

AVIA SOLUTIONS GROUP (ASG) PLC

Condensed Consolidated Interim Financial Information,
For the Six-Month Period Ended 30 June 2023 (Unaudited)

Beginning of the financial period	1 January 2023
End of reporting period	30 June 2023
Name of the company	Avia Solutions Group (ASG) PLC (hereinafter “the Company”)
Date of registration	10 October 2022
Code of enterprise	727348
Name of Register of Legal Entities	Companies Registration Office
Registered office	Building 9, Vantage West, Central Park, Dublin 18, Ireland
Telephone number	+44 20 808 99777 / +370 5 252 5500
E-mail	info@aviasg.com
Internet address	www.aviasg.com
Segments of the consolidated Group	Logistics and Distribution Services, Support Services
Board of Directors	Gediminas Žiemelis (appointed on 1 March 2023) Jonas Janukėnas (appointed on 10 October 2023) Žilvinas Lapinskas (appointed on 1 March 2023) Linas Dovydenas (appointed on 1 March 2023) Thomas Klein (appointed on 1 March 2023) Pascal Jean Alexandre Picano (appointed on 1 March 2023)
Company Secretary	Dentons Ireland LLP (until 31 July 2023) 20 Kildare St., Dublin D02 T3V7, Dublin, Ireland HMP SECRETARIAL LIMITED (since 31 July 2023) Riverside One Sir John Rogerson’s Quay, Dublin 2, D02 X576 Dublin, Ireland

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	January – June	
		2023	2022
Revenue	3	954 678	780 635
Other income	3	1 196	2 881
Cost of services and goods	3, 4	(605 372)	(516 010)
Employee related expenses	3	(181 897)	(142 623)
Depreciation and amortisation	3, 10	(92 017)	(48 190)
Other operating expenses	3, 5.1	(41 749)	(34 888)
Decrease/(increase) in the provision for impairment of financial assets	3, 5.2	2 032	(9 675)
(Increase) in the provision for impairment of non-financial assets	3, 5.2	(1 582)	(4 190)
Other gains – net	3	7 455	27 516
Operating profit	3	42 744	55 456
Finance income	6	7 084	192
Finance costs	6	(50 733)	(40 747)
Finance costs – net	3, 6	(43 649)	(40 555)
Share of profit (loss) of equity-accounted investees, net of tax	3, 11	2 097	(7)
Profit before income tax		1 192	14 894
Income tax (expenses)	3, 7	(4 123)	(9 809)
Profit (loss) for the period		(2 931)	5 085
Profit (loss) attributable to:			
Equity holders of the parent		(3 681)	3 567
Non-controlling interests		750	1 518
		(2 931)	5 085
Other comprehensive income			
Gain on cash flow hedges, net of tax		18	285
Exchange differences on translation of foreign operations		(3 883)	14 451
Other comprehensive income (loss) for the period		(3 865)	14 736
Total comprehensive income (loss) for the period attributable to:			
Equity holders of the parent		(7 483)	18 120
Non-controlling interests		687	1 701
Total comprehensive income (loss)		(6 796)	19 821

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 June 2023	31 December 2022
ASSETS			
Non-current assets			
Property, plant and equipment	10	1 144 169	776 321
Investment property	10	43 159	41 640
Intangible assets	10	130 668	110 215
Investments accounted for using the equity method	11	358	349
Deferred tax assets		24 404	17 646
Financial assets at fair value through profit or loss	18	1 507	1 649
Non-current derivative financial instruments	18	3 854	5 513
Long-term bank deposits		858	859
Non-current trade and other receivables	12	106 504	81 120
		1 455 481	1 035 312
Current assets			
Inventories	14	109 463	89 855
Trade and other receivables	12	338 024	259 040
Financial assets at fair value through profit or loss	18	118	600
Contract assets		29 142	24 701
Prepaid income tax		2 091	4 410
Short-term bank deposits		99	1 504
Cash and cash equivalents	13	259 666	324 718
		738 603	704 828
Non-current assets classified as held for sale		-	14 162
Total assets		2 194 084	1 754 302

