

**GRIGIŠKĖS AB**

(incorporated in Lithuania with limited liability, corporate ID code 110012450)

**Offering of up to 5,700,000 Offer Shares, with a nominal value of LTL 1.00 each, and admission of up to 5,700,000 New Shares to trading on the Main List of NASDAQ OMX Vilnius AB of Joint Stock Company Grigiškės**

This document (the "Prospectus") has been prepared for the purpose of (i) offering (the "Offering") of up to 5,700,000 issued and fully paid ordinary registered shares in the share capital of Joint Stock Company Grigiškės (the "Issuer" or the "Company"), with a nominal value of LTL 1.00 each (the "Offer Shares" or the "Borrowed Shares"), and (ii) admission of up to 5,700,000 newly issued ordinary registered shares of the Company (the "New Shares") to trading on the Main List of NASDAQ OMX Vilnius AB (the "OMX"). The Issuer will be offering for subscription up to 5,700,000 existing and fully paid Borrowed Shares, which are already admitted to trading on the OMX and which the existing shareholder of the Issuer (Ginvidos investicija UAB, the "Lending Shareholder") shall lend to the Lead Manager. Such Borrowed Shares (Offer Shares) will be used for the purposes of the Offering for settlement with investors, whilst the Lead Manager will use the proceeds of the Offering to subscribe for the New Shares and return them to the Lending Shareholder once the capital increase of the Company will be registered with the Register of Legal Persons of the Republic of Lithuania, the New Shares are registered with the Central Securities Depository of Lithuania (the "CSDL") and assimilated with the currently registered issue of Shares and the New Shares are admitted to trading on the OMX.

The Offering consists of a public offering in Lithuania to: (i) existing shareholders of the Company as indicated in Section 5.6 *The Offering and Plan of Distribution* (the "Existing Shareholders"), (ii) retail investors (the "Retail Investors") and (iii) legal persons who are institutional investors (which term includes entities managing portfolios of securities for their clients and unincorporated organizations) (the "Institutional Investors", and together with the Retail Investors and Existing Shareholders, the "Investors"), in each case in accordance with applicable securities laws.

**This Prospectus does not constitute an offer to buy, or the solicitation of an offer to buy, the Offer Shares to any person in any jurisdiction in which it is unlawful to make any such offer to such person. The Offer Shares have not been and will not be registered under the United States Securities Act of 1933, as amended, or under any securities laws of any state or other jurisdiction of the United States and are not being offered or sold within the United States or to, or for the account or benefit of, US persons (for more information please see *Selling Restrictions*).**

The Offer Shares are being offered, as specified in this Prospectus, subject to cancellation or modification of the Offering and subject to certain other conditions.

This Prospectus constitutes a prospectus for the purposes of Article 3 of European Union (EU) Directive 2003/71/EC (the "Prospectus Directive") and has been prepared in accordance with the Law on Securities of the Republic of Lithuania (the "Law on Securities"). 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. The Issuer will be authorised to carry out the Offering to the public in Lithuania, once the LB has approved this Prospectus and after the Prospectus has been made available to the public together with a translation of the summary into the Lithuanian language. **Please see *Risk Factors* for a discussion of certain considerations to be taken into account when deciding whether to invest in the Offer Shares.**

All the Shares of the Company are currently listed on the Main List of OMX. On 6 May 2013 the closing price of Shares in the Company on the OMX was EUR 0.601. No other securities are currently issued by the Company and/or admitted to trading on any regulated market. In connection with the Offering and the issuance of New Shares, based on this Prospectus the Company will apply for listing of the New Shares on the Main List of the OMX. The Issuer expects that trading in the New Shares on the OMX will commence in the beginning of June 2013. Settlement of the Offering is expected to occur on or about 31 May 2013 (the "Settlement Date"). Prospective Retail and Institutional Investors as well as the Existing Shareholders may subscribe for or purchase the Offer Shares during a period which is expected to commence on or about 15 May 2013 and is expected to end on or about 24 May 2013 (the "Subscription Period"). The offer price per one Offer Share denominated in EUR is 0.51, and its equivalent in Lithuanian Litas is LTL 1.76 (based on the official EUR/LTL exchange rate of 1 / 3.4528) (the "Offer Price"). The final number of the Offer Shares, and the final number of Offer Shares allocated to each category of investors will be determined by the Issuer upon recommendation of the Offering Broker on or about 31 May 2013 and will be announced in accordance with applicable Lithuanian regulations.

All the Shares of the Company (including the Offer Shares) are ordinary registered shares and are registered with the CSDL under ISIN code LT0000102030. Shareholders in the Issuer may hold the Shares through the CSDL participants, such as investment firms and custodian banks operating in Lithuania.

**Offer Price: EUR 0.51 (LTL equivalent of the Offer Price is LTL 1.76)**

Orion securities UAB FMJ (the "Lead Manager" or the "Offering Broker") is the offering broker in Lithuania for the purposes of the Offering and Admission of the New Shares on the OMX.

*Offering Broker*



The date of this Prospectus is 14 May 2013

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## I IMPORTANT INFORMATION

**Prospectus.** This Prospectus has been prepared by the Company in connection with the Offering of the Offer Shares and the listing of the New Shares on the Baltic Main List of OMX. 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 I (Minimum disclosure requirements for the share registration document) 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.

### 1.1 Responsibility for this Prospectus

**Persons Responsible.** The person responsible for the information provided in this Prospectus is Grigiškės AB, corporate ID code 110012450, with the registered office at Vilniaus str. 10, Grigiškės, 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. Gintautas Pangonis (Chairman), Mrs. Nina Šilerienė, Mr. Vytautas Juška, Mr. Vigmantas Kažukauskas and Mr. Normantas Paliokas 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.



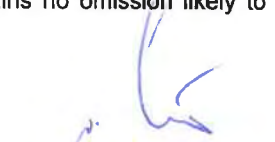
Gintautas Pangonis  
Chairman of the  
Management Board



Nina Šilerienė  
Member of the  
Management Board



Vytautas Juška  
Member of the  
Management Board



Vigmantas Kažukauskas  
Member of the  
Management Board



Normantas Paliokas  
Member of the  
Management Board

**Limitations of Liability.** Without prejudice to the above, no responsibility is accepted by the person 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 in order to aid investors when considering whether to invest in such securities.

Furthermore, the Lead Manager (as defined below) expressly disclaims any liability based on the information contained in this Prospectus, the summary of this Prospectus or individual parts thereof and will not accept any responsibility for the correctness, completeness or import of such information. No information contained in this Prospectus or disseminated by the Company in connection with the Offering may be construed to constitute a warranty or representation, whether express or implied, made by the Lead Manager to any third parties.

Neither the Company nor the Lead Manager will accept any responsibility for the information pertaining to the Offering of Offer Shares, the listing of the New Shares on the OMX, the Company or its operations, where such information is disseminated or otherwise made public by third parties either in connection with this Offering or otherwise.

By participating in the Offering, investors agree that they are relying on their own examination and analysis of this Prospectus (including the financial statements of the Group which form an indispensable part of this Prospectus) and any information on the Company that is available in the public domain. Investors should also acknowledge the risk factors that may affect the outcome of such investment decision (as presented in Section III *Risk Factors*).

Investors 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 of a dispute related to this Prospectus or the Offering, 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 Notice to Prospective Investors

The distribution of this Prospectus and the Offering of the Offer Shares in certain jurisdictions may be restricted by law. This Prospectus may not be used for, or in connection with, and does not constitute, any offer to sell, or an invitation to purchase, any of the Offer Shares offered hereby in any jurisdiction in which such offer or invitation would be unlawful. Persons in possession of this Prospectus are required to inform themselves about and to observe any such restrictions, including those set out under Section 1.8 *Selling Restrictions*. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

As a condition for the purchase of any Offer Shares in the Offering, each purchaser will be deemed to have made, or in some cases be required to make, certain representations and warranties, which will be relied upon by the Company, the Lead Manager and others. The Company reserves the right, at its sole and absolute discretion, to reject any purchase of Offer Shares that the Company, the Lead Manager or any agents believe may give rise to a breach or a violation of any law, rule or regulation. See Section 1.8 *Selling Restrictions*.

The Offer Shares have not been approved or disapproved by the US Securities and Exchange Commission, any State securities commission in the United States or any other US regulatory authority, nor have any of the foregoing passed upon or endorsed the merits of the Offering or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

## 1.3 Presentation of Financial and Other Information

**Financial Information.** Information provided in this Prospectus contains financial statements of the Company and its Subsidiaries. The Group's and the Company's financial statements for the year 2012 prepared according to International Financial Reporting Standards (the "IFRS") was audited by independent auditor KPMG Baltics UAB. The auditor is registered at Upės str. 21, LT-08128, Vilnius, Lithuania. The auditor company's code is 111494971, phone: +370 5 2102600, fax: +370 5 2102659, e-mail: vilnius@kpmg.lt. The audit was completed on behalf of KPMG Baltics UAB by Mr Rokas Kasperavičius and Ms Ieva Voverienė, auditors' licence No. 000119 and 000329, respectively.

The Group's and the Company's financial statements for the year 2011 prepared according to IFRS was audited by independent auditor Ernst & Young Baltic UAB. The auditor is registered at Subačiaus str. 7, LT-01302, Vilnius, Lithuania. The auditor company's code is 110878442, phone: +370 5 2742200, fax: +370 5 2742333, e-mail: vilnius@lt.ey.com. The audit was completed on behalf of Ernst & Young UAB by Ms Asta Štreimikienė, auditor's licence No. 000382.

