

AVIA SOLUTIONS GROUP PLC
Unaudited Consolidated Pro Forma
Financial Information
For the Year Ended 31 December 2019

Unaudited Consolidated Pro Forma Financial Information

The Unaudited Pro Forma Consolidated Financial Information has been prepared to illustrate the impact of the Reorganization (as described below in "*Description of the Reorganization*") of Avia Solution Group PLC (the "Company") and its subsidiaries (together, the "Group") as if it had been completed on the dates and for the periods indicated below.

Unaudited pro forma consolidated financial information of the Group include: (a) the unaudited pro forma consolidated balance sheet as at 31 December 2019, which is derived from the audited consolidated financial statements of Avia Solution Group PLC as at 31 December 2019 thereto (the "**Unaudited Pro Forma Consolidated Balance Sheet**") and (b) the unaudited pro forma consolidated income statements for the year ended 31 December 2019, thereto (the "**Unaudited Pro Forma Consolidated Income Statements**") and, together with the Unaudited Pro Forma Consolidated Balance Sheet, the "**Unaudited Pro Forma Consolidated Financial Information**").

The Unaudited Pro Forma Consolidated Income Statements present hypothetically the Group's results as if the Reorganization, and events and operations that are directly related to the Reorganization, had taken place on 1 January 2019.

The Unaudited Pro Forma Consolidated Financial Information is based on (i) the audited consolidated financial statements of Avia Solutions Group PLC thereto (the "ASG Group") as at and for the years ended 31 December 2019; (ii) the 2019 Smartlynx Airlines SIA thereto (the "Smartlynx") Unaudited Consolidated Financial Statements; (iii) the 2019 Avion Express UAB thereto (the "Avion") Audited Financial Statements; (iv) the 2019 AviaAM Leasing AB thereto (the "AviaAM") Audited Consolidated Financial Statements; and (v) the 2019 Chapman Freeborn Holdings Limited thereto (the "CFG") Unaudited Financial Statements. The Unaudited Pro Forma Consolidated Financial Information has been prepared in accordance with the accounting policies adopted by ASG Group and described in ASG Group Consolidated Financial Statements.

The Unaudited Pro Forma Combined Financial Information is presented in thousands of euros (€), unless otherwise indicated.

The Unaudited Pro Forma Consolidated Financial Information includes unaudited pro forma adjustments that are factually supportable and directly attributable to the Reorganization. In addition, with respect to the Unaudited Pro Forma Consolidated Income Statements, the unaudited pro forma adjustments are expected to have a continuing impact on the consolidated results of the Group.

Description of the Reorganization

The Group considers acquisitions and disposals on an opportunistic basis when it believes that an addition to, or removal from, its network has the potential to generate attractive revenue or allow cost synergies. In 2019, the Group completed the Reorganization (as described in more detail below) through the acquisition of four different groups of companies: Smartlynx, Avion, AviaAM and CFG.

On 14 June 2019, the Company entered into an agreement to acquire 100% of the share capital of CFG for a consideration of €52,000 thousand. The acquisition was completed on 11 October 2019.

On 16 September 2019, an extraordinary general meeting of the Company resolved to increase the authorized share capital of the Company from Euro 2 255 557 divided into 7 777 783 ordinary shares with a nominal value of €0.29 each, to Euro 22 555 555 divided into 77 777 777 shares with a nominal

value of €0.29 each. Following the approval of the capital increase, on 23 September 2019, the board of directors of the Company resolved that, subject to the receipt of applications for the subscription of the capital increase from prospective subscribers owning at least 75% of the shares of AviaAM, upon the issuance and allotment of one unsubscribed share of the Company to the prospective subscriber, such prospective subscriber would pay the consideration for the newly issued share by means of the contribution in kind of one share of AviaAM.

As at 14 October 2019, the Company entered into an agreement to acquire up to 98.84% of the share capital of AviaAM. The acquisition of 77.26% of the share capital of AviaAM was completed on 2 October 2019, 8.44% of the share capital was acquired on 15 October 2019, and the acquisition of the remaining 13.14% of the share capital of AviaAM was completed on 4 December 2019.

On 2 October 2019, the Company entered into an agreement to acquire 100% of the share capital of SIA Smart Aviation Holdings, which holds a 100% interest in Smartlynx and 51% of the share capital of Eyjafjöll SAS which, in turn, owns 100% of the share capital of Avion. The acquisition of SIA Smart Aviation Holdings was completed on 2 October 2019. The Company acquired a 100% interest in SIA Smart Aviation Holdings by way of contribution by Procyone FZE (“Procyone”), which is a related party of the Company. Procyone completed the acquisition of SIA Smart Aviation Holdings from a third party on 25 September 2019 and then contributed SIA Smart Aviation Holdings into the share capital of the Company in exchange for 23 805 856 shares issued by the Company. In addition, on 10 October 2019, the Company completed the acquisition of 49% of the share capital of Eyjafjöll SAS in exchange for 1 050 000 shares issued by the Company to non-controlling interest holders in Eyjafjöll SAS. This resulted in the acquisition of 100% of the share capital of Eyjafjöll SAS and, indirectly, in the acquisition of 100% of Avion’s share capital and full control thereof.

