 620**	**255**	**9 585**	**4 221**	**1 194**	**113 584**

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

17 Intangible assets (continued)

	Licences	Goodwill	Software	Website	Customer relationship	Other intangible assets	Prepayments relating to intangible assets	Total
Opening net book amount as at 1 January 2022	**3 807**	**88 902**	**5 620**	**255**	**9 585**	**4 221**	**1 194**	**113 584**
Acquisitions (disposals) of subsidiaries	-	-	-	-	-	-	-	**-**
Additions (Note 5)	263	-	2 244	180	-	407	1 298	**4 392**
Disposals of subsidiaries	(2)	-	(10)	-	-	-	-	**(12)**
Reclassifications	-	-	1 005	-	-	-	(1 005)	**-**
Write-offs	(5)	-	(20)	(28)	-	-	-	**(53)**
Impairment	(5)	(2 905)	-	-	-	-	-	**(2 910)**
Cumulative currency differences	(50)	(45)	(4)	-	(465)	(37)	(39)	**(640)**
Amortisation charge (Note 5, 8)	(722)	-	(1 298)	(110)	(423)	(1 593)	-	**(4 146)**
Closing net book amount as at 31 December 2022	**3 286**	**85 952**	**7 537**	**297**	**8 697**	**2 998**	**1 448**	**110 215**
At 31 December 2022								
Cost	5 435	85 952	14 687	981	10 429	5 881	1 448	**124 813**
Accumulated amortisation and impairments losses	(2 149)	-	(7 150)	(684)	(1 732)	(2 883)	-	**(14 598)**
Net book amount	**3 286**	**85 952**	**7 537**	**297**	**8 697**	**2 998**	**1 448**	**110 215**

A segment-level (before 1st January 2022) summary of the goodwill allocation is presented below:

	31 December 2022	31 December 2021
Aviation Logistics and Distribution Services	51 614	54 819
Aircraft Trading and Portfolio Management	13 959	12 389
Aviation Support Services	17 219	18 535
Unallocated	3 160	3 159
Total goodwill	**85 952**	**88 902**

A segment-level (after 1st January 2022) summary of the goodwill allocation is presented below:

	31 December 2022	31 December 2021
Logistics and Distribution Services	65 573	67 207
Support Services	17 219	18 536
Unallocated	3 160	3 159
Total goodwill	**85 952**	**88 902**

For the purpose of impairment testing, goodwill is allocated to each group's cash-generating unit (CGU). As of 31 December 2022, there were thirteen cash-generating units identified (thirteen as at 31 December 2021), which comprise goodwill from:

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

17 Intangible assets (continued)

	31 December 2022	31 December 2021
Chapman Freeborn Holdings Limited	21 104	22 275
Aviator Airport Group	14 135	15 336
Avion Express	15 023	14 148
Smart Aviation Holdings SIA	11 633	11 633
AviaAM Leasing Service Centre AB (previously: AviaAM Leasing AB)	13 959	12 389
Chevron Technical Services Limited*	-	-
Biggin Hill Hangar Company Limited*	-	-
Avia Solutions Group Arena UAB, Panevėžio arena UAB, SEVEN Live UAB, Tiketa UAB	2 844	2 844
KIDY Tour OÜ (previously: Tiketa Tour OÜ)	-	2 905
Blafugl ehf (Bluebird Nordic)	1 850	1 742
RAS Completions Ltd.	1 283	1 354
Arcus-Air-Logistic GmbH	1 095	1 156
JetMS Completions Ltd (previously: RAS Interiors Ltd.)	771	814
Storm Aviation Ltd.	703	703
Arcus-Air-Logistic S.L.U. – Iberica	592	625
Loop Holding UAB (previously: DG21 UAB)	315	315
Arcus-Air-Logistic s.r.o. - Slovakia	307	324
Baltic Ground Services LV SIA	299	299
Baltic Ground Services HR	27	27
Arcus OBC GmbH	9	10
Avia Technics Dirgantara PT	3	3
Total goodwill	**85 952**	**88 902**

*The Group had completed the accounting for the acquisition of Chevron Technical Services Limited, Chevron Aircraft Maintenance Limited and Biggin Hill Hangar Company Ltd. For fair values of net assets acquired that were recognised in relation to the fair value of intangible assets and property, plant and equipment refer to Note 33.

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 %	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Chapman Freeborn Holdings	13,9%	14,7%	4%	11%	14%	14%	70%	76%	2,6%	2,6%
Aviator Airport Group	11,9%	14,4%	13%	19%	9%	4%	83%	65%	2,6%	2,6%
Avion Express	12,6%	12,5%	12%	28%	27%	14%	82%	90%	2,6%	2,6%
Smart Aviation Holdings	17,3%	13,4%	3%	15%	35%	19%	74%	70%	2,6%	2,6%
AviaAM Leasing	12,0%	12,1%	26%	33%	36%	32%	115%	101%	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 management industry knowledge, strategic plans and including long-term inflation forecasts.
Average EBITDA margin rate	Average EBITDA margin rate over the five-year forecast period; based on management industry knowledge, strategic plan 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 business plan 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 2022 and expected outlook based on business plans and known industry environment by management 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 nine times as at 31 December 2022. The year 2022 were very profitable for this CGU, the revenue increased by approximately 33% EBITDA margin was about 17%. 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 as at 31 December 2022. The CGU have increased revenues by 87% percent and had EBITDA margin around 8%. 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 performed a sensitivity test that 5 p.p. decrease in the projected EBITDA margin applied would not result in additional impairment as at 31 December 2022.

Smart Aviation Holdings CGU was expanding by increase of fleet and recovering passenger travel levels, total revenues grew by 156% comparing 2022 to 2021, while EBTDA margin was around 15%. Management of the Group reassessed future forecasts based on the assumption of growth. Based on the estimate the recoverable amount of CGU exceeded its carrying amount as at 31 December 2022. Management has performed a sensitivity test that 5 p.p. decrease in the projected EBITDA margin applied would result in 11 775 EUR thousand CGU impairment as at 31 December 2022.

Avion Express CGU continued to expand their aircraft fleet and grew together with recovering passenger flights, total revenue in 2022 has tripled compared to 2021 levels, while EBITDA margin was around 23%. The Group reassessed forecasts for the next five years on the assumption that revenue and EBITDA to reflect market trends, strategic decisions and. Based on the estimate the recoverable amount of CGU exceeded its carrying amount as at 31 December 2022. Management has performed a sensitivity test that 5 p.p. decrease in the projected EBITDA margin applied would not result in additional impairment as at 31 December 2022.

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 aircraft capacity deliveries. The Management have considered and assessed reasonably possible changes for key assumptions. Management has performed a sensitivity test that 18 p.p. decrease in the projected EBITDA margin applied would not result in additional impairment as at 31 December 2022.

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

18 Investments in joint venture

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 2022 amounted to EUR 104 thousand (as at 31 December 2021 - EUR 107 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 2022**	**31 December 2021**
Property, plant and equipment	4	11
Trade and other receivables	159	173
Cash and cash equivalents	32	45
Total assets	**195**	**229**
LIABILITIES		
Total liabilities	**38**	**65**
Net assets	**157**	**164**
Share of Net assets (49%)	**77**	**80**

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.

Name of entity	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 2022 amounted to EUR 3 563 thousand (as at 31 December 2021 - EUR 3 355 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 2022**	**31 December 2021**
Property, plant and equipment	11 317	13 412
Deferred income tax assets	5 973	5 281
Inventories	303	173
Trade and other receivables	1 924	1 577
Cash and cash equivalents	299	990
Total assets	**19 816**	**21 433**
LIABILITIES		
Non- current liabilities	18 355	18 966
Current liabilities	16 042	9 485
Total liabilities	**34 397**	**28 481**
Net assets	**(14 581)**	**(7 048)**
Share of Net assets (40%)	**(5 832)**	**(2 819)**

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

18 Investments in joint venture (continued)

Statement of comprehensive income:

	2022	2021
Revenue	**921**	**867**
Cost of Sales	(785)	(613)
Operating Expenses	(9 000)	(7 545)
Finance income/cost	(1 750)	(1 312)
Profit before income tax	**(10 614)**	**(8 603)**
Income tax	1 272	2 119
Profit (loss) for the reporting period	**(9 342)**	**(6 484)**
Share of profit (loss) attributable to the reporting entity (40%)	**(3 737)**	**(2 594)**

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 36,579 thousand) as at 31 December 2022 and (as at 31 December 2021 – EUR 34,447 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 classified as a joint venture in consolidated financial statements and the Group does not consolidate it, but accounts using equity method.

