

SEPARATE AND CONSOLIDATED ANNUAL REPORT

Approved by the Board as at 18 April 2012

**I. GENERAL INFORMATION**

**Reporting period**

**Year ended 31 December 2011**

**Issuer and its contact details**

**Name of the Issuer**

**Avia Solutions Group AB**

(hereinafter – ‘Avia Solutions Group AB’ or ‘the Company’)

**Legal form**

Public company (joint-stock company)

**Date of registration**

31 August 2010

**Name of Register of Legal Entities**

State Enterprise Centre of Registers

**Code of enterprise**

302541648

**Registered office**

Smolensko St 10, LT-03201 Vilnius, Lithuania

**Telephone number**

+370 5 252 5500

**Fax number**

+370 5 252 5501

**Internet address**

[www.aviasg.com](http://www.aviasg.com)

**Main activities**

Avia Solutions Group AB is a holding company together with its subsidiaries (hereinafter collectively – the ‘Group’) engaged in delivering our clients integrated aviation related services.

The Group operates are into four business segments:

- Aircraft Maintenance, Repair and Overhaul (MRO);
- Aircraft Ground Handling and Fuelling;
- Charter Operations;
- Pilot and Crew Training.

***Aircraft Maintenance, Repair and Overhaul (MRO)***

Activities in our MRO business segment are conducted by FL Technics AB (*FL Technics*), FL Technics Jets UAB (*FL Technics Jets*), Locatory.com AB (*Locatory.com*), Storm Aviation Limited (*Storm Aviation*) and include: aircraft base and line maintenance; component maintenance; engineering services; spare parts and consumable sales; technical training; consulting; engine maintenance management; aircraft parts marketplace services other related aircraft maintenance services.

***Base maintenance***

FL Technics occupies 2 aircraft maintenance hangars together with administrative, warehouse and backshop facilities in Vilnius International Airport – 13,742 sq. meters in total. The hangars are comprised of total 5 airframe maintenance bays. Utilizing these hangars and the nearby premises FL Technics provides base maintenance services, including: aircraft base maintenance checks, structure inspection and structure repairs, routine maintenance, technical defect rectification, interior refurbishment, minor / major modifications (avionics, airframe), engine replacement, landing gear replacement and non-destructive testing. FL Technics Jets provides base maintenance services for Hawker 700-900XP family.

***Line maintenance***

Line maintenance is defined as maintenance that is carried out before each flight to ensure that the aircraft is fit for the intended flight and includes: daily service and weekly checks, unscheduled checks, troubleshooting, defect rectification and minor component replacement.

As at 31 December 2011 FL Technics and Storm Aviation collectively operated twenty line stations (at 31 December 2010 – nine line stations).

***Continuing airworthiness management (engineering) services***

FL Technics provides comprehensive engineering management services to the aircraft operators, airlines and leasing companies. Basic engineering services provided by FL Technics include: aircraft airworthiness review and renewal, engine condition monitoring, aircraft weighting, flight data read-out, monitoring and analysis and ageing aircraft programmes.

***Spare parts and consumable sales***

FL Technics provides comprehensive spare parts management services including: planning / provisioning, purchasing, inventory control, asset management, warehousing and distribution of spare parts and consumables. One of the core competences of FL Technics is spare parts logistics based on experience and enhanced with good geographical location of Lithuania.

*Technical training and consulting services*

FL Technics provides technical training for aviation specialists involved in the maintenance and repair of aircraft, as well as other specialized training programmes and consulting services. The training programmes, which are drawn up in accordance with the requirements of EASA, cover four main areas: basic maintenance training, aircraft type training, specialized aviation training and other consulting services.

*Other MRO services*

Other services are mainly comprised of component repair and overhaul services. FL Technics is also approved to perform non-destructive testing (eddy current, magnetic particle, dye penetrate and ultrasonic) of airframes and components.

*Aircraft parts marketplace*

Locatory.com provides a platform for the aviation industry to search, buy and sell aviation inventory. The platform serves as a vast repository of aviation inventory, spare parts, components and repair services.

*Charter operations*

Charter operations segment comprises activities conducted through a group of companies jointly referred to as Small Planet Airlines, namely: Small Planet Airlines UAB ("Small Planet Airlines LT"), Small Planet Airlines Sp. z.o.o. ("Small Planet Airlines PL") and Small Planet Airlines S.r.l. ("Small Planet Airlines IT").

Small Planet Airlines is a regional group of charter airlines offering a full range of charter and leisure travel services, including but not limited to:

- Full charter programmes for tour operators;
- Aircraft wet-lease programmes;
- Ad-hoc flights.

As at 31 December 2011 Small Planet Airlines had a fleet of 6 aircraft. All aircraft are leased under operating lease agreements which expire between 2010–2015. One Boeing 757-200 aircraft leased by Small Planet Airlines LT under operating lease contract is subleased to an airline in Kazakhstan for the lease term which expires in the year 2015.

*Aircraft Ground Handling and Fuelling*

Aircraft ground handling and fuelling services are conducted by two Subsidiaries of the Company, namely: Baltic Ground Services UAB ("Baltic Ground Services LT") and Baltic Ground Services PL Sp. z.o.o. ("Baltic Ground Services PL"). Baltic Ground Services LT and Baltic Ground Services PL are jointly referred to as "Baltic Ground Services".

Baltic Ground Services is a regional group of ground handling companies, which provide full range of aircraft ground handling and fuelling services. As 31 December 2011, Baltic Ground Services activities were concentrated in Vilnius International Airport (conducted through Baltic Ground Services LT) and in Warsaw International Airport, Krakow International Airport and Katowice International Airport in the Republic of Poland (conducted through Baltic Ground Services PL).

*Pilot and Crew Training*

Pilot and crew training operations are carried through Baltic Aviation Academy UAB ("Baltic Aviation Academy") that is one of the leading aviation training organizations in Eastern Europe. Certified as TRTO (Type Rating Training Organization) and FTO (Flight Training Organization) Baltic Aviation Academy is capable to offer courses for pilots and cabin crew at every stage of their careers. Baltic Aviation Academy training headquarters are located in Vilnius, Lithuania. Baltic Aviation Academy occupies 1,329.49 sq. m. training centre. It is an integrated learning complex with modern auditoriums, rest areas, dining rooms and specialized training facilities equipped with Boeing 737-300/-400/-500 and Airbus 319-320-321 Full Flight Simulators (FFS) and Real Fire Fighting and Smoke Trainer.

In addition to the above Boeing 737-CL/NG, 747, 757, 767, 777; Airbus 319-320-321, 330, 340; ATR 42, 72; Bombardier CRJ-100/200, 700/900, Dash 8Q-400, Embraer 135/145, 170/190; Mi 8; SAAB 2000, 340 FFS, Baltic Aviation Academy leases numerous other aircraft type simulators in UK, Spain, France, USA, Sweden, Germany and Russia. The contracted third party simulators allow Baltic Aviation Academy to offer its clients a complete package of Type Rating Training services by combining theoretical training in Vilnius training headquarters and practical FFS training in other locations.