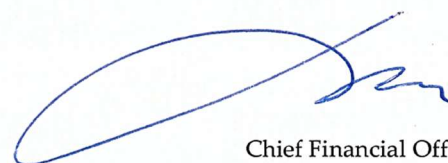
CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	Notes	30 June 2023	31 December 2022
EQUITY			
Equity attributable to the Group's equity shareholders			
Share capital	8	22 556	22 556
Treasury shares		-	(1 644)
Fair value reserve		3 904	3 886
Cumulative translation differences		(1 467)	2 353
Retained earnings, share premium and other reserves		280 233	284 378
Equity attributable to equity holders of the parent		305 226	311 529
Non-controlling interests		4 203	4 088
Total equity		309 429	315 617
LIABILITIES			
Non-current liabilities			
Convertible preferred shares	19	338 776	325 726
Lease liabilities		619 594	363 171
Borrowings		202 715	234 090
Government grants		349	106
Security deposits received		2 326	1 068
Trade and other payables	15	22 902	21 048
Deferred income tax liabilities		13 366	11 151
Derivative financial instruments	18	701	195
		1 200 729	956 555
Current liabilities			
Trade and other payables	15	306 421	258 053
Lease liabilities		153 455	106 285
Borrowings		9 139	14 307
Contract liabilities		164 798	57 327
Security deposits received		23 015	11 282
Current income tax liabilities		26 597	26 118
Derivative financial instruments		501	-
		683 926	473 372
Total liabilities		1 884 655	1 429 927
Non-current liabilities classified as held for sale		-	8 758
Total equity and liabilities		2 194 084	1 754 302

Managing Director
Jonas Janukėnas



Chief Financial Officer
Robertas Čipkus



AVIA SOLUTIONS GROUP (ASG) PLC

 CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
 FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

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


CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Group							
	Share capital	Treasury shares	Fair value reserve	Currency translation differences	Retained earnings, share premium and other reserves	Total	Non-control-ling interests	Total equity
Balance at 1 January 2022	22 556	(12)	2 042	(3 221)	303 747	325 112	3 267	328 379
Comprehensive income								
Net gain on cash flow hedge	-	-	285	-	-	285	-	285
Currency translation difference	-	-	-	14 268	-	14 268	183	14 451
Profit (loss) for the period	-	-	-	-	3 567	3 567	1 518	5 085
Total comprehensive income	-	-	285	14 268	3 567	18 120	1 701	19 821
Transactions with owners								
Dividends paid	-	-	-	-	(30 000)	(30 000)	(298)	(30 298)
Purchase of interest in subsidiary	-	-	-	-	(37)	(37)	37	-
Share based payments (other reserves)	-	-	-	-	132	132	-	132
Total transactions with owners	-	-	-	-	(29 905)	(29 905)	(261)	(30 166)
Balance at 30 June 2022	22 556	(12)	2 327	11 047	277 409	313 327	4 707	318 034

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Equity attributable to equity holders of the Group							Total equity
	Share capital	Treasury shares	Fair value reserve	Currency translation differences	Retained earnings, share premium and other reserves*	Total	Non-controlling interests	
Balance at 1 January 2023	22 556	(1 644)	3 886	2 353	284 378	311 529	4 088	315 617
Comprehensive income								
Net gain on cash flow hedge	-	-	18	-	-	18	-	18
Currency translation difference	-	-	-	(3 820)	-	(3 820)	(63)	(3 883)
Profit (loss) for the period	-	-	-	-	(3 681)	(3 681)	750	(2 931)
Total comprehensive income	-	-	18	(3 820)	(3 681)	(7 483)	687	(6 796)
Transactions with owners								
Dividends paid	-	-	-	-	-	-	(572)	(572)
Disposal of treasury shares	-	1 644	-	-	(597)	1 047	-	1 047
Share based payments (other reserves)	-	-	-	-	133	133	-	133
Total transactions with owners	-	1 644	-	-	(464)	1 180	(572)	608
Balance at 30 June 2023	22 556	-	3 904	(1 467)	280 233	305 226	4 203	309 429

*The Group is in progress of merger accounting completion (Note 8).