AviaAM Financial Leasing China Co. Ltd., established in People's Republic of China (hereinafter – "JV") was directly impacted by the Russian-Ukraine war. The entity, through its indirect subsidiaries in Ireland (hereinafter – Lessors), leased 13 aircraft to the Russian-based lessee prior to the Ukraine Conflict. With respect to the aircrafts held by the JV:

- In compliance with all applicable sanctions, Lessors have terminated leasing with Russian-based lessee in March 2022. Notwithstanding the leasing termination, Russian-based lessee continues to fly the aircraft. These terminations have resulted in reduced revenues and operating cash flows.
- Aircraft leased to Russian-based lessee are largely financed by the Chinese banks (the aircraft are also mortgaged to these banks). Therefore, Chinese banks are exposed to the higher risk in case of the worst-case scenario of not repossessing the aircraft.
- Lessors had letters of credit related to Aircraft leased to Russian-based lessee. Demands for payment have been presented to the confirming banks. As of 31 December 2022, JV received approximately EUR 60 million under letters of credit.
- During 2022, JV consulted with legal experts regarding possible legal actions.
- In September 2022 Lessors submitted Letters of Claim to (re)insurers under (re)insurance policies for USD 688,600,000 respect to all aircraft remaining in Russia. As of 31 December 2022, no response from (re)insurers was received.

Lessors requested Russian-based lessee to return all the aircraft immediately, but as of 31 December 2022 none of the aircraft have been returned and the exact status of these aircraft remains difficult to ascertain. Aircraft that remain in Russia may suffer damage or deterioration due to inadequate maintenance and lack of spare parts. While Lessors continue to hold title to the aircraft that remain in Russia, it was concluded that it is not likely that Lessors will regain possession of these assets. Any claim receivables in respect of the insurance claims mentioned above have not been recognized as of 31 December 2022.

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

18 Investments in joint venture (continued)

Given the circumstances mentioned above, the JV net assets were significantly decreased, since the seized aircrafts contributed to the majority of total consolidated JV assets, which were highly leveraged. Consequently, for the year ended as of 31 December 2022, the Group recognized EUR 55 million share of loss from equity-accounted investees, effectively reducing the carrying amount of investment to zero.

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 2022 and as at 31 December 2021. The joint venture company is planning to provide aircraft crew training services in China. The joint venture company had no activities during 2022 and 2021.

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 as of 31 December 2022 and 31 December 2021 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.
Opening net assets 1 January	**94 848**	**164**	**(7 048)**	**544**	**50**
Profit (loss) for the period	(107 955)	14	(9 342)	-	(60)
Other comprehensive income	13 147	(21)	1 809	-	-
Increase/decrease in investment	-	-	-	-	-
Closing net assets	**-**	**157**	**(14 581)**	**544**	**(10)**
Group's share in %	51%	49%	40%	50%	50%
Group's share of net assets	-	77	(5 832)	272	(5)
Currency translation differences	-	-	-	-	-
Carrying amount 31 December	**-**	**77**	**-**	**272**	**-**
Loan amount used as part of investment 31 December	**-**	**-**	**(2 738)***	**-**	**-**
Losses in excess in investment carrying amount 31 December	**-**	**-**	**(3 094)**	**-**	**(5)**
Total Group's share of profit (loss) for the period	(55 077)	7	-	-	(21)
Currency translation difference	6 705	(10)	-	-	-
Total of Group's share of comprehensive income	**(48 372)**	**(3)**	**-**	**-**	**(21)**

* The disclosed loss recognized by AviaAM Financial Leasing China Co. Ltd. was included to the extent that the investment into this joint venture is reduced to zero value.

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

18 Investments in joint venture (continued)

	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.
Opening net assets 1 January	**81 027**	**184**	**(1 343)**	**544**	**140**
Profit (loss) for the period	8 049	(32)	(6 484)	-	(90)
Other comprehensive income	5 772	12	779	-	-
Increase in investment	-	-	-	-	-
Closing net assets	**94 848**	**164**	**(7 048)**	**544**	**50**
Group's share in %	51%	49%	40%	50%	50%
Group's share	48 372	80	(2 819)	272	25
Currency translation differences	2 853	-	-	-	-
Carrying amount 31 December	**51 225**	**80**	**-**	**272**	**25**
Loan amount used as part of investment	**-**	**-**	**(2 578)***	**-**	**-**
Losses in excess in investment carrying amount 31 December	**-**	**-**	**(241)**	**-**	**-**
Total Group's share of profit (loss) for the period	4 111	(16)	(2 592)	-	(45)
Currency translation difference	2 938	6	310	-	-
Total of Group's share of comprehensive income	**7 049**	**(10)**	**(2 282)**	**-**	**(45)**

*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 2022 and 2021) 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 2022 and 2021.

19 Government grants

	2022	2021
Opening net book amount	**298**	**535**
Amortisation (Note 6)	(192)	(237)
Closing net book amount	**106**	**298**
Less non-current portion:	(106)	(298)
Current portion:	**-**	**-**

Government grants amortisation is recognised in "other income". In 2022, EUR 192 thousand of government grant amortisation was credited to the profit or loss on basis to match the appropriate expenses (EUR 237 thousand in 2021). 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, other costs amounted to EUR 2 880 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. No such grants were received during 2022.

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

20 Inventories

	2022	2021
Spare parts and materials – gross amount	56 827	42 020
Less: provision for impairment of inventories	(12 179)	(8 831)
Spare parts and materials	**44 648**	**33 189**
Goods for sale – gross amount	5 519	6 397
Less: provision for impairment of inventories	-	(634)
Goods for sale	**5 519**	**5 763**
Aircraft - gross amount	21 131	31 279
Less: provision for impairment of aircraft	(2 276)	(1 885)
Aircraft	**18 855**	**29 394**
Aircraft components	14 817	131
Aircraft fuel	1 790	1 330
Work in progress	560	592
Goods in transit	429	468
Other inventories	3 237	2 684
	89 855	**73 551**

The allowance for impairment of inventories in the total amount of EUR 4.7 million was additionally recognised in 2022 to represent their net realisable value (2021: EUR 3.7 million).

As at 31 December 2022 spare parts and materials of the Group with the carrying amounts of EUR 0 thousand (as at 31 December 2021: EUR 686 thousand), goods for sale, goods in transit, and other inventories of the Group with carrying amounts of EUR 0 thousand (as at 31 December 2021: EUR 736 thousand) 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

	2022	2021
Trade receivables	200 965	175 571
Less: provision for impairment of trade receivables	(45 536)	(34 926)
Trade receivables – net	**155 429**	**140 645**
Prepayments	40 862	39 008
Less: provision for impairment of prepayments	(532)	(232)
Prepayments - net	**40 330**	**38 776**
Other receivables	12 258	13 904
Discounting of other receivables	(54)	(93)
Less: provision for impairment of other receivables	(7 437)	(6 081)
Other receivables – net	**4 767**	**7 730**
Trade receivables from related parties	1 315	849
Less: provision for impairment of trade receivables from related parties	(398)	(311)
Trade receivables from related parties - net (Note 34)	**917**	**538**
Loans granted to related parties	26 877	26 144
Less: provision for impairment of loans granted to related parties	(240)	(137)
Loans granted to related parties - net	**26 637**	**26 007**
Loans granted	35 359	30 890
Discounting of loans granted	(95)	(127)
Less: provision for impairment of loans granted	(27 152)	(24 433)
Loans granted - net	**8 112**	**6 330**
Other receivables from related parties	7 240	5 794
Discounting of other receivables from other related parties	(20)	(157)
Less: provision for impairment of other receivables from related parties	(210)	(32)
Other receivables from related parties – net (Note 34)	**7 010**	**5 605**
VAT receivables	12 389	8 872
Receivables from investment in bonds - gross	10 120	9 974
Less: provision for impairment of receivables from investment in bonds	(10 120)	(9 974)
Receivables from investment in bonds - net	**-**	**-**
Deferred charges	35 254	36 202
Security deposit – net	49 246	25 367
Deferred charges to related parties (Note 34)	15	732
Security deposits from related parties placed – net (Note 34)	9	9
Prepayments from related parties (Note 34)	45	5
Total trade and other receivables:	**340 160**	**296 818**
Less non-current portion:	(81 120)	(49 725)
Current portion:	**259 040**	**247 093**