The Company's vision is to be the best partner in aviation related services in the region. By employing professionalism of our employees, taking responsibility and being flexible in finding the best way to improve any situation we enable customers to focus on their core activities.

The Group's mission is to create value for shareholders and customers by providing professional and high-quality aviation related services.

**AVIA SOLUTIONS GROUP AB**

SEPARATE AND CONSOLIDATED ANNUAL REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2011



As on 31 December 2011, the Group consisted of the parent company, Avia Solutions Group AB, (registered on 31 August 2010, code 302541648, name of the Register of Legal Entities: State Enterprise Center of Registers; address: Smolensko St 10, LT-03201 Vilnius tel.: +370 5 252 5500; fax. +370 5 252 5501; internet address: [www.aviasg.com](http://www.aviasg.com)) and its effective subsidiaries:

Name of the company	Date of registration, code, name of Register of Legal Entities	Contact details	Effective holding of the Company (%)
AviationCV.com UAB	13 April 2011, code 302615625, Register of Legal Persons of the Republic of Lithuania	Darius ir Girėno str. 21, Vilnius, Lithuania tel. +370 5 2525500, fax. +370 5 2525501, <a href="http://www.aviationcv.com">www.aviationcv.com</a>	91.00
Baltic Aviation Academy UAB	22 November 2006, code 300618099, Register of Legal Persons of the Republic of Lithuania	Darius ir Girėno str. 21, Vilnius, Lithuania tel. +370 5 2525536, fax. +370 5 2525537, <a href="http://www.balticaa.com">www.balticaa.com</a>	100.00
Baltic Ground Services UAB	11 August 2005, code 300136658, Register of Legal Persons of the Republic of Lithuania	Rodūnios road 6, LT- 02187 Vilnius, Lithuania tel. +370 5 252 55 92, fax. +370 5 252 50 07, <a href="http://www.bgs.aero">www.bgs.aero</a>	100.00
Baltic Ground Services PL Sp. z.o.o.	15 April 2010, code 0000353957, Register of Entrepreneurs of the National Court Register held by the District Court for the Capital City of Warsaw in Warsaw, XIII Commercial Division of the National Court Register	17 Stycznia 45 B, 02-146 Warsaw, Poland, tel. +48 22 256 99 00, fax. +48 22 256 99 01, <a href="http://www.bgs.aero">www.bgs.aero</a>	100.00
Baltic Ground Services UA TOV	29 August 2011, code 37856865, State Register of Legal Entities and Individual Entrepreneurs of Ukraine	Kniazhnyj Zaton str. 2/30, 02095, Kiev, Ukraine tel. +370 5 252 55 92, fax. +370 5 252 50 07	100.00
Baltic Ground Services s.r.l.	Code R.E.A. RM-1287462, Company Registration Number c/o Chamber of Commerce: CCIAA T 76480595	Via Della Scafa 158, Fiumicino, Rome - 00054, Italy, Tel . +390683517845 Fax : +3906650275333, <a href="http://www.bgs.aero">www.bgs.aero</a>	100.00
Ground Handling CIS UAB	04 July 2011, code 302644356, Register of Legal Persons of the Republic of Lithuania	Rodūnios road 6, LT- 02187 Vilnius, Lithuania tel. +370 5 252 55 92, fax. +370 5 252 50 07	100.00
FL Technics AB	22 December 2005, code 300517602, Register of Legal Persons of the Republic of Lithuania	Rodūnios road 2, LT-02189 Vilnius, Lithuania tel. +370 5 252 5015, fax. +370 5 252 5646, <a href="http://www.fltechnics.com">www.fltechnics.com</a>	100.00
FL Technics Jets UAB	11 June 2007, code 300869952, Register of Legal Persons of the Republic of Lithuania	Smolensko str. 10, LT-03201 Vilnius, Lithuania tel. +370 5 252 5015, fax. +370 5 252 5646, <a href="http://www.fljets.com">www.fljets.com</a>	100.00
FL Technics Line OOO	03 August 2011, code 7746600289, State Register of Legal Entities of Russian Federation	Hachaturana str. 12, 127562, Moscow Tel. +370 5 252 5015, fax. +370 5 252 5646	100.00
FL Technics Ulyanovsk OOO	22 July 2011, code 7329004322, State Register of Legal Entities of Russian Federation	Sovietskaya str. 6, 433400, Cherdakly, Cherdaklinsky District, Ulyanovsk Region, Russian Federation Tel. +370 5 252 5015, fax. +370 5 252 5646	99.00
FLT Trading House UAB	26 May 2010, code 302514409, Register of Legal Persons of the Republic of Lithuania	Žirmūnų str. 139, Vilnius, Lithuania Tel. 370 5 2525500, fax. +370 5 2525501	100.00
Locatory.com UAB	7 December 2010, code 302572273, Register of Legal Persons of the Republic of Lithuania	Smolensko str. 10, LT-03201 Vilnius, Lithuania tel. +370 5 252 5500, fax. +370 5 252 5501, <a href="http://www.locatory.com">www.locatory.com</a>	95.00
Small Planet Airlines UAB	14 March 2007, code 300659612, Register of Legal Persons of the Republic of Lithuania	Smolensko str. 10, LT- 03201 Vilnius, Lithuania tel. +370 5 252 5660, fax. +370 5 252 5661, <a href="http://www.smallplanet.aero">www.smallplanet.aero</a>	95.5
Small Planet Airlines Sp. z.o.o.	25 November, code 0000342451, Register of Entrepreneurs of the National Court Register held by the District Court for the Capital City of Warsaw in Warsaw, XIII Commercial Division of the National Court Register	17 Stycznia 45 B, 02-146, Warsaw, Poland tel. +48 22 427 9090, +48 22 427 9093, <a href="http://www.smallplanet.aero">www.smallplanet.aero</a>	95.5
Small Planet Airlines S.r.l.	17 February 2010, code PD-390928, Padova Chamber of Commerce	Padova (PD) Galleria dei Borromeo 3 cap 35137, Italy tel. +390 66502751, fax. +390 6650275333, <a href="http://www.smallplanet.aero">www.smallplanet.aero</a>	85.5
Storm Aviation (Cyprus) Ltd.	30 September 2011, code HE290461, Ministry of Commerce, Industry and Tourism, Department of Registrar of Companies and Official Receiver Nicosia	Rafail Santi 58, Nefeli Court 11, 1st floor, Flat/Office 104-105, 6052, Larnaca, Cyprus <a href="http://www.fltechnicsline.com">www.fltechnicsline.com</a>	100.00
Storm Aviation Limited	30 September 2011, code 05229468, The Registrar of Companies for England	The Clock House, 140 London Road, Guildford, Surrey GU1 1UW <a href="http://www.fltechnicsline.com">www.fltechnicsline.com</a>	100.00

As at 31 December 2011 the Company had no branches.