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	January – June	
		2023	2022
Operating activities			
Profit (loss) for the period		(2 931)	5 085
Income tax	7	4 123	9 809
<i>Adjustments for:</i>			
Depreciation and amortisation	3, 10	92 017	48 190
Impairment-related expenses	3	(450)	13 865
Interest expenses	6	34 710	21 566
Currency translation differences		(3 888)	18 838
Discounting effect on financial assets	6	2 789	1 201
Fair value loss/ (gains)		13 050	12 105
Net result of subsidiaries disposal		(7 189)	(2 933)
Changes in other reserves		133	132
(Gain) / loss on property, plant and equipment disposals and write-offs		172	(15 081)
(Gain) / loss on bonds repurchase		(499)	(134)
(Gain) / loss on termination/modification of lease agreements		(838)	(864)
Amortisation of government grants		(83)	(101)
Interest income		(840)	(833)
Share of (profit) / loss of associates		(2 097)	7
<i>Changes in operating assets and liabilities:</i>			
- Inventories		(18 118)	(16 077)
- Trade and other receivables, contract assets		(79 702)	(34 460)
- Security deposits placed		(23 546)	(9 934)
- Accrued expenses for certain contracts		(98)	(450)
- Trade and other payables, advances received/contract liabilities		120 545	40 293
- Security deposits received		14 257	8 178
Cash generated from (used in) operating activities		141 517	98 402
Interest received		257	13
Interest paid		(32 017)	(17 589)
Income tax paid		(7 513)	(10 238)
Net cash generated from (used in) operating activities		102 244	70 588

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

		January – June	
	Notes	2023	2022
Investing activities			
Purchase of property, plant and equipment and intangible assets		(94 786)	(39 750)
Proceeds from property, plant and equipment and intangible assets disposal		1	2 024
Purchase of other investment		-	(313)
Disposal of other investment		487	276
Loans granted		(4 030)	(4 012)
Repayments of loans granted		2 222	2 433
Bank deposits placed		-	(1 450)
Repayments of bank deposits placed		1 382	139 585
Purchase of subsidiaries (net of cash acquired)		(6 401)	-
Sales of subsidiaries (net of cash disposed)		20 147	(55)
Net cash from (used in) investing activities		(80 978)	98 738
Financing activities			
Dividends paid		(572)	(29 764)
Bank borrowings received		276	10 629
Repayments of bank borrowings		(1 868)	(1 073)
Repayments of other borrowings		(14 142)	(3 120)
Repurchase of bonds		(19 858)	(10 704)
Repayments of lease liabilities		(49 856)	(19 781)
Net cash (used in)/ from financing activities		(86 020)	(53 813)
Increase (decrease) in cash and cash equivalents		(64 754)	115 512
At beginning of period	13	324 420	215 865
At end of period	13	259 666	331 377

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 Accounting policies

The consolidated interim financial information for the six-month period ended 30 June 2023 (hereinafter *The Consolidated Financial Information*) is prepared in accordance with the International Financial Accounting Standards, adopted by European Union, includes IAS 34 „Interim financial reporting“. In all material respects, the same accounting principles have been followed as in the preparation of consolidated financial statements for the year ended 31 December 2022. The consolidated financial statements of the Group as at year ended 31 December 2022 are available at <https://aviasg.com/>.

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

The consolidated interim financial information for the six-month period ended 30 June 2023 is not audited. Financial statements for the year ended 31 December 2022 were audited by the independent auditor *PricewaterhouseCoopers*.

2 Investments in subsidiaries and associates

The consolidated group (hereinafter *the Group*) consists of the Company, its subsidiaries and associates. The subsidiaries and associates are disclosed in the annual consolidated financial statements of the Group for the year ended 31 December 2022, Note 1 (pg. 15-19). Changes in Group structure during the six-month period ending 30 June 2023 are disclosed in Note 16 of these interim financial statements.

The number of full-time staff employed by the Group on 30 June 2023 amounted to 6 822 (31 December 2022: 5 476; 30 June 2023: 5 219).

3 Revenue

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

- (1) Logistics and Distribution Services;
- (2) Support Services;

The unallocated segment include sales of management services, financing and other activities not related to aviation, which cannot be attributed to the other segments. The management assesses the performance of the Group based on Operating Profit.

Transfer pricing between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, cost and operating expenses, other income, other gain/loss and segment operating profit include transfers between business segments. Those transfers are eliminated on consolidation.

