SUPERVISION SERVICE

APPROVED

Resolution No. 241-147

of 7 October 2014

AVIA SOLUTIONS GROUP AB

(incorporated in Lithuania with limited liability, corporate ID code 302541648)

PROSPECTUS OF ADMISSION OF UP TO 1,719,444 NEWLY ISSUED ORDINARY REGISTERED SHARES IN AVIA SOLUTIONS GROUP AB TO TRADING ON THE PARALLEL MARKET OF THE WARSAW STOCK EXCHANGE with a nominal value of LTL 1 each

This prospectus (the "Prospectus") was prepared by Avia Solutions Group AB (the "Company" or the "Issuer") for the purpose of admission of up to 1,719,444 new shares of the Company (the "New Shares"), to be issued following the decision of 24 September 2014 of the general meeting of shareholders of the Company (the "General Meeting") to trading on the Parallel Market of the Warsaw Stock Exchange (in Polish: *Giełda Papierów Wartościowych w Warszawie S.A.*, the "WSE"), i. e. on the regulated market, trading on which all the currently issued shares of the Issuer are admitted to. No other securities issued by the Company are currently admitted to trading on any other regulated market.

No public offering of the New Shares shall be executed by the Company. Consequently, information communicated by this Prospectus does not constitute or form part of, and should not be construed as, an offer, solicitation or invitation to subscribe for, underwrite or otherwise acquire, any securities of the Company or any member of its group nor should it or any part of it form the basis of, or be relied on in connection with, any contract to purchase or subscribe for any securities of the Company or any member of its group, nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever.

Distribution of this Prospectus in certain jurisdictions may be restricted by law. Thus, persons in possession of this Prospectus are required to inform themselves about and to observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The New Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or under any securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, any U.S. persons (as defined in Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

This Prospectus constitutes a prospectus for the purposes of Articles 3.3 and 5.3 of Directive 2003/71/EC of the European Parliament and of the Council, dated 4 November 2003, as amended (the "Prospectus Directive") and Articles 5(6) and 6(4) of the Law on Securities of the Republic of Lithuania, as amended (the "Law on Securities") and Commission Regulation (EC) 809/2004 of 29 April 2004, as amended (the "Prospectus Regulation"). The Bank of Lithuania (in Lithuanian: *Lietuvos bankas*, the "LB") in its capacity as the competent authority in Lithuania under the Law on Securities, has approved this document as a prospectus. Following the requirements of the applicable legal acts, the LB has provided to the competent authority in Poland, Polish Financial Supervision Authority (in Polish: *Komisja Nadzoru Finansowego*, the "PFSA") (i) a certificate of approval attesting that this Prospectus has been drawn up in accordance with the Prospectus Directive, (ii) a copy of the Prospectus in English, (iii) a Polish translation of the Prospectus summary, and (iv) website address of the LB, on which the electronic version of the Prospectus is published. The Issuer will be authorised to apply for introduction of the New Shares to trading on the WSE, once the LB has provided the PFSA with a certificate of approval of this Prospectus and after the Prospectus has been made available to the public together with a translation of the Prospectus summary into Polish language.

All the Shares are ordinary registered shares and are registered with the Central Securities Depository of Lithuania (in Lithuanian: *Lietuvos centrinis vertybinių popierių depozitoriumas*, the "CSDL") under ISIN code LT0000128381, as well as in the Polish settlement institution's, the National Depository for Securities (in Polish: *Krajowy Depozyt Papierów Wartościowych S.A.*, the "NDS") foreign account in the CSDL. Upon registration of the New Shares with the CSDL they will also be registered with the NDS as indicated above, which is acting as a secondary depository for the Shares.

Based on this Prospectus, the Issuer intends to apply for up to 1,719,444 New Shares to be admitted and introduced to listing and trading on the WSE (the "Admission"). The Issuer expects that trading in the New Shares on the WSE will commence in the beginning of November 2014.

The date of this Prospectus
24 SEPTEMBER 2014

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I IMPORTANT INFORMATION

Governing Law. The listing and trading of the New Shares on the WSE shall be conducted in accordance with and governed by the Polish laws, as well as the WSE and NDS rules. The Company is organised and exists under the Lithuanian law. Also the Lithuanian law will be applicable with regards to the procedure of approval of this Prospectus and its supplements (if applicable) and certain other issues, related to the capital increase of the Company.

Prospectus. This Prospectus has been prepared by the Company in connection with the Admission, solely for the informational purposes. The information contained in the Prospectus has been provided by the Issuer and other sources identified herein. This Prospectus is a prospectus in the form of a single document within the meaning of the Prospectus Directive and the Prospectus Regulation. This Prospectus has been prepared in accordance with Annex XXV (Proportionate Schedule for Minimum Disclosure Requirements for the Share Registration Document for SMEs and companies with reduced market capitalisation) and Annex III (Minimum Disclosure Requirements for the Share Securities Note) of the Prospectus Regulation. A summary of the Prospectus contains the key information items set out in Annex XXII (Disclosure Requirements in Summaries) of the Prospectus Regulation.

The Issuer decided to use the proportionate schedule set out in Annex XXV of the Prospectus Regulation, following Article 26b of the Prospectus Regulation, as the Company is attributable to companies with reduced market capitalisation[1]. Taking into consideration that the Company is listed on the WSE and that it had an average market capitalisation of PLN 267 million (approx. EUR 64 million) on the basis of the year-end quotes for the previous three calendar years, the Company decided to use the aforementioned Annex XXV of the Prospectus Regulation.

This Prospectus was approved by the LB and notified to the PFSA according to the Law on Securities and other applicable legal acts and regulations. In accordance with Article 47.1 of the Public Offering Act the Prospectus is published on the LB's website (www.lb.lt) and Company's website (www.aviasg.com).

1.1 Responsibility for this Prospectus

Persons Responsible. The person responsible for the information provided in this Prospectus is Avia Solutions Group AB, corporate ID code 302541648, with the registered office at Smolensko str. 10, Vilnius, Lithuania. The Company accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Company and members of its Management Board – Mr. Gediminas Žiemelis (Chairman), Mr. Anatolij Legenzov, Mr. Aurimas Sanikovas, Mr. Žilvinas Lapinskas and Mr. Daumantas Lapinskas having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

Gediminas Žiemelis Chairman of the Management Board	Anatolij Legenzov Member of the Management Board	Aurimas Sanikovas Member of the Management Board	Žilvinas Lapinskas Member of the Management Board
Daumantas Lapinskas Member of the Management Board			

Limitations of Liability. Without prejudice to the above, no responsibility is accepted by the persons responsible for the information given in this Prospectus solely on the basis of the summary of this Prospectus, unless such summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information.

The persons responsible do not accept any responsibility for the information pertaining to the Admission of the New Shares to trading on the WSE, the Group or its operations, where such information is disseminated or otherwise made public by third parties either in connection with the Admission or otherwise.

Any persons in possession of this Prospectus should not assume that the information in this Prospectus is accurate as of any other date than the date of this Prospectus. The delivery of this Prospectus at any time after the conclusion of it will not, under any circumstances, create any implication that there has been no change in the Company's (its Group's) affairs since the date hereof or that the information set forth in this Prospectus is correct as of any time since its date. In case until the term of validity of this Prospectus or until Admission (depending on what will happen earlier), material

[1] Companies with reduced market capitalisation are companies listed on a regulated market that had an average market capitalisation of less than 100 MEUR on the basis of the year-end quotes for the previous three calendar years.

changes in operations of the Issuer occur, they will be reflected in supplements to the Prospectus, which will be subject to an approval by the LB and notification to the PFSA. The supplement (if any) will be published in the same manner as the Prospectus.

In case of a dispute related to this Prospectus, the plaintiff may have to resort to the jurisdiction of the Lithuanian courts and consequently a need may arise for the plaintiff to cover relevant state fees and translation costs in respect of this Prospectus or other relevant documents.

1.2 Presentation of Financial and Other Information

Financial Information. This Prospectus contains incorporated by reference financial statements of and financial information relating to the Company and its subsidiaries (the "Group").

The Prospectus contains incorporated by reference Company's separate and the Group's consolidated audited financial statements for the years ended 31 December 2013 and 31 December 2012 (the "IFRS Financial Statements") prepared in accordance with International Financial Reporting Standards as adopted by the European Union (the "IFRS"), as well as the Group's unaudited consolidated interim financial information for the six months period, ended 30 June 2014 (the "Consolidated Interim Financial Information") prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" (IAS 34).

The presentation of financial information in accordance with IFRS requires Management to make various estimates and assumptions which may impact the values shown in the financial statements and notes thereto. The actual values may differ from such assumptions.

The IFRS Financial Statements were audited by PricewaterhouseCoopers UAB, with its registered office in Vilnius, Lithuania (see Section VII *Statutory Auditors*). The Consolidated Interim Financial Information was neither audited nor subject to a review by the auditor.

Approximation of Numbers. Numerical and quantitative values in this Prospectus (e. g. monetary values, percentage values, etc.) are presented with such precision which the Company deems sufficient in order to convey adequate and appropriate information on the relevant matter. From time to time, quantitative values have been rounded up to the nearest reasonable decimal or whole value in order to avoid excessive level of detail. As a result, certain values presented as percentages do not necessarily add up to 100% due to the effects of approximation. Exact numbers may be derived from the financial statements of the Group, to the extent that the relevant information is reflected therein.

Dating of Information. This Prospectus is drawn up based on information which was valid on 30 June 2014. Where not expressly indicated otherwise, all information presented in this Prospectus (including the consolidated financial information of the Group, the facts concerning its operations and any information on the markets in which it operates) must be understood to refer to the state of affairs as of the aforementioned date. Where information is presented as of a date other than 30 June 2014, this is identified by either specifying the relevant date or by the use of expressions as "*the date of this Prospectus*", "*to date*", "*until the date hereof*" and other similar expressions, which must all be construed to mean the date of this Prospectus (24 September 2014).

Currencies. In this Prospectus, financial information is presented either in Lithuanian Litas (LTL), i. e. the official currency of the Republic of Lithuania, in Euro (EUR), i. e. the official currency of the EU Member States participating in the Economic and Monetary Union, or US Dollars (USD), i. e. the official currency of the United States of America. On the date of this Prospectus, the exchange rate between Euro and Lithuanian Litas is fixed to be LTL 3.4528 for EUR 1. Amounts originally available in other currencies have been converted to Euros or Lithuanian Litas as of the date for which such information is expressed to be valid. With respect to the state fees, taxes and similar country specific values, information may occasionally be presented in currencies other than LTL or EUR. The exchange rates between such currencies and Euro may change from time to time.

The necessary EU institutions have approved Euro's introduction as Lithuania's currency as from 1 January 2015. After Lithuania will become one of the EU Member States that adopted the single currency as indicated above, all the quantity values, currently expressed in Lithuanian Litas (Company's financial data, its production tarrifs, etc.) will be converted into Euro, using the aforementioned exchange rate (LTL 3.4528 for EUR 1).

Updates. The Company will update the information contained in this Prospectus only to such extent, at such intervals and by such means as required by applicable law or considered necessary and appropriate by the Company. The Company is under no obligation to update or modify forward-looking statements included in this Prospectus.

Third Party Information and Market Information. With respect to certain portions of this Prospectus, some information may have been sourced from third parties. Such information has been accurately reproduced as far as the Company is aware and is able to ascertain from the information published by such other third parties that no facts have been omitted, which would render the reproduced information inaccurate or misleading. Certain information with respect to the markets, on which the Company and its subsidiaries are operating, is based on the best assessment made by the Management

Board. With respect to the industry, in which the Group is active, and certain jurisdictions, in which its operations are being conducted, reliable market information might be unavailable or incomplete. While every reasonable care was taken to provide the best possible estimate of the relevant market situation and the information on the relevant industry, such information may not be relied upon as final and conclusive. Investors are encouraged to conduct their own investigation into the relevant market or seek professional advice. Information on market shares represents the Management Board's views, unless specifically indicated otherwise.

1.3 Forward Looking Statements

This Prospectus includes forward-looking statements. Such forward-looking statements are based on current expectations and projections about future events, which are in turn made on the basis of the best judgment of the Management. Certain statements are based on the belief of the Management as well as assumptions made by and information currently available to the Management. Any forward-looking statements included in this Prospectus are subject to risks, uncertainties and assumptions about the future operations of the Group, the macro-economic environment and other similar factors.

In particular, such forward-looking statements may be identified by use of words such as *strategy*, *expect*, *forecast*, *plan*, *anticipate*, *believe*, *will*, *continue*, *estimate*, *intend*, *project*, *goals*, *targets* and other words and expressions of similar meaning. Forward-looking statements can also be identified by the fact that they do not relate strictly to historical or current facts. As with any projection or forecast, they are inherently susceptible to uncertainty and changes in circumstances, and the Company is under no obligation to, and expressly disclaims any obligation to, update or alter its forward-looking statements contained in this Prospectus whether as a result of such changes, new information, subsequent events or otherwise.

The validity and accuracy of any forward-looking statements is affected by the fact that the Group operates in a competitive business. This business is affected by changes in domestic and foreign laws and regulations, taxes, developments in competition, economic, strategic, political and social conditions and other factors. The Group's actual results may differ materially from the Management's expectations because of the changes in such factors. Other factors and risks could adversely affect the operations, business or financial results of the Group (please see Section III *Risk Factors* for a discussion of the risks which are identifiable and deemed material at the date hereof).

1.4 Information Incorporated by Reference

The following information is incorporated in this Prospectus by reference in accordance with Article 28 of the Prospectus Regulation:

- the Company's separate and Group's consolidated audited financial statements for the year ended 31 December 2012 together with the consolidated annual report and the independent auditor's report;
- the Company's separate and Group's consolidated audited financial statements for the year ended 31 December 2013 together with the consolidated annual report and the independent auditor's report;
- the Group's unaudited consolidated interim financial information for the six months period, ended 30 June 2014 together with the consolidated interim report;
- Articles of Association.

It is possible to get acquaintance with the aforementioned documents on the website of the Company at http://www.aviasg.com, on the website of the WSE at http://gpw.pl, also at www.gpwinfostrefa.pl.

Documents on Display. Throughout the lifetime of this Prospectus, the aforementioned documents may also be inspected at the head office of the Company located at Smolensko str. 10, Vilnius, Lithuania. Any interested party may obtain a copy of these documents from the Company without charge.

To the extent that documents other than mentioned above (i. e. reports, letters, valuations, statements) are not reflected in this Prospectus with reasonable fullness and do not at the sole discretion of the Company constitute business secrets of the Company, physical inspection of such documents will be arranged at the office of the Company or via electronic mail at the request of any interested party and subject to an agreement between the Company and such interested party regarding the means of inspection of the relevant documents. Reference to the Company's website in this Prospectus should not be deemed to incorporate the information on the Company's website by reference.

1.5 Definitions and Abbreviations

In this Prospectus, the definitions in capital letters will have the meaning indicated below unless the context of the Prospectus requires otherwise. Definitions are listed in alphabetical order and the list is limited to the definitions which are considered to be of more importance. Other definitions may be defined elsewhere in the Prospectus.

Admission	Admission of the New Shares to trading on the WSE

Annual Reports	Separate and consolidated annual reports of Avia Solutions Group AB for the years ended 31 December 2012 and 31 December 2013 approved by the Board
AOC	Air Operator Certificate
Articles of Association	Articles of Association of the Company
Audit Committee	Audit Committee of the Company
Baltic Ground Services	Baltic Ground Services UAB, Baltic Groud Services s.r.l., Baltic Ground Services Sp.z.o.o., Baltic Ground Services UA TOV and Ground Handling CIS UAB collectively
CIS	Commonwealth of Independent States (in Russian: *Содружество Независимых Государств*), a regional organization whose participating countries are certain former Soviet Republics
CIT	Polish Act of 15 February 1992 on Corporate Income Tax (as amended from time to time)
Committees	The Audit Committee collectively with the Nomination and Remuneration Committee
Company or Issuer	Avia Solutions Group AB, a public limited liability company established and existing under the laws of the Republic of Lithuania, corporate ID code 302541648, with its registered address at Smolensko str. 10, Vilnius, the Republic of Lithuania, Company's data is collected and stored with the Register of Legal Persons
Consolidated Interim Financial Information	The Group's unaudited consolidated interim financial information for the six months period, ended 30 June 2014, prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" together with the consolidated interim report for the six months period, ended 30 June 2014
CSDL	Central Securities Depository of Lithuania (in Lithuanian: *Lietuvos centrinis vertybinių popierių depozitoriumas*), the clearing and settlement institution in Lithuania
EASA	European Aviation Safety Agency
EEA	European Economic Area
ESPI	*Elektroniczny System Przekazywania Informacji*, electronic system for transmission of information operated by the PFSA
EU	European Union
EUR, €, Euro	The lawful currency of the EU Member States that adopted the single currency
General Meeting	General Meeting of Shareholders of the Company
Group	The Issuer and all the Subsidiaries of the Issuer, as set out in Section 9.2 *Group Structure*
IAS	International Accounting Standards as adopted by the EU
IFRS	International Financial Reporting Standards as adopted by the EU
IFRS Financial Statements	The Company's separate and the Group's consolidated annual audited financial statements for the years ended 31 December 2012 and 31 December 2013, prepared in accordance with IFRS together with the independent auditor's reports for the years ended 31 December 2012 and 31 December 2013
IATA	International Air Transport Association
Issue	The new, private issue of up to 1,719,444 New Shares, 700,332 of which shall be subscribed, paid and acquired by ZIA VALDA CYPRUS LTD., 630,216 by VGE INVESTMENTS LIMITED, 311,208 by MFO-A Lux S.à r.l., 32,960 by Mr. Žilvinas Lapinskas, 18,525 by Mr. Aurimas Sanikovas, 17,963 by Mr. Paulius Docka and 8,240 by Mr. Daumantas Lapinskas
Issue Price	The issue price per each New Share, equal to LTL 30
Key Executives	The Manager, the Chief Financial Officer and the Director of Economic Development of the Company collectively
Key Management of the Group	Key management of the Group, which includes General Directors of the Group companies, Chief Financial Officers, Financial Directors of the Group companies, Directors of main units and departments collectively
Law on Aviation	Law on Aviation of the Republic of Lithuania (as amended from time to time)
Law on Companies	Law on Companies of the Republic of Lithuania (as amended from time to time)
Law on Securities	Law on Securities of the Republic of Lithuania (as amended from time to time)
LB	The Bank of Lithuania (in Lithuanian: *Lietuvos bankas*)
LCAA	Civil Aviation Administration of the Republic of Lithuania

LTL, Lithuanian Litas	Litas, the lawful currency of the Republic of Lithuania
Major Shareholders	The Company's major shareholders, i. e. the shareholders, holding more than 5 per cent of the share capital and votes, which are ZIA Valda Cyprus Ltd., Vaidas Barakauskas, Harberin Enterprises Limited, Indeco: Investment and Development UAB, ING Otwarty Fundusz Emerytalny, as indicated in Section XIII *Shareholders*
Management	The Management Board and the Key Executives of the Company
Management Board or Board	Management Board of the Company
Member State	A Member State of the European Economic Area
MiFID	Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC (as amended from time to time)
MRO market	The market of aircraft maintenance, repair and overhaul
N/A	'not applicable'
NDS	*Krajowy Depozyt Papierów Wartościowych S.A. (KDPW S.A)*, the National Depository for Securities – the settlement institution in Poland
New Shares	Up to 1,719,444 ordinary registered Shares to be newly issued by the Issuer based on the decisions of the extraordinary General Meeting of 24 September 2014
Nomination and Remuneration Committee	Nomination and Remuneration Committee of the Company
PFSA	Polish Financial Supervision Authority (in Polish: *Komisja Nadzoru Finansowego*), the capital market regulatory authority of the Republic of Poland
PLN, Polish zloty	The lawful currency of the Republic of Poland
Prospectus	This document, prepared solely for the purpose of the Admission, its annex and all the supplements (if any)
Prospectus Directive	Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC (as amended from time to time)
Prospectus Regulation	Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements (as amended from time to time)
Public Offering Act	Polish Act of 29 July 2005 on Public Offerings and Conditions governing the Admission of Financial Instruments to Trading on Organized Markets, and on Listed Companies (as amended from time to time)
Register of Legal Persons	Register of Legal Persons of the Republic of Lithuania
Related Parties	As defined in International Accounting Standard 24 *Related Party Disclosures*
Section	A section of this Prospectus
Shares	Any ordinary registered shares of the Company with the nominal value of LTL 1 each issued and outstanding at any time
Subsidiaries	Subsidiaries of the Issuer, as set out in Section 9.2 *Group Structure*
Summary	The summary of this Prospectus
Supervisory Council	Supervisory Council of the Company
Takeover Directive	Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids (as amended from time to time)
Trading in Financial Instruments Act	Polish Act of 29 July 2005 on Trading in Financial Instruments (as amended from time to time)
USD, $, US Dollars	The lawful currency of the United States of America
VAT	The value added tax applicable in the Republic of Lithuania
WSE	Warsaw Stock Exchange (in Polish: *Giełda Papierów Wartościowych w Warszawie S.A.*),

	a regulated market in Poland
WSE Corporate Governance Code	Code of Best Practice for WSE Listed Companies
WTO	United Nations World Tourism Organization

1.6 Profit Forecasts or Estimates

The Issuer has not made a decision to include the profit forecasts or estimates in the Prospectus.

II SUMMARY

This Summary is made up of disclosure requirements known as "Elements" in accordance with the Annex XXII (Disclosure Requirements in Summaries) of the Prospectus Regulation. These elements are numbered in Sections A – E (A.1 – E.7) below. This Summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the Summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the Summary with the mention of 'not applicable'.

Section A — Introduction and warnings

Element	*Title*	*Disclosure*
A.1	Introduction and warnings	This Summary is not the prospectus for the listing of the Company's New Shares and should be read merely as an introduction to the same. This Summary presents the facts and circumstances that the Company considers important with respect to the Company's business and the Admission and is a summary of certain information appearing in more detail elsewhere in the Prospectus. Any decision to invest in the Company's Shares on the secondary market (WSE) should be based by each investor on the Prospectus (including any amendments or supplements thereto, if any) as a whole and not merely on this Summary. Investors are cautioned that where a claim relating to the information contained in the Prospectus (or this Summary) is brought before a court, the plaintiff investor might, under the national legislation of the relevant state, have to bear the costs of translating the entire Prospectus before court proceedings are initiated. The Company accepts civil liability in respect of this Summary (including any translation hereof) solely in the case where this Summary is found to be misleading, inaccurate or inconsistent when read together with the Prospectus as a whole or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2		Not applicable.

Section B — Issuer

Element	*Title*	*Disclosure*
B.1	Legal and commercial name	Avia Solutions Group AB.
B.2	Domicile / legal form / legislation / country of incorporation	The Issuer is a public limited liability company with its statutory seat in Vilnius, Lithuania, and its registered office at Smolensko str. 10A, Vilnius, Lithuania. It is registered with the Register of Legal Persons under number 302541648. The Issuer is incorporated and operates under the laws of the Republic of Lithuania.
B.3	Key factors regarding current operations, principal activities, categories of products sold and services performed. Principal markets	Avia Solutions Group AB is a holding company together with its Subsidiaries engaged in delivering its clients integrated aviation related services. Currently the Group operates in five business segments: – Aircraft Maintenance, Repair and Overhaul (MRO); – Aircraft Ground Handling and Fuelling; – Pilot and Crew Training; – Business Charter Operations; – Unallocated. The new business segment – Airport Infrastructure Management – will be introduced by the Group until the end of 2014. The table below illustrates the contribution made by each segment to the overall result of the Group:

Item	Business Segment (LTL'000)	6 months ended 30 June		Year ended 31 December	
		2014 (unaudited)	2013 (unaudited)	2013	2012
Total revenue	Aircraft Maintenance, Repair and Overhaul (MRO)	197,094	154,474	339,512	293,089
	Aircraft Ground Handling and Fuelling	119,740	131,612	276,519	302,028
	Pilot and Crew Training	16,643	14,546	28,009	27,602
	Business Charter Operations	242	-	-	-
	Unallocated	3,177	3,425	6,499	4,965
	Inter-segment eliminations	(31,086)	(43,269)	(96,483)	(91,824)
	Total	**305,810**	**260,788**	**554,056**	**535,860**
Gross profit (*)	Aircraft Maintenance, Repair and Overhaul (MRO)	27,149	28,305	52,232	56,663
	Aircraft Ground Handling and Fuelling	3,392	4,143	9,765	8,993
	Pilot and Crew Training	5,486	3,930	7,624	8,223
	Business Charter Operations	(117)	-	-	-
	Unallocated	2,288	2,689	4,873	3,759
	Inter-segment eliminations	(3,395)	(4,304)	(6,742)	(3,990)
	Total	**34,803**	**34,763**	**67,751**	**73,648**
Gross margin (%) (**)	Aircraft Maintenance, Repair and Overhaul (MRO)	13.8%	18.3%	15.4%	19.3%
	Aircraft Ground Handling and Fuelling	2.8%	3.1%	3.5%	3.0%
	Pilot and Crew Training	33.0%	27.0%	27.2%	29.8%
	Business Charter Operations	(48.3%)	-	-	-
	Unallocated	72.0%	78.5%	75.0%	75.7%
	Total	**11.4%**	**13.3%**	**12.2%**	**13.7%**

Source: IFRS Financial Statements, Consolidated Interim Financial Information, the Company

(*) Business segment's gross profit is the difference between revenue and the direct and attributable expenses related to revenue generated excluding general and administrative, sales, financial expenses and income tax, and including inter-segment sales.

(**) Gross margin is the gross profit (as defined above) divided by total revenue. Total revenue by segments is disclosed including inter-segment sales.

Inter-segment eliminations indicate the value created in several business segments. For example, when MRO services are sold to the other segments, profits earned remain in the MRO segment. However, sales of MRO business segment within the Group are eliminated.

Aircraft Maintenance, Repair and Overhaul (MRO)

Activities in the Group's MRO business segment are conducted by FL Technics AB, FL Technics Jets UAB, FL Technics Line UAB, Locatory.com UAB, Helisota UAB and Storm Aviation.

Base maintenance

Base maintenance operations are carried by the Group through FL Technics AB. FL Technics AB occupies 3 aircraft maintenance hangars together with administrative, warehouse and back shop facilities in Vilnius International Airport and Kaunas International Airport – 22,100 m^2 in total. FL Technics AB is an EASA Part-145, Part-M, Part-147, Part-21 certified company, as well as a Boeing GoldCare Program partner, with certificate approvals in Russian Federation, Bermuda and other countries. FL Technics AB currently services a wide range of Boeing, Airbus, ATR, Embraer, Bombardier CRJ, and other types of aircraft.

Line maintenance

Line maintenance operations are carried by the Group through FL Technics AB and Storm

Aviation. Line maintenance is defined as maintenance that is carried out before each flight to ensure that the aircraft is fit for the intended flight.

Continuing airworthiness management (engineering) services

Engineering services are carried by the Group through FL Technics AB. As a large set of integrated services, engineering is at the heart of the technical supervision process for every airline and for every single aircraft it operates.

Spare parts and consumable sales

Spare parts and consumable sales are carried by the Group through FL Technics AB and FL Technics Line OOO. The Group provides comprehensive spare parts management services including: planning / provisioning, purchasing, inventory control, asset management, warehousing and distribution of spare parts and consumables. In addition to ad hoc and pool agreements, the power-by-the-hour (PBH) products have been introduced for existing and new customers.

Technical training and consulting services

Spare parts and consumable sales are carried by the Group through FL Technics AB and Storm Aviation. The training programs, 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.

Engine and Components management services

Engine and Components management operations are carried by the Group through FL Technics AB.

Other MRO services

Other MRO services are carried by the Group through FL Technics AB and Locatory.com UAB. FL Technics AB provides non-destructive testing (eddy current, magnetic particle, dye penetrate and ultrasonic) of airframes and components services. Locatory.com UAB develops and maintains its own trading platform catered specifically to the aircraft spare parts aftermarket while offering proactive customer support and enhancing the industry with effective supply chain management solutions.

Business jet MRO

Business jet MRO operations are carried by the Group through FL Technics Jets UAB. The subsidiary is a global provider of tailor-made maintenance, repair and overhaul services for business aviation.

Helicopter MRO

Helicopter MRO operations are carried by the Group through Helisota UAB. Helisota UAB is an international provider of integrated maintenance, repair and overhaul (MRO) services to rotorcraft aviation. The company is the EASA Part 145 and Part 147 organization as well as the authorized Mil Helicopters and Robinson R44 service center.

Pilot and Crew Training

Pilot and crew training operations are carried by the Group through Baltic Aviation Academy UAB and AviationCV.com UAB.

Certified as the Approved Training Organization (ATO), Baltic Aviation Academy UAB offers Ab Initio and Type Rating pilot training, Cabin Crew, Ground Handling, Flight Dispatch, Instructor and supporting aviation training course solutions. Headquartered in Vilnius, Lithuania, the academy is providing the custom tailored training solutions wrapped in the personal care and seeks to establish itself as a leading aviation training center in Central Europe.

AviationCV.com UAB is a global provider of aviation specialist resourcing solutions for airlines, MRO providers and other industry players. The company has its own vast database (www.aviationcv.com) of flight crew members, aircraft engineers and other aviation specialists aimed at meeting short and long term human resource needs of the global aviation industry.

Aircraft Ground Handling and Fuelling

Baltic Ground Services is a regional group of ground handling companies, which provide full range of aircraft ground handling and fuelling services. As of 30 June 2014, Baltic Ground Services activities were concentrated in Vilnius International Airport and Palanga International Airport (conducted through Baltic Ground Services LT), in Warsaw Chopin Airport, Krakow International Airport and Katowice International Airport in the Republic of Poland (conducted through Baltic Ground Services PL) and in Lamezia Terme Airport in Italy (conducted through Baltic Ground Services IT).

Ground handling services

Ground handling services include the following directions of activity of Baltic GroundServices: passenger, cargo, aircraft, ramp and engineering services.

Fuelling services

Fuelling services include into-plane fuelling, de-fuelling and ground support equipment refuelling services.

Business Charter Operations

The Group is involved in business charter operations related activities conducted through its newly established Subsidiary, Verslo skrydžiai UAB, operating under the registered brand name KlasJet. KlasJet is a business charter carrier, specializing in private and corporate charter flights as well as comprehensive aircraft management solutions.

KlasJet has a fleet of two business jets as of the date of this Prospectus. All aircraft are leased under operating lease agreements.

Airport Infrastructure Management

The Group is engaged in airport inftrastructure development and management activities through its subsidiary – Avia Solutions Group – Airports Management. The company's portfolio includes the development of the Moscow's fourth airport – Ramenskoye International – and other airport projects with the current focus into Russian Federation market.

Major project

At the date of this Prospectus the major project is the development and management of the Moscow-based airport hub – Ramenskoye International Airport.

Ramenskoye International will be the fourth airport of the Moscow Aviation Hub which is currently being developed on the basis of existing Ramenskoye aerodrome. Ramenskoye International will also be Russia's first low cost airport with a flexible pricing system. In order to ensure non-disruptive operations of non-commercial aviation as well as favorable conditions for future operators, Ramenskoye International is being developed in three stages. The first stage covers the development of the existing infrastructure of the Ramenskoye aerodrome through the construction of a brand new 15,000 m^2 passenger terminal. It is planned that the new international terminal will service up to 1.8 million of passengers per year. In addition, the airport will receive a reconstructed automobile road as well as short-term and long-term parking for 200 and 300 cars accordingly.

The company is working in partnership with the largest state-owned holding company Rostec in Russia. The first stage of the project is estimated to require up to USD 30 million of total investments.

Markets

The Group is an active participant of the global aviation services market. The tables below indicate revenue breakdown by countries of client residence:

		Country (LTL'000)	Revenue			

		Country (LTL'000)	Revenue			
			6 months ended 30 June		Year ended 31 December	
			2014 (unaudited)	2013 (unaudited)	2013 (unaudited)	2012 (unaudited)
		Russian Federation	87,224	94,708	195,739	133,094
		Lithuania	34,312	25,498	63,672	53,788
		Poland	28,233	19,160	42,685	46,306
		Hungary	18,810	16,508	33,656	35,870
		Belarus	17,371	11,213	19,074	15,766
		Georgia	13,088	158	304	431
		United Kingdom	12,373	19,265	35,080	41,878
		Other countries	94,399	74,278	163,846	208,727
		Total sales to external customers	**305,810**	**260,788**	**554,056**	**535,860**

Source: the Company

Russian Federation remains the main sales market of the Group, however share of Russian Federation in total revenue decreased during the 6 month period ended 30 June 2014 as compared to the corresponding period in 2013 by 7.8%. Sales of the Group increased in all other territories except United Kingdom. Since the target of the Group is foreign expansion of all its services and products, foreign markets appear to have greater potential for sustainable growth than local market which shall remain stable.

B.4a	Significant recent trends affecting the Issuer and the industry	To the best knowledge of the Company there are no trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects for at least the current financial year except uncertainties related to the situation with Russia (e.g. sanction imposed on it by the EU countries, the U.S. and certain other countries, retaliation by Russia thereto, stagnating Russian economy, etc.). Furthermore, to the best knowledge of the Company and of the Group there were no significant trends in production, sales and inventory, and costs and selling prices since 31 December 2013 to the date of this Prospectus. Also there was no significant change in the financial or trading position of the Group since 30 June 2014 till the date of this Prospectus.
B.5	Group description. Position of the Company within the Group	Currently the Issuer does not belong to the group of companies as it is described in the applicable Lithuanian laws, i. e. the Issuer is not controlled by any persons, as it is indicated in the Law on Companies – none of shareholders of the Company has shares thereof, entitling to more than 1/2 of votes in the General Meeting. The Company operates as a holding company and runs its activities through the Subsidiaries, forming the Group, as indicated below.

Source: *the Company*

* - new business segment (airline infrastructure management) was introduced by the Group in August 2014.

B.6	Persons, directly or indirectly, having interest in the Company's capital or voting rights notifiable under Lithuanian law and the amount of such interest. Voting rights of major shareholders.	The holdings of the Major Shareholders of the Issuer as on the date of this Prospectus are provided below:

Name, surname / name of the company	*Votes and shares held by shareholder, units*	*Votes and shares held by shareholder, %*
ZIA Valda Cyprus Ltd.	1,840,744	30.38
Vaidas Barakauskas	832,666	13.74
Harberin Enterprises Limited	605,227	9.99
Indeco: Investment and Development UAB	457,184	7.55
ING Otwarty Fundusz Emerytalny	390,000	6.44
Hubert Bojdo	100,000	1.65
VGE INVESTMENTS LIMITED	100,000	1.65

Direct or indirect control of the Company

Anatolij Legenzov	73,255	1.21
Aurimas Sanikovas	33,150	0.55
Other free float	1,626,107	26.84
Total:	**6,058,333**	**100.00**

Source: the Company

All Issuer's Shares (including the New Shares) provide the same voting rights for all the shareholders.

The control of the Issuer is exercised by the Issuer's shareholders. The Issuer is not aware of any direct or indirect control links.

However, Mr. Vaidas Barakauskas (Chairman of the Supervisory Council and Chairman of the Nomination and Remuneration Committee) is a direct shareholder of the Company (holding 13.74% of Shares) and an indirect shareholder of the Company, and has an indirect control through Indeco: Investment and Development UAB (holding 7.55% of Shares).

The Company is not aware of any arrangements the operation of which may at a subsequent date result in a change in control of the Company. Also, the Company is not aware of any common control agreements between its shareholders. As of the date of the Prospectus, the Company is not aware of any existing agreements between the shareholders of the Company on the use of voting rights in effect following the completion of the capital increase of the Company.

B.7 Selected historical key financial information. Narrative description of significant change to the Company's financial condition and operating results subsequent to the period covered by selected historical key financial information

Selected financial information on results of operations of the Group is provided in the table below.

SELECTED INFORMATION FROM THE STATEMENTS OF COMPREHENSIVE INCOME (LTL '000)	**6 months ended 30 June**		**Year ended 31 December**	
	2014 (unaudited)	**2013** (unaudited)	**2013**	**2012**
Revenue from continuing operations	305,810	260,788	554,056	535,860
Gross profit from continuing operations	34,803	34,763	67,751	73,648
Operating profit from continuing	7,912	12,627	20,717	31,626
Profit before income tax for continuing operations	7,224	10,549	16,846	29,536
Profit for the period from continuing operations	6,494	9,304	15,290	26,054
Profit (loss) for the period from discontinued operations	-	14,204	16,162	(6,978)
Profit for the period	6,494	23,508	31,452	19,076

Source: IFRS Financial Statements, Consolidated Interim Financial Information

Breakdown of the Group's revenue by revenue type is presented in the table below.

Breakdown of revenue by revenue type (LTL'000)

Revenue type	**6 months ended 30 June**		**Year ended 31 December**	
	2014 (unaudited)	**2013** (unaudited)	**2013**	**2012**
MRO business segment revenue	187,204	150,814	318,905	289,490
Aircraft GH & fuelling business segment revenue	101,365	94,845	206,367	218,389
Pilot and crew training business segment revenue	16,571	14,516	27,858	27,533
Business charter operations business segment revenue	242	-	-	-
Unallocated business segment revenue	428	613	926	448
Revenue from continuing operations	**305,810**	**260,788**	**554,056**	**535,860**

Source: IFRS Financial Statements, Consolidated Interim Financial Information

SELECTED INFORMATION FROM THE BALANCE SHEETS (LTL'000)	**As at 30 June**	**As at 31 December**	
	2014 (unaudited)	**2013**	**2012**
Non-current assets	117,462	118,850	83,145

Current assets	289,048	257,166	187,013
Assets of disposal group classified as held for sale	-	-	29,137
Total assets	406,510	376,016	299,295
Equity attributable to equity holders of the parent	158,278	151,572	114,337
Non-controlling interests	2,919	29	(742)
Total equity	161,197	151,601	113,595
Non-current liabilities	40,289	50,614	28,279
Current liabilities	205,024	173,801	125,632
Total liabilities	245,313	224,415	153,911
Liabilities of disposal group classified as held for sale	-	-	31,789
Total equity and liabilities	406,510	376,016	299,295

Source: IFRS Financial Statements, Consolidated Interim Financial Information

(LTL'000)	6 months ended 30 June		Year ended 31 December	
	2014 (unaudited)	2013 (unaudited)	2013	2012
Cash flow from (used in) operating activities	6,482	4,057	17,952	(21,296)
Cash flow from (used in) investing activities	(13,251)	(3,364)	(30,817)	(3,304)
Cash flow from (used in) financing activities	(38,535)	608	14,727	18,692
Increase (decrease) in cash and cash equivalents	**(45,304)**	**1,301**	**1,862**	**(5,908)**

Source: IFRS Financial Statements, Consolidated Interim Financial Information

KEY RATIOS AND INDICATORS	6 months ended as at 30 June		Year ended as at 31 December	
	2014	2013	2013	2012
Weighted number of the shares (thousand)	6,058	5,887	5,896	5,893
Earnings per share (EPS)[1], LTL	1.059	4.033	5.364	3.306
Number of full-time employees in the Group at the end of the period related to continuing operations	1,437	1,022	1,342	951
EBITDA[2]	20,127	17,691	35,455	42,403
EBITDA margin[3], %	6.6	6.8	6.4	7.9
Operating profit margin[4], %	2.6	4.8	3.7	5.9
Net profit for the period from continuing operations margin (%)	2.1	3.6	2.8	4.9
Return on equity (ROE)[5], %	4.0	16.8	20.7	16.7
Gearing ratio[6], %	**36.6**	32.6	36.9	36.4
Equity ratio[7], %	**39.7**	45.3	40.3	38.2

Source: IFRS Financial Statements, Consolidated Interim Financial Information, the Company

[1] **EPS** = Basic earnings per share have been calculated by dividing net profit for the period attributable to equity shareholders of the parent by the weighted average number of ordinary shares of the Company.

[2] **EBITDA** = Earnings before interest expenses, fair value adjustment and unwinding of security deposits received, income taxes, depreciation and amortization. EBITDA is included as a supplemental item, since the Management believes that EBITDA, when considered in conjunction with cash flows from operating, investing and financing activities, may provide useful information. EBITDA is not an indicator of operating performance calculated in accordance with the IFRS and should not be considered as a substitute for operating profit, net income, cash flow from operations or other profit/loss or cash flow data determined in accordance with the IFRS. It should be noted that EBITDA is not a uniform or standardized measure and the calculation of EBITDA, accordingly, may vary significantly from company to company, and by itself provides no grounds for comparison with other companies. EBITDA is calculated by the Group and has not been included in the IFRS Financial Statements. EBITDA is calculated only for continuing operations.

[3] **EBITDA margin** = EBITDA / Revenue from continuing operations. The EBITDA margin measures the ratio of EBITDA and sales revenue, providing information about the Group's profitability from the operations of its business and is independent of the Group's financing and tax items as well as depreciation-related estimates.

[4] **Operating profit margin** = Operating profit from continuing operations / Revenue from continuing operations. The operating profit margin measures the ratio of operating and sales revenue, providing

		information about the Group's profitability from the operations of its business and is independent both of the Group's financing and tax items. [5] **Return on equity (ROE)** = Net profit / Total equity. Return on equity excludes debt in the denominator and compares net profit for the period with total shareholders' equity. It measures the rate of return on shareholders' investment and is, therefore, useful in comparing the profitability of the Group with its competitors. [6] **Gearing ratio** = Net debt / (Net debt + Total equity). **Net debt** = Total borrowings – Cash and cash equivalents. Gearing ratio is analysis ratio of a level of long-term debt compared to equity capital. [7] **Equity ratio** = Total equity / Total assets. Equity ratio is a measure of financial leverage which highlights the ratio of shareholders' equity to total assets. The analysis of the Group's financial leverage (or capital structure) is essential to evaluate its long-term risk and return prospects.
B.8	Selected key pro forma financial information	Not applicable. The Prospectus does not contain pro forma financial information.
B.9	Profit forecast or estimate	Not applicable. The Issuer has not made a decision to include the financial forecasts or estimates in the Prospectus.
B.10	Qualifications in the audit report on the historical financial information	In auditors' opinion, the separate and consolidated financial statements present fairly, in all material respects, the financial position of the Company and the Group as of 31 December 2012 and as of 31 December 2013, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.
B.11	Working capital	The Management is of the opinion that the working capital of the Group, which amounts to LTL 84,024 thousand as at 30 June 2014 (calculated as a difference between current assets and current liabilities) is sufficient to meet its present requirements for at least the next 12 months following the date of the Prospectus.

Section C — Securities

Element	*Title*	*Disclosure*
C.1	Type and class of securities and security identification number	All the Shares (including the New Shares) are ordinary registered shares with a nominal value of LTL 1 each and are registered with the CSDL under ISIN code LT0000128381, as well as in the Polish settlement institution's NDS foreign account in the CSDL. After issuance of the New Shares and assimilation of the Shares already issued, ISIN number of the New Shares will be the same as the number of Shares, already issued. This Prospectus was not prepared for the public offering of the New Shares of the Company and was drafted exclusively for the purpose of Admission of the New Shares to trading on the Parallel Market of the WSE. All the Shares, including the New Shares, are pari passu (at an equal pace without preference) with regard to property and non-property rights they grant to shareholders.
C.2	Currency of the Issue	LTL (Lithuanian Litas).
C.3	Number of shares issued and fully paid / issued but not fully paid. Par value per share	As of the date of this Prospectus, the Company's share capital is LTL 6,058,333 and is divided into 6,058,333 ordinary registered Shares with a nominal value of LTL 1 each. As of the date of this Prospectus, all of the issued and outstanding Shares are fully paid up.
C.4	Rights attached to the securities	Pursuant to Articles 5.1 and 5.2 of the Articles of Association, rights conferred by the shares of the Company are as follows: – To receive a part of the profit of the Company (a dividend); – To receive funds of the Company where the authorised capital of the Company is reduced for the purpose of paying the funds of the Company to Shareholders; – To receive a part of assets of the Company in liquidation; – To receive shares without payment where the authorised capital of the Company is increased out of the funds of the Company, except in cases provided by the Law on Companies; – To have the pre-emptive right in acquiring the shares or convertible debentures issued by the Company, except when the General Meeting resolves to withdraw the pre-emptive right for all the Shareholders following the procedure provided by the Law on Companies;

		– To transfer all or any of the shares to other persons following the procedure established by the Articles of Association and the laws and regulations of the Republic of Lithuania. Shareholders shall have the right to transfer only fully paid up shares to other persons; – To lend money to the Company following the procedure and as provided by the laws of the Republic of Lithuania. However, when borrowing from its shareholders, the Company may not pledge its assets to the shareholders. When the Company borrows from a shareholder, the interest may not be higher than the average interest rate offered by commercial banks of the locality where the lender has his place of residence or business, which was in effect on the day of conclusions of the loan agreement. In this case the Company and shareholders shall be prohibited from negotiating a higher interest rate; – To attend General Meetings with the right to vote and to vote at General Meetings according to voting rights carried by their shares; – To provide the questions to the Company in advance relating to the items on the agenda of the General Meetings; – To receive information about the Company specified in the Law on Companies; – To file a claim with the court for reparation of damage resulting from nonfeasance or malfeasance by the Manager of the Company and members of the Board of their obligations established by the laws of the Republic of Lithuania and the Articles of Association, as well as in other cases laid down by law of the Republic of Lithuania; – Other property and non-property rights provided by the laws and the Articles of Association.
C.5	Restrictions on free transferability of securities	There are no restrictions on transfer of Shares (including the New Shares) as they are described in the applicable laws.
C.6	Admission to trading / Names of the regulated markets	As of the date of this Prospectus, all the existing Shares of the Issuer (6,058,333 units) are listed on the Parallel Market of the WSE. Following the registration of capital increase under the decisions of the General Meeting, dated 24 September 2014 with the Register of Legal Persons and registration of the New Shares in the CSDL, as well as in the NDS foreign account in the CSDL, the Issuer also intends to make an application to the WSE for the Admission of the New Shares (up to 1,719,444 units) to trading on the aforementioned regulated market. Thus, this Prospectus was prepared exclusively for the purpose of Admission of the New Shares (up to 1,719,444 units) to trading on the Parallel Market of the WSE. In this Prospectus a public offering of the New Shares is not foreseen, as all the New Shares will not be offered publically and will be subscribed and acquired solely by ZIA VALDA CYPRUS LTD., VGE INVESTMENTS LIMITED, MFO-A Lux S.à r.l., Mr. Žilvinas Lapinskas, Mr. Aurimas Sanikovas, Mr. Paulius Docka and Mr. Daumantas Lapinskas, following the withdrawal of the pre-emptive right of the existing Company's shareholders to acquire the New Shares as indicated in the decision of the General Meeting, dated 24 September 2014.
C.7	Dividend policy	The Company does not have an approved policy on dividend distributions and any restrictions thereon. The Company's and the Group's current priority is to use profits for the development of the Company, rather than for the distribution of dividends and it has not paid out dividends in the last two full financial years. However, the Company does not rule out paying dividends in the future depending on its financial performance, cash flows, financial condition, capital requirements and the results of the investment projects currently underway.

Section D — Risks

Ele-ment	*Title*	*Disclosure*
D.1	Key risks specific to the Company or the industry	***General Business Risks:*** *Economic instability.* The Group conducts its business in many countries and geographical areas. The principal sales markets of the Group are located in the Baltic States, Western Europe and CIS. Economic downturn and volatile business conditions may adversely influence the Group's ability to execute its business strategy and may negatively affect its operating results or possibilities to obtain external financing. *Potential challenges to implementing business strategy and achieving desired results.*

Dependence on external financing.

The recent global sovereign debt crisis could result in higher borrowing costs and more limited availability of credit, as well as impact the overall industry, in which the Group operates and the financial health of the Group's counterparties.

Political risks. Due to geographical diversification of sales and the current macroeconomic and political events in some countries beyond EU, applied sanctions by a number of EU governments during the 2014 pro-Russian unrest in Ukraine the Group is exposed to political risks that could have a negative impact on the Group's sales and profitability, and the value of its assets.

Inflation. The upcoming years may entail considerable inflation. The Group's expenditures would increase considerably due to inflation and the Issuer would have to cover its increased costs from internal resources, unless the Issuer manages to increase its prices.

Some of the Group's assets are mortgaged in order to secure bank credits. The value of the assets mortgaged by the Group for this purpose as on 30 June 2014 was LTL 64.1 million. Such mortgaged assets constituted 15.8% of the total assets on the consolidated financial statements.

Insolvencies among major customers and contracting parties.

Exposure to currency fluctuations. The Group conducts its business operations in multiple currencies. The major currencies are Euros, US Dollars, Russian Roubles and Lithuanian Litas. Therefore, unfavourable currency movements may adversely affect business transactions of the Group and consequently impair its financial position.

Increase of salaries. Labour costs make a considerable part of the cost of the Group's products and services. Though workforce is cheaper in Lithuania than in old EU Member States, the difference should decrease constantly as the Lithuanian economy is catching up with the average of the EU. Willing to remain competitive and retain its employees, the Issuer may be forced to increase its labour costs at a faster pace than it used to do previously.

General Aviation Industry Risks:

Effect of terrorist attacks, military conflicts and their aftermaths on the aviation industry.

Natural disasters and other natural phenomena (such as erruption of Eyjafjallajökull volcano in Iceland in April 2010) may disrupt air travel.

Aviation Services Industry Risks:

Effect of the airline industry on the aviation service business. Since customers of aviation services provided by FL Technics AB, FL Technics Jets UAB, Locatory.com UAB, Baltic Ground Services and Baltic Aviation Academy UAB consist mainly of airlines and aircraft spare parts redistributors, economic factors affecting the airline industry impact on the business of aviation services. The economic and other factors which may affect the airline industry may also adversely impact on the business, financial condition or results of operations of airline service industry.