#### Data about securities traded on regulated market

On 3 March 2011 shares of the Company were introduced to trading at Warsaw Stock Exchange (code: AVIASG):

Type of shares	Number of shares	Nominal value in LTL	Total nominal value in LTL	ISIN
Ordinary registered shares	5,893,333	1	5,893,333	LT0000128381

Securities of the Company's subsidiaries are not traded publicly.

## II. FINANCIAL AND OPERATIONAL INFORMATION

In 2011 Avia Solutions Group AB and its subsidiaries (hereinafter – the Group) earned net profit of LTL 8.7 million. Comparing with 2010 the income of the Group has increased by 56.7% up to LTL 477 million. Results were generated primarily as a result of strategic decisions made and operational plans implemented. These measures were taken in order to increase the Group's profitability in the upcoming periods. The Group focused on obtaining additional licenses and further business development.

Key events during 2011 are summarized below:

Date	Operating Segment	Event
January 2011	Training	<i>Baltic Aviation Academy UAB</i> expanded its capability list by adding Boeing 747-400 type rating courses.
January 2011	Aircraft Ground Handling and Fuelling	<i>Baltic Ground Services UAB</i> was granted an aviation fuel supply licence for Poland. The licence is valid until the end of year 2030.
February 2011	Aircraft Maintenance, Repair and Overhaul (MRO)	<i>FL Technics</i> serviced first Airbus A320 aircraft.
March 2011	-	On 3 March 2011 shares of <i>Avia Solutions Group AB</i> were introduced to trading at Warsaw Stock Exchange (code: AVIASG)
March 2011	Aircraft Ground Handling and Fuelling	<i>Baltic Ground Services Sp.z.o.o.</i> starts providing ground services at Warsaw Frederic Chopin airport.
April 2011	Aircraft Ground Handling and Fuelling	<i>Baltic Ground Services Sp.z.o.o.</i> signed an agreement with a leading European low-cost carrier Wizz Air to provide integrated ground handling services at Warsaw Frederic Chopin airport.
April 2011	Aircraft Maintenance, Repair and Overhaul (MRO)	<i>FL Technics Jets UAB</i> received EASA Part-145 certification, which allows the company to provide repair and maintenance services for Hawker Beechcraft 700/750/800/800XP/850XP/900XP aircraft family.
April 2011	Aircraft Maintenance, Repair and Overhaul (MRO)	<i>FL Technics AB</i> has signed an agreement with <i>Ukraine International Airlines</i> to provide base maintenance services for the clients of <i>FL Technics</i> .
May 2011	Aircraft Ground Handling and Fuelling	<i>Baltic Ground Services Sp.z.o.o.</i> started to provide aircraft re-fuelling services in Poland, in Krakow John Paul II International Airport.
May 2011	Aircraft Maintenance, Repair and Overhaul (MRO)	<i>FL Technics Jets UAB</i> received Aircraft Maintenance Organisation Approval Certificate in Bermuda and Certificate of Acceptance in Aruba.
June 2011	Aircraft Maintenance, Repair and Overhaul (MRO)	<i>FL Technics AB</i> received Part M certificate, which allows the company to manage continuing airworthiness of the Embraer EMB- 135/145 family aircraft.
June 2011	Aircraft Maintenance, Repair and Overhaul (MRO)	<i>FL Technics AB</i> signed engine maintenance provision agreement with airline base in Russia worth USD 11 million.
June 2011	Charter operations	<i>Small Planet Airlines s.r.l.</i> has completed the process of obtaining the Italian Air Operator's Certificate.
June 2011	Aircraft Ground Handling and Fuelling	<i>Baltic Ground Services Sp.z.o.o.</i> signed an agreement with the largest Ukrainian carrier <i>AeroSvit</i> .
June 2011	Aircraft Maintenance, Repair and Overhaul (MRO)	<i>Locatory.com UAB</i> launched a global online aviation spare parts platform <a href="http://www.locatory.com">www.locatory.com</a> .
June 2011	Aircraft Ground Handling and Fuelling	<i>Baltic Ground Services Sp.z.o.o.</i> started into-plane fuelling service at Katowice International Airport.
July 2011	Aircraft Ground Handling and Fuelling	<i>Baltic Ground Services Sp.z.o.o.</i> started providing into-plane fuelling services for its new client <i>Norwegian Air Shuttle ASA</i> at the John Paul II International Airport in Krakow.
July 2011	Pilot and crew training	<i>Baltic Aviation Academy UAB</i> signed an agreement with CAE. <i>Baltic Aviation Academy UAB</i> will lease an Airbus A320 FFS from CAE and relocate it to Vilnius, Lithuania.

Date	Operating Segment	Event
July 2011	Pilot and crew training	<i>Baltic Aviation Academy UAB</i> obtained an approval certificate allowing the academy to introduce Bombardier Dash 8Q-400 type rating training courses.
July 2011	Aircraft Maintenance, Repair and Overhaul (MRO)	<i>FL Technics AB</i> has acquired 7 Boeing 737-300 aircraft from <i>AirAsia</i> , global low cost airline, for tear down into parts and components.
August 2011	Aircraft Maintenance, Repair and Overhaul (MRO)	<i>FL Technics AB</i> launched cabin modification and reconfiguration services on two brand new long-range Boeing 737-800 and cabin refurbishment services on Boeing 737-300 for <i>Transaero Airlines</i> .
August 2011	Aircraft Maintenance, Repair and Overhaul (MRO)	<i>FL Technics Ulyanovsk OOO</i> was granted a residence certificate for operating within the free economic zone in Ulyanovsk, Russia.
October 2011	Aircraft Ground Handling and Fuelling	<i>Baltic Ground Services UAB</i> signed a long-term contract with State Enterprise Vilnius International Airport (VNO) for the 4000 cbm capacity fuel facility leasehold for the annual fee of LTL 652 thousand.
October 2011	Aircraft Maintenance, Repair and Overhaul (MRO)	<i>FL Technics AB</i> has signed an agreement with <i>Boeing</i> to support its aircraft, including the Boeing 787 Dreamliner, under the <i>GoldCare</i> programme.