(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:

	2022	2021
Loans granted to related parties	25 793	24 916
Less: provision for impairment of loans granted to related parties	(108)	(131)
Loans granted to related parties - net	**25 685**	**24 785**
Loans granted	11 643	24 292
Less: provision for impairment of loans granted	(7 730)	(19 869)
Loans granted - net	**3 913**	**4 423**
Prepayments - gross	7 522	243
Less: provision for impairment of prepayments	-	-
Prepayments - net	**7 522**	**243**
Security deposit – net	38 151	16 321
Other receivables	1 254	6 193
Less: provision for impairment of other receivables	(4)	(5 456)
Other receivables – net	**1 250**	**737**
Other receivables from related parties	4 619	3 233
Less: provision for impairment of other receivables from related parties	(20)	(17)
Other receivables from related parties – net	**4 599**	**3 216**
Total	**81 120**	**49 725**

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

	2022	2021
Financial trade and other receivables		
Trade receivables	155 429	140 645
Trade receivables from related parties (Note 34)	917	538
Other receivables	4 083	7 532
Loans granted to related parties (Note 34)	26 637	26 007
Other receivables from related parties (Note 34)	7 010	5 605
Security deposits	49 246	25 367
Loans granted	8 112	6 330
	251 434	**212 024**
Non-financial trade and other receivables		
Prepayments	40 330	38 776
Other non-financial receivables	684	198
VAT receivables	12 389	8 872
Deferred charges	35 254	36 202
Deferred charges to other related parties (Note 34)	15	732
Security deposit with lessor from related parties (Note 34)	9	9
Prepayments to other related parties (Note 34)	45	5
	88 726	**84 794**
Total	**340 160**	**296 818**

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

21 Trade and other receivables (continued)

All non-current receivables as at 31 December 2022 are due until 2032. All non-current receivables as at 31 December 2021 were due until 2031. 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 5.83% (2021: 6.73%). The weighted average interest rate of loans granted to related parties was 4.97% (2021: 5.05%).

As at 31 December 2021 trade receivables of the Group with the carrying amounts of EUR 0 thousand (as at 31 December 2021: EUR 1.3 million) and other receivables of the Group with the carrying amounts of EUR 163 thousand (as at 31 December 2021: EUR 257 thousand) 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:

	2022	**2021**
EUR	131 304	74 972
US dollars	92 472	119 828
GBP	31 741	8 807
SEK	5 251	8 181
Other	27 765	20 855
	288 533	**232 643**

22 Contract assets

	2022	**2021**
Contract costs incurred and recognised profits (less losses) to date	25 220	23 904
Advances received on contracts in progress	(352)	(2 975)
Less: provision for impairment of amounts due from customers on contracts in progress	(167)	(253)
Amounts due from customers on contracts in progress	**24 701**	**20 676**

23 Cash and cash equivalents

	2022	**2021**
Cash in bank	323 889	216 031
Cash on hand	829	633
Cash and cash equivalents	**324 718**	**216 664**
Cash at banks classified as assets held for sale	187	-
Bank overdraft (Note 27)	(298)	(799)
Total	**324 607**	**215 865**

(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):

	2022	2021
EUR	117 420	105 572
US dollars	172 535	91 795
SEK	11 544	4 262
GBP	2 994	4 485
Other	20 225	10 550
	324 718	**216 664**

24 Share capital and Share premium

On 31 December 2022 and on 31 December 2021 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 2022 the Group had 128 514 treasury shares (10 014 as at 31 December 2021) which are deducted from the equity attributable to the Group's equity holders.

None of the ordinary shareholders of the Company have any special controlling rights. Rights of all ordinary 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 128 514 shares of the Company as at 31 December 2022.

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 2022 and on 31 December 2021 the share premium of the Company amounted to EUR 282 158 thousand. During 2020 and 2021 there was no movement of share premium.

On 24 May 2022, the Company declared a dividend amounting to EUR 30 000 to its shareholders out of the profits of the year 2021.

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) (Note 36).

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 %) 2022	2021
Baltic Ground Services LV SIA	Latvia	Supporting Services	49	49
FL Technics Line OOO	Russia	Supporting Services	-	7
Locatory.com UAB	Lithuania	Supporting Services	-	1
Avia Technics Dirgantara PT.	Indonesia	Supporting Services	-	33
AviaAM Leasing AB	Lithuania	Logistics and Distribution Services	1,16	1,16
Chapman Freeborn Airchartering BV	Belgium	Logistics and Distribution Services	20	20
Intradco Cargo Services Limited	The United Kingdom	Logistics and Distribution Services	25	25
Zeusbond Limited	The United Kingdom	Logistics and Distribution Services	25	25
Chapman Freeborn Airchartering Ltd	Canada	Logistics and Distribution Services	25	25
BPC Travel UAB	Lithuania	Logistics and Distribution Services	1	1

Set out below is the summarized financial information for non-controlling interests as of 31 December 2022:

	Avia Technics Dirgantara PT.	AviaAM Leasing AB	Other	Total
Non-current assets	-	94 974	1 049	**96 023**
Current assets	-	123 195	12 654	**135 849**
Non-current liabilities	-	(10 133)	(68)	**(10 201)**
Current liabilities	-	(32 888)	(7 293)	**(40 181)**
Net assets	**-**	**175 148**	**6 342**	**181 490**
Net assets attributable to NCI	**-**	**2 032**	**2 056**	**4 088**
Revenue	-	138 273	41 839	**180 112**
Profit (loss)	1 238	922	4 014	**6 174**
Profit allocated to NCI	**1 238**	**(265)**	**1 131**	**2 104**
Dividends paid to NCI	**-**	**-**	**583**	**583**

AviaAM Leasing Service Centre AB during 2022 has used EUR (45 656) thousand in operating activities, used EUR (3 127) thousand in investing activities, generated EUR 8 674 thousand from financing activities.

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

26 Non-controlling interests (continued)

Set out below is the summarized financial information for non-controlling interests as of 31 December 2021:

	Avia Technics Dirgantara PT.	AviaAM Leasing AB	Other	Total
Non-current assets	6 216	162 352	1 857	**170 425**
Current assets	6 695	96 643	13 066	**116 404**
Non-current liabilities	(7 344)	(38 315)	(1 313)	**(46 972)**
Current liabilities	(6 875)	(38 898)	(9 432)	**(55 205)**
Net assets	**(1 308)**	**181 782**	**4 178**	**184 652**
Net assets attributable to NCI	**(432)**	**2 109**	**1 590**	**3 267**
Revenue	13 189	56 190	20 371	**89 750**
Profit (loss)	851	2 727	2 052	**5 630**
Profit allocated to NCI	**281**	**(15)**	**683**	**949**
Dividends paid to NCI	**-**	**-**	**293**	**293**

AviaAM Leasing Service Centre AB during 2021 has used EUR (25 222) thousand in operating activities, generated EUR 25 030 thousand from investing activities, generated EUR 22 387 thousand from financing activities.

27 Borrowings

	2022	**2021**
Non-current		
Bank borrowings	30 549	31 663
Lease liabilities	363 171	126 529
Bonds issued	186 547	238 204
Other borrowings	16 994	11 746
	597 261	**408 142**
Current		
Bank overdraft (Note 23)	298	799
Bank borrowings	3 366	4 124
Lease liabilities	106 285	54 226
Other current borrowings	10 643	12 378
	120 592	**71 527**
Total borrowings	**717 853**	**479 669**

As at 31 December 2022 buildings and machinery (Note 16), inventories (Note 20) and trade receivables (Note 21) of the Group with the carrying amounts of EUR 25.1 million were pledged to the bank as collateral for bank borrowings. 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.