Heavy regulation of aviation service business.

Dependence on the main regional suppliers of spare parts for Mil rotorcraft. The Group's spare parts for Mil rotorcraft are supplied only from CIS countries. If the present suppliers of the Group decrease the functionality or quality of such products or substantially increase prices of such products or substantially decrease sales of such products otherwise, Helisota UAB market share, sale and profit ratios could suffer a significant adverse effect.

It may be necessary for the Group to upgrade its property and equipment used in manufacturing process.

Aviation Infrastructure Industry Risks:

Economic and industry conditions. Constantly changing world economic conditions and already worsening of political and economic relations between the EU and Russian Federation may have a material adverse effect on the development and management of the Ramport investment project.

Highly competitive aviation infrastructure industry. Avia Solutions Group – Airports Management OOO (the company which will develop the Moscow's fourth airport – Ramenskoye International and other airport projects) will operate in a highly competitive market and will be in intense competition with a number of other airports. Main of Airports Management's competitors have large home markets, government grants, financial resources, unlimited time operations, developed ground infrastructure and attractive distances from Moscow. It is possible that the Group will not manage to compete successfully with its competitors, as a result of which the Group may loose the market share and may have an adverse effect on the Group's business, performance or financial situation.

Price of construction, energy, employee related and other expenses, used by the Group may rise.

Group Specific Risks:

Dependence on key management personnel.

Success of former, current and future investment projects. The Group carried out investment projects of large scope in the past and may carry them out in the future. If the investment projects which are being carried out or planned investment projects turn out to be worse than expected, if the return on these projects is less than planned or if their price turns out to be more than planned, this can have a significant adverse effect on the Group's activities, its financial situation and performance. Also, there is no guarantee that the current investment projects related to increase of the Group's capacities, introduction of new services/products and/or technologies will meet the needs of the Group's customers.

Group's activities can be interrupted by various unforeseen circumstances and accidents.

Group's performance depends on its ability to attract qualified and semi-qualified labour force.

Fluctuations of interest rates and foreign currency exchange rate. The Group operates internationally and is exposed to foreign currency exchange risk arising from various currency exposures primarily with respect to US Dollar (USD) and Russian Rouble (RUB). A rising adverse result of foreign exchange gains/losses of US dollar-denominated and RUB-denominated trade and other receivables, trade and other payables would decrease the Group's pre-tax profits.

Contractual risks. The Group conducts its business in numerous countries and jurisdictions and enters into a considerable number of complex agreements imposing various obligations and covenants on the respective Group companies. These agreements contain extensive positive and negative covenants. It is possible that the Company and/or its Subsidiaries have not been or will not be able to comply with all applicable covenants despite their constant efforts to do so.

Compliance with legal acts. The Subsidiaries and the Company are required to comply with large number of laws and regulations in numerous countries relating, but not limited to adherence to licensing requirements, operational procedures and quality standards. Any failure to comply with the applicable laws and regulations may expose Subsidiaries to administrative penalties and civil remedies including fines or injunctions, as well as revocation or suspension of licenses or in certain cases even minor infringement proceedings can be started.

Dependence on Subsidiaries.

Transactions with related parties. There is significant number of transactions with related parties within the Group. The transactions between related parties must be concluded at arm's length. Even though the Management of the Company puts its best efforts to ensure the compliance with this standard, there still remains a theoretical risk of potential tax implications if it were determined that certain transactions deviate from the arm's length standard.

		Guarantee issued by FL Technics AB. On 23 January 2008 FL Technics AB issued a guarantee securing the performance of obligations of flyLAL – Lithuanian Airlines AB in the amount of LTL 4 million. Under this guarantee, FL Technics AB is jointly and severally liable to the Ministry of Finance of the Republic of Lithuania if the recourse rights under the guarantee issued by the Ministry of Finance for the performance of obligations of flyLAL – Lithuanian Airlines AB, which is currently undergoing bankruptcy procedures, arose towards Nordea Bank Finland Plc Lithuanian Branch.
D.3	Key risks that are specific to the Shares	***Risks Relating to Company's Shares:*** *The price of the Company's Shares may fluctuate significantly.* *Turmoil in emerging markets could cause the value of the Shares to suffer.* *The market value of Shares may be adversely affected by future sales or issues of substantial amounts of Shares.* *Intended increase of number of Shares of the Issuer will bear a dilution effect to shareholders, not participating in subscribing the New Shares.* *The marketability of the Shares may decline and the market price of the Company's Shares may fluctuate disproportionately in response to adverse developments that are unrelated to the Company's operating performance.* *Securities or industry analysts may cease to publish research or reports about the Company's business or may change their recommendations regarding the Shares.* *There is no guarantee that the Company will pay dividends in the future.* *The Issuer may be unable to list the New Shares on the WSE.* *Changes to the pension system in Poland may have negative influence on the Polish capital market and on the price of the Shares.* *There is no guarantee that the Company will remain listed on the WSE.* *Trading in the Company's Shares on the WSE may be suspended.* *There can be no assurance regarding the future development of the market for the Shares and its liquidity.* ***Legal and taxation Risks:*** *The rights of Lithuanian company shareholders may differ from the rights of shareholders of a Polish company and the legislation, interpretation and application of legal acts may be different in Lithuania from that in Poland.* *Judgments of Polish courts against the Company and the Group may be more difficult to enforce than if the Company and its management were located in Poland.* *Tax treatment for non-Lithuanian investors in a Lithuania company may vary.* *The Issuer does not follow the WSE Corporate Governance Code to its full extent.* *Tax contingencies and uncertain tax positions.* Lithuanian tax legislation which was enacted or substantively enacted at the end of the reporting period may be subject to varying interpretations. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by relevant authorities. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years proceeding the year of review. Management is not aware of any circumstances that could lead to significant tax charges and penalties in the future that have not been provided for or disclosed in these financial statements. The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities.

Section E — Offer

Element	*Title*	*Disclosure*
E.1	Total net proceeds. Estimate of total expenses of the Issue (including estimated expenses charged to the investor)	No public offering of the New Shares shall be executed by the Company. This Prospectus was not prepared for the public offering of the New Shares of the Company and was drafted exclusively for the purpose of Admission of the New Shares to trading on the Parallel Market of the WSE. As a result of the Issue, which is a private offering, the Company will receive the proceeds in an amount of LTL 51,583,320, assuming that all the New Shares will be subscribed and paid by the persons, to which they are directed. Following the preliminary calculations, the Issuer's fixed expenses, related to this Issue, shall comprise of up to LTL 200,000 (including, without limitation, the fixed fees (if any) for the Lithuanian and Polish legal counsels, fees to the LB for approval of the Prospectus, fees to the CSDL, NDS and WSE, fees for preparation of the Prospectus). The Issuer does not intend to charge any expenses to the investors.
E.2a	Reasons for the Issue / Use of proceeds / Estimated net amount of proceeds	Historically the Group has financed its development through capital contributions, cash flows from business, loans from related parties and bank borrowings. The purpose of the Issue is to attract additional capital and ensure the successful implementation of further development strategies of the Group. The aggregate net proceeds of the Issue to be received by the Company are expected to be used for the planned investments as described below. The amount of the gross proceeds raised from the Issue of the New Shares depends on the number of the New Shares actually subscribed and fully paid-up. The Company expects the gross proceeds from the Issue of the New Shares, provided that all of the New Shares are subscribed and paid for their Issue Price to be approximately USD 20 million (up to LTL 51,583,320). The net proceeds depend on final costs and expenses associated with Issue of the New Shares. The Group plans to invest LTL 26 million into first stage of the Ramport development project (the initial stage of project development) as equity financing to secure the availability of further external financing. The initial stage of the project is planned to be completed until the middle of 2016. The first stage covers the development of the existing infrastructure of the Ramenskoye aerodrome through the construction of a brand new 15,000 m^2 passenger terminal. It is planned that the new international terminal will service up to 1.8 million of passengers per year. In addition, the airport will receive a reconstructed automobile road as well as short-term and long-term parking for 200 and 300 cars accordingly. The Group also plans to invest LTL 18 million into expansion of MRO business segment capacity as equity financing to secure the availability of further external financing. Furthermore, the Group plans to invest into aircraft and rotorcraft maintenance hangars space nearby existing facilities in Kaunas International Airport or by acquisition or establishment of similar maintenance business in other location, into inventory and equipment for servicing new aircraft types and into development of spare part and engine management business. Expansion of aircraft ground handing and fuelling operations to Ramenskoye International Airport will require investment into equipment and into additional covering working capital needs of the fuelling division in the value of up to LTL 8 million. There are also other investments planned to be completed by the beginning of 2016. Investment plans are dependent on the Group's ability to secure external financing, negotiate beneficial terms and receive new licenses to complete investments. The proceeds resulting from the Issue will provide the opportunity to continue the policy of sustainable growth and geographical expansion which the Group has so far pursued. Taking into consideration the above, the Issue is an important step towards the overall strategic objective of the Group. Should the net proceeds from the Issue fall below the amount allowing to cover the expected expenditures, the Management will decide on the reduction in a scale of the investments, focusing on financing the investments with highest value added potential.
E.3	Terms and conditions of the	This Prospectus was not prepared for the public offering of the New Shares of the Company and was drafted exclusively for the purpose of Admission of the New Shares to trading on

	offer	the Parallel Market of the WSE. The Company expects that the New Shares will be admitted to trading on the WSE in the beginning of November 2014. The new issue, which is a private issue of up to 1,719,444 New Shares, 700,332 of which shall be subscribed, paid and acquired by ZIA VALDA CYPRUS LTD., 630,216 by VGE INVESTMENTS LIMITED, 311,208 by MFO-A Lux S.à r.l., 32,960 by Mr. Žilvinas Lapinskas, 18,525 by Mr. Aurimas Sanikovas, 17,963 by Mr. Paulius Docka and 8,240 by Mr. Daumantas Lapinskas.
E.4	Interests material to the Issue / Conflicting interests	The Issuer is not aware on any interests of natural or legal persons, including the conflicting ones that could be material to the issue of New Shares under the decision of the General Meeting of 24 September 2014, except that all the New Shares shall be subscribed and acquired by ZIA VALDA CYPRUS LTD., VGE INVESTMENTS LIMITED (current shareholders of the Company), MFO-A Lux S.à r.l., Mr. Žilvinas Lapinskas (member of the Management Board), Mr. Aurimas Sanikovas (current shareholder and member of the Management Board), Mr. Paulius Docka and by Mr. Daumantas Lapinskas (member of the Management Board).
E.5	Name of the person or entity offering to sell the security. Lock-up agreements: parties involved; period of lock-up	Not applicable. This Prospectus was not prepared for the public offering of the New Shares of the Company and was drafted exclusively for the purpose of Admission of the New Shares to trading on the Parallel Market of the WSE. Furthermore, as far it is known to the Company, there are no lock-up agreements, related to Company's Shares.
E.6	Immediate dilution	The Issuer's share capital consists of 6,058,333 ordinary registered shares with a nominal value of LTL 1 each (nominal share capital: LTL 6,058,333). During the Issue it is planned to issue up to 1,719,444 ordinary registered Shares with a nominal value of LTL 1 each. After the Issue (in case all the New Shares will be subscribed and acquired), the Issuer's share capital will increase from LTL 6,058,333 to LTL 7,777,777. Due to this, current shareholders of the Company who will not acquire equivalent amounts of Shares in a new Issue (due to withdrawal of their pre-emptive right; except for ZIA Valda Cyprus Ltd., which will acquire 700,332 of the New Shares, VGE INVESTMENTS LIMITED, which will acquire 630,216 of the New Shares and Mr. Aurimas Sanikovas, who will acquire 18,525 of the New Shares) will bear a dilution effect equal to 22.11%; shareholders stake in the Issuer's share capital before the Issue will be equal to 77.89% after the Issue, i.e. such shareholders' stake will be reduced by 22.11%.
E.7	Estimated Expenses charged to the investor by the Company	Not applicable. The Issuer does not intend to charge any expenses to the investors.

III RISK FACTORS

The risk factors exist, related to activities of the Issuer and investment into its securities. If any of the events described below actually occur, the Group's business, financial condition or results of operations could be materially adversely affected, and the value and trading price of the Shares may decline, resulting in a loss of all or a part of any investment in the Shares. Furthermore, the risks described below are not the only risks the Group faces. The order of the risk factors described below is not an indication of their relative importance for the Group, the probability of their occurrence or their potential influence on the Group's activity. Additional risks not currently known or which are currently believed to be immaterial may also have a material adverse effect on the business, financial condition and results of operations of the Group.

3.1 General Business Risks

Economic instability

The Group conducts its business in many countries and geographical areas. The principal sales markets of the Group are located in the Baltic States, Western Europe and CIS. Both developed and emerging markets are subject to impacts of economic downturn, including decreased global demand for aviation services and conservative lending policy of credit institutions. In addition, profit margins for various products are influenced by economic conditions and tend to decrease during economic recessions. As a result, economic downturn and volatile business conditions may adversely influence the Group's ability to execute its business strategy and may negatively affect its operating results or possibilities to obtain external financing.

Potential challenges to implementing business strategy and achieving desired results

The Group expects to sell a greater volume of its products, to provide a greater volume of its services, to develop and manage the Ramport investment project and subsequently to earn higher returns in the future. However, these results are not guaranteed and are subject to variation due to numerous factors. The Group's financial results might not develop as projected because of a lower global demand, increased competition or the Group's inability to implement its business strategy. In addition, the Management team may fail to correctly anticipate future market trends and make worse than optimal decisions regarding future development of the Group.

Dependence on external financing

Further development of the Group's activities will require substantial amounts of capital to fund operating activities and capital expenditures. For this reason, failure to secure adequate levels of external financing might limit the Group's growth plans and place it at competitive disadvantage as compared to well-capitalized peers.

Furthermore, credit facilities of the Company's Subsidiaries FL Technics AB, Baltic Ground Services and Baltic Aviation Academy UAB contain covenants placing certain restrictions and limiting the discretion of the Subsidiaries' management by the necessity to meet certain financial ratios and existence of restrictions to grant or receive loans without an approval of the financing party. In case of failure to comply with these covenants, the Subsidiaries run the risk of certain credit facilities being cancelled or a demand being made to repay certain loans. Such events may cause interruptions in regular business activities, loss of collateral or, in extreme cases, a financial distress in the respective Subsidiary.

The recent global sovereign debt crisis could result in higher borrowing costs and more limited availability of credit, as well as impact the overall industry, in which the Group operates and the financial health of the Group's counterparties

Due to on-going recession and financial disturbance in Europe the availability of capital can be limited and therefore the cost of borrowing can increase. Poor economic situation in Greece, Spain, Ireland, Cyprus and other EU Member States might further negatively affect the commercial situation of many banks operating in Europe. In addition, the risk of lower consumer confidence can have an adverse impact on financial markets and economic conditions in the EU and throughout the world and, in turn, the market's anticipation or reflection of these impacts could have a material adverse effect on the Group's business in a variety of ways:

- difficulty or inability to acquire capital for further business expansion and to cover financial obligations of current debt;
- increased risk of weak financial condition of the Group's counterparties resulting from current economic situation;
- exposure to increased bank risk, if banks issue letters of credit or other forms of guarantees to the Group in lieu of cash security deposit from its counterparties, such banks may fail to pay when the Group seeks to draw on these letters of credit.

Political risks

Due to geographical diversification of sales, the current macroeconomic and political events in some countries beyond EU, applied sanctions by a number of EU governments during the 2014 pro-Russian unrest in Ukraine, the Group is exposed to political risks that could have a negative impact on the Group's sales and profitability, and the value of its assets. In the markets with increased political risk, the Group is monitoring even more closely the operations of its companies and adjusting its business activities to the given level of risk. Despite these efforts, the Management finds the political risks increased, in part due to the current political turmoil in Ukraine and in some other countries.

Inflation

The upcoming years may entail considerable inflation. Relevant expenses of the Group, e. g., investment to equipment and workforce, are closely related to the general price level. Growing inflation may prevent the Issuer from changing the prices of its products respectively to preserve the existing profit margin or may lead to higher losses. Thus, the Group's expenditures would increase considerably due to inflation and the Issuer would have to cover its increased costs from internal resources, unless the Issuer manages to increase its prices. Thus, strong inflation may have a considerable adverse influence on the Issuer's financial situation and business results.

Some of the Group's assets are mortgaged in order to secure bank credits

Some of the Group's assets are mortgaged in order to secure bank credits. The value of the assets mortgaged by the Group for this purpose as on 30 June 2014 was LTL 69.4 million. Such mortgaged assets constituted 17.1% of the total assets on the consolidated interim financial information. Despite of that, a theoretical risk remains that circumstances could appear in which the Group could face financial difficulties of such a scope that the Group's creditors would take actions restricting the Group's right to dispose of the assets mortgaged to secure credits. Such circumstances could have a negative effect on the financial situation and performance of the the Group.

Insolvencies among major customers and contracting parties

In 2012 and 2013, the Group recognised impairment of receivables amounting to LTL 3.9 million and LTL 8.9 million respectively. Insolvencies among the Group's customers or contracting parties could result in losses for the Group and may have a material adverse effect on the Group's revenues and results of operations.

Exposure to currency fluctuations

The Group conducts its business operations in multiple currencies. The major currencies are Euros, US Dollars, Russian Roubles and Lithuanian Litas. Exposure to currency fluctuations results from currency mismatches in purchasing and sales activities, i. e. goods and services are bought and sold in different currencies. Therefore, unfavourable currency movements may adversely affect business transactions of the Group and consequently impair its financial position.

Increase of salaries

Labour costs make a considerable part of the cost of the Group's products and services. Though workforce is cheaper in Lithuania than in old EU Member States, the difference should decrease constantly as the Lithuanian economy is catching up with the average of the EU. Willing to remain competitive and retain its employees, the Issuer may be forced to increase its labour costs at a faster pace than it used to do previously. If the Issuer fails to increase labour efficiency and effectiveness by increasing these costs, this may have a considerable adverse effect on the Issuer's financial situation and business results.

3.1.1 General Aviation Industry Risks

Effect of terrorist attacks, military conflicts and their aftermaths on the aviation industry

As a result of the 11 September 2001 terrorist attacks in the United States and subsequent terrorist attacks abroad, notably in the Middle East, Southeast Asia and Europe, increased security restrictions were implemented on air travel, costs for aircraft insurance and security measures have increased, passenger and cargo demand for air travel decreased and operators have faced increased difficulties in acquiring war risk and other insurance at reasonable costs. In addition, war or armed hostilities, or the fear of such events could further exacerbate many of the problems experienced as a result of terrorist attacks. Uncertainty regarding the situation in Iraq and tension over Iran's and North Korea's nuclear programs, may lead to further instability in the Middle East and Southeast Asia. Future terrorist attacks, war or armed hostilities, or the fear of such events, could further adversely affect the aviation industry and may have an adverse effect on the financial condition and liquidity of the Group's lessees, aircraft and engine values and rental rates, and may lead to lease restructurings or repossessions, all of which could adversely affect the Group's financial results and sustainable growth prospects.

Terrorist attacks and adverse geopolitical conditions have adversely affected the aviation industry and concerns about such events could also result in:

- higher costs to the airlines due to the increased security measures;
- decreased passenger demand and revenue due to the inconvenience of additional security measures;
- uncertainty of the price and availability of jet fuel and the cost and practicability of obtaining fuel hedges under current market conditions;
- higher financing costs and difficulty in raising the desired amount of proceeds on favorable terms, if at all;
- significantly higher costs of aviation insurance coverage for future claims caused by acts of war, terrorism, sabotage, hijacking and other similar perils, and the extent to which such insurance has been or will continue to be available;
- inability of airlines to reduce their operating costs and conserve financial resources, taking into account the increased costs incurred as a consequence of terrorist attacks and geopolitical conditions, including those referred to above; and
- special charges recognized by some operators, such as those related to the impairment of aircraft and engines and other long lived assets stemming from the grounding of aircraft as a result of terrorist attacks, the economic slowdown and airline reorganizations.

Future terrorist attacks, war or armed hostilities, or the fear of such events, may further increase airline costs, depress air travel demand, cause certain aviation insurance to become available only at significantly increased premiums or not be available at all and may have a further adverse impact on the airline industry and on the financial condition and liquidity of our lessees, aircraft values, and rental rates, all of which may adversely affect financial results and sustainable growth prospects of the Group.

All of the above may cause the decrease not only of demand for air travel but also the demand for aviation services supplied by the Group.

Natural disasters and other natural phenomena may disrupt air travel

Air travel can be disrupted, sometimes severely, by the occurrence of natural disasters and other natural phenomena. For example, in April 2010, the Eyjafjallajökull volcano in Iceland erupted, releasing a massive amount of ash and glass particles into the air. The volcanic ash travelled across Europe, causing the closure of airports and grounding of air traffic in, and cancelling of flights through, affected areas. The airline industry incurred substantial losses from the disruption to air travel caused by this volcanic eruption, negatively affecting the financial condition of certain major airlines and the aviation industry as a whole.

3.1.2 Aviation Services Industry Risks

Effect of the airline industry on the aviation service business

Since customers of aviation services provided by FL Technics AB, FL Technics Jets UAB, Locatory.com UAB, Baltic Ground Services and Baltic Aviation Academy UAB consist mainly of airlines and aircraft spare parts redistributors, economic factors affecting the airline industry impact on the business of aviation services. When economic factors adversely affect the airline industry, they tend to reduce the overall demand for maintenance and repair services, causing downward pressure on pricing and increasing the credit risks associated with doing business with airlines. Additionally the price of fuel affects the aircraft spare parts and maintenance and repair markets, since older aircraft, which consume more fuel and which account for most of the Group's aircraft spare parts and maintenance and repair services business, become less viable as the price of fuel increases. The economic and other factors which may affect the airline industry may also adversely impact on the business, financial condition or results of operations of airline service industry.

Heavy regulation of aviation service business

Aircraft maintenance, repair and overhaul (MRO) business of FL Technics AB, FL Technics Jets UAB, FL Technics Line OOO, Storm Aviation and Helisota UAB must be certified by the EASA in order to repair aircraft, rotorcraft and their components. The aircraft' and rotorcraft' spare parts which the Subsidiaries sell to customers must be accompanied by documentation that enables the customers to substantiate their compliance with applicable regulatory requirements. Before parts may be installed in an aircraft or/and in a rotorcraft, they must meet the standards of condition established by the EASA and/or the respective regulatory agencies in other countries. Specific regulations vary from country to country. However, regulatory requirements in other countries generally coincide with the EASA requirements. The spare parts used by the Group may not meet applicable standards or standards may change in the future, requiring parts already in the Group's inventory to be scrapped or modified. Aircraft and rotorcraft manufacturers may also develop new parts to be used in lieu of parts already in the Group's inventory. To the extent that the Group has any of these parts in its inventory their realisable value may decrease.

Aviation personnel business of Baltic Aviation Academy UAB must be certified by the EASA in order to provide tailor-made crew training services. Crew training services which Baltic Aviation Academy UAB sells to its customers in connection with Group's services must be accompanied by documentation that enables the customers to substantiate their compliance with applicable regulatory requirements. Specific regulations vary from country to country as well. However, regulatory requirements in other countries generally coincide with the EASA requirements. Baltic Aviation Academy UAB services may not meet applicable standards or standards may change in the future, requiring services agreements with customers already signed to be cancelled or significantly modified.

The Group cannot assure that new and more stringent government regulations will not be adopted in the future or that any such new regulations, if enacted, would not adversely affect the Group's business, financial condition or results of operations.

Dependence on the main regional suppliers of spare parts for Mil rotorcraft

The Group's spare parts for Mil rotorcraft are supplied only from CIS countries. If the present suppliers of the Group decrease the functionality or quality of such products or substantially increase prices of such products or substantially decrease sales of such products otherwise, Helisota UAB market share, sale and profit ratios could suffer a significant adverse effect.

It may be necessary for the Group to upgrade its property and equipment used in manufacturing process

The Group companies use a lot of equipment and facilities in their operations. Therefore, the Group carries the risk that the main parts of equipment and facilities can break down or show wear earlier than planned. In such case the Group's Subsidiaries would have to assign lots of funds for repairs or upgrade of equipment, in this way restricting their possibilities to make investments into the planned development and entry into new markets. This can have an adverse effect on the Group's financial situation. Furthermore, such repairs, upgrades may require additional financing. Failures, breakdown, etc. of the main manufacturing facilities used in the operations can have a direct adverse effect on the scope of activities and sales of the Group and an adverse effect on Group's financial situation and performance.

According to the estimates of the Management, the above-mentioned equipment and facilities are currently in good technical order, besides, they are constantly maintained by relevant specialists, and investments are regularly made in order that they would be in line with the market standards. Thus, the Group seeks to minimise this risk using these and other related measures.

3.1.3 Aviation Infrastructure Industry Risks

Economic and industry conditions

Constantly changing world economic conditions and already worsening of political and economic relations between the EU and Russian Federation may have a material adverse effect on the development and management of the Ramport investment project. Avia Solutions Group – Airports Management OOO (the company which will develop the Moscow's fourth airport – Ramenskoye International and other airport projects, further referred to as "Airports Management") business and future results of operations are significantly impacted by general aviation industry conditions as well. Industry-wide passenger air travel varies from year to year. Demand for air transportation services depends largely on general economic conditions, including the strength of the global and local economies, unemployment, seasonality and consumer confidence levels. For leisure travelers, air transportation is often a discretionary purchase that they can eliminate from their spending in difficult economic times. All of the above factors or worsening of the stagnating Russian economy, may lead the Group to suspend further implementation of business strategy, which may have a material adverse effect on the Group's business, financial condition or results of operations.

Highly competitive aviation infrastructure industry

Airports Management will operate in a highly competitive market and will be in intense competition with a number of other airports. Airports Management's competitors include three major airports that serve Moscow, and alternative airports that could be realized on the basis of airports of Kaluga, Ivanovo, Vladimir, Tver and Ryazan regions, as well as on the basis of the northern complex Sheremetyevo Airport. Main of Airports Management's competitors have large home markets, government grants, financial resources, unlimited time operations, developed ground infrastructure and attractive distances from Moscow. It is possible that the Group will not manage to compete successfully with its competitors, as a result of which the Group may loose the market share and may have an adverse effect on the Group's business, performance or financial situation. Furthermore, Airport Management's competitors may seek to protect or gain market share through price discounting or by offering more attractive flight schedules or services. Should competitors increase their market share at Airport Management's expense, business prospects and profits could be materially adversely affected.

Price of construction, energy, employee related and other expenses, used by the Group may rise

The Group will purchase and use many materials, resources and services, such as construction, building materials, various energy resources for the development and management of Ramport airport as well as employee related, projection, design and management services. In the recent years the prices of materials, resources and services have fluctuated considerably, taking into account stagnating Russian economy and the strong depreciation of Russian rouble. Thus, in the opinion of the Management, there is no guarantee in the long term about the price of the above-specified materials, services and resources used by the Group. There is no guarantee that in the future the Group will be able to raise prices for its services as much as the prices of materials, resources and services used by the Group will increase. Furthermore, taking into account the Group's contractual obligations, the competitive environment and other factors, the increase in service prices can happen much later than the increase in materials and resources prices or it may be done to a lesser extent than required, which could have a negative effect on the Group's business, performance and financial situation.

3.2 Group Specific Risks

Dependence on key management personnel

Much of success of the Group depends to significant degree on the continuity of the management and of other highly trained and experienced personnel dedicating substantial part of their professional career to the Group. Despite non-competition agreements concluded with key personnel and acceptance of key management personnel into share holding, should the Group be unable to retain, attract and motivate its key persons, the Group may suffer material adverse impact on its business and financial condition as hiring of personnel equivalent by knowledge and experience might entail inevitable additional costs and may be not possible immediately.

Success of former, current and future investment projects

The Group carried out investment projects of large scope in the past and may carry them out in the future. Though the Group and its employees, when forecasting investments, rely on all the information and analytical resources they have, there is no guarantee that all the information, which was relied on when planning investments, was full and correct. Furthermore, there is no guarantee that investment plans and investments will earn the expected or planned return or that the investment will not cost more than planned. If the investment projects which are being carried out or planned investment projects turn out to be worse than expected, if the return on these projects is less than planned or if their price turns out to be more than planned, this can have a significant adverse effect on the Group's activities, its financial situation and performance. Also, there is no guarantee that the current investment projects related to increase of the Group's capacities, introduction of new services/products and/or technologies will meet the needs of the Group's customers.

Group's activities can be interrupted by various unforeseen circumstances and accidents

The Group's activities can be affected by various unforeseen circumstances such as fire, failures in air transportation, equipment breakdowns, activities of third parties, etc. Subsidiaries controlled by the Company own a lot of various assets and equipment, which are used in the Group's activities. Having in mind that the Group uses a lot of technical facilities and its operations are performed in a large territory, there is a possibility that certain unforeseen events (accident, explosion, fire, etc.) can happen in the territories or premises of the Group. Any such events can destroy products accumulated and stored by the Group. There is no guarantee that in case of any such event, the insurance payments would be enough to cover the damage. Besides, there is no guarantee that consequences of any such event would manage to be quickly eliminated. There is a threat that any such event can disrupt the Group's business or have a significant adverse effect on its day-to-day activities. The Group has insured its business against many possible events and damage caused by them, but not against all of them. Thus, in case of such an event, insurance payments may be not enough to cover the damage. Damage occurring in such circumstances can have a significant adverse effect on the Group's financial situation and performance.

Group's performance depends on its ability to attract qualified and semi-qualified labour force

Success of the Group's operations among other things also depends on the supply of qualified and semi-qualified labour force in the labour market. Shortage of labour force necessary for the Group can considerably increase employee related expenses, delay or/and stop the Group's development and in this way may have a significant adverse effect on its performance and financial situation.

Fluctuations of interest rates and foreign currency exchange rate

The major part of the Group's borrowings bears variable EURIBOR-related interest rates. To manage the interest rate risk arising from bank borrowings the Group entered into interest rate swap in 2012. Therefore, a rising rate of EURIBOR would decrease other comprehensive income of the Group and consequently would decrease total comprehensive income of the Group.

The Group operates internationally and is exposed to foreign currency exchange risk arising from various currency exposures primarily with respect to US Dollar (USD) and Russian Rouble (RUB). Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities. Therefore, a rising adverse result of foreign exchange gains/losses of US dollar-denominated and RUB-denominated trade and other receivables, trade and other payables would decrease its pre-tax profits.

Contractual risks

The Group conducts its business in numerous countries and jurisdictions and enters into a considerable number of complex agreements imposing various obligations and covenants on the respective Group companies. These agreements contain extensive positive and negative covenants. It is possible that the Company and/or its Subsidiaries have not been or will not be able to comply with all applicable covenants despite their constant efforts to do so. Eventually, if the Company or the Subsidiaries fail to perform any of their contractual undertakings and the counterparty refuses to waive its contractual rights, a dispute may arise with such a contractual counterparty. Long-lasting disagreements between them may result in arbitration or litigation processes possibly ending in significant expenses and a loss of business partners.

Compliance with legal acts

The Subsidiaries and the Company are required to comply with large number of laws and regulations in numerous countries relating, but not limited to adherence to licensing requirements, operational procedures and quality standards. Any failure to comply with the applicable laws and regulations may expose Subsidiaries to administrative penalties and civil remedies including fines or injunctions, as well as revocation or suspension of licenses or in certain cases even minor infringement proceedings can be started. Although the Group has policies in place throughout its entire organization to protect against such non-compliance, the risk of failure to comply with all legal requirements may not be totally excluded. Should any material non-compliance be established by competent authorities and not rectified in due time, it may have serious financial consequences for the Group, revocation or suspension of licenses and negative impact on Subsidiaries reputation.

Dependence on Subsidiaries

The Company does not own operating assets and is to a large extent dependable on the cash flows generated by its Subsidiaries. These cash flows are supposed to finance the Company's expenses and dividend payments to shareholders. The Company may encounter limitations on free and unlimited fund transfers from the Subsidiaries as may be imposed by legal regulations of incorporation countries or restricted by covenants in bank loans.

Transactions with related parties

There is significant number of transactions with related parties within the Group. For more details, see Section XIV *Related Party Transactions*. According to the applicable tax laws, transactions between related parties must be concluded at arm's length. Even though the Management of the Company puts its best efforts to ensure the compliance with the arm's length standard, there still remains a theoretical risk of potential tax implications if it were determined that certain transactions deviate from the arm's length standard. It should be noted, that not all companies of the Group have the transfer pricing documentation.

Guarantee issued by FL Technics AB

On 23 January 2008 FL Technics AB issued a guarantee securing the performance of obligations of flyLAL – Lithuanian Airlines AB in the amount of LTL 4 million. Under this guarantee, FL Technics AB is jointly and severally liable to the Ministry of Finance of the Republic of Lithuania if the recourse rights under the guarantee issued by the Ministry of Finance for the performance of obligations of flyLAL – Lithuanian Airlines AB, which is currently undergoing bankruptcy procedures, arose towards Nordea Bank Finland Plc Lithuanian Branch. However, there is also additional securities – a mortgage of the building located at Gustaičio str. 4, Vilnius, the Republic of Lithuaniathat would be first applied before enforcing the guarantee issued by FL Technics AB. Considering the values of such additional securities, it is submitted that a possible outflow of resources from FL Technics AB owing to the theoretical enforcement of the aforementioned guarantee, is possibly to occur.

3.3 Risks Relating to Company's Shares

The price of the Company's Shares may fluctuate significantly

The trading prices of the Shares may be subject to significant price and volume fluctuations in response to many factors including, but not limited to:

- variations in the Group's operating results and those of other companies operating in the leasing and aviation sector;
- negative research reports or adverse brokers comments;
- future sales of Shares owned by the Issuer's significant shareholders, or the perception that such sales will occur;
- general economic, political or regulatory conditions in Lithuania or in the leasing and aviation sector generally;

and

- price and volume fluctuations on the WSE or other stock exchanges, including those in other emerging markets.

Fluctuations in the price and volume of the Shares may not be correlated in a predictable way to the Group's performance or operating results.

Turmoil in emerging markets could cause the value of the Shares to suffer

Financial or other turmoil in emerging markets has in the recent past adversely affected market prices in the world's securities markets for companies operating in the affected developing economies. There can be no assurance that renewed volatility stemming from future financial turmoil, or other factors, such as political unrests, that may arise in other emerging markets or otherwise, will not adversely affect the value of the Shares even if the Lithuanian economy remains relatively stable.

The market value of Shares may be adversely affected by future sales or issues of substantial amounts of Shares

All the Shares of the Company may be provided for sale without any restrictions and there can be no assurance as to whether or not they will be sold on the market.

The Company cannot predict what affect such future sales or offerings of Shares, if any, may have on the market price of the Shares. However, such transactions may have a material adverse effect, even if temporary, on the market price of the Shares. Therefore, there can be no assurance that the market price of the Shares will not decrease due to subsequent sales of the Shares held by the existing shareholders of the Company or a new Share issue by the Company.

Intended increase of number of Shares of the Issuer will bear a dilution effect to shareholders, not participating in subscribing the New Shares

Following the capital increase of the Company (presuming that all 1,719,444 New Shares shall be subscribed and paid), shareholders stake in the Issuer's share capital before the Issue will (due to withdrawal of their pre-emptive right; except for ZIA Valda Cyprus Ltd., which will acquire 700,332 of the New Shares, VGE INVESTMENTS LIMITED, which will acquire 630,216 of the New Shares and Mr. Aurimas Sanikovas, who will acquire 18,525 of the New Shares) be equal to 77.89% after the Issue, i.e. such shareholders' stake will be reduced by 22.11%.

The marketability of the Shares may decline and the market price of the Company's Shares may fluctuate disproportionately in response to adverse developments that are unrelated to the Company's operating performance

The Company cannot assure that the marketability of the Shares will improve or remain consistent. Shares listed on regulated markets, such as the WSE, have from time to time experienced, and may experience in the future, significant price fluctuations in response to developments that are unrelated to the operating performance of particular companies. The market price of the Shares may fluctuate widely, depending on many factors beyond the Company's control. These factors include, amongst other things, actual or anticipated variations in operating results and earnings by the Group companies and/or its competitors, changes in financial estimates by securities analysts, market conditions in the industry and in general the status of the securities market, governmental legislation and regulations, as well as general economic and general market conditions, such as recession. These and other factors may cause the market price and demand for the Shares to fluctuate substantially and any such development, if adverse, may have an adverse effect on the market price of the Shares which may decline disproportionately to the Group companies' operating performance. The market price of the Shares is also subject to fluctuations in response to further issuance of shares by the Company, sales of Shares by the Company's Major Shareholders, the liquidity of trading in the Shares and capital reduction or purchases of Shares by the Company as well as investor perception.

Securities or industry analysts may cease to publish research or reports about the Company's business or may change their recommendations regarding the Shares

The market price and/or trading volume of the Shares may be influenced by the researches and reports that industry or securities analysts publish about the Company's business or the business of the Subsidiaries. There can be no guarantee of continued and sufficient analyst research coverage for the Company, as the Company has no influence on analysts who prepare such researches and reports. If analysts fail to publish researches and reports on the Company regularly, or cease to publish such reports at all, the Company may lose visibility in the capital markets, which in turn could cause the Company's shares price and/or trading volume to decline. Furthermore, analysts may downgrade the Company's shares or give negative recommendations regarding the Company's Shares, which could result in a decline of the Share price.

There is no guarantee that the Company will pay dividends in the future

The Company is under no lasting and definite obligation to pay regular dividends to its shareholders and no representation can be made with respect to the payment and amount of future dividends, if any. The Management's recommendations for the distribution of profit will be based on financial performance, working capital requirements, reinvestment needs and strategic considerations which may not necessarily coincide with the short-term interests of all shareholders.

The payment of dividends and the amount thereof will be subject to the ultimate discretion of the majority of the Company's shareholders. Furthermore, for payment of dividend as well as execution of many other actions (e. g. (i) undertaking any financial obligations under credit, financial leasing, operative lease, or other financing agreements; (ii) undertaking any obligations towards third parties under guarantee, surety, mortgage, pledge or similar undertakings; (iii) issuing loans to third parties, etc.) prior written consents of certain banks, with which the relevant credit agreements were signed, would be needed.

The Issuer may be unable to list the New Shares on the WSE

The admission of the New Shares to trading on the WSE requires that (i) the PFSA receives a certificate from the LB confirming that the Prospectus has been approved in Lithuania, (ii) increase of the authorised capital of the Company with the Register of Legal Persons was registered (iii) the New Shares were registered with the CSDL (iv) as well as on the NDS foreign account in the CSDL and (v) the management board of the WSE approves that the New Shares are listed and traded on the WSE. The Issuer intends to take all the necessary steps to ensure that the New Shares are admitted to trading on the WSE as soon as possible. However, there is no guarantee that all of the aforementioned conditions will be met and that the New Shares will be admitted to trading on the WSE on the date expected or at all.

There is no guarantee that the Company will remain listed on the WSE

If the Company fails to fulfil certain requirements or obligations under the applicable provisions of securities laws, including in particular the requirements and obligations provided for under the Public Offering Act and the Trading in Financial Instruments Act, the PFSA could impose a fine on the Company or delist its Shares from trading on the WSE.

The WSE management board will delist the Shares from trading upon the request of the PFSA, if the PFSA concludes that trading in the Shares imposes a significant threat to the proper functioning of the WSE or the safety of trading on that exchange, or infringes investors' interests. The mandatory delisting will also be effected by the WSE management board where: (i) transferability of Shares has become restricted, (ii) Shares are no longer in book entry form, (iii) the PFSA has requested so in accordance with the Trading in Financial Instruments Act, (iv) the Shares have been delisted from regulated market by LB or another competent supervisory authority over such market.

The WSE management board may also delist the Shares where, (i) the Shares cease meeting all requirements for admission to trading on the WSE; (ii) the Company persistently violates the regulations of the WSE; (iii) the Company has requested so; (iv) the Company has been declared bankrupt or a petition for bankruptcy has been dismissed by the court because the Company's assets do not suffice to cover the costs of the bankruptcy proceedings; (v) the WSE management board considers it necessary in order to protect the interests of the market participants; (vi) following a decision on a merger, split or transformation of the Company; (vii) no trading was effected in the Shares within a period of three previous months; (viii) the Company has become involved in a business that is illegal under the applicable provisions of laws; and (ix) the Company is in liquidation proceedings.

Delisting of the Shares from the WSE could have an adverse effect on the liquidity of the Shares and, consequently, on investors' ability to sell the Shares at a satisfactory price.

Trading in the Company's Shares on the WSE may be suspended

The WSE management board has the right to suspend trading in the Shares for up to three months (i) at the request of the Company, (ii) if the Company fails to comply with the respective regulations of the WSE (such as specific disclosure requirements), or (iii) if it concludes that such a suspension is necessary to protect the interests and safety of market participants.

Furthermore, the WSE management board will suspend trading in Shares for up to one month upon the request of the PFSA.
Any suspension of trading could adversely affect the Share price.

There can be no assurance regarding the future development of the market for the Shares and its liquidity

All the existing Shares are listed on the WSE. However, the past performance of such Shares on the WSE cannot be treated as indicative of likely future development of market and future demand for the Shares. The lack of liquid public market for the Shares may have a negative effect on the ability of shareholders to sell their shares, or adversely affect the price at which the holders are able to sell their shares. There can be no assurance as to the liquidity of any trading in the Shares, or that the Shares will be actively traded on the WSE in the future.

Changes to the pension system in Poland may have negative influence on the Polish capital market and on the price of the Shares

The Polish Parliament has introduced important changes to the construction of the pension system in Poland, in particular, to functioning of the Open Pension Funds (the "OPFs"). The most important changes comprise: (i) introduction of voluntarily rule in choice whether to continue participate in the OPFs system and transfer part of future pension contribution to the OPFs, or to transfer entire current and future pension contribution to the Social Insurance System (the "SIS"); in case no decision is made, entire pension contribution is transferred to the SIS; and (ii) the gradual transfer of funds accumulated by the employee on its account held with the OPF to the SIS for 10 years before reaching the retirement age.

As the OPFs are, collectively, the largest private investor on the WSE (according to the Polish Press Agency, as at December 2013, the value of the shares and the rights related thereto in companies listed on the WSE's regulated market held by OPFs was PLN 124.4 billion), the above-described changes in the functioning of the pension system in Poland could have an adverse affect on the Polish capital market. Only approximately 2.5 million out of 16.5 million participants in the OPFs system chose to stay with OPFs; this may lead to an outflow of capital from the Polish capital market, and the WSE in particular. Such outflow of capital from the WSE may materially adversely affect the price and liquidity of the shares listed on the WSE. In addition, changes implemented to the functioning of the OPFs may have a negative impact on the perception of Poland and the Polish capital market by foreign investors. In addition, there is no assurance that any further changes to the construction of the Polish pension system, and in particular functioning of the OPFs, will not be carried, which could even lead to liquidation of the OPFs.

The above factors may negatively affect market price and liquidity of the Shares.

3.4 Legal and taxation Risks

The rights of Lithuanian company shareholders may differ from the rights of shareholders of a Polish company and the legislation, interpretation and application of legal acts may be different in Lithuania from that in Poland

The Company is organized and exists under the laws of Lithuania. Accordingly, the Company's corporate structure as well as rights and obligations of the shareholders may be different from the rights and obligations of shareholders in Polish companies listed on the WSE. The exercise of certain shareholders' rights for non-Lithuanian investors in a Lithuanian company may be more difficult and costly than the exercise of rights in a Polish company. For example, an action with view of declaring a resolution invalid must be filed with, and will be reviewed by the Lithuanian court, in accordance with the Lithuanian law. In addition, Lithuanian regulations may provide shareholders with particular rights and privileges which could not exist in Poland and, *vice versa*, certain rights and privileges that shareholders may benefit from in Polish companies may not be guaranteed.

Even though Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies should be transposed into the national law of Poland and Lithuania, there still might be differences in regulation of the shareholder rights and exercise thereof across the countries. In addition, even where the regulation is comparable, there might still be differences in its interpretation and application.

Furthermore, the conflicts regarding the applicable laws (Lithuanian or Polish) with regards to disclosures of information in connection with this Admission and other relevant issues on this Adimission may arise.

Lithuania is the home Member State of the Issuer for the purpose of the European Union securities regulations, and Poland is the host Member State. The EU directives provide different competencies for the home Member State and host Member State with respect to rights and obligations of the investors in public companies, depending on the subject of regulations. In addition, the directives are not always implemented in the proper manner at a national level. Consequently, investors in the Shares may be forced to seek complex legal advice in order to comply with all regulations when exercising their rights or when fulfilling their obligations. In case an investor fails to fulfil its obligations or violates law when exercising rights from or regarding the Shares, he or she may be fined or sentenced for such non-compliance or be unable to exercise rights from the Shares.

In addition, the exercise of pre-emption and certain other shareholder rights for Polish or non-Lithuanian investors in a Lithuanian company may be more difficult and costly than the exercise of rights in a Polish company listed on the WSE. Resolutions of the General Meeting may be taken with majorities different from the majorities required for adoption of equivalent resolutions in Polish companies. Action with a view to declaring a resolution invalid must be filed with, and will be reviewed by a Lithuanian court in accordance with Lithuanian law. Moreover, certain protections such as anti-takeover measures may not be available to holders of the Shares or their application may be uncertain.

Judgments of Polish courts against the Company and the Group may be more difficult to enforce than if the Company and its management were located in Poland

The Company and certain Subsidiaries were formed in accordance with the Lithuanian law and their registered offices are in Lithuania. The majority of the assets of the Company are located in markets outside Poland and the majority of the management personnel working for the Company reside in countries other than Poland. For this reason Polish investors may encounter difficulties in serving summons and other documents relating to court proceedings on any of the entities within the Group and/or the management personnel working for the Group. For the same reason it may be more difficult for Polish investors to enforce a judgment of the Polish courts issued against any entities within the Group and/or the management personnel working for the Group than if those entities and/or the management personnel were located in Poland.

Tax treatment for non-Lithuanian investors in a Lithuania company may vary

The Company is organised and existing under the laws of Lithuania and, as such, the Lithuanian tax regime applies to the distribution of profit and other payments from the Company to its investors. The taxation of income from such payments as well as other income, for instance, from the sale of the Shares, may vary depending on the tax residence of particular investors as well as the existence and the provisions of double tax treaties between an investor's country of residence and Lithuania. Tax provisions applying to particular investors may be unfavourable and/or may change in the future in a way which has an adverse effect on the tax treatment of an investor's holding of the Shares.

The Issuer does not follow the WSE Corporate Governance Code to its full extent

The Issuer does not follow the WSE Corporate Governance Code to its full extent: the Supervisory Council does not approve significant transactions/agreements with related entities at the request of the Management Board, the Company does not enable participation in the General Meetings by using electronic communication means through real-life broadcast and real-time bilateral communication, etc. Detailed information on the compliance of the Issuer with the corporate governance regime of the WSE is provided in the annex to the Consolidated Interim Report for the six-month period ended 30 June 2014.

Tax contingencies and uncertain tax positions

Lithuanian tax legislation which was enacted or substantively enacted at the end of the reporting period may be subject to varying interpretations. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by relevant authorities. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years proceeding the year of review. Management is not aware of any circumstances that could lead to significant tax charges and penalties in the future that have not been provided for or disclosed in these financial statements. The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognized based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

IV USE OF PROCEEDS

Historically the Group has financed its development through capital contributions, cash flows from business, loans from related parties and bank borrowings. The purpose of the Issue is to attract additional capital and ensure the successful implementation of further development strategies of the Group.

The aggregate net proceeds of theIssue to be received by the Company are expected to be used for the planned investments as described below.

The amount of the gross proceeds raised from the Issue of the New Shares depends on the number of the New Shares actually subscribed and fully paid-up. The Company expects the gross proceeds from the Issue of the New Shares, provided that all of the New Shares are subscribed and paid for their Issue Price to be approximately USD 20 million (up to LTL 51,583,320). The net proceeds depend on final costs and expenses associated with Issue of the New Shares.

The Group plans to invest LTL 26 million into first stage of the Ramport development project (the initial stage of project development) as equity financing to secure the availability of further external financing. The initial stage of the project is planned to be completed until the middle of 2016. The first stage covers the development of the existing infrastructure of the Ramenskoye aerodrome through the construction of a brand new 15,000 m^2 passenger terminal. It is planned that the new international terminal will service up to 1.8 million of passengers per year. In addition, the airport will receive a reconstructed automobile road as well as short-term and long-term parking for 200 and 300 cars accordingly.

The Group also plans to invest LTL 18 million into expansion of MRO business segment capacity as equity financing to secure the availability of further external financing. Furthermore, the Group plans to invest into aircraft and rotorcraft maintenance hangars space nearby existing facilities in Kaunas International Airport or by acquisition or establishment of similar maintenance business in other location, into inventory and equipment for servicing new aircraft types and into development of spare part and engine management business.

Expansion of aircraft ground handing and fuelling operations to Ramenskoye International Airport will require investment into equipment and into additional covering working capital needs of the fuelling division in the value of up to LTL 8 million.

There are also other investments planned to be completed by the beginning of 2016. Investment plans are dependent on the Group's ability to secure external financing, negotiate beneficial terms and receive new licenses to complete investments.

The proceeds resulting from the Issue will provide the opportunity to continue the policy of sustainable growth and geographical expansion which the Group has so far pursued. Taking into consideration the above, the Issue is an important step towards the overall strategic objective of the Group. Should the net proceeds from the Issue fall below the amount allowing to cover the expected expenditures, the Management will decide on the reduction in a scale of the investments, focusing on financing the investments with highest value added potential.