The following tables present sales to external customers, cost and operating expenses, other income, other gain/loss and operating profit information according to the Group's business segments for the six-month period ended 30 June 2023 and for the six-month period ended 30 June 2022:

Six-month period ended 30 June 2023	Logistics and Distribution	Support Services	Unallocated	Inter-segment transactions	Total
Continuing operations					
Revenue from contracts with external customers	631 203	301 396	22 079	-	954 678
Timing of revenue recognition					
<i>At a point in time</i>	630 805	249 654	19 344	-	899 803
<i>Over time</i>	398	51 742	2 735	-	54 875
Intersegment sales	2 433	18 392	7 111	(27 936)	-
Total revenue	633 636	319 788	29 190	(27 936)	954 678
Other income	779	168	9 880	(9 631)	1 196
Cost of services and goods purchased	(458 219)	(150 435)	(17 571)	20 853	(605 372)
Employee related expenses	(50 687)	(122 181)	(9 528)	499	(181 897)
(Increase)/ decrease in the provision for impairment of financial assets	366	(4 287)	(5 545)	11 498	2 032
(Increase)/ decrease in the provision for impairment of non-financial assets	(984)	(577)	(21)	-	(1 582)
Other operating expenses	(23 737)	(18 489)	(4 467)	4 944	(41 749)
Depreciation and amortisation	(77 937)	(10 834)	(4 106)	860	(92 017)
Other gains/(losses) – net	15 127	(796)	851	(7 727)	7 455
Segment operating profit (loss)	38 344	12 357	(1 317)	(6 640)	42 744
Finance costs - net					(43 649)
Share of profit of equity-accounted investees					2 097
Profit before income tax					1 192
Income tax					(4 123)
Net loss for the period					(2 931)
As at 30 June 2023:					
Segment assets	1 527 680	444 462	221 942	-	2 194 084
Segment liabilities	1 106 006	229 048	549 601	-	1 884 655

3 Revenue (continued)

Six-month period ended 30 June 2022	Logistics and Distribution	Support Services	Unallocated	Inter-segment transactions	Total
Continuing operations					
Revenue from contracts with external customers	517 744	246 427	16 464	-	780 635
Timing of revenue recognition					
<i>At a point in time</i>	517 357	208 027	15 607	-	740 991
<i>Over time</i>	387	38 400	857	-	39 644
Intersegment sales	2 466	23 181	4 571	(30 218)	-
Total revenue	520 210	269 608	21 035	(30 218)	780 635
Other income	2 399	439	8 488	(8 445)	2 881
Cost of services and goods purchased	(398 600)	(133 810)	(7 386)	23 786	(516 010)
Employee related expenses	(32 259)	(103 159)	(7 398)	193	(142 623)
(Increase)/ decrease in the provision for impairment of financial assets	(161)	(7 543)	(4 149)	2 178	(9 675)
(Increase)/ decrease in the provision for impairment of non-financial assets	9	(419)	(3 780)	-	(4 190)
Other operating expenses	(16 554)	(16 687)	(5 688)	4 041	(34 888)
Depreciation and amortisation	(35 451)	(9 426)	(3 597)	284	(48 190)
Other gains/ (losses) – net	22 586	4 220	474	236	27 516
Segment operating profit (loss)	62 179	3 223	(2 001)	(7 945)	55 456
Finance costs - net					(40 555)
Share of loss of equity-accounted investees					(7)
Profit before income tax					14 894
Income tax					(9 809)
Net profit for the period					5 085
As at 30 June 2022:					
Segment assets	939 387	348 601	397 839	-	1 685 827
Segment liabilities	542 505	213 596	611 662	-	1 367 763

		January – June	
		2023	2022
4	Cost of goods and services		
	Aircraft fuel expenses	142 341	183 630
	Cost of purchased services	46 958	71 658
	Costs of aircraft sold	13 443	5 932
	Rent of aircraft, training and other equipment and lease related services	118 121	87 152
	Cost of goods purchased	80 627	41 043
	Aircraft repair and maintenance costs	57 715	44 172
	Employee rent and other related personnel expenses	84 381	37 818
	Aircraft operations costs and flight related charges	52 933	30 600
	Rent and maintenance of premises	8 853	14 005
		605 372	516 010
		January – June	
		2023	2022
5.1	Other operating expenses		
	Consulting expenses	8 762	6 653
	Office administrative, communications and IT expenses	8 308	6 858
	Insurance expenses	8 393	4 534
	Transportation and related expenses	789	3 468
	Business travel expenses	5 482	4 355
	Marketing and sales expenses	3 180	2 916
	VAT expenses	1 228	865
	Other expenses	5 607	5 239
		41 749	34 888
		January – June	
		2023	2022
5.2	Impairment expenses		
	(Reversal of)/impairment of trade receivables and other contract assets	(2 032)	9 675
	Impairment of non-current assets	152	3 707
	Impairment of inventories	1 405	323
	Impairment of other assets	1	-
	Impairment of prepayments	24	160
		(450)	13 865