The major events to the Group's structure during 2011 were as follows:

Date	Operating Segment	Event
April 2011	Pilot and crew training	<i>AviationCV.com</i> is established in Vilnius, Lithuania
July 2011	Aircraft Ground Handling and Fuelling	<i>Ground Handling CIS</i> is established in Vilnius, Lithuania
July 2011	Aircraft Maintenance, Repair and Overhaul (MRO)	<i>FL Technics Ulyanovsk OOO</i> is established in Ulyanovsk, Russian Federation
August 2011	Aircraft Maintenance, Repair and Overhaul (MRO)	<i>FL Technics Line OOO</i> is established in Moscow, Russian
August 2011	Aircraft Ground Handling and Fuelling	<i>Baltic Ground Services UA TOV</i> is established in Kiev, Ukraine
September 2011	Aircraft Maintenance, Repair and Overhaul (MRO)	100 % of <i>Storm Aviation Limited Limited</i> are acquired.
October 2011	Charter operations	10% of <i>Small Planet Airlines s.r.l.</i> share capital were sold.
December 2011	Charter operations	95.5% of <i>Small Planet Airlines AS</i> share capital were sold.

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

#### Key figures of the Group

Financial figures	2011	2010	Change
Revenue (LTL thousand)	476 769	304 263	57%
Operating profit (LTL thousand)	13 913	23 845	-42%
Operating profit margin (%)	2.9%	7.8%	-4.9pp
Profit before income tax (LTL thousand)	10 864	20 670	-47%
Profit for the period (LTL thousand)	8 722	17 791	-51%
Profit for the period margin (%)	1.8%	5.8%	-4.0pp
Earnings per share (LTL)	1.53	4.03	-63%
Number of shares (thousand)	5 893	4 420	-

Financial ratios	31 December 2011	31 December 2010
Return on equity (ROE) (%)	9%	71%
Gearing ratio (%)	27%	50%
Equity to total assets ratio (%)	40%	22%
Liquidity ratio	1.49	1.17
Number of full-time employees at the end of the period	1 027	678

Operating figures	2011	2010	Change, %
Number of SOLD man-hours in base maintenance	333 369	168 225	98.2
Number of SOLD man-hours in engineering	51 164	34 986	46.2
Number of SOLD man-hours in maintenance training	10 629	5 198	104.5
Number of line stations at the end of the period	20	9	122.2
Number of aircraft at the end of the period	6	6	-
Number of flights	5 602	1 552	261.0
Number of passengers carried (in thousands)	630 789	397 129	58.8
ASKs (in million)	1 701	1 184	43.7
RPKs (in million)	1 377	986	39.7
Number of block hours	16 222	10 591	53.2
Number of aircraft served	8 207	3 776	117.3
Number of passengers served	723 639	458 429	57.9
Volume of fuel sold (tonnes)	31 947	31 603	1.1
TRTO - Number of sold theoretical training hours	7 836	4 888	60.3
TRTO - Number of sold practical training (FFS) hours	11 933	6 722	77.5

### Revenue

The total consolidated Group's revenue for the year 2011 was LTL 477 million, an increase by 57 per cent over the total revenue of LTL 304 million for the year 2010.

The most significant growth as compared with 2010 was in aircraft maintenance segment where revenues to external customers increased by LTL 78 million and amounted to LTL 155 million in 2011 as compared to LTL 77 million in 2010, which is higher than 101% increase. The growth was driven primarily by rapid increase in base maintenance services, expansion of spare parts and consumable services and new services' offering such as engine management.

A significant change in revenues over the 2011 faced training services segment (increase of 109 %). In 2011 subsidiaries offering training services generated LTL 23 million revenues while in 2010 total sales excluding intercompany sales had reached LTL 12 million. The main reason that caused revenues to increase by LTL 11 million was successful development and utilisation of contracted simulators.

Ground handling and fuelling segment revenues to external customers increased by LTL 25 million and were equal LTL 83 million in 2011 as compared to LTL 58 million in 2010 (increase of 43 %) because of new contracts with airline companies in Vilnius, Warsaw, Krakow, and Katowice International Airports.

Charter segment sales to external customers increased by LTL 58 million in 2011 up to LTL 215 million (increase of 37 %). The growth was driven by expansion to Italian charter market.

### Operating expenses

2011 was sequentially the second year when the highest nominal change in operating expenses was due to the changes in cost of aircraft fuel and higher amounts sold. Over the year aircraft fuel expenses grew by LTL 38 million and reached LTL 126 million in total at 31 December 2011.

Expenses relating to spare parts and other consumables in 2011 also change significantly. Although spending over the period changed by 161% and reached LTL 51 million, it was mainly influenced by rapid growth of sales of aircraft spare parts and maintenance services. Changes in sales respectively increased by 202% and by 73% reaching LTL 32 million and LTL 88 million limits at the end of 2011, while aircraft maintenance expenses increased only by LTL 12 million.

Aircraft servicing and handling expenses at 31 December 2011 was totalling to LTL 47 million, which was by LTL 19 million more as to compare to spending in 2010. In 2011 the Company subsidiaries offering aircraft ground handling and fuelling services began to provide services at the Warsaw, Krakow, and Katowice International Airports in Poland. Consequently sales and expenses for these kinds of services in the Group also increased.

The Company considerably expanded range of subsidiaries operating in three out of four segments. Therefore, number of full-time employees working at the Company in 2011 increased by 51% resulting employee related expenses to change by 66%. The expansion also influenced other operating expenses to increase up to LTL 47 million, i.e. by 90%. A relatively strong impact to the change on other operating expenses had vastly increasing expenses related to employee lease (by 313 %), office administration (by 215%), transportation (125%) and other operating expenses indirectly related to the operating segments causing it to increase by LTL 22 million over the year.



Net financial costs decreased by 4% primarily as a result of decrease of unwinding of discounted security deposits as at 31 December 2011.

Cost of services resold increased by 66 % primarily as a result of additional engines re-leased and increase in sub-contracting work that has been resold to clients.

Net financial costs decreased by LTL 0.1 million primarily as a result of decrease of unwinding of discounted security deposits received and lower losses in foreign exchange on financing activities as at 31 December 2011.

#### ***Balance sheet and cash flow***

During 2011 total assets of the Group increased by LTL 129 million or 112% per cent primarily as a result of an increase in current trade and other receivables by LTL 46 million and inventories LTL 23 million. A significant contribution to an increase had a positive change in property, plant and equipment, that increased also by LTL 23 million.

Total liabilities in 2011 increased by LTL 57 million to LTL 146 million as at 31 December 2011. Primarily it was the consequence of rising trade and other payables by the amount of LTL 24 million. A meaningful impact to a change had an increase in non-current borrowings by LTL 18 million and growth of non-current security deposits received by LTL 10 million.

Cash flow from operating activities in 2011 was lower by LTL 12 million as compared to 2010. Although the net result was LTL 8.7 million, the Company continues its proactive investing policy thus the majority of money was used to finance trade and other receivables.

In 2011 financing activities generated LTL 66 million. The majority of it was preceded by an increase of share premium amounting to LTL 59 million and bank borrowings received that totals to LTL 27 million as at 31 December 2011.

#### ***Information about related party transactions***

Information about related party transactions is provided in Note 33 of the Group's Financial Statements for the year ended 31 December 2011.