V DIVIDEND POLICY

The Company does not have an approved dividend policy. The Company's and the Group's current priority was to use profits for the development of the Group, rather than for the distribution of dividends and it has not paid out dividends in the last two full financial years.

Decision on distribution of dividends to shareholders is adopted by the General Meeting, with a right to propose a draft decision with this regard generally vested with the Management Board, the Supervisory Council and the shareholders, holding not less than 1/20 of all the shares and votes in the General Meeting.

The Management of the Company does not rule out proposing to pay dividends to the shareholders in the future. The initial proposal of the draft decision as to declaration and payment of dividends to shareholders will be at the discretion of the Management Board and will depend on the Group's financial condition, capital requirements and other factors the Management Board deems relevant.

The following general rules apply with respect to any dividends declared by the Company.

Shares give rights to dividends declared by the General Meeting. Dividends are paid to persons who at the end of the rights record date (i. e. the tenth business day following the day on which the decision to distribute dividends was adopted by the General Meeting) were shareholders of the Company or were otherwise entitled to receive dividends. The Company must pay out the declared dividends within one month from the date when the General Meeting decides to declare dividends. The same rules for paying dividends are applied both to residents and non-residents of Lithuania with the exception of taxation requirements (see Section XIX *Taxation of the Issuer's Shares*). Dividends are paid to the shareholders in proportion to the aggregate sum of the nominal value of the shares held by the respective shareholder. Dividends can be paid only in cash. The dividends attributable to the Shares are non-cumulative.

The Law on Companies foresees that the annual dividends as well as the dividends for a shorter period than a financial year may be distributed to the shareholders of the Company.

The Company may only distribute annual dividends out of its distributable profits that consist of net profit for each financial year, as increased or reduced by any profit or loss carried forward from the previous year and/or profit or loss of the current financial year not realised in the profit and loss account, plus any amounts held in its reserves that the shareholders decide to make available for distribution (other than those reserves that are specifically required by the Lithuanian laws) and shareholders' contributions to cover loss, less any distributions for any other purposes decided by the General Meeting. Dividends may not be declared or paid out if at least one of the following conditions is met: (i) the Company has outstanding obligations which became due before the decision of the General Meeting; (ii) the Company's distributable result of the financial year is negative (i. e. losses were incurred); (iii) the equity capital of the Company is lower or after the payment of dividends would become lower than the aggregate amount of the share capital, the legal reserve, the revaluation reserve and the reserve for acquisition of own shares of the Company.

Dividends for a shorter period than the financial year may be declared if all following conditions are met: (a) an audited set of interim financial statements has been approved; (b) the profit (loss) amount for a period shorter than a financial year is positive (there is no loss); (c) the amount distributed for payment of dividend does not exceed the profit (loss) for the period shorter than a financial year, the amount of the retained earnings (loss) for the previous financial years carried forward to the current financial year, upon deduction of the share of profit earned during the period shorter than a financial year, which must be appropriated to reserves according to the law or according to the Articles of Association; (d) the company does not have outstanding obligations, which matured before taking of the decision, and upon payment of dividend it would be capable of fulfilling its obligations for the current financial year. Upon distribution of interim dividend, it is allowed to allocate dividend for another period shorter than a financial year no earlier than 3 months later.

VI CAPITALISATION AND INDEBTEDNESS

The tables below present the information on capitalisation and indebtedness of the Group as at 30 June 2014. The tables below should be read in conjunction with the IFRS Financial Statements, Consolidated Interim Financial Information and other financial data and information contained in Section VIII *Selected Financial Information* and Section X *Operating and Financial Review.*

Table 1. Capitalisation and Indebtedness (LTL'000)

Item	As at 30 June 2014
Total current debt	**81,927**
Guaranteed	1,238
Secured (*)	13,635
Guaranteed and secured (**)	62,463
Unguaranteed / unsecured	4,591
Total non-current debt (exluding current portion of long-term debt)	**33,162**
Guaranteed	-
Secured (*)	7,758
Guaranteed and secured (**)	25,268
Unguaranteed / unsecured	136
Shareholder's equity	**158,278**
Share capital	6,058
Share premium	64,538
Legal reserve	273
Merger reserve	(1,577)
Fair value reserve	(256)
Cumulative translation reserve	(996)
Retained earnings	90,238
Total capitalisation and indebtedness	**273,367**

Source: the Company

(*) Secured debt relates to (i) bank loans amounting to LTL 10.3 million that are secured by Full Flight Simulator (FFO) located in Vilnius, by PPE and inventories of Helisota UAB, located in Kaunas, and (ii) finance lease liabilities relating to ground handling equipment and aircraft, that are used for crew training in the total amount of LTL 11.1 million.

(**) Guaranteed and secured liabilities relate to (i) bank loans amounting to LTL 39.3 million supported by buildings, located in Vilnius, by inventories and trade receivables relating to MRO segment, and guaranteed by the Company and (ii) overdraft amounting to LTL 56.4 million supported by PPE, inventories and trade receivables relating to ground handling and MRO business segments, and guaranteed by the Company.

Table 2. Net indebtedness (LTL'000)

Item	As at 30 June 2014
A. Cash and cash equivalents	21,899
B. Short-term bank deposits	-
C. Liquidity (A + B)	**21,899**
D. Current financial receivables	**5,869**
E. Current portion of security deposit with lessor – net	**2,274**
F. Current bank loans	56,428
G. Current portion of non-current debt	15,954
H. Other current financial debt	4,325
I. Current Financial Debt (F + G + H)	**76,707**
J. Net Current Financial Indebtedness (I – E – D – C)	**46,665**
K. Non-current portion of security deposit with lessor – net	**1,290**
L. Non-Current bank loans and borrowings	26,858
M. Lease agreements	11,525
N. Net Non-Current Financial Indebtedness (L + M – K)	**37,093**
O. Net Financial Indebtedness (J + N)	**83,758**

Source: the Company

There was no indirect or conditional indebtedness as at 30 June 2014.

Working capital statement

In the opinion of the Company, the working capital of the Group, which amounts to LTL 84,024 thousand as at 30 June 2014 (calculated as a difference between current assets and current liabilities), is sufficient to meet the Group's needs for at least the next 12 months from the date of the Prospectus.

VII STATUTORY AUDITORS

The IFRS Financial Statements were audited by PricewaterhouseCoopers UAB. PricewaterhouseCoopers UAB headquarters are registered at J. Jasinskio str. 16B, LT-03163 Vilnius, Lithuania, tel. +370 5 239 2300, fax +370 5 239 2301. PricewaterhouseCoopers UAB audit licence number is 000173. The audit for both years was executed by Mr. Rimvydas Jogėla, auditor's licence No. 000457.

VIII SELECTED FINANCIAL INFORMATION

The tables below present certain selected financial information of the Group for the years ended 31 December 2013, 31 December 2012 and for the six-month periods ended 30 June 2014 and 30 June 2013 that is extracted without material adjustment from the IFRS Financial Statements and Consolidated Interim Financial Information as well as key ratios and indicators.

The ratios and indicators set in the table below are provided to illustrate certain aspects of the business of the Group and its financial performance. Some of these ratios and indicators are used by the Management to evaluate the performance of the Group, while others are provided for the benefit of possible investors into the Company. These ratios and indicators are not calculated in accordance with the IFRS, but they are calculated from the data extracted from the IFRS Financial Statements. The Management believes that the ratios and indicators set forth below are customary and often used by public companies to illustrate their business and financial performance.

Table 3. Selected information from the IFRS Financial Statements and Consolidated Interim Financial Information and key ratios and indicators (LTL'000)

SELECTED INFORMATION FROM THE STATEMENTS OF COMPREHENSIVE INCOME	6 months ended 30 June		Year ended 31 December	
	2014 (unaudited)	2013 (unaudited)	2013	2012
Revenue from continuing operations	305,810	260,788	554,056	535,860
Gross profit from continuing operations	34,803	34,763	67,751	73,648
Operating profit from continuing operations	7,912	12,627	20,717	31,626
Profit before income tax for continuing operations	7,224	10,549	16,846	29,536
Profit for the period from continuing operations	6,494	9,304	15,290	26,054
Profit (loss) for the period from discontinued operations	-	14,204	16,162	(6,978)
Profit for the period	6,494	23,508	31,452	19,076

Source: IFRS Financial Statements, Consolidated Interim Financial Information

SELECTED INFORMATION FROM THE BALANCE SHEETS	As at 30 June	As at 31 December	
	2014 (unaudited)	2013	2012
Non-current assets	117,462	118,850	83,145
Current assets	289,048	257,166	187,013
Assets of disposal group classified as held for sale	-	-	29,137
Total assets	406,510	376,016	299,295
Equity attributable to equity holders of the parent	158,278	151,572	114,337
Non-controlling interests	2,919	29	(742)
Total equity	161,197	151,601	113,595
Non-current liabilities	40,289	50,614	28,279
Current liabilities	205,024	173,801	125,632
Total liabilities	245,313	224,415	153,911
Liabilities of disposal group classified as held for sale	-	-	31,789
Total equity and liabilities	406,510	376,016	299,295

Source: IFRS Financial Statements, Consolidated Interim Financial Information

SELECTED INFORMATION FROM THE CASH FLOW STATEMENTS	6 months ended 30 June		Year ended 31 December	
	2014 (unaudited)	2013 (unaudited)	2013	2012
Cash flow from (used in) operating activities	6,482	4,057	17,952	(21,296)
Cash flow from (used in) investing activities	(13,251)	(3,364)	(30,817)	(3,304)
Cash flow from (used in) financing activities	(38,535)	608	14,727	18,692
Increase (decrease) in cash and cash equivalents	**(45,304)**	**1,301**	**1,862**	**(5,908)**

Source: IFRS Financial Statements, Consolidated Interim Financial Information

KEY RATIOS AND INDICATORS	6 months ended as at 30 June		Year ended as at 31 December	
	2014	2013	2013	2012
Weighted number of the shares (thousand)	6,058	5,887	5,896	5,893
Earnings per share (EPS)[2], LTL	1.059	4.033	5.364	3.306
Number of full-time employees in the Group at the end of the period related to continuing operations	1,437	1,022	1,342	951
EBITDA[3]	20,127	17,691	35,455	42,403
EBITDA margin[4], %	6.6	6.8	6.4	7.9
Operating profit margin[5], %	2.6	4.8	3.7	5.9
Net profit for the period from continuing operations margin (%)	2.1	3.6	2.8	4.9
Return on equity (ROE)[6], %	4.0	16.8	20.7	16.7
Gearing ratio[7], %	36.6	32.6	36.9	36.4
Equity ratio[8], %	39.7	45.3	40.3	38.2

Source: IFRS Financial Statements, Consolidated Interim Financial Information, the Company

[2] **EPS** = Basic earnings per share have been calculated by dividing net profit for the period attributable to equity shareholders of the parent by the weighted average number of ordinary shares of the Company.

[3] **EBITDA** = Earnings before interest expenses, fair value adjustment and unwinding of security deposits received, income taxes, depreciation and amortization. EBITDA is included as a supplemental item, since the Management believes that EBITDA, when considered in conjunction with cash flows from operating, investing and financing activities, may provide useful information. EBITDA is not an indicator of operating performance calculated in accordance with the IFRS and should not be considered as a substitute for operating profit, net income, cash flow from operations or other profit/loss or cash flow data determined in accordance with the IFRS. It should be noted that EBITDA is not a uniform or standardized measure and the calculation of EBITDA, accordingly, may vary significantly from company to company, and by itself provides no grounds for comparison with other companies. EBITDA is calculated by the Group and has not been included in the IFRS Financial Statements. EBITDA is calculated only for continuing operations.

[4] **EBITDA margin** = EBITDA / Revenue from continuing operations. The EBITDA margin measures the ratio of EBITDA and sales revenue, providing information about the Group's profitability from the operations of its business and is independent of the Group's financing and tax items as well as depreciation-related estimates.

[5] **Operating profit margin** = Operating profit from continuing operations / Revenue from continuing operations. The operating profit margin measures the ratio of operating and sales revenue, providing information about the Group's profitability from the operations of its business and is independent both of the Group's financing and tax items.

[6] **Return on equity (ROE)** = Net profit / Total equity. Return on equity excludes debt in the denominator and compares net profit for the period with total shareholders' equity. It measures the rate of return on shareholders' investment and is, therefore, useful in comparing the profitability of the Group with its competitors.

[7] **Gearing ratio** = Net debt / (Net debt + Total equity). **Net debt** = Total borrowings – Cash and cash equivalents. Gearing ratio is analysis ratio of a level of long-term debt compared to equity capital.

[8] **Equity ratio** = Total equity / Total assets. Equity ratio is a measure of financial leverage which highlights the ratio of shareholders' equity to total assets. The analysis of the Group's financial leverage (or capital structure) is essential to evaluate its long-term risk and return prospects.

IX BUSINESS OVERVIEW

In recent years the Group has completed the main stage of strengthening its presence in existing markets and focused on further development of aviation services activities resulting in significant growth of its capabilities, assets as well as on development of new aviation infrastructure activities.

During the six months period ended 30 June 2014 the Group has generated LTL 306 million revenue and LTL 6.5 million net profit.

9.1 History and Development

The origins of the Group date back to 2005 when the whole aviation sector in Lithuania was reorganized in the process that took almost three years. Three airports (Vilnius International Airport, Kaunas International Airport and Palanga International Airport) were reconstructed, Lithuania entered into open skies agreements and all carriers were able to use its infrastructure to serve their markets; several privatizations of previously state-owned companies were executed. Historically, Lithuania was famous for its resources of skillful aircraft technicians, engineers, pilots and aviation executives. Reorganized market created an opportunity to employ these specialists, especially when surrounding regions were rapidly growing and were seeking aircraft maintenance, flight training and ground handling services.

In 2005 the first Subsidiary of the Group was established: FL Technics AB – aircraft maintenance, repair and overhaul (MRO) organization. In 2006 the Group was expanded further by establishing Baltic Aviation Academy UAB – pilot and aircrew training organization. In its early years the Group's activities were mostly focused on making capital investments and obtaining the compulsory licenses and certificates that are necessary in order to be involved in the aviation services industry.

In 2007 the charter airline – Small Planet Airlines UAB – was established, marking the Group's intentions to enter the charter flights market.

The most significant developments of the Group during 2007 were in its MRO segment – FL Technics AB was approved as an EASA PART-145 certified MRO organization in August 2007 and as an EASA PART-147 certified maintenance training organization in December 2007. The aforementioned approvals issued by the LCAA enabled FL Technics AB to engage in Boeing 737 Classic and SAAB 340 / SAAB 2000 line and base maintenance and maintenance training activities.

Moreover, in December 2007 FL Technics AB significantly expanded its hangar space in Vilnius International Airport when the newly-built modern aircraft maintenance hangar was opened. After the opening of the newly-built modern aircraft maintenance hangar, the total area of maintenance hangars, administrative and back shop facilities utilized by FL Technics AB increased to 13,742 m^2. In 2008 the MRO operational segment was marked by further growth of capabilities of FL Technics AB: the company was granted the approvals to provide Boeing 757-200 line maintenance services and in July 2008 – Boeing 757-200 theoretical training. In June 2008 FL Technics AB opened its first foreign line station in Milan, Italy.

In 2008 the Group acquired Baltic Ground Services UAB from the private investors and thus the aircraft ground handling segment was entered by the Group. The year of 2008 was also significant for Baltic Ground Services UAB – in November 2008 the subsidiary completed ISAGO (IATA Safety Audit for Ground Operations) procedures and became the first company in Europe to receive the ISAGO Certificate.

The Group continued to expand its presence in the aviation services industry in 2008 when Baltic Aviation Academy UAB started its pilot and aircrew training activities as a Type Rating Training Organization (TRTO) upon obtaining the TRTO Approval Certificate in January 2008. For the same period Baltic Aviation Academy UAB opened its modern training headquarters in Vilnius – an integrated learning complex equipped with Boeing 737 – 300/400/500 Full Flight Simulator (FFS) and Real Fire Fighting Trainer (RFFT).

At the beginning of 2008 Small Planet Airlines UAB was granted an Air Operating License by the Ministry of Communications of the Republic of Lithuania and started its operations as a certified air carrier. As at 31 December 2008 Small Planet Airlines UAB already operated 4 aircraft – 2 Boeing 737-300 and 2 Boeing 757-300. The Group's ambitions to enter foreign charter markets were highlighted in December 2008 when Small Planet Airlines AS was established in Tallinn, Estonia.

The Group further expanded its business in 2009. FL Technics AB obtained Continuing Airworthiness Management Organization (CAMO) Approval Certificate which allowed it to start providing engineering services under EASA PART-M requirements. Moreover, in 2009 FL Technics AB entered the market of aircraft spare part and component trading. In May 2009 FL Technics AB signed the Cooperation and Material Support Agreement with Kellstrom Commercial Aerospace (US) and was named as an exclusive representative of Kellstrom in number of Eastern European countries, including the Russian Federation, Ukraine and Kazakhstan. In addition, FL Technics AB began aircraft tear down activities to increase its stock of marketable spare parts: the first Boeing 737-300 airframe designated for taking apart was purchased in December 2009.

In 2009 the new line of business was implemented by Baltic Ground Services UAB – the company started third-party in-plane fuelling services.

In 2009 Baltic Aviation Academy UAB continued to expand its type rating training capabilities. In January 2009 the following aircraft types were added to its Type Rating Training capability list – Boeing 757, Boeing 767, ATR 42 and ATR 72. An important milestone in the development of training activities was reached in November 2009 when Baltic Aviation Academy UAB was granted the status of Flying Training Organization (FTO) upon obtaining the FTO Approval Certificate from the LCAA.

In April 2009 Small Planet Airlines AS obtained an Air Operator Certificate (AOC) and Air Carrier's Operating License to become a fully certified charter airline in the Republic of Estonia. Moreover, a decision was made to enter the Polish charter market and in November 2009 Small Planet Airlines Sp.z o. o. was established.

In 2010 international reach of the Group was expanded further. The MRO operational segment was further building its capability list in 2010. FL Technics AB expanded its maintenance capability list by adding Boeing 737 New Generation (NG) line. In addition, in March 2010 FL Technics AB was authorized to start providing Boeing 737 NG theoretical training services and in August 2010 to start providing ATR 42 – 200/300 and ATR 72 – 100/200 theoretical training services. In August 2010 and December 2010 FL Technics AB purchased the second Boeing 737-300 fuselage for part-out and added Airbus A318/A319/A320/A321 to PART M capability list. Further structural expansion in MRO segment was made in November-December 2010 when the Group acquired FLT Trading House UAB, FL Technics Jets UAB and established Locatory.com UAB in Lithuania.

The Group started expanding its ground handling and aircraft fuelling activities into Polish market in April 2010 when Baltic Ground Services Sp.z.o.o. was established in Warsaw, Poland, and into Italian market in December 2010 when Baltic Ground Services s.r.l. was established in Lamezia, Italy. Baltic Ground Services Sp.z.o.o. was granted an Airport Handling Agent Certificate in August 2010.

Baltic Aviation Academy UAB Type Rating Training capabilities were significantly expanded in May and July 2010 when Embraer 135, Embraer 145, Bombardier CRJ 100 and Airbus A320 were added to its TRTO capability list.

In February 2010 Small Planet Airlines s.r.l. was established in Italy and in May 2010 Small Planet Airlines Sp.z.o.o. was granted an Air Operator Certificate (AOC) and Operating License to become a fully certified charter airline in the Republic of Poland.

On 3 March 2011 after finalising successfull initial public offering of Company's Shares, all the Shares of the Company were introduced to trading on the WSE.

In 2011 the Group kept further expansion in all business segments. FL Technics AB received PART M certificate and introduced continuing airworthiness management services of the Embraer EMB – 135/145 family aircraft, cabin modification and reconfiguration services on Boeing 737-800, and cabin refurbishment services on Boeing 737-300. Additionally, in 2011 FL Technics AB acquired 7 Boeing 737-300 aircraft for tear down into parts and components. In 2011 the Boeing company selected FL Technics AB to be its GoldCare partner. FL Technics Jets UAB received EASA Part-145 certification, which allows the subsidiary to provide repair and maintenance services for Hawker Beechcraft 700/750/800/800XP/850XP/900XP aircraft family. In June 2011 Locatory.com UAB launched a global online aviation spare parts platform www.locatory.com. In 2011 international reach of the Group in MRO business segment was expanded further. In September 2011 Storm Aviation Limited in Great Britain was acquired. Storm Aviation Limited provides line maintenance services at airports in the United Kingdom and Europe. This acquisition enabled FL Technics AB to have a wider network of line stations across Europe and the CIS and extend capability list of line maintenance services for further expansion of the business.

2011 was an expansion year for Aircraft Ground Handling and Fuelling segment as well. Baltic Ground Services was granted the aviation fuel supply licence for Poland, signed a long-term contract with State Enterprise Vilnius International Airport for 4,000 cbm capacity fuel facility leasehold and started providing ground services at Warsaw Frederic Chopin airport, into-plane fuelling services at Katowice International Airport, ground and into-plane fuelling services at John Paul II International Airport in Krakow.

Baltic Aviation Academy UAB expanded its capability list by adding Boeing 747-400 and Bombardier Dash 8Q-400 type rating training courses in 2011. In July 2011 an agreement with CAE was signed for Airbus A320 FFS lease and its relocation to Vilnius, Lithuania. In addition, the Group expanded its Pilot and Crew Training segment by establishing AviationCV.com UAB in April 2011.

In October-December 2011 the Group sold 10% of Small Planet Airlines s.r.l. and 95.5% of Small Planet Airlines AS share capital.

In 2012 MRO operational segment was marked by further growth of capabilities of FL Technics AB: the subsidiary received EASA Part 21 Design Organization Approval and in June 2012 acquired Boeing 737-600 aircraft for part-out. FL Technics Jet UAB continued its development in 2012 when became Hawker Beechcraft Authorized Service Centre.

Aircraft Ground Handling and Fuelling operational segment experienced development by further growth of capabilities in Poland in 2012: Baltic Ground Services entered into-plane fuelling services at Warsaw Frederic Chopin airport and launched catering services in Poland and started to provide ground handling services in Italy in 2012.

In 2012 Baltic Aviation Academy UAB offered Ab Initio pilot training, ground handling, instructor and supporting aviation course training solutions. In addition, the subsidiary expanded the list of leased aircraft type simulators globally. In 2012 AviationCV.com launched its own job search portal (www.aviationcv.com) for flight crew members, aircraft engineers and other aviation specialists aimed to provide HR solutions to the global aviation industry.

In 2012 the Group made strategic decision to dispose charter operations business segment: in the beginning of 2012 50% stake of share capital in Small Planet Airlines s.r.l. was sold.

In 2013, the Group acquired 100% of share capital in Helisota UAB and 100% of share capital of its subsidiary Kauno aviacijos gamykla UAB from third parties. As a result of the acquisitions, the Group increased its presence in the MRO segment, in the new Helicopter MRO sub-segment. Apart from the new acquisitions the Group spent the 2013 year developing its current MRO business: in 2013 FL Technics AB became an exclusive sales and marketing representative of the global aviation components supplier in Russian Federation, the CIS and twelve CEE states, received ISO 9001:2008 certificate. In 2012 FL Technics AB completed the construction of new MRO centre of 8,400 m^2 in Kaunas.

In 2013 Baltic Aviation Academy UAB expanded its fleet with Cessna 172, Tecnam P2002JF and Tecnam 2006T aircraft.

As a result of the Group's disposal programme following the Charter Operations business segment, in 2013 the Group sold 95.5% stakes in Small Planet Airlines UAB (Lithuania) and Small Planet Airlines Sp.z.o.o. (Poland). The Group have decreed to sale its remaining shares (35.50%) in Small Planet Airlines s.r.l. (Italy) to third party. The Group fully completed the disposal programme of Charter Operations business segment.

New business segment – business charter operations – introduced by the Group in 2013, when a new subsidiary, Verslo skrydžiai UAB (operating under the registered brand name KlasJet) was established on 9 October 2013.

In the beginning of 2014 the new maintenanance hangar in Kaunas was opened. FL Technics Jets UAB has approved to provide line and base maintenance services for Bombardier CRJ100/200/440, Bombardier Challenger 850 and Hawker Beechcraft BAe 125 type aircraft.

In 2014 an investment agreement with TVK Rossiya, part of Russia's largest state-owned holding company Rostec, was signed for the development and management of the fourth Moscow airport hub on the basis of existing Ramenskoe aerodrome. Therefore, the subsidiary in Russian Federation Avia Solutions Group – Airports Management OOO was established and the new business segment (airline infrastructure management) was introduced.

9.2 Group Structure

The current structural chart of the Group is provided in the figure below:

Figure 1. Structural chart of the Group

Source: *the Company*

* - new business segment (airline infrastructure management) was introduced by the Group in August 2014.

Currently the Issuer does not belong to the group of companies as it is described in the applicable Lithuanian laws, i. e. the Issuer is not controlled by any persons, as it is indicated in the Law on Companies – none of shareholders of the Company has shares thereof, entitling to more than 1/2 of votes in the General Meeting.

The Company operates as a holding company and runs its activities through the Subsidiaries, forming the Group. Information on the ownership of Subsidiaries and effective shareholdings of the Group, as at the date of the Prospectus, are presented in the tables below.

Table 4. The structure of the Subsidiaries of the Company

			Share of equity, %			
The Group's companies	**Country of establishment**	**Operating segment**	**30-06-2014**	**31-12-2013**	**31-12-2012**	**Date of acquiring / establishment and activity**
Avia Solutions Group – Airports Management OOO	Russian Federation	Airport Infrastructure Management	100	-	-	The subsidiary was established on 14 March 2014. The company's portfolio includes the development of the Moscow's fourth airport – Ramenskoye International.
AviationCV.com UAB	Lithuania	Pilot and Crew Training	100	100	100	The subsidiary was established in spring of 2011. The company provides aviation personnel solutions.
Baltic Aviation Academy UAB	Lithuania	Pilot and Crew Training	100	100	100	The Group company was established on 22 November 2006. The company provides aircraft crew training services.
Baltic Ground Services UAB	Lithuania	Aircraft Ground Handling and Fuelling	100	100	100	The subsidiary was acquired on 31 October 2008. The company provides aircraft ground handling and fueling services in Lithuania.
Baltic Ground Services Sp.z.o.o.	Poland	Aircraft Ground Handling and Fuelling	100	100	100	The subsidiary was established in spring of 2010. It is a direct subsidiary of Baltic Ground Services UAB. The company provides aircraft ground handling and fueling services in Poland.
Baltic Ground Services s.r.l.	Italy	Aircraft Ground Handling and Fuelling	100	100	100	The subsidiary was established in winter of 2010. It is a direct subsidiary of Baltic Ground Services UAB. The company provides aircraft ground handling services in Italy.
Baltic Ground Services UA TOV	Ukraine	Aircraft Ground Handling and Fuelling	100	100	100	The subsidiary was established in summer of 2011. It is a direct subsidiary of Ground Handling CIS UAB. The subsidiary does not conduct active operations.
Ground Handling CIS UAB	Lithuania	Aircraft Ground Handling and Fuelling	100	100	100	The subsidiary was established in summer of 2011. It is a direct subsidiary of Baltic Ground Services UAB. The subsidiary does not conduct active operations.
FL Technics AB	Lithuania	Aircraft maintenance, repair and overhaul (MRO)	100	100	100	The subsidiary was established on 22 December 2005. In summer of 2007 the company started aircraft maintenance, repair and overhaul (MRO) services.
FL Technics Jets UAB	Lithuania	Aircraft maintenance, repair and overhaul (MRO)	100	100	100	The subsidiary was acquired on 1 December 2010. The company provides maintenance services for business aircraft.
FL Technics Line OOO	Russian Federation	Aircraft maintenance, repair and overhaul (MRO)	93	93	93	The subsidiary was established in summer of 2011. It is a direct subsidiary of FL Technics AB. The company sells aircraft spare parts in Russian Federation and the CIS.
FL Technics Ulyanovsk OOO	Russian Federation	Aircraft maintenance, repair and overhaul (MRO)	99	99	99	The subsidiary was established in summer of 2011. It is a direct subsidiary of FLT Trading House UAB. The subsidiary does not conduct active operations.
FLT Trading House UAB	Lithuania	Aircraft maintenance, repair and overhaul (MRO)	100	100	100	The subsidiary was acquired on 19 November 2010. The subsidiary does not conduct active operations.
Locatory.com UAB	Lithuania	Aircraft maintenance, repair and overhaul (MRO)	95	95	95	The subsidiary was established on 7 December 2010. Starting summer 2012, the company provides on-line platform www.locatory.com for the aviation industry to search, buy and sell aviation inventory.
Helisota UAB	Lithuania	Helicopters maintenance, repair and overhaul (MRO)	100	100	-	The subsidiary was acquired on 16 December 2013. The company provides maintenance, repair and overhaul services for helicopters.
Kauno aviacijos gamykla UAB	Lithuania	Aircraft maintenance, repair and overhaul (MRO)	100	100	-	The subsidiary was acquired on 16 December 2013. It is a direct subsidiary of Helisota UAB. The subsidiary does not conduct any significant active operations.
Small Planet Airlines UAB	Lithuania	Charter operations (classified as discontinued)	-	-	95.5	The subsidiary was established on 14 March 2007. In autumn of 2008 the company started charter operations in Lithuania. On 26 March 2013 the subsidiary was sold.
Small Planet Airlines Sp.z.o.o.	Poland	Charter operations (classified as discontinued)	-	-	95.5	The subsidiary was established on 25 November 2009. In spring of 2010 the company started charter operations in Poland. On 26 March 2013 the subsidiary was sold.
Small Planet Airlines s.r.l.	Italy	Charter operations (classified as held for sale)	-	35.5	35.5	The subsidiary was established on 17 February 2010. In summer of 2011 the company started charter operations in Italy. On 3 January 2012 the Company sold 50 per cent shareholding in the subsidiary. In the beginning of 2014 the remaining stake of 35 per cent shareholding was sold.
Verslo skrydžiai UAB	Lithuania	Business charter operations (new business segment)	75	100	-	The subsidiary was established on 9 October 2013. The subsidiary started business charter operations in summer 2014. On 24 January 2014 the Company sold 25 per cent shareholding in the subsidiary to Small Planet Airlines UAB.
Storm Aviation Ltd.	The United Kingdom	Aircraft maintenance, repair and overhaul (MRO)	100	100	100	The subsidiary was acquired on 31 December 2011. It is a direct subsidiary of FL Technics AB. The company provides aircraft line maintenance services.
Storm Aviation (Cyprus) Ltd.	Republic of Cyprus	Aircraft maintenance, repair and overhaul (MRO)	100	100	100	The subsidiary was acquired on 31 December 2011. It is a direct subsidiary of Storm Aviation Ltd. The company provides aircraft line maintenance services in Cyprus.

Source: the Company

Information on the current share capital of the Group entities is presented in the table below.

Table 5. Share capital of the Group entities

Company	Share Capital	Shares	Par Value
Avia Solutions Group AB	LTL 6,058,333	6,058,333	LTL 1
AviationCV.com UAB	LTL 10,000	10,000	LTL 1
Baltic Aviation Academy UAB	LTL 1,312,019	1,312,019	LTL 1
Baltic Ground Services UAB	LTL 100,000	100,000	LTL 1
Baltic Ground Services Sp.z.o.o	PLN 2,000,000	40,000	PLN 50
Baltic Ground Services s.r.l.	EUR 100,000	100,000	EUR 1
Baltic Ground Services UA TOV	UAH 70,000	70,000	UAH 1
Ground Handling CIS UAB	LTL 10,000	10,000	LTL 1
FL Technics AB	LTL 1,500,000	1,500,000	LTL 1
FL Technics Jets UAB	LTL 20,000	20,000	LTL 1
FL Technics Line OOO	RUB 13,130,000	13,130,000	RUB 1
FL Technics Ulyanovsk OOO	RUB 10,000	10,000	RUB 1
FLT Trading House UAB	LTL 10,000	10,000	LTL 1
Locatory.com UAB	LTL 300,000	300,000	LTL 1
Verslo skrydžiai UAB	LTL 150,000	150,000	LTL 1
Helisota UAB	LTL 6,762,000	4,830	LTL 1,400
Kauno aviacijos gamykla UAB	LTL 6,805,816	6,805,816	LTL 1
Storm Aviation Ltd.	GBP 173,265	3,465,305	GBP 0.05
Storm Aviation (Cyprus) Ltd.	EUR 1,000	1,000	EUR 1
Avia Solutions Group – Airports Management OOO	RUB 1,000,000	1,000,000	RUB 1

Source: the Company

There are no other undertakings (except for the Subsidiaries) in which the Issuer holds a proportion of the capital likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses.

The main registration data of the Company and its Subsidiaries is given in table below:

Table 6. Registration information about the Company and its Subsidiaries

Legal name	Avia Solutions Group AB
Legal form	Public Limited Liability Company (in Lithuanian: *akcinė bendrovė*)
Country of registration	Republic of Lithuania
Registration authority	Register of Legal Persons
Legislation under which the company operates	The laws of the Republic of Lithuania
Corporate ID code	302541648
Date of incorporation	31 August 2010
Registration address and telephone number	Smolensko str. 10, LT-03201 Vilnius, LITHUANIA, telephone: +370 5 252 5500

Legal name	Avia Solutions Group – Airports Management OOO
Legal form	Limited Liability Company
Country of registration	Russian Federation
Registration authority	State Register of Legal Entities of Russian Federation
Legislation under which the company operates	The laws of Russian Federation
Corporate ID code	1147746272190
Date of incorporation	14 March 2014
Registration address	1st Tverskaya-Yamskaja str., 23, Building 1, 4th entrance, 4th floor, 125047, Moscow, RUSSIA

Legal name	AviationCV.com UAB
Legal form	Private Limited Liability Company (in Lithuanian: *uždaroji akcinė bendrovė*)
Country of registration	Republic of Lithuania
Registration authority	Register of Legal Persons
Legislation under which the company operates	The laws of the Republic of Lithuania
Corporate ID code	302615625

Date of incorporation	13 April 2011
Registration address	Smolensko str. 10, LT- 03201 Vilnius, LITHUANIA

Legal name	Baltic Aviation Academy UAB
Legal form	Private Limited Liability Company (in Lithuanian: *uždaroji akcinė bendrovė*)
Country of registration	Republic of Lithuania
Registration authority	Register of Legal Persons
Legislation under which the company operates	The laws of the Republic of Lithuania
Corporate ID code	300618099
Date of incorporation	22 November 2006
Registration address	Dariaus ir Girėno str. 21, Vilnius, LITHUANIA

Legal name	Baltic Ground Services UAB
Legal form	Private Limited Liability Company (in Lithuanian: *uždaroji akcinė bendrovė*)
Country of registration	Republic of Lithuania
Registration authority	Register of Legal Persons
Legislation under which the company operates	The laws of the Republic of Lithuania
Corporate ID code	300136658
Date of incorporation	11 August 2005
Registration address	Rodūnios road 6, LT- 02187 Vilnius, LITHUANIA

Legal name	Baltic Ground Services Sp. z.o.o.
Legal form	Limited Liability Company
Country of registration	Republic of Poland
Registration authority	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
Legislation under which the company operates	The laws of the Republic of Poland
Company ID code	0000353957
Date of incorporation	15 April 2010
Registration address	17 Stycznia 45 B, 02-146 Warsaw, Poland, POLAND

Legal name	Baltic Ground Services s.r.l.
Legal form	Limited Liability Company
Country of registration	Italian Republic
Registration authority	Company Registration Number c/o Chamber of Commerce: CCIAA T76480595
Legislation under which the company operates	The laws of the Italian Republic
Company ID code	R.E.A. RM-1287462
Date of incorporation	22 December 2010
Registration address	Casella postale 140, 88040, Lamezia Terme (CZ), ITALY

Legal name	Baltic Ground Services UA TOV
Legal form	Limited Liability Company
Country of registration	Ukrainian Republic
Registration authority	State Register of Legal Entities and Individual Entrepreneurs of Ukraine
Legislation under which the company operates	The laws of the Ukrainian Republic
Company ID code	37856865
Date of incorporation	29 August 2011
Registration address	Kniazhnyj Zaton str. 2/30, 02095, Kiev, UKRAINE

Legal name	Ground Handling CIS UAB
Legal form	Private Limited Liability Company (in Lithuanian: *uždaroji akcinė bendrovė*)
Country of registration	Republic of Lithuania

Registration authority	Register of Legal Persons
Legislation under which the company operates	The laws of the Republic of Lithuania
Corporate ID code	302644356
Date of incorporation	4 July 2011
Registration address	Rodūnios road 6, LT- 02187 Vilnius, LITHUANIA

Legal name	FL Technics AB
Legal form	Public Limited Liability Company (in Lithuanian: *akcinė bendrovė*)
Country of registration	Republic of Lithuania
Registration authority	Register of Legal Persons
Legislation under which the company operates	The laws of the Republic of Lithuania
Corporate ID code	300517602
Date of incorporation	22 December 2005
Registration address	Rodūnios road 2, LT-02189 Vilnius, LITHUANIA

Legal name	FL Technics Jets UAB
Legal form	Private Limited Liability Company (in Lithuanian: *uždaroji akcinė bendrovė*)
Country of registration	Republic of Lithuania
Registration authority	Register of Legal Persons
Legislation under which the company operates	The laws of the Republic of Lithuania
Corporate ID code	300869952
Date of incorporation	11 June 2007
Registration address	Naugarduko str. 100, LT-03160 Vilnius, LITHUANIA

Legal name	FL Technics Line OOO
Legal form	Limited Liability Company
Country of registration	Russian Federation
Registration authority	State Register of Legal Entities of Russian Federation
Legislation under which the company operates	The laws of Russian Federation
Corporate ID code	7746600289
Date of incorporation	3 August 2011
Registration address	Vnukovo International Airport, 2nd Reysovaya Street 2, Building 5, Moscow, RUSSIA

Legal name	FL Technics Ulyanovsk OOO
Legal form	Limited Liability Company
Country of registration	Russian Federation
Registration authority	State Register of Legal Entities of Russian Federation
Legislation under which the company operates	The laws of Russian Federation
Corporate ID code	7329004322
Date of incorporation	22 July 2011
Registration address	Sovietskaya str. 6, 433400, Cherdakly, Cherdaklinsky District, Ulyanovsk Region, RUSSIA

Legal name	FLT Trading House UAB
Legal form	Private Limited Liability Company (in Lithuanian: *uždaroji akcinė bendrovė*)
Country of registration	Republic of Lithuania
Registration authority	Register of Legal Persons
Legislation under which the company operates	The laws of the Republic of Lithuania
Corporate ID code	302514409
Date of incorporation	26 May 2010
Registration address	Žirmūnų str. 139, Vilnius, LITHUANIA

Legal name	Locatory.com UAB
Legal form	Private Limited Liability Company (in Lithuanian: *uždaroji akcinė bendrovė*)
Country of registration	Republic of Lithuania
Registration authority	Register of Legal Persons
Legislation under which the company operates	The laws of the Republic of Lithuania
Corporate ID code	302572273
Date of incorporation	7 December 2010
Registration address	Smolensko str. 10, LT- 03201 Vilnius, LITHUANIA

Legal name	Helisota UAB
Legal form	Private Limited Liability Company (in Lithuanian: *uždaroji akcinė bendrovė*)
Country of registration	Republic of Lithuania
Registration authority	Register of Legal Persons
Legislation under which the company operates	The laws of the Republic of Lithuania
Corporate ID code	134953768
Date of incorporation	7 May 1997
Registration address	Europos ave. 5, Kaunas, LITHUANIA

Legal name	Kauno aviacijos gamykla UAB
Legal form	Private Limited Liability Company (in Lithuanian: *uždaroji akcinė bendrovė*)
Country of registration	Republic of Lithuania
Registration authority	Register of Legal Persons
Legislation under which the company operates	The laws of the Republic of Lithuania
Corporate ID code	133745440
Date of incorporation	16 July 1993
Registration address	Europos ave. 21, Kaunas, LITHUANIA

Legal name	Verslo skrydžiai UAB
Legal form	Private Limited Liability Company (in Lithuanian: *uždaroji akcinė bendrovė*)
Country of registration	Republic of Lithuania
Registration authority	Register of Legal Persons
Legislation under which the company operates	The laws of the Republic of Lithuania
Corporate ID code	303163347
Date of incorporation	9 October 2013
Registration address	Smolensko str. 10, LT- 03201 Vilnius, LITHUANIA

Legal name	Storm Aviation Ltd.
Legal form	Limited Liability Company
Country of registration	The United Kingdom
Registration authority	The Register of Companies for England
Legislation under which the company operates	The laws of the United Kingdom
Corporate ID code	05229468
Date of incorporation	14 September 2004
Registration address	Unit 259 Capability Green Luton LU1 3LU, THE UNITED KINGDOM

Legal name	Storm Aviation (Cyprus) Ltd.
Legal form	Limited Liability Company
Country of registration	Cyprus
Registration authority	Ministry of Commerce, Industry and Tourism, Department of Registrar of Companies and Official Receiver Nicosia
Legislation under which the company operates	The laws of Cyprus
Corporate ID code	HE290461

Date of incorporation	19 July 2011
Registration address	Rafail Santi 58, Nefeli Court 11, 1st floor, Flat/Office 104-105, 6052, Larnaca, CYPRUS

As at 30 June 2014 the Company had the representative office (the branch of Avia Solutions Group AB) in the Russian Federation, in Moscow (contact details: 1st Tverskaya-Yamskaja Str., 23, building 1, 4th entrance, 4th floor 125047, Moscow, Russia).

9.3 Principal Activities

9.3.1 General Overview

Avia Solutions Group AB is a holding company together with its Subsidiaries engaged in delivering its clients integrated aviation related services. Currently the Group operates in five business segments:

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

The new business segment – Airport Infrastructure Management – will be introduced by the Group until the end of 2014.

The Charter Operations segment is no longer disclosed. It was reclassified to assets held for sale in the financial statements for the year ended 31 December 2012 and finally was disposed in the beginning of 2014.

Each of the segments is organized depending on the nature of business activities. Subsidiaries are included in the respective business segments as indicated in the table below.

Table 7. Business segments of the Group

Business segment	Subsidiary of the Group	Country of Incorporation
Aircraft Maintenance, Repair and Overhaul (MRO)	FL Technics AB	Lithuania
	FL Technics Jets UAB	Lithuania
	FL Technics Line OOO	Russian Federation
	FL Technics Ulyanovsk OOO	Russian Federation
	FLT Trading House UAB	Lithuania
	Locatory.com UAB	Lithuania
	Storm Aviation Ltd.	The United Kingdom
	Storm Aviation (Cyprus) Ltd.	Cyprus
	Helisota UAB	Lithuania
	Kauno aviacijos gamykla UAB	Lithuania
Aircraft ground handling and fuelling	Baltic Ground Services UAB	Lithuania
	Baltic Ground Services Sp. z.o.o.	Poland
	Baltic Ground Services s.r.l.	Italy
	Baltic Ground Services UA TOV	Ukraine
	Ground Handling CIS UAB	Lithuania
Pilot and Crew Training	AviationCV.com UAB	Lithuania
	Baltic Aviation Academy UAB	Lithuania
Business Charter Operations	Verslo skrydžiai UAB	Lithuania
Unallocated	Avia Solutions Group AB (holding company)	Lithuania
Airport Infrastructure Management (new)	Avia Solutions Group – Airports Management OOO	Russian Federation

Source: the Company

The table below illustrates the contribution made by each segment to the overall result of the Group.

Table 8. Breakdown by segments (LTL'000)

Item	Business Segment	6 months ended 30 June		Year ended 31 December	
		2014 (unaudited)	2013 (unaudited)	2013	2012
Total revenue	Aircraft Maintenance, Repair and Overhaul (MRO)	197,094	154,474	339,512	293,089
	Aircraft Ground Handling and Fuelling	119,740	131,612	276,519	302,028
	Pilot and Crew Training	16,643	14,546	28,009	27,602
	Business Charter Operations	242	-	-	-
	Unallocated	3,177	3,425	6,499	4,965
	Inter-segment eliminations	(31,086)	(43,269)	(96,483)	(91,824)
	Total	**305,810**	**260,788**	**554,056**	**535,860**
Gross profit (*)	Aircraft Maintenance, Repair and Overhaul (MRO)	27,149	28,305	52,232	56,663
	Aircraft Ground Handling and Fuelling	3,392	4,143	9,765	8,993
	Pilot and Crew Training	5,486	3,930	7,624	8,223
	Business Charter Operations	(117)	-	-	-
	Unallocated	2,288	2,689	4,873	3,759
	Inter-segment eliminations	(3,395)	(4,304)	(6,742)	(3,990)
	Total	**34,803**	**34,763**	**67,751**	**73,648**
Gross margin (%) (**)	Aircraft Maintenance, Repair and Overhaul (MRO)	13.8%	18.3%	15.4%	19.3%
	Aircraft Ground Handling and Fuelling	2.8%	3.1%	3.5%	3.0%
	Pilot and Crew Training	33.0%	27.0%	27.2%	29.8%
	Business Charter Operations	(48.3%)	-	-	-
	Unallocated	72.0%	78.5%	75.0%	75.7%
	Total	**11.4%**	**13.3%**	**12.2%**	**13.7%**

Source: IFRS Financial Statements, Consolidated Interim Financial Information, the Company

(*) Business segment's gross profit is the difference between revenue and the direct and attributable expenses related to revenue generated excluding general and administrative, sales, financial expenses and income tax, and including inter-segment sales.

(**) Gross margin is the gross profit (as defined above) divided by total revenue. Total revenue by segments is disclosed including inter-segment sales.

Inter-segment eliminations indicate the value created in several business segments. For example, when MRO services are sold to the other segments, profits earned remain in the MRO segment. However, sales of MRO business segment within the Group are eliminated.

9.3.2 Aircraft Maintenance, Repair and Overhaul (MRO)

Activities in the Group's MRO business segment are conducted by FL Technics AB, FL Technics Jets UAB, FL Technics Line UAB, Locatory.com UAB, Helisota UAB and Storm Aviation and include: aircraft and rotorcraft base and line maintenance; component management; engineering services; spare parts and consumable sales; technical training; consulting; engine maintenance management; aircraft parts marketplace services, business jet maintenance and repair services and other related aircraft maintenance services. Other entities classified to this business segment, but not mentioned above, do not conduct active operations.

Base maintenance

Base maintenance operations are carried by the Group through FL Technics AB.

FL Technics AB base maintenance capabilities cover full spectrum of services, including highly complex projects. FL Technics AB occupies 3 aircraft maintenance hangars together with administrative, warehouse and back shop facilities in Vilnius International Airport and Kaunas International Airport – 22,100 m^2 in total. Utilizing these hangars and the nearby premises FL Technics AB 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 AB is an EASA Part-145, Part-M, Part-147, Part-21 certified company, as well as a Boeing GoldCare Program partner, with certificate approvals in Russian Federation, Bermuda and other countries. FL Technics AB currently services a wide range of Boeing, Airbus, ATR, Embraer, Bombardier CRJ, and other types of aircraft.

Line maintenance

Line maintenance operations are carried by the Group through FL Technics AB and Storm Aviation.

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 30 June 2014 the network of line stations covered a number of countries across Europe, the CIS and the Asian-Pacific region. The Group operated twenty line stations, the details of which are provided in the table below.

