



Press release,
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Lithuanian Airlines to be acquired by Swedish FlyMe

Swedish low-fare carrier FlyMe has come to terms with the owners of Lithuanian Airlines to acquire the latter in full, subject to due diligence.

The agreement was initiated by two major share holders in FlyMe, the Icelandic investment company Fons and Sweden based Cognition. New shares will be issued to FlyMe for 33 % of the total shares. FlyMe will then gain control of Lithuanian Airlines with the appointment of a new managing director and the majority of the board of directors, including the chairman of the board.

Under the agreement with Lithuanian Airlines, FlyMe will buy the rest of the company shares during the next three years.

Lithuanian Airlines used to be government controlled until last year, when it was privatized and sold to a group of Lithuanian investors. The airline has about 40 % market share in Lithuania. It flies to eleven international destinations from the capital of Vilnius, with a fleet of five Boeing 737-500 aircraft and two SAAB 2000 and 540 employees. Besides transporting passengers, Lithuanian Airlines runs a large aircraft maintenance operation, serving airlines from all over Europe.

FlyMe is the fastest growing low-fare airline in Sweden, with bases in Stockholm and Gothenburg. It has primarily been focusing on domestic flights since its start two years ago, but at the end of March it will start flying to 12 new destinations in Europe from its hub in Gothenburg, where it is headquartered. FlyMe operates five Boeing 737 aircraft, employing a staff of 160.

- We are expanding into Europe and Lithuanian Airlines suits our eastward-moving plans, with a well placed base in Vilnius and a strong market position. We also hope to bring some of our low-cost operation knowledge to Lithuanian Airlines, in order to make it more competitive, commented Bjorn Olegard, chairman of the board of FlyMe.

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FlyMe is Sweden's low fare airline. With Landvetter as a hub FlyMe offers direct flights to and from twelve European cities. Also FlyMe offers direct flights, with Stockholm as a hub, to and from Gothenburg, Malmo, Ostersund and Helsinki.

The agreement: The gradual takeover, in a first step, will be done by means of the owners of Lithuanian Airlines voting at the AGM for Lithuanian Airlines to direct a new share issue to FlyMe so that FlyMe after such new issue will possess 33 percent of the capital as well as votes in Lithuanian Airlines.

After the completion of the direct new share issue, FlyMe shall possess the right to appoint the CEO, the chairman of the board and a majority of the board members in Lithuanian Airlines, which means that FlyMe, after this first step of the acquisition, will have actual control of Lithuanian Airlines.

In step two of the acquisition, FlyMe shall possess the right, during the period October 1, 2007 to December 31, 2007, to acquire from other owners of Lithuanian Airlines shares equivalent to 18 percent of the shares, which means that FlyMe after such acquisition will hold 51 percent of the shares in Lithuanian Airlines. In step three of the acquisition, FlyMe shall possess the right, during the period March 1, 2008 to May 31, 2008, to acquire shares equivalent to 24 percent of the shares, which means that FlyMe after such acquisition will hold 75 percent of the shares in Lithuanian Airlines. In step four, FlyMe shall possess the right during the period January 1, 2009 to February 25, 2009, to acquire the remaining 25 percent of the shares, which means that FlyMe after such acquisition will possess 100 percent of the capital as well as votes in Lithuanian Airlines.

The current owners of Lithuanian Airlines possess the right during the period February 25, 2007 to February 25, 2008, to sell to Fly Me Europe AB all remaining shares in Lithuanian Airlines at a company valuation equivalent to 4 times the net profit for the year preceding the year the right is called.