Following the International Financial Reporting Standards as adopted by EU, the parties related to the Company are the Company's subsidiaries, the Company's shareholders and top management of the Company.

#### ***Research and development activities***

There were no major research and development projects undertaken during 2011, except the ongoing development and improvement of the Company's services and development of spare parts trade platform ([www.locatory.com](http://www.locatory.com)), development of web-platform for training planning, track relevant training information ([www.balticaa.com/en/my-baa/](http://www.balticaa.com/en/my-baa/)) and certification of Small Planet Airline S.r.l. for the receipt of Air Operators Certificate.

#### ***Environmental protection***

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

#### ***Risk management***

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

- Demand for aviation services;
- Changes in the legal regulation of the Group's activities;
- Competition with other market players;
- Currencies' exchange rates fluctuation.

The Group's and the Company'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 minimise potential adverse effects of the financial performance of the Group. The Company's financial risk management is carried out by the CFO and the Management Board. Information about the Company's financial risk management is provided in Note 3 of the Group's Financial Statements for the year ended 31 December 2011.

#### ***Significant post balance sheet events***

From the 1st of January, 2012 *FL Technics Jets UAB* obtained a right to perform authorized maintenance services on the warranted Hawker 125 series aircraft.

In February 2012 *Baltic Ground Services PL Sp. z o.o.* started providing into-plane fuelling services at Warsaw Frederic Chopin airport.

In March 2012 *Baltic Ground Services Sp. z o.o.* started providing into-plane fuelling services to the *Deutsche Lufthansa AG* air carriers and *Czech AirLines j.s.c* in the International Airports of Warsaw (WAW), Krakow (KRK) and Katowice (KTW).

In March 2012 the Company granted current loans to third party in total amount of LTL 5 000 thousand and to subsidiary in total amount of LTL 6 000 thousand.

*FL Technics AB* received Part 21, Section A, Subpart J Design Organization Approval from the European Aviation Safety Agency (EASA).

*Avia Solutions Group AB* sold 6,100 shares of *Small Planet Airlines S.r.l.* (Italy) to *S.G.S.T. S.r.l.* (Italy), representing 50 per cent of the share capital of the company. Following the sale, *Avia Solutions Group AB* became the minority shareholder of *Small Planet Airlines S.r.l.* with 35,5 per cent shareholding, *S.G.S.T.S.r.l.* (Italy) - the majority shareholder with 60 per cent shareholding.

#### *Plans and forecasts*

In 2012 the Group will strive to increase revenues in all services provided by the Group with the focus on expansion of maintenance facilities, developing ground handling and fuelling operations in Poland, increasing spare part trading volumes and development of engine management service. The group will continue sustainable growth and geographical expansion.

### III. INFORMATION ABOUT SHARE CAPITAL AND SHAREHOLDERS

The authorised capital of the Company as at 31 December 2011 was LTL 5,893,333 and is divided into 5,893,333 ordinary shares with a par value of LTL 1 each. All shares carry equal voting rights.

On 3 March 2011 shares of the Company were introduced to trading at Warsaw Stock Exchange.

Shareholders and share capital of the Company as at 31 December 2011 were as follows:

No.	Shareholder	Role in the Company's Management	Number of shares	Percentage owned
1.	ZIA Valda Cyprus Ltd.		1 939 275	32.906%
2.	Indeco: Investment and Development UAB		1 292 850	21.938%
3.	Harberin Enterprises Limited		777 375	13.191%
4.	ING Otworthy Fundusz Emerytalny		390 000	6.618%
5.	Hubert Bojdo	Member of the Supervisory Board	100 000	1.697%
6.	Vytautas Kaikaris	Member of the Management Board	55 250	0.938%
7.	Jonas Butautis	Member of the Management Board	44 200	0.750%
8.	Aurimas Sanikovas	Member of the Management Board	11 050	0.188%
9.	Other		200 000	3.39%
10.	Other free float		1 083 333	18.38%
<b>Total</b>			<b>5 893 333</b>	<b>100.00%</b>

### IV. PERSONNEL

Number of the Group's employees at the end of the year:

	2011	2010
Number of full-time employees	1 027	678

The breakdown of the number of employees by company:



Company	31 December 2011	31 December 2010	Change
Avia Solutions Group AB	17	8	9
AviationCV.com UAB	2	-	2
Baltic Aviation Academy UAB	49	42	7
Baltic Ground Services UAB	162	133	29
Baltic Ground Services Sp.z.o.o	149	7	142
Baltic Ground Services s.r.l.	-	1	(1)
Ground Handling CIS UAB	-	-	-
Baltic Ground Services UA TOV	-	-	-
FL Technics AB	387	316	71
FL Technics Jets UAB	8	2	6
FL Technics Line OOO	-	-	-
FL Technics Ulyanovsk OOO	-	-	-
FLT Trading House UAB	-	1	(1)
Locatory.com UAB	7	1	6
Storm Aviation Limited	75	-	75
Small Planet Airlines UAB	114	115	(1)
Small Planet Airlines AS (Estonia)	-	28	(28)
Small Planet Airlines Sp.z.o.o (Poland)	13	21	(8)
Small Planet Airlines s.r.l. (Italy)	44	3	41
<b>Total</b>	<b>1 027</b>	<b>678</b>	<b>349</b>

## V. MANAGING BODIES OF THE ISSUER

According to the Articles of Association of AB “Avia Solutions Group”, the managing bodies of the Company are General Meeting of Shareholders, the Supervisory Council, the Board and the Head of the Company (the General Director). The Supervisory Board is responsible for the supervision of activities of the Company and its management bodies. Board is responsible for the strategic management of the Company (including the appointment and removal of the General Director), whereas the General Director manages day-to-day operations of the Company and has the exclusive right to represent the Company in relations with third parties.

The decisions of the General Meeting made regarding the matters of competence of the General Meeting, are binding upon the Shareholders, the Supervisory Council, the Board, General Director and other officials of the Company. The Shareholders of the Company have the right to participate in the General Meeting.

The Supervisory Council is a collegial supervisory body, which is responsible for supervising the activities of the Company and its management bodies, the appointment and removal of the members of the Management Board, submitting its comments and proposals to the General Meeting on the Company’s operating strategy, set of annual financial statements, draft of profit/loss appropriation, the annual report of the Company, the activities of the Management Board and the General Director, submitting proposals to revoke decisions of the General Meeting, Management Board or General Director, etc. The Supervisory Council consists of five members for a term of four years. Members of the Supervisory Council institutes two committees: Nomination and Remuneration Committee and Audit Committee. Three members of the Supervisory Council comprise Nomination and Remuneration Committee and three members of the Supervisory Council comprise the Audit Committee (currently – 2 members). The Nomination and Remuneration Committee is a collegial body, which is established to assist the Supervisory Council in all matters relating to the appointment of candidates to the Company’s Board members, company directors or senior management positions.