Table 9. List of line stations operated by the Group

Country	Airport / City	Aircraft types
Armenia	(1) Zvartnots International Airport (EVN) / Yerevan	Airbus A320 Family
		Boeing B737 – 300/400/500
		Boeing B737 – 600/700/800/900
Bangladesh	(2) Hazrat Shahjalal International Airport (DAC) / Dhaka	Airbus A320 Family
		Airbus A330 – 200/300
		Airbus A340 – 200/300
		Boeing B737 – 300/400/500
		Boeing B737 – 600/700/800/900
		Boeing B747 – 400/800
		Boeing B767 – 200/300
		Boeing B777 – 200/300
Cyprus	(3) Larnaca International Airport (LCA)	Airbus A320 Family
		Airbus A330 – 200/300
		Boeing B737 – 300/400/500
		Boeing B737 – 600/700/800/900
		Boeing B767 – 200/300
Cyprus	(4) Paphos International Airport (PFO) / Paphos	Boeing B737 – 300/400/500
		Boeing B737 – 600/700/800/900
		Boeing B767 – 200/300
Czech Republic	(5) Airport Brno Turany (BRQ)	AVRO 146/RJ
France	(6) Chateauroux Airport (CHR)	Airbus A330 – 200/300
		Airbus A340 – 200/300/500/600
		Boeing B737 – 300/400/500/600/700/800/900
Georgia	(7) Kutaisi International Airport (KUT) / Kutaisi	Airbus A320 Family
		Boeing B737 – 300/400/500
Lithuania	(8) Vilnius International Airport (VNO) / Vilnius	Airbus A320 Family
		Boeing B737 – 300/400/500
		Boeing B737 – 600/700/800/900
		Boeing B757 – 200/300
		ATR 42
Norway	(9) Oslo Gardermoen Airport (OSL) / Jessheim	Airbus A320 Family
Poland	(10) Gdansk Lech Walesa Airport (GDN) / Gdansk	AVRO 146/RJ
Russian Federation	(11) Vnukovo International Airport (VKO) / Moscow	Boeing B767 – 200/300
Russian Federation	(12) Kaliningrad Khrabrovo International Airport (KGD) / Kaliningrad	Airbus A320 Family
		Boeing B737 – 300/400/500/600/700/800/900
Tajikistan	(13) Dushanbe Airport (DYU) / Dushanbe	Airbus A320 Family
		Boeing B737 – 300/400/500/600/700/800/900

Country	Airport / City	Aircraft types
Tajikistan	(14) Khudjand International Airport (LBD) / Khudjand	Airbus A320 Family
		Boeing B737 – 300/400/500/600/700/800/900
Ukraine	(15) Lviv International Airport (LWO) / Lviv	Airbus A320 Family
		Boeing B737 – 300/400/500
		Boeing B737 – 600/700/800/900
United Kingdom	(16) Newcastle International Airport (NCL)	Airbus A320 Family
		Airbus A330 – 200/300
		Airbus A340 – 200/300
		Boeing B737 – 300/400/500/600/700/800/900
		Boeing B777 – 200/300
United Kingdom	(17) Manchester International Airport (MAN)	Airbus A320 Family
		Airbus A330 – 200/300
		Airbus A340 – 200/300/500/600
		Airbus A380
		Boeing B737 – 300/400/500/600/700/800/900
		Boeing B777 – 200/300
		AVRO 146 / RJ
		Boeing B747 – 400
		Boeing B757 – 200
		Boeing B757 – 200/300
		Boeing B767 – 200/300
		Boeing B777 – 200/300
United Kingdom	(18)London Heathrow Airport (LHR)	Airbus A320 Family
		Boeing B737 – 300/400/500/600/700/800/900
United Kingdom	(19) London Gatwick Airport (LGW)	Airbus A320 Family
		Airbus A330 – 200/300
		Airbus A340 – 200/300
		Airbus A380
		Boeing B737 – 300/400/500
		Boeing B737 – 600/700/800/900
		Boeing B757 – 200
		Boeing B757 – 200/300
		Boeing B767 – 200/300
		Boeing B777 – 200/300
United Kingdom	(20) Norwich International Airport (NWI) – Norwich	Airbus A320 Family
		Boeing B737 – 300/400/500/600/700/800/900
		Boeing B757 – 200
		Boeing B757 – 200/300
		AVRO 146 / RJ

Scurce: the Company

Continuing airworthiness management (engineering) services

Engineering services are carried by the Group through FL Technics AB. As a large set of integrated services, engineering is at the heart of the technical supervision process for every airline and for every single aircraft it operates. Ensuring aircraft airworthiness is a day-to-day process which requires the utmost expertise and in-depth understanding of all technical aspects. Being a certified PART-M and PART 21 organisation, FL Technics AB provides comprehensive engineering management services to the aircraft operators, airlines and leasing companies. Basic engineering services include: aircraft airworthiness review and renewal, engine condition monitoring, aircraft weighting, flight data read-out, monitoring and analysis and ageing aircraft programs.

Spare parts and consumable sales

Spare parts and consumable sales are carried by the Group through FL Technics AB and FL Technics Line OOO.

The Group 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 the Group is expanded own stock of spare parts and components, spare parts logistics based on experience with good geographical location of Lithuania.

Stock and in-house capabilities are listed in databases such as ILS, Parts Base and Locatory.com. The Group has offered online access to a warehouse and possibility of e-purchases to clients. FL Technics AB provides cost saving programmes for airlines, including engine material management and component repair management, which includes landing gear overhaul. In addition to ad hoc and pool agreements, the power-by-the-hour (PBH) products have been introduced for existing and new customers.

Technical training and consulting services

Spare parts and consumable sales are carried by the Group through FL Technics AB and Storm Aviation. The Group provides technical training for aviation specialists involved in the maintenance and repair of aircraft, as well as other specialized training programs and consulting services. The training programs, 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.

Being a certified PART-147 and PART-M maintenance training organization, the Group is approved to provide basic maintenance training and aircraft type training for the following aircraft types as of the date of this Prospectus:

Table 10. PART-147 maintenance training capability list

Class	Category		Limitations
Basic	B1	TB1.1	Turbine aircraft
Type / Task	C	T4	Saab 2000 (RR Corp AE2100) theoretical training
			Saab (SF) 340 (GE CT 7) theoretical training
			Boeing 737-300/400/500 (CFM56) theoretical training
			Airbus A318/A319/A320/A321 (CFM56) and Airbus A319/A320/A321/ (IAE V2500) theoretical training
	B1	T1	Saab 2000 (RR Corp AE2100)
			Saab (SF) 340 (GE CT 7)
			Boeing 737-300/400/500 (CFM56)
			Boeing 757-200 (RR RB211)
			Boeing 737-600/700/800/900 (CFM56)
			Difference from 737-300/400/500 (CFM56) to 737-600/700/800/900 (CFM56) theoretical training
			ATR 42-200/300 series (PWC PW120) theoretical training
			ATR 72-100/200 series (PWC PW120) theoretical training
			Airbus A318/A319/A320/A321 (CFM56)
			Airbus A319/A320/A321/ (IAE V2500)
			Airbus A318/A319/A320/A321 (CFM56) and Airbus A319/A320/A321/ (IAE V2500) theoretical training
			A319/A320/A321 (IAE V2500) difference from Airbus A318/A319/A320/A321 (CFM56) practical training
			Bombardier CL-600-2B19 (GE CF34) theoretical training
			Boeing 757-200 (PW 2000) theoretical training
	B2	T2	Saab 2000 (RR Corp AE2100)
			Saab (SF) 340 (GE CT 7)
			Boeing 737-300/400/500 (CFM56)
			ATR 42-200/300 series (PWC PW120) theoretical training
			ATR 72-100/200 series (PWC PW120) theoretical training
			Boeing 737-600/700/800/900 (CFM56)
			Airbus A318/A319/A320/A321 (CFM56) and Airbus A319/A320/A321/ (IAE V2500) theoretical training

Class	Category	Limitations
		Airbus A319/A320/A321/ (IAE V2500) practical training
		Airbus A318/A319/A320/A321 (CFM56) practical training
		A319/A320/A321 (IAE V2500) difference from Airbus A318/A319/A320/A321 (CFM56) practical training
		Bombardier CL-600-2B19 (GE CF34) theoretical training
A	T3	Saab 2000 (RR Corp AE2100) theoretical training
		Saab (SF) 340 (GE CT7) theoretical training
		Boeing 737-300/400/500 (CFM56) theoretical training
		ATR 42-200/300 series (PWC PW120) theoretical training
		ATR 72-100/200 series (PWC PW120) theoretical training

Source: the Company

Specialized aviation training includes auditors training (theory and practice), wheels and brakes training, avionics components maintenance training, implementing rules – PART-M and PART-145 training, human factors training, fuel tank safety training, quality systems training, aviation legislation training, aircraft structure repair training, engineering and planning procedures training, material management and logistics training, escape slides and life preservers maintenance training and engine borescope inspection (CFM56-3) training.

Engine and Components management services

Engine and Components management operations are carried by the Group through FL Technics AB. The Group provides comprehensive engine and component management services aimed at saving its customers' time and money. Scrap replacement materials are provided during a shop visit. FL Technics AB also offers a number of alternative options to deal with the engine, landing gear, APU and other components' problems, including exchange, sale, purchase and lease of an engine or its components.

Other MRO services

Other MRO services are carried by the Group through FL Technics AB and Locatory.com UAB.

FL Technics AB provides non-destructive testing (eddy current, magnetic particle, dye penetrate and ultrasonic) of airframes and components services. Locatory.com UAB develops and maintains its own trading platform catered specifically to the aircraft spare parts aftermarket while offering proactive customer support and enhancing the industry with effective supply chain management solutions.

Business jet MRO

Business jet MRO operations are carried by the Group through FL Technics Jets UAB. The subsidiary is a global provider of tailor-made maintenance, repair and overhaul services for business aviation. Certified as an EASA Part-145 organization, FL Technics Jets UAB serves business aircraft registered in the Russian Federation, Aruba, Bermuda and Cayman Islands. This company is the first service centre in the region authorized to provide warranty support for Tronair's ground support equipment (GSE). FL Technics Jets UAB provides base maintenance services for Hawker 700-900XP, Hawker Beechcraft BAe 125, Bombardier CL-600-2B19, Bombardier CRJ100/200/440 and Bombardier Challenger 850 aircraft type families.

Helicopter MRO

Helicopter MRO operations are carried by the Group through Helisota UAB. On 16 December 2013 the Group acquired from third parties 100% of share capital in Helisota UAB and 100% of share capital in its subsidiary Kauno aviacijos gamykla UAB. As a result of these acquisitions, the Group is expecting to increase its presence in the MRO segment, in the new Helicopter MRO sub-segment. Helisota UAB is an international provider of integrated maintenance, repair and overhaul (MRO) services to rotorcraft aviation. The company is the EASA Part 145 and Part 147 organization as well as the authorized Mil Helicopters and Robinson R44 service center. Based on certified services and products Helisota UAB supports various government and private rotorcraft operators from 25 countries worldwide. The subsidiary currently services a wide range of Mi-8T (P, PS), Mi-8MT (Mi-17), Mi-8MTV-1 (Mi-17-1V), Mi-8AMT (Mi-171), Robinson R-44 types of rotorcraft.

The following table highlights selected operating data for the MRO business segment for the periods indicated.

Table 11. Selected operating data for the MRO business segment

Business segment	Selected operating data	6 months ended 30 June		Year ended 31 December	
		2014 (unaudited)	2013 (unaudited)	2013 (unaudited)	2012 (unaudited)
Aircraft maintenance, repair and overhaul (MRO)	Number of SOLD man-hours in aircraft base maintenance	178,020	140,014	247,722	307,900
	Number of SOLD man-hours in engineering	35,199	29,878	60,091	50,076
	Number of SOLD man-hours in aircraft maintenance training	6,511	2,423	8,406	6,155
	Number of line stations at the end of the period	20	18	19	25

Source: Annual Reports, Consolidated Interim Financial Information, the Company

Customers

The breakdown and share of customers in total sales to external customers (inter-company sales are excluded) of MRO business segment is provided in the table below.

Table 12. Breakdown of customers of MRO business segment (LTL'000)

Business segment	Customer	Revenue(*)			
		6 months ended 30 June		Year ended 31 December	
		2014 (unaudited)	2013 (unaudited)	2013	2012
Aircraft maintenance, repair and overhaul (MRO)	Customer R	3,357	15,205	35,785	24,160
	Customer E	22,767	18,468	35,374	27,192
	Customer H	5,271	15,055	23,961	24,223
	Other	155,809	102,086	223,785	213,915
	Total sales to external customers	**187,204**	**150,814**	**318,905**	**289,490**

Business segment	Customer	As % of total revenue(*)			
		6 months ended 30 June		Year ended 31 December	
		2014 (unaudited)	2013 (unaudited)	2013	2012
Aircraft maintenance, repair and overhaul (MRO)	Customer R	1.8%	10.1%	11.2%	8.3%
	Customer E	12.2%	12.2%	11.1%	9.4%
	Customer H	2.8%	10.0%	7.5%	8.4%
	Other	83.2%	67.7%	70.2%	73.9%
	Total sales to external customers	100.0%	100.0%	100.0%	100.0%

Source: IFRS Financial Statements, the Company

(*) Revenue from external customers only, inter-company sales are excluded.

Historically MRO activities were not subject to any significant concentration[9] in relation to one client throughout the years.

Regulations related to MRO activities

The aviation services industry is highly regulated. The laws and regulations directly applicable to the MRO business segment in Lithuania include the Law on Aviation of the Republic of Lithuania (the "Law on Aviation") and the EASA regulations. Moreover, MRO activities are also subject to laws and regulations of the countries in which the served aircraft are registered.

The Law on Aviation empowers the Civil Aviation Administration of the Republic of Lithuania ("LCAA") to establish the requirements for manufacture, repair and maintenance of aircraft and their appliances (components) as well as requirements for maintenance training and continuing airworthiness management (engineering) services.

The LCAA is the national aviation authority of Lithuania and regulates, among other things, the maintenance, repair and operation of all aircraft and aircraft parts and components, maintenance training and engineering services in Lithuania.

[9] Significant concentration has been defined as clients exceeding 10% of revenues comprised more than 50% of total MRO revenue.

Its regulations are similar to the regulations promulgated by the EASA and are designed to ensure that all aircraft and aircraft equipment are continuously maintained in proper condition. Similar rules apply in other EU countries.

Moreover, in Lithuania, as in other EU countries, no enterprise may perform repairs and maintenance of aircraft, provide maintenance training and continuing airworthiness management (engineering) services unless it is in possession of the respective certificates of approval issued by the LCAA and in compliance with the requirements specified by the LCAA and the EASA.

All aircraft must be maintained under a continuous condition monitoring program and must periodically undergo thorough inspection and maintenance. The inspection, maintenance and repair procedures for the various types of aircraft and aircraft equipment can be performed only by approved maintenance facilities and personnel authorized by the LCAA.

Certification of the MRO business segment of the Group

The Group Companies possess the following approval certificates issued by the authorities and foreign regulatory bodies as of the date of this Prospectus:

Table 13. Approval certificates issued by the LR CAA, EASA and foreign regulatory bodies

Number	Approval Certificate	Issued to	Issued by	Valid until
LT.145.011	PART-145 maintenance organization approval certificate	FL Technics AB	Civil Aviation Authority of the Republic of Lithuania	unlimited
LT.147.011	PART-147 maintenance training organization approval certificate	FL Technics AB	Civil Aviation Authority of the Republic of Lithuania	unlimited
UK.145.01041	PART-145 maintenance organisation approval certificate	Storm Aviation	Civil Aviation Authority of the United Kingdom	unlimited
UK.147.0057	PART-147 maintenance organization approval certificate	Storm Aviation	Civil Aviation Authority of the United Kingdom	unlimited
LT.145.020	Maintenance organisation approval certificate	FL Technics Jets UAB	Civil Aviation Authority of the Republic of Lithuania	unlimited
EASA.21J.49 6	Part 21 design organisation approval certificate	FL Technics AB	EASA	unlimited
LT.TPR.002	Maintenance organisation approval	Helisota UAB	Civil Aviation Authority of the Republic of Lithuania	unlimited
LT.147.005	PART-147 maintenance training organization approval certificate	Helisota UAB	Civil Aviation Authority of the Republic of Lithuania	unlimited
LT.145.012	PART-145 maintenance organisation approval certificate	Helisota UAB	Civil Aviation Authority of the Republic of Lithuania	unlimited
LT0516Q	ISO 9001:2008/LST ES ISO 9001:2008 certificate	FL Technics AB	Bureau Veritas	30 June 2016
TIC 15 100 0956	ISO 9001:2008 certificate	Helisota UAB	TUV International Certification	10 January 2016
BDA/AMO/25 8	PART-145 maintenance organization approval certificate	FL Technics AB	Department of Civil Aviation of the Government of Bermuda	17 February 2015
BDA/CAMO/0 03	PART-M continuing airworthiness management organization approval certificate	FL Technics AB	Department of Civil Aviation of the Government of Bermuda	23 September 2015
DL-ACC-131	PART-145 maintenance organization approval certificate	FL Technics AB	Ministry of Tourism, Transportation & Labour, Department of Civil Aviation, Aruba	21 December 2015
LT.MG.15	PART-M continuing airworthiness management organization approval certificate	FL Technics AB	Civil Aviation Authority of the Republic of Lithuania	unlimited
СПР -37	PART-145 maintenance organization approval certificate	FL Technics AB	Ministry of Transport and Communications of the Republic of Belarus	unlimited
03.03-548	PART-145 maintenance organization approval certificate for	FL Technics AB	Federal Air Transport Agency of the Russian	23 May 2015

	Line Station Airport Khrabrovo, Kaliningrad		Federation	
03.03-171	PART-145 maintenance organization approval certificate	FL Technics AB	Federal Air Transport Agency of the Russian Federation	14 February 2015
4.03-180	PART-147 maintenance organization approval certificate	FL Technics AB	Federal Air Transport Agency of the Russian Federation	28 September 2014
27-1-27-3/118	PART-145 maintenance organization approval certificate	FL Technics AB	Ministry of Transport and Communications of the Republic of Kazakhstan Department of Civil Aviation	unlimited
405/2-2	PART-145 maintenance organization approval certificate	FL Technics AB	Republic of Tajikistan Ministry of Transport State Supervision and Management Service in the Field of Transport	1 July 2015
UA.145.0580	PART-145 maintenance organization approval certificate	FL Technics AB	State Aviation Administration of Ukraine	unlimited
CO-OIM-008HTC	Maintenance organization approval certificate	FL Technics AB	Civil Aviation Authority of El Salvador	21 April 2016
41	Approval to perform initial theoretical training for Airbus A318/319/320/321, Boeing 737-300/400/500 and initial practical training for Airbus A318/319/320/321 and Boeing 737-300/400/500	FL Technics AB	General Department of Civil Aviation at the Government of the Republic of Armenia	25 February 2015
238	Authorization to perform Line Maintenance at "Zvartnots" International Airport, Yerevan, Armenia.	FL Technics AB	General Department of Civil Aviation at the Government of the Republic of Armenia	unlimited
AMO/LY/FLT	Approved Maintenance Certificate	FL Technics AB	Nigerian Civil Aviation Authority	12 February 2015
(26.10-81)-3-3191	Eligibility to Commercial Firms to participate in NSPA Procurements	FL Technics AB	Ministry of Economy of the Republic of Lithuania	unlimited
2021140058	Civil aeronautical products maintenance organization approval certificate	FL Technics Jets UAB	Federal Air Transport Agency of the Russian Federation	28 February 2015
090-CAY-AMO-2011	PART-145 maintenance organization approval certificate	FL Technics Jets UAB	Civil Aviation Authority of the Cayman Islands	10 June 2015
BDA/AMO/440	PART-145 maintenance organization approval certificate	FL Technics Jets UAB	Department of Civil Aviation of the Government of Bermuda	11 June 2015
DC-ACC-122	PART-145 maintenance organization approval certificate	FL Technics Jets UAB	Ministry of Tourism, Transportation & Labour, Department of Civil Aviation, Aruba	12 May 2013, agreement to prolong when needed is made
СПР-50	PART-145 maintenance organization approval certificate	FL Technics Jets UAB	Ministry of Transport and Communications of the Republic of Belarus	unlimited
03.03-532	PART-145 maintenance organization approval certificate	FL Technics Jets UAB	Federal Air Transport Agency of the Russian Federation	26 May 2015
LT0923Q	ISO 9001:2008/LST ES ISO 9001:2008 certificate	FL Technics Jets UAB	Bureau Veritas	17 July 2017
СПР-88	Overhaul and repair station certificate	Helisota UAB	Interstate Aviation Commitee	29 March 2015
2/MB3 - 2006	Overhaul facility certificate	Helisota UAB	MIL Moscow Helicopter Plant	30 September 2014
-	Authorized Service Center for Technical Maintenance of Robinson R44 Models	Helisota UAB	Robinson Helicopter Company	31 December 2014

00056	Weapons manufacture facility license	Helisota UAB	Weapons Fund of Lithuania's Republic next to Government of Lithuania's Republic	unlimited

Source: the Company

Notwithstanding the aforementioned approvals granted by the LCAA, which are unconditionally valid in all EASA member states (such being the EU and also Switzerland, Norway and Iceland), base and line maintenance, repair and overhaul services as well as engineering services on aircraft registered in a non-EASA country may only be performed by companies approved by the aviation authority in that country. For example, in order for FL Technics AB to provide such services to aircraft operators whose aircraft are registered in Bermuda, FL Technics AB must obtain the approval from the respective aviation authority.

Although the term of validity of certain certificates and approvals held by the Group is limited, in the opinion of the Management the risk of losing capabilities as a result of discontinuation of a given certificate's validity should be perceived as diminutive. Based on the history of Group's operations and knowledge of the aviation business conduct, the Management is fully confident that the validity of all certificates will be extended into future.

Competitive Environment

At Vilnius International Airport FL Technics AB and FL Technics Jets UAB are the only providers of base maintenance services, supply of and trade in spare parts and components maintenance, repair and overhaul of aircraft engines and components. At Kaunas International Airport FL Technics AB competes with Ryanair. Regional competitors as MRO providers are Lufthansa Technik (Germany), Aeroplex (Hungary), Air Maintenance Estonia (Estonia), MNG Technic (Turkey), S7 Engineering (Russian Federation), SR Technics (Switzerland), Turkish Technic (Turkey), MY Technic (Turkey) and global competitors as spare parts sellers are Lufthansa Technik (Germany), AJ Walter aviation (UK), Avtrade (UK), BAI systems (USA), CASCO (UK), APS (Israel) and ASC (UK).

Mi-8/17 helicopters MRO factories spread all over the world, but the largest concentration is in the Russian Federation, the former Soviet Union, Warsaw Pact countries and other countries that have close trade and political relations with the Russian Federation. Global competitors of Helisota UAB are Orsha Aircraft Repair Plant (Belarus), TEREM – Georgi Benkovski (Bulgaria), AVIAKON (Ukraine), Sevastopol Aircraft Plant (Ukraine), Aircraft Repair Company Trenčín (Slovakia) and ANKOL (Poland).

9.3.3 Pilot and Crew Training

Pilot and crew training operations are carried by the Group through Baltic Aviation Academy UAB and AviationCV.com UAB.

Certified as the Approved Training Organization (ATO), Baltic Aviation Academy UAB offers Ab Initio and Type Rating pilot training, Cabin Crew, Ground Handling, Flight Dispatch, Instructor and supporting aviation training course solutions. Headquartered in Vilnius, Lithuania, the academy is providing the custom tailored training solutions wrapped in the personal care and seeks to establish itself as a leading aviation training center in Central Europe.

AviationCV.com UAB is a global provider of aviation specialist resourcing solutions for airlines, MRO providers and other industry players. The company runs a job search portal (www.aviationcv.com) for flight crew members, aircraft engineers and other aviation specialists aimed at meeting short and long term human resource needs of the global aviation industry.

The following table outlines certain operating data for Pilot and crew training business segment for the periods indicated.

Table 14. Selected operating data for the Pilot and Crew Training business segment

Operating segment	Selected operating data	6 months ended 30 June		Year ended 31 December	
		2014 (unaudited)	2013 (unaudited)	2013 (unaudited)	2012 (unaudited)
Pilot and Crew Training	TRTO – Number of sold theoretical training hours	4,320	4,193	8,203	6,587
	TRTO – Number of sold practical training (FFS) hours	6,883	6,440	12,294	12,712

Source: Annual Reports, Consolidated Interim Financial Information

Certification of Pilot and Crew Training business

Similarly to the MRO business segment the laws and regulations directly applicable to Pilot and crew training operating segment include Law on Aviation and JAA / EASA (*) regulations.

The Law on Aviation stipulates that all training of aviation specialists must be performed by the training institutions approved by LCAA. Thus, no organization may perform aviation training services in Lithuania unless in possession of the respective certificates of approval issued by LCAA and in compliance with the requirements specified by LCAA and JAA / EASA.

Baltic Aviation Academy UAB possesses the following organizational approval certificate issued by the LCAA as of the date of this Prospectus:

Table 15. Approval certificate issued by LCAA

Number	Approval certificate	Issued by	Valid until
LT.ATO.004	Approved Training Organization (ATO) certificate	LCAA	Unlimited

Scurce: the Company

Being certified as ATO by the LCAA, Baltic Aviation Academy UAB is eligible to issue the training course completion certificates which are automatically valid in all JAA / EASA area. However, the supplementary approvals are necessary for training of non–JAA / EASA area aviation specialists. As of the date of this Prospectus, Pilot and crew training activities of the Group were approved by the following foreign regulatory bodies:

Table 16. Approval certificates issued by foreign regulatory bodies

Number	Approval certificate	Issued by	Valid until
TR-001(TRTO)	Decision No. TR-001(TRTO) on validation of Baltic Aviation Academy UAB No. LT/TRTO-41	State Aviation Administration of Ukraine	Unlimited
13-17/1728	Approval Certificate – TRTO	Civil Aviation Committee of the Republic of Kazakhstan	Unlimited
039-LT	Certificate of Approval – Flight training centre (authorised to provide A320 certified training services; Initial, Transition, Type Rating and RNP/RNAV)	Civil Aviation Administration of China	6 June 2015
FFS-B733-007-V/14	Boeing B737 (series 300/400/500) Full Flight Simulator (FFS) qualification certificate	National Civil Aviation Agency of Brazil	31 December 2015
SPS-17(СПС-17)/LT-TRTO-41	Certificate of Approval – TRTO	Ministry of Transport and Communications of the Republic of Belarus. Department of Aviation	Unlimited
01/2013	Certificate of Approval – Utilisation of the Full Flight Simulator (FFS), FFS a-320-214(LT/TR-05)	Institute of Civil Aeronautics of Cuba	30 September 2014
0007	Certificate of Approval – Authorised training organisation (authorised to provide B737 (series 300/400/500) flight crew trainings)	Civil aviation Authority of the Islamic Republic of Afghanistan. Flight Safety Department	22 December 2014

Scurce: the Company

Although the term of validity of certain certificates and approvals held by the Group is limited, in the opinion of the Management the risk of losing capabilities as a result of discontinuation of a given certificate's validity should be perceived as diminutive. Based on the history of Group's operations and knowledge of the aviation business conduct, the Management is fully confident that the validity of all certificates will be extended into future.

The certificate of ATO issued by the LCAA, allows Baltic Aviation Academy UAB to provide the following Type Rating Training services as of the date of this Prospectus.

(*) JAA – Joint Aviation Authorities – is an associated body of the European Civil Aviation Conference (ECAC) representing the civil aviation regulatory authorities of number of European States who have agreed to co-operate in developing and implementing common safety regulatory standards and procedures. It is not a regulatory body, regulation being achieved through the member authorities (i. e. in case of Baltic Aviation Academy UAB – LCAA). However, the adoption of the Regulation (EC) No 1592/2002 by the European Parliament and the Council of the EU and the subsequent establishment of the EASA created a Europe wide regulatory authority which eventually absorbs all the functions of the JAA (in the EASA member states).

Table 17. TRTO training capability list

Type of training	Aircraft type (where applicable)
Type rating training	Airbus 320
	Airbus 330
	Airbus 340
	ATR 42/72
	Boeing 737-300/-400/-500/-600/-700/-800/-900
	Boeing 747-400
	Boeing 757/767
	Boeing 777
	Bombardier CRJ 100/200
	Bombardier CRJ 700/900
	DHC8-400
	Embraer ERJ 135/145
	Embraer ERJ 170/190
	SAAB 340
	SAAB 2000
Type rating recurrent training	Airbus 320
	ATR 42/72
	Boeing 737-300/-400/-500/-600/-700/-800/-900
	Boeing 757/767
	Bombardier CRJ 100/200
	Embraer ERJ 135/145
	SAAB 340/2000
TRI(A), SFI(A) training and refresher training	Airbus 320
	Airbus 330
	Airbus 340
	ATR 42/72
	Boeing 737-300/-400/-500/-600/-700/-800/-900
	Boeing 747-400
	Boeing 757/767
	Boeing 777
	Bombardier CRJ 100/200
	Bombardier CRJ 700/900
	DHC8-400
	Embraer ERJ 135/145
	Embraer ERJ 170/190
	SAAB 340
	SAAB 2000
Type rating training and recurrent training of cabin crew	Airbus 320
	Airbus 320
	Airbus 330
	Airbus 340
	ATR 42/72
	Boeing 737-300/-400/-500/-600/-700/-800/-900
	Boeing 757
	Boeing 767
	Boeing 777
	Boeing 787
	Bombardier CRJ 100/200
	Bombardier CRJ 700/900

Type of training	Aircraft type (where applicable)
	Embraer ERJ 135/145
	Embraer ERJ 170/190
	Fokker 50
	Fokker 100
	SAAB 340
	SAAB 2000
Initial cabin crew training (subcontracted)	
Cabin crew SEP, ESET Instructor training	
Training course for pilots-in-command	
Dangerous goods transportation training	
Low Visibility Operations (LVO) training	
Extended Twin Engine Operations (ETOPS) and Minimum Navigation Performance Separation (MNPS) training	
Reduced Vertical Separation Minima (RVSM) training	
Jet orientation training	
Multi-crew co-operation (MCC) training	
Crew Resource Management (CRM) training	
Crew Resource Management Instructor (CRMI) training	
Flight dispatcher training	
Fire fighting and smoke procedures training	
Medical aspects and first aid training	
Ditching and water survival training	
Different training modules for ground handling personnel	

Source: the Company

Baltic Aviation Academy UAB occupies 1,330 m^2. Its training center is an integrated learning complex with modern auditoriums, rest areas, dining rooms and specialized training facilities equipped with FNPT II (Flight Navigation Procedures Trainer); aircraft fleet of 1 Cessna 172S, 9 Tecnam P2002JF and 1 Tecnam 2006T; Boeing 737-300/400/500 and Airbus 320 Full Flight Simulators (FFS), Real Fire Fighting and Smoke Trainer.

Table 18. Flight Simulation Training Device (FSTD) qualification certificates

Number	FSTD qualification certificate	Issued by	Valid until
LT.FSTD.03A	FSTD Boeing 737-300	LCAA	Unlimited
LT.FSTD.03B	FSTD (*)Boeing 737-400	LCAA	Unlimited
LT.FSTD.03C	FSTD (*)Boeing 737-500	LCAA	Unlimited
LT.FSTD.05	FSTD (*)Airbus A320-214	LCAA	Unlimited
LT.FSTD.07	FNPT II (**) Generic Cessna 172N, Generic Tecnam P2006T	LCAA	Unlimited

Source: the Company

(*) FSTD – Flight Simulation Training Device

(**) FNPT – Flight Navigation Procedures Trainer

In addition to the above listed Full Flight Simulators (FFS), that are located in Vilnius training headquarters, Baltic Aviation Academy UAB has a number of simulators contracted on dry lease basis from the third parties for other aircraft types. As of the date of this Prospectus the major Full Flight Simulators (FFS) contracted by Baltic Aviation Academy UAB and authorized by the LCAA to be used in its training activities include:

- Boeing 737-800 (B737 NG) Full Flight Simulator (FFS), located in Prague, Czech Republic;
- Boeing 737-800 (B737 NG) Full Flight Simulator (FFS), located in Hoofdorp, the Netherlands;
- Boeing 757-200 (B757-200) Full Flight Simulator (FFS), located in Madrid, Spain;
- Boeing 757-200 (B757-200) Full Flight Simulator (FFS), located in Copenhagen, Denmark;
- Boeing 757-200 (B757-200) Full Flight Simulator (FFS), located in Helsinki, Finland;
- Boeing 757-200 Full Flight Simulator (FFS), located in Baku, Azerbaijan;
- Boeing 767-300 Full Flight Simulator (FFS), located in Brussels, Belgium;
- Boeing 767-300 Full Flight Simulator (FFS), located in Amsterdam, the Netherlands;
- Boeing 767-300 Full Flight Simulator (FFS), located in Baku, Azerbaijan;
- Boeing 777-200 Full Flight Simulator (FFS), located in Rome, Italy;

- ATR 42-300 Full Flight Simulator (FFS), located in Morlaix, France;
- ATR 42-300 Full Flight Simulator (FFS), located in Helsinki, Finland;
- ATR 72-200 Full Flight Simulator (FFS), located in Helsinki, Finland;
- ATR 72-500 Full Flight Simulator (FFS), located in Madrid, Spain;
- ATR 42/72 Full Flight Simulator (FFS), located in Amsterdam, the Netherlands;
- ATR 72-500 Full Flight Simulator (FFS), located in Dublin, Ireland;
- ATR 72-500 Full Flight Simulator (FFS), located in Viena, Austria;
- ATR 72-500 Full Flight Simulator (FFS), located in Baku, Azerbaijan;
- Embraer 145 (ERJ 145) Full Flight Simulator (FFS), located in Zurich, Switzerland;
- Embraer 170 Full Flight Simulator (FFS), located in Amsterdam, the Netherlands;
- Embraer 170 Full Flight Simulator (FFS), located in Helsinki, Finland;
- Embraer 170/190 Full Flight Simulator (FFS), located in Exeter, UK;
- Embraer 170/190 Full Flight Simulator (FFS), located in Amman, Jordan;
- Bombardier CRJ 100 Full Flight Simulator (FFS), located in Berlin, Germany;
- Bombardier CRJ 700/900 Full Flight Simulator (FFS), located in Berlin, Germany;
- Bombardier CRJ 900 Full Flight Simulator (FFS), located in Madrid, Spain;
- Airbus 320-214/200/232 Full Flight Simulator (FFS), located in Madrid, Spain;
- Airbus 320-214 Full Flight Simulator (FFS), located in Brussels, Belgium;
- Airbus 320-200 Full Flight Simulator (FFS), located in Baku, Azerbaijan;
- Airbus 320-214 Full Flight Simulator (FFS), located in Prague, Czech Republic;
- Airbus 330-200 Full Flight Simulator (FFS), located in Madrid, Spain;
- Airbus 330 Full Flight Simulator (FFS), located in Helsinki, Finland;
- Airbus 340-300/313 Full Flight Simulator (FFS), located in Madrid, Spain;
- Airbus 340 Full Flight Simulator (FFS), located in Helsinki, Finland;
- Dash 8Q-400 Full Flight Simulator (FFS), located in Exeter, UK.

See Section 9.13 *Material Contracts* for more details on the aforementioned operating leases.

The extended list of contracted third party simulators allows Baltic Aviation Academy UAB to offer its clients a complete package of Type Rating Training services by combining theoretical training in Vilnius training headquarters and practical Full Flight Simulators (FFS) training in a number of aforementioned locations.

Other flight training services

Being the certified ATO, Baltic Aviation Academy UAB is approved by the LCAA to provide the following Flight Training courses as ATPL(A)[10] modular theoretical knowledge course[1], ATPL(A) integrated course[2], CPL(A) modular course[3], IR(A) modular course[4], PPL(A) training course[5], MEP (land) class rating training course[6], FI(A) training course[7], IRI(A) training course[8] and Multi Crew Cooperation course MCC(A)[9].

[1.] **ATPL(A) modular theoretical knowledge course.** The objective of the ATPL(A) modular course is to prepare students for the JAA/EASA CAA theoretical examination.
[2.] **ATPL(A) integrated course** – Integrated Airline Transport Pilot License training course. The course is aimed to help students to gain a 'frozen ATPL' licence in the shortest time possible. License obtained after the completion of the course: CPL(A)/IR, ME (ATPL Frozen). At the end of the course students acquire professional skills to operate as co-pilots on multi-pilot and multi-engine airplanes in commercial air transport.
[3.] **CPL(A) modular course** – Modular Commercial Pilot License Training Course. The aim of modular CPL(A) training course is to train pilots to the level of proficiency necessary to operate single-pilot single-engine or multi-engine airplanes of commercial air transportation and to obtain the CPL(A)/IR, ME (ATPL Frozen) licence. This program consists of two training stages: First stage – PPL training course; Second stage – CPL/IR training course. Pilots after training obtain CPL(A)/IR/ME (ATPL frozen) license.
[4.] **IR(A) modular course** – Modular Instrument Rating (IR(A)) training course. The objective of the course is to train pilots to the level of proficiency necessary to operate airplanes under the Instrument Flight Rules (IFR) and in Instrument Meteorological Conditions (IMC).
[5.] **PPL(A) training course** – Private Pilot License training course. The aim of the PPL(A) course is to train the student pilot to fly safely and efficiently under Visual Flight Rules. The privileges of the holder of a PPL(A) are to act, but not for remuneration, as pilot-in-command or co-pilot of a single-engine and single-pilot aircraft engaged in non-revenue flights.
[6.] **MEP(land) class rating training course** – Multi-engine piston (MEP) training course. The objective of the multi-engine airplane training course is to train pilots to the level of proficiency necessary to operate multi-engine airplanes and obtain a multi-engine qualification.
[7.] **FI(A) training course** – Flight Instructor FI(A) training course. The aim of this course is to train pilots to the level of proficiency necessary to teach student pilots PPL(A) and/or CPL(A) courses.

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[10] ATPL(A) – Airline Transport Pilot License (Aircraft). The purpose of the modular course for ATPL(A) theoretical knowledge consists of teaching of pilots up to a level of competence to enable them to act as pilot-in-command or co-pilot in aircraft engaged in commercial air transportation.

8. **IRI(A) training course** – IRI(A) training course – Instrument Rating Instructor IRI(A) training course. The aim of this course is to train aircraft licence holders to the level of competence necessary to instruct student pilots for issue and renewal of an Instrument Rating (IR) on the appropriate aircraft category.
9. **Multi-Crew Co-Operation course MCC(A)** – this course gives the students realistic training in operating a multi-pilot, multi-engine airplane under IFR conditions. The objectives of the course are to train the optimum decision making, communication, diversion of tasks and use of checklists, mutual supervision, teamwork and support through all stages of flight under any conditions.

ATO certificate allows Baltic Aviation Academy UAB to be engaged in Ab initio pilot training – i. e. training of pilots "from zero", whereas Type Rating Training courses are designed for already present aviation specialists holding the valid pilot licenses.

Apart from Ab initio and aircraft type rating certified training courses Baltic Aviation Academy UAB is also engaged in the following ancillary training activities such as Aviation English Language, Flight Dispatcher, Cabin Crew and Ground Handling personnel training courses.

Customers

The breakdown and share of customers in total revenues of pilot and crew training business segment is provided in the table below.

Table 19. Breakdown of customers of Pilot and Crew Training business segment (LTL'000)

Business segment	Customer	Revenue(*)			
		6 months ended 30 June		Year ended 31 December	
		2014 (unaudited)	2013 (unaudited)	2013	2012
Pilot and crew training	Customer AB	1,811	-	-	-
	Customer R	-	2,178	3,001	6,054
	Other	14,760	12,338	24,857	21,479
	Total sales to external customers	**16,571**	**14,516**	**27,858**	**27,533**

Business segment	Customer	As % of total revenue(*)			
		6 months ended 30 June		Year ended 31 December	
		2014 (unaudited)	2013 (unaudited)	2013	2012
Pilot and crew training	Customer AB	10.9%	-	-	-
	Customer R	-	15.0%	10.8%	22.0%
	Other	89.1%	85.0%	89.2%	78.0%
	Total sales to external customers	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: IFRS Financial Statements, the Company

(*) Revenue from external customers only, inter-company sales are excluded.

Competitive Environment

Baltic Aviation Academy UAB main global competitors are CAE (Canada), Finnair Flight Academy (Finland), Cocpit4U (Germany), Lufthansa training (Germany), GTA (Spain), IFTC (Turkey), CTC (UK), AirBaltic (Latvia).

9.3.4 Aircraft Ground Handling and Fuelling

Baltic Ground Services is a regional group of ground handling companies, which provide full range of aircraft ground handling and fuelling services. The services are conducted by three Subsidiaries of the Company, namely: Baltic Ground Services UAB (Baltic Ground Services LT), Baltic Ground Services Sp. z.o.o. (Baltic Ground Services PL) and Baltic Ground Services s.r.l. (Baltic Ground Services IT) (Baltic Ground Services LT, Baltic Ground Services PL and Baltic Ground Services IT are jointly referred to as "Baltic Ground Services").

As of 30 June 2014, Baltic Ground Services activities were concentrated in Vilnius International Airport and Palanga International Airport (conducted through Baltic Ground Services LT), in Warsaw Chopin Airport, Krakow International Airport and Katowice International Airport in the Republic of Poland (conducted through Baltic Ground Services PL) and in Lamezia Terme Airport in Italy (conducted through Baltic Ground Services IT).

The following table highlights certain operating data for aircraft ground handling and fuelling business segment for the periods indicated.

Table 20. Selected operating data for Aircraft Ground Handling and Fuelling business segment

Operating segment	Selected operating data	6 months ended 30 June		Year ended 31 December	
		2014 (unaudited)	2013 (unaudited)	2013 (unaudited)	2012 (unaudited)
Aircraft Ground Handling and Fuelling	Number of aircraft served	5,706	3,867	9,541	9,969
	Number of passengers served	811,428	602,759	1,493,981	1,480,225
	Volume of fuel sold (tonnes)	44,882	28,208	62,236	61,150

Source: Annual Reports, Consolidated Interim Financial Information

Ground handling services

Ground handling services include the following directions of activity of Baltic Ground Services:

- **Passenger services** – check-in of passengers and baggage, passenger boarding, airside transportation (bussing) services, tracing and delivery of late and 'lost & found' baggage and ticketing services;
- **Cargo services** – cargo and mail handling and cargo planning and controlling;
- **Aircraft services** – loading/unloading of baggage, cargo and mail, cabin maintenance and cleaning, aircraft exterior cleaning and washing, ground power supply, lavatory service and water supply, cabin cooling/heating and de-icing and anti-icing services;
- **Ramp services** – supervision of aircraft, marshalling of aircraft, moving/towing of aircraft, ASU (air starting units) services and safety measures;
- **Engineering services** – maintenance of airport buildings and facilities.

Fuelling services

Fuelling services include into-plane fuelling, de-fuelling and ground support equipment refuelling services.

Customers

The breakdown and share of customers in total revenues of aircraft ground handling and fuelling business segment is provided in the table below.

Table 21. Breakdown of customers of Aircraft Ground Handling and Fuelling business segment (LTL'000)

Business segment	Customer	Revenue(*)			
		6 months ended 30 June		Year ended 31 December	
		2014 (unaudited)	2013 (unaudited)	2013 (unaudited)	2012 (unaudited)
Aircraft Ground Handling and Fuelling	Customer T	17,762	15,187	31,679	35,177
	Customer X*	16,705	9,630	22,790	21,146
	Customer W*	10,160	9,946	26,299	19,512
	Other	56,738	60,082	125,599	142,554
	Total sales to external customers	**101,365**	**94,845**	**206,367**	**218,389**

Business segment	Customer	As % of total revenue(*)			
		6 months ended 30 June		Year ended 31 December	
		2014 (unaudited)	2013 (unaudited)	2013 (unaudited)	2012 (unaudited)
Aircraft Ground Handling and Fuelling	Customer T	17.5%	16.0%	15.4%	16.1%
	Customer X*	16.5%	10.2%	11.0%	9.7%
	Customer W*	10.0%	10.5%	12.7%	8.9%
	Other	56.0%	63.3%	60.9%	65.3%
	Total sales to external customers	**100%**	**100%**	**100%**	**100%**

Source: the Company

(*) Revenue from external customers only, inter-company sales are excluded.

* - Shareholders of customer X and customer W are the same.

Certificates and approvals

Baltic Ground Services LT holds the ISO 9001:2008 / LST EN ISO 9001:2008 Certificate No. LT0635Q issued by Bureau Veritas Certification Lithuania. The document certifies that all processes of Baltic Ground Services LT are duly validated, certified and approved and the quality control system of Baltic Ground Services LT is implemented appropriately and in accordance with the ISO 9001:2008 standards.

As of the date of this Prospectus, Baltic Ground Services holds the following licenses and approvals for its ground handling and fuelling services:

Table 22. List of licences and approvals

Number	Certificate / Approval	Issued to	Issued by	Duration
3-500	Approval of Baltic Ground Services LT as ground handling provider in Vilnius International Airport	Baltic Ground Services LT	Ministry of Transport and Communications of the Republic of Lithuania	Unlimited
27-10063 D	Licence for Wholesale Distribution of Bulk Petroleum Products – Aviation Gasoline and Jet Fuel	Baltic Ground Services LT	Ministry of Energetics of the Republic of Lithuania	Unlimited
30-10018 O	Licence for Wholesale of Bulk Aviation Gasoline and Jet Fuel, Supplied as Fuel for Aircraft and Jet Fuel	Baltic Ground Services LT	Ministry of Economy of the Republic of Lithuania	Unlimited
PL-54H/14	Airport Handling Agent Certificate/ Licences to provide ground handling services at six largest airports	Baltic Ground Services PL	Civil Aviation Office of the Republic of Poland	5 February 2016
OPC/10331/ 19704/W/OWA/ 2011/AR	Licence to supply aviation fuel for the Polish market	Baltic Ground Services PL	Polish Energy Regulatory Office (URE)	31 December 2030
No. 290	Licences to supply ground handling services, including passenger and ramp handling	Baltic Ground Services IT s.r.l.	Italian Civil Aviation Authority (Ente Nazionale per l'Aviazione Civile)	25 March 2015

Source: the Company

Although the term of validity of certain certificates and approvals held by the Group is limited, in the opinion of the Management the risk of losing capabilities as a result of discontinuation of a given certificate's validity should be perceived as diminutive. Based on the history of Group's operations and knowledge of the aviation business conduct, the Management is fully confident that the validity of all certificates will be extended into future.

Competitive Environment

The key competitor of Baltic Ground Services LT in ground handling operations at Vilnius International Airport is Litcargus UAB. RSS Motors, Nafelf are two rivalling companies providing fuelling services at Vilnius International Airport. At Palanga International Airport the company is sharing the market with Ground Handling Agency exclusively in the ground handling service segment.

According to the Management estimates, Baltic Ground Services LT maintains approx. 70% of aircraft fuelling market and over 50% of ground handling services market in Vilnius International Airport. Whereas, in Palanga International Airport the company fully covers the demand of into-plane fuelling services.

Main competitors in Polish Ground Handling market are the following companies: Welcome Airport Services Ltd., LS Airport Services S.A. The largest alternative fuelling service providers operating in the Polish airports are LOTOS Tank Sp.z.o.o., PETROLOT Sp.z.o.o. and Shell Polska Sp.z.o.o.

Lamezia Terme Airport in Italy Baltic Ground Services IT is competing with two other ground handling operators, namely, S.A.CAL. S.p.A. and Sky Services S.p.A. Competitors also provide aircraft fuelling services.

9.3.5 Business Charter Operations

The Group is involved in business charter operations related activities conducted through its newly established Subsidiary, Verslo skrydžiai UAB, operating under the registered brand name "KlasJet". KlasJet is a business charter carrier, specializing in private and corporate charter flights as well as comprehensive aircraft management solutions.

The company's fleet of business jets is based in Vilnius, Lithuania. KlasJet is positioned to provide ad-hoc and VIP flight services to customers and partners across Russian Federation, Eastern Europe and the CIS regions at any time. KlasJet was established on 9 October 2013, and has started business charter operations in summer 2014.

The carrier's fleet is supported by the Group which holds EASA Part-145, EASA Part-147, EASA Part-21 and EASA Part-M certificates. This allows the carrier to control MRO, cabin refurbishment and modernization processes whilst ensuring European quality and comfort.

Aircraft fleet

KlasJet has a fleet of two business jets as of the date of this Prospectus. All aircraft are leased under operating lease agreements.

Please see Section 9.13 *Material Contracts* for more details.

The following table provides an overview of KlasJet's current aircraft fleet:

Table 23. Aircraft fleet

Aircraft model	Number of aircraft
Bombardier CRJ200	2
Total	**2**

Source: the Company

Regulatory environment

The regulatory system for international air transport is based upon the general principle that each state has sovereignty over its air space and has the right to control the operation of air services over its territory. As a consequence, international air transport rights are based primarily on traffic rights, i. e. rights to overfly or to land at a specific destination, granted by individual states to other states in bilateral air agreements. The other states, in turn, grant the rights they have received in bilateral agreements to their local air carriers. In addition to bilateral air traffic rights, some air traffic rights are directly granted in multilateral agreements.

Historically, air traffic between the EU Member States was also regulated by bilateral air traffic agreements. This bilateral regime was progressively liberalized through series of measures aimed at establishing common rules for the licensing of air carriers within the EU and permitting EU-licensed air carriers to operate services freely between points within the EU.

Non-scheduled flights, such as charter flights, to destinations outside EU are still subject to the restrictions imposed by individual states. Air carriers generally must obtain traffic rights for non-scheduled flights from the relevant foreign states.

Operational aspects

Operating license. The business charter operations segment of the Group is subject to the operational requirements set out in Regulation (EC) No. 1008/2008 ("Regulation 1008/2008") and the respective local aviation laws. According to Article 3 of the Regulation 1008/2008, air carriers that are subject to EU air traffic regulation rules require the operating license for the transportation of passengers, mail or freight in commercial air traffic.

Air operator certificate. The operating license is granted, and retains its validity, only if the air carrier holds an air operator certificate ("AOC") according to Articles 4(b) and 6 of the Regulation 1008/2008. The AOC specifies the types of aircraft that may be operated by the air carrier as well as other operations and technical specifications.

As of the date of this Prospectus, KlasJet held Air Operator Certificate (AOC), No. LT-031, issued by the LCAA, which is valid until 28 October 2014. Currently KlasJet operates under Air Operating License, CA-1, issued to the company, Small Planet Airlines UAB (minority shareholder of KlasJet), by the Ministry of Transport and Communications of the Republic of Lithuania. KlasJet inherited the right to use Air Operating License, CA-1, based on the terms of wet-lease agreement signed between the two parties on 1 July 2014.

Although the term of validity of Air Operator Certificate (AOC) held by the company, KlasJet, is limited, in the opinion of the Management the risk of losing capabilities as a result of discontinuation of a given certificate's validity should be perceived as diminutive. Based on the history of Group's operations and knowledge of the aviation business conduct, the Management is fully confident that the validity of the certificates will be extended into future. Furthermore, it should be emphasized that until the date of this Prospectus KlasJet has applied to be granted with an Air Operating License and for a renewal of the Air Operator Certificate, thus the threat of discontinued operations due to licensing issues is minimized.

Competitive environment

Lithuania

Business charter operations in Lithuania are provided by two alternative local companies, namely, Charter Jets and Classic Jet. However, the aforementioned companies fleet consist of mid-size (8-10 seats) jets, whereas KlasJet exploits heavy (10-14 seats) jets in business charter operations.