Entities acquired after 31 December 2019 were not included in this Unaudited Pro Forma Consolidated Financial Information. During 2020 the Company completed the acquisition of 100% of the share capital of *Aviator Airport Alliance AB*, a full-range aviation services provider for the Nordic region, *Bluebird Nordic (Bláfugl ehf.)*, a provider of import and export air freight services, and *Flash Line Maintenance S.r.L.*, which provides aircraft line station services in Italy. The financial information of these acquired companies was not included in this Unaudited Pro Forma Consolidated Financial Information.

Accounting Treatment of the Acquisitions

The Reorganization involves multiple business combinations, all of which were accounted for using the acquisition method of accounting in accordance with IFRS 3 “*Business Combinations*,” which sets out the obligation for the acquirer to measure the identifiable assets acquired and liabilities assumed at their acquisition date fair values.

Following the Reorganization, the Group’s reporting currency is the Euro; the functional currency of each Group entity is: (i) the Euro in the case of ASG Group and Smartlynx; (ii) the U.S. Dollar in the case of AviaAM (with the Euro as secondary functional currency) and Avion; and (iii) pound sterling in the case of CFG.

Unaudited pro forma consolidated income statement for the year ended 31 December 2019

	ASG Group	AviaAM	CFG	Smartlynx and Avion	Other	Combination Adjustments	Intercompany eliminations	Pro Forma Total
Revenue	434 624	150 948	176 813	366 431	6 989	-	(32 716)	1 103 089
Other income	607	2 817	-	735	12	-	(2 194)	1 977
Cost of services and goods purchased	(292 160)	(112 123)	(124 628)	(211 007)	(4 216)	3 223	33 572	(707 339)
Depreciation and amortization	(14 112)	(2 091)	(6 399)	(59 103)	(336)	(1 588)	190	(83 439)
Employee related expenses	(85 624)	(1 400)	(22 390)	(14 741)	(581)	(4 241)	-	(128 977)
Other operating expenses	(26 685)	(3 118)	(6 665)	(21 371)	(379)	(259)	1 993	(56 484)
Impairment-related expenses	(5 209)	(5 046)	(906)	(1 928)	(3)	4 541	946	(7 605)
Other gain/(loss) - net	457	965	(156)	9 381	(767)	(578)	(3 667)	5 635
Operating profit (loss)	11 898	30 952	15 669	68 397	719	1 098	(1 876)	126 857
Finance costs – net	(5 904)	(1 318)	(456)	(16 525)	(58)	(713)	1 280	(23 694)
Share of profit (losses) of equity- accounted investees, net of tax	(1 380)	6 569	-	-	-	(293)	-	4 896
Profit (loss) before income tax	4 614	36 203	15 213	51 872	661	92	(596)	108 059
Income tax	(2 129)	(4 103)	(5 464)	(2 311)	(95)	(92)	16	(14 178)
Profit (loss) for the year	2 485	32 100	9 749	49 561	566	-	(580)	93 881
EBITDA	26 010	33 043	22 068	127 500	1 055	6 927	(2 066)	214 537