The Group's and the Company's financial statements for the year 2010 prepared according to IFRS was audited by independent auditor Ernst & Young Baltic UAB. The auditor is registered at Subačiaus str. 7, LT-01302, Vilnius, Lithuania. The auditor company's code is 110878442, phone: +370 5 2742200, fax: +370 5 2742333, e-mail: vilnius@lt.ey.com. The audit was completed on behalf of Ernst & Young UAB by Mr Jonas Akelis and Ms Asta Štreimikienė, auditors' licence No. 000003 and 000382, respectively.

**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 31 December 2012. Where not expressly indicated otherwise, all information presented in this Prospectus (including the consolidated financial information of the Company and the Group, the facts concerning Company's 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 31 December 2012, 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 (14 May 2013).

**Currencies.** In this Prospectus, financial information is presented either in Lithuanian Litas (LTL), i.e. the official currency of the Republic of Lithuania or in Euro (EUR), i.e. the official currency of the EU Member States participating in the Economic and Monetary Union. 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.

**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.

#### 1.4 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 thereof).

#### 1.5 Information Incorporated by Reference

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

- Group's consolidated and Company's financial statements for the year ended 31 December 2010 together with the annual report and the report of the auditor on the financial statements and on the annual report;
- Group's consolidated and Company's financial statements for the year ended 31 December 2011 together with the annual report and the report of the auditor on the financial statements and on the annual report;
- Group's consolidated and Company's financial statements for the year ended 31 December 2012 together with the annual report and the report of the auditor on the financial statements and on the annual report.

It is possible to get acquaintance with the aforementioned documents on the website of the Company at <http://www.grigiskes.lt> also at <http://www.crib.lt> and at <https://newsclient.omxgroup.com>.

**Documents on Display.** Throughout the lifetime of this Prospectus, the aforementioned documents as well as the Articles of Association of the Company (the "Articles of Association") may also be inspected at the head office of the Company located at Vilniaus str. 10, Grigiškės, Lithuania, and at the head office of the Lead Manager at the address A. Tumėno str. 4, Vilnius, Lithuania. Any interested party may obtain a copy of these documents from the Company without charge.

#### 1.6 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.

<b>Admission</b>	Admission of the New Shares to trading on the OMX
<b>Allotment Date</b>	Date on which the Offer Shares will be allocated to Investors
<b>Articles of Association</b>	Articles of Association of the Company

<b>Audit Committee</b>	Audit Committee of the Company
<b>Borrowed Shares or Offer Shares</b>	Up to 5,700,000 Shares of the Company, issued, fully paid-up and introduced to trading on the OMX, which the Lending Shareholder shall lend to the Lead Manager for a purpose to offer them to the Investors during the Offering
<b>Company or Issuer</b>	Grigiškės AB, a public limited liability company established and existing under the laws of the Republic of Lithuania, corporate ID code 110012450, with its registered address at Vilniaus str. 10, Grigiškės, Lithuania, the shares of which are offered under the terms and conditions of this Prospectus
<b>CSDL</b>	Central Securities Depository of Lithuania
<b>EU</b>	European Union
<b>EUR, €, Euro</b>	The lawful currency of the European Union Member States that adopted the single currency
<b>Existing Shareholders</b>	The shareholders of the Company, holding its shares at the close of 24 May 2013
<b>General Meeting</b>	General Meeting of Shareholders of the Company
<b>Group</b>	Company and all its Subsidiaries collectively
<b>IAS</b>	International Accounting Standards as adopted by the European Union
<b>IFRS</b>	International Financial Reporting Standards as adopted by the European Union
<b>IFRS Financial Statements</b>	Group's consolidated and Company's financial statements for the years ended 31 December 2010, 31 December 2011 and 31 December 2012 together with the annual reports and the reports of the auditor on the financial statements and on the annual reports
<b>Institutional Investors</b>	Legal persons (which include persons managing portfolios for their clients) and unincorporated organizations, invited to make subscriptions as to the acquisition of the Offer Shares under the terms and conditions of this Prospectus
<b>Investors</b>	Institutional Investors collectively with the Retail Investors and the Existing Shareholders
<b>Key Executives</b>	The Manager (President), Vice President, Finance, Vice President, Business Development, Vice President, Purchasing & Logistics, as well as Director General collectively
<b>Law on Companies</b>	Law on Companies of the Republic of Lithuania (as amended from time to time)
<b>Law on Securities</b>	Law on Securities of the Republic of Lithuania (as amended from time to time)
<b>LB</b>	The Bank of Lithuania
<b>Lead Manager or Offering Broker</b>	Orion securities UAB FM], a private limited liability company established and existing under the laws of the Republic of Lithuania, corporate ID code 122033915, with its registered address at A. Tumėno str. 4, Vilnius, Lithuania
<b>Lending Shareholder</b>	Ginvidos investicija UAB, a private limited liability company established and existing under the laws of the Republic of Lithuania, corporate ID code 125436533, with its registered address at Turniškių str. 10A-2, Vilnius, Lithuania, which shall lend the number of issued and fully paid Shares, equal to the maximum number of New Shares, to be issued for the purpose of the Offering (i.e. 5,700,000 Shares) to the Lead Manager for the purposes of Offering them to the Investors
<b>Listing Date</b>	First day of trading in the New Shares on the OMX
<b>LTL, Lithuanian Litas</b>	Litas, the lawful currency of the Republic of Lithuania
<b>Major Shareholders</b>	The Company's major shareholders Ginvidos investicija UAB, Irena Ona Mišeikienė and Rosemount Holding LLC, as indicated in Section 4.16 <i>Major Shareholders</i>
<b>Management</b>	The Management Board and Key Executives of the Company
<b>Management Board</b>	Management Board of the Company
<b>Manager</b>	Manager of the Company (President)
<b>Member State</b>	A Member State of the European Economic Area
<b>MiFID</b>	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
<b>N/A</b>	'not applicable'
<b>New Shares</b>	Up to 5,700,000 new Shares to be issued by the Company based on a decision of the

	Annual General Meeting of 26 April 2013, the final number of which shall be equal to the final number of Offer Shares, which shall be subscribed and paid up by the Lead Manager from the proceeds of the Offering and returned to the Lending Shareholder, which agreed to borrow the Borrowed Shares for the purposes of this Offering
<b>Offering</b>	The offering of the Offer Shares based on this Prospectus
<b>Offer Price</b>	The price per each Offer Share which is indicated in this Prospectus, i.e. EUR 0.51 and its equivalent in Lithuanian Litas, equal to LTL 1.76 (based on the official EUR/LTL exchange rate of 1 / 3.4528)
<b>OMX</b>	Nasdaq OMX Vilnius AB (Vilnius stock exchange), a public limited liability company established and existing under the laws of the Republic of Lithuania, corporate ID code 110057488, with its registered address at Lvovo str. 25, Vilnius, Lithuania
<b>OMX Corporate Governance Code</b>	Corporate Governance Code for the Companies Listed on the OMX
<b>Placement Agreement</b>	The agreement to be concluded between the Company, the Lending Shareholder and the Lead Manager related to the Offering
<b>Prospectus</b>	This document, prepared for the purpose of the Offering and the Admission, its annex and all the supplements (if any)
<b>Prospectus Directive</b>	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)
<b>Prospectus Regulation</b>	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)
<b>Register of Legal Persons</b>	Register of Legal Persons of the Republic of Lithuania
<b>Related Parties</b>	As defined in International Accounting Standard 24 <i>Related Party Disclosures</i>
<b>Retail Investors</b>	Individuals and corporate entities (legal persons) and non-corporate entities other than individuals, not being the Institutional Investors and the Existing Shareholders, who intend to purchase Offer Shares in the Offering
<b>Section</b>	A section of this Prospectus
<b>Settlement Date</b>	The date of settlement of payments by the Investors
<b>Shares</b>	Any ordinary registered shares of the Company with the nominal value of LTL 1 each issued and outstanding at any time
<b>Subscription Period</b>	The period during which the Investors may submit orders for the purchase of the Offer Shares in accordance with the terms and conditions of this Prospectus
<b>Subsidiaries</b>	Subsidiaries of the Company Klaipėdos kartonas AB, Baltwood UAB, Ekotara UAB, Naujieji Verkiai UAB, Mena Pak PAT, AGR Prekyba UAB, Klaipėda Recycling UAB and Grigiškių energija UAB collectively
<b>Summary</b>	The summary of this Prospectus
<b>Supervisory Council</b>	Supervisory Council of the Company
<b>Takeover Directive</b>	Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids
<b>VAT</b>	The value added tax applicable in the Republic of Lithuania

### 1.7 Use of this Prospectus

This Prospectus is prepared solely for the purposes of the Offering of the Offer Shares and the listing of the New Shares on the OMX; it may not be construed as a warranty or a representation to any person not participating or not eligible to participate in the Offering or trade in the Shares. No public offering of the Shares is conducted in any jurisdiction other than Lithuania and consequently the dissemination of this Prospectus in other countries may be restricted or prohibited by law. The Prospectus cannot be used for any purpose other than for informational. Prior to making a decision to participate or refrain from participating in the Offering or to conduct any trading activities with the Shares on the OMX the prospective investors should read this document. In making an investment decision, prospective investors must rely upon their own examination of the Company and the terms of this document, including the risks involved. It is forbidden to copy, reproduce (other than for private and non-commercial use) or disseminate this Prospectus without express written permission from the Company.