Russian Federation and CIS countries

The main global competitors of KlasJet are located in Russian Federation and in the CIS region are expected to be the following companies: Airfix Aviation OY (Finland), Avcon Jet AG (Austia), Global Jet Concept (Switzerland), International Jet Management GmbH (Austria), Jet Aviation Flight Service (USA), Map-Management +and Planning GmbH (Austria). TAG Aviation (Switzerland and UK), RusJet (Russia), Capital Jets (Russia), Baltic Jet (Latvia) and others.

9.3.6 Airport Infrastructure Management

The Group is engaged in airport inftrastructure development and management activities through its subsidiary – Avia Solutions Group – Airports Management. The company's portfolio includes the development of the Moscow's fourth airport – Ramenskoye International – and other airport projects with the current focus into Russian Federation market.

Major project

At the date of this Prospectus the major project is the development and management of the Moscow-based airport hub – Ramenskoye International Airport. The company is working in partnership with the largest state-owned holding company Rostec in Russia. The initial stage of the project is estimated to require up to USD 30 million of total investments.

Ramenskoye International will be the fourth airport of the Moscow Aviation Hub which is currently being developed on the basis of existing Ramenskoye aerodrome. Ramenskoye International will also be Russia's first low cost airport with a flexible pricing system. While operating the longest runway (5.5 km) in Europe, the airport will act as a major center of experimental, governmental and civil aviation.

In order to ensure non-disruptive operations of non-commercial aviation as well as favorable conditions for future operators, Ramenskoye International is being developed in three stages.

The first stage covers the development of the existing infrastructure of the Ramenskoye aerodrome through the construction of a brand new 15,000 m^2 passenger terminal. It is planned that the new international terminal will service up to 1.8 million of passengers per year. In addition, the airport will receive a reconstructed automobile road as well as short-term and long-term parking for 200 and 300 cars accordingly.

In the second and third stages of the development Ramport is planning to build the second and significantly expand the first airport terminals. The combined area of both terminals will reach 60,000 m^2 raising the airport capacity to 12 million passengers per year.

Furthermore, the airport will be expanded by adding a 5,000 m^2 cargo handling terminal, an aircraft maintenance centre, multi-storey car parks for 3,240 cars, a 250-room hotel and two offices of 5 thousand m^2 each. On top of that, the entire complex will be supplemented with a shopping and entertainment mall. All the additional commercial objects will allow the new airport to generate more income from the non-aviation related activities thus compensating for the low airport service fees specifically tailored for the business model of low cost carriers.

The figure below indicates the SWOT analysis of Ramenskoye International Airport Project:

Figure 2. SWOT Analysis

- The management team has experience in airport operations and aviation services organization;
- The airport located in Moscow region, near the cities of Ramenskoye and Zhukovsky allows hiring staff working with less than competitors costs;
- Low rates for ground and airport service;
- Relatively short distance from central Moscow;
- Infrastructure and technology service for passengers and aircraft operators;
- Current system of safety (including Europe's longest runway – 5,402 m);
- Convenient airport location with a highway and presence of a long runaway allow to organize logistics facility at the airport;
- Project is flexible to business model changes.

- Joint use of the airfield with the aircrews of Russian state institutions may lead to flight delays and increased costs in providing information and security;
- Limitations of the ground infrastructure and terminals during the development stages can make the airport unattractive to traditional carriers.

- Lack of low-cost transportation on the market;
- Legislative initiatives to stimulate the emergence Russian budget airlines;
- Great interest in the Russian market from foreign budget airlines;
- Great number of potential routes;
- Ability to organize and tentative plans for the construction of High-speed railway to the airport;
- Limited throughput of current Moscow airports;
- Ability to use the airfield airlines offering subsidized regional flights and charter flights due to congestions.

- In case of rejection of amendments to existing aviation legislation of budget supported transport in Russia can significantly reduce and make the market unattractive;
- Alternative designs can be realized on the basis of airports of regions surrounding Moscow district, as well as on the basis of the northern complex Sheremetyevo Airport;
- Long-term procedure of the border crossing and customs post can increase the payback period;
- Worsening of political and economic relations between the EU and Russia may have a material adverse effect on the project's development.

Source: the Company

Competitive position and strategic outlook of Ramenskoye International Airport Project illustrated in the SWOT matrix above indicates the strengths, opportunities, weaknesses and threats of the project. The strengths and opportunities of the project mainly derive from its great economic potential resulting from low operational costs, distinctive market positioning and inherited as well as planned infrastructure. The project is facing weakness and threats largely related to uncertainty about the future of political and economic decisions. Ramenskoye International Airport Project is flexible to business model changes. Therefore, potentially arising legislation issues can eventually be resolved by the experienced managers of the project. Development of air transport infrastructure in the surrounding regions of Moscow district may have systematic effects to all airports operating in Moscow air transport unit, which comprises of Vnukovo, Domodedovo and Sheremetyevo airports (thereafter referred as MAU).

Competitive Environment

Airport Management Activities

Most of the airports in Baltic States and CIS region are managed by the state, private or combined administrative units of that particular site. There are alternative entities operating in the airport management segment such as AviAlliance, Fraport, etc.

Ramenskoye International Airport Project

The main competitors of Ramenskoye International Airport are other three airports of MAU; Vnukovo, Domodedovo and Sheremetyevo. There are airports in Kaluga, Ivanovo, Vladimir, Tver and Ryazan regions, however, those are significantly distanced from central Moscow, therefore might have only very limited impact to passenger and cargo traffic at Ramenskoye International Airport.

9.4 Market Overview

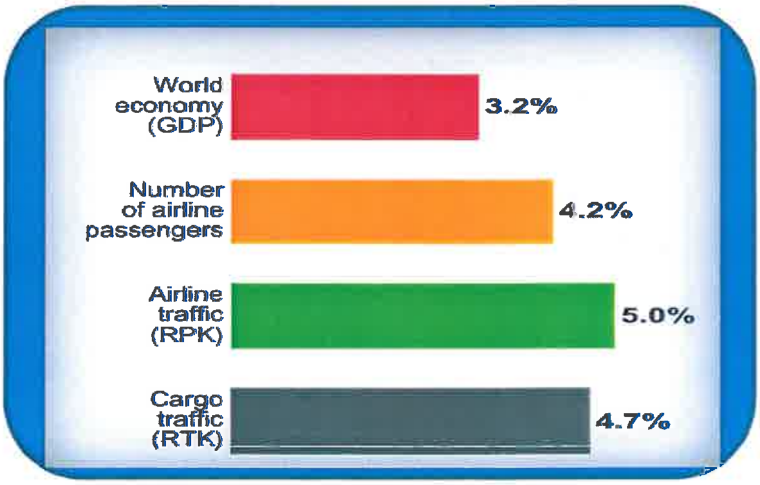
9.4.1 Global Aviation Market Trends

The aviation industry continually adapts to market forces. Key among these are fuel prices, economic growth and development, environmental regulations, infrastructure, market liberalization, airplane capabilities, other modes of transport, business models, and emerging markets. Fuel is now the largest component of airline cost structure. This fact has spurred manufacturers to produce more efficient airplanes, such as the B787 and the B737 MAX, and encouraged airlines to optimize other cost and revenue centres to maintain profitability in the face of high fuel prices.

Global economic growth lagged the long-term average rate for the second straight year in 2013. However, signs of acceleration appeared in the second half of 2013, boosting confidence in predictions that better performance in North America and Western Europe will lead a gradual upward trend during 2014 and 2015. The European economy began to grow again in the second half of 2013, following five quarters of recession. Rising consumer and business confidence, low interest rates, improving export markets, and pent-up demand for durables are projected to extend the strengthening trend through 2014 and into 2015.

The economy, as reflected by gross domestic product (GDP), one of the main contributors to aviation industry growth, is forecast to rise 3.2% over the next 20 years, which will drive 5.0% annual growth in passenger traffic as well as 5.0 percent annual growth in cargo traffic (which is also highly dependent on global trade).

Figure 3. Market growth rates, 2013 to 2033



Source: Boeing Current Market Outlook 2014

Trends in Air Traffic

Future air traffic growth is difficult to predict, but a number of signs are already apparent – airport congestion and capacity limitations (both in airports and in airspace), volatility of oil prices, concerns for the global climate, environmental legislation, etc. – which raise questions about the idea of continuous growth.

Airport trade body the Airports Council International (ACI) says global passenger traffic at airports in 2013, increased by 4% compared to 2012. By the year 2030, scheduled passenger traffic around the world is expected to reach 6 billion annually. Over the next 20 years or so, the number of flights is predicted to double. As the world economy recovers from the current financial slump, air cargo traffic should follow a similar upward growth trend.

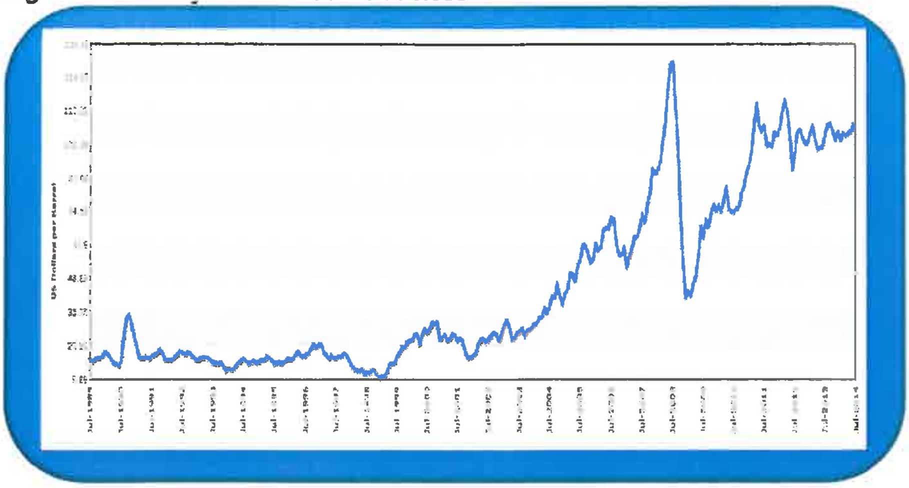
Passengers are becoming ever more tech-savvy. They travel with their own technology – smart phones, tablet devices and laptops. People want to be connected everywhere, including in the air. An increasing focus for innovation is how the airlines can link their technology with that of their passengers. Reaching the next generation of passengers requires a different approach (and mind-set) from the last decade.

Oil Prices

Volatile oil prices have been the greatest challenge to airline profitability apart from the weak economy. Fuel costs have surpassed labour as the largest segment of airline operating cost. Fuel costs, approximately 13 percent of total costs in 2002, are closer to 34 percent today. After spiking in early 2012, oil prices have remained relatively stable, around 106 $/bbl in the beginning of July 2014. On the demand side, the weak economic outlook has moderated near-term growth projections. On the supply side, rising shale oil production in the United States is moderating near-term price projections. Lower jet fuel prices are bolstering near-term airline profitability outlooks.

The price per barrel reached a peak of 143.95 $/bbl in 3 July 2008; however, the worldwide recession caused prices to fall as low as 39.41 $/bbl in18 February 2009. In July 2014 the price per barrel was about 110 $/bbl.

Figure 4. Monthly World Crude Oil Prices



Source: U.S. Energy Information Administration

9.4.2 Principal Markets

Aircraft Maintenance Repair and Overhaul (MRO)

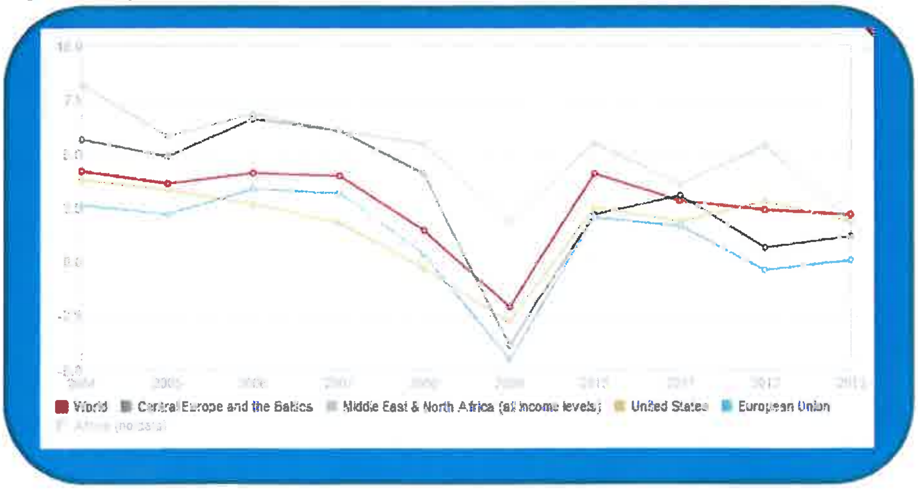
Global Market Overview

The commercial aircraft MRO market grew out of a trend in which airlines performed third party contract repairs following respite periods between in-house jobs. Given the numbers of aircraft in service today and how critical safety is, MRO has now evolved to become a major market within aviation. This will continue to be the case, however, the market will face many new challenges.

For independent aviation maintenance, repair and overhaul providers, the world is shrinking as original equipment manufacturers muscle into the maintenance market. Oliver Wyman confirmed this competitive imbalance is deepening. To thrive MROs must bid for long-term maintenance contracts during aircraft selection. They could do so by forming partnerships with aircraft lessors and airframe manufacturers.

2009 marked a significant global reduction in GDP for the first time in many decades (Figure 5), and the airline industry felt the effects. However, the recent positive and continuing signs, such as easing of the credit markets, the beginning of increased consumer confidence in Western economies, and general recovery in the stock market indices, are an important prerequisite for return to strong growth. 2012 experienced a small setback; however, forecasts are rather positive for MRO business.

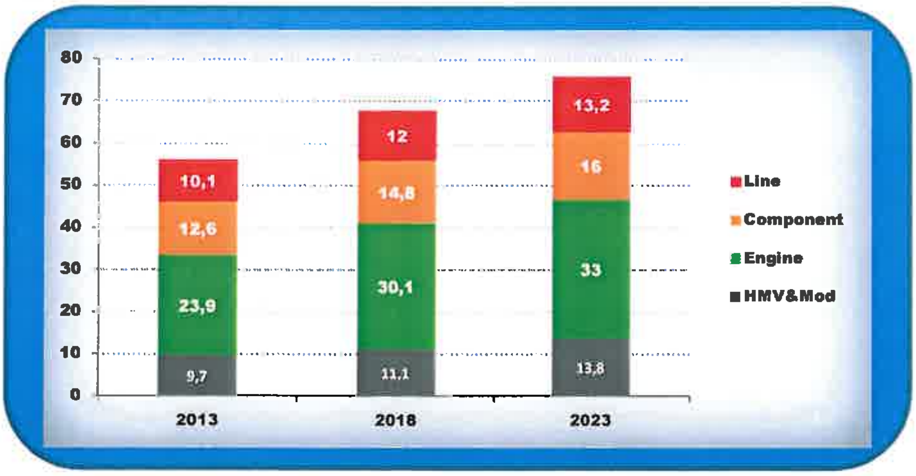
Figure 5. Dynamics of GDP growth



Source: The World Bank

The global MRO market is forecasted to increase over the years, growth is expected to average 3.1% CAGR though 2023, 56.2 billion USD industry is expected to grow to 76.0 billion USD over the 10-year forecast period (see Figure 6 below).

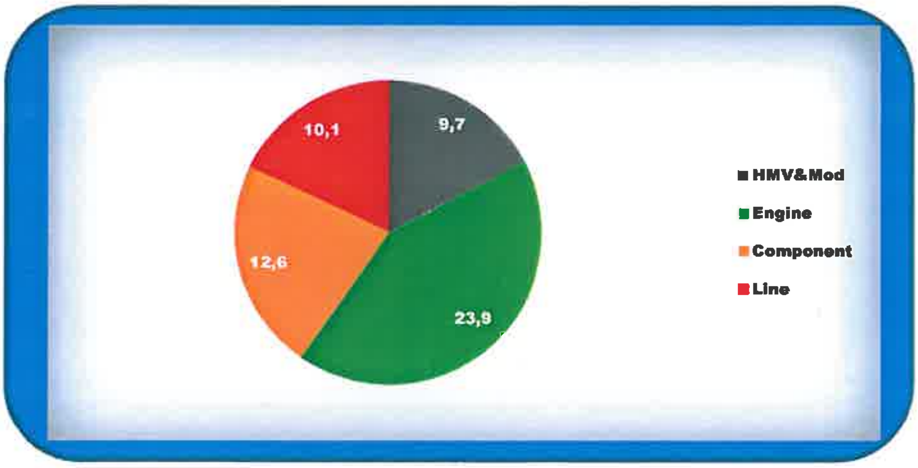
Figure 6. Global MRO market forecast, 2013 – 2023, billion USD



Source: The Global MRO Forecast 2013-2023 by TeamSAI

Engine Overhaul services represent the largest part of the sector, followed by Component and Line Maintenance segments (Figure 7).

Figure 7. MRO segment value mix, 2013



Source: The Global MRO Forecast 2013-2023 by TeamSAI

Aircraft Ground Handling and Fuelling

Ground handling market trends are closely related to the activity of the air transport market. In other words, the demand for aircraft ground handling and fuelling services can be regarded as a derivative of air traffic level at the airports.

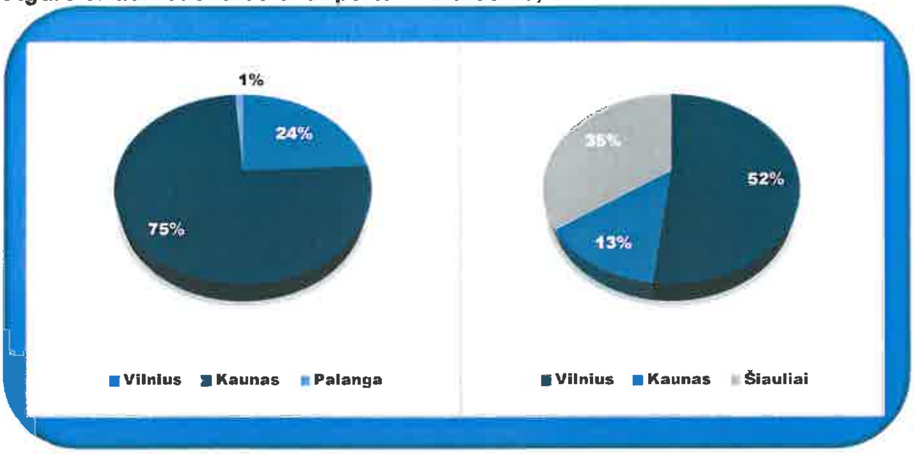
Lithuania

The largest airport in Lithuania is located in the capital city, Vilnius. It served 2.7 million passengers and 8.2 million tonnes of cargo in 2013 which comprised 52% of the market in terms of number of passengers and 76% in terms of cargo volume.

Vilnius International Airport is followed by the airport at Kaunas, the second largest city in Lithuania, located in the centre of the country. Its market share is equal to 20% with 696 thousand of passengers and slightly more than 13% of cargo traffic with 2112 thousand tonnes of cargo handled in 2013. Kaunas International Airport positions itself as a low-cost airport.

Two other international airports in Palanga and Šiauliai are the smallest, operating as specialized regional airports: Palanga captured 1% of the passenger market, mainly targeting passengers in the western part of Lithuania while Šiauliai airport is mainly used for transporting cargo with an air cargo market close to 35% and had no regular charter flights in 2013 (please see Figure 8).

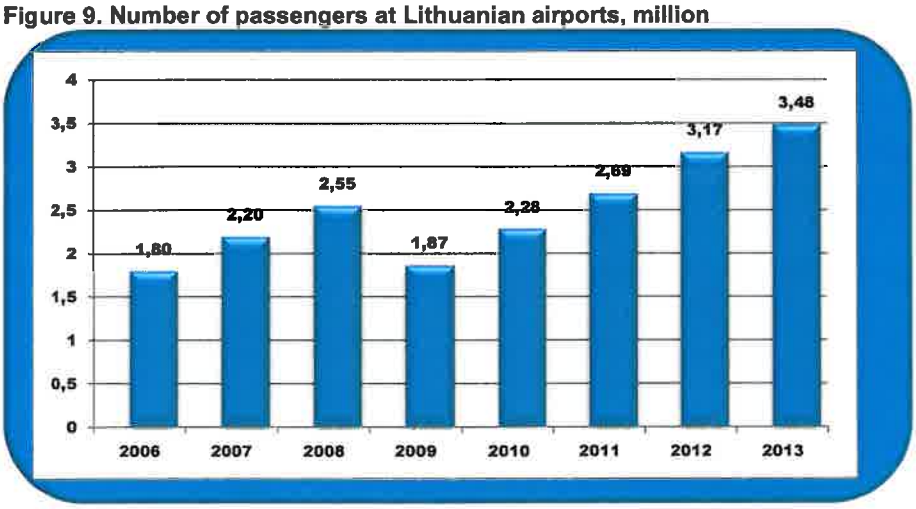
Figure 8. Market shares of airports in Lithuania, 2013



Source: Statistics Lithuania

Lithuania's air transport market grew by 10.1% to 3.5 million passengers in 2013 (please see Figure 9). Vilnius International Airport experienced a rise by 20.6%, while the number of passengers in two other international airports in Kaunas and Palanga actually shrank by 16.6% and 0.2%, respectively.

Figure 9. Number of passengers at Lithuanian airports, million



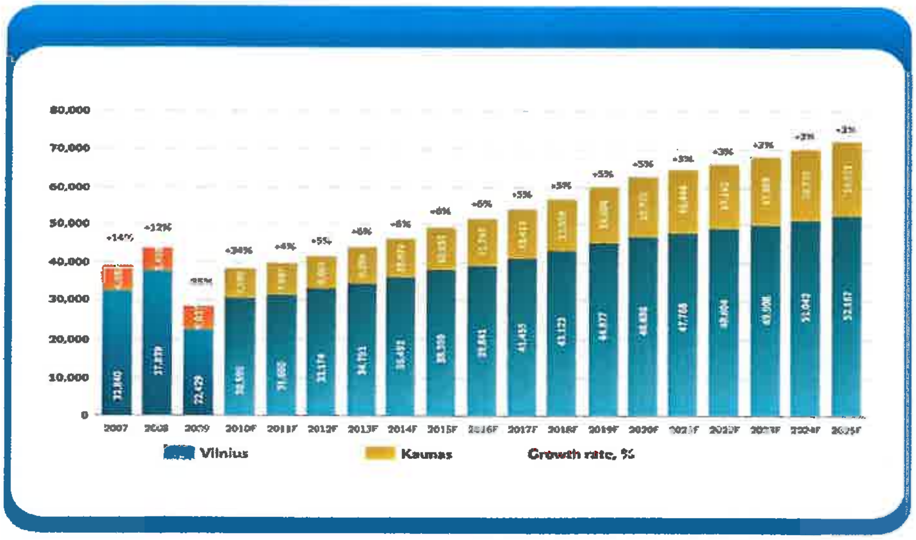
Source: Statistics Lithuania

Notwithstanding the sharp decrease in 2009, the passenger traffic at Lithuanian airports rebounded in 2010 and according to the Feasibility Study of Air Transport Development prepared for the Ministry of Transport and Communications of the Republic of Lithuania, the air traffic is expected to expand by healthy 4% to 9% each year starting from 2011 both in terms of passengers and aircraft movements. See Figures 10 and 11 below.

Figure 10. Market trends by number of passengers in Vilnius and Kaunas, thousand

Source: Airports, Feasibility Study of Air Transport Development, 2010

Figure 11. Market trends by number of aircraft movements in Vilnius and Kaunas



Source: Airports, Feasibility Study of Air Transport Development, 2010

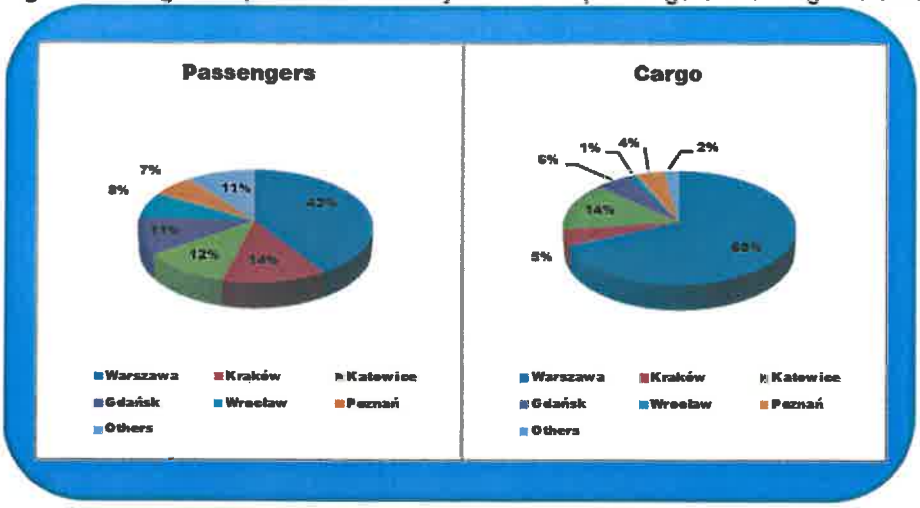
The most current figures from the Statistics Lithuania indicate faster pace of traffic growth in the two major civil airports of Lithuania. Actual passenger traffic in Vilnius and Kaunas airports were 5.2% and 6.5% above the predictions of the Feasibility Study for 2012 and 2013 respectively.

Poland

The latest information for the Polish air traffic market available from Civil Aviation Office of the Republic of Poland as of the day of this Prospectus was for the year 2011. The largest airport in Poland is located in the capital city, Warsaw. It served 9.3 million passengers and 60.5 tonnes of cargo in 2011 which comprised 43% of the market in terms of number of passengers and 68% in terms of cargo volume.

Warsaw Airport is followed by the following airports which handled more than 1 million passengers in 2011: Krakow Airport (3.0 million passengers), Katowice Airport (2.5 million passengers), Gdansk Airport (2.5 million passengers), Wroclaw Airport (1.7 million passengers) and Poznan Airport (1.5 million passengers).

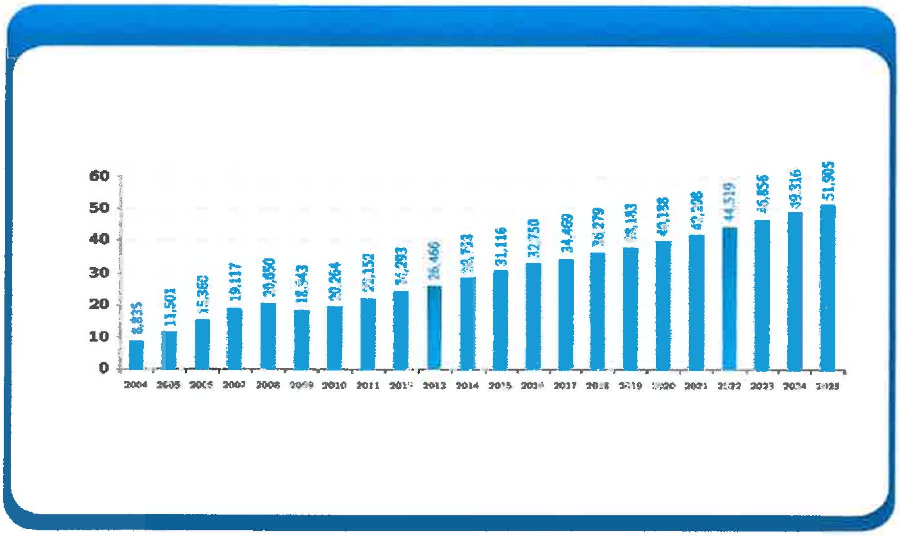
Figure 12. Largest airports in Poland by number of passengers and cargo volume (2011)



Source: Civil Aviation Office of the Republic of Poland

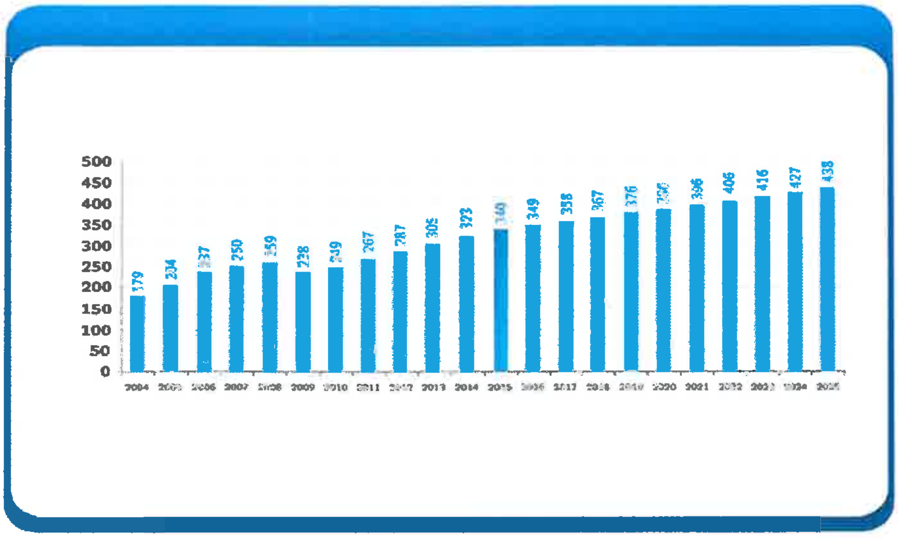
Following the years of contraction in 2009, Polish market lived year-on-year growth for two consecutive years. In 2011 Poland's air transport market grew by 5.8% to 21.9 million passengers. Due to rising economy the Civil Aviation Office of the Republic of Poland expects the passenger numbers and aircraft movements to grow further in the future (please see Figures 13 and 14).

Figure 13. Market trends by number of passengers in Poland airports, thousand



Source: Civil Aviation Office of the Republic of Poland

Figure 14. Market trends by number of aircraft movements in Poland airports, thousand



Source: Civil Aviation Office of the Republic of Poland

Pilot and Crew Training

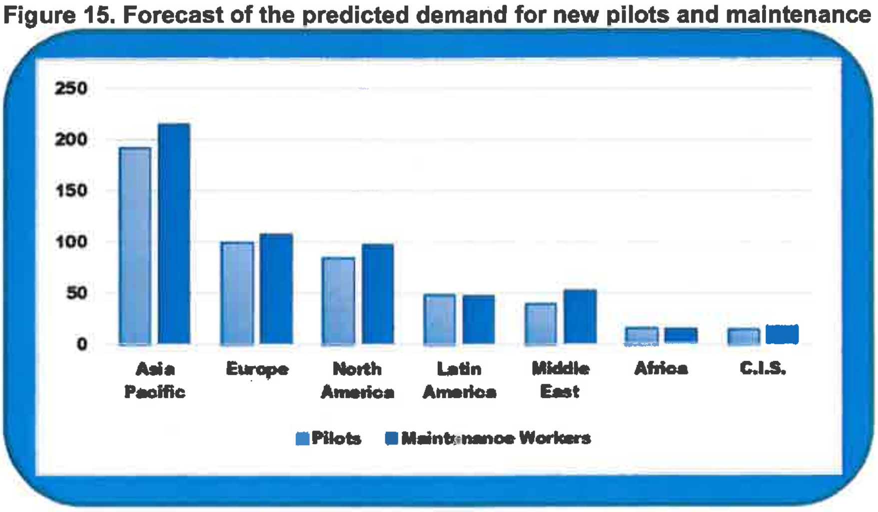
Global Market Overview

Training and Flight Services department of Boeing corporation in 2012 has issued its forecast of the predicted demand for new pilots and maintenance engineers for the next twenty years. The commercial aviation industry will require 460,000 pilots and 601,000 maintenance personnel over the next 20 years to accommodate the strong demand for new and replacement aircraft, according to a crew assessment forecast from Boeing. Airlines will need an average of 23,000 new pilots and 30,050 new maintenance personnel per year from 2013 to 2032.

The largest growth in both pilots and maintenance workers will be in the Asia-Pacific region with a requirement for 185,600 and 243,500 respectively. Within Asia, China will experience the greatest need for pilots and maintenance personnel – 71,300 and 99,400 respectively.

North America will need 69,000 pilots and 92,500 maintenance workers, Europe will need 100,900 pilots and 129,700 maintenance personnel, Africa will need 14,500 pilots and 16,200 maintenance personnel; the Middle East will need 36,100 pilots and 57,300 maintenance personnel, Latin America will need 42,000 pilots and 47,300 maintenance personnel and the CIS will need additional 11,900 pilots and 18,100 maintenance personnel by 2032.

Figure 15. Forecast of the predicted demand for new pilots and maintenance engineers, 2013–2032



Source: Boeing Training and Flight Services

Airbus' in-house researchers estimate 20-year world annual traffic growth of 4.7% (during 2013–2032). The annual traffic growth in Europe, Asia-Pacific and CIS is expected to amount to 3.8%, 5.5% and 5.8% respectively. Therefore, Airbus estimates that air traffic will effectively double in the next 15 years.

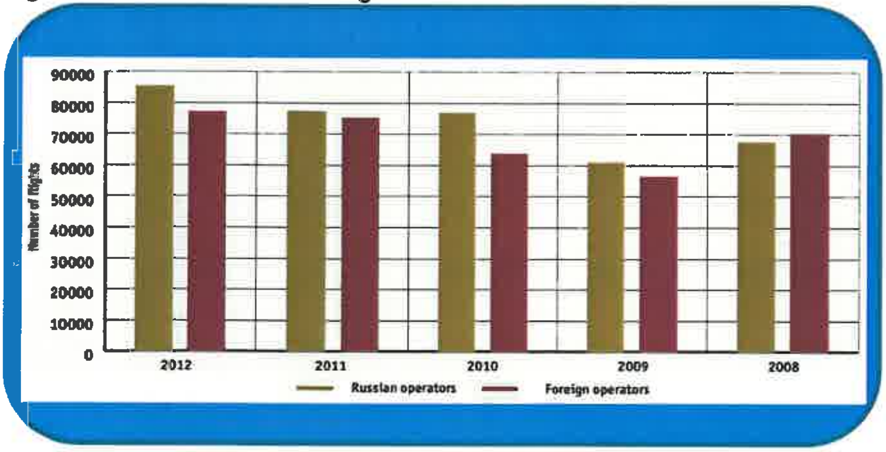
Moreover, Eastern Europe and CIS fleet renewals started 15 years ago and this trend is still in process. As an example Russian Federation fleet still consists of approx. 60% of Russian made aircraft which are to be replaced in upcoming years leading to an increase in demand for extensive training services.

All indicators point to sustained and prolonged growth in the industry and in the requirement for pilots at both Airline Transport Pilot (ATPL) and Commercial Pilot (CPL) level.

Business Charter operations

IBIS World reports that revenue of UK registered tailored travel services providers has fallen rapidly over the recent years and estimates the trend to stay negative in the foreseeable future. Whereas the tendencies in the US and CIS markets are different. The analysts expect the US business charter operations market to grow due to rising disposable income and corporate profits. Based on the date from the Russian civil-industrial aviation dispatching services center the number of business aviation flights in Russian Federation grew by 12% on the average on YoY bases during the 2010-2012 year period and reached the total number of 16 thousand flight in 2012. Data indicates that 52% of business flights were performed by Russian airlines, whereas the remaining part by foreign charter companies. In general economists expect that over the coming five years period the aggregate demand of charter jet services will increase as confidence in the economies rise.

Figure 16. Business aviation flights in Russian Federation in 2008-2012



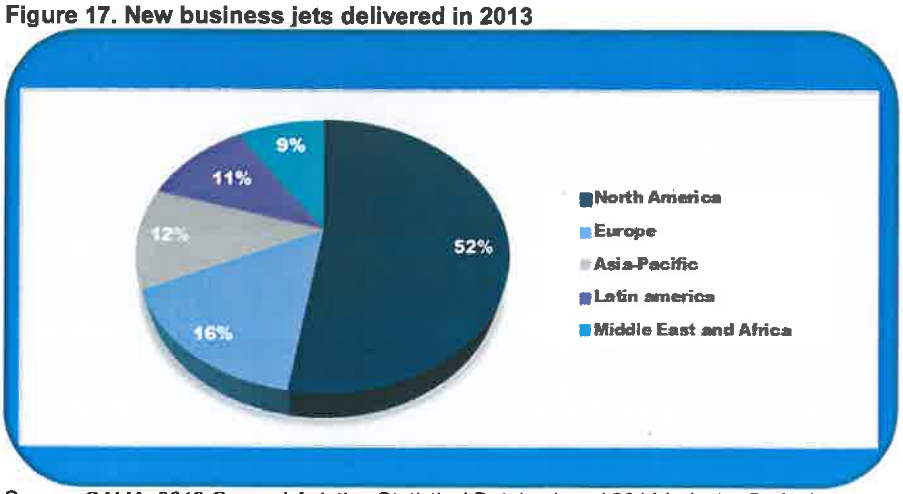
Source: ATO Yearbook 2013

Business Jets market

The business jet production stabilized in 2013 after slowing down in the after crisis period. There were 678 business jets delivered globally, compared to 672 business jets in 2012. The entry-into-service of several new models and improving demand provided stabilization to the market and slightly shifted deliveries.

The European market share of total demand in new business jets market declined from 20.8% in 2012 to 15.6% in 2013. Customer deliveries in the rest of the world included 11.9% to customers in the Asia-Pacific region, 11.1% to Latin America, and 9.0% to the Middle East and Africa.

Figure 17. New business jets delivered in 2013



Source: GAMA, 2013 General Aviation Statistical Databook and 2014 Industry Outlook

The European share of estimated global five-year demand fell by six points to 12% in the 2013 according to the survey conducted by the Honeywell company. The resilience previously shown by European operators may have reached the point of exhaustion with weak growth prospects expected for 2014. However, Russian new private jets market was expected to correspond to 18% of total aggregate demand in the five year period between 2011 and 2016.

Airport Management

Russian civil aviation market

In contrast to the EU, the Russian aviation market in 2012 emerged healthily and local airlines showed a higher growth rate than the entire market of Russian inland flight. The volume of the market taking into account the foreign airlines increased by 14.5%, to 92 million passengers, with Russian airlines accounting to 15.5% increase of total 74 million passengers. Traffic volume of foreign carriers has increased by 10.6%. This situation emerged due to the Russian market consolidation process. The significance of activities performed by the five major Russian carriers had a positive impact on the development of the industry.

The traffic trends remained the same in the following year period. IATA reported 9.6% growth in 2013 of passenger traffic inside Russian Federation. According to the agency the growth was even healthier during May 2013 to May 2014 period and reached 13.2% increase.

International Airports in Moscow Region

The Moscow Air Transport Unit (MAU) is the air transport gateway and an important connection for domestic airlines of the Russian Federation, CIS countries and international airlines. If we consider all airports of MAU as a single agglomeration, it is ranked the tenth in the world by number of passengers served per year. First places are taken by London, New York, Tokyo, Paris and Atlanta.

In 2012 Russia's leading airports reported impressive growth. Moscow Domodedovo Airport remained the country's leading airport handling 28.2 million passengers, grew by 9.6% compared to 2011. In the second place was Moscow Sheremetyevo Airport. The numbers of passengers served at Sheremetyevo Airport increased by 16.5% and reached 26 million. Moscow Vnukovo Airport was the fastest-growing of the major airports in Russian Federation, with an 18.3% increase in demand. The airport served 9.7 million passengers in 2012.

Since 2000 passenger traffic in MAU grew an average by 12% per year and reached 64 million in 2012. It accounted to 50.1% of air passenger traffic in Russian Federation. Ministry of Economic Development of Russian Federation forecasts passenger traffic to grow up to 179 million a year in MAU until 2030.

Being aware about the trends the federal government of Russian Federation spent more than RUB 25 billion on the development of MAU airports in 2011. The state planned to allocate LTL 6.2 billion in total for the civil aviation purpose until the end of 2014 to further improve the existing infrastructure. The government is seeking for Public-private partnership opportunities and has planned state funded injections in order to pursue the changes of the increasing traffic demand.

However, there are a number of limitations related to infrastructure development in current MAU airports, such as throughput limits or airport logistics scheme. As a result, in December 2013 the fourth airport of MAU development project of Ramenskoye was confirmed by the Federal government.

9.5 Customers

The Group being involved in a wide range of aviation services maintains a well-diversified customer base. The main customer types of the respective business segments of the Group are the following:

- Aircraft maintenance, repair and overhaul:
  - Airlines;
  - Aircraft operators;
  - Air cargo carriers;
  - Helicopter owners and operators;
  - Business jet owners and operators.
- Pilot and crew training:
  - Airlines;
  - Civil aviation institutes/universities.
- Aircraft ground handling and fuelling:
  - Airlines.
- Business charter operations:
  - Private and corporate clients.

The Group's sales to external customers are derived from the following single customers (the customers whose sales revenue exceed 10% of total sales revenue that segment in any of the years.

Table 24. The largest customers of the Group (LTL'000)

Customer	Business segment	Revenue			
		6 months ended 30 June		Year ended 31 December	
		2014 (unaudited)	2013 (unaudited)	2013 (unaudited)	2012 (unaudited)
Customer T	Aircraft ground handling and fuelling	17,762	15,187	31,679	35,177
Customer X*	Aircraft ground handling and fuelling	16,705	9,630	22,790	21,146
Customer W*	Aircraft ground handling and fuelling	10,160	9,946	26,299	19,512
Customer E	Aircraft maintenance, repair and overhaul (MRO)	22,767	18,468	35,374	27,192
Customer R	Aircraft maintenance, repair and overhaul (MRO), Pilot and crew training	3,357	17,383	38,786	30,214
Customer H	Aircraft maintenance, repair and overhaul (MRO)	5,271	15,055	23,961	24,223
Customer AB	Pilot and crew training	1,811	-	-	-
Total top 7		**77,833**	**85,669**	**178,889**	**157,464**
Total revenue of the Group		**305,810**	**260,788**	**554,056**	**535,860**

Customer	Business segment	As % of total revenue			
		6 months ended 30 June		Year ended 31 December	
		2014 (unaudited)	2013 (unaudited)	2013 (unaudited)	2012 (unaudited)
Customer T	Aircraft ground handling and fuelling	5.8%	5.8%	5.7%	6.6%
Customer X*	Aircraft ground handling and fuelling	5.5%	3.7%	4.1%	3.9%
Customer W*	Aircraft ground handling and fuelling	3.3%	3.8%	4.7%	3.6%
Customer E	Aircraft maintenance, repair and overhaul (MRO)	7.4%	7.1%	6.4%	5.1%
Customer R	Aircraft maintenance, repair and overhaul (MRO), Pilot and crew training	1.1%	6.7%	7.0%	5.6%
Customer H	Aircraft maintenance, repair and overhaul (MRO)	1.7%	5.8%	4.3%	4.5%
Customer AB	Pilot and crew training	0.6%	-	-	-
Total top 7		**25.5%**	**32.9%**	**32.3%**	**29.4%**
Total revenue of the Group		**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: the Company

* - Shareholders of customer X and customer W are the same.

18.7% of sales revenue of the Group was derived from the top 3 customers with sales revenue in excess of 5% as compared with total sales revenue of the Group during the 6 month period ended 30 June 2014.

9.6 Markets

The Group is an active participant of the global aviation services market. The tables below indicate revenue breakdown by business segments and countries of client residence:

Table 25. Sales markets of the MRO business segment (LTL'000)

Business segment	Country	Revenue[*]			
		6 months ended 30 June		Year ended 31 December	
		2014 (unaudited)	2013 (unaudited)	2013 (unaudited)	2012 (unaudited)
Aircraft maintenance, repair and overhaul (MRO)	Russian Federation	83,349	86,581	180,180	120,591
	Belarus	16,569	10,675	18,008	13,695
	Georgia	12,985	75	126	8
	Poland	7,417	5,611	11,835	16,569
	Lithuania	6,349	6,348	11,896	17,689
	Other	60,535	41,524	96,860	120,938
	Total sales to external customers	**187,204**	**150,814**	**318,905**	**289,490**

Business segment	Country	As % of total revenue[*]			
		6 months ended 30 June		Year ended 31 December	
		2014 (unaudited)	2013 (unaudited)	2013 (unaudited)	2012 (unaudited)
Aircraft maintenance, repair and overhaul (MRO)	Russian Federation	44.5%	57.4%	56.5%	41.7%
	Belarus	8.9%	7.1%	5.6%	4.7%
	Georgia	6.9%	-	-	-
	Poland	4.0%	3.7%	3.7%	5.7%
	Lithuania	3.4%	4.2%	3.7%	6.1%
	Other	32.3%	27.5%	30.4%	41.8%
	Total sales to external customers	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: the Company

[*] Revenue from external customers only, inter-company sales are excluded.

During the 6 month period ended 30 June 2014 44.5% of MRO segment sales were generated from customers domiciled in Russian Federation. A decrease as compared with the corresponding period in 2013 by 12.9% was driven by the overall stagnating Russian economy and entering new markets.

Table 26. Sales markets of the Aircraft Ground Handling and Fuelling business segment (LTL'000)

Business segment	Country	Revenue[*]			
		6 months ended 30 June		Year ended 31 December	
		2014 (unaudited)	2013 (unaudited)	2013 (unaudited)	2012 (unaudited)
Aircraft ground handling and fuelling	Lithuania	25,791	17,386	48,269	33,618
	Poland	20,318	12,898	30,168	28,602
	Hungary	17,762	15,187	31,721	34,999
	Germany	7,902	10,189	18,940	25,307
	United Kingdom	6,905	13,516	23,371	29,149
	Ukraine	5,390	2,687	8,967	5,299
	Other	17,297	22,982	44,931	61,415
	Total sales to external customers	**101,365**	**94,845**	**206,367**	**218,389**

Business segment	Country	As % of total revenue[*]			
		6 months ended 30 June		Year ended 31 December	
		2014 (unaudited)	2013 (unaudited)	2013 (unaudited)	2012 (unaudited)
Aircraft ground handling and fuelling	Lithuania	25.4%	18.3%	23.4%	15.4%
	Poland	20.0%	13.6%	14.6%	13.1%
	Hungary	17.5%	16.0%	15.4%	16.0%
	Germany	7.8%	10.7%	9.2%	11.6%
	United Kingdom	6.8%	14.3%	11.3%	13.3%
	Ukraine	5.3%	2.8%	4.3%	2.4%
	Other	17.1%	24.2%	21.8%	28.1%
	Total sales to external customers	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: the Company

(*) Revenue from external customers only – inter-company sales are excluded.

During the 6 month period ended 30 June 2014 25.4% of all revenues in aircraft ground handling and fuelling segment were generated by companies domiciled in Lithuania and 20.0% of all revenues were generated by companies domiciled in Poland. An increase as compared to the corresponding period in 2013 was resulted by the increase of passangers served.

Table 27. Sales markets of the Pilot and Crew Training business segment (LTL'000)

Business segment	Country	Revenue(*)			
		6 months ended 30 June		Year ended 31 December	
		2014 (unaudited)	2013 (unaudited)	2013 (unaudited)	2012 (unaudited)
Pilot and crew training	Pakistan	1,811	-	1	-
	Lithuania	1,804	1,473	2,678	1,701
	Indonesia	1,260	105	105	-
	Kazakhstan	1,252	1,349	2,143	2,088
	France	1,061	555	1,204	199
	Russian Federation	887	3,163	5,410	9,434
	Italy	882	814	2,036	1,386
	Other	7,614	7,057	14,281	12,725
	Total sales to external customers	**16,571**	**14,516**	**27,858**	**27,533**

Business segment	Country	As % of total revenue(*)			
		6 months ended 30 June		Year ended 31 December	
		2014 (unaudited)	2013 (unaudited)	2013 (unaudited)	2012 (unaudited)
Pilot and crew training	Pakistan	10.9%	-	-	-
	Lithuania	10.9%	10.1%	9.6%	6.2%
	Indonesia	7.6%	0.7%	0.4%	-
	Kazakhstan	7.6%	9.3%	7.7%	7.6%
	France	6.4%	3.8%	4.3%	0.7%
	Russian Federation	5.4%	21.8%	19.4%	34.3%
	Italy	5.3%	5.6%	7.3%	5.0%
	Other	46.0%	48.6%	51.3%	46.2%
	Total sales to external customers	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: the Company

(*) Revenue from external customers only – inter-company sales are excluded.

During the 6 month period ended 30 June 2014 10.9% of all pilot and crew training segment sales were generated from the companies domiciled in Pakistan (new client) and Lithuania each. Other territories contain smaller amount of air operators and pilot and crew training sales volumes are fluctuating primarily depending on changes in their fleet.

Table 28. Sales markets of the Group (LTL'000)

Country	Revenue(*)			
	6 months ended 30 June		Year ended 31 December	
	2014 (unaudited)	2013 (unaudited)	2013 (unaudited)	2012 (unaudited)
Russian Federation	87,224	94,708	195,739	133,094
Lithuania	34,312	25,498	63,672	53,788
Poland	28,233	19,160	42,685	46,306
Hungary	18,810	16,508	33,656	35,870
Belarus	17,371	11,213	19,074	15,766
Georgia	13,088	158	304	431
United Kingdom	12,373	19,265	35,080	41,878
Other countries	94,399	74,278	163,846	208,727
Total sales to external customers	**305,810**	**260,788**	**554,056**	**535,860**

Country	As % of total revenue[*]			
	6 months ended 30 June		Year ended 31 December	
	2014 (unaudited)	2013 (unaudited)	2013 (unaudited)	2012 (unaudited)
Russian Federation	28.5%	36.3%	35.3%	24.8%
Lithuania	11.2%	9.8%	11.5%	10.0%
Poland	9.2%	7.3%	7.7%	8.6%
Hungary	6.2%	6.3%	6.1%	6.7%
Belarus	5.7%	4.3%	3.4%	2.9%
Georgia	4.3%	0.1%	0.1%	0.1%
United Kingdom	4.0%	7.4%	6.3%	7.8%
Other countries	30.9%	28.5%	29.6%	39.0%
Total sales to external customers	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: the Company

[*] Revenue from external customers only – inter-company sales are excluded.