	January – June	
	2023	2022
6 Finance income and costs		
Gain from bonds repurchase	499	134
Interest income on cash and cash equivalents	2 115	55
Foreign exchange gain on financing activities	4 172	-
Other finance income	298	3
Finance income	7 084	192
Interest expenses on borrowings and lease liabilities	(34 710)	(21 565)
Foreign exchange loss on financing activities	-	(5 038)
Loss from fair value change of convertible preferred shares	(13 050)	(12 057)
Unwinding of discounted financial assets received	(2 789)	(1 201)
Loss from fair value recognized in profit and loss	-	(48)
Other finance costs	(184)	(838)
Finance costs	(50 733)	(40 747)
Finance costs – net	(43 649)	(40 555)

7 Income tax and deferred income tax

The income tax expenses for the period comprise current and deferred tax as follows:

	January – June	
	2023	2022
Current income tax	(10 524)	(11 131)
Deferred income tax	6 401	1 322
Total income tax (expenses)	(4 123)	(9 809)

8 Share capital and reserves

On 1 March 2023, the transferor company Avia Solutions Group PLC (incorporated in Cyprus) proceeded with a cross-border merger with successor company Avia Solutions Group (ASG) PLC (incorporated in Republic of Ireland). The merger was implemented by a way of a 'merger by acquisition', as a result the successor company acquired all assets and liabilities of the transferor company, and the transferor company was dissolved without going into liquidation.

On 30 June 2023 the share capital of the Company amounts to EUR 22 555 555 and consists of 77 777 777 ordinary registered shares with a nominal value of 0.29 Euro each (on 31 December 2022 – 77 777 777 ordinary registered shares). All shares are fully paid up.

As at 30 June 2023 the Group had no outstanding treasury shares (128 514 as at 31 December 2022) which are deducted from equity attributable to the Group's equity holders.

Fair value reserves comprise changes in fair value of cash flow hedge.

9 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.

10 Property, plant and equipment, intangible assets

	Property, plant and equipment	Intangible assets	Right of use assets	Investment property
Opening net book amount as at 1 January 2022	226 696	115 946	187 747	26 428
Acquisition of subsidiary	-	-	-	4 027
Additions	29 604	1 587	163 161	9 790
Disposals	(2 430)	-	-	(3 445)
Write-offs	(289)	(20)	-	-
Modification/termination of the lease contracts	-	-	(4 539)	-
Disposal of subsidiary	(298)	-	(183)	-
Impairment	(3 659)	(5)	(2)	-
Reclassification	6 905	-	158	(12 407)
Cumulative currency differences	5 868	1 777	10 834	4 273
Depreciation (amortisation) charge (Note 3)	(10 797)	(1 727)	(35 210)	(456)
Closing net book amount as at 30 June 2022	251 600	117 558	321 966	28 210

	Property, plant and equipment	Intangible assets	Right of use assets	Investment property
Opening net book amount as at 1 January 2023	293 993	110 215	482 328	41 640
Acquisition of subsidiary (Note 16)	1 070	19 686	57 869	1 547
Additions	85 736	4 575	325 451	81
Disposals	(179)	(13)	-	-
Write-offs	-	(3)	-	-
Modification/termination of the lease contracts	-	-	(473)	-
Reclassification	(10 479)	-	9 724	315
Cumulative currency differences	(2 836)	(1 355)	(8 865)	(14)
Depreciation (amortisation) charge (Note 3)	(13 158)	(2 437)	(76 012)	(410)
Closing net book amount as at 30 June 2023	354 147	130 668	790 022	43 159

11 Investment in joint venture

On 25 October 2018, Avia Solutions Group (ASG) PLC subsidiary Storm Aviation Ltd. together with partners established a joint venture company *BSTS & Storm Aviation Limited (Bangladesh)*. Registered capital is TK 50 000 000 (equivalent of EUR 525 thousand). The company is providing aircraft maintenance services in Bangladesh.