The Audit Committee is a collegial body, which is established to observe the integrity of financial information, review internal controls and risk management systems, ensure the effectiveness of internal control functions, make recommendations to the Supervisory Council in relation to the selection of the audit firm, etc.

Members serving on the Board of the Company are acting jointly as a governing body of the Company. The Board approves the operating strategy, the annual report of the Company, the management structure of the Company and the positions of the employees, the positions to which employees are recruited by holding competitions, regulations of branches and representative offices of the Company, etc. The Board consists of five members. The members of the Board are elected for a term of four years. The Chairman of the Board is elected by the Board from its members for four years. The members of the Board are elected by the Supervisory Council in accordance with the procedure established by the Law on Companies of the Republic of Lithuania.

The Board elects and recalls the General Director, sets his/her remuneration and other conditions of the employment agreement, approves his/her office regulations, induces and applies penalties to him/her. The General Director is the Head of the Company. The

Head of the Company is a one-man management body of the Company and, within his scope of authority, organizes the day-to-day operation of the Company.

#### **Procedure for amending the Company's Articles of Association**

AB "Avia Solutions Group" Articles of Association provides that present Articles of Association of the Company may be amended in the manner prescribed by the Lithuanian Company Law.

#### **The Supervisory Council activities**

According to the Articles of Association the Supervisory Council should be comprised of five members.

On 23 August 2010, the founder of AB "Avia Solutions Group" elected a Supervisory Board (for four-year term) consisting of the following nominees: Hubert Bojdo, Dawid Sukacz, Michail Ireneusz Bobrowski, Vladas Bagavičius and Džiuginta Balčiūnė. On 25 August 2010, the Supervisory Council elected Mr. Vladas Bagavičius as a Chairman of the Supervisory Council.

Currently the Supervisory Council is comprised of four members elected for the tenure of four years: Mr. Dawid Sukasz and Mr. Michail Ireneusz Bobrowski have resigned, Mr. Dariusz Formela has elected.

During 2011 two meetings of the Supervisory Council were held. The Supervisory Council approved the Company's activity report for the year 2010, the Company's nearest plans in the year 2011, Corporate Governance Statement dated 30 June, re-assigned Supervisory Board members and the audit company.

#### **Members of the Supervisory Council**

**Vladas Bagavičius.** Vladas Bagavičius is experienced in legal and management issues. He started his career in 1996 as a lawyer in the Central Securities Depository of Lithuania and from 2000 acted as the Head of the Law and Administration Division in the Depository. In 2004, he created his own law firm and acted as an independent attorney-at-law Vladas Bagavičius. In 2007 he cooperated with one of the major law firms in Lithuania Sutkienė, Pilkauskas & Partners (presently, law firm TARK GRUNTE SUTKIENE). Since 2008 Vladas Bagavičius acts as a member of the Management Board in Agrowill Group AB. Vladas Bagavičius graduated from the Vilnius University, Faculty of Law in 1997.

**Džiuginta Balčiūnė.** Džiuginta Balčiūnė has a considerable legal experience. She gained her professional experience at the law firm Broda-Warnke-Schartner in Berlin (in 2003), in the Chamber of Industry and Commerce in Berlin (in 2005), at the law firm N. Motiejuniene, M. Pukas and Partners (Rödl & Partner UAB) in Vilnius, Lithuania (in 2006) and in the Political Unit of Representation of the European Commission in Berlin (in 2006). Džiuginta Balčiūnė worked as an associate lawyer at the law firm Bernotas and Dominas GLIMSTEDT in Vilnius (2006–2008) and as an associate lawyer at the law firm RAIDLA LEJINS & NORCOUS in Vilnius (2009–10) and since 2010 she works as a lawyer at the law firm of Džiuginta Balčiūnė. Džiuginta Balčiūnė has a special knowledge in mergers and acquisitions, real estate law, bankruptcy and restructuring. Džiuginta Balčiūnė graduated from the Vilnius University, Faculty of Law in 2004 and obtained a Master of German and European Law and Legal Practice (M.L.L.P.) in Humboldt University, Law faculty, in Berlin, Germany.

**Hubert Bojdo.** Hubert Bojdo started his career in 1996 as a Stock Exchange Broker at the Brokerage House of Polish Investment Bank SA (1996 – 1997). He continued in Arthur Andersen Sp. z o.o (1997–2002) as a Manager in the Tax Department and Deloitte Doradztwo Podatkowe Sp. z o.o. (2002–2006) as a Director in charge of the International Taxation Group. In 2006 he became one of the founders of HB & Partners Tax Advisory and until 2009 acted as the Managing Partner. Since 2008 he is acting as a Vice President for Rubicon Partners NFI SA and since 2009 as a Vice President of Rubicon Partners Dom Maklerski SA. In addition, he is acting as a member of the Supervisory Council of Mirbud SA, IQ Partners SA and Voxel SA. Hubert Bojdo is a former member of the Supervisory Councils of IB System SA, Magna Polonia NFI SA and HPF TFI SA. In 1997 he obtained a Master's degree at the Faculty of Banking and Finance in the Warsaw School of Economics and in 1999 he undertook studies for PhD candidates at the Foreign Trade Faculty in the Warsaw School of Economics. Hubert Bojdo is also a licensed stock exchange broker (since 1995) and a licensed tax advisor (since 2003).

**Dariusz Formela.** Dariusz Formela' work experience and competence directly connected to collegial organs: from 2000 he acted as the member of the Supervisory Board in Makton SA, the member of the Supervisory Board in PGE in Lodz, the Vice-Chairman of the Supervisory Board of Unipetrol, the Chairman of the Supervisory Board in Płock Industry and Technology Park SA, the Chairman of the Supervisory Board Kedzierzyn Kozle Orlen Transport Ltd., the Chairman of the Supervisory Board Orlen Laboratorium z.o.o., the Chairman of the Supervisory Board Administration ORLEN z.o.o., the Chairman of the Supervisory Board ORLEN Prevention z.o.o., the Chairman of the Supervisory Board ORLEN Protection Co. o.o., the Vice-Chairman of the Supervisory Board ORLEN Accounting Ltd., the Vice-Chairman of the Supervisory Board ORLEN Upstream z.o.o., the Member of the Supervisory Board Spolana a.s. and Kaučuk a.s. Since 2009 Dariusz Formela is acting as the Member of the management board of PKM DUDA SA, a representative of Shareholding Banks. Dariusz Formela graduated from University of Gdansk, Faculty of Law and Administration in 1998 and obtained a Master's degree in the University of Bradford in 2006. He undertook postgraduate studies: Powers of members of supervisory boards in state-owned companies (state exam), Study for Investment Advisors and Securities Analysts (Business Development Institute), Postgraduate Studies Enterprise Value Management (School of Economics);

Postgraduate Management Studies XX edition of the School of Economics (Department of Finance).