Russian Federation remains the main sales market of the Group, however share of Russian Federation in total revenue decreased during the 6 month period ended 30 June 2014 as compared to the corresponding period in 2013 by 7.8%. Sales of the Group increased in all other territories except United Kingdom. Since the target of the Group is foreign expansion of all its services and products, foreign markets appear to have greater potential for growth than local market which shall remain stable.

9.7 The Competitive Strengths and Strategy

Long-standing relationships with customers and well-diversified customer base

The Group has a well-diversified customer base and has developed long-standing relationships with major CIS, EU airlines, Maintenance, Repair and Overhaul (MRO) service providers and other clients. The Management of the Company believes that maintaining these relationships alongside the pursuit of the Group's growth is one of the most important strategic goals of the Group. The history and track record of the Group gives proof of the ability to explore opportunities and grow its market share in aviation services market.

Strong and focused sales team

The Group is an active player in a multi-billion aviation services market. As of the date of this Prospectus, the Group employs a team of approx. 300 sales and client support managers. With over 3,000 direct contacts with different customers and potential clients per month, the Group is focused on maintaining the current long-standing relationships with customers and strengthening the network of potential clients. Moreover, taking into account the range of aviation services provided by the Group, the sales team is capable of exploring the cross-selling opportunities thus strengthening the Group's positions in the market.

Convenient geographical location

The Company is headquartered in Vilnius, the Republic of Lithuania, literally on the border between the East and West Europe. Being in such geographical location, the Group is capable of exploring cultural differences between the East and the West and focusing itself strongly in both markets. The Group's employees are of 20 nationalities and this gives the Management of the Company an in-house know-how of various cultural nuances. Furthermore, the absence of language barrier in the ex-Soviet as well as English speaking areas is another key factor giving the Group an important competitive edge.

Efficient cost structure

The Group believes that its cost structure allows providing the highest quality products and services at a lower price. Being fully focused on its integrated business model and exploring the synergy effects of the Group companies whilst running operations based on the principals of Lean methodology, the Group is capable of achieving higher work efficiency and smoother management in comparison to less-specialized and less-integrated companies. As a result, the Group companies can offer lower costs per unit of services provided.

Strong brand and integrated business model

The Company believes that its brand distinguishes it from its competitors by identifying Avia Solutions Group as an integrated aviation service provider with full range of capabilities to provide its customers 'one-stop-shop' solutions, ranging from maintenance of the customers' aircraft to complete training of their pilots. The Management of the Company believes that the integrated business model combining the broadest range of aviation services together increases its sales strengths and leverages the Group's position in the marketplace.

Reinforcing the Group's operations by exploring the synergy effects

Being an integrated group of aviation companies, the Group is capable of exploring the synergy effects generated by its business segments and infrastructure.

The Management is pursuing the strategy towards getting privately owned aircrafts under management for the business charter operations segment. This way not only jet administrator would generate revenue, but both the Group's MRO and ground handling and fuelling service providers would be able to benefit from the required procedures.

The newly established Airport management segment entity will allow the Management to stay well informed regarding business opportunities in the company/entity administrated fields. This would create an expedient environment to the Maintenance, Repair and Overhaul (MRO) and ground handling and fuelling segment companies to enter new locations and to further exploit potential business development and synergy opportunities.

In general, the Company is focused on maintaining the strategy of sustainable and profitable growth and strengthening its aviation market position by leveraging on its synergies and competitive strengths.

Expanding the scope of Group's services

The Group intends to use its technical expertise, know-how and experience to expand its scope of services and products. The key elements of the sustainable growth strategy include expansion of engine maintenance management, spare part management activities, the introduction of airport management service segment and business jets related services and operations. The Group companies will continue increasing its MRO capabilities, offer new pilot and crew training solutions, further develop integrated web-platforms; an electronic marketplace for aircraft spare parts and supplies *locatory.com,* the training planning, an aviation training management software *MOMook.*

Expanding the operations in other geographical locations

As part of the Group's efforts to achieve greater penetration in the international markets the Group intends to expand the geographical presence of its products and services. The key elements of this strategy include entering airport management service and ground handling and fuelling service market in Russian Federation. Expansion of business charter operations in alternative European locations, increasing the number of line stations served worldwide and exploring other expansion opportunities to deliver the sustainable and profitable growth of the Group are targets set by the Management.

9.8 Property, plant and equipment

The core fixed assets of the Group comprise buildings, machinery and equipment, aircraft spare parts and construction in progress.

The table below illustrates the content and development o the Group's tangible fixed assets.

Table 29. Carrying value of tangible fixed assets (LTL'000)

Item	As at 30 June	As at 31 December	
	2014 (unaudited)	2013	2012
Property, plant and equipment			
Buildings and structures	42,001	18,344	15,186
Machinery	17,493	18,473	29,922
Vehicles	9,122	9,931	10,284
Other tangible assets	13,980	10,158	6,736
Leasehold improvements	518	570	526
Prepayments to tangible assets	-	3,313	864
Aircraft	4,323	2,419	1,402
Aircraft engines	6,274	10,447	-

Item	As at 30 June	As at 31 December	
	2014 (unaudited)	2013	2012
Construction in progress	359	22,409	-
Total	**94,070**	**96,065**	**64,920**

Source: IFRS Financial Statements, the Company

An increase in buildings and structures amounting to LTL 42 million as at 30 June 2014 as compared to to LTL 18 million as at 31 December 2013 mainly resulted from transferring of construction in progress when the hangar in Kaunas was completed and ready for its intended use.

A decrease in machinery equal to the amount of LTL 18 million in 2013 as compared to LTL 30 million in 2012 was mainly affected by the financial reclassifications of the assets between machinery and aircraft engines.

As at 30 June 2014 property, plant and equipment of the Group with a book value amounting to LTL 42 million (as at 31 December 2013 – LTL 11.2 million) was pledged to as collateral so secure bank borrowings.

As at 31 December 2013 the value of the assets acquired under finance lease agreements amounted to LTL 14.3 million (see -Note 15 from IFRS Financial Statements).

9.9 Research and Development, Patents and Licenses

The Issuer does not apply and follow strict research and development policies which would be material for the operations of the Issuer. Furthermore, there were no major research and development projects undertaken by the Group during the financial years 2013 and 2012, except the on-going development and improvement of the Group's services and:

a) Development of spare parts trade platform (www.locatory.com);
b) Development of web-platform for training planning, track relevant training information (www.balticaa.com/en/my-baa/);
c) Web-based aviation training management software MOMook dedicated for ATO, Type Rating Training Centers, Ab Initio Training Centers, and airlines with training centers;
d) Specialized training program designed by FL Technics Training specifically for aircraft technical professionals worldwide (www.147training.com).

The majority of the trademarks of the Group (i. e. Avia Solutions Group, Aviation CV, Baltic Aviation Academy, Baltic Ground Service, Locatory, FL Technics, Helisota, KlasJet) are registered with the State Patent Bureau of the Republic of Lithuania in the name of the Company or the respective Subsidiary.

The Company does not hold any licenses. The licenses held by the Subsidiaries are outlined in Section 9.3 *Principal Activities.*

Other than the above, the Group's operations are not dependant on any patents or licences, industrial, commercial or financial contracts or new manufacturing processes.

9.10 Regulatory Matters

FL Technics AB, FL Technics Jets UAB, Storm Aviation and Helisota UAB

Activities of FL Technics AB, FL Technics Jets UAB, Storm Aviation and Helisota UAB are subject to certifying. The companies holds certificates to perform maintenance of aircraft and rotorcraft, their components, to provide training and conduct examinations of aircraft maintenance personnel and issue related certificates of recognition to students, also to perform initial and continuing airworthiness tasks. Such activities should be performed according to the requirements of Parts 21 of EC Regulation No 748/2012 of 3 August 2012 on the initial airworthiness, Parts 145, 147 and M of EC Regulation No 2042/2003 of 20 November 2003 on the continuing airworthiness of aircraft and aeronautical products, parts and appliances, and on the approval of organisations and personnel involved in these tasks.

The validity of approvals granted by competent authorities in Armenia, Aruba, Bermuda, Cayman Islands, El Salvador, Nigeria, Russian Federation, Republic of Belarus, Republic of Kazakhstan, Tajikistan, Ukraine or United Kingdom are related to approvals granted by the LCAA. Any modification, suspension or termination of certificates, granted by the LCAA would automatically influence certificates, granted by the competent foreign authorities.

For more information regarding the regulatory issues on FL Technics AB, FL Technics Jets UAB, Storm Aviation and Helisota UAB please see Section 9.3.2 *Aircraft Maintenance, Repair and Overhaul (MRO).*

Baltic Aviation Academy UAB

Baltic Aviation Academy UAB is certified as an approved training organisation (ATO) by the LCAA and recognized by competent civil aviation authorities in a number of countries. Training activities of Baltic Aviation Academy UAB are approved by competent authorities of Brazil, China, Cuba, Kazakhstan, Russian Federation, Ukraine, Republic of Afghanistan, Republic of Belarus and Tajikistan. It should be noted that the validity of approvals granted by competent authorities in the Russian Federation, Ukraine, Kazakhstan and Tajikistan are related to approvals granted by the LCAA. Therefore, any modification, suspension or termination of approvals issued by the LCAA influences validity of approvals granted to Baltic Aviation Academy UAB by the competent authorities of foreign countries.

For more information regarding the regulatory issues on Baltic Aviation Academy UAB please see Section 9.3.3 *Pilot and Crew Training.*

Baltic Ground Services

Baltic Ground Services holds all the necessary licenses, permits and certificates to import and trade aviation gasoline and jet fuel, also to provide ground handling services to third parties at Lithuanian, Polish and Italian airports.

For more information regarding the regulatory issues on Baltic Ground Services please see Section 9.3.4 *Aircraft Ground Handling and Fuelling.*

KlasJet

Activities of KlasJet are subject to licensing and certifying. KlasJet holds Air Operator Certificate (AOC) issued by the LCAA and is in the process of obtaining the Air Operator's License. Currently, KlasJet operates under Air Operating License issued to Small Planet Airlines UAB.

For more information regarding the regulatory issues on KlasJet please see Section 9.3.5 *Business Charter Operations.*

9.11 Environmental Matters

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

For 2 years preceding the date of this Prospectus the Group received no penalties or warnings for failure to comply with the norms of environmental legislation or other legal acts regulating the field of environmental protection.

The Group complies with the requirements of environmental regulation currently in force in all material respects. However, there is a risk that new environmental rules may be introduced at the national or EU level, or the interpretation of the current legal regime could become more stringent, in which case the Group could be required to make additional investments to ensure the compliance with environmental requirements. In the case of failure to do so, administrative and other sanctions could be imposed on the Group or the Group's business may be otherwise interrupted.

9.12 Insurance Coverage

The Group maintains insurance policies of types customary in the business charter and aviation services industry as required by the LCAA and EU regulations. The insurance policies maintained by the Group include passenger liability insurance, third party liability insurance, aircraft and rotorcraft insurance for aircraft/rotorcraft loss or damage and other business insurance in the amounts that are consistent with industry standards and that meet its obligations, particularly its minimum coverage obligations, under EU regulations and international air transport treaties.

9.13 Material Contracts

For 2 years preceding the date of this Prospectus neither the Company nor any Subsidiary has entered into material contract, other than contracts entered into in the ordinary course of business.

Furthermore, there are no other agreements entered by any of the Group companies (except being entered into in the ordinary course of business), which contains any provision under which any Group company has any obligation or entitlement which is material to the Group as at the date of the Prospectus.

Disregarding the above, in this Section below, the Company shall disclose certain material contracts and agreements that are entered as ordinary course of business, which may be deemed as being material for the activities of the Group.

Operating lease contracts

The Group leases the following material fixed assets under operating lease contracts:

- Aircraft (leased by Verslo skrydžiai UAB);
- Maintenance hangars (leased by FL Technics AB);
- Training premises and Full Flight Simulator (FFS) (leased by Baltic Aviation Academy UAB).

Aircraft operating lease agreements

All aircraft operated by Verslo skrydžiai UAB are leased under operating lease agreements. The contracts are concluded with the following parties acting as lessors and in respect of the following aircraft:

Table 30. Aircraft operating leases

Lessor	Aircraft	Start of lease (year)	End of lease (year)
AviaAM B01 UAB (Group's related party)	1 x Bombardier CRJ200	2014	Unterminated
Regional Charter Capital Ltd.	1 x Bombardier CRJ200	2014	Unterminated

Source: the Company

Under the operating lease, the lessee (i. e. Verslo skrydžiai UAB) is responsible for the servicing of the aircraft during the lease term and the lessor is responsible for the maintenance of the aircraft. The lessor receives the benefit and assumes the risk of the residual value of the aircraft at the end of the lease.

All operating leases are concluded on a "net" basis with lessor being responsible for all operating expenses, which customarily include fuel, airport and navigation charges, taxes, licenses, registration and insurance expenses. In addition, the lessor is responsible for normal maintenance and repairs, airframe and engine overhauls expenses. However, the lessee is responsible for crew expenses.

The lessee is obligated to return the aircraft, engines, APU, parts and aircraft documentation to the lessor on the expiration date, unless a total loss of the aircraft occurred prior to the expiration date and this lease was terminated early. The term of lease shall continue until termination hereof by one party by giving to the other party not less than one month prior written notice to this effect. The aircraft must be in the same working order and condition as of delivery, with all pilot discrepancies and deferred maintenance items cleared on a terminating action basis.

Maintenance hangars' operating lease agreements

FL Technics AB leases both of its maintenance hangars in Vilnius International Airport under the operating lease agreements, terms of which do not deviate significantly from the standard terms of such type of agreements. The key provisions of the agreements are presented below:

(1) Non-residual premises rental agreement with VA Reals AB, No NPN-07/05/08 was concluded on 8 May 2007; the rent period started on 1 July 2007:

- Duration of the lease: 174 months.
- Contractual penalties – if FL Technics AB fails to pay any amount payable under the rental agreement on the due date it will be obliged to pay default interest equal to 0.05 percent on that amount, the default interest will be compounded daily. In addition, FL Technics AB is obliged to pay a penalty equal to the initial deposit and reimburse other expenses/pay damages if the company defaults and the agreement is terminated. Other penalties stipulated in the agreement are due to the late payment, belated return of premises.
- Key terms regarding termination of the contract – the parties have a right to terminate the agreement at any time and need to provide a prior notice about the intention to exercise the termination right; in addition, a penalty equal to one rental payment shall be paid to the other party. Special termination rights are stipulated in the agreement if there is a material breach of the contract and a requirement to provide the other party with a 30 days prior notice is established. A prior notice period for an early termination is also not defined in the agreement therefore standard provisions of the Civil Code of the Republic of Lithuania (the "Civil Code") shall be applicable.
- Additional material terms of the agreement: FL Technics AB does not have a right to sub-rent the premises.

(2) Non-residual premises rental agreement with VA Reals AB, No NPN-07/11/22 was concluded on 22 November 2007; the rent period started on 22 November 2007: Duration of the lease: 169 months. All other material terms and conditions of the agreement are the same, as indicated above.

Training premises and Full Flight Simulator (FFS) operating lease agreements

Baltic Aviation Academy UAB leases the training premises in Vilnius and Airbus 319-320-321 full flight simulator (FFS), which is installed in these premises, under operating lease contracts, terms of which do not deviate significantly from the standard terms of such type of agreements. The key provisions of the agreements are presented below:

(1) Non-residual premises rental agreement with VA Reals AB, No 4CON-93-11/12/30 was concluded on 30 December 2011; the rent period started on 30 December 2011. In addition the company also concluded the non-residual premises rental agreement with the same lessor No 4CON-140-13/01/07 on 7 January 2013; the rent period started on 7 January 2013:

- Duration of the leases: 96 months (under the rental agreement No 4CON-93-11/12/30) and 60 months (under the rental agreement No 4CON-140-13/01/07).
- Contractual penalties – if Baltic Aviation Academy UAB fails to pay any amount payable under any of the rental agreements on the due date it will be obliged to pay default interest equal to 0.05 percent on that amount, the default interest will be compounded daily.
- In addition, Baltic Aviation Academy UAB has a right to extend the tenancy for the three additional years.
- Special termination rights are stipulated in the agreement if there is a material breach of the contract and a requirement to provide the other party with a 30 days prior notice is established. A prior notice period for an early termination is also not defined in the agreement therefore standard provisions of the Civil Code shall be applicable.
- Additional material terms of the agreement: Baltic Aviation Academy UAB does not have a right to sub-rent the premises.

(2) Airbus 319-320-321 full flight simulator (FFS) operating lease agreement No 11/06/30 was concluded with CAE Training & Services Brussels N.V.; the lease period started on 22 July 2011:

- Duration of the lease: 60 months.
- Contractual penalties – if Baltic Aviation Academy UAB fails to pay any amount payable under the rental agreement on the due date it will be obliged to pay default interest equal to 2 percent plus the average rate of the daily euro six month LIBOR (London Interbank Offered Rate) on that amount, the default interest will be compounded daily. Key terms regarding termination of the contract – the parties have a right to terminate the agreement at any time by a mutual agreement. The party in default will be responsible for the costs of dismantling, packing, shipping, in transit all risk insurance and any required export and import duties.
- Additional material terms of the agreement: Baltic Aviation Academy UAB does not have a right to sub-rent the premises.

X OPERATING AND FINANCIAL REVIEW

This Section accommodates the discussion on the results of the operation of the Group for the years ended 31 December 2013, 31 December 2012 and for the six-month periods ended 30 June 2014 and 30 June 2013. This section should be read in conjunction with the IFRS Financial Statements and the Consolidated Interim Financial Information, and in conjunction with other parts of the Prospectus which include important information on the operations and financial condition of the Group.

10.1 Developments Having Effect on Results of Operations

Expansion to foreign markets. The Group is constantly expanding its activities in the foreign markets. The Group's ground handling and aircraft fuelling activities were introduced into the Polish market in April 2010 when Baltic Ground Services PL was established in Warsaw. Currently Baltic Ground Services PL contributes to approximately 34% of total revenue in aircraft handling and fuelling segment (regarding the information for the half year of 2014). Same year new company Baltic Ground Services IT was established in Italy. Currently due to strong seasonality the company contributes to only 1% of total revenue in the segment. In August 2011 FL Technics Line OOO was established in Moscow, Russian Federation, and in September 2011 Storm Aviation Limited in Great Britain was acquired. These two companies increased MRO business segment contributing to approximately 3% and 6%, respectively, of total revenue in aircraft maintenance, repair and overhaul business segment.

More detailed overview of business operations, including quantified effects on profitability, is provided in Section 9.3 *Principal Activities.*

10.2 Factors with Constant Effect on Results of Operations

Foreign currency exchange rates. A significant part of purchases in the Group are performed in US dollars and in RUB. Though the Group is using natural hedge, certain part of payables or receivables remains exposed to foreign exchange rate gains or losses.

Aviation fuel purchase price. Majority of Jet A-1 fuel shipments for in-to-plane fuelling service are purchased through tenders organized by jet fuel manufactures. Outcome of each tender results in variation in margin difference as compared with Platts Jet High CIF NWE price based on which customer pricing is performed. Higher negative margins result in higher yields per tone of fuel supplied.

Market demand. Overall demand for services provided by the Group depends on overall situation in economy that directly correlates with demand for aviation related services. Growth in economy accelerates propensity to travel at higher rate which drives demand for aviation related services.

Political and economic relations between the EU and Russian Federation. Worsening of political and economic relations between the EU and Russian Federation may have a material adverse effect on the development and management of the Ramport investment project as well as on further implementation of recent business strategy in Russian Federation, related to MRO, crew training, ground handling and fuelling, business segments.

10.3 Developments of Different Financial Items

During 2007 – 2014 the Group underwent significant changes in terms of expanding its activities in foreign markets and thus increasing the number of its Subsidiaries. For more information on the Group's development please see Section 9.1 *History and Development*.

10.3.1 Results of Operations

Selected financial information on results of operations of the Group is provided in the table 3 (see Section VIII *Selected Financial Information*).

Revenue

Breakdown of revenue by operating segments is provided in the table below.

Table 31. Breakdown of revenue by operating segments (LTL'000)

Item	Business Segment	6 months ended 30 June		Year ended 31 December	
		2014 (unaudited)	2013 (unaudited)	2013	2012
Sales to external customers	Aircraft Maintenance, Repair and Overhaul (MRO)	187,204	150,814	318,905	289,490
	Aircraft Ground Handling and Fuelling	101,365	94,845	206,367	218,389
	Pilot and Crew Training	16,571	14,516	27,858	27,533

Business charter operations	242	-		
Unallocated	428	613	926	448
Total	**305,810**	**260,788**	**554,056**	**535,860**

Source: IFRS Financial Statements, Consolidated Interim Financial Information

Breakdown of the Group's revenue by revenue type is presented in the table below.

Table 32. Breakdown of revenue by revenue type (LTL'000)

Revenue type	6 months ended 30 June		Year ended 31 December	
	2014 (unaudited)	2013 (unaudited)	2013	2012
MRO business segment revenue				
Spare parts and consumable sales	59,034	56,850	143,417	118,565
Engine management services	34,282	31,667	58,022	47,692
Base maintenance services	27,437	26,015	43,858	51,004
Helicopter MRO	22,640	-	-	-
Line maintenance services	16,574	18,703	37,236	46,618
Engineering services	12,032	7,620	14,947	13,040
Business jet MRO	8,712	6,523	14,442	7,835
Technical training and consulting services	3,606	1,312	4,287	3,423
Components management	2,345	1,266	1,556	-
Other MRO services	542	858	1,140	1,313
Aircraft GH & fuelling business segment revenue				
Aircraft fuel revenue	86,916	83,084	178,308	190,606
Aircraft ground handling services	14,449	11,761	28,059	27,783
Business charter operations business segment revenue				
Business charter operations revenue	242	-	-	-
Pilot and crew training business segment revenue				
Pilot and crew training revenue	16,571	14,516	27,858	27,533
Unallocated business segment revenue				
Sales commissions and fees	428	613	926	448
	305,810	**260,788**	**554,056**	**535,860**

Source:the Company

The total consolidated Group's revenue from continuing operations for the six-month period ended 30 June 2014 was LTL 305,810 thousand, an increase by 17.3% over the total revenue of LTL 260,788 thousand for the six-month period ended 30 June 2013. During the period ended 30 June 2014 revenue from all business segments continued to grow comparing to the same period in 2013.

Most significant growth as compared with the first half-year of 2013 was in aircraft and rotorcraft maintenance segment where revenues to external customers increased by LTL 36,390 thousand and amounted to LTL 187,204 thousand. The growth was driven primarily by significant increase in demand for engineering and technical training services, by sustainable growth in spare parts and business Jet MRO sub-segments and by offering of new services as Helicopter MRO (new services are related to acquisitions in December 2013).

Crew training and staffing segment' revenue to external customers increased by 14.2% due to geographical expansion to Asia Pacific markets, due to focusing on highest gross profit business lines as A320 and B737 CL, and due to reaching good utilisation of simulator's located in Vilnius.

Operating Expenses

The breakdown of consolidated cost of sales, general and administrative expenses of the Group is presented in the table below.

Table 33. The breakdown of cost of sales, general and administrative expenses of the Group (LTL'000)

Item	6 months ended 30 June		Year ended 31 December	
	2014 (unaudited)	2013 (unaudited)	2013	2012
Aircraft fuel expenses	83,181	77,088	166,025	176,703
Employee related expenses	52,129	41,926	86,061	81,657
Spare parts and consumables expenses	51,608	49,859	120,004	118,004
Cost of services resold	32,327	31,024	54,023	28,864
Aircraft and rotorcraft maintenance expenses	30,564	7,070	16,363	10,914
Depreciation and amortisation	11,097	6,839	16,794	11,053
Training and related expenses	7,663	8,101	14,413	15,983
Rent and maintenance of premises	6,826	5,759	11,916	12,232
Transportation and related expenses	4,659	2,538	6,999	4,529
Aircraft servicing and handling expenses	4,019	2,337	8,228	9,206
Business travel expenses	3,071	2,987	5,614	7,903
Consultation expenses	1,952	2,443	6,837	3,292
Marketing and sales expenses	1,415	1,541	3,206	3,188
Insurance expenses	1,244	848	1,755	1,441
Communications expenses	926	867	1,798	1,835
Office administrative expenses	816	548	2,062	1,281
VAT in business use expenses	738	559	1,011	866
Impairment-related expenses	714	97	12,753	4,684
Rent of aircraft and equipment	612	1,408	2,622	1,864
Employee lease expenses	268	567	710	1,305
Bank services	257	347	715	594
Audit expenses	181	60	331	428
Other expenses	2,301	1,920	7,525	7,824
Total of cost of sales, general and administrative expenses	**299,452**	**247,373**	**547,764**	**505,650**

Source: IFRS Financial Statements, Consolidated Interim Financial Information, the Company

During the six-month period ended 30 June 2014 the most significant change in operating expenses was due to the higher amounts sold. The most significant element in expenses is aircraft fuel expenses which totaled LTL 83,181 thousand (increase of LTL 6,093 thousand compared to LTL 77,088 thousand during the first half of the year of 2013). The increase in aircraft fuel expenses was driven by the increase in into-plane fuelling revenue at the same rate.

Employee related expenses during the six-month period ended 30 June 2014 increased up to LTL 52,129 thousand (24.3% increase comparing to LTL 41,926 thousand during the six-month period ended 30 June 2013) mainly due to increased number of full-time employees (from 1,022 full-time employees at the end of the first half-year 2013 to 1,437 full-time employees at the end of the first half-year of 2014). The rising number of employees was driven by the hiring of new employees to support constant Group's expansion and due to new acquisitions in helicopter MRO business sub-segment.

Most significant changes during the six-month period ended 30 June 2014 were in aircraft and helicopter maintenance expenses together with cost of services resold, spare parts and consumables expenses. Over the reporting period the total amount of above-mentioned expenses increased by LTL 26,546 thousand or by 30.2% and reached LTL 114,499 thousand mainly due to acquisition of new rotorcraft MRO sub-segment, due to significant increase in PBH-related expenses and additional maintenance expenses related to new maintenance facility at Kaunas International Airport.

During the six-month period ended 30 June 2014 the Group recognised allowance for impairment of non-current and other current assets in the total amount of LTL 714 thousand mainly to represent net realisable value of inventories.

Financing Activities

The breakdown of financial income and costs of the Group is provided in the table below.

Table 34. The breakdown of consolidated financing activities (LTL'000)

Item	6 months ended 30 June		Year ended 31 December	
	2014 (unaudited)	2013 (unaudited)	2013	2012
Fair value adjustment of security deposit received	-	-	372	-
Foreign exchange gain on financing activities	1,546	38	115	775
Interest income on cash and cash equivalents	21	10	22	34
Other finance income	-	-	66	138
Finance income	**1,567**	**48**	**575**	**947**
Interest expenses on borrowings	1,889	905	2,146	1 814
Provisions: unwinding of discount	190	-	1,008	-
Late payment interest – costs	111	106	675	248
Foreign exchange loss on financing activities	-	230		-
Fair value adjustment of financial guarantees issued	-	-	-	(69)
Other finance costs	65	885	13	97
Finance costs	**2,255**	**2,126**	**3,842**	**2,090**
Finance costs – net	**(688)**	**(2,078)**	**(3,267)**	**(1,143)**

Source: IFRS Financial Statements, Consolidated Interim Financial Information

10.3.2 Capital Resources, Borrowing Requirements and Funding Structure

The total assets of the Group as of 30 June 2014 were LTL 407 million (an increase by 8.1% compared to 31 December 2013).

Equity and borrowings financed 68% of the Group's total assets as at 30 June 2014.

Working capital (calculated as the difference between current assets and current liabilities) of the Group as at 30 June 2014 totalled to LTL 84 million (an increase in the amount of LTL 1 million compared to 31 December 2013).

For more information concerning the Company's financial resources, please refer to the IFRS Financial Statements and the Consolidated Interim Financial Information.

The tables below highlight total assets and total liabilities by operating segments of the Group.

Table 35. Breakdown of assets by operating segments of the Group (LTL'000)

Item	Operating Segment	As at 30 June	As at 31 December	
		2014 (unaudited)	2013	2012
Assets	Aircraft Maintenance, Repair and Overhaul (MRO)	313,611	297,433	188,988
	Aircraft Ground Handling and Fuelling	64,952	55,571	60,069
	Pilot and Crew Training	20,689	13,867	11,981
	Business charter operations	314	104	-
	Charter operations (discontinued) (*)	-	-	29,137
	Unallocated	6,944	9,041	9,120
	Total	**406,510**	**376,016**	**299,295**

Source: IFRS Financial Statements, Consolidated Interim Financial Information

(*) As a result of the Group's disposal programme following the Charter Operations business segment, various assets and associated liabilities, have been presented as held for sale in the Group's balance sheet at 31 December 2012.

During first half of the 2014 year total assets of the Group increased by LTL 30,494 thousand or 8% per cent primarily as a result of an increase in current trade receivables, amounts due from customers for contract work, and inventories. In addition, prepayments increased by LTL 4 million primarily due to prepayments on jet-fuel.

Table 36. Breakdown of liabilities by operating segments of the Group (LTL'000)

Item	Operating Segment	As at 30 June	As at 31 December	
		2014 (unaudited)	2013	2012
Liabilities	Aircraft Maintenance, Repair and Overhaul (MRO)	190,085	175,345	111,294
	Aircraft Ground Handling and Fuelling	40,374	30,663	33,994
	Pilot and Crew Training	13,218	10,183	8,152
	Business charter operations	260	26	-
	Charter operations (discontinued) (*)	-	-	31,789
	Unallocated	1,376	8,198	471
	Total	**245,313**	**224,415**	**185,700**

Scurce: IFRS Financial Statements, the Company

(*) As a result of the Group's disposal programme following the Charter Operations business segment, various assets and associated liabilities, have been presented as held for sale in the Group's balance sheet at 31 December 2012.

The breakdown of capital resources and funding structure of the Group is presented in the table below.

Table 37. Highlights of capital resources and funding structure of the Group, related ratios (LTL'000)

Item	As at 30 June	As at 31 December	
	2014 (unaudited)	2013	2012
Total assets	**406,510**	**376,016**	**299,295**
Total non-current assets	117,462	118,850	83,145
Total current assets	289,048	257,166	187,013
Assets of disposal group classified as held for sale	-	-	29,137
Total equity	**161,197**	**151,601**	**113,595**
Total liabilities, including liabilities of disposal group classified as held for sale	**245,313**	**224,415**	**185,700**
Total non-current liabilities	40,289	50,614	28,279
Total current liabilities	205,024	173,801	125,632
Liabilities of disposal group classified as held for sale	-	-	31,789
Net debt (*)	93,190	88,639	64,828
Loans and receivables	**111,042**	**101,535**	**83,695**
Trade receivables	67,719	64,493	62,969
Cash and cash equivalents	21,899	21,678	8,913
Trade receivables from related parties	9,377	4,573	1,837
Loans provided	3,590	3,785	4,007
Security deposit with lessor	3,564	2,714	1,780
Loans provided to related parties	2,279	2,271	2,930
Other receivables	2,579	1,893	1,187
Other receivables from related parties	35	128	72
Financial liabilities measured at amortised cost	**182,171**	**171,267**	**128,929**
Bank loans	42,811	74,536	64,268
Trade payables	63,757	58,335	52,672
Borrowings from related parties	4,283	14,335	27
Bank overdraft	56,428	10,904	-
Finance lease liabilities	11,525	10,532	9,439
Other payables	2,502	2,041	1,481
Other payables to related parties	1	-	-
Trade payables to related parties	822	574	1,035
Other borrowings	42	10	7
Cash and cash equivalents	21,899	21,678	8,913
Short term bank deposits	-	1,506	-
EBITDA (**) (***)	20,127	35,455	42,403
Related ratios:			

Item	As at 30 June	As at 31 December	
	2014 (unaudited)	2013	2012
Total current assets / Total current liabilities	1.4	1.5	1.5
Return on equity (ROE) (****)	4.0	20.7	16.7
Gearing ratio (*****)	36.6	36.9	36.4
Equity to total assets ratio (******)	39.7	40.3	38.2

Source: IFRS Financial Statements, Consolidated Interim Financial Information, the Company

(*) **Net debt** is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents.

(**) Unaudited

(***) **EBITDA** = Earnings before interest expenses, fair value adjustment and unwinding of security deposits received, income taxes, depreciation and amortization. EBITDA is included as a supplemental item, since the Management believes that EBITDA, when considered in conjunction with cash flows from operating, investing and financing activities, may provide useful information. EBITDA is not an indicator of operating performance calculated in accordance with the IFRS and should not be considered as a substitute for operating profit, net income, cash flow from operations or other profit / loss or cash flow data determined in accordance with the IFRS. It should be noted that EBITDA is not a uniform or standardized measure and the calculation of EBITDA, accordingly, may vary significantly from company to company, and by itself provides no grounds for comparison with other companies. EBITDA is calculated by the Company and has not been included in the IFRS Financial Statements.

(****) **Return on equity (ROE)** = Net profit for the period / Total equity

(*****) **Gearing ratio** = Net debt / (Net debt + Total equity)

(******) **Equity ratio** = Total equity / Total assets

As at 30 June 2014 property, plant and equipment of the Group with the carrying amount of LTL 42 million (as at 31 December 2013: LTL 17.3 million, as at 31 December 2012: LTL 15.6 million) were pledged to the bank as collateral for borrowings. As at 30 June 2014 inventory of the Group with the carrying amount of LTL 26 million (as at 31 December 2013: LTL 25.5 million as at 31 December 2012: LTL 19.1 million) were pledged to the bank as collateral for borrowings and for bank overdraft. As at 30 June 2014 trade receivables of the Group with the carrying amount of LTL 1.4 million (as at 31 December 2013: LTL 21.3 million, as at 31 December 2012: LTL 5.2 million) were pledged to the bank as collateral for bank borrowings and overdraft.

In terms of currencies, the Group borrows mainly in EUR and US dollars. The breakdown of Group's borrowings by currencies is illustrated in the table below.

Table 38. Breakdown by currencies of the Group's borrowings (LTL'000)

Currency	Borrowings		
	As at 30 June	As at 31 December	
	2014 (unaudited)	2013	2012
EUR	107,847	93,898	72,241
US dollars	4,233	14,294	-
GBP	1,641	1,236	1,388
LTL	1,316	826	34
Other currencies	52	63	78
Total	**115,089**	**110,317**	**73,741**

Currency	As % of total		
	As at 30 June	As at 31 December	
	2014 (unaudited)	2013 (unaudited)	2012 (unaudited)
EUR	93.7%	85.1%	98.0%
US dollars	3.7%	13.0%	-
GBP	1.4%	1.1%	1.9%
LTL	1.1%	0.7%	-
Other currencies	0.1%	0.1%	0.1%
Total	**100.0%**	**100.0%**	**100.0%**

Source: the Company

The weighted average interest rates (%) at the balance sheet date (excluding finance lease) were as follows.

Type	Trade and other payables		
	As at 30 June	As at 31 December	
	2014 (unaudited)	2013	2012
Bank overdraft	2.13%	2.09%	-
Finance lease liabilities	6.25%	3.46%	5.42%
Borrowings from related parties	7.16%	7.09%	5.24%
Bank borrowings	2.20%	2.38%	1.89%
Other borrowings	4.67%	-	-

Source: IFRS Financial Statements, the Company

10.3.3 Cash Flows

The following table summarizes the consolidated cash flows of the Group.

Table 39. Selected data from the consolidated cash flow statements (LTL'000)

Item	6 months ended 30 June		Year ended 31 December	
	2014 (unaudited)	2013 (unaudited)	2013	2012
Cash and cash equivalents at the beginning of the year	10,775	8,913	8,913	14,821
Net cash generated from (used in) operating activities from continuing operations	6,482	4,057	17,952	(30,177)
Cash flow generated from (used in) operating activities before changes in working capital	19,075	12,643	36,662	31,157
Changes in working capital	(10,448)	(7,982)	(14,762)	(53,811)
Interest received	89	415	740	206
Interest paid	(1,423)	(891)	(2,188)	(1,764)
Income tax paid	(811)	(128)	(2,500)	(5,965)
Net cash generated from (used in) operating activities from discontinued operations	-	-	-	8,881
Net cash generated from (used in) operating activities	6,482	4,057	17,952	(21,296)
Net cash used in investing activities from continuing operations	(13,251)	(3,364)	(30,817)	13
Net cash used in investing activities from discontinued operations	-	-	-	(3,317)
Net cash generated from (used in) investing activities	(13,251)	(3,364)	(30,817)	(3,304)
Net cash generated from (used in) financing activities	(38,535)	608	14,727	18,692
Net increase (decrease) in cash and cash equivalents	(45,304)	1,301	1,862	(5,908)
Cash and cash equivalents at the end of the year	(34,529)	10,214	10,775	8,913

Source: IFRS Financial Statements, Consolidated Interim Financial Information

10.3.4 Investments

General Information

The information in this section presents an overview of the Group's investments in non-current assets (intangible assets and property, plant and equipment) during the years ended 31 December 2013, 31 December 2012 and 6 months period ended 30 June 2014 and 30 June 2013. Investments of the Group include investments made by the Company and its Subsidiaries.

Intangible Assets, Property, Plant and Equipment

The Group has been expanding its assets investing in property, plant and equipment as well as intangible assets for the total amount of LTL 43 million in 2013 (LTL 32 million during 2012) and for total amount of LTL 9.3 million during the 6 months period in 2014. The majority of capital investments (80 per cent or LTL 34 million) went to expansion of the MRO segment's capacity, mainly to construction of new 8,000 m^2 hangar at Kaunas International Airport. The remaining part was invested into aircraft ground handling equipment and into aircraft fleet for crew training centre.

During the six-month period ended 30 June 2014 capital investments amounted to LTL 9.3 million (LTL 12.5 million during the six-month period ended 30 June 2013). The majority of capital investments (64 per cent or LTL 6 million) went to expansion of the development of aircraft maintenance, repair and overhaul business segment. The remaining part was invested into aircraft fleet of crew training business segment and some to aircraft ground handling equipment.

The breakdown of the Group's investments (additions) into intangible assets as well as in property, plant and equipment by business segments is presented in the table below.

Table 40. Acquisitions of intangible assets and property, plant and equipment by the Group (LTL'000)

Business segment	6 months ended 30 June		Year ended 31 December	
	2014 (unaudited)	2013 (unaudited)	2013	2012
Aircraft maintenance, repair and overhaul	5,967	5,130	34,030	22,168
Aircraft ground handling and fuelling	723	4,506	5,236	7,896
Pilot and crew training	2,330	2,579	2,898	1,617
Business charter operations	26	-	-	-
Unallocated	269	287	476	516
Total	**9,315**	**12,502**	**42,641**	**32,197**
The geographic distribution of these investments:				
Home	9,176	12,319	41,956	29,328
Abroad	139	183	685	2,869
	9,315	**12,502**	**42,641**	**32,197**

Source: IFRS Financial Statements, Consolidated Interim Financial Information, the Company

Almost two-thirds of the Group's investment flows have been used from the flows of external financing.

Projected Investments

The Management plans further development of the Group, which should result in growing business volumes, areas of operations and profits.

The projected investments are indicated in Section IV *Use of Proceeds*.

10.4 Trend information

To the best knowledge of the Company there are no trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects for at least the current financial year except uncertainties related to the situation with Russia (e.g. sanction imposed on it by the EU countries, the U.S. and certain other countries, retaliation by Russia thereto, stagnating Russian economy, etc.). Furthermore, to the best knowledge of the Company and of the Group there were no significant trends in production, sales and inventory, and costs and selling prices since 31 December 2013 to the date of this Prospectus.

Also there was no significant change in the financial or trading position of the Group since 30 June 2014 till the date of this Prospectus.

XI ADMINISTRATIVE AND MANAGEMENT BODIES AND SENIOR MANAGEMENT

11.1 Management Structure

The Company has a three-tier management system, i. e. the Supervisory Council, the Management Board and the Manager of the Company (the General Manager).

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, sets of financial statements, drafts of profit/loss appropriation, the reports of the Company, the activities of the Management Board and the General Manager, submitting proposals to revoke decisions of the Management Board or the General Manager, etc.

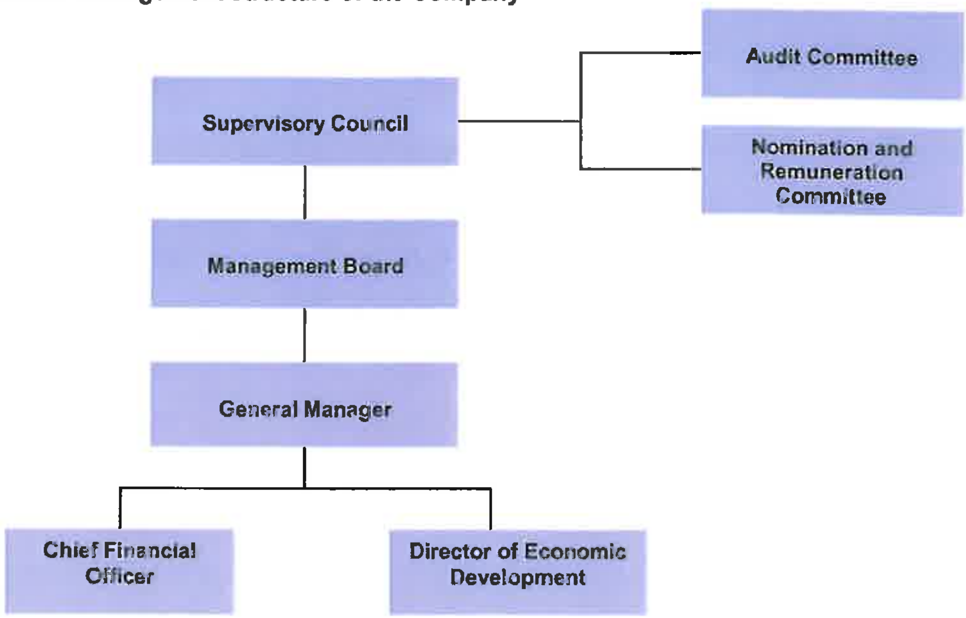
The Management Board is a collegial management body, which is responsible for the strategic management of the Company, the appointment and removal of the Manager of the Company (the General Manager), calling the General Meetings, adoption of other corporate decisions which are economically feasible for the Company, etc.

The General Manager is responsible for the day-to-day management of the Company and enjoys the exclusive right of representing the Company vis-à-vis third parties.

In addition, the Company employs several Key Executives: the Chief Financial Officer and the Director of Development. As the Company is a holding entity with no extensive business operations, there are no other key executives apart from the General Manager and the ones named herein. All the employees of the Company are directly subordinated and report to the General Manager.

The internal management structure of the Company is indicated below.

Figure 18. Internal management structure of the Company



11.2 Members of the Supervisory Council, the Management Board and Key Executives

11.2.1 Supervisory Council

According to the currently effective Articles of Association the Supervisory Council is comprised of five members elected for the tenure of four years. However, the General Meeting, dated 24 September 2014 decided *inter alia* to change the number of members of the Supervisory Council to three (this decision shall become valid as from registration of the new wording of the Articles of Association with the Register of Legal Persons), also to revoke one of the Supervisory Council members (Vladas Bagavičius; this decision became effective as from the adjournment of the indicated General Meeting).

The Supervisory Council has the Chairman, elected by the Supervisory Council from among its members. The business address for all members of the Supervisory Council is Avia Solutions Group AB, Smolensko str. 10, LT-03201 Vilnius, Lithuania. The list of the members of the Supervisory Council is presented below.

Table 41. Members of the Supervisory Council

Name	Position in the Company
Vaidas Barakauskas	Chairman of the Supervisory Council
Džiuginta Balčiūnė	Member of the Supervisory Council
Dariusz Marek Formela	Member of the Supervisory Council

Džiuginta Balčiūnė. Mrs 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). Mrs 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 (2009-2010). Since 2010 she acts as an independent attorney-at-law Džiuginta Balčiūnė. Mrs Džiuginta Balčiūnė acted as a member of the Supervisory Council in Agrowill AB and AviaAM Leasing AB. Mrs 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.LL.P.) in Humboldt University, Law faculty, in Berlin, Germany. Mrs Džiuginta Balčiūnė owns 49 percent of shares at Panevėžio HIDROPLANAS, UAB. Mrs Džiuginta Balčiūnė does not participate in the capital of the Company.

Dariusz Formela. Mr Dariusz Formela work experience and competence are directly connected to participation in collegial organs of the entities: from 2000 he acted as a member of the Supervisory Council in Makton SA, member of the Supervisory Council in PGE in Lodz, Vice-Chairman of the Supervisory Council of Unipetrol, Chairman of the Supervisory Council in Płock Industry and Technology Park SA, Chairman of the Supervisory Council in Kedzierzyn Kozle Orlen Transport Ltd., Chairman of the Supervisory Council in Orlen Laboratorium z.o.o., Chairman of the Supervisory Council in Administration of ORLEN z.o.o., Chairman of the Supervisory Council in ORLEN Prevention z.o.o., C-hairman of the Supervisory Council in ORLEN Protection Co. o.o., the Vice-Chairman of the Supervisory Council of ORLEN Accounting Ltd., the Vice-Chairman of the Supervisory Council in ORLEN Upstream z.o.o., member of the Supervisory Council in Spolana a.s. and Kaučuk a.s. Since 2009 Mr Dariusz Formela is acting as a member of the Management Board of PKM DUDA SA, a representative of Shareholding Banks. Mr 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 councils 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). Mr Dariusz Formela does not participate in the capital of the Company.

Vaidas Barakauskas. Mr Vaidas Barakauskas has a considerable management experience: from 1992 till 2008 he acted as the president in Fima UAB, until this day he is a Board member in this company. Mr Vaidas Barakauskas is a director in Ilzenbergo dvaras UAB as well as in Indeco: Investment and Development UAB. From 2010 Mr Vaidas Barakauskas is a direct and indirect shareholder of Avia Solutions Group AB (through Indeco: Investment and Development UAB). From 2012 he holds a position of president of Lithuanian Modern Pentathlon Federation. Mr Vaidas Barakauskas graduated from Vilnius University, Faculty of Mathematics, where he obtained bachelor degree in Mathematics, and in 2002 he obtained an executive MBA at the Baltic Management Institute. Mr Vaidas Barakauskas directly owns 832,666 shares in the Company (13.74% of all the Shares) and is an indirect shareholder of the Company and has an indirect control through Indeco: Investment and Development UAB (holding 7.55% of Shares).

11.2.2 Management Board

The Company's Management Board is comprised of five members elected for the tenure of four years. The Management Board has the Chairman elected by the Management Board from among its members. The business address for all members of the Management Board is Avia Solutions Group AB, Smolensko str. 10, LT-03201, Vilnius, Lithuania. The list of the members of the Management Board is presented below.

Table 42. Members of the Management Board

Name	Position in the Company
Gediminas Žiemelis	Chairman of the Management Board
Aurimas Sanikovas	Member of the Management Board
Daumantas Lapinskas	Member of the Management Board
Žilvinas Lapinskas	Member of the Management Board
Anatolij Legenzov	Member of the Management Board

Gediminas Žiemelis. Mr Gediminas Žiemelis has 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), he worked in the Department of Problematic Assets and Vindication from 1999 since 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). Mr Gediminas Žiemelis is the chairman of the Management Board in ŽIA valda AB. Since 2009 till 2010 Mr Gediminas Žiemelis also acted as a consultant in Avia Solutions Group Holdings AB. Moreover, Mr Gediminas Žiemelis is a member of the Supervisory Council in Agrowill Group AB since 2010. Currently Mr Gediminas Žiemelis also acts as a chairman of the Management Board of AviaAM Leasing AB (since 2012). Mr 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. Mr Gediminas Žiemelis is also one of initiators of establishment of the Association of Aviation Companies (www.aia.lt) (in 2009). Mr Gediminas Žiemelis owns 162,962 shares in AviaAM Leasing AB (0.38% of all the shares). Mr Gediminas Žiemelis does not participate in the capital of the Company.

Aurimas Sanikovas. Mr Aurimas Sanikovas started his career as an audit associate in PricewaterhouseCoopers, Lithuania in 2001. In 2007 his last position held at the company was of a manager. He performed supervision and execution of audit engagement performed in accordance with the IAS and US GAAS. Mr 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. Mr Aurimas Sanikovas also acted as a member of the Management Board of Avia Asset Management AB (2008–2010), a member of the Management Board of FL Technics AB (2008–2010) and a member of the Management Board of Small Planet Airlines Sp.z.o.o. and Small Planet Airlines AS (2009–2010). He has also acted as the General Manager of Avia Funds Management UAB (2010-2011). Moreover, since 2010 Mr Aurimas Sanikovas is a member of the Supervisory Council of Agrowill Group AB. Mr Aurimas Sanikovas also acted as a member of the Management Board of AviaAM Leasing AB (since 2012). His main responsibilities at the Group include control of operations of the 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. Mr 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 Mr Aurimas Sanikovas is a fellow of the Association of Chartered Certified Accountants (ACCA). Mr Aurimas Sanikovas owns 294,478 shares in the AviaAM Leasing AB (0.68% of all the shares). Mr Aurimas Sanikovas is a direct shareholder of the Company and has 33,150 shares of Avia Solutions Group AB that accounts to 0.55 per cent of the share capital. Mr Aurimas Sanikovas does not participate in the capital of any other legal entities.