## **1.8 Selling Restrictions**

This Prospectus constitutes a prospectus within the meaning of the Prospectus Directive and the Law on Securities (which transposed the Prospectus Directive into the Lithuanian law), for the purpose of giving the information with regard to the Company and the Shares it intends to offer pursuant to this Prospectus, which is necessary to enable prospective Investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Company.

This Prospectus constitutes a prospectus in the form of a single document within the meaning of Article 5.3 of the Prospectus Directive and Article 6 of the Law on Securities. This Prospectus has been filed with, and was approved by the LB, which is the competent authority in Lithuania to approve this document as a prospectus.

### ***No Public and Private Offering outside Lithuania***

This Prospectus has been prepared on the basis that there will be no offers of the Offer Shares, other than the Offering to the public in the territory of Lithuania in accordance with the Prospectus Directive, as implemented in Lithuania. Accordingly, any person making or intending to make any offering, resale or other transfer within the EEA, other than in Lithuania, of the Offer Shares may only do so in circumstances under which no obligation arises for the Company, the Major Shareholders or the Lead Manager to produce an approved prospectus or other offering circular for such offering. Neither the Company, the Major Shareholders, nor the Lead Manager have authorized, nor will any of them authorize, the making of any offer of the Offer Shares through any financial intermediary, other than public Offering in Lithuania made by the Lead Manager under this Prospectus.

No action has been or will be taken by the Company, the Major Shareholders or the Lead Manager in any jurisdiction other than Lithuania that would permit any offering of the Offer Shares, or the possession or distribution of this Prospectus or any other offering material relating to the Company or the Shares in any jurisdiction where action for that purpose is required. Accordingly, the Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisements in connection with the Shares may be distributed or published, in or from any country or jurisdiction.

The distribution of this Prospectus and the Offering in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions on the distribution of this Prospectus and the Offering, including those in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdictions. This Prospectus does not constitute an offer to subscribe for or buy any of the Offer Shares offered hereby to any person in any jurisdiction other than Lithuania.

### ***European Economic Area***

This Prospectus has been approved by the LB, being the competent authority in Lithuania. However, in relation to each member state of the EEA (other than Lithuania) which has implemented the Prospectus Directive (each, a "Relevant Member State"), the Lead Manager has represented and agreed that it has not made and will not make any offer of Shares in that Relevant Member State prior to that Relevant Member State's competent authority receiving a certificate of approval of the LB attesting that the Prospectus has been drawn up in accordance with the Law on Securities together with a copy of the Prospectus accompanied, if applicable, by a translation of the summary produced under the responsibility of the Company and the due publication of the Prospectus in accordance with that Relevant Member State's applicable rules.

### ***United States***

The Offer Shares have not been, and will not be, registered under the US Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, US persons. Terms used in this paragraph have the meanings given to them by Regulation S under the US Securities Act.

In addition, until 40 days after the commencement of the Offering, an offer or sale of the Offer Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the US Securities Act.

The Lead Manager has agreed that it will not offer, sell or deliver the Offer Shares within the United States or to, or for the account or benefit of, US persons and that it will have sent to each dealer to which it sells Offer Shares during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Offer Shares within the United States or to, or for the account or benefit of, US persons.



This Prospectus has been prepared by the Company for use in connection with the public offer and sale of the Offer Shares in Lithuania only and for the listing of the New Shares on the OMX. The Company and the Lead Manager reserve the right to reject any offer to purchase the Offer Shares, in whole or in part, for any reason.

***Canada***

This Prospectus is not, and under no circumstances is to be construed as, a Prospectus, an advertisement or a public or private offering of the securities described herein in any province or territory of Canada. No securities commission or similar authority in Canada has reviewed or in any way passed upon this document or the merits of the securities described herein, and any representation to the contrary is an offence.

***Japan***

The Shares have not been and will not be registered under the Securities and Exchange Law of Japan (Law No. 25 of 1948, as amended), and are not being offered or sold and may not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan (which term as used herein includes any corporation or other entity organized under the laws of Japan), or to others for offering or sale, directly or indirectly, in Japan or to, or for the account of, any resident of Japan.

## 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	<p>This Summary is not the prospectus for the public Offering of the Offer Shares and 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 public Offering of the Company's Offer Shares and is a summary of certain information appearing in more detail elsewhere in the Prospectus. Any decision to participate in the Offering and invest in the Company's shares should be based by each investor on the Prospectus (including any amendments or supplements thereto) as a whole and not merely on this Summary.</p> <p>Prospective 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.</p>
A.2		Not applicable.

### Section B — Issuer

Element	Title	Disclosure																								
B.1	Legal and commercial name	public limited liability company „GRIGIŠKĖS“ and Grigiškės AB respectively.																								
B.2	Domicile / legal form / legislation / country of incorporation	The Issuer is a public limited liability company with its registered address at Vilniaus str. 10, LT-27101 Grigiškės, Lithuania. 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	<p>The Group is the largest group of the companies operating in the paper industry in the Baltic States. The Group consists of Grigiškės AB, Klaipėdos kartonas AB, Mena Pak PAT, Baltwood UAB, Ekotara UAB, Naujieji Verkiiai UAB, AGR Prekyba UAB, Klaipėda recycling UAB and Grigiškių energija UAB. Currently, the Group employs up to 900 people. The Group earned LTL 290 million of revenues and LTL 10.64 million of earnings before taxes in 2012.</p> <p>The Group operates in the following segments:</p> <ul style="list-style-type: none"> <li>• paper and paper products,</li> <li>• hardboard and wood products,</li> <li>• raw materials for corrugated cardboard and related production.</li> </ul> <p>The financial information in the separate segments is provided below:</p> <table border="1"> <thead> <tr> <th></th> <th>Paper and paper products</th> <th>Hardboard and wood products</th> <th>Raw material for corrugated cardboard production</th> <th>Unallocated</th> <th>TOTAL</th> </tr> </thead> <tbody> <tr> <td><b>The Group, 2012, LTL</b></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Sales</td> <td>71,481,074</td> <td>75,904,591</td> <td>141,679,995</td> <td>450,906</td> <td><b>289,516,566</b></td> </tr> <tr> <td>Cost of sales</td> <td>(54,515,940)</td> <td>(63,198,880)</td> <td>(125,891,123)</td> <td>(364,083)</td> <td><b>(243,970,026)</b></td> </tr> </tbody> </table>		Paper and paper products	Hardboard and wood products	Raw material for corrugated cardboard production	Unallocated	TOTAL	<b>The Group, 2012, LTL</b>						Sales	71,481,074	75,904,591	141,679,995	450,906	<b>289,516,566</b>	Cost of sales	(54,515,940)	(63,198,880)	(125,891,123)	(364,083)	<b>(243,970,026)</b>
	Paper and paper products	Hardboard and wood products	Raw material for corrugated cardboard production	Unallocated	TOTAL																					
<b>The Group, 2012, LTL</b>																										
Sales	71,481,074	75,904,591	141,679,995	450,906	<b>289,516,566</b>																					
Cost of sales	(54,515,940)	(63,198,880)	(125,891,123)	(364,083)	<b>(243,970,026)</b>																					

<b>Gross profit</b>	<b>16,965,134</b>	<b>12,705,711</b>	<b>15,788,872</b>	<b>86,823</b>	<b>45,546,540</b>
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<b>The Group, 2011, LTL</b>	<b>Paper and paper products</b>	<b>Hardboard and wood products</b>	<b>Raw material for corrugated cardboard production</b>	<b>Unallocat ed</b>	<b>TOTAL</b>
<b>Sales</b>	77,937,849	75,353,191	147,971,272	6,415,349	<b>307,677,661</b>
<b>Cost of sales</b>	(66,735,178)	(64,637,960)	(123,601,509)	(6,092,999)	<b>(261,067,646)</b>
<b>Gross profit</b>	<b>11,202,671</b>	<b>10,715,231</b>	<b>24,369,763</b>	<b>322,350</b>	<b>46,610,015</b>

<b>The Group, 2010, LTL</b>	<b>Paper and paper products</b>	<b>Hardboard and wood products</b>	<b>Raw material for corrugated cardboard production</b>	<b>Unallocat ed</b>	<b>TOTAL</b>
<b>Sales</b>	60,762,127	64,271,728	114,503,450	6,248,162	<b>245,785,467</b>
<b>Cost of sales</b>	(51,556,002)	(59,889,429)	(96,137,055)	(5,472,741)	<b>(213,055,227)</b>
<b>Gross profit</b>	<b>9,206,125</b>	<b>4,382,299</b>	<b>18,366,395</b>	<b>775,421</b>	<b>32,730,240</b>

Source: IFRS Financial Statements, taking into consideration the below explanation

Unallocated sales include revenues which cannot be assigned to any of the three main segments. Unallocated revenues may include heat energy and other utilities sales.

The costs of unallocated sales may include the costs of heat generation.

#### **Paper and Paper Products Segment**

The Company produces high quality toilet paper, paper towels, napkins and paper tissues, which meet customers' needs. The Company mostly sells its paper products under well-known Grite and Grite Professional brands. The Company's products sold under these brands accounted for approximately 70% of the Company's paper products sales in 2012. These products are targeted for consumers and business segments.