Unaudited Consolidated Balance Sheet as at 31 December 2019*

	ASG Group	AviaAM	CFG	Smartlynx and Avion	Other	Combination Adjustments	Intercompany eliminations	Pro Forma Total
Goodwill	4 251	-	2 547	-	-	60 096	-	66 894
Intangible assets	4 798	20	921	265	51	1 463	-	7 518
Investment property	1 215	25 787	-	-	-	(15 160)	-	11 842
Property, plant and equipment and investment property	131 131	17 220	14 696	183 069	3 557	19 520	(5 907)	363 286
Investment to subsidiaries	321 584	-	-	-	18 430	(340 014)	-	-
Financial assets, investment in associates and joint ventures, investment to other entities	111	47 933	-	-	-	(1 010)	-	47 034
Non-current loans granted and lease receivables	7 148	58 076	-	-	-	94	(41 471)	23 847
Non-current trade and other receivables	2 430	718	531	13 279	12	-	(498)	16 472
Non-current derivative financial instruments	3 600	-	-	72	-	-	-	3 672
Deferred tax assets	7 694	-	572	838	121	374	16	9 615
Non-current bank deposits	983	-	-	-	-	-	-	983
Non-current assets	484 945	149 754	19 267	197 523	22 171	(274 637)	(47 860)	551 163
Inventories	29 352	62 044	-	5 234	-	-	(783)	95 847
Loans granted and lease receivables	10 986	13 274	-	18 545	597	-	(36 074)	7 328
Trade and other receivables, contract assets and prepaid income tax	71 273	14 943	41 413	29 074	957	-	(13 229)	144 431
Short-term bank deposit	84 011	-	-	-	-	-	-	84 011
Cash and cash equivalents	135 446	33 811	12 682	31 994	3 319	-	-	217 252
Current assets	331 068	124 072	54 095	84 847	4 873	-	(50 086)	548 869
Total assets	816 013	273 826	73 362	282 370	27 044	(274 637)	(97 946)	1 100 032
Share capital	22 556	-	-	-	-	-	-	22 556
Other equity	312 965	-	-	-	-	5 958	(437)	318 486
Equity attributable to equity holders of the parent	335 521	-	-	-	-	5 958	(437)	341 042
Non-controlling interests	28	-	3 078	-	-	1 874	-	4 980
Equity of acquired entities	-	177 386	24 278	60 404	22 671	(284 739)	-	-
Total equity	335 549	177 386	27 356	60 404	22 671	(276 907)	(437)	346 022
Non-current lease liabilities	41 650	27	7 278	114 934	1 659	-	(4 347)	161 201
Non-current borrowings	308 113	10 978	-	-	-	(6 250)	(42 524)	270 317
Derivative financial instruments	4 686	-	-	-	-	-	-	4 686
Non-current trade and other payables, government grants and security deposits received	1 610	845	-	3 968	316	-	(269)	6 470
Deferred income tax liabilities	2 149	1 961	130	-	-	10 194	-	14 434
Non-current liabilities	358 208	13 811	7 408	118 902	1 975	3 944	(47 140)	457 108
Lease liabilities	10 517	603	6 495	57 700	1 601	-	(924)	75 992
Borrowings	24 228	17 338	-	-	-	-	(34 749)	6 817
Trade and other payables, contract liabilities, security deposits received and current income tax liabilities	87 511	64 688	32 103	45 364	797	(1 674)	(14 696)	214 093
Current liabilities	122 256	82 629	38 598	103 064	2 398	(1 674)	(50 369)	296 902
Total liabilities	480 464	96 440	46 006	221 966	4 373	2 270	(97 509)	754 010
Total equity and liabilities	816 013	273 826	73 362	282 370	27 044	(274 637)	(97 946)	1 100 032

* The Consolidated Balance Sheet is derived from the audited consolidated financial statements of Avia Solution Group as at 31 December 2019.

NON-IFRS Measure - EBITDA

The Group's EBITDA is calculated as profit (loss) from continuing operations before income tax plus depreciation and amortization, finance costs – net, and adjusted for the results of equity-accounted investees and significant non-recurring transactions relating to business combinations. EBITDA is presented because in the Group's opinion this is a useful measure of the results of operations. EBITDA is not defined by IFRS and should not be treated as an alternative to the profit/(loss) categories provided for in IFRS as a measure of the operating results nor as a measure of cash flows from operating activities based on IFRS. Neither can it be treated as an indicator of liquidity. The information on the calculation of pro forma EBITDA of the Group is provided below.

EBITDA adjustments to the Group's pro forma profit before income tax for the year ended 31 December 2019 are as follows:

	Pro Forma Total
Profit before income tax	108 059
Add back:	
Interest payable and similar charges ^(a)	23 694
Depreciation and amortization ^(b)	83 439
Results from associated companies or undertakings ^(c)	(4 896)
Post-combination compensation expenses ^(d)	4 241
EBITDAR	214 537

(a) Represents finance costs – net as disclosed in the Unaudited Pro forma Consolidated Income Statements. Finance costs – net does not include interest income on loans granted as they are presented as "Other income" in the Consolidated Statements of Comprehensive Income as to Group accounting policy.

(b) Represents depreciation of tangible assets (including right-of-use assets) and amortization of intangible assets as disclosed in the Unaudited Pro Forma Consolidated Income Statements.

(c) Represents the Group's share of the results of any associated company, joint venture or other undertaking as disclosed in the Unaudited Pro Forma Consolidated Income Statements.

(d) Represents significant one-off event relating to a business combination - post-combination compensation expenses to former owners who are also management of CFG, as deferred consideration payable to them is contingent upon their continuous employment with the ASG Group for a period of 24 months after the completion date.

As mentioned above, the Unaudited Pro Forma Consolidated Financial Information has been prepared solely for illustrative purposes and due to its nature presents a hypothetical situation. Therefore, it does not show the actual results of the Group for the presented period and its purpose is not to determine the results for any future period. Neither the assumptions underlying the preparation of the Unaudited Pro Forma Consolidated Financial Information nor the resulting Unaudited Pro Forma Consolidated Financial Information have been audited or reviewed in accordance with any generally accepted auditing standards.

Managing Director
Jonas Janukėnas

Chief Financial Officer
Aurimas Sanikovas