Daumantas Lapinskas. Mr Daumantas Lapinskas has more than 16 years of experience in sectors as diverse as public service (in 2009-2010 was an advisor to the Minister of Economy, Lithuania, served as the Vice Minister of Economy in the 15th Government of Lithuania), banking (more than seven years at the European Bank for Reconstruction and Development, executing monitoring debt, equity and working capital financing projects for the companies in CEE and CIS), trading and private business. Mr Daumantas Lapinskas held board positions in the following companies: Invest Lietuva (2010-2012), Enterprise Lithuania (2010-2012), JSC Investicijų Verslo Garantijos (INVEGA) (Chairman of the Board). Mr Daumantas Lapinskas graduated from Vilnius University where he obtained bachelor degree in Economics (specialization in Finance), and in 1999 he obtained a master's in International Economics and Finance at the Brandeis University, USA (Edmund S. Muskie Scolarship in Economics). Since 2013 Mr Daumantas Lapinskas is a Deputy CEO at Avia Solutions Group AB. Mr Daumantas Lapinskas has 9,500 shares of TEO LT AB and 1,640 shares of Kauno energija AB. Mr Daumantas Lapinskas does not have interest in the share capital of any other legal entities (including in the Company).

Žilvinas Lapinskas. Mr Žilvinas Lapinskas has a deep international business expertise. He started his career as sales manager in Rubikon Prodimpeksas. Since 1999 he works in City Service AB – Lithuanian listed company, where he held CCO and Head of Facilities Management Department positions prior to becoming CEO in 2004. Mr Žilvinas Lapinskas took LEAN 6 Sigma Implementation courses as well as Facilities Management course at Dalkia Facility Management, Stocholm, Sweden. Mr Žilvinas Lapinskas holds a bachelor degree in Business management in Kaunas Business College. Since November 2013 Mr Žilvinas Lapinskas is CEO at FL Technics AB. Mr Žilvinas Lapinskas does not participate in the capital of the Company.

Anatolij Legenzov. Mr Anatolij Legenzov started his career in 1996 in Oxford Health Plans, LLC as an IT Support Analyst. He worked for this company for 2 years and since 1998 started his career in Helisota UAB. Prior to becoming General Director in this company in 2013 Mr Anatolij Legenzov held International Sales Representative, Director International Sales, and Director for Commerce positions. Mr Anatolij Legenzov acted as a member of the Management Board of Kauno aviacijos gamykla UAB (2011-2014). Since 2011 he is a member of the Board of Helisota UAB. Mr Anatolij Legenzov studied in Kaunas University of Technology, obtained bachelor degree in Computer Science in the University of Bridgeport and master degree in Computer Science in the Columbia University. In 2001 he obtained an executive MBA at the Vytautas Magnus University. Mr Anatolij Legenzov is a direct shareholder of the Company and has 73,255 shares of Avia Solutions Group AB that accounts to almost 1.21 per cent of the share capital. Mr Anatolij Legenzov does not participate in the capital of any other legal entities.

11.2.3 Key Executives

Table 43. Key Executives

Name	Position in the Company
Linas Dovydėnas	General Manager
Aurimas Sanikovas	Chief Financial Officer
Gediminas Žiemelis	Director of Economic Development

Mr Linas Dovydėnas. Mr Linas Dovydėnas 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. Mr Linas Dovydėnas joined the Group in 2008. He held a position of the Chairman of the Supervisory Council of Small Planet Airlines AS and was a member of the Management Board in FL Technics AB. Mr Linas Dovydėnas also acted as a member of the Management Board of AviaAM Leasing AB (since 2012). He leads the management team in planning, development and implementation strategies to meet agreed organizational plans within agreed budgets and timescales. In 1997 Mr Linas Dovydėnas 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. Mr Linas Dovydėnas owns 441,717 shares in AviaAM Leasing AB (1.02% of all the shares). Mr Linas Dovydėnas does not participate in the capital of any other legal entities (including in the Company).

Information about Gediminas Žiemelis and Aurimas Sanikovas is presented in Section 11.2.2 *Management Board* above.

11.3 Principal Activities Outside the Company

Information on participation of the members of the Supervisory Council, Management Board and the Key Executives of the Company in the administration, management or supervision of other entities during the last five years (since 2009) is provided below. The table below does not include the positions held within the Company.

Table 44. Principal activities of the members of the Management Board, members of the Supervisory Council and the Key Executives outside the Company

Name	Entity	Position	Since	Until	Held currently
Linas Dovydėnas	**Group companies:**				
	FL Technics AB	Member of the Management Board	2008	2010	No
	Small Planet Airlines EE	Chairman of the Supervisory Council	2008	2010	No
	Other companies:				
	Avia Solutions Group Holdings AB	General Manager	2008	2010	No

Name	Entity	Position	Since	Until	Held currently
Dariusz Marek Formela	**Other companies:**				
	PKM DUDA SA	President (CEO)	2012	–	Yes
	RAYO sp. z o.o.	President of PKM DUDA (CEO)	2011	–	Yes
	AGORA SA	Member of the Supervisory Council, Member of the Audit Committee	2013	–	Yes
	LW BOGDANKA SA	Member of the Supervisory Council, Chairman of the Nominations and Remuneration Committee	2012	–	Yes
	Polimex Mostostal	Member of the Supervisory Council, Chairman of the Audit Committee	2012	2012	No
	CM Makton (subsidiary company of PKM DUDA)	President (CEO)	2011	2012	No

Name	Entity	Position	Since	Until	Held currently
Anatolij Legenzov	**Group companies:**				
	Helisota UAB	Director General	2013	–	Yes
	Kauno aviacijos gamykla UAB	Member of the Board	2011	2014	No
	Helisota UAB	Member of the Board	2011	2013	No
	Helisota UAB	Director for Commerce	2008	2013	No

Name	Entity	Position	Since	Until	Held currently
Džiuginta Balčiūnė	**Other companies:**				
	Džiuginta Balčiūnė Law Firm	Attorney at Law	2010	–	Yes
	Law firm RAIDLA LEJINS & NORCOUS	Associate lawyer / attorney to partner Elijus Burgis	2009	2010	No

Name	Entity	Position	Since	Until	Held currently
Gediminas Žiemelis	**Group companies:**				
	FL Technics AB	Chairman of the Supervisory Council	2008	2010	No
	Other companies:				
	AviaAM Leasing AB	Chairman of the Management Board	2012	–	Yes
	Agrowill Group AB	Member of the Supervisory Council	2010	–	Yes
	Avia Solutions Group Holdings AB	Consultant	2009	2010	No
	ŽIA valda AB	Chairman of the Management Board	2002	–	Yes
	Ridota AB	Chairman of the Supervisory Council	2008	2010	No
	Agrowill Group AB	Member of the Management Board	2004	2010	No

Name	Entity	Position	Since	Until	Held currently
Aurimas Sanikovas	**Group companies:**				
	Small Planet Airlines PL	Member of the Management Board	2009	2010	No
	FL Technics AB	Member of the Management Board	2008	2010	No
	Small Planet Airlines EE	Member of the Supervisory Council	2008	2011	No
	Other companies:				
	Agrowill Group AB	Member of the Supervisory Council	2010	–	Yes
	Avia Solutions Group	Chief Financial Officer (CFO)	2008	2010	No
	Holdings AB Ridota AB	Member of the Management Board	2008	2010	No

Name	Entity	Position	Since	Until	Held currently
Vaidas Barakauskas	**Other companies:**				
	Lithuanian Modern Pentathlon Federation	President	2012	–	Yes
	Indeco: Investment and Development UAB	Director	2007	–	Yes
	Ilzenbergo dvaras UAB	Director	2003	–	Yes
	ŽVC UAB	Director	2004	–	Yes
	Fima UAB	Member of the Management Board	1992	–	Yes

Name	Entity	Position	Since	Until	Held currently
Daumantas Lapinskas	**Other companies:**				
	Ministry of Economy of the Republic of Lithuania	Deputy Minister of Economy	2010	2012	No
	Investuok Lietuvoje VšI	Member of the Management Board	2010	2012	No
	Versli Lietuva VšI	Member of the Management Board	2010	2012	No
	Investicijų ir verslo garantijos UAB	Chairman of the Management Board	2009	2012	No
	Ministry of Economy of the Republic of Lithuania	Advisor of the Minister of Economy	2009	2010	No

Name	Entity	Position	Since	Until	Held currently
Žilvinas Lapinskas	**Group companies:**				
	FL Technics AB	Chief Executive Officer	2013	–	Yes
	Other companies:				
	City Service AB	Chief Executive Officer	2004	2013	No

Source: the Company

11.4 Declarations

To the best knowledge of the Company, for the last five years neither any member of the Supervisory Council, Management Board nor any Key Executive of the Company (i) was convicted for any fraudulent offences, (ii) was associated with any bankruptcies, receiverships or liquidations in their capacity as members of the administrative, management or supervisory bodies, partners with unlimited liability, founders or senior managers, or (iii) was subject to any official public incrimination and / or sanctions by statutory or regulatory authorities (including designated professional bodies) or was disqualified by a court from acting as a member of the administrative, management or supervisory bodies of the Company or from acting in the management or conduct of the affairs of any entity.

Disregarding the above information, currently the investigation is being executed in Lithuania regarding the circumstances of bankruptcy of flyLAL-Lithuanian Airlines AB (bankrupted company). One of the current shareholders of flyLAL-Lithuanian Airlines AB is ŽIA valda AB, in which Gediminas Žiemelis holds the position of the Chairman of the Management Board.

11.5 Conflicts of Interest

Mr Anatolij Legenzov and Mr Aurimas Sanikovas (members of the Management Board of the Company) are direct shareholders of the Company (holding 1.21% and 0.55% of Shares respectively).

Mr Vaidas Barakauskas (Chairman of the Supervisory Council and Chairman of the Nomination and Remuneration Committee) is a direct shareholder of the Company (holding 13.74% of Shares) and an indirect shareholder of the Company and has an indirect control through Indeco: Investment and Development UAB (holding 7.55% of Shares).

It is possible that the direct and indirect shareholders of the Company (two of which are members of the Management Board and one – member of the Supervisory Council) may favour their own interests rather than those of the Company.

Apart from the above, the Company is not aware of any potential conflict of interests between any duties to the Company of the members of the Supervisory Council, the Management Board or the Key Executives of the Company.

Furthermore, none of the members of the Management Board is related to any other member of this body as well as to any other member of the Supervisory Council and/ or the Key Executives by blood or marriage.

11.6 Remuneration and Benefits

During the year 2013 the amount of remuneration paid (including any contingent or deferred compensation), and benefits in kind granted to the Management by the Company and its Subsidiaries for services in all capacities to the Company and its Subsidiaries amounted to LTL 1,405 thousand. Furthermore, following the Agreement on Provision of Legal Services, entered with the Attorney at Law Džiuginta Balčiūnė, who is also a member of the Supervisory Council, during the year 2013 the Company has paid to this Supervisory Council member a fee for provision of legal services of LTL 15 thousand plus VAT of LTL 3.15 thousand, in total LTL 18.15 thousand.

The information on the indicated amounts is provided in the table below. Gross amounts which include social security, income and other taxes applicable under legal acts are shown below.

Table 45. Remuneration and benefits paid to members of the Management Board, Supervisory Council and Key Executives by the Company and its Subsidiaries, LTL'000

Period	Name	Position in the Company	Amount
Year ended 31 December 2013	Gediminas Žiemelis	Chairman of the Board, Director of Economic Development of Avia Solutions Group AB	311
	Aurimas Sanikovas	Member of the Board, Chief Financial Officer of Avia Solutions Group AB	251
	Jonas Butautis	Former member of the Board, former Chief Executive Officer of FL Technics AB	559
	Daumantas Lapinskas	Member of the Board, Deputy Chief Executive Officer of Avia Solutions Group AB	201
	Žilvinas Lapinskas	Member of the Board, Chief Executive Officer of FL Technics AB	65

Source: the Company

Other members of the Management Board and the Supervisory Council did not receive any payments from the Company or the Subsidiaries. The Group has not set aside or accrued any amounts to provide pension, retirement or similar benefits to any member of the Supervisory Council, Management Board or Key Executive of the Company.

During the six-month period ended 30 June 2014 there were no guarantees or sponsorship granted to the members of the Supervisory Council, Management Board or Management by the Company as well as none of the Subsidiaries has paid salaries or other pay-outs to these persons for being members of their respective bodies, except the loan taken by Mr Linas Dovydėnas from Avia Solutions Group AB in an amount of LTL 20,077 and the loan granted to Mr Aurimas Sanikovas by Avia Solutions Group AB, which constituted LTL 937,950 as at 30 June 2014. The loan to Mr Aurimas Sanikovas was granted for purchasing the Shares of the Company. According to the loan agreement Mr Aurimas Sanikovas (the borrower) has the right to require the Company to redeem the Shares in a period from 31 March 2014 to 31 December 2018, if the Group achieves established EBT targets. The Group's Management does not expect this loan to have any material effect on the Group financial statements.

11.7 Board Practices

11.7.1 Term of Office

The term of office of the Supervisory Council, the Management Board and the Key Executives of the Company as well as the period during which respective persons hold positions are provided herein below.

Table 46. Tenure of the Management Board, the Supervisory Council and the Key Executives of the Company

Name	Position within the Company	In the position	
		Since	Until
Supervisory Council			
Vaidas Barakauskas	Chairman of the Supervisory Council	30 April 2014	Until the annual General Meeting, to be held in 2018
Džiuginta Balčiūnė	Member of the Supervisory Council	30 April 2014	
Dariusz Marek Formela	Member of the Supervisory Council	30 April 2014	
Management Board			
Gediminas Žiemelis	Chairman of the Management Board	25 April 2014	Until the annual General Meeting, to be held in 2018
Aurimas Sanikovas	Member of the Management Board	25 April 2014	
Daumantas Lapinskas	Member of the Management Board	25 April 2014	
Žilvinas Lapinskas	Member of the Management Board	25 April 2014	
Anatolij Legenzov	Member of the Management Board	25 April 2014	
Key Executives			
Linas Dovydėnas	General Manager	25 August 2010	Indefinite
Aurimas Sanikovas	Chief Financial Officer	30 September 2010	Indefinite
Gediminas Žiemelis	Director of Economic Development	30 September 2010	Indefinite

Source: the Company

According to the Law on Companies, the tenure of the Supervisory Council and Management Board may not last longer than until the annual General Meeting convened in the last year of the tenure of the respectively Supervisory Council or Management Board. There is no limitation on the number of terms of office a member of the Supervisory Council and Management Board may serve.

The Key Executives have employment relations with the Company which are of unlimited duration. Under the Law on Companies the General Manager may be revoked from the position by the Management Board of the Company without any early notice for any cause. Other Key Executives may be dismissed from the Company only on the grounds and following the procedure indicated in the Labour Code of the Republic of Lithuania.

11.7.2 Severance Payments

According to the Labour Code of the Republic of Lithuania, those who are employed in any Group company under an employment agreements are entitled to severance payments upon termination of their employment (except for certain termination grounds, such as on one's own will, due to the employee's fault, etc.). Apart from such statutory payments, the employment agreements entered between the members of the Supervisory Council, Management Board and/or Key Executives and respective Group Companies do not provide for any other severance payments or benefits upon termination of such agreements.

11.7.3 Audit Committee and Nomination and Remuneration Committee

The Audit Committee and the Nomination and Remuneration Committee (the "Committees") were formed in the Company according to the decision of the Supervisory Council, dated 1 September 2010. The currently valid work regulations of the Committees were approved and their current members were elected according to the decision of the Supervisory Council, dated 24 September 2014.

According to the Regulations of the Audit Committee the main functions of this committee are as follows:

- to observe the integrity of financial information provided by the Company with particular attention to the relevance and consistency of methods used by the Company and the Group;
- at least once a year to review internal controls and risk management systems to ensure that the main risks (including the risk associated with compliance with the existing laws and regulations) are properly established, managed and information of them is disclosed;
- to ensure the effectiveness of internal control functions;
- make recommendations to the Supervisory Council with regard to the selection of external audit firm, its appointment, reappointment and dismissal, and with the terms and conditions of agreement with the audit firm. The Committee shall examine situations in which the audit firm or an auditor has a basis to resign, and provide recommendations on actions required in such case;
- to monitor the independence and objectivity of the external audit firm, to check whether the audit firm takes into account the requirements in relation to the audit partner rotation, inspect the amount of remuneration paid by the Company to the audit firm and other matters, etc.

The Regulations of the Nomination and Remuneration Committee foresees that the Committee shall provide the assistance to the Supervisory Council in all matters relating to the appointment of candidates to the Management Board members, directors or senior management positions. Specifically, the Committee shall:

- select and recommend candidates to the Supervisory Council to vacant positions in the management bodies. The Committee shall assess the balance of skills, knowledge and experience in management bodies, establish the list of roles and capabilities required for each office, and assess the time required for carrying out the obligations;
- discuss the nominations proposed by the Company's shareholders and management to the Board members or senior management;
- recommend candidates to the Supervisory Council to other committees established by the Supervisory Council;
- regularly assesses the structure, size, composition and performance of management bodies, provide guidance on how to achieve the necessary changes;
- regularly evaluate knowledge, skills and experience of individual directors and shall notify the Supervisory Council;
- provide assistance to the Supervisory Council in all matters relating to the establishment of remuneration of the members of management bodies and senior management, etc.

The members of the Committees as well as their Chairmen are appointed by the Supervisory Council, based on the recommendations of (i) the Nomination and Remuneration Committee (in case of the Audit Committee) and (ii) the elected members of the Nomination and Remuneration Committee (in case of the Nomination and Remuneration Committee). The Committees consist of a number of members established by the Supervisory Council, but in any event not less than 2 members of who has to be the members of the Supervisory Council. The members of the Committees may receive remuneration for work in the Committees which shall be established by the Supervisory Council. The Supervisory Council has the right to withdraw the entire Committees *in corpore* or their individual members and to appoint a new Committees or individual members of the Committees.

The Committees must organise their meetings at least once per year. The Committees may adopt the decisions and their meetings shall be considered valid if they are attended by 2/3 or more of their members. The members of the Committees who vote in advance shall be considered as participating in the meeting. The Committees' decisions shall be deemed adopted if they receive more votes in favour than against. In the event of a tie, the Chairmen of the Committees shall have the casting vote.

The Chairmen of the Committees have to report to the Supervisory Council on the activities of the Committees. Additionally the Audit Committee is obliged to regularly inform the Supervisory Council on its activities and performance, providing its activity reports at least once every 6 months, when yearly and semi-annual reports are approved (in case of Nomination and Remuneration Committee the regularity of such provision of information is not clearly indicated).

The table below indicates the elected members of the Committees.

Table 47. Members of the Committees of the Company

Name	Position within the Company
Audit Committee	
Dariusz Formela	Chairman of the Audit Committee (the independent member)
Džiuginta Balčiūnė	Member of the Audit Committee
Nomination and Remuneration Committee	
Vaidas Barakauskas	Chairman of the Nomination and Remuneration Committee
Džiuginta Balčiūnė	Member of the Nomination and Remuneration Committee

11.7.4 Compliance with the Corporate Governance Regime

The Company complies with the Lithuanian corporate regime established by the Lithuanian law and the Articles of Association.

However, the WSE, on which the Shares of the Company are listed (and the New Shares will be applied for listing), has a corporate governance code, which is the Code of Best Practice for WSE Listed Companies (the "WSE Corporate Governance Code"). The Company acknowledges the importance of good corporate governance and intends to seek compliance with the WSE Corporate Governance Code to the extent possible.

With respect to the WSE Corporate Governance Code, the "comply or explain" principle is applied. The Issuer does not follow the WSE Corporate Governance Code to its full extent (the Supervisory Council does not approve significant transactions/agreements with related entities at the request of the Management Board, the Company does not enable participation in the General Meetings by using electronic communication means through real-life broadcast and real-time bilateral communication, etc.). Detailed information on the compliance of the Issuer with this corporate governance regime is provided in the annex to the Consolidated Interim Report for the six-month period ended 30 June 2014 of the Company.

XII EMPLOYEES

12.1 Number of Employees

On 30 June 2014 the Group had 1,437 full-time employees. The breakdown of full-time employees of the Group by companies and business segments is presented in the tables below. These breakdowns exclude secondary employments in case an employee is employed in several companies of the Group at the same time.

Table 48. The breakdown of employees of the Group by companies

Company	As at 30 June		As at 31 December	
	2014 (unaudited)	2013 (unaudited)	2013 (unaudited)	2012 (unaudited)
Avia Solutions Group AB	47	33	42	28
Avia Solutions Group – Airports Management	-	-	-	-
AviationCV.com UAB	13	9	15	5
Baltic Aviation Academy UAB	56	59	61	57
Baltic Ground Services UAB	232	213	223	194
Baltic Ground Services Sp.z.o.o	95	106	92	95
Baltic Ground Services s.r.l.	5	2	-	-
Ground Handling CIS UAB	-	-	-	-
Baltic Ground Services UA TOV	-	-	-	-
FL Technics AB	681	482	612	450
FL Technics Jets UAB	60	37	51	31
FL Technics Line OOO	10	7	7	6
FL Technics Ulyanovsk OOO	-	-	-	-
FLT Trading House UAB	-	-	-	-
Locatory.com UAB	19	22	23	17
Storm Aviation Ltd.	44	48	49	64
Storm Aviation (Cyprus) Ltd.	3	4	4	4
Verslo skydžiai UAB	3	-	-	-
Helisota UAB(**)	164	-	158	-
Kauno aviacijos gamykla UAB(**)	5	-	5	-
Small Planet Airlines UAB(*)	-	-	-	112
Small Planet Airlines Sp.z.o.o (Poland) (*)	-	-	-	32
Number of all full-time employees at the end of the period	**1,437**	**1,022**	**1,342**	**1,095**
Number of full-time employees without Charter operations segment at the end of the period	**1,437**	**1,022**	**1,342**	**951**

Source: the Company

(*) The companies are disclosed as discontinued operations as at 31 December 2012 and were sold as at 31 March 2013.

(**) On 16 December 2013 the Group acquired Helisota UAB with its subsidiary Kauno aviacijos gamykla UAB where in total 169 full-time employees are employed as at 30 June 2014.

Table 49. The breakdown of employees of the Group by business segments

Business segment	As at 30 June		As at 31 December	
	2014 (unaudited)	2013 (unaudited)	2013 (unaudited)	2012 (unaudited)
Aircraft maintenance, repair and overhaul (MRO)	986	600	909	572
Pilot and crew training	69	68	76	62
Aircraft ground handling and fuelling	332	321	315	289
Business charter operations	3	-	-	-
Charter operations	-	-	-	144
Not attributed to any specific business segment	47	33	42	28
Total for the Group	**1,437**	**1,022**	**1,342**	**1,095**

Source: the Company

12.2 Collective Bargaining

No collective agreements are in effect in the Group and the Group does not anticipate any collective bargaining initiatives in any of its companies in the observable future.

12.3 Shareholdings and Stock Options

Information on the Shares of the Company, held by the members of the Management and the Supervisory Council is provided in Section 11.5 *Conflicts of Interest*.

12.4 Arrangements for Involving the Employees in the Capital of the Issuer

There are no such arrangements.

XIII SHAREHOLDERS

13.1 Shareholders of the Issuer prior and after the Issue

The authorised capital of the Company at the date of this Prospectus is LTL 6,058,333 and is divided into 6,058,333 ordinary registered Shares with a par value of LTL 1 each, all of which are fully paid-up. All Shares carry equal voting rights.

The list of the Company's shareholders is provided in Table below.

Table 50. The Shareholders of the Company as of the date of this Prospectus

	Number of shares	%
ZIA Valda Cyprus Ltd.	1,840,744	30.38
Vaidas Barakauskas	832,666	13.74
Harberin Enterprises Limited	605,227	9.99
Indeco: Investment and Development UAB	457,184	7.55
ING Otwarty Fundusz Emerytalny	390,000	6.44
Hubert Bojdo	100,000	1.65
VGE INVESTMENTS LIMITED	100,000	1.65
Anatolij Legenzov	73,255	1.21
Aurimas Sanikovas	33,150	0.55
Other free float	1,626,107	26.84
Total:	**6,058,333**	**100.00**

Source: the Company

Mr Vaidas Barakauskas (Chairman of the Supervisory Council, Chairman of the Nomination and Remuneration Committee) is a direct shareholder of the Company (holding 13.74% of Shares) and an indirect shareholder of the Company and has an indirect control through Indeco: Investment and Development UAB (holding 7.55% of Shares).

The Company is not aware of any arrangements the operation of which may at a subsequent date result in a change in control of the Company. Also, the Company is not aware of any common control agreements between its shareholders. As of the date of the Prospectus, the Company is not aware of any existing agreements between the shareholders of the Company on the use of voting rights in effect following the completion of the Issue.

Dilution

The table below indicates the Issuer's shareholding structure after the Issue:

Table 51. The Shareholders and share capital of the Company after the Issue[11]

	Number of shares	%
ZIA Valda Cyprus Ltd.	2,541,076	32.67
Vaidas Barakauskas	832,666	10.71
VGE INVESTMENTS LIMITED	730,216	9.39
Harberin Enterprises Limited	605,227	7.78
Indeco: Investment and Development UAB	457,184	5.88
ING Otwarty Fundusz Emerytalny	390,000	5.01
MFO-A Lux S.à r.l.	311,208	4.00
Hubert Bojdo	100,000	1.29
Anatolij Legenzov	73,255	0.94
Aurimas Sanikovas	51,675	0.66
Žilvinas Lapinskas	32,960	0.42
Paulius Docka	17,963	0.23
Daumantas Lapinskas	8,240	0.11
Other free float	1,626,107	20.90
Total:	**7,777,777**	**100.00**

Source: the Company

[11] Assuming that all the New Shares are subscribed and paid-up during the Issue.

13.2 Share Capital of the Issuer

Table 52. Share capital of the Company as of the date of this Prospectus

Name of securities	Number of securities	Nominal value, LTL	Total nominal value, LTL	Part in the share capital, %
Ordinary registered shares	6,058,333	1	6,058,333	100

Source: IFRS Financial Statements

Amendments to share capital of the Issuer within 3 last years

Table 53. Amendments to share capital of the Issuer as from its establishment until the date of this Prospectus

Registration of the amended share capital	Amount of share capital prior to amendment, LTL	Amendment, LTL	Reason	Share capital after the amendment, LTL
22-09-2010	150,000	+ 4,270,000	Increase of the share capital by additional contributions	4,420,000
18-02-2011	4,420,000	+ 1,473,333	Increase of the share capital by additional contributions	5,893,333
19-12-2013	5,893,333	+ 165,000	Increase of the share capital by additional contributions	6,058,333

Source: IFRS Financial Statements

Information on shares, not representing capital

The Issuer has not issued shares, not representing its capital.

The number, book value and face value of shares in the Issuer held by or on behalf of the Issuer itself or by Subsidiaries of the Issuer

The Issuer has no shares of its own, held by itself or which are held on Issuer's behalf or which are held by the Subsidiaries.

The amount of any convertible securities, exchangeable securities or securities with warrants, with an indication of the conditions governing and the procedures for conversion, exchange or subscription

The Issuer has not issued any convertible securities, exchangeable securities or securities with warrants.

Information about and terms of any acquisition rights and or obligations over authorised but unissued capital or an undertaking to increase the capital

The Issuer has not issued any acquisition rights and has no obligations over authorised but unissued capital or an undertaking to increase the capital.

Information about any capital of any member of the Group which is under option or agreed conditionally or unconditionally to be put under option and details of such options including those persons to whom such options relate

None of the aforementioned transactions are signed by any member of the Group.

XIV RELATED PARTY TRANSACTIONS

The parties are considered related when one party has the possibility to control the other one or have significant influence over the other party in making financial and operating decisions.

Transactions within the Related Parties fall under the following categories:

- Sale/purchase of assets;
- Sale/purchase of services;
- Financing transactions in the ordinary course of business (e. g. loan transactions).

The Management of the Group believes that all arrangements between the Related Parties are entered into at the arm's length principle.

This Section provides information on the transactions of the Company and its Subsidiaries with the Related Parties. The Related Parties are classified into the following groups:

- Entities having significant influence;
- Other Related Parties.

Entities having significant influence over the Company and the Group are ZIA Valda Cyprus Ltd and ŽIA valda AB (the sole shareholder of ZIA Valda Cyprus Ltd). Transactions with these companies are presented separately.

Other Related Parties include other shareholders of the Group, subsidiaries of ŽIA valda AB group and key management personnel of the Group (the "Other Related Parties").

14.1 Sales of assets and services

The sale transactions with the Related Parties are summarized in Table 55 below.

Table 54. The sales to the Related Parties by the Company and its Subsidiaries (LTL'000)

Item	Related party	6 months ended 30 June		As at 31 December	
		2014 (unaudited)	2013 (unaudited)	2013	2012
Sales of assets	Entities having significant influence	-	2	2	-
	Other related parties	1,713	8	-	235
	Total	**1,713**	**10**	**2**	**235**
Sales of services	Entities having significant influence	2	1	2	2
	Other related parties	12,017	5,298	15,639	5,834
	Total	**12,019**	**5,299**	**15,641**	**5,836**
Total sales to related parties		**13,732**	**5,309**	**15,643**	**6,071**
% from revenues of the Group		4.5%	2.0%	2.8%	1.1%

Source: IFRS Financial Statements, Consolidated Interim Financial Information

14.2 Purchases of assets and services

The purchase transactions with the Related Parties are summarized in Table 56 below.

Table 55. The purchases from the Related Parties by the Company and its Subsidiaries (LTL'000)

Item	Related party	6 months ended 30 June		Year ended 31 December	
		2014 (unaudited)	2013 (unaudited)	2013	2012
Purchases of assets	Entities having significant influence	-	-	-	-
	Other related parties	12	330	478	1,776
	Total	**12**	**330**	**478**	**1,776**
Purchases of services	Entities having significant influence	60	55	101	80
	Other related parties	2,967	2,844	6,994	5,376
	Total	**3,027**	**2,899**	**7,095**	**5,456**
Total purchases from related parties		**3,039**	**3,229**	**7,573**	**7,232**

Source: IFRS Financial Statements, Consolidated Interim Financial Information

14.3 Trade receivables and payables

The breakdown of trade receivables, trade payables and advances received from the Related Parties is presented in Tables 57 and 58 below.

Table 56. Trade receivables of the Company and its Subsidiaries from the Related Parties (LTL'000)

Item	Related party	As at 30 June	As at 31 December	
		2014 (unaudited)	2013	2012
Trade receivables, other trade receivables, deferred charges and prepayments from related parties	Entities having significant influence	2	2	1
	Other related parties	9,423	4,879	1,912
	Total	**9,425**	**4,881**	**1,913**

Source: IFRS Financial Statements and Consolidated Interim Financial Information

Table 57. Payables and advances received of the Company and its Subsidiaries to/from the Related Parties (LTL'000)

Item	Related party	As at 30 June	As at 31 December	
		2014 (unaudited)	2013	2012
Total payables and advances received to/from the related parties	Entities having significant influence	22	8	7
	Other related parties	1,866	2,094	1,028
	Total	**1,888**	**2,102**	**1,035**

Source: IFRS Financial Statements, Consolidated Interin Financial Information

14.4 Loans received and granted

The breakdown of non-current and current loans receivable from the Related Parties is presented in Table 59 below.

Table 58. The loans received by the Company and its Subsidiaries from the Related Parties (LTL'000)

Item	Related party	As at 30 June	As at 31 December	
		2014 (unaudited)	2013	2012
Non-current loans received	Entities having significant influence	-	-	-
	Other related parties	-	-	27
	Total	**-**	**-**	**27**
Current loans received	Entities having significant influence	-	-	-
	Other related parties	4,283	14,335	14
	Total	**4,283**	**14,335**	**14**
Total loans received from the related parties		**4,283**	**14,335**	**41**

Source: IFRS Financial Statements, Consolidated Interin Financial Information, the Company

The breakdown of non-current and current loans granted to the Related Parties is provided in Table 60 below.

Table 59. The loans granted by the Company and its Subsidiaries to the Related Parties (LTL'000)

Item	Related party	As at 30 June	As at 31 December	
		2014 (unaudited)	2013	2012
Non-current loans granted	Entities having significant influence	-	-	
	Other related parties	2,138	2,138	1,424
	Total	**2,138**	**2,138**	**1,424**
Current loans granted	Entities having significant influence	-	-	-
	Other related parties	141	261	1,601
	Total	**141**	**261**	**1,601**
Total loans granted to the related parties		**2,279**	**2,399**	**3,025**

Source: IFRS Financial Statements, Consolidated Interin Financial Information, the Company

The loans received from Other Related Parties as of 30 June 2014 are denominated in LTL with 7% weighted interest rate (maturity date 2014).

XV LEGAL PROCEEDINGS

Neither the Company nor any of its Subsidiaries have, during the 12 months preceding the date of this Prospectus, been or are currently involved in any material governmental, legal or arbitral proceedings (including any such proceedings which are pending or threaten of which the Company is aware) or material disputes which may have or have had a significant adverse effect on the business, results of operations or financial position or profitability of the Company and/or the Group as a whole.

XVI INFORMATION CONCERNING THE SECURITIES TO BE ADMITTED TO TRADING

16.1 Description of the Shares

Description of the Shares (including the New Shares):

Type of the Shares:	ordinary registered shares
ISIN number:	LT0000128381. After issuance of the New Shares and assimilation with Shares already issued, ISIN number of the New Shares will be the same as the number of Shares, already issued
Currency of the Share issue:	LTL
Number of New Shares in Issue	1,719,444
Nominal value of the Share	LTL 1
Form of the Shares:	Registered shares in book-entry form. Entity currently in charge of keeping the records is Orion Securities UAB FMĮ, corporate ID code 122033915, registered at Antano Tumėno str. 4, B block, Vilnius, the Republic of Lithuania
Stock exchange:	WSE (following the capital increase of the Company under the decision of the General Meeting of 24 September 2014 the Company will also apply regarding admission of the New Shares to trading on the indicated stock exchange)

Legislation under which the Shares have been created

Legislation, under which the Shares have been created, includes the Civil Code of the Republic of Lithuania, the Law on Companies, the Law on Securities and other related legal acts.

Decision by which the New Shares are issued

The New Shares are being issued by the resolution of the General Meeting of 24 September 2014. The New Shares are expected to be issued by the end of September 2014.

Transfer restrictions

There are no restrictions on transfer of Shares (including the New Shares) as they are described in the applicable laws.

The Issue includes only the issue of the Shares, i. e. none of the Company's shareholders will be selling their Shares as part of the Issue.

16.2 Rights and obligations granted by the Shares

All the Shares, including the New Shares, are *pari passu* (at an equal pace without preference) with regard to property and non-property rights they grant to shareholders.

Exercise of rights granted by Shares of the Company may be limited only on the grounds and under the procedure prescribed by laws. The Articles of Association do not provide for any exceptions to this rule.

The record date of the property rights of shareholders is the tenth business day after the General Meeting that took a relevant decision, i.e. the property rights determined by a decision of the General Meeting are held by the persons who were shareholders of the Company at the close of the tenth business day after the General Meeting that took a relevant decision.

The list of the shareholders' rights indicated in the Articles of Association is provided in Section XX *Articles of Association*. Below is the brief description of certain material rights of the Company's shareholders.

Dividend and other distributions

Pursuant to the Law on Companies, the Issuer may distribute its profits or assets to shareholders only (i) by paying dividend; (ii) in case of liquidation of the Issuer; or (iii) in case of reduction of the authorised capital of the Issuer. The persons, who were shareholders of the Company at the close of the tenth business day (the record date) after the General Meeting that took a relevant decision, shall have a right to receive the respective amounts.

Dividend

A dividend is a share of profit allocated to a shareholder in proportion to the nominal value of shares owned by him/her/it. If a share is not fully paid-up and the time limit for the payment has not yet expired, a dividend will be reduced in proportion to the unpaid amount of the share price. If the share is not fully paid-up and the time limit for the payment has expired, no dividend is paid.

Dividend can be declared by a decision of the General Meeting. The Issuer can declare dividend from the profit available for appropriation, which consists of the new profit of the accounting year, plus or minus, respectively, the profit (loss) brought forward from the previous year and reserves that the shareholders, following the procedure established by laws, decide to distribute, and minus any sums that the General Meeting decides to allocate for other purposes pursuant to the requirements of the Law on Companies.

Dividend is paid to shareholders pro rata to the aggregate nominal value of shares held by them. Dividend is not cumulative as the Issuer has not issued any preference shares with cumulative dividend, owners of which would be guaranteed the right to dividend in the amount indicated in such shares.

The General Meeting may not adopt a decision to allocate and pay dividend if: (i) the Issuer has outstanding obligations which became due before the decision of the General Meeting; (ii) the Issuer's result of the reporting financial year available for distribution is negative (i. e. losses have been incurred); (iii) the equity of the Issuer is lower or upon payment of dividend would become lower than the aggregate amount of the authorised capital, the mandatory reserve, the revaluation reserve and the reserve for redemption of own shares.

The Issuer must pay the allocated dividend within one month from the day of adoption of a decision by the General Meeting on allocation and payment of dividend. The term of limitations with respect to filing a dividend payment claim with the court expires 10 years after the date the dividend had to be paid, in which case the unpaid dividend amount goes to the Issuer.

The Law on Companies also provides with a possibility to pay dividend to shareholders for a period shorter than a financial year (interim dividend). The following conditions for distribution of interim dividend are established:

(i) the right to initiate distribution of dividend lies with shareholders, shares held by which carry at least 1/3 of all the votes, unless the Articles of Association of the company establish a higher majority;
(ii) the distribution of dividend must be preceded by the preparation and audit of the set of interim financial statements, the interim report and a draft of the decision on distribution of dividend for a period shorter than a financial year;
(iii) interim dividend is allocated by a decision of the General Meeting (the General Meeting must be held within 3 months after the end of the period, for which distribution of dividend is proposed, but in any case no earlier than the approval of the set of annual financial statements and distribution of the Company's profit (loss) for the earlier financial year and no later than the end of the financial year);
(iv) interim dividend can be distributed if all the following conditions are met: (a) an audited set of interim financial statements has been approved; (b) the profit (loss) amount for a period shorter than a financial year is positive (there is no loss); (c) the amount distributed for payment of dividend does not exceed the profit (loss) for the period shorter than a financial year, the amount of the retained earnings (loss) for the previous financial years carried forward to the current financial year, upon deduction of the share of profit earned during the period shorter than a financial year, which must be appropriated to reserves according to the law or according to the Articles of Association; (d) the company must not have outstanding obligations, which matured before taking of the decision, and upon payment of dividend it would be capable of fulfilling its obligations for the current financial year;
(v) upon distribution of interim dividend, it is allowed to allocate dividend for another period shorter than a financial year no earlier than 3 months later.

Both residents and non-residents of Lithuania are subject to the same dividend payment rules, except for the taxation maters described in the Section XIX *Taxation of the Issuer's Shares*.

For more information on dividends please also see Section V *Dividend Policy*.

Dividend payments and other payments made by the Issuer will be conducted through the CSDL acting as primary depository. The Issuer shall transfer via the CSDL system to the NDS the amount due to the shareholders which Shares are listed on the WSE. The NDS shall redistribute the dividend and other payments among its participants (e. g. brokerage houses) and the NDS participants shall credit the respective investors' accounts. As the dividend will be paid in Lithuanian Litas, the bank, in which the NDS keeps its foreign currency account, will redistribute the dividend to the NDS participants' accounts kept in Lithuanian Litas and if such participants do not have such account to the account in other currency. The participants will convert Lithuanian Litas into Polish zloty and transfer it to the shareholder account run by them. NDS participants may charge conversion fee for such operation. After the 1 January 2015, when EUR will become official currency in Lithuania, the dividend will be paid out in EUR. As the dividend will be paid in EUR, NDS will redistribute the dividend to the NDS participants' accounts kept in EUR. The participants will either convert EUR into

Polish zloty and transfer it to the shareholder account run by them or directly transfer dividend in EUR to the shareholder account run by them in EUR. In case of the conversion NDS participants may charge conversion fee for such operation. This mechanism may be subject to changes after the CSDL and NDS further arrangements.

Distribution of the Issuer's assets in case of liquidation

In case of liquidation of the Issuer, the Issuer's assets remaining after settlement of accounts with creditors are distributed to shareholders pro rata to the aggregate nominal value of shares held by them. In case of voluntary liquidation of the Issuer, the Issuer's assets can be distributed among shareholders only after the Issuer settles accounts with its creditors and upon a lapse of two months after a public notice about liquidation made pursuant to requirements of the laws. In case of disputes in court regarding fulfilment of the Issuer's debt obligations, the Issuer's assets are distributed among shareholders only upon final resolution of the disputes and settlement of accounts with creditors.

Other cases of distribution of the Issuer's capital

The Issuer may distribute funds to its shareholders by reducing its authorised capital in accordance with the procedure set by the Law on Companies. The authorised capital may be reduced by way of annulment of shares or reduction of the nominal value of shares, but the reduced authorised capital of the Issuer may not be less than the minimum amount of the authorised capital provided for in the Law on Companies (i. e. LTL 150,000).

Only the annual General Meeting may adopt the decision to reduce the share capital with the purpose of paying funds to the shareholders, provided that all of the following conditions are met: (i) the set of annual financial statements and the profit distribution account have been approved; (ii) following the reduction of the share capital the legal reserve of the Company will not be lower than 1/10 of the Company's share capital; and (iii) no undistributed loss and long-term liabilities are recorded in the set of annual financial statements of the Company.

The decision to reduce the share capital with the purpose of paying out the funds to its shareholders may not be adopted if on the date of the decision the Company is insolvent or after the payment of funds would become insolvent. The funds must be paid within one month from the registration of the amended Articles of Association with the Register of Legal Persons. The funds are paid pro rata to the nominal value of shares held by each shareholder and may only be paid in cash.

Further Capital Calls by the Company

If the Company's distributable result, as approved by the annual General Meeting, is negative and the meeting adopts a decision to cover the Company's losses or part thereof by additional contributions of the shareholders, according to the Law on Companies, the shareholders who voted in favour of such decision are obliged to pay the contributions to the Company. The shareholders who did not participate at the General Meeting or voted against such decision are entitled not to pay any additional contributions to the Company.

Modification of Shareholders' Rights

The Articles of Association do not provide for any specific conditions regarding modification of shareholders' rights. Shareholders' rights may be modified only pursuant to the provisions of Lithuanian laws.

Conditions of Conversion

Currently, the Issuer has not issued any convertible securities.

Conditions of Redemption

Pursuant to the Law on Companies, the Issuer has the right to redeem its own shares. The total nominal value of shares redeemed by the Issuer cannot be more than 1/10 of the authorised capital. If the aggregate number of the repurchased shares exceeds 10% of the share capital of the Company, it must transfer the excess shares to other persons within 12 months after exceeding the threshold. Upon redemption of its own shares, the Issuer has no right to exercise property and non-property rights conferred by such shares.

A detailed procedure of redemption of own shares is provided for in the Law on Companies. The Issuer can redeem its own shares only after it has formed a reserve for redemption of own shares, which may not be less than the total purchase price of all the redeemed shares. Furthermore, the Company may not purchase own shares if this would result in the equity capital falling below the aggregate amount of the paid-up authorised capital, mandatory reserve and reserve for own shares. As a general rule, the Company may not repurchase its shares which are not fully paid. In order to repurchase its shares the Company must submit a voluntary takeover bid and when redeeming its own shares, the Company must ensure equal possibilities for all the shareholders to sell shares of the Company to the Company.

Voting rights

Pursuant to the Law on Companies and the Articles of Association, each share of the Company confers one vote in the General Meeting. Only shareholders who have fully paid-up their shares are entitled to vote at the General Meeting. Persons, who were shareholders of the Company at the end of the record date of the General Meeting, are entitled to attend and vote at the General Meeting or repeated General Meeting. The record date of the General Meeting of the Company is the fifth business day before the General Meeting.

The shareholders may vote personally or through their proxies or persons with whom a voting rights transfer agreement is concluded. The shareholders may also vote in writing (by filling in the general ballot paper).

The shareholder does not have the right to vote on the decision regarding the withdrawal of the pre-emptive right to acquire securities newly issued by the Company, if according to the agenda of the General Meeting the right to acquire such securities is to be granted to him or persons related to him.

Pre-emptive rights

Pursuant to the Law on Companies, the Company's share capital may be increased by a decision of the General Meeting and may be effected by (i) issuing additional shares; (ii) increasing the nominal value of existing shares; or (iii) issuing convertible bonds.

Increases in share capital by way of issuance of additional shares may be affected through one or a combination of the following: (i) in consideration for cash; (ii) in consideration for assets contributed in kind; (iii) by conversion of bonds previously issued; (iv) from the Company's own funds (i. e. by capitalisation of profits or share premiums), etc.

If the Company issues additional shares or convertible bonds other than from the Company's own funds, current shareholders will have a pre-emptive right to subscribe for such securities on a pro rata basis. The pre-emptive right requires that the Company give priority treatment to current shareholders. The Company must announce the proposal to exercise the pre-emptive rights as well as the period of such exercising in the electronic publication for public notifications administered by the manager of the Register of Legal Persons. Taking into consideration that the Company is also listed on the WSE, the relevant Polish regulatory provisions regarding publication of the respective information are also applicable to the Company. The time limit for a shareholder to acquire the securities on a pre-emptive basis may not be less than 14 days after the public announcement thereof by the Register of Legal Persons.

The pre-emptive right to subscribe for shares or convertible bonds of a certain issue can be withdrawn by a decision of the General Meeting, which has to be adopted by a ¾ majority of votes present in the meeting. The pre-emptive right can be withdrawn only in respect of all the shareholders of the Company. A written proposal to withdraw the pre-emptive right to subscribe for securities must be given by the Management Board, indicating reasons and causes for such withdrawal, as well as persons who would be offered to acquire the newly issued securities. The General Meeting, taking a decision on withdrawal of the pre-emptive right, must justify the necessity to withdraw such a right and specify the person or persons who are given the right to subscribe for newly issued securities, save for cases when the pre-emptive right is withdrawn because of the intention to make a public offering of securities of the Company under the procedure set by the Law on Securities.

The Company's share capital may be increased from the Company's own funds. In such case the current shareholders are entitled to receive the new additional shares free of charge on a pro rata basis. Furthermore, the par value of all the Company's shares may be increased.

The pre-emptive right to acquire the shares or convertible bonds issued by the Company as well as the right to receive shares free of charge in the case of the increase of the share capital from the Company's own funds is granted to the persons who were shareholders of the Company at the end of the rights record date (i. e. the tenth business day following the day the respective decision was adopted by the General Meeting).

Furthermore, under the applicable Lithuanian laws the shareholders are entitled to transfer to other persons the pre-emptive right to acquire the Company's shares or convertible bond to be newly issued.

Right to receive information

According to the legal acts of the Republic of Lithuania, the Company must, at a shareholder's written request and within 7 days from the receipt of the request, grant to the shareholder access to and/or submit to him copies of the following documents: the Articles of Association, sets of annual and interim financial statements, annual and interim reports on the activities of the Company, the auditor's opinions and audit reports, minutes of the General Meetings or other documents constituting decisions of the General Meetings, the recommendations and responses of the Supervisory Council to the General Meetings, the lists of shareholders, the lists of members of the Management Board and the Supervisory Council, also other documents of the Company that must be publicly accessible under laws, minutes of the meetings of the Management Board and Supervisory Council or other documents constituting decisions of the indicated bodies of the

Company, unless these documents contain a commercial (industrial) secret, confidential information. A shareholder or a group of shareholders, who own at least 1/2 of shares of the Company or more, have the right to access all documents of the Company subject to presenting a written pledge not to disclose commercial (industrial) secret, confidential information. The Articles of Association foresee, that the documents of the Company or other information are provided to the Company's shareholders free of charge.

Challenging of Decisions

Decisions of bodies of the Company may be invalidated in court if they are in conflict with imperative rules of law, incorporation documents of the Company or the principles of reasonability or fairness. A statement of claim may be filed by creditors of the Company if the decision violates their rights or interests, a member of the Management Board or Supervisory Council of the Company, a shareholder or other persons specified in the law. Such claim may be filed in a competent court of Lithuania within 30 days as of the day on which a relevant person learnt or should have learnt about the challenged decision.

In addition, a shareholder may apply to the court for the compensation of damages caused by the members of the Management Board or the Manager by non-performance or improper performance of their duties prescribed by the laws of the Republic of Lithuania and the Articles of Association, as well as in other cases provided by laws.

XVII CERTAIN LITHUANIAN AND POLISH SECURITIES MARKET REGULATIONS

All the Issuer's existing Shares are admitted to trading on the parallel market of the WSE. The Issuer also intends to apply for admission to trading and to list all of the New Shares on the same regulated market. As a result, the Issuer currently is and will in the future be subject to certain Polish securities and capital market regulations. Moreover, the Issuer, being incorporated under the laws of Lithuania is subject to certain aspects of the EU and Lithuanian securities regulation. The Issuer is also subject to the supervision of relevant regulatory authorities, in particular the LB and, to a limited extent, the PFSA.

The information set out below describes certain aspects of the Lithuanian and Polish securities market regulations regarding mandatory takeover bids, squeeze-out and sell-out rules that may be applied to the Shares (including the New Shares) and is included for general information purposes only. This summary does not purport to be a comprehensive description of all Lithuanian and Polish securities market regulatory considerations that may be relevant to a decision to acquire, hold or dispose of the Shares. Moreover, conclusions derived from the description below may not fully reflect a proper interpretation of Lithuanian and Polish laws. Each prospective investor should consult a professional legal adviser regarding the legal consequences of acquiring, holding and disposing of the Shares under the laws of their country and/or state of citizenship, domicile or residence.