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. As of 31 December 2022, the Group has repurchased the issued notes in nominal value of USD 97 667 thousand (as at 31 December 2021: USD 25 380 thousand). The bonds issues are classified as non-current due to maturity term in 2024.

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

27 Borrowings (continued)

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.

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

	2022	2021
EUR	76 553	75 154
USD	611 847	367 124
GBP	5 220	6 256
SEK	4 990	5 266
Other	19 243	25 869
	717 853	**479 669**

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:

	2022	2021
Less than 1 year	120 603	71 537
Between 1 and 5 years	535 893	384 163
Over 5 years	61 357	23 969
	717 853	**479 669**

Bank overdraft amounting to EUR 298 thousand as at 31 December 2021 (2021: EUR 799 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:

	2022	2021
Lease liabilities	8,03%	7,26%
Bank borrowings	4,51%	4,34%
Bonds issued	8,50%	8,50%

Lease liabilities – minimum lease payments:

	2022	2021
Not later than 1 year	141 586	66 658
After 1 year but not later than 5 years	396 314	131 822
After 5 years	65 798	26 253
Less: future lease charges	(134 242)	(43 978)
Present value of lease liabilities	**469 456**	**180 755**
Present value of lease liabilities:		
Not later than 1 year	106 285	54 243
After 1 year but not later than 5 years	307 969	106 060
After 5 years	55 202	20 452
	469 456	**180 755**

(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 2022	**799**	**35 787**	**238 204**	**24 124**	**180 755**	**300 920**	**780 589**
Changes from financing cash flows	-	7 203	(64 702)	(268)	(63 864)	-	**(121 631)**
Classified as held for sale	-	(8 199)	-	-	-	-	**(8 199)**
Foreign exchange adjustments	-	675	15 649	(1 477)	1 837	-	**16 684**
Change in bank overdraft and cash	(501)	-	-	-	-	-	**(501)**
Change in fair value	-	-	-	-	-	24 806	**24 806**
New leases	-	-	-	-	372 699	-	**372 699**
Disposals of subsidiaries	-	-	-	(2 819)	(174)	-	**(2 993)**
Other non-cash changes	-	(1 551)	(2 604)	8 077	(21 797)	-	**(17 875)**
Balance as at 31 December 2022	**298**	**33 915**	**186 547**	**27 637**	**469 456**	**325 726**	**1 043 579**

	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.*

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

28 Trade and other payables

	2022	2021
Trade payables	92 708	82 732
Accrued expenses	69 217	63 399
Salaries and social security payable	55 964	47 995
Provisions	28 075	10 619
Employee benefit obligations	895	299
Amounts payable to related parties (Note 34)	359	596
Dividends payable	260	6
Payable for PPE	1 534	3 403
VAT payable	12 833	7 742
Pension reserve accrual	278	287
Other payables to related parties (Note 34)	2	1
Other payables	16 976	18 824
	279 101	**235 903**
Less: non-current portion	(21 048)	(18 537)
Current portion	**258 053**	**217 366**

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:

	2022	2021
US dollars	44 532	46 417
EUR	46 528	39 885
SEK	1 852	1 685
GBP	3 668	3 870
Other currencies	8 716	4 323
	105 296	**96 180**

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

28 Trade and other payables (continued)

Provisions and contingent liabilities

	2022	2021
C-check provisions	18 819	7 910
Co2 emissions	1 788	962
Legal claims	1 693	-
Other	5 775	1 747
	28 075	**10 619**
Less: non-current portion	(8 767)	(4 008)
Current portion	**19 308**	**6 611**

In July 2022 the Group received a claim in the amount of EUR 4 848 thousand. The substantive claim in the action is related with the damage allegedly made by the defendant acting as a shareholder of a previously owned subsidiary. However, after taking appropriate legal advice, the recognised provision of EUR 1 580 thousand reflects the management best estimate of the possible negative outcome of this dispute in case court will decide to upheld the claim at all. A trial has not started yet, therefore, it is not practicable to state the timing of the payment, if any.

In December 2022 the Group has received a claim for EUR 15 800 thousand. The Claim against the Group is based on (alleged) failure to provide Aviator Airport Services Denmark A/S ("AAS") with the required liquidity when AAS's financial situation and operations were significantly affected by the COVID-19 pandemic and the corporate shutdown, which led to a large-scale suspension of airport operations. The management of Group views the claim as a contingent liability and no provision has been accounted for.

The Group has signed the agreement with Novaturas UAB. ln order to induce Novaturas to enter into the Charter Flights Agreement, the Group is willing to assume certain financial obligations in relation to the Dispute which Novaturas is undergoing with another Carrier regarding discontinuation of the charter flights agreement, in favour of Novaturas as hereinafter stipulated. The Group agrees to indemnify Novaturas against any losses resulting from the dispute and the court case in particular which is confirmed by the final court judgement, to the maximum amount of EUR 1 000 thousand and legal costs maximum amount of EUR 150 thousand. According to the lawyers of the Group, the case is in the first instance court now and it is not yet clear what the possible outcome could be. The Group has not recognized any asset or liability with regard to this agreement.

29 Security deposits received

	2022	2021
Security deposits repayable after one year at nominal value	1 074	387
Less: discounting effect (at 2.83%)	(6)	(2)
Security deposits repayable after one year	**1 068**	**385**
Security deposits repayable within one year at nominal value	11 294	6 314
Less: discounting effect (at 4.52%)	(12)	(5)
Security deposits repayable within one year	**11 282**	**6 309**

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

29 Deferred income taxes

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

Deferred tax assets	**2022**	**2021**
At beginning of the period	**16 728**	**17 298**
Acquisitions (disposals) of subsidiaries (Note 33)	(1 073)	7
(Charged) credited to the income statement	2 016	(1 058)
Recognised through OCI	7	-
Currency translation differences	(32)	481
At end of year	**17 646**	**16 728**

Deferred tax liabilities	**2022**	**2021**
At beginning of the period	**11 626**	**18 412**
Charged (credited) to the income statement	(2 246)	(10 617)
Acquisitions of subsidiaries (Note 33)	1 334	2 285
Recognised through OCI	268	602
Reclassified to liabilities held for sale	(559)	
Currency translation differences	728	1 155
At end of year	**11 151**	**11 837**

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

	2022	**2021**
Deferred tax assets		
Deferred income tax to be recovered within 1 year	10 656	7 871
Deferred income tax to be recovered after 1 year	6 990	8 857
	17 646	**16 728**
Deferred tax liabilities		
Deferred income tax to be recovered within 1 year	10 601	8 053
Deferred income tax to be recovered after 1 year	550	3 573
	11 151	**11 626**

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 2022	**81**	**(217)**	**3 659**	**10 394**	**1 317**	**1 150**	**(2 731)**	**(93)**	**3 379**	**16 939**
Acquisitions (disposals) of subsidiaries	(4)	-	(97)	(948)	-	-	-	-	(24)	**(1 073)**
Credited to the income statement (Note 13)	85	480	(1 098)	2 729	1 139	(27)	(2 012)	-	720	**2 016**
Recognised through OCI	-	-	-	-	-	-	-	-	7	**7**
Currency translation differences	(2)	(24)	-	(205)	69	(13)	(2)	-	(4)	(181)
At 31 December 2022	**160**	**239**	**2 464**	**11 970**	**2 525**	**1 110**	**(4 745)**	**(93)**	**4 078**	**17 708**

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 2022	**356**	**(760)**	**(39)**	**348**	**(97)**	**436**	**11 593**	**11 837**
Acquisitions (disposals) of subsidiaries	-	-	-	-	-	1 334	-	**1 334**
Credited to the income statement (Note 13)	(190)	989	-	(121)	142	83	(3 149)	**(2 246)**
Recognised through OCI	-	-	-	-	-	-	268	**268**
Reclassified to liabilities held for sale	-	-	-	-	-	-	(559)	**(559)**
Currency translation differences	(14)	(7)	-	12	(10)	2	596	**579**
At 31 December 2022	**152**	**222**	**(39)**	**239**	**35**	**1 855**	**8 749*****	**11 213**

***The Group had completed the accounting for the acquisition of Chevron Technical Services Limited, Chevron Aircraft Maintenance Limited and Biggin Hill Hangar Company Ltd as of 31 December 2022. Fair values of net assets acquired that were recognised in relation to the fair value of intangible assets and property, plant and equipment have been adjusted accordingly (Note 33).