In August 2012, sanitary paper products manufactured by the Group were awarded the EU Eco-label Flower. The Group is the first business subject in Lithuania awarded this label by the Environmental Protection Agency. The EU Eco-label is only awarded to goods and services meeting the environmental requirements of EU Eco-labelling scheme.

#### **Raw Materials for Corrugated Cardboard and Related Production Segment**

The Group's corrugated cardboard products are mostly used in food, chemical products, furniture industries and by the producers of packages. The Group is selling testliner, fluting, corrugated cardboard and its products for the clients. The Group also produces paper honeycomb panels.

#### **Hardboard and Wood Products Segment**

The sales of hardboards account for the major part of the hardboard and wood products segment's revenues. The Group provides painted and appropriately cut hardboards for its clients. The Group sells its hardboard products under Stallionboard brand. Hardboards are mainly used in furniture and construction industries. The Management believes that currently expanding wood panels production is a promising product segment. Local customers demand well-cut timber, which can be used in construction or packaging industries. The Group also produces wood pallets which are used for logistics. The waste-wood obtained in the Group's production process is processed into high quality bio-fuel – pellets and chips.

#### **Principal Markets**

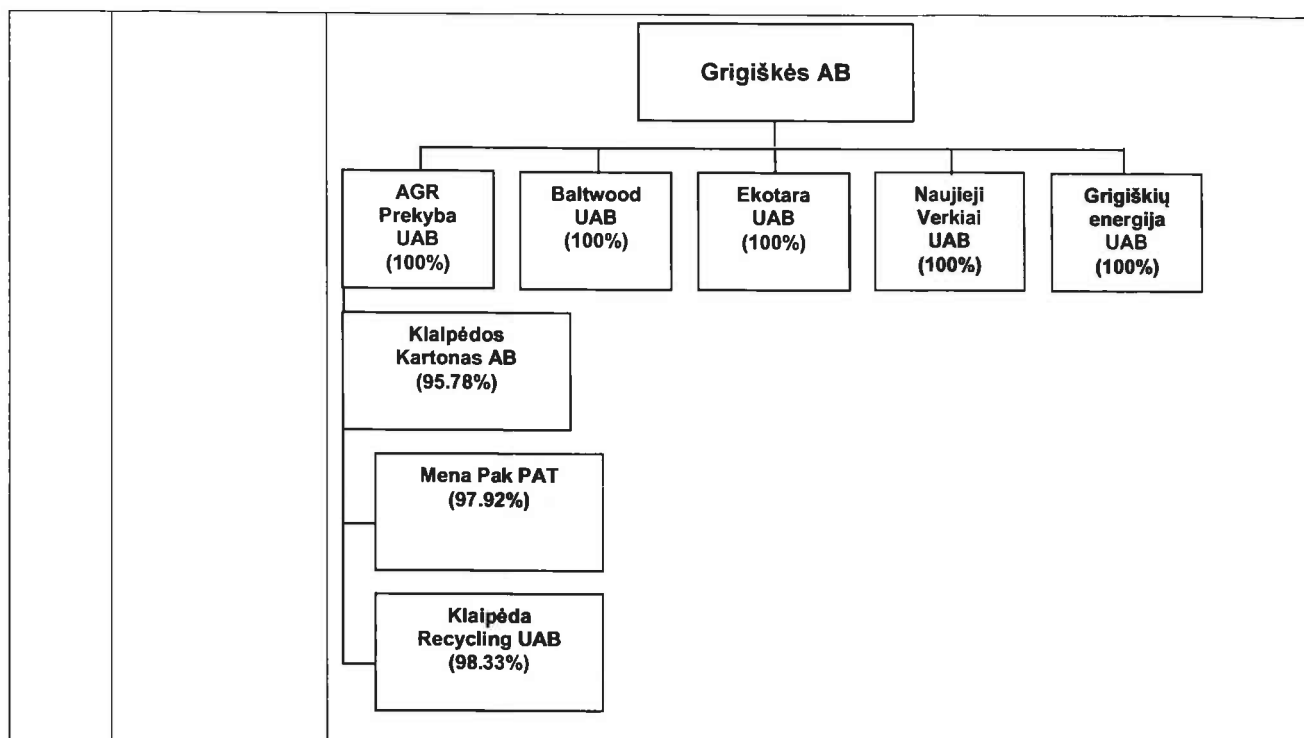
The highest share of the Group's paper, corrugated cardboard, hardboard and other products is sold in the Baltic States, Poland, Denmark, Sweden and Ukraine. Lithuania remains the biggest market for the Group, however, the proportion of the revenues

generated in the local market has diminished approximately by 7% during the period from in 2010 till 2012. While the proportion of the Group's revenues in Lithuania has decreased, the share of sales in Latvia has remained stable and is even increasing. Sales of the Group in Ukraine have been increasing stably and the Group generated around 13% of its sales in Ukraine in 2012 and the share is still going upwards. More detailed information on the Group's revenues is provided in the table below.

	2010	2011	2012
<b>Domestic market (Lithuania)</b>	<b>97,908,658</b>	<b>92,286,082</b>	<b>90,643,046</b>
<b>Foreign market</b>			
Poland	32,463,404	64,891,390	45,856,748
Ukraine	24,369,433	32,325,995	35,953,818
Latvia	21,526,856	27,249,839	28,452,448
Estonia	9,356,598	13,467,921	20,202,571
Sweden	8,859,379	10,499,733	14,437,530
Denmark	10,663,434	10,520,805	12,143,960
Belarus	5,173,770	4,050,368	8,420,488
Czech Republic	5,302,193	13,784,310	5,839,039
Finland	2,818,267	3,145,629	5,794,292
Russia	6,439,534	7,617,808	4,559,908
Slovakia	3,963,554	4,314,106	3,477,400
France	821,514	2,176,345	2,637,011
Germany	3,912,088	4,771,510	2,310,337
Italy	1,009,721	1,429,066	2,277,814
Hungary	481,917	1,120,551	1,946,765
The Netherlands	3,397,253	2,527,678	1,859,766
Norway	1,275,057	755,161	625,183
Great Britain	3,935,663	6,291,616	0
Other countries	2,107,174	4,451,748	2,078,442
<b>Foreign market, total</b>	<b>147,876,809</b>	<b>215,391,579</b>	<b>198,873,520</b>
<b>TOTAL:</b>	<b>245,785,467</b>	<b>307,677,661</b>	<b>289,516,566</b>

Source: IFRS Financial Statements

B.4a	Significant recent trends affecting the industry	<p>The Group expects that it will face the following trends and events in the foreseeable future:</p> <ul style="list-style-type: none"> <li>- moderate growth of tissue consumption in local and neighbouring markets,</li> <li>- continuous increase in corrugated packaging consumption in local and nearby foreign countries,</li> <li>- decline in costs of goods sold as a result of capital investments in energy efficiency increasing programs,</li> <li>- change in the sale structure due to the acquisition of new hygiene paper production line.</li> </ul>
B.5	Group description. Position of the Company within the Group	<p>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. However, the largest shareholder of the Company, Ginvildos Investicija UAB, has 48.79% of all the Shares of the Company and votes carried by them, thus, it generally has a possibility to affect all essential decisions taken by the Company's shareholders.</p> <p>The Company together with the Subsidiaries form a Group of companies, as indicated below.</p>



B.6	<p>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. Direct or indirect control of the Company</p>	<p>On the day of this Prospectus the authorised capital of the Company is LTL 60,000,000 and is divided into 60,000,000 ordinary registered Shares with a nominal value of LTL 1 each. All the Shares issued by the Company entitle to equal voting rights to their holders.</p> <p>In the table below the information is provided on shareholders of the Company having more than 5% of authorised capital of the Company on the date of this Prospectus.</p> <table border="1" data-bbox="486 1120 1428 1332"> <thead> <tr> <th>No.</th> <th>Shareholder</th> <th>Number of owned shares and votes</th> <th>Percentage owned, %</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Ginvildos investicija UAB</td> <td>29,272,228</td> <td>48.79</td> </tr> <tr> <td>2.</td> <td>Irena Ona Mišeikienė</td> <td>8,731,686</td> <td>14.55</td> </tr> <tr> <td>3.</td> <td>Rosemount Holding LLC</td> <td>5,639,967</td> <td>9.40</td> </tr> </tbody> </table> <p><i>Source: the Company</i></p> <p><b>Voting rights of major shareholders of the Issuer</b></p> <p>All the Shares of the Issuer entitle equal voting rights to its shareholders.</p> <p><b>Direct or indirect control over the Issuer</b></p> <p>The aforementioned major shareholders of the Company control the Company directly. Furthermore, Chairman of the Management Board Gintautas Pangonis indirectly, through Ginvildos investicija UAB, in which he holds 79% of all the shares of this company (13% of shares of this company are held by the Chairman of the Supervisory Council Norimantas Stankevičius), holds 48.79% of Shares of the Issuer and voting rights, carried thereby in the General Meeting. Directly Gintautas Pangonis holds 0.22% Shares of the Issuer. Member of the Management Board Nina Šilerienė holds 0.07% Shares of the Issuer and member of the Management Board Vigmantas Kažukauskas – 0.33%, Director General Robertas Krutikovas – 0.07%.</p> <p>According to the knowledge of the Issuer, there are no other direct or indirect control relations in the Issuer.</p> <p><b>Arrangements, known to the Issuer, the operation of which may at a subsequent date result in a change in control of the Issuer</b></p> <p>The issuer is not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Issuer.</p>	No.	Shareholder	Number of owned shares and votes	Percentage owned, %	1.	Ginvildos investicija UAB	29,272,228	48.79	2.	Irena Ona Mišeikienė	8,731,686	14.55	3.	Rosemount Holding LLC	5,639,967	9.40
No.	Shareholder	Number of owned shares and votes	Percentage owned, %															
1.	Ginvildos investicija UAB	29,272,228	48.79															
2.	Irena Ona Mišeikienė	8,731,686	14.55															
3.	Rosemount Holding LLC	5,639,967	9.40															
B.7	Selected	The following tables set out selected consolidated financial information for the years ended																



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.