On 18 December 2018 Avia Solutions Group (ASG) 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 joint venture company is providing aircraft maintenance services in China.

On 2 October 2019 Avia Solutions Group (ASG) PLC completed the acquisition of the share capital in AviaAM Leasing AB. AviaAM Leasing AB holds a 51% stake in joint venture *AviaAM Financial Leasing China Co. Ltd.*, established on 4 August 2016. Joint venture is engaged in the business of operating leasing and management of brand new narrow and wide body aircraft.

On 21 October 2019 Avia Solutions Group (ASG) PLC together with partners established a joint venture company *BAA Training China Co., Ltd.* The joint venture company is planning to provide aircraft crew training services in China.

On 25 August 2021 Avia Solution Group (ASG) PLC completed the indirect acquisition of the share capital in Chevron Aircraft Maintenance Limited. Chevron Aircraft Maintenance Limited holds a 50% stake in joint venture *Certifying Staff. Com B.V.*, incorporated on 23 July 2009. Joint venture is a quality provider for Aircraft Line maintenance services and certifying staff recruitment services.

Financial data in thousand EUR for each joint venture is provided in the table below:

Joint Venture	Share of Equity	Control over Investee	Cost of investment		Share of Net Assets		Share of Profit/ Loss	
			30 June 2023	31 December 2022	30 June 2023	31 December 2022	January -June 2023	January -June 2022
BSTS & Storm Aviation Limited (Bangladesh)	49 %	No	104	104	86	77	7	4
FL ARI Aircraft Maintenance & Engineering Company CO. LTD (China)*	40 %	No	-	3 563	-	-	2 085	-
AviaAM Financial Leasing China Co. Ltd	51 %	No	-	-	-	-	-	-
BAA Training China Co., Ltd	50 %	No	272	272	272	272	-	-
Certifying Staff. Com B.V.	50 %	No	-	25	-	-	5	(11)

* Recovered part of loans granted which were classified as net investment into joint venture.

12 Trade and other receivables	30 June 2023	31 December 2022
Trade receivables	227 927	200 965
Less: provision for impairment of trade receivables	(44 041)	(45 536)
Trade receivables – net	183 886	155 429
Prepayments	40 350	40 862
Less: provision for impairment of prepayments	(819)	(532)
Prepayments - net	39 531	40 330
Other receivables	20 287	12 258
Discounting of other receivables	(159)	(54)
Less: provision for impairment of other receivables	(8 028)	(7 437)
Other receivables – net	12 100	4 767
Trade receivables from related parties	504	1 315
Less: provision for impairment of trade receivables from related parties	(74)	(398)
Trade receivables from related parties - net (Note 17)	430	917
Loans granted to related parties	27 406	26 877
Less: provision for impairment of loans granted to related parties	(233)	(240)
Loans granted to related parties – net (Note 17)	27 173	26 637
Loans granted	38 627	35 359
Discounting of loans granted	(84)	(95)
Less: provision for impairment of loans granted	(26 422)	(27 152)
Loans granted - net	12 121	8 112
Other receivables from related parties	8 352	7 240
Discounting of other receivables from other related parties	(126)	(20)
Less: provision for impairment of other receivables from related parties	(255)	(210)
Other receivables from related parties – net (Note 17)	7 971	7 010
VAT receivables	16 579	12 389
Receivables from investment in bonds - gross	1 933	10 120
Less: provision for impairment of receivables from investment in bonds	(1 933)	(10 120)
Receivables from investment in bonds - net	-	-
Deferred charges	69 289	35 254
Security deposit – net	74 896	49 246
Deferred charges to related parties (Note 17)	46	15
Security deposits from related parties placed – net (Note 17)	11	9
Prepayments to related parties (Note 17)	495	45
Total trade and other receivables:	444 528	340 160
Less non-current portion:	(106 504)	(81 120)
Current portion:	338 024	259 040

12 Trade and other receivables (continued)

Non-current portion of other receivables is disclosed below:

