



16 January 2009
Press release

flyLAL – Lithuanian Airlines AB ceases operations

Swiss Investment Fund SCH Swiss Capital Holdings AG did not fulfill its obligations under the agreement on the sale of 100% of flyLAL – Lithuanian Airlines shares. flyLAL – Lithuanian Airlines can not secure the continuity of its operations and satisfy the demands of its creditors and therefore decided to cease operations from January 17th 2009 and not further increase the company's losses and worsen the situation of airline's creditors.

„Signing the agreement on the sales of shares of flyLAL – Lithuanian Airlines, Swiss investment fund SCH Swiss Capital Holding AG confirmed its intention to invest into Lithuanian airline however breached the contractual obligations by not transferring the agreed amount of funds in due time. We decided that ceasing operations of flyLAL – Lithuanian Airlines is the only possible decision in the current circumstances. This decision is triggered by intention not to increase damages and worsen conditions of the airline's creditors” – commented Vytautas Kaikaris, CEO of flyLAL – Lithuanian Airlines.

flyLAL – Lithuanian Airlines AB initiated the procedure of contract termination on the sales of shares with SCH Swiss Capital Holding AG.

The last flight operated by flyLAL – Lithuanian Airlines departed from Amsterdam on January 16, 2009 19:30 local time.

Unfair market conditions, record-high oil prices and low demand for winter season flights were the main reasons for airline's business downturn. Another major factor was the current fleet, which did not correspond to the new market conditions – the load factor did not reach the targets, therefore flight operations only increased airline's loss.

The debt of flyLAL – Lithuanian Airlines, which is not covered by assets, is about 90 M LTL. The major creditors are current shareholders, which loaned to the company over 47.5 M LTL.

flyLAL – Lithuanian Airlines AB has sued Latvian airline “airBaltic” and Riga International Airport with the 200 M LTL claim for unfair competition. The court made a decision to arrest the assets of the mentioned companies. The financial situation of flyLAL – Lithuanian Airlines would change substantially if the claim is satisfied.

Vytautas Kaikaris also commented on the future outlook of the airline and said “Being the citizens of the Republic of Lithuania we are sure that only national carrier can secure the interests of the state itself. Therefore flyLAL – Lithuanian Airlines is open for further proposals, which can secure further direct flights from Vilnius to various destinations”.

flyLAL – Lithuanian Airlines will file for bankruptcy if no proposals for future airline development are received in the nearest days.

flyLAL – Lithuanian Airlines kept its promise and operated all the scheduled flights during the Christmas – New Year's period. Unfortunately there are over 29.400 flyLAL passengers who will be forced to change their travel plans after 17th January, 2009. All the necessary information for passengers will be provided at the airports, travel agencies and online www.flylal.com .

There are 360 employees currently working at flyLAL – Lithuanian Airlines. The official downtime will be announced for most of the employees after flyLAL – Lithuanian Airlines operations are suspended.

“We sincerely regret that the current situation has led to this painful decision and no other solution was found” said Vytautas Kaikaris on behalf of flyLAL – Lithuanian Airlines shareholders.

flyLAL – Lithuanian Airlines



Information to “flyLAL- Lithuanian Airlines” passengers

We regret to inform you that customers who have purchased “flyLAL – Lithuanian Airlines” tickets for flights from 17th of January will unfortunately not be able to travel with us. You are advised to book your flights with another airline.

Customers who have booked their flights through a travel agency should initially contact them.

If you have a connecting flight ticket with other airline, we advise you to check with airline that operates the second part of your route.

If you have paid for a flight by credit card, we advise you to contact your bank or credit card company to ask for a possible refund.

Hotel, insurance and car rental services customers should be still able to use some of the services. We advise you to contact hotel, car rental or insurance company for further clarification.

Most travel insurance does not protect holders from airline insolvency, but should you have taken insurance, please contact your insurance company for clarification.

flyLAL – Lithuanian Airlines