31 December 2012, 31 December 2011 and 31 December 2010, respectively.

<b>000 LTL</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Sales	245,785	307,678	289,517
Gross profit	32,730	46,610	45,547
Operating profit	14,959	19,284	13,200
Net profit	7,542	12,784	9,331
<b>000 LTL</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Non-current assets	183,780	192,023	199,613
Current assets	54,874	58,172	54,495
Total assets	238,654	250,195	254,109
Shareholders' equity	87,189	98,497	106,106
Non-current liabilities	83,323	84,897	64,962
Current liabilities	68,142	66,801	83,040
Total of equity and liabilities	238,654	250,195	254,109

Source: IFRS Financial Statements

On the 1st of March 2010, the Company acquired AGR Prekyba Group, which consisted of AGR Prekyba UAB, Klaipėdos Kartonas AB and Mena Pak PAT. Between the 1st of March and the 31st of December 2010, the acquired Subsidiaries have generated LTL 108 million of revenues and LTL 6.8 million of net profit. The Group's revenues would have been by LTL 15.9 million and net profit by LTL 0.6 million higher if the above mentioned Subsidiaries had been acquired on the 1st of January 2010.

	<b>2010</b>	<b>2011</b>	<b>2012</b>
ROE, %	9.8%	13.8%	9.1%
ROA, %	4.2%	5.2%	3.7%
Current ratio	0.81	0.87	0.66
Quick ratio	0.52	0.50	0.40
Debt to equity ratio	1.64	1.45	1.32
Debt to total assets ratio	0.60	0.57	0.55

Source: the Company, Annual reports, reviewed by the auditor

#### Statement of the Group's Comprehensive Income

<b>LTL</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Revenue	289,516,566	307,677,661	245,785,467
Cost of sales	-243,970,026	-261,067,646	-213,055,227
Gross profit	45,546,540	46,610,015	32,730,240
Operating profit	13,200,266	19,284,069	14,959,468
Finance income	532,398	155,757	3,857
Finance expenses	-3,090,245	-7,375,881	-6,309,187
Profit before income tax	10,642,419	12,063,945	8,654,138
Income tax	-1,311,878	-720,311	-1,111,856
Net Profit	9,330,541	12,784,256	7,542,282

Source: IFRS Financial Statements

#### Statement of the Group's Financial Position

<b>ASSETS, LTL</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Non-current assets</b>			
Property, plant and equipment	180,022,200	172,578,689	165,998,075
Investment property	3,237,646	4,722,791	4,949,000
Intangible assets	16,034,012	14,670,357	12,771,370
Non-current receivables	319,318	51,298	61,847
Total non-current assets	199,613,176	192,023,135	183,780,292
<b>Current assets</b>			
Inventories	21,297,591	24,538,379	19,623,910
Accounts receivable	30,993,674	30,452,543	32,357,453

		Other assets	964,596	1,046,261	1,513,830
		Cash and cash equivalents	1,239,577	2,134,809	1,378,635
		<b>Total current assets</b>	<b>54,495,438</b>	<b>58,171,992</b>	<b>54,873,828</b>
		<b>TOTAL ASSETS</b>	<b>254,108,614</b>	<b>250,195,127</b>	<b>238,654,120</b>
		<b>EQUITY AND LIABILITIES, LTL</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
		<b>Equity</b>			
		Share capital	60,000,000	60,000,000	60,000,000
		Legal reserve	4,898,670	4,221,919	4,145,934
		Foreign currency translation reserve	-354,420	-59,777	-53,388
		Retained earnings	39,461,183	31,356,702	20,273,624
		<b>Equity attributable to equity holders of the parent</b>	<b>104,005,433</b>	<b>95,518,844</b>	<b>84,366,170</b>
		Non-controlling interests	2,100,568	2,977,858	2,822,509
		<b>Total equity</b>	<b>106,106,001</b>	<b>98,496,702</b>	<b>87,188,679</b>
		<b>Liabilities</b>			
		<b>Non-current liabilities</b>			
		Grants and subsidies	8,214,716	8,732,291	8,410,520
		Non-current borrowings	50,728,916	69,533,156	63,098,888
		Financial lease obligations	3,184,230	4,052,409	7,156,940
		Deferred income tax liability	1,999,364	1,790,088	3,927,139
		Non-current employee benefits	648,608	789,363	730,067
		Long-term trade payables	186,451		
		<b>Total non-current liabilities</b>	<b>64,962,285</b>	<b>84,897,307</b>	<b>83,323,554</b>
		<b>Current liabilities</b>			
		Current portion of long term loans	14,285,395	12,023,517	15,253,992
		Current borrowings	22,763,353	8,137,151	7,470,799
		Current portion of financial lease obligations	3,254,648	3,752,086	4,242,460
		Income tax payable	574,615	130,781	120,376
		Trade and other payables	42,162,317	42,757,583	41,054,260
		<b>Total current liabilities</b>	<b>83,040,328</b>	<b>66,801,118</b>	<b>68,141,887</b>
		<b>TOTAL EQUITY AND LIABILITIES</b>	<b>254,108,614</b>	<b>250,195,127</b>	<b>238,654,120</b>
		<i>Source: IFRS Financial Statements</i>			
		<b>Statement of the Group's Cash Flows</b>			
		LTL	2012	2011	2010
		Net cash flows from (to) operating activities	33,392,731	33,897,665	28,313,485
		Net cash flows from (to) investing activities	-25,729,219	-28,604,378	-10,054,530
		Net cash flows from (to) financial activities	-8,558,744	-4,537,113	-17,341,922
		<b>Net increase in cash and cash equivalents</b>	<b>-895,232</b>	<b>756,174</b>	<b>917,034</b>
		<b>Cash and cash equivalents at the beginning of the year</b>	<b>2,134,809</b>	<b>1,378,635</b>	<b>461,601</b>
		<b>Cash and cash equivalents at the end of the year</b>	<b>1,239,577</b>	<b>2,134,809</b>	<b>1,378,635</b>
		<i>Source: IFRS Financial Statements</i>			
B.8	Selected key pro forma financial information	Not applicable. The Prospectus does not contain pro forma financial information.			
B.9	Profit forecast	According to the notification on material event of 11 January 2013 the Company presented the information on Company's and Group's profit forecasts for the year 2013. Taking into consideration that these forecasts were not audited as well as that they were prepared not for the purposes of Offering of the Offer Shares and/ or Admission of the New Shares, and thus, when concluding the forecasts possible raising of funds during the Offering was not considered, respectively, while compiling the forecasts it was not clear, what effect the Offering and Admission would have towards the results of the Company and the Group during 2013 (this information is not known on the day of this Prospectus as well), the risk arises that the announced forecasts of the Company and of the Group may be not accurate. For these purposes the shareholders of the Company and the investors should not rely on the forecasts while taking the decision on acquisition of the Offer Shares of the			

		<p>Company until their renewal.</p> <p>For the indicated reasons also because the announced forecasts of the Group and the Company were not audited, they are not included into the Prospectus.</p>
B.10	Qualifications in the audit report on the historical financial information	<p>In auditors opinions, the separate financial statements for 2012 give a true and fair view of the financial position of the unconsolidated financial position of the Company as at 31 December 2012, 2011 and 2010, and of its unconsolidated financial performance and cash flows for the years then ended in accordance with the IFRS as adopted by the EU.</p> <p>In auditors opinions, the consolidated financial statements for 2012 give a true and fair view of the consolidated financial position of the unconsolidated financial position of the Company and its Subsidiaries as at 31 December 2012, 2011 and 2010, and of the unconsolidated financial performance and cash flows for the years then ended in accordance with the IFRS as adopted by the EU.</p> <p>The Company and the Group applied the IFRS 1 "First-time Adoption of International Financial Reporting Standards" exemption for the valuation of certain buildings and structures at deemed cost, except that the date of transition has been established at the 31 December 2010 and not at 1 January 2009 as would be required by IFRS 1. The auditors were unable to determine the historical cost values or the fair values (as deemed cost) of non-current assets with a carrying value of LTL 13,050 thousand as of 1 January 2009 and LTL 11,742 thousand as of 31 December 2009 and the statement of comprehensive income for the year 2010. In auditors opinion on the Group's and the Company's financial statements for the period ended 31 December 2010 was qualified accordingly. In auditors opinion on the Group's and the Company's current period's financial statements was also qualified because of the possible effect of this matter on the comparability of the current period's figures and the comparative information.</p> <p>In auditors opinion, except for the possible effect on the comparative information of the matter described in the paragraph above, the accompanying financial statements were present fairly, in all material respects, the financial position of the Group and the Company as of 31 December 2010 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU.</p>
B.11	Working capital	The Management is of the opinion that the working capital available to the Company is sufficient to meet its present requirements for at least the next 12 months following the date of the Prospectus.