(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 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	2 114	**2 285**
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**	**11 593**	**11 837**

*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)

29 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:

	2022	2021
Deferred tax assets		
Deferred income tax assets	17 646	16 728
Deferred income tax liabilities	(11 151)	(11 626)
	6 495	**5 102**

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

	2022	2021
Deferred tax assets		
Deferred income tax assets	17 708	16 939
Deferred income tax liabilities	(11 213)	(11 837)
	6 495	**5 102**

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 (2021: 15% rate), in Poland - at 19% rate (2021: 19% rate), in United Kingdom – at 19% rate (2021: 19% rate), in Ukraine – at 18% rate (2021: 18% rate), in Nigeria – at 30% rate (2021: 30% rate), in Cyprus – at 12.5% rate (2021: 12.5% rate), in Indonesia – at 25% rate (2021: 25% rate), in Germany – at 30% rate (2021: 30% rate), in Sweden – 20.6% rate (2021: 20.6%).

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 2 892 thousand as at 31 December 2022 (EUR 2 880 thousand as at 31 December 2021), the taxable losses could be used indefinitely.

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

31 Financial instruments by category

	2022	2021
Category – financial assets measured at amortised costs		
Trade receivables (Note 21)	155 429	140 645
Cash and cash equivalents (Note 23)	324 718	216 664
Contract assets (Note 22)	24 701	20 676
Trade receivables from related parties (Notes 21, 34)	917	538
Other receivables (Note 21)	4 767	7 532
Loans granted to related parties (Notes 21, 34)	26 637	26 007
Other receivables from related parties (Notes 21, 34)	7 010	5 605
Loans granted (Note 21)	8 112	6 330
Bank deposits	2 363	227 381
	554 654	**651 378**
Category – financial assets measured at FVOCI		
Derivative financial instruments (assets)	**5 513**	**4 667**
Category – financial assets measured at FVTPL		
Securities held for trading (level 1)	2 249	3 237
	2 249	**3 237**
Category – financial liabilities measured at amortised cost		
Trade payables (Note 28)	92 708	82 732
Bank overdraft (Notes 23, 27)	298	799
Lease liabilities (Note 27)	469 456	180 755
Bonds issued	186 547	238 204
Bank loans (Note 27)	33 915	35 787
Other payables	10 693	9 448
Payables to related parties (Notes 28, 34)	359	596
Payable for PPE (Note 28)	1 534	3 403
Other borrowings (Note 27)	27 637	24 124
Dividends payable (Note 28)	260	6
	823 407	**575 854**
Category – financial liabilities measured at FVOCI		
Derivative financial instruments (liability)	**195**	**5 865**
Category – financial liabilities measured at FVTPL		
Convertible preferred shares (Note 37)	325 726	300 920
	325 726	**300 920**

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 2022 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	4 409	2 075	-	-
Low value leases	756	138	313	123
Total	**5 165**	**2 213**	**313**	**123**

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

32 Leases (continued)

Variable lease payments during 2022 amounted to EUR 65 220 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 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**

Variable lease payments during 2021 amounted to EUR 15 455 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 11 thousand gain (2021: EUR 7 591) 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

Establishments, acquisitions and disposals in 2022

During January 2022, the Group established new subsidiary *CF Couriers LLC*.

During February 2022, the Group established new subsidiary *BAA Training France*.

During 2022 March indirect subsidiary of Avia Solutions Group PLC has disposed its' investment in *Chapman Freeborn RU LLC*.

During 2022 March indirect subsidiary of Avia Solutions Group PLC has disposed its' investment in *Baltic Ground Services RU OOO*. Gain on disposal amounted to EUR 3 084 thousand.

During 2022 April the Group has disposed 100% shares of the indirect subsidiary *FL Technics Line OOO*. Loss on disposal amounted to EUR 34 thousand.

During 2022 April the Group has liquidated shares of *France Patrimoine, SCI*.

On 18 May 2022, the Group has established a new subsidiary Aero city Group UAB. Registered capital EUR 200 000 which was fully paid. The subsidiary is designated to structuralize the Group's real estate management.

During May 2022, Aero city Group UAB has established new subsidiaries AV4 Aero UAB and BK14 Aero UAB.

During June 2022, the Group established new subsidiary *FL Technics LLC UAE.*

33 Business combinations and disposals (continued)

During June 2022, UAB Aero city Group UAB established new subsidiaries: DG32 Aero UAB, DG21 Aero UAB, DG25 Aero UAB, EI18 Aero UAB, EI75 Aero UAB, DG28 Aero UAB, DG30 Aero UAB, DG41A Aero UAB, Small Aero UAB, BK10 Aero UAB, BK20 Aero UAB, EI17A Aero UAB, Finance Aero UAB, Aero Invest 1 UAB, Aero Invest 2 UAB. The subsidiaries are designated to structuralize the Group's real estate management.

On 23 June 2022, Avia Solutions Group PLC subsidiary AviaAM Leasing AB sold its 100% of shares in the subsidiary Dikkys Investments Ltd.

On 30 June 2022 Aero city Group UAB acquired 100% of the shareholding of Nordic NT AB based in Lithuania. The entity holds commercial real estate (EUR 4 027 thousand as disclosed in Note 16C).

During July 2022, the Group has obtained control of the company *BBN Hava Yolları ve Taşımacılık Anonim Şirketi* via potential voting rights. The company provides ACMI services in Turkey.

During September 2022 Busnex UAB established new subsidiary EV MOTORS SP.Z O.O.

During September 2022 FL Technics UAB established new subsidiaries: FL Technics Wheels and Brakes Kft. and FL Technics Trading DMCC.

In December 2022 the Group has disposed 100% shares of its subsidiary Jet Maintenance Solutions UAB. Loss on disposal amounted to EUR 654 thousand.

Purchase price allocation

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.

On 22 October 2021, Avia Solutions Group PLC subsidiary completed the acquisition of 100% of the shareholding of Biggin Hill Hangar Company Ltd. the owner of Hangar 510, a Fixed Base Operations (FBO) and Maintenance Repair & Overhaul (MRO) centre of operations at London Biggin Hill Airport.

The Group had completed the accounting for the acquisition of Chevron Technical Services Limited, Chevron Aircraft Maintenance Limited and Biggin Hill Hangar Company Ltd. Fair values of net assets acquired that were recognised in relation to the fair value of intangible assets and property, plant and equipment have been adjusted accordingly:

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

33 Business combinations and disposals (continued)

		Biggin Hill Hangar Company Ltd.	Chevron Technical Services Limited and Chevron Aircraft Maintenance Limited				
	31 December 2021 (Reported)	Investment property valuation	Reversal of provision for receivables	Licences valuation	Brand valuation	Customer relationship valuation	31 December 2021 (Amended)
Non-current assets							
Property, plant and equipment	414 443	-	-	-	-	-	414 443
Investments property	26 428	4 602	-	-	-	-	31 030
Intangible assets	115 946	(3 716)	(57)	195	71	1 145	113 584
Licences	*2 780*	-	-	*1 027*	-	-	*3 807*
Goodwill	*97 030*	*(3 716)*	*(57)*	*(832)*	*(303)*	*(3 220)*	*88 902*
Customer relationship	*5 220*	-	-	-	-	*4 365*	*9 585*
Other intangible assets	*10 916*	-	-	-	*374*	-	*11 290*
Other non-current assets	127 943	-	-	-	-	-	127 943
	684 760	**886**	**(57)**	**195**	**71**	**1 145**	**687 000**
Current assets							
Trade and other receivables	247 036	-	57	-	-	-	247 093
Other current assets	538 026	-	-	-	-	-	538 026
	785 062	**-**	**57**	**-**	**-**	**-**	**785 119**
Non-current liabilities							
Deferred income tax liabilities	9 329	886	-	195	71	1 145	11 626
Other non-current liabilities	734 147	-	-	-	-	-	734 147
	743 476	**886**	**-**	**195**	**71**	**1 145**	**745 773**

Purchase price allocation finalization impact on the consolidated statement of comprehensive income for the year ended 31 December 2021 is not material.