	30 June 2023	31 December 2022
Loans granted to related parties	26 065	25 793
Less: provision for impairment of loans granted to related parties	(101)	(108)
Loans granted to related parties - net	25 964	25 685
Loans granted - gross	15 622	11 643
Less: provision for impairment of loans granted	(7 279)	(7 730)
Loans granted - net	8 343	3 913
Prepayments - gross	7 391	7 522
Less: provision for impairment of prepayments	-	-
Prepayments - net	7 391	7 522
Security deposit – net	56 949	38 151
Security deposits from related parties placed – net	11	-
Other receivables	3 178	1 254
Less: provision for impairment of other receivables	(859)	(4)
Other receivables – net	2 319	1 250
Other receivables from related parties	5 562	4 619
Less: provision for impairment of other receivables from related parties	(35)	(20)
Other receivables from related parties – net	5 527	4 599
Total	106 504	81 120

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

	30 June 2023	31 December 2022
<i>Financial trade and other receivables</i>		
Trade receivables	183 886	155 429
Trade receivables from related parties (Note 17)	430	917
Other receivables	12 100	4 083
Loans granted to related parties (Note 17)	27 173	26 637
Other receivables from related parties (Note 17)	7 971	7 010
Security deposits	74 896	49 246
Loans granted	12 121	8 112
	318 577	251 434
<i>Non-financial trade and other receivables</i>		
Prepayments	39 531	40 330
Other non-financial receivables	-	684
VAT receivables	16 579	12 389
Deferred charges	69 289	35 254
Deferred charges to other related parties (Note 17)	46	15
Security deposit with lessor from related parties (Note 17)	11	9
Prepayments to other related parties (Note 17)	495	45
	125 951	88 726
Total	444 528	340 160

The revenue recognised in the six months ended 30 June 2023 related to the contract liabilities as at the beginning of the period is EUR 35 518 thousand (in the same period 2022: EUR 57 034 thousand). Revenue from performance obligations satisfied as at the beginning of the period is EUR 136 746 thousand (in the same period 2022: EUR 59 073 thousand).

13	Cash and cash equivalents	30 June 2023	31 December 2022	30 June 2022
	Cash and cash equivalents	259 666	324 718	331 377
	Cash at banks classified as assets held for sale	-	187	-
	Bank overdraft	-	(298)	-
	Total	259 666	324 607	331 377

14	Inventories	30 June 2023	31 December 2022
	Spare parts and materials – gross amount	72 231	56 827
	Less: provision for impairment of inventories	(11 797)	(12 179)
	Spare parts and materials	60 434	44 648
	Other inventories– gross amount	15 694	8 756
	Less: provision for impairment of inventories	(131)	-
	Other inventories	15 563	8 756
	Aircraft and aircraft components - gross amount	33 457	35 948
	Less: provision for impairment of aircraft	(2 409)	(2 276)
	Aircraft and aircraft components	31 048	33 672
	Aircraft fuel	1 615	1 790
	Work in progress	623	560
	Goods in transit	180	429
		109 463	89 855

15	Trade and other payables	30 June 2023	31 December 2022
	Trade payables	116 839	92 708
	Accrued expenses	92 039	69 217
	Accrued expenses to related parties	138	-
	Salaries and social security payable	63 649	55 964
	Provisions	33 221	28 075
	Employee benefit obligations	1 527	895
	Amounts payable to related parties (Note 17)	149	359
	Dividends payable	159	260
	Payable for PPE	-	1 534
	VAT payable	5 810	12 833
	Pension reserve accrual	288	278
	Other payables to related parties (Note 17)	5	2
	Other payables	15 499	16 976
		329 323	279 101
	Less: non-current portion	(22 902)	(21 048)
	Current portion	306 421	258 053

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

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

16 Business combinations and disposals

Establishments, acquisitions and disposals in 2023

During January 2023, the Group established new subsidiary *FL Technics Group Holding Limited*.

During January 2023, the Group merged *FL Technics Line Maintenance Canada Inc. and Wright International Holding Inc.* into a newly established subsidiary *FL Technics Canada Inc.*

During February 2023, the Group sold its 100% of shares in the subsidiary *DG AVIA UAB*.

During February 2023, the Group established new subsidiary *JetMS Interiors UAB*.

During March 2023, the Group established new subsidiary *AviaAM Leasing Trading 2 DMCC*.