### Section C — Securities

<i>Element</i>	<i>Title</i>	<i>Disclosure</i>
C.1	Type and class of securities and security identification number	The Shares are ordinary registered Shares with a nominal value of LTL 1. The security identification number is LT0000102030. After the assimilation of the previous issue, ISIN number of the New Shares will be the same as the number of Shares, already admitted to trading on the OMX – LT0000102030.
C.2	Currency of the issue	All the monetary amounts used in the Offering may be executed either in EUR or in its equivalent in LTL.
C.3	Number of shares issued and fully paid / issued but not fully paid. Nominal value per share	As of the day of this Prospectus the authorised capital of the Company is LTL 60,000,000 and is divided into 60,000,000 ordinary registered Shares with a nominal value of LTL 1 each. As of the day of this Prospectus all the Shares issued are fully paid and there are no other types of shares issued.
C.4	Rights attached to the securities	<p>Pursuant to item 4.4 of the Articles of Association, rights conferred by the Shares of the Company are as follows:</p> <ul style="list-style-type: none"> <li>– to receive a part of the Company's profit (dividend);</li> <li>– 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;</li> <li>– 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;</li> <li>– 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</li> </ul>

		<p>shareholders present at the General Meeting);</p> <ul style="list-style-type: none"> <li>- to lend the funds to the Company under the procedure prescribed by the applicable Lithuanian law;</li> <li>- to receive a part of the residual assets of the Company in liquidation;</li> <li>- to bequeath all or part of owned Shares to the ownership of other persons;</li> <li>- to transfer all or part of owned Shares to the ownership of other persons;</li> <li>- to attend the General Meetings;</li> <li>- to give questions to the Company in advance relating to the items on the agenda of the General Meetings;</li> <li>- to vote at the General Meetings in accordance with the rights attached to shares;</li> <li>- to receive information about the Company following the procedure prescribed by the Law on Companies;</li> <li>- 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;</li> <li>- to authorise other persons to vote in the General Meeting;</li> <li>- other property and non-property rights, indicated in the applicable Lithuanian laws.</li> </ul> <p>All the Shares confer equal rights to all the shareholders.</p>
C.5	Restrictions on free transferability of securities	Not applicable. There are no restrictions on transfer of Shares (including the Offer Shares and the New Shares) as they are described in the applicable Lithuanian laws.
C.6	Admission to trading / Name of the regulated market	<p>All the Shares of the Company, including the Offer Shares, offered during this Offering, being borrowed by the Lead Manager from the Lending Shareholder for the purposes of this Offering are already admitted to trading on the Main List of the OMX.</p> <p>The New Shares are issued following the decisions of the General Meeting, dated 26 April 2013. In this meeting it was decided <i>inter alia</i> to withdraw the pre-emptive right of all the shareholders of the Company to acquire the New Shares and to grant the Lead Manager the right to subscribe for and acquire the New Shares, which shall act as an Offering Broker.</p> <p>Due to the nature of the envisaged transaction and following the applicable laws, according to which there is no possibility to ensure the simultaneity of settlement for the subscribed shares of the company during the capital increase and provision of the new shares to the investors (delivery versus payment method), the Lending Shareholder agreed to borrow fully paid Borrowed Shares, which are already listed on the OMX, to the Lead Manager, the number of which shall be equal to the maximum number of New Shares to be issued during the capital increase of the Company (i.e. 5,700,000). Such Borrowed Shares (Offer Shares) will be used for the purposes of the Offering for settlement with investors, whilst the Lead Manager will use the proceeds of the Offering to subscribe for the New Shares and return them to the Lending Shareholder once the capital increase will be registered with the Register of Legal Persons and the New Shares are registered with the CSDL and assimilated with the currently registered issue of Shares and the New Shares are admitted to trading on the OMX (all these actions by CSDL and by OMX shall be executed simultaneously).</p> <p>Thus, following the Offering of the Borrowed Shares (Offer Shares) by the Lead Manager, the procedures of capital increase of the Company following the decisions of the General Meeting of 26 April 2013 shall be performed, the purpose of which shall be to increase the authorised capital of the Company by the amount of nominal value of shares (Borrowed Shares) to be allocated to the Investors during this Offering by the Lead Manager. As indicated above the Lead Manager will use the proceeds of the Offering to subscribe for the New Shares and return them to the Lending Shareholder, which agreed to borrow the Borrowed Shares for the purposes of this Offering.</p> <p>The New Shares, the number of which shall be equal to the number of the allotted Offer Shares and which shall be paid by the Lead Manager from the proceeds of this Offering and returned to the Lending Shareholder shall be admitted on the Main List of the OMX once the capital increase of the Company is registered in the Register of Legal Persons and the New Shares are registered with the CSDL and assimilated with the currently registered issue of Shares.</p>

		The Issuer expects that the trading in the New Shares on the OMX will commence in the beginning of June 2013.																														
C.7	Dividend policy	<p>The Company does not have an approved policy on dividend distributions and any restrictions thereon. Decision on distribution of dividends to shareholders is adopted by the General Meeting.</p> <p>As from the year 2004 the Company has paid to its shareholders the following amounts of dividends:</p> <table border="1"> <thead> <tr> <th>Dividend for the year</th> <th>Dividends in total, LTL</th> <th>Dividends per share, LTL</th> </tr> </thead> <tbody> <tr> <td>2004</td> <td>2,000,000</td> <td>0.05</td> </tr> <tr> <td>2005</td> <td>2,000,000</td> <td>0.05</td> </tr> <tr> <td>2006</td> <td>2,000,000</td> <td>0.05</td> </tr> <tr> <td>2007</td> <td>2,000,000</td> <td>0.05</td> </tr> <tr> <td>2008</td> <td>0</td> <td>0.00</td> </tr> <tr> <td>2009</td> <td>1,200,000</td> <td>0.02</td> </tr> <tr> <td>2010</td> <td>1,200,000</td> <td>0.02</td> </tr> <tr> <td>2011</td> <td>1,200,000</td> <td>0.02</td> </tr> <tr> <td>2012</td> <td>1,200,000</td> <td>0.02</td> </tr> </tbody> </table> <p>Source: the Company</p>	Dividend for the year	Dividends in total, LTL	Dividends per share, LTL	2004	2,000,000	0.05	2005	2,000,000	0.05	2006	2,000,000	0.05	2007	2,000,000	0.05	2008	0	0.00	2009	1,200,000	0.02	2010	1,200,000	0.02	2011	1,200,000	0.02	2012	1,200,000	0.02
Dividend for the year	Dividends in total, LTL	Dividends per share, LTL																														
2004	2,000,000	0.05																														
2005	2,000,000	0.05																														
2006	2,000,000	0.05																														
2007	2,000,000	0.05																														
2008	0	0.00																														
2009	1,200,000	0.02																														
2010	1,200,000	0.02																														
2011	1,200,000	0.02																														
2012	1,200,000	0.02																														

#### Section D – Risks

Element	Title	Disclosure
D.1	Key risks specific to the Company or the industry	<p>General risk factors in the business field where the Group operates:</p> <ul style="list-style-type: none"> <li>- Group's inability to compete successfully can bring a loss of the market share and have an adverse effect on business.</li> <li>- Substitutes for products manufactured by the Group can have a negative effect on the profit of the Group.</li> <li>- Price of materials used by the Group may rise and the Group might be unable to raise prices for its products at the same level.</li> <li>- Fluctuations in energy prices can increase the Group's expenses.</li> <li>- Inflation may increase the Group's expenses.</li> <li>- Increase in work pay would increase the Group's expenses.</li> </ul> <p>Risk factors characteristic of the Group:</p> <ul style="list-style-type: none"> <li>- Dependence on the team of top managers.</li> <li>- Transactions with related parties may result in application of relevant taxes according to prices applicable at arm's length transaction.</li> <li>- Former, current and future investment projects may not be fully realized and may not earn the expected or planned return or the investment might cost more than planned.</li> <li>- Issuer's activities can be interrupted by various unforeseen circumstances and accidents, such as fire, transportation failures, equipment breakdowns, activities of third parties.</li> <li>- Issuer's performance also depends on its ability to attract qualified and semi-qualified labour force.</li> <li>- Group must comply with many environmental requirements, and may be held liable for any of its activities, if it turned out that such activities caused damage to the environment or that environmental rules were not properly complied with.</li> <li>- Permits for Integral Pollution Prevention and Control of the Company and Baltwood UAB must be renewed until 31 December 2013.</li> <li>- It may be necessary for the Group to significantly upgrade its equipment used in the manufacturing process.</li> <li>- Group's business can be adversely affected by loss of major customers.</li> <li>- Group's forecasts for 2013 were prepared not for the purposes of distribution of the Company's Shares and/or their admission to the regulated market. Taking into consideration this issue as well as that the forecasts were not audited, the shareholders of the Company and the investors should not rely on the forecasts while taking the decision on acquisition of the Offer Shares of the Company until their renewal.</li> <li>- The Company's contracts with several significant customers include provisions, due to which the Company may incur additional unexpected expenses.</li> <li>- The current Company's and Group's liquidity may theoretically result in the</li> </ul>