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 Cyprus LTD, 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:

Sales of services to:	**2022**	**2021**
Parent	209	-
Entities having significant influence	-	49
Other related parties	330	111
	539	**160**
Sales of assets:		
Entities having significant influence	-	-
Other related parties	15	-
	15	**-**
Total sales of assets and services	**554**	**160**

Purchases of assets from:	**2022**	**2021**
Other related parties	865	4 418
	865	**4 418**
Purchases of services from:		
Parent	36	330
Entities having significant influence	742	-
Other related parties	2 508	2 771
	3 286	**3 101**
Total purchases of assets and services	**4 151**	**7 519**
Other income & other gains	**1 465**	**1 397**
Finance and other costs	**48**	**304**

In year 2022 amount of purchases of premises lease services from related parties was EUR 1 935 thousand (in 2021: 1 659 EUR thousand).

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

34 Related party transactions (continued)

	2022	2021
Trade receivables from related parties:		
Trade receivables from Parent	129	-
Trade receivables from entities having significant influence	-	66
Trade receivables from other related parties	1 186	783
Impairment of trade receivables from other related parties	(398)	(311)
Trade receivables from related parties – net (Note 21)	**917**	**538**
Security deposit with lessor from related parties (Note 21)	**8**	**9**
Other receivables from Parent	2 300	2 436
Other receivables from entities having significant influence	2 575	1 720
Other receivables from other related parties	2 345	1 481
Impairment of other receivables from other related parties	(210)	(32)
Other receivables from related parties – net (Note 21)	**7 010**	**5 605**
Receivables from investment in bonds - gross	-	-
Impairment of receivables from investment in bonds	-	-
Receivables from investment in bonds - net (Note 21)	**-**	**-**
Prepayments to other related parties (Note 21)	45	5
Amount due from customers for contract work from other related parties (Notes 21)	-	1
Deferred charges (Note 21)	15	732
	7 995	**6 890**
Payables and advances received from related parties:		
Amounts payable to entities having significant influence (Note 28)	40	-
Amounts payable to other related parties (Note 28)	319	557
Lease liabilities	8 567	10 389
Advances received from other related parties	7 502	7 064
Other financial payables to other related parties	2	1
Other financial payables to Parent	-	-
Dividends payable to other related parties	102	-
Amounts payable to Parent (Note 28)	-	39
	16 532	**18 050**

Gross loans granted to related parties:	**2022**	**2021**
Beginning of the period	**29 451**	**24 555**
Loans granted to the Parent	635	-
Loans provided to entities having significant influence	-	2 077
Loans granted to other related parties	-	5 702
Currency translations differences	354	1 351
Loan repayments received from other related parties (set-offs)	(754)	(3 285)
Losses recognised using the equity method in excess of the entity's investment	(160)	(1 783)
Loan reclassified to intra-group due to acquisition	-	(231)
Interest charged to other related parties	1 554	1 166
Interest paid	(11)	(101)
End of the period*	**31 069**	**29 451**
Less non-current portion:	(25 793)	(24 914)
Current portion (including accrued interest income):	**5 276**	**4 537**

**As at 31 December 2022 loans granted to other related parties included loan granted to Parent for amount of EUR 10 614 thousand (EUR 9 583 thousand as at 31 December 2021). Accrued interest is presented as part of Other receivables from related parties caption (Note 21).*

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

34 Related party transactions (continued)

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:

	2022	**2021**
Salaries including termination benefits	1 861	1 603
Social insurance expenses	171	127
Bonuses	240	25
Employee benefits	8	6
Termination benefits	-	35
Other	41	43
	2 321	**1 839**
Loans granted to key management at the end of year	1 064	1 378
The number of key management personnel during the year	12	13

As at 31 December 2022, the Group had signed put option agreements with 21 employees, which allow the right to put back acquired shares of the Company between 2019 and 2026. 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 2022 the part of benefit included in the consolidated statement of comprehensive income amounts to EUR 264 thousand (EUR 265 thousand during 2021).

In 2022 the Group granted loans to the above-mentioned Management personnel of the Group in relation to the share acquisitions as described above, in the amount of EUR 1 277 thousand (2021: EUR 877 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:

	2022	2021
Non-current assets		
Foreign currency interest rate forward - cash flow hedges	5 513	4 667
Non-current liabilities		
Foreign currency interest rate swap - cash flow hedges	195	5 865

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 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**

	Foreign currency interest rate swap
Opening balance 1 January 2022	**2 007**
Change in fair value of hedging instrument recognised in OCI	2 136
Deferred tax	(269)
Closing balance 31 December 2022	**3 874**

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

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.

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.

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

36 Derivatives (continued)

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:

	2022	2021
Foreign cross-currency interest rate swap		
Carrying amount (non-current asset)	5 513	4 667
Carrying amount (non-current liability)	(195)	(5 865)
Notional amount	115 581	121 013
Maturity date	May 2023 – November 2024	May 2022 – November 2024
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments since 1 January	2 105	1 148
Change in value of hedged item used to determine hedge effectiveness	(2 105)	(1 148)

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, which is accrued (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.

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, except for change in fair value due to change in own credit risk, which is accounted in other comprehensive income. In general, the fair value measurement is within level 3 of the fair value hierarchy due to unobservable inputs.

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

37 Convertible preferred shares (continued)

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 or loss (Note 12)*	920
Change in fair value recognised in OCI (own credit risk)	-
Closing balance 31 December 2021	**300 920**
Opening balance 1 January 2022	**300 920**
Issuance of convertible preferred shares	-
Change in fair value recognised in profit or loss (Note 12)*	24 806
Change in fair value recognised in OCI (own credit risk)	-
Closing balance 31 December 2022	**325 726**

As at 31 December 2021, 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.

As at 31 December 2022, the fair value of the preferred shares was 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. The key assumptions used in the valuation model were the following:

Risk free rate	4.0%	The Group estimated the risk-free interest rate based on the yield of US Government Bond with maturity life close to the timing as of valuation date.
Volatility	33.8%	Volatility was estimated based on annualized standard deviation of daily stock price return of comparable companies for a period from the respective valuation date and with similar span as time to expiration.
Discount for lack of control	5.0%	Decrease in the allocated value of own equity as a result of a shareholder's inability to exercise control over the company.

Probability weight under each of the conversion feature, redemption feature and liquidation preferences was based on the Group's best estimates. The key assumptions used in the valuation of own equity were the following:

Discount rate	10.9%	Discount rate (post-tax) was estimated by weighted average cost of capital as of each valuation date.
Average EBITDA margin	19.0%	Based on 5-year business plan projections.
Discount for lack of marketability	15.0%	Discount deducted from the value of own equity to reflect the relative absence of marketability.
Average Revenue growth	14.0%	Average annual growth rate over the five-year forecast period; based on management industry knowledge, strategic plans and including long-term inflation forecasts.
Terminal growth rate	2.6%	This is the weighted average growth rate used to extrapolate cash flows beyond the business plan period.

The fair value of Preferred Shares on the valuation date was determined by taking into account not only the assumptions mentioned earlier but also the estimates of future performance, CAPEX, relative to sales net working capital, and lease repayments, which were based on the management's business plan and industry expertise.

37 Convertible preferred shares (continued)

Management has performed a sensitivity analysis for the valuation of the preferred shares instrument:

- If the Discount rate used would be lower by 1.0% (other assumptions remaining unchanged), the valuation would result in liability increase and loss from revaluation by EUR 19 800 thousand.
- If the projected average EBITDA margin would be 2.0% higher (other assumptions remaining unchanged), the valuation would result in liability increase and loss from revaluation by EUR 51 557 EUR thousand.

If the discount for lack of marketability would be 5.0% lower (other assumptions remaining unchanged), the valuation would result in liability increase and loss from revaluation by EUR 7 500 EUR thousand.

38 Events after the reporting date

On 1 February 2023, Mr Vygaudas Ušackas resigned as a director of the Company. On the same date, Mr. Pascal Jean Alexandre Picano appointed as a director of the Company.

On 2 February 2023 the Group, through one of its subsidiaries, established a new company AviaAM Leasing Trading 2 DMCC. The company is incorporated in Dubai Multi Commodities Centre and is engaged in aircraft trading and leasing business.