This summary is based on legislation, published case law, treaties, rules, regulations and similar documentation in force as at the date of the Prospectus, without prejudice to any amendments introduced at a later date and implemented with retroactive effect.

17.1 EU Takeover Bids Regulations

Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004, on takeover bids ("Takeover Directive") was adopted by the Council on 30 March 2004, and became effective on 20 May 2004. It has been implemented into the laws of Lithuania by the Law on Securities of the Republic of Lithuania, dated 18 January 2007, as amended ("Law on Securities") and has been implemented into the laws of Poland primarily through the Public Offering Act.

The relevant conflict of law provisions of the Takeover Directive do explicitly state that if the offeree company's shares are not admitted to trading on a regulated market in the Member State in which the company has its registered office, and if the offeree company's shares are admitted to trading on regulated markets in another Member State, then the authority competent to supervise the bid for all the remaining shares in the company shall be that of the Member State of the market on which the shares are admitted to trading, i. e. in the present case, the competent financial authority in Poland, the PFSA.

With respect to governing law, matters related to the consideration offered in the case of a bid for all of the remaining shares in the company in particular, the price, and matters related to the bid procedure in particular, the information on the offeror's decision to make a bid, the contents of the offer document and the disclosure of the bid, shall be dealt with in accordance with the rules of the Member State of the competent authority, i. e. in the present case, the competent financial authority in Poland, the PFSA. However, the Law on Securities has also a conflicting provision, which states that the requirements with respect to the consideration offered in case of mandatory takeover bid established by the Law on Securities mutatis mutandis shall be applicable with respect to securities of the Lithuanian company which are not traded on the Lithuanian regulated market or the Lithuanian multilateral trading facility. In the absence of regulatory guidance, a clear resolution as to such conflicts of laws cannot be provided.

However, in matters related to the information to be provided to the employees of the offeree company and in matters related to company law in particular, the percentage of voting rights which confer control and any derogation from the obligation to launch a bid for all the remaining shares in the company, the applicable rules and the competent authority shall be those of the Member State in which the offeree company has its registered office, i. e. in the present case, the LB which is the competent authority in Lithuania.

17.2 Regulation of the Polish Securities Market

Takeover bids

The Takeover Directive allows the Member States to introduce, next to the mandatory takeover bids, additional protection of the interests of the minority shareholders, such as the obligation to make a partial bid where the offeror does not acquire control of the company. Poland introduced such additional instruments.

Pursuant to article 72 of the Public Offerings Act, any acquisition of shares in a public company in secondary trading and within a period of less than 60 days by a shareholder who holds shares entitling it to less than 33% of votes at a general shareholders' meeting, leading to the increase of its share in the total number of voting rights by more than 10%, must be effected exclusively through a public tender offer.

Furthermore, any acquisition of shares in a public company by a shareholder who holds shares entitling it to at least 33% of votes at a general shareholders' meeting, in secondary trading and within a period of less than twelve months, leading to the increase of its share in the total number of voting rights by more than 5%, must be effected exclusively through a public tender offer.

Additionally a shareholder that wishes to cross the 33% voting rights threshold is obliged to launch a public tender for shares that will entitle it to hold 66% of votes. However, if the indicated thresholds are exceeded due to the acquisition of shares in a public offering, in-kind contribution, merger or division of a company, amendments to the articles of incorporation of the company or occurrence of certain other events, the shareholder must either launch a public tender as described above within three months, or sell the appropriate amount of shares so that the number of votes to which the shareholder is entitled is no more than 33% of votes.

The regulations set a number of detailed conditions to be followed in connection with a public tender offer, including without limitation the rules of determining the tender price, required security and settlement.

Sell-out and squeeze-out rules

Pursuant to article 82 of the Public Offerings Act, a shareholder in a public company that, on its own or together with its subsidiaries or parent companies or with companies which are parties to an agreement regarding the purchase of shares, voting in concert at the shareholders' meeting or conducting long-term policy against the company, reaches or exceeds 90% of the overall number of votes in such public company, may demand, within three months from the date on which such shareholder reaches or exceeds of the relevant threshold, that the remaining shareholders sell all the shares held by them to such shareholder.

Pursuant to article 83 of the Public Offerings Act, a shareholder in a public company may demand that another shareholder, which has reached or exceeded 90% of the total number of votes, purchase from it the shares it holds in such company. The demand is made in writing within three months from the date on which such shareholder reaches or exceeds the relevant threshold.

It should be noted that Polish law does not explicitly exclude the application of Polish regulations concerning squeeze-out and sell-out in public companies to companies listed on the WSE which are incorporated outside of Poland.

17.3 The Warsaw Stock Exchange

The WSE operates one of the two regulated markets in Poland within the meaning of the MiFID. The other regulated market (BondSpot, the subsidiary of the WSE) concentrates mainly on bond trading and OTC transactions. The WSE is a public joint-stock company and is controlled by the Polish State. Members of the WSE include banks and Polish and international brokers.

Shares listed on the WSE may be traded in a continuous price-setting system or in the single-price auction system, depending on capitalisation and intensity of trading. In addition, there are two markets for shares: Main and Parallel, the latter being for smaller, less liquid issuers. To be traded in a specific market and segment, certain non-statutory criteria must be met by the securities in addition to the statutory listing criteria. Shares of companies which have high price volatility, or which are under bankruptcy proceedings may be classified into the Alert List segment and then moved to listing under the single-price auction system.

Settlement of all transactions executed on the WSE is handled by the NDS, a joint-stock company in which the WSE has a 33.3% stake (with the remaining shares held by the National Bank of Poland and the State Treasury of the Republic of Poland) and clearance of all transactions are executed on the WSE is handeld by the KDPW_CCP, wholy owned NDS subsidiary.

The electronic trading system used by the WSE is UTP, which is also used *inter alia* by NYSE Euronext in New York, Paris, Lisbon, Amsterdam and Brussels.

As of 24 September 2014, shares of 463 companies, including 49 foreign companies, were listed on the WSE main market.

17.4 Regulation of the Lithuanian Securities Market

Takeover Bids and sell-out and squeeze-out rules

The issued securities are subject to all mandatory takeover bids and squeeze-out and sell-out rules specified in the Law on Securities.

Following the Law on Securities, where a person, acting independently or in concert with other persons, acquires shares that in connection with the holding held by him or by other persons acting in concert entitles him to more than 1/3 of votes at the general meeting of shareholders of the company, he must either transfer shares exceeding this threshold, or announce a mandatory takeover bid to buy up the remaining shares of the company granting the voting rights and the securities confirming the right to acquire shares granting the voting rights.

A person, when acting independently or in concert with other persons and having acquired not less than 95 percent of the capital carrying voting rights and not less than 95 percent of the total votes at the general meeting of the issuer shall have a right to require that all the remaining shareholders of the issuer sell the voting shares owned by them, and the shareholders shall be obligated to sell the shares. A person can exercise this right within three months after the implementation of the mandatory takeover bid or the voluntary takeover bid to buy up the remaining shares of the issuer granting the voting rights.

Usually, the price of squeeze-out shares is equal to (i) with regard to certain conditions, the price paid for the issuer's shares bought according to the mandatory or voluntary takeover bid in accordance with the provisions of the Law on Securities, or (ii) the fair price, determined by the person buying up the shares, subject to a relevant approval of the LB. The minority shareholders have the right to challenge the squeeze-out price in court if, in their opinion, the price breaches the principle of fairness.

Besides, any minority shareholder shall have a right to require that a person, who, when acting independently or in concert with other persons, has acquired the shares comprising not less than 95 per cent of the capital carrying the voting rights and not less than 95 per cent of the total votes at the general meeting of shareholders, would buy the shares belonging to the minority shareholder and granting the voting rights, while the said person shall be obligated to purchase those shares. The duration of validity of this right and the price of sell-out shares are determined according to the above-mentioned rules.

The Issuer does not have the right to demand that shareholders sell their shares to the Issuer, whereas the shareholders do not have the right to demand that the Issuer buy up shares held by them.

The issue of New Shares does not result in appearance of duties in connection with a mandatory takeover bid and appearance of any rights in connection with sell-out or squeeze-out of shares or other any rights other than those set in the Law on Securities and other applicable laws.

There have been no public takeover bids by third parties in respect of the Company's Shares.

XVIII ADMISSION TO TRADING OF THE NEW SHARES

18.1 Share offer

This Prospectus was not prepared for the public offering of the New Shares of the Company and was drafted exclusively for the purpose of Admission of the New Shares to trading on the Parallel Market of the WSE.

Following the decisions of the General Meeting, dated 24 September 2014, all the New Shares (up to 1,719,444 units) have to be subscribed within 3 (three) months as from adoption of the aforementioned decisions (i.e. until 24 December 2014). However, the New Shares will be subscribed and paid-up before the Admission, which is expected to take place in the beginning of November 2014. For more information on the subscription, paying-up and Admission of the New Shares please see this Section below.

The Issuer has not granted and will not grant any overallotment option or the green shoe type option and therefore no overallotment is foreseen. Furthermore, no entity has a commitment of any kind to act in secondary trading in the Shares or provide liquidity through bid and offer rates. No stabilisation will be undertaken.

The Issuer has not appointed any intermediary with respect to the New Shares, as there will be no public offering thereof.

18.2 Admission to trading

As of the date of this Prospectus, all the existing Shares of the Issuer (6,058,333 Shares) are listed on the Parallel Market of the WSE. The Issuer also intends to make an application to the WSE for the admission of New Shares (up to 1,719,444) for Admission thereof to trading on the aforementioned regulated market.

Thus, this Prospectus was prepared exclusively for the purpose of Admission of the New Shares (up to 1,719,444) to trading on the Parallel Market of the WSE. In this Prospectus a public offering of the New Shares is not foreseen, as all the New Shares will not be offered publically and will be subscribed and acquired solely by ZIA VALDA CYPRUS LTD., VGE INVESTMENTS LIMITED, MFO-A Lux S.à r.l., Mr. Žilvinas Lapinskas, Mr. Aurimas Sanikovas, Mr. Paulius Docka and by Mr. Daumantas Lapinskas, following the withdrawal of the pre-emptive right of the existing Company's shareholders to acquire the New Shares as indicated in the decisions of the General Meeting, dated 24 September 2014.

In the aforementioned General Meeting the Company's shareholders *inter alia* decided:

(i) to increase the authorised capital of the Company byh additional monetary contributions from LTL 6,058,333 to 7,777,777, by issuing up to 1,719,444 ordinary registered shares LTL 1 (one litas) par value each (New Shares). The issue price of each New Share is LTL 30. The total issue price of all the New Shares is up to LTL 51,583,320, depending on the final number of the New Shares to be issuedto withdraw the pre-emptive right of all the shareholders of the Company to acquire up to 1,719,444 New Shares to be issued by the Company and to establish that all the New Shares will be subscribed and acquired by (a) ZIA VALDA CYPRUS LTD., limited liability company incorporated under the laws of the Republic of Cyprus, code HE 270489, registered at Avlonos, 1, Maria House, 5th floor, 1075, Nicosia, Cyprus (700,332 units), (b) VGE INVESTMENTS LIMITED, limited liability company incorporated under the laws of the Republic of Cyprus, code HE 264242, registered at Dimokritou, 15, Panaretos Eliana Complex, Flat/Office 104, Potamos Germasogelas, 4041, Limassol, Cyprus (630,216 units), (c) MFO-A Lux S.à r.l., limited liability company incorporated under the laws of the Grand Duchy of Luxembourg, code 6735, registered at 48, Boulavard Grand Duchese Charlotte, L- 1330 Luxembourg (311,208 units), (d) Mr. Žilvinas Lapinskas (32,960 units), (e) Mr. Aurimas Sanikovas (18,525 units); (f) Mr. Paulius Docka (17,963 units) and by (g) Mr. Daumantas Lapinskas (8,240 units). All the New Shares having nominal value of LTL 1 and having issue price of LTL 30 each, will be paid by monetary contributions of the aforementioned persons;

(ii) to initiate the admission of New Shares to trading on the regulated market (WSE) and to authorise and obligate the Management Board to execute all the actions in connection therewith;

(iii) to approve the new wording of Articles of Association.

Following the aforementioned decisions of the General Meeting the Company will enter into Share Subscription Agreements with the aforementioned persons (ZIA VALDA CYPRUS LTD., VGE INVESTMENTS LIMITED, MFO-A Lux S.à r.l., Mr. Žilvinas Lapinskas, Mr. Aurimas Sanikovas, Mr. Paulius Docka and Mr. Daumantas Lapinskas), whereby these investors will subscribe the New Shares (in the aforementioned proportions) and oblige to fully paid-up thereof by monetary contributions and the Company will oblige to issue the New Shares and to provide them to these persons for the price of LTL 30 (total Issue Price of all the New Shares is up to LTL 51,583,320) and to introduce them to trading on the WSE. The indicated Issue Price was established following the proposal of the Management Board, which was provided taking into consideration the session starting price of the Company's shares on the WSE (which was PLN 30.77 (equivalent in Litas – LTL 25.21)), the average price of the Company's shares on the WSE for the six months' period preceding the day of the announcement of the Board (which was PLN 33,79 (equivalent in Litas – LTL 27.97)), also the applicable legal requirements, stating that the issue price of a single share has to be not less that its par value and the arrangements with the investors and members of the management of the Company indicated above.

As from the moment of signature of the aforementioned Share Subscription Agreements and paying-up the subscribed New Shares the Issue Price for the New Shares, subscribed by ZIA VALDA CYPRUS LTD., VGE INVESTMENTS LIMITED, MFO-A Lux S.à r.l., Mr. Žilvinas Lapinskas, Mr. Aurimas Sanikovas, Mr. Paulius Docka and by Mr. Daumantas Lapinskas will be fully paid-up. These agreements and paying-up of the Issue Price will constitute legal ground to make the relevant entries in the securities accounts of the Company to be opened on behalf of the indicated persons.

Payment of the subscribed shares by monetary contributions is regulated by the Law on Companies in detail.

The admission and introduction of the New Shares to trading on the WSE requires the approval of the Prospectus by the LB and notification to the PFSA and execution of other actions, as indicated below.

Under the laws of Lithuania the following registration processes are needed in order to validly issue New Shares: (i) registration of the increase of the authorised capital of the Company with the Register of Legal Persons and (ii) registration of the New Shares in the CSDL (iii) as well as on the NDS foreign account in the CSDL. Thus, the New Shares will be eligible for the listing upon their payment by ZIA VALDA CYPRUS LTD., VGE INVESTMENTS LIMITED, MFO-A Lux S.à r.l., Mr. Žilvinas Lapinskas, Mr. Aurimas Sanikovas, Mr. Paulius Docka and by Mr. Daumantas Lapinskas and the aforementioned registrations. The Issuer will not be seeking to apply for listing of temporary share receipts, such as "rights to shares" within the meaning of article 3.1.a of the Trading in Financial Instruments Act.

Under the Polish laws, the admission and introduction of the New Shares to trading on the WSE requires, *inter alia* (apart from the approval of the Prospectus by the LB and notification to the PFSA): (a) execution by the Issuer of an agreement with the NDS to register the New Shares, in the NDS; and (b) an application to be made, and resolutions of the WSE's management board adopted, to admit and introduce the New Shares to trading on the WSE.

The Company will take all the necessary actions under the applicable laws, needed in order to admit the New Shares to trading on the WSE.

The Company expects that trading in the New Shares on the WSE will commence in the beginning of November 2014. Any dealings in the New Shares prior to the start of trading on the WSE (if any) will be at the sole risk of investor concerned. In particular, as such transactions would not be carried out on a regulated market, they are likely to result – depending on the particular circumstances of each transaction and the parties to it – in a stamp duty or similar tax being assessed.

18.3 Expenses of the Issue

No public offering of the New Shares shall be executed by the Company. This Prospectus was not prepared for the public offering of the New Shares of the Company and was drafted exclusively for the purpose of Admission of the New Shares to trading on the Parallel Market of the WSE. Following the preliminary calculations, the Issuer's fixed expenses, related to Issue, which is a private offering, and Admission shall comprise of up to LTL 200 thousand (including, without limitation, the fixed fees (if any) for the Lithuanian and Polish legal counsels, fees to the LB for approval of the Prospectus, fees to the CSDL, NDS and WSE, fees for preparation of the Prospectus, etc.).

18.4 Dilution

Dilution effect will occur. Currently, the Issuer's share capital consists of 6,058,333 ordinary registered shares with a nominal value of LTL 1 each (nominal share capital: LTL 6,058,333). During the Issue it is planned to issue up to 1,719,444 ordinary registered Shares with a nominal value of LTL 1 each. After the Issue (in case all the New Shares will be subscribed and acquired), the Issuer's share capital will increase from LTL 6,058,333 to LTL 7,777,777. Due to this, current shareholders of the Company who will not acquire equivalent amounts of Shares in a Issue (due to withdrawal of their pre-emptive right; except for ZIA Valda Cyprus Ltd., which will acquire 700,332 of the New Shares, VGE INVESTMENTS LIMITED, which will acquire 630,216 of the New Shares and Mr. Aurimas Sanikovas, who will acquire 18,525 of the New Shares) will bear a dilution effect equal to 22.11%; shareholders stake in the Issuer's share capital before the Issue will be equal to 77.89% after the Issue, i. e. such shareholders' stake will be reduced by 22.11%.

18.5 Interest of Natural and Legal Persons Involved in the Issue

The Issuer is not aware on any interests of natural or legal persons, including the conflicting ones that could be material to the issue of New Shares under the decisions of the General Meeting of 24 September 2014, except that all the New Shares shall be subscribed and acquired by ZIA VALDA CYPRUS LTD., VGE INVESTMENTS LIMITED (current shareholders of the Company), MFO-A Lux S.à r.l., Mr. Žilvinas Lapinskas (member of the Management Board), Mr. Aurimas Sanikovas (current shareholder and member of the Management Board), Mr. Paulius Docka and by Mr. Daumantas Lapinskas (member of the Management Board). These persons do not intend to sell the acquired New Shares in the nearest future.

XIX TAXATION OF THE ISSUER'S SHARES

The following is a summary of certain Lithuanian and Polish tax implications of ownership and disposition of the Shares. The summary is based on the tax laws of Lithuania and Poland as in effect on the date of this Prospectus, and is subject to changes in such laws, including changes that could have a retroactive effect. The summary does not purport to be a comprehensive description of all the tax implications that may be relevant for making a decision to purchase, own or dispose of the Shares. You are advised to consult your own professional tax advisors as to the Lithuanian, Polish and other tax implications of the purchase, ownership and disposition of the Shares. Prospective investors who may be affected by the tax laws of other jurisdictions should consult their own tax advisors with respect to the tax implications applicable to their particular circumstances.

19.1 Taxation in Lithuania

19.1.1 Taxation on Dividends

Legal persons

Dividends received by Lithuanian or foreign legal persons are subject to the corporate income tax at a rate of 15%. Dividends are not subject to the corporate income tax when a recipient (a Lithuanian or foreign legal person) has been or intends to be in control of not less than 10% of voting shares of a Lithuanian company distributing dividends for an uninterrupted period of at least 12 months (including the moment of distribution of dividends). This participation exemption does not apply if dividends are paid to foreign legal persons registered or otherwise organized in a tax haven jurisdiction.

If dividends are paid out to the legal persons that are residents of a foreign country with which Lithuania has concluded a treaty for the avoidance of double taxation and such a treaty limits the rights of Lithuania to tax dividends, the rules set in that treaty will be applied.

The obligation to calculate, withhold and pay the withholding tax on dividends arises for the Lithuanian legal person (the payer of dividends).

Individuals

Dividends received by Lithuanian and foreign individuals are subject to the personal income tax at a rate of 15%.

If dividends are paid out to the residents of a foreign country with which Lithuania has concluded a treaty for the avoidance of double taxation and such treaty limits the rights of Lithuania to tax dividends, the rules set in that treaty will be applied.

The obligation to calculate, withhold and pay the withholding tax on dividends arises for the Lithuanian legal entity (the payer of dividends).

19.1.2 Taxation on Capital Gains

Legal persons

No specific capital gains tax is established under the Lithuanian tax legislation. Therefore, capital gains received by a Lithuanian legal person or by a foreign legal person through its permanent establishment in Lithuania from the sale of shares are included in the taxable income for the corporate income tax purposes. The standard rate of the corporate income tax is 15%.

An exemption is available, and capital gains are not subject to the corporate income tax if the following conditions are met: 1) an entity the shares of which are being transferred is registered in the EEA Member State or a country with which Lithuania has concluded a treaty for the avoidance of double taxation, and this entity is a payer of corporate income or equivalent tax; and 2) an entity transferring shares has been in control of more than 25% of voting shares for an uninterrupted period of at least two years. The exemption is not applied if shares are transferred to the issuer.

Lithuanian entities and permanent establishments of foreign entities have the right to carry forward losses due to the disposal of securities and/or derivative financial instruments for five consecutive years for the purpose of the Lithuanian corporate income tax. The said losses can be covered only with income generated from disposals of securities and/or derivative financial instruments.

Capital gains received by the foreign legal persons from the disposal of shares of Lithuanian companies are not subject to the Lithuanian corporate income tax. Please also note that the capital gains, received from sale of securities shall not be taxed, if its amount does not exceed LTL 10,000 per year.

Individuals

Capital gains received from the sale of shares by the Lithuanian residents are subject to 15% personal income tax.

The personal income tax on capital gains received by individuals should be calculated, paid and declared by individuals by the 1st of May of the calendar year following the taxable year.

Capital gains received from the disposal of shares of Lithuanian companies by the individuals who are not considered to be Lithuanian residents for tax purposes are not taxed in Lithuania.

19.1.3 Taxation on Gifts and Inheritance

If the Issuer's shares are given as a gift to a natural person, generally the acquisition of shares is subject to personal income tax at a rate of 15%, charged on income received at the transfer of the shares as a gift. The tax is not applicable where a spouse, children (adopted children), parents (adoptive parents), brothers, sisters, grandchildren or grandparents give shares as a gift or where shares are given as a gift to a non-Lithuanian resident. Furthermore, donation incomes received from other persons are not subject to taxation, unless such incomes exceed LTL 8,000 in a calendar year.

Inherited Issuer's shares are subject to inheritance tax as follows: if the taxable value of the inherited property does not exceed LTL 500,000, the tax rate is 5%; if the taxable value of the inherited property exceeds that amount, the tax rate is 10%. The property is exempted from the tax where the property is inherited by a spouse upon the death of the other spouse, by parents (adoptive parents), children (adopted children), grandparents, grandchildren, brothers, sisters, guardians (custodians), wards (foster children), or where the shares are inherited by a non-Lithuanian resident or the value of the inherited property does not exceed LTL 10,000.

19.1.4 Value added tax

Generally, under effective laws, share acquisition or transfer transactions are not subject to value added tax (VAT) in Lithuania.

19.2 Taxation in Poland

19.2.1 Taxation on Capital Gains

Polish Tax Residents

Individuals

Under the Personal Income Tax Act, natural persons being Polish tax residents are liable to pay tax on all of their worldwide income (revenue), regardless of the location of the source of revenue (unlimited tax obligation). As a rule, a natural person is deemed a resident of Poland if: (i) the centre of his/her personal or economic interests is situated within the territory of Poland, or (ii) he/she resides within the territory of Poland for more than 183 days in any given tax year.

In case of the disposal of shares in a Lithuanian company by a Polish tax resident, the Double Tax Treaty concluded between Poland and Lithuania applies. According to Art. 13, section 4 of the Treaty, capital gains from the disposal of shares are, as a rule, taxed exclusively in the country of residence of the taxpayer. Thus, income from the disposal of the Shares earned by Polish residents shall be taxed in Poland.

Pursuant to Art. 30b, section 1 of the Personal Income Tax Act, income earned on the disposal of shares in exchange for any form of consideration is not aggregated with other types (sources) of income derived by an individual and is taxed at a flat rate of 19%. Taxable income is computed as the difference between proceeds from the disposal of shares (if the sales price declared for tax purposes significantly differs from the fair market value of the shares, the tax authorities may reassess the due tax) and the tax-deductible costs, e. g. expenditures related to the acquisition of the shares.

A taxpayer is obliged to calculate and pay due tax, as well as to submit the relevant tax return, by 30 April of the calendar year following the year in which income was earned. There is no requirement to pay tax advances during the tax year. Tax is not withheld and paid to the tax authorities by any third party.

The above regulations do not apply if a disposal of shares is performed as part of business activity. In such case, revenues and relevant costs should be settled according to the terms that apply to the taxation of a business activity.

It should also be noted that pursuant to Art. 9, section 6 of the Personal Income Tax Act, tax losses incurred during a fiscal year on the disposal of shares may be deducted from the income earned from that source over the following five consecutive fiscal years (however, the amount of the deduction cannot exceed 50% of the amount of the loss in any single fiscal year of the five-year period).

Corporate Persons

In accordance with Art. 3, section 1 of the Corporate Income Tax Act, any taxpayer with a legal seat or place of effective management within the territory of Poland are liable to pay tax on all of their worldwide income, regardless of the location of the source of revenue.

In case of the disposal of shares in a Lithuanian company by a Polish tax resident, the Double Tax Treaty concluded between Poland and Lithuania applies. According to Art. 13, section 4 of the Treaty, capital gains from the disposal of shares are, as a rule, taxed exclusively in the country of residence of the taxpayer. Thus, income from the disposal of the Shares earned by Polish residents shall be taxed in Poland.

Income from the disposal of shares is aggregated with other types of income of the given fiscal year and subject to the general 19% CIT rate. Taxable income is computed as the difference between proceeds from the disposal of shares (if the sales price declared for tax purposes significantly differs from the fair market value of the shares, the tax authorities may reassess the due tax) and the tax-deductible costs, e.g. expenditures related to the acquisition of the shares.

Non-Polish Tax Residents

Individuals

In accordance with Art. 3, section 2a of the Personal Income Tax Act, natural persons, if they do not reside within the territory of Poland, are liable to pay tax exclusively on income (revenue) obtained within the territory of Poland (limited tax obligation).

Polish tax law does not give clear direction as to whether income from a sale of securities of a Lithuanian company should be treated as income derived from Poland if the securities are traded on the Warsaw Stock Exchange. It seems that the prevailing approach of the tax authorities is that trades on the Warsaw Stock Exchange shall be treated as a Polish source of income. Consequently, as a rule, such income could be subject to Polish income tax. In practice however, most of the tax treaties would exempt such income from taxation in Poland. This should be verified on a case-by-case basis.

Corporate Persons

In accordance with Art. 3, section 2 of the Corporate Income Tax Act, taxpayers not being Polish tax residents, are liable to pay Polish corporate income tax exclusively on income obtained within the territory of Poland.

Polish tax law does not give clear direction as to whether income from a sale of securities of a Lithuanian company should be treated as income derived from Poland if the securities are traded on the Warsaw Stock Exchange. It seems that the prevailing approach of the tax authorities is that trades on the Warsaw Stock Exchange shall be treated as a Polish source of income. Consequently, as a rule, such income could be subject to Polish income tax. In practice however, most of the tax treaties would exempt such income from taxation in Poland. This should be verified on a case-by-case basis.

19.2.2 Polish Tax on Dividends

Polish Tax Residents

Individuals

Taxation of dividend income obtained by an individual being a Polish tax resident from a company residing in Lithuania is regulated by the provisions of the Double Tax Treaty concluded between Poland and Lithuania. Pursuant to Art. 10 of this Treaty, dividends paid by a company with a seat in Lithuania to a person who is a tax resident in Poland may be taxed in Poland. However, dividends may also be taxed in Lithuania but the tax levied in Lithuania cannot exceed 15% of the dividend. The applicable withholding tax rate according to the relevant Lithuanian laws was indicated in description of Lithuanian tax regime. According to Art. 25 of the Treaty, Poland should allow for a reduction of tax due in Poland on dividends by the amount of tax withheld on dividends in Lithuania.

Pursuant to Art. 30a, section 1, point 4 of the Personal Income Tax Act, dividends and other income from a share in the profits of legal persons is not aggregated with income from any other sources and is subject to taxation at a flat rate of 19% of the dividend received. Under Art. 30a, section 9 of the Personal Income Tax Act tax withheld abroad on dividends may be deducted from the tax due in Poland (up to the amount of tax due in Poland on such dividends).

As a rule, according to Art. 30a, section 11 of the Personal Income Tax Act, tax due on dividends earned outside of Poland shall paid by a taxpayer, as well as be disclosed in the relevant tax return, by 30 April of the calendar year following the year in which dividend was received. There is no requirement to pay tax advances during the tax year.

It is not absolutely clear whether tax due on dividend earned by a Polish tax resident from a company with its seat in Lithuania shall be withheld by a Polish brokerage house assisting in the payment. There is a regulation (Art. 41, section 4d of the Personal Income Tax Act) that imposes on brokerage houses the obligation to withhold the tax in relation to dividends paid to taxpayers only if two conditions are jointly met: (i) the dividend is earned within the territory of Poland and is strictly related to securities registered on brokerage accounts kept by a Polish brokerage house and (ii) the dividend is paid out to the taxpayer through a Polish brokerage house. It should be noted that under the prevailing approach, dividends from a company with its seat in Lithuania should not be treated as income earned within the territory of Poland, even if the company is listed on the WSE. Thus, the first condition specified above shall not be met and the tax should not be withheld by brokerage houses. However, in case of any doubt, a taxpayer should consult a tax adviser.

Corporate Persons

Taxation of dividend income obtained by a Polish tax resident from a company residing in Lithuania is regulated by the provisions of the Double Tax Treaty concluded between Poland and Lithuania. Pursuant to Art. 10 of this Treaty, dividends paid by a company with a seat in Lithuania to an entity which is a tax resident in Poland may be taxed in Poland. However, dividends may also be taxed in Lithuania but the tax levied in Lithuania cannot exceed 15% of the dividend (or 5% in case dividend is earned by a company owning at least 25% of the share capital in a company paying the dividend). The applicable withholding tax rate according to the relevant Lithuanian laws was indicated in description of Lithuanian tax regime. According to Art. 25 of the Treaty, Poland should allow for a reduction of tax due in Poland on dividends by the amount of tax withheld on dividends in Lithuania.

As a rule, dividends paid by a company with a seat in Lithuania to a legal person being a Polish tax resident may be taxed in Poland at a flat rate of 19% of the income earned. Under Art. 20, section 1 of the Corporate Income Tax Act tax withheld abroad on dividends may be deducted from the tax due in Poland (up to the amount of tax due in Poland on such dividends).

Pursuant to Art. 20, section 3 of the Corporate Income Tax Act, income (revenue) from dividends and other revenue from participation in profits generated by Lithuanian companies are tax exempt if all of the following conditions are satisfied jointly:

(i) the entity paying out the dividends and other revenue from participation in profits generated by legal persons, is a company liable to pay income tax in any of the EU member states other than Poland or in any other country of the European Economic Area, with respect to its world-wide income, regardless of the place where it is generated;

(ii) the entity receiving income (revenue) from dividends and other revenue from participation in profits generated by legal persons, as referred to in section (i), is a company liable to pay income tax in Poland and has its registered seat or place of effective management within the territory of Poland and is not exempt from income tax in relation to its world-wide income; and

(iii) the company referred to in section (ii) directly own at least 10% shares in the share capital of the company which pays out the dividend (company referred to in section (i)) for an uninterrupted period of at least two years.

The exemption also applies if the two-year period of uninterrupted holding of shares by a company earning income ends after the date of obtaining such income. In the case of failure to satisfy the condition of uninterruptedly holding shares in the required amount for two years, the company which benefited from the exemption is obliged, under the relevant regulations, to submit a corrected declaration for the fiscal years of gaining the exemption. The exemption applies with respect of dividend received from shares (i) owned by a taxpayer and (ii) shares held under a different legal title, provided, however, that dividends would have been exempt if the possession of shares had not been changed. The above exemption will not apply, however, if distributions are made upon liquidation of a company.

Non-Polish Tax Residents

Individuals

As indicated above, under the prevailing approach, dividends from a company with its seat in Lithuania should not be treated as income earned within the territory of Poland, even if the company is listed on the WSE. Thus, dividends distributed by a Lithuanian company to non-Polish tax residents should not be subject to taxation in Poland.

Corporate Persons

As indicated above, under the prevailing approach, dividends from a company with its seat in Lithuania should not be treated as income earned within the territory of Poland, even if the company is listed on the WSE. Thus, dividends distributed by a Lithuanian company to non-Polish tax residents should not be not subject to taxation in Poland.

19.2.3 Transfer Tax (Tax on Civil Law Transactions)

The tax on civil law transactions ("TCLT") is levied on agreements providing for the sale or exchange of rights, provided that these rights are executed in Poland or, if executed abroad, that the purchaser is a Polish tax resident and that the transaction is effected in Poland. The tax rate on the sale of shares and the exchange of shares is 1.0% of their market value and should be paid by the purchaser of shares within 14 days of the date the sale or exchange agreement was concluded. (in the case of an exchange of shares, the liability for paying the tax due is borne jointly and severally by the parties to the exchange of the share transaction).

Exemptions from the TCLT apply, without limitation, to transactions concerning (i) the sale of shares to investment companies or to foreign investment companies or (ii) the sale of shares with an intermediation of investment companies or foreign investment companies or (iii) the sale of shares within a regulated market or (iv) the sale of shares made by investment companies or foreign investment companies outside a regulated market, provided that such instruments were acquired by those companies within a regulated market – as defined in the Polish Trading in Financial Instruments Act. In general, trading in shares on the WSE is exempt from the TCLT.

19.2.4 Taxation of Gifts and Inheritance

The inheritance and donation tax is charged on the acquisition by natural persons of shares within the territory of Poland, by way of, among others, inheritance, bequest or donation. The inheritance and donation tax is also charged on the acquisition by natural persons of shares outside the territory of Poland, provided that at the moment of inheritance or conclusion of a donation, the acquirer was a Polish citizen or his/her place of residence was within the territory of Poland.

The tax is not charged on an acquisition of shares within the territory of Poland if, on the date of such acquisition, neither the transferee, nor the testator were Polish citizens and had no place of permanent residence or registered office within the territory of Poland.

The tax liability is borne by the person acquiring shares and may arise at different times, depending on the legal form of such acquisition.

The amount of tax depends on the degree and type of kinship or relationship or other personal ties between the testator and the heir, or the donor and the beneficiary. Generally, the tax rates increase progressively from 3% to 20% of the tax base, depending on the tax group in which the transferee qualifies. There is a tax-free amount defined for each of these groups. Unless the tax is collected by the tax remitter, the taxpayers are required to file, within one month from the date on which the tax liability arose, a tax return disclosing the acquisition of shares in the appropriate form, with the head of the relevant tax office. The tax is payable within 14 days of receiving a decision of the head of the relevant tax office assessing the amount of the tax liability.

Shares acquired by the closest relatives (spouse, descendants, ascendants, stepchildren, siblings, stepfather and stepmother) are tax-exempt, subject to filing an appropriate notice with the relevant tax office in due time. The exemption applies if, at the time of acquisition, the acquirer was a citizen of Poland, another Member State, European Free Trade Association member state being party to the EEA Agreement, or was a resident of Poland or such state.

XX ARTICLES OF ASSOCIATION

The purposes and the object of activities of the Company are provided for in Article 3 of the Articles of Association, pursuant to which the Company is established to gain profit by carrying out commercial business activities efficiently and productively. The object of the Company's activities is investments, management and development of companies.

The Company may conduct other activities not prohibited by the laws of the Republic of Lithuania.

Bodies of the Company

Pursuant to Article 6 of the Articles of Association, governing bodies of the Company are:

- the General Meeting of Shareholders (General Meeting);
- the Supervisory Council;
- the Management Board;
- the Manager of the Company (General Manager).

General Meeting of Shareholders

The competence of the General Meeting does not differ from the competence of the general meeting of shareholders as provided for in the Law on Companies, therefore is not specified in the Articles of Association. According to the Law on Companies, the General Meeting of the Company has the exclusive right to:

- amend the Articles of Association of the Company, except where the Law on Companies provides otherwise;
- change the address of the registered office of the Company;
- elect the members of the Supervisory Council;
- remove the Supervisory Council or its members;
- select and remove the attested auditor or firm of auditors for the carrying out of the audit of a set of annual financial statements, set the conditions for auditor remuneration;
- determine the class, number, nominal value and the minimum issue price of the shares issued by the Company;
- adopt a decision regarding conversion of the Company's shares of one class into shares of another class, approve the share conversion procedure;
- approve the set of annual financial statements;
- adopt a decision on profit/loss distribution;
- adopt a decision on the formation, use, reduction and liquidation of reserves;
- approve the set of interim financial statements, compiled for adoption of a decision regarding distribution of dividends for a shorter period, than the financial year;
- adopt a decision regarding distribution of dividends for a shorter period, than the financial year;
- adopt a decision on the issue of convertible bonds;
- adopt a decision on withdrawal for all the shareholders the pre-emptive right in acquiring the Company's shares or convertible bonds of a specific issue;
- adopt a decision on increase of the authorised capital;
- adopt a decision on reduction of the authorised capital, except where the Law on Companies provides otherwise;
- adopt a decision for the Company to purchase its own shares;
- adopt a decision on the reorganisation or spin-off of the Company and approve the terms of reorganisation or spin-off, except where the Law on Companies provides otherwise;
- adopt a decision on transformation of the Company;
- adopt a decision on restructuring of the Company in cases laid down by the Law on Restructuring of Enterprises of the Republic of Lithuania;
- adopt a decision on liquidation of the Company, cancellation of the liquidation of the Company, except where the Law on Companies provides otherwise;
- elect and remove from office the liquidator of the Company, except where the Law on Companies provides otherwise.

Decision making of the General Meeting does not differ from the rules of the Law on Companies which are the following.

The General Meeting takes the following decisions by a qualified majority vote that must be not less than 2/3 of all the votes carried by the shares held by the shareholders attending the meeting:

- to amend the Articles of Association of the Company, except where the Law on Companies provides otherwise;
- to determine the class, number, nominal value and the minimum issue price of the shares issued by the Company;
- to convert the Company's shares of one class into shares of another class, approve the share conversion procedure;
- on distribution of profit/loss;
- on formation, use, reduction and liquidation of reserves;

- on distribution of dividends for a shorter period, than the financial year;
- on the issue of convertible bonds;
- to increase the authorised capital;
- to reduce the authorised capital, except where the Law on Companies provides for otherwise;
- to adopt a decision on the reorganisation or spin-off of the Company and approve the terms of reorganisation or spin-off;
- on the transformation of the Company;
- on the restructuring of the Company;
- on the liquidation of the Company and cancellation of Company's liquidation except where otherwise provided for by the Law on Companies.

The decision to withdraw for all shareholders the pre-emptive right in acquiring the Company's newly issued shares or convertible bonds of a specific issue requires a qualified majority vote that must be not less than 3/4 of all the votes conferred by the shares of the shareholders present at the General Meeting and entitled to decide on the issue.

All other decisions of the General Meeting require a simple majority vote, i.e. not less that 1/2 of all the votes conferred by the shares of the shareholders present at the General Meeting.

Supervisory Council

The Supervisory Council of the Company is a collegial body supervising the activities of the Company. The competence of the Supervisory Council is the same as the competence of the Supervisory Council defined under the Law on Companies, in particular:

- election of the members of the Management Board and their removal from the office. If the Company is operating at a loss, the Supervisory Council must consider the suitability of the Management Board members for their office;
- supervision and control of the activities of the Management Board and the Manager of the Company;
- submission of comments and proposals to the General Meeting on the Company's operating strategy, set of annual financial statements, draft of profit/loss distribution and the annual report of the Company as well as on the activities of the Management Board and the Manager of the Company;
- submission of comments and proposals to the General Meeting on the Company's draft decision on distribution of dividends for a period, shorter than a financial year and on the set of interim financial statements compiled and the interim report prepared for adoption thereof;
- submission of proposals to the Management Board and the Manager to revoke their decisions which are in conflict with laws and other legal acts of the Republic of Lithuania, the Articles of Association of the Company or the decisions of the General Meeting;
- taking the decisions on other issues, related to supervision competence, indicated in the Articles of Association, as well as designated by the General Meeting.

The Management Board

The Management Board is a collegial management body of the Company. The competence of the Management Boards generally is the same as the competence of the Management Board defined under the Law on Companies. In particular the Management Board:

- shall consider and approve:
    - the operating strategy of the Company;
    - the annual report of the Company;
    - the interim report of the Company;
    - the management structure of the Company, the positions of the employees;
    - the positions to which employees are recruited through competition;
    - regulations of branches and representative offices of the Company;
- shall elect and remove from office the Manager of the Company, fix his salary and set other terms of the employment contract, approve his job description, provide incentives for and impose penalties against him;
- shall elect and remove the managers of affiliates or representative offices of the Company;
- shall determine which information shall be considered to be the Company's commercial (industrial) secret and confidential information;
- shall:
    - adopt the decisions to become a promoter of or a member in other business entities;
    - adopt the decisions to establish or terminate activities of affiliates or representative offices of the Company;
    - adopt the decisions to invest, transfer, lease of long-term assets of the balance value exceeding LTL 150,000 (approx. EUR 43,443) (calculated individually for every type of transaction);
    - adopt the decisions to mortgage and pledge of long-term assets of the balance value exceeding LTL 150,000 (approx. EUR 43,443) (per aggregate sum of transactions);
    - adopt the decisions to make guaranties in respect of or assure the performance by other persons of obligations undertaken for the value in excess of LTL 150,000 (approx. EUR 43,443);

- decisions to acquire long-term assets at a price exceeding LTL 150,000 (approx. EUR 43,443);
  - other decisions falling within the scope of authority of the Management Board in accordance with the Law on Companies or resolutions adopted by the General Meeting;
- shall analyze and evaluate the following:
  - the materials provided by the Manager on the carrying out of the business strategy of the Company, the organization of the business operations of the Company, the financial position of the Company and on the results of business activities, income and loss accounts, inventorying related and other accounting records reflecting change in assets;
  - the draft of set of annual financial statements and draft of profit (loss) distribution of the Company and together with its records and suggestions regarding these documents and with the annual report shall present the same to the Supervisory Council and the General Meeting for consideration;
  - draft of the decision on allocation of dividends for shorter period than the financial year and the set of interim financial statements, compiled in order to adopt it, which together with its records and suggestions regarding these documents and with the interim report of the Company shall be presented to the Supervisory Council and the General Meeting for consideration;
  - shall be responsible for the convening and organisation of the General Meetings in due time.

General Manager

Business operations of the Company are organised and conducted by the General Manager, the latter being the Head of the Company appointed and revoked by the Management Board pursuant to the procedure determined by the Law on Companies. The General Manager of the Company abides by the Lithuanian legal acts, the Articles of Association, decisions of the General Meeting, the Supervisory Council and the Management Board and the job description of the General Manager of the Company. The competence of the General Manager is the same as the competence of the Manager of the company defined under the Law on Companies, in particular:

- organisation of activities and implementation of purposes of the Company;
- drawing up of the set of annual financial statements and drafting of the annual report of the Company;
- compiling the draft decision on distribution of dividends for shorter period than the financial year, drawing the set of interim financial statements and preparation of the interim report for the purpose of adoption the decision on distribution of dividends for shorter period than the financial year;
- conclusion of a contract with a attested auditor or with a firm of auditors;
- submission of information and documents to the General Meeting, the Supervisory Council and the Management Board in the cases laid down in the Law on Companies or at their request;
- submission of documents and particulars of the Company to the manager of the Register of Legal Persons;
- submission of documents to the LB and the CSDL;
- publication of information, indicated in the Law on Companies or other legal acts following the order, established by the applicable laws;
- submission of information to shareholders of the Company;
- performance of other duties laid down in the Law on Companies and other laws and legal acts as well as in the Articles of Association and the job description of the General Manager.

Rights conferred by the Shares of the Company

Pursuant to Articles 5.1 and 5.2 of the Articles of Association, rights conferred by the Shares of the Company are as follows:

- to receive a part of the Company's profit (dividend);
- to receive the Company's funds when the share capital of the Company is reduced in order to pay out the Company's funds to its shareholders;
- to receive shares gratis in the event the share capital is increased from the Company's own funds, except cases indicated in the Law on Companies;
- the pre-emptive right over each new issue of the Company's shares or convertible bonds, except when pursuant to the procedure laid down in the Law on Companies the General Meeting has made a decision to withdraw the said right for all shareholders (this decision has to be adopted by a ¾ majority vote of shareholders present at the General Meeting);
- to lend the funds to the Company under the procedure prescribed by the applicable Lithuanian law;
- to receive a part of the residual assets of the Company in liquidation;
- to attend the General Meetings;
- to give questions to the Company in advance relating to the items on the agenda of the General Meetings;
- to vote at the General Meetings in accordance with the rights attached to shares;
- to receive information about the Company following the procedure prescribed by the Law on Companies;
- to apply to the court for the compensation of damages caused by the Management Board members or the Manager of the Company by non-performance or improper performance of their duties prescribed by the laws of the Republic of Lithuania and the Articles of Association, as well as in other cases provided by laws;
- other property and non-property rights, indicated in the applicable Lithuanian laws.

All the Shares confer equal rights to all the shareholders.

Procedure of amending the Articles of Association of the Company

Article 14 of the Articles of Association foresees, that the Articles of Association may be amended pursuant to the procedure determined by the Law on Companies, i. e.:

- the Articles of Association may be amended by the decision of the General Meeting, adopted by qualified majority of 2/3 votes, except where the Law on Companies provides otherwise;
- following the decision by the General Meeting to amend the Articles of Association, the full text of the amended Articles of Association shall be drawn up and signed by the person authorised by the General Meeting;
- amended Articles of Association together with other documents shall be provided to the manager of the Register of Legal Persons, following terms and conditions of the applicable Lithuanian legal acts.

Procedures of the General Meeting

Following Article 7 of the Articles of Association the questions, related to activities of the General Meeting and the decisions, adopted thereby (not indicated in the Articles of Association) shall be regulated by the Law on Companies.

The main rules of convocation of and attending the General Meeting are as follows:

The right of initiative to convene the General Meeting is vested in the Supervisory Council, the Management Board and the shareholders who have at least 1/10 of all votes. As a rule, the General Meetings are convened by a decision of the Management Board.

General Meetings are annual and extraordinary. An annual General Meeting must be held every year within four months after the close of the financial year. The Law on Companies indicates that an extraordinary General Meeting must be convened if: (i) the Company's equity capital falls below 1/2 of the share capital and this matter has not been discussed at an annual General Meeting; (ii) the number of the Supervisory Council members falls below the 2/3 of the total number specified in the Articles of Association or below the minimum number indicated in the Law on Companies (i. e. three); (iii) the attested auditor or audit firm terminates the contract with the Company or is unable to audit the set of annual financial statements of the Company due to other reasons; (iv) the convocation of the General Meeting is requested by the shareholders who have the right to initiate such convocation or by the Management Board or the Supervisory Council.

A notice of convocation of the General Meeting is to be made public no later than 21 days before the date of the General Meeting through the stock exchange information system WSE as a material event, and is also to be published on the Company's website http://www.aviasg.com.

Additional matters to be included into the agenda of the General Meeting may be proposed by the Supervisory Council, the Management Board and one or several shareholders holding shares that carry at least 1/20 of all votes no later than 14 days prior to the meeting. In addition, they may propose new draft decisions on the matters in the agenda prior to and during the General Meeting.

If the General Meeting is not held, a repeated General Meeting must be convened. It has to be convened after the lapse of at least 14 days and not later than after the lapse of 21 days following the day of the General Meeting which was not held. The shareholders have to be notified of the repeated General Meeting no later than 14 days before the date of the repeated General Meeting in the same manner, as indicated above.

The persons who were shareholders of the Company at the close of the record date of the General Meeting (i. e. the fifth business day prior the date of the General Meeting) have the right to attend and vote at the General Meeting. The shareholder's right to attend the General Meeting also includes the right to speak and to ask questions regarding the items on the agenda of the meeting. The questions given to the Company by the shareholder regarding the items on the agenda of the General Meeting must be answered before the General Meeting, if such questions were received not later than 3 business days before the General Meeting.

Shareholders or persons authorised by them or persons with whom an agreement on assignment of voting rights is concluded may attend and vote at the General Meeting.

A person attending the General Meeting and entitled to vote must present a document which is a proof of his identity. A person who is not a shareholder must additionally present a document attesting to his right to vote at the General Meeting.

A shareholder or his proxy has the right to vote in advance in writing, by filling in a general ballot paper. If the shareholder requests so, the Company, no later than 10 days before the General Meeting, must dispatch a general ballot paper by registered mail free of charge or delivered by hand. The general ballot paper shall also be available on the Company's website http://www.aviasg.com no later than 21 days before the General Meeting. The filled-in general ballot paper and the document attesting to the right to vote must be submitted to the Company prior to the General Meeting (it may be delivered by sending to the Company at the address Smolensko str. 10, Vilnius, the Republic of Lithuania, by registered mail, or delivered by hand). If the general ballot paper is signed by a person, who is not a shareholder of the Company, a document attesting to his right to vote at the General Meeting must be additionally presented.

The Company does not provide a possibility to attend the General Meeting and to vote by means of electronic communications.

A description of any provision of the Articles of Association, statutes, charter or bylaw that would have an effect of delaying, deferring or preventing a change in control of the Issuer

There are no such provisions.

An indication of the Articles of Association, statutes, charter or bylaw provisions, if any, governing the ownership threshold above which shareholder ownership must be disclosed

There are no such provisions.

A description of the conditions imposed by the memorandum and Articles of Association statutes, charter or bylaw governing changes in the capital, where such conditions are more stringent than is required by law

There are no more stringent provisions.