#### **The Audit Committee activities**

During 2011 no meetings of the Audit Committee were held.

#### **Members of the Audit Committee**

On 1 September, 2010 the Supervisory Council elected Mr. Michail Ireneusz Bobrowski, Mr. Vladas Bagavičius and Mrs. Džiuginta Balčiūnė as members of the Audit Committee.

Currently the Audit Committee consists of two members: Mr. Dariusz Formela has been elected, Mr. Michail Ireneusz Bobrowski and Mr. Vladas Bagavičius have resigned.

Information about all members of the Audit Committee is presented in paragraphs above.

#### **The Nomination and Remuneration Committee activities**

During 2011 no meetings of the Nomination and Remuneration Committee were held.

#### **Members of the Nomination and Remuneration Committee**

On 1 September, 2010 the Supervisory Council elected Mr. Hubert Bojdo, Mr. Dawid Sukacz and Mrs. Džiuginta Balčiūnė as members of the Nomination and Remuneration Committee.

Currently the Nomination and Remuneration Committee consists of three members: Mr. Vladas Bagavičius has elected, Mr. Dawid Sukacz has resigned.

Information about all members of the Nomination and Remuneration Committee is presented in paragraphs above.

#### **The Board Activities**

On 25 August 2010, the Supervisory Council elected a Board (for four-year term) consisting of the following nominees: Gediminas Žiemelis, Aurimas Sanikovas, Jonas Butautis, Saulius Batavičius and Vytautas Kaikaris.

On 25 August 2010, the Board elected Mr. Gediminas Žiemelis as Chairman of the Board.

During 2011 sixteen meetings of the Board were held. During all Board meetings in 2011 there was quorum prescribed by legal acts. The Board adopted a decision to invest into the legal entities, approved the contract with audit company, the acquisition of a call option, acquisition of the entire issued share capital of another company, the policy and procedures for managing and disclosure of inside information, documentation related to the establishment of subsidiary company, the supplement of the Prospectus, rules regarding the use of trade secret information and the list of trade secrets, the dress code policy of the Company, approved other agreements related to activities of the Company, decided to establish a public limited liability company Locatory.com, suspended the offering of the shares of the Company and later determined the maximum price of newly issued shares of the Company.

#### **Members of the Board as of 25 August 2010**

**Gediminas Žiemelis.** Gediminas Žiemelis has a unique management and advisory experience. In 2008, under the request of the Prime Minister of the Republic of Lithuania he gave practical proposals on anti-crisis actions to be taken. He started his career in 1999 as the assistant manager of the Vindication and Fraud Division in Lietuvos taupomasis bankas, AB (currently, Swedbank, AB), the Department of Problematic Assets and Vindication (1999–2001). He acted as the General Manager of Žvilgsnis iš arčiau UAB (2001–2005) (currently named Creditinfo UAB), which was engaged mainly in debt recovery and credit risk management, the General Manager of ŽIA VALDA AB (2002–2006) and the General Manager of brokerage firm Finhill UAB FMĮ (in 2007). Gediminas Žiemelis is a shareholder and a member of the Management Board in ŽIA VALDA AB and since 2007 he acts as the Manager of the Development Department. Since 2005 Gediminas Žiemelis also acts as the Manager in East Mining Group UAB, since 2006 – as the General Manager of Eastern Agro Holdings UAB. Since 2009 till 2010 Gediminas Žiemelis also acted as a consultant in Avia Solutions Group Holdings AB. Moreover, Gediminas Žiemelis is a member of the Supervisory Board in Agrowill AB since 2010. Gediminas Žiemelis obtained a bachelor's degree at the Faculty of Business Management in the Vilnius Gediminas Technical University, Lithuania in 1999 and a master's degree at the Faculty of Law in the Mykolas Romeris University, Lithuania in 2006. He has also finished the Program for Leadership Development (PLD) in the Harvard Business School, Boston, MA, U.S.: Accelerating the Careers of High-Potential Leaders. Gediminas Žiemelis is also one of the initiators of establishment of the Association of Aviation Companies ([www.aja.lt](http://www.aja.lt)) (in 2009). Mr Gediminas Žiemelis is an indirect shareholder of the Company and has an indirect control through ŽIA Valda Cyprus Ltd., has 43.88% shareholding in the Company and the sole shareholder of ŽIA Valda Cyprus Ltd. is ŽIA Valda AB, 84.42% shareholding in which is owned by Mr Gediminas Žiemelis.

**Saulius Batavičius.** Saulius Batavičius started his career as an accountant in 1998 in Šiaulių stumbras AB (1998–2000). He further acted as a production planning team leader in Baltik vairs AB, Lithuanian branch of Panther International (Germany) (2000–2002), as the General Service and Finance Manager in Šiaulių tauro televizoriai UAB (2002–2004), as the Executive Manager in Televolna OOO, Kaliningrad (2004–2005), as the Manager in Banga Electronics UAB (2005–2006) and since 2006 he is acting as the director of a subsidiary company UAB “Baltic ground services”. Saulius Batavičius obtained a bachelor’s degree in business administration at the Šiauliai University, Lithuania in 1999. In 2001 Saulius Batavičius obtained a master’s degree in business management at the Klaipėda University, Lithuania, and in 2005 he finished Master studies in International Business Management for managers at the Baltic Management Institute.

**Aurimas Sanikovas.** Aurimas Sanikovas started his career as an audit associate in PricewaterhouseCoopers, Lithuania in 2001. In 2007 his last position held at the company was that of a manager. He performed supervision and execution of audit engagement performed in accordance with the IAS and US GAAS. Aurimas Sanikovas has principal expertise in telecommunications, IT, manufacturing, construction, consumer products and energy sectors. From 2007 till 2010 he acted as the Chief Financial Officer of Avia Solutions Group Holdings AB. Aurimas Sanikovas also acted as a member of the Management Board of Avia Asset Management AB (2008–2009), a member of the Management Board of FL Technics (2008–2010) and a member of the Management Board of Small Planet Airlines Sp.z.o.o. (2009–2010). Since 2009 until present Aurimas Sanikovas acts as a member of the Management Board of Small Planet Airlines AS. He has also acted as the General Manager of Avia Funds Management UAB (currently – UAB “AviaAM Leasing”). Moreover, since 2010 Aurimas Sanikovas is a member of the Supervisory Board of Agrowill Group AB. His main responsibilities at the Group include control of operations of subsidiaries, leading budgeting, reporting, treasury and risk management functions, finance function staffing, fund raising, deal structuring, tax planning and managing resolution of finance related issues. Aurimas Sanikovas obtained his bachelor’s and master’s degrees in economics at the Faculty of Economics, Vilnius University, Lithuania with an exchange term in the University of Copenhagen. Since 2006 Aurimas Sanikovas is a member of the Association of Chartered Certified Accountants (ACCA). Mr Aurimas Sanikovas is a direct shareholder of the Company and has 11,050 shares of AB “Avia Solutions Group” that accounts to almost 0,19 per cent of the share capital.