		<p>inability to fulfil their current obligations fully. However, the values of the current ratio and the quick ratio of the Company for 12 months of 2012 are 0.49 and 0.33, respectively, and the values of the current ratio and the quick ratio of the Group are 0.66 and 0.40, respectively. The values of the debt-to-equity ratio and the debt ratio of the Company for 12 months of 2012 are 0.57 and 0.35, respectively, but the Group's ratios are 1.32 and 0.55, respectively.</p> <ul style="list-style-type: none"> <li>- Some of the Company's and Group's assets are mortgaged in order to secure bank credits. The value of the assets mortgaged by the Company as on 31 December 2012 was LTL 43 million, whereas the value of the assets mortgaged by the Group was LTL 109 million. Such mortgaged assets constituted 26% and 43% of the total assets on the financial statements of the Company and of the Group, respectively.</li> <li>- The Company has an obligation to repay to one of its creditors material amounts of credit within 3.5 months.</li> <li>- Klaipėdos kartonas AB has overdue payments in excess of LTL 3,200,000 and the failure to make timely payments may be the basis for claims of creditors against Klaipėdos kartonas AB.</li> </ul> <p>Legal and taxation risk factors:</p> <ul style="list-style-type: none"> <li>- Legal requirements and regulations of the markets, in which the Group operates, may be adversely changed.</li> <li>- Issuer does not fully comply with the OMX Corporate Governance Code.</li> </ul>
D.3	Key risks that are specific to the Shares	<p>Risk factors related to the Company's shares:</p> <ul style="list-style-type: none"> <li>- The largest shareholder of the Company has and will have essential influence on decisions taken by the Company's shareholders in the future.</li> <li>- Price of the Issuer's shares may decline. A decline in share price can be brought about by adverse changes in the Issuer's business, general tendencies in share market, including attractiveness of the country and of the region for foreign investors and other reasons. The market in which the Issuer's shares are traded will also be probably dependent on comments made by the market and sector analysts and announcement of analyses about the Issuer and its business.</li> <li>- Payment of dividend to the Issuer's shareholders is not guaranteed.</li> <li>- Liquidity of the Issuer's shares is not guaranteed and may decline.</li> <li>- Planned increase in the number of the Issuer's Shares can reduce their price.</li> <li>- The Issuer may decide to delay, suspend or cancel the Offering. Consequently, the Investors may be unable to successfully subscribe for the Offer Shares and payments made by Investors during the Offering, if any, may be returned without any compensation. The same consequences (return of the Investors' funds or part thereof without any compensation) may arise, in case the respective Investor will be allotted lesser number of Offer Shares, than the number, subscribed by it or in case it is not allotted any Offer Shares at all.</li> <li>- Turmoil in emerging markets could cause the value of the Shares to suffer.</li> </ul>

#### Section E – Offer

<i>Element</i>	<i>Title</i>	<i>Disclosure</i>
E.1	Total net proceeds. Estimate of total expenses of the Offering (including estimated expenses charged to the investor)	<p>The Offering consists solely of the sale of the existing Shares (Borrowed Shares). As a result of the Offering, the Issuer will receive proceeds EUR 2,907,000 assuming all the Offer Shares are sold for the Offer Price. All net proceeds from the Offering shall be received by the Issuer.</p> <p>Following the preliminary calculations, the Issuer's expenses, related to this issue, shall comprise of up to LTL 500,000 (including the fees for the Lead Manager, the legal counsel, fees to the LB for approval of the Prospectus, fees to the CSDL and OMX and fees for the preparation of the Prospectus). The expenses and costs related to the Offering will be borne by the Issuer.</p> <p>The Issuer agreed to pay all commissions and expenses in connection with the Offering. However, Investors will bear their own costs connected with the evaluation and participation in the Offering, e.g. standard brokerage fees charged by broker. Investors may incur currency exchange costs, which will depend on applicable transaction fee and applied exchange rate by their bank or brokerage company.</p>
E.2a	Reasons for the Offering / Use of proceeds / Estimated net	<p>The purpose of the Offering is to obtain additional equity financing necessary for the Group's core business activities. The Management has decided to issue additional 5,700,000 ordinary registered Shares to provide a number of benefits to the Issuer:</p>

	amount of proceeds	<ul style="list-style-type: none"> <li>- Partial acquisition financing of new hygiene paper production line (50% of the Offering proceeds will be used for this purpose; the remaining part will be financed by debt and retained earnings);</li> <li>- Further investments into energy efficiency programs (50% of the Offering proceeds will be used for this purpose, the remaining part will be financed by EU support, retained earnings and debt);</li> <li>- Diversification of investors' base and increase stock liquidity.</li> </ul>
E.3	Terms and conditions of the Offering	<p>This Offering consists of a public offering in Lithuania to: (i) existing shareholders of the Company (the "Existing Shareholders"), (ii) retail investors (the "Retail Investors") and (iii) legal persons who are institutional investors (which term includes entities managing portfolios of securities for their clients and unincorporated organizations) (the "Institutional Investors", and together with the Retail Investors and Existing Shareholders, the "Investors").</p> <p>Only such prospective Investors will be eligible to participate in the Offering who at or by the time of placing their orders (before the end of the Subscription Period) have opened securities accounts with entities of their choice which are licensed to provide such services within the territory of the Republic of Lithuania.</p> <p>For the purposes of the Offering no tranches of the Investors are being established. However, each of the Existing Shareholders are entitled and are guaranteed that, in case it will participate in the Offering (and subscribe for the below indicated number of Offer Shares), such an Existing Shareholder will be allocated the Offer Shares <i>pro rata</i> to the nominal value of its shareholding in the Company as at the close of 24 May 2013 or any lesser number of Offer Shares, in case it places an order for less Offer Shares, than indicated above (the "Guaranteed amount of Offer Shares"). The Retail Investors and the Institutional Investors (as well as the Existing Shareholders in case such Investors provide subscription orders for more Offer Shares, than the Guaranteed amount of Offer Shares to a respective Existing Shareholder – with regards to the amount of Offer Shares, exceeding the indicated guaranteed amount) shall have no guarantees as to acquisition of the Offer Shares, i.e. they may be allotted a lower number of Offer Shares than the number specified in such Investors' subscription orders, or may be not allotted any Offer Shares at all, pursuant to the terms and conditions set forth in the Prospectus (with the exception regarding the allotment to the Existing Shareholders, having participated in the Offering, which will be allotted the Guaranteed amount of Offer Shares to the respective Existing Shareholder in such case).</p> <p>The Offering shall be structured in the following order:</p> <ul style="list-style-type: none"> <li>(i) the subscriptions as to acquisition of the Offer Shares (Borrowed Shares) shall be received from the Investors as well as paid according to the order, described in this Prospectus;</li> <li>(ii) the Offering Broker shall borrow the Borrowed Shares (Offer Shares) from the Lending Shareholder, the number of which shall be equal to the number of the Offer Shares, to be allocated to the Investors, which shall be distributed to the Investors following the order, described in this Prospectus;</li> <li>(iii) the Offering Broker shall use the proceeds of the Offering to subscribe and pay for the New Shares;</li> <li>(iv) the Offering Broker shall return the New Shares to the Lending Shareholder upon registration of the capital increase of the Company with the Register of Legal Persons and registration of the New Shares with the CSDL as well as introduction thereof to trading on the OMX.</li> </ul> <p><b>Place of Subscription</b></p> <p>Subscriptions will be accepted at the offices of the Offering Broker, at the addresses A. Tumėno str. 4, Vilnius, Lithuania, and Savanorių ave. 363A, Kaunas, Lithuania.</p> <p>Subscriptions will be accepted on a subscription form in Lithuanian or in English (for persons who are not Lithuanian residents). Retail Investors and Existing Shareholders are allowed to submit a copy of a signed subscription form to the Offering Broker by fax or email prior to submitting an original document to the office of the Offering Broker. Institutional Investors are allowed to submit a signed copy of a subscription form by fax or email and are not required to submit an original document. The Existing Shareholders, which are attributed to the Institutional Investors as such, are also not required to submit an original copy of the subscription form.</p>

Subscriptions will be accepted if Investors have a brokerage account agreement with the Offering Broker or other entities of their choice, which are licensed to provide such services within the territory of the Republic of Lithuania. The subscription forms will be available at the offices of the Offering Broker and on the webpage of the Offering Broker (<http://www.orion.lt>).

Firms managing securities portfolios on a discretionary basis should place subscription orders for the Offer Shares by submitting the subscription order form along with a list of investors on whose behalf the subscription order is placed. The list must include details required to be included in the subscription order form with respect to each investor listed, and must be signed by persons authorised to represent the firm.