In February 2023 the Group sold its subsidiary DG Avia UAB to the third party. On the basis of the subsidiary sale agreement and the leased property by the subsidiary to the Company and its affiliate companies, the Company has provided guarantee for the amount of EUR 5 million due 2036. As the guarantor, the Group agreed to secure the proper implementation of the financial obligations of the tenants. The buyer of the sold subsidiary has the call option right with already agreed commercial terms to acquire all the shares of another subsidiary, which owns an office building in Lithuania as of 31 December 2022.

On 1st March 2023 a cross-border merger between Avia Solutions Group PLC and Avia Solutions Group (ASG) PLC was completed. As of 1 March 2023 all assets, rights and liabilities of Avia Solutions Group PLC were acquired and taken over by Avia Solutions Group (ASG) PLC which will continue business and activities of Avia Solutions Group PLC.

Managing Director
Jonas Janukėnas

Director
Žilvinas Lapinskas

Chief Financial Officer
Robertas Čipkus

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

CONSOLIDATED MANAGEMENT REPORT

Approved by the Board as at 31 March 2023

I. GENERAL INFORMATION

Reporting period	**Year ended 31 December 2022**
Issuer and its contact details	
Name of the Issuer	**AVIA SOLUTIONS GROUP PLC** (hereinafter – '*Company Avia Solutions Group PLC*' or 'the Company' or 'ASG')
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

Management presents its report together with the audited consolidated financial statements of the Company for the year ended 31 December 2022.

Changes in group structure

As at 31 December 2022, 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 2022. All changes in the Group structure are presented in the Note 33 of these Consolidated Financial Statements for the year ended 31 December 2022.

As at 31 December 2022 *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.

In 2023 Q1 Avia Solutions Group PLC has completed a cross-border merger and moved the jurisdiction to Republic of Ireland. For details refer to Note 38.

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 integrated capacity management services for aviation industry.

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 management solutions for passenger and cargo airlines. ASG Group provides passenger and cargo airlines with aircraft leases under the ACMI model (aircraft, crew, maintenance and insurance), helping aviation industry customers to improve fleet utilization and profitability by moving capacity across countercyclical markets. Group also provide charter and general agency services, as well as support services in aircraft maintenance, ground handling and aviation training areas.

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

- Logistics and Distribution;
- Support Services.

Logistics and Distribution Segment

Logistics and Distribution Services segment provide services using aircraft to airline customers using contracted capacity. This segment includes logistics services, a wide range of aircraft charter and ACMI services to cargo, passenger and VIP charter clients across a broad spectrum of industries, as well as aircraft sourcing capabilities.

Aircraft, crew, maintenance and insurance (ACMI) operations

ACMI providers core business is the provision of short- and long-term ACMI services to other carriers and integrators globally, moving capacity across countercyclical markets. ACMI offer primarily wet lease and damp leases of aircraft fleet to passenger and cargo customers.

ACMI Capacity management concept allows to convert fixed costs into variable, helping carriers and integrators 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. The ACMI market is projected to grow in the foreseeable future well above aviation industry average growth rates.

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.

Under "wet lease" concept, ASG Group (as lessor) provides an aircraft, complete crew, maintenance, and insurance (ACMI) to another airline or broker of air travel (the lessee) who generally pays by hours operated. The lessee is responsible for covering fuel expenses, airport fees and other duties and taxes. Typically, flights are operated under the lessee flight numbers.

Under "damp leases" concept, ASG Group as an ACMI lessor, provides an aircraft, cockpit crew, insurance and maintenance, and the lessee himself provides the cabin attendants.

Charter, Cargo and VIP charter services

ASG Group provides a wide range of aircraft charter 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, 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.

ASG Group primary focus is the provision of global air cargo charter solutions and arranging charters for 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.

ASG 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, 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.

Logistics and Distribution Aircraft fleet

At the end of year ended 31 December 2022 Group maintained a modern fleet of 173 (out of which 26 signed LOI) Aircraft consisting of narrow and wide body passenger and cargo Aircraft, dominant types are from Airbus A320 and Boeing B737 families. ASG Group provided an integrated capacity management services at 9 AOCs (Air Operators Certificate) providing services to major airlines across the globe.

Support Services Segment

Support 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 and into-plane fuelling, full scope of integrated flight training and recruitment solution services, which are a vital part of providing capacity services to clients.

Aircraft Maintenance, Repair and Overhaul (MRO) services

ASG 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.

Group provides MRO services in 5 aircraft maintenance hangars together with administrative, warehouse and back shop facilities in Soekarno - Hatta International Airport, Jakarta, London Stansted Airport, Vilnius International Airport, Kaunas International Airport, and Glasgow Prestwick Airport.

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.

Aircraft Ground Handling, Fuelling and Logistics services

ASG Group operates in 25 airports across Northern and Central Europe, providing ground handling, de-icing, fuelling and fuel logistics services in airports of Denmark, Sweden, Finland, Norway, Czech Republic and Baltic countries.

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.

Crew Training and Staffing

ASG Group is one of the leading independent aviation training providers. Group training facilities operates in Lithuania, Spain, Vietnam and France. Group holds EASA standard Approved Training Organizations (ATO) in Europe delivering Ab Initio and Type Rating training services. The Group 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.

Unallocated entities

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. The Group is also engaged in the number of Real Estate projects, mainly serving Group expansion needs, these projects are expected to be subsequently sold in order to use Group's financial resources prudently.

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 2022 Avia Solutions Group PLC and its subsidiaries (hereinafter – the Group) generated adjusted net profit of EUR 85.3 million (in 2021 adjusted net profit - EUR 32.0 million). The consolidated revenue has increased up to EUR 1 852.7 million, or by around 82.6% as compared with EUR 1 014.9 million in 2021.

Key Financial figures of the Group

Financial figures	2022	2021	Change
Revenue (EUR thousand)	1 852 686	1 014 891	*+82.6%*
Operating profit (EUR thousand)	161 977	79 970	*+102.5%*
Operating profit margin (%)	*8.7*	*7.9*	*0.8 p.p.*
Adjusted EBITDA	288 175	155 084	*+85.8%*
Adjusted EBITDA margin (%)	*15.6*	*15.3*	*0.3 p.p.*
Adjusted Net profit	85 269	31 963	*166.8%*
Adjusted Net profit margin (%)	*4.6*	*3.1*	*1.5 p.p.*

Breakdown of reported vs. adjusted	EBITDA			Net profit (loss)		
	2022	2021	%	2022	2021	%
Reported	**276 758**	**154 308**	***+79.4%***	**11 667**	**34 368**	***(66.1)%***
Russia-Ukraine War impact	12 842	-		69 071	-	
Lease modifications, terminations and waived debt	(7 426)	(22 295)		(1 470)	(22 295)	
Fees related to preferred shares issuance	-	13 384		-	13 384	
Other non-recurring expenses	6 000	6 506		6 000	6 506	
Adjusted	**288 175**	**155 084**	***+85.8%***	**85 269**	**31 963**	***+148.1%***

Financial ratios	2022	2021
Return on equity (ROE) (%) (adjusted)	27.0	9.7
Gearing ratio (%)	55.4	44.5
Equity to total assets ratio (%)	18.0	22.3
Liquidity ratio	1.5	2.0

EBIT *= Operating profit*
EBITDA = *Operating profit for the period – Depreciation and amortization*
Return on equity (ROE) (%) (adjusted) *= Adjusted 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*

Key Segment figures

In 2022 Logistics and Distribution Segment Revenues to external customers grew 91.9% and reached EUR 1.256 billion, mainly due to increased demand of Passenger ACMI and Charter operations, resulting in Segment Operating profit of EUR 145.8 million, earning sustainable adjusted EBITDA margin of 19.8%.

Support Services segment Revenues growth to external customers in 2022 was 65.5% mainly due to increased airport traffic and MRO services demand and reached EUR 562.0 million in 2022. Support services Operating profit for 2022 was EUR 16.2 million with adjusted EBITA margin of 7.9%.