**Jonas Butautis.** Jonas Butautis started his career in 1998 as an executive partner in Cesim Group (Finland). He acted for this group until 2004 and performed start up and successful development of Cesim Central & Eastern Europe in the areas of consulting and management development, established long-term relationships with key clients in selected target industries: telecommunications, energy, railways, oil, post, banking and performed daily management of the company. In 2001–2003 Jonas Butautis acted as a consultant for the new EU members in the OECD (Organization for Economic Co-operation and Development). He formulated conclusions and suggested future action steps for the Governments to reduce business development obstacles in their respective services industries. Jonas Butautis also acted as a manager for Australia and Asia regions for BTS Group UAB (2003–2008) and as a consultant, Deputy Manager of the Corporate Governance and Control at ŽIA VALDA AB (2008–2009). Since 2009 he also acts as the General Manager of FL Technics. Jonas Butautis obtained a Master of Business Administration in the Vytautas Magnus University (in 2000). In 1999 he undertook International Economics and Marketing Studies in SDA Bocconi, Italy. Mr Jonas Butautis is a direct shareholder of the Company and has 44 200 shares of AB “Avia Solutions Group” that accounts to about 0,75 per cent of the share capital.

**Vytautas Kaikaris.** Vytautas Kaikaris started his career as an auditor in KPMG Baltics in 1999–2000 and as a consultant at PricewaterhouseCoopers in 2000–2003. In the period of 2003–2008 Vytautas Kaikaris worked for Bitė Group and was employed in BITĖ Lietuva in the following positions throughout the period: marketing director, marketing segment manager, executive assistant, CRM project manager. Afterwards Vytautas Kaikaris acted as the Chief Executive Officer at flyLAL – Lithuanian Airlines AB (2008–2009). Since 2009 he is the Chief Executive Officer of Small Planet Airlines UAB. Vytautas Kaikaris also acts as a member of the Management Board of Small Planet Airlines AS, Small Planet Airlines S.r.l. and Small Planet Airlines Sp. z.o.o. Vytautas Kaikaris obtained a bachelor degree in international business in 1999 in the Concordia International University Estonia, Tallinn, Estonia. Since 2006 he has been studying for his master’s degree in business administration at the International School of Management (ISM), Vilnius, Lithuania. He also finished numerous additional courses. In addition, Vytautas Kaikaris is a shareholder of subsidiaries, he owns 4.5 per cent of shares in Small Planet Airlines UAB, Small Planet Airlines AS, Small Planet Airlines Sp. z.o.o. and Small Planet Airlines S.r.l. Also he is a direct shareholder of the Company and owns 55 250 shares of AB “Avia Solutions Group” that accounts to about 0,94 per cent of share capital.

#### **Members of the Company's Administration**

Company’s Administration consists of three key executives: the Chief Financial Officer, the Director of Development and the General Director. All the employees of the Company are directly subordinated and report to the General Director.

**Linas Dovydenas.** Linas Dovydenas started his career in 1995 in Sanitex UAB, Lithuania. He worked for this company for 7 years and his last two positions held at the company were Key Account Manager and Regional Manager Horeca. From 2002 to 2007 he acted for Philip Morris Baltic States. He held the following positions at the company: Supervisor Key Accounts Baltic States, Manager National Sales Estonia, Manager Customer Development Lithuania and Manager National Sales Lithuania. Linas Dovydenas joined the Group in 2008. He held a position of the Chairman of the Supervisory Board of Small Planet Airlines AS and was a member of the Management Board in FL Technics. He leads the management team in planning, development and implementation strategies to meet agreed organizational plans within agreed budgets and timescales. In 1997 Linas Dovydenas obtained a bachelor’s degree in Business and Business Administration at the Faculty of Economics, Vilnius University, and in 2006 he obtained an executive MBA at the Baltic Management Institute.

Information about Gediminas Žiemelis and Aurimas Sanikovas is presented in paragraphs above.

In 2011, there were no loans, guarantees or sponsorship granted to the members of the Board or Management by the Company as well as none of subsidiaries paid salaries or other payouts to the members of the Board or the employees of the Company for being members of their managing bodies, except the loan taken by Mr Linas Dovydenas from *Avia Solutions Group AB*, which constituted 49,070.00 Lt, by Mr Vytautas Kaikaris from *Avia Solutions Group AB*, which constituted 598,526.00 Lt and by Mr Jonas Butautis from *FL Technics AB*, which constituted 75,479.00 Lt. as of 31 December 2011.

All *Avia Solutions Group AB* employment agreements with the employees, including management, of the Company are concluded following requirements of the Labour Code of the Republic of Lithuania. Employees are employed and laid off following requirements of the Labour Code.

Information about the remunerations and other payments by the Group to the members of the Board members and management during 2011:

In '000 LTL	2011	2010
Remuneration	6 125	2 604
Social insurance expenses	1 724	888
Bonuses	195	264
<b>Total cost of remuneration for the board members and management</b>	<b>8 044</b>	<b>3 756</b>
The number of key management at the end of year (headcount):	60	26

There were no annual compensation (tantiemes) paid to the management board member or supervisory board member during 2011.

#### Auditors

Auditors from PricewaterhouseCoopers UAB audited the balance sheet of the Company and together with its consolidated subsidiaries for the years ended 31 December 2008, 2009, 2010 and 2011, and the related statement of comprehensive income, statement of changes in equity and statement of cash flows and a summary of significant accounting policies and other explanatory notes for the years then ended. PricewaterhouseCoopers UAB also reviewed financial statements for the 9 month period ended 30 September 2010. Total expense for the year 2011 for audit and review procedures in the Group amounted to LTL 262 thousand (2010: LTL 182 thousand).

## VI. INFORMATION ABOUT COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has prepared and announced the disclosure of compliance with the principles and recommendation set by the Governance Code of Warsaw Stock Exchange (WSE) on 30 June 2011. The Code of Best Practice for WSE Listed Companies can be found on the website dedicated to the corporate governance at the Warsaw Stock Exchange: [www.corp-gov.gpw.pl](http://www.corp-gov.gpw.pl) and on the corporate website: [www.aviasg.com](http://www.aviasg.com) in the "Investor Relations" section dedicated to the Company's shareholders under "Reports, codes" in the "WSE Best Practice" tab.

## CONFIRMATION OF RESPONSIBLE PERSONS

Following Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, I, Aurimas Sanikovas, Deputy General Director of *Avia Solutions Group AB*, hereby confirm that, to the best of our knowledge, *Avia Solutions Group AB* Consolidated Annual Report for the year 2011 includes a fair review of the development and performance of the business and the position of the Company and the Group of undertakings in relation to the description of the main risks and contingencies faced thereby.

Acting General Director  
Aurimas Sanikovas