**Expected timetable of the Offering**

The expected timetable below lists expected key dates relating to the Offering on or around which the events listed below should occur. The Issuer reserves the right to change the timetable of the Offering. Should the Issuer decide to materially adjust the dates set out in the timetable, the Issuer will provide the LB with the relevant supplement to the Prospectus for the approval and publish such information (upon the approval of supplement) in compliance with applicable regulations, as well as market practices in Lithuania.

from 15 till 24 May 2013 (until 5 p.m. Vilnius time)	Accepting subscriptions from all the Investors and payment for the Offer Shares by the Existing Shareholders and the Retail Investors
from 15 till 24 May 2013 not later than 28 May 2013	Roadshow Determination of the preliminary allotment of the Offer Shares
29 May 2013	Payment for the Offer Shares by Institutional Investors
not later than 31 May 2013	Determination and announcement of the final number of the Offer Shares and the allotment between the Existing Shareholders and the Retail and Institutional Investors (the "Allotment Date")
not later than 31 May 2013 in the beginning of June 2013	Settlement Date Trading in New Shares is expected to commence on the OMX

All times and dates referred to in this timetable may be adjusted by the Issuer, in consultation with the Offering Broker, if deemed necessary for the successful completion of the Offering and Admission. In particular, the Issuer upon recommendation from the Offering Broker, may extend the subscription period for the Offer Shares, base on monitoring the market. An extension of the subscription period will result in the postponement of the allotment date of the Offer Shares, as well as in the postponement of the date of listing of the New Shares on the OMX. Information of any changes in the above dates should be published on the websites of the Issuer (<http://www.origiskes.lt>) and the Offering Broker (<http://www.orion.lt>).

**Subscription Procedure**

**Existing Shareholders' subscription procedure**

Each of the Existing Shareholders are entitled and are guaranteed that, in case it will participate in the Offering (and subscribe for the below indicated number of Offer Shares), such an Existing Shareholder will be allocated the Offer Shares *pro rata* to the nominal value of its shareholding in the Company as at the close of 24 May 2013 or any lesser number of Offer Shares, in case it places an order for less Shares, than indicated above (Guaranteed amount of Offer Shares). Thus, persons, being shareholders of the Company at the close of 24 May 2013 (the Existing Shareholders) generally are entitled to acquire all the Offer Shares of the Company, in case all the Existing Shareholders will participate in the Offering and will subscribe for the number of Offer Shares, not less than *pro rata* to the nominal values of their shareholdings in the Company as at the close of 24 May 2013.

Pro rata to the nominal value of Shares of the Company, held by the shareholders of the Company as at the close of 24 May 2013, the number of Offer Shares that a relevant shareholder is guaranteed to be allotted by the Issuer during this Offering subject to the aforementioned conditions shall be calculated according to this formula:  $A = 5,700,000 \times k$ ,

in which:

A – the number of Offer Shares, which a respective Existing Shareholder is guaranteed to acquire and which the Company shall allot to the respective shareholder, in case it subscribes for not less than such number of Offer Shares;

k – coefficient, indicating which part of the Offer Shares is guaranteed by the Issuer to be allotted to the concrete Existing Shareholder of the Company, which shall be calculated according to the following formula:  $k = S/60,000,000$ , where S – number of Shares, held by the respective Existing Shareholder of the Company at the close of 24 May 2013. The value of coefficient k shall be rounded to eight digits after the comma, following the general arithmetic rules.

Calculated number of Offer Shares, which the concrete Existing Shareholder is entitled to acquire during this Offering and which the Company shall allot to such shareholder, in case it subscribes for not less than such a number of Offer Shares shall be rounded to the whole number according to the general arithmetic rules, in case it is with fractional part.

The Existing Shareholder of the Company at his own discretion may subscribe and acquire also any lesser number of Offer Shares than the number, calculated according to the aforementioned formula, which the respective Existing Shareholder would be allotted by the Company based on the indicated rules (in which case such Existing Shareholder would be allotted all such lesser number of Offer Shares). The Existing Shareholder may also not participate in the Offering and not subscribe for Offer Shares.

Furthermore, the Existing Shareholder may place a subscription order for any higher number of Offer Shares than the number, calculated according to the indicated formula. In such case the Existing Shareholder will be safely allotted the number of Offer Shares, calculated according to the aforementioned formula. The number of Offer Shares, exceeding the number, calculated according to the formula, shall be allotted following the general allocation order, as described in Section *Rules of Offer Shares allocation*, and there is no guarantee, that the Existing Shareholders shall be allotted with all the Offer Shares, exceeding the number thereof, calculated according to the aforementioned formula, it has placed a subscription for.

In any case, disregarding the number of Offer Shares, that a relevant Existing Shareholder intends to acquire (either the Guaranteed amount of Offer Shares, or the number, which is lesser or higher than the Guaranteed amount of Offer Shares), he/she/it may place a single subscription order for all the number of Offer Shares he/she/it intends to acquire.

***Retail and Institutional Investors' subscription procedure***

Each Retail and Institutional Investor may subscribe for the minimum of one Offer Share.

Institutional Investors are also entitled to place multiple subscription orders.

***Procedure and dates for payment and delivery for the Offer Shares***

Subscriptions for the Offer Shares by the Existing Shareholders and the Retail Investors should be fully paid for no later than on the day on which they are made. The full payment by the Existing Shareholders and by the Retail Investors means a payment equal to the number of the Offer Shares indicated in the subscription order multiplied by the Offer Price, indicated in this Prospectus (i.e. EUR 0.51 or its equivalent in Lithuanian Litas, equal to LTL 1.76). Payments by these Investors can be made by wire transfer and should be made either in EUR or in its equivalent in LTL, as indicated in this Prospectus, to the account of the entity accepting the subscription. The Existing Shareholders, which are attributed to the Institutional Investors as such, shall fully pay the Offer Shares as indicated in paragraph below.

By submitting a subscription, an Institutional Investor authorises and instructs the broker operating the Institutional Investor's cash account connected to its/his/her securities account to block the whole transaction amount on the Institutional Investor's cash account until the settlement is completed or funds are released in accordance with these terms and conditions. The transaction amount to be blocked will be equal to the Offer Price, multiplied by the number of Offer Shares which the Institutional Investor wishes to acquire. An Institutional Investor must ensure, that no later than on 29 May 2013, 5 p.m. (Vilnius time) there are sufficient funds on its/his/her cash account connected to securities account

with the broker to cover the whole transaction amount, as indicated above.

All monetary amounts, paid by the Investors during the Offering may be executed either in EUR or in their equivalent in LTL.

Payments for the Offer Shares are interest free.

A legal consequence of non-payment on time or a partial payment for the Offer Shares will be the invalidity of the entire subscription, provided that in the case of the institutional Investors a partial payment before the deadline results in the subscription being valid only for the number of shares for which the payment has been made, ignoring fractional entitlements.

Delivery of the Offer Shares to the Existing Shareholders and to the Retail Investors, having participated in the Offering, shall be made not later than on 31 May 2013. Offer Shares allocated to the Institutional Investors will be transferred to their securities accounts on the same date (31 May 2013) through the delivery versus payment method simultaneously with the transfer of payment for such Offer Shares.

#### **Rules of Offer Shares allocation**

According to the decision of the General Meeting of 26 April 2013, the purposes of this Offering and Allocation are the following:

- (i) to finance expansion of Company's operations;
- (ii) to strengthen the Company's shareholders' base;
- (iii) to increase the liquidity of Shares of the Company in the secondary market; as well as
- (iv) it is aimed that during the Offering the Existing Shareholders would have a possibility to acquire the Offer Shares in proportion to the number of the Shares owned by them.

Thus, following the indicated purposes of the Offering, the Offer Shares will be allotted in accordance with the following principles:

- first, the Offer Shares will be allotted to the Existing Shareholders, having participated in the Offering *pro rata* to the nominal values of their shareholdings in the Company as at the close of 24 May 2013 – the number of the Offer Shares will be allotted based on subscription orders placed by the Existing Shareholders, but no more than the number of the Offer Shares that the Company guarantees each of the Existing Shareholders will be allotted according to the formula, indicated in Section *Existing Shareholders' subscription procedure* (Guaranteed amount of Offer Shares to a respective Existing Shareholder). The Issuer will not give preferential treatment or discriminate against and between the Existing Shareholders, while allotting the Offer Shares as indicated in this item;
- next, the remaining Offer Shares after allocation thereof to the Existing Shareholders as indicated in item above, will be allotted to the Retail and Institutional Investors as well as to the Existing Shareholders (with regards to the number of Offer Shares, subscribed by the Existing Shareholders, exceeding the Guaranteed amount of Offer Shares to a respective Existing Shareholder) at an absolute discretion of the Issuer and the Offering Broker, i.e. the total number of the Offer Shares allotted to the Retail Investors and the Institutional Investors, as well to the Existing Shareholders (having placed the subscriptions for more Offer Shares than the Guaranteed amount of Offer Shares to a respective Existing Shareholder, with regards to such exceeding number of Offer Shares), including a concrete number of Offer Shares, allocated to any individual Investor, will be determined by the Issuer with the Offering Broker at their absolute discretion. In case the Offer Shares will be allotted also to the Retail Investors, the Issuer will not give preferential treatment or discriminate against and between the Retail Investors, and in case for the purposes of allocation the subscription of any of such Investors will be reduced, the subscriptions of all other Retail Investors will also be subject to reduction in accordance with the proportionate reduction principle. The aforementioned rule shall not be applied towards the Existing Shareholders, in case they place the subscription for acquisition of the Offer Shares in excess of the Guaranteed amount of Offer Shares to a respective Existing Shareholder with regards to the amount of Offer Shares, exceeding the indicated guaranteed amount. Thus, none of such Existing Shareholders, participating in the allotment of Offer Shares according to this item is guaranteed that it/he/she will be allocated the number of Offer Shares, indicated in its/his/hers order (it may be allotted less Offer



		<p>Shares, in any case