	Logistics and Distribution			Support Services		
Key financial figures by segments	**2022**	**2021**	**%**	**2022**	**2021**	**%**
Sales to external customers	1 255 680	654 373	*91.9%*	562 023	331 559	*65.5%*
Inter-segment sales	5 491	13 910	*-60.5%*	45 795	24 492	*87.0%*
Total revenue	1 261 171	668 283	*88.7%*	607 818	356 051	*70.7%*
Gross profit	328 837	194 150	*69.4%*	297 215	188 579	*57.6%*
Operating profit (loss)	145 825	83 128	*75.4%*	16 199	3 418	*373.9%*
EBITDA	233 488	133 785	*74.5%*	35 908	21 160	*69.7%*
Non-recurring effects, direct intra group intercompany IFRS 9 eliminations	15 920	(5 787)		11 885	(2 302)	
Adjusted EBITDA	249 408	127 998	*94.9%*	47 793	18 858	*153.4%*
Conversion rate (EBIT/Gross profit)	44.3%	42.8%	*1.5%*	5.5%	1.8%	*3.6%*
Adjusted EBITDA margin %	19.8%	19.2%	*0.6%*	7.9%	5.3%	*2.6%*

Key Operating figures of the Group

Operating ratios	**2022**	**2021**	**Change**
Cargo Gross Revenue under management (EUR thousand)	1 229 600	925 146	*+32.9%*
Block Hours Passenger (hours)	143 810	35 796	*+301.7%*
Block Hours Cargo (hours)	39 937	35 596	*+12.2%*
Number of aircraft at the end of the period (owned or leased)	173*	93	*+80*
Number of aircraft turnarounds (thousand)	161	85	*+88.4%*
Training simulators number of hours sold (thousand)	73	39	*+85.8%*
Number of training simulators at the end of the period (owned or leased)	10	8	*+2*
Number of sold man-hours in MRO (thousand)	810	744	*+8.9%*

**Includes 26 signed aircraft letters of intent.*

Revenue related to operations

The total consolidated Group's revenue for the year ended 31 December 2022 was EUR 1 852.7 million, an increase by around 82.6% over the total revenue of EUR 1 014.9 million for the year ended 31 December 2021.

During the period significant revenue growth was noticed in Logistics and Distribution Services segment as compared to the same period in 2022. Revenue to external customers in this segment increased by 92.1% and amounted to EUR 1 255.7 million in 2022 as compared to EUR 653.8 million in 2021. The growth was impacted primarily by significant demand of ACMI services.

In 2022 Support Services segment revenue to external customers increased by 71.7% and amounted to EUR 562.0 million in 2022 as compared to EUR 327.3 million in 2021. The growth was driven by increased demand by recovering aviation industry, which contributed to increased service delivery.

Expenses related to operations

Due to significant growth in Logistics and Distribution as mentioned above, cost of goods purchased during 2022 increased by 58.6% to EUR 113.4 million as compared with EUR 71.5 million in 2021. Costs of purchased services increased by 38,2% to EUR 149.9 million during 2022 as compared with EUR 108.5 million in 2021, this was also mostly driven by Logistics and Distribution services.

Rent of aircraft, training and other equipment expenses increased by 74.5% and amounted to EUR 209.3 million in 2022 as compared to EUR 119.9 million during 2021 as a result of significant increased ACMI activities. In 2022, the relative costs as part of revenue decreased to 11% from 12% in 2021.

The employee related expenses during 2022 increased by 53.2% and equalled to EUR 306.6 million compared with EUR 200.2 million in 2021 due to increased number of employees during 2022. In 2022, the relative employee expenses as part revenue decreased to 17% from 20% in 2021.

On overall level despite growth in expenses, gross profit margin of the Group has increased.

Balance sheet and cash flow

During the 2022 total assets of the Group increased by 19.2% to EUR 1 754.3 million as comparing with EUR 1 472.1 million as at 31 December 2021 primarily due to significantly increased right of use assets in ACMI entities for secured aircraft capacity in Logistics & Distribution segment.

During the year ended 31 December 2022 total liabilities increased by 25.0% up to EUR 1 429.9 million as comparing with EUR 1 143.7 million as at 31 December 2021 primarily due to significant increase lease liabilities related to growth in Logistics & Distribution segment.

During the year ended 31 December 2022 net cash flow gained in investing activities was EUR 84.9 million. The Group invested EUR 159.1 million to purchase property, plant and equipment and intangible assets. Majority of investments were related to expansion of the Group for future revenue generation.

During the year ended 31 December 2022 net cash flow used in financing activities was EUR 152.0 million which was primarily due to of repurchases of issued bonds (net outflow EUR 64.7 million) and decrease in lease liabilities (net outflow EUR 63.9 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 2022.

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 148.6 million (during 2021: EUR 65.6 million). The majority of capital investments were used for aircraft acquisitions, aircraft lease, capital improvement of aircraft and acquisitions of full flight simulators.

Investments ('000 EUR)	**2022**	**2021**	**Change**
Logistics and Distribution	116 452	33 295	*+249.8%*
Support Services	18 418	24 300	*-24.2%*
Unallocated	13 704	7 964	*+72.1%*
Total investments	**148 574**	**65 559**	*+126.6%*

All details concerning the non-current assets of the Group are presented in the Consolidated Financial Statements for the year ended 31 December 2022 (Notes 5, 16, 17).

Environmental, Social and Governance (ESG)

During 2022, Avia Solutions Group has demonstrated its commitment to environmental, social and governance (ESG) issues with the creation of a group wide ESG department. In 2022, Group established an ESG strategy that focuses on reducing negative impact on the environment, promoting positive social impact and maintaining good corporate governance practices. This helped the Group to build a more resilient and sustainable business in the long term. In terms of environmental efficiency measures, several subsidiary companies of ASG maintain ISO 14001 certification for their environmental management systems.

On social issues, the Group considers safety a top priority for the Group business. Group closely monitors the well-being of employees, also Group proactively identify potential operational risks for daily aviation operations, human errors, and ensures that the necessary preventive barriers are in place to mitigate the risks. In 2022 Group established Aviation Safety Committee to monitor and oversee activities affecting aviation safety within the Group.

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 2022 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 each quarter. 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). 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 2022.

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.

Climate change

The management has taken note of global awareness and concerns about the potential impact of climate change. Currently, this matter has had no significant impact on the financial statements, but Management continues to monitor developments in this area.

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

III. INFORMATION ABOUT SHARE CAPITAL AND SHAREHOLDERS

Share capital

On 31 December 2022 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 and 19,444,444 convertible preferred shares of nominal value of EUR 0.29 each. All shares were fully paid up.

On 31 December 2022 and on 31 December 2021 the share premium of the Company amounted to EUR 282 158 thousand. During 2022 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 2022:

		31 December 2022		31 December 2021	
		Number of shares	Percentage owned	Number of shares	Percentage owned
1.	FZE Procyone	37 702 469	48.47%	38 371 469	49.33%
2.	Vertas Aircraft Leasing Ltd.	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	11 580 351	14.89%	10 911 351	14.03%
	Total issued ordinary shares	**77 777 777**	**100.00%**	**77 777 777**	**100.00%**
	Treasury shares	128 514	0.17%	10 014	0.01%
	Total	**77 649 263**		**77 767 763**	
	Certares Compass LLC	19 444 444	100.00%	19 444 444	100.00%
	Total convertible preferred shares	**19 444 444**	**100.00%**	**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 2022 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	259 008	0.33
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 Mr. 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 2022.

Treasury stocks

As at 31 December 2022 the Group has 128 514 treasury shares which are deducted from equity attributable to the Group's equity holders. On 31 December 2021 the Group had 10 014 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 128 514 shares of the Company **as** at 31 December 2022 (10 014 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.

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 2022 dividends for amount of EUR 30 000 thousand were declared to equity holders of the parent Company out of the profits of 2021. At Group level 583 EUR thousand were paid to minority shareholders. The Group has paid 293 thousand dividends to the minority shareholders during the year ended 31 December 2021.

IV. INFORMATION ABOUT BOARD OF DIRECTORS

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 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
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 2022. On 1 February 2023, Mr Vygaudas Ušackas resigned as a director of the Company. On the same date, Mr Pascal Jean Alexandre Picano appointed as a director of the Company.

V. OTHER INFORMATION

Information about trading in the Company's securities

As at 31 December 2022 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.

Managing Director
Jonas Janukėnas

Director
Žilvinas Lapinskas

Chief Financial Officer
Robertas Čipkus