During March 2023, the Group established new subsidiary *Avia Solutions People DMCC*.

During March 2023, the Group acquired new subsidiary *DG41 Aero UAB*.

During April 2023, the Group has liquidated shares of *Chapman Freeborn Aviation Services Fzco*.

During April 2023, the Group disposed all shares of joint venture *Certifying Staff.com B.V.*

During May 2023, the Group established new subsidiary *Aero Invest 1 UAB*.

During May 2023, the Group acquired 100% of the shareholding of *Air Explore S.R.O.* based in Slovakia.

During June 2023, the Group established new subsidiary *FL Technics Dominican Republic, S.A.S.*

During June 2023, the Group established new subsidiary *AeroOpportunity Holdings Limited*.

17 **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:

	January – June	
	2023	2022
Sales of services to:		
Parent	-	-
Entities having significant influence	89	6
Other related parties	150	70
	239	76
Sales of assets:		
Entities having significant influence	-	-
Other related parties	388	15
	388	15
Total sales of assets and services	627	91
	January – June	
	2023	2022
Purchases of assets from:		
Other related parties	231	462
	231	462
Purchases of services from:		
Parent	-	715
Entities having significant influence	-	-
Other related parties	674	1 035
	674	1 750
Total purchases of assets and services	905	2 212
Other income & other gains	197	514
Finance and other costs	129	-

17 **Related party transactions (continued)**

	30 June 2023	31 December 2022
Trade receivables from related parties:		
Trade receivables from Parent	-	129
Trade receivables from entities having significant influence	97	-
Trade receivables from other related parties	407	1 186
Impairment of trade receivables from other related parties	(74)	(398)
Trade receivables from related parties – net (Note 12)	430	917
Loans provided to the Parent	9 744	10 614
Loans provided to entities having significant influence	10 428	9 818
Loans provided to other related parties	7 234	6 445
Impairment of loans granted to other related parties	(233)	(240)
Loans granted to other related parties – net (Note 12)	27 173	26 637
Security deposit with lessor from related parties (Note 12)	11	9
Other receivables from Parent	2 626	2 300
Other receivables from entities having significant influence	2 605	2 575
Other receivables from other related parties	2 995	2 345
Impairment of other receivables from other related parties	(255)	(210)
Other receivables from related parties – net (Note 12)	7 971	7 010
Prepayments to other related parties (Note 12)	495	45
Accrued revenue from other related parties	5	-
Deferred charges (Note 12)	46	15
	36 131	34 633
Payables and advances received from related parties:		
Amounts payable to Parent (Note 15)	40	-
Amounts payable to entities having significant influence (Note 15)	6	40
Amounts payable to other related parties (Note 15)	103	319
Lease liabilities	5 859	8 567
Advances received from other related parties	7 364	7 502
Accrued expenses from related parties	138	-
Other financial payables to entities having significant influence	2	-
Other financial payables to other related parties	1	2
Dividends payable to other related parties	2	102
	13 515	16 532

18 Derivatives

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.

The following table presents the group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2023 and 31 December 2022:

Recurring fair value measurements at 30 June 2023	Level 1	Level 2	Level 3
Financial assets			
Financial assets at fair value through profit or loss (FVPL)	1 625	-	-
Hedging derivatives - foreign currency interest rate swap	-	3 854	-
Total financial assets	1 625	3 854	-
Financial liabilities			
Hedging derivatives - foreign currency interest rate swap	-	701	-
Convertible preferred shares (Note 19)	-	-	338 776
Total financial liabilities	-	701	338 776
Recurring fair value measurements at 31 December 2022			
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 19)	-	-	325 726
Total financial liabilities	-	195	325 726

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

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 19.

19 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.

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

	2023	2022
Opening balance as at 1 January	325 726	300 920
Change in fair value recognised in profit (loss)	13 050	5 936
Change in fair value recognised in OCI (own credit risk)	-	-
Closing balance as at 30 June	338 776	306 856

20 Events after the reporting date

During July 2023, the Group acquired 100% of the shareholding of *Synergy Aviation Limited* based in the United Kingdom.

During July 2023, the Group acquired 100% of the shareholding of *Naftelf Eesti AS* based in Estonia.

There were no other material post balance sheet events that could have a material effect on the Group's interim financial information for the six-month period ended 30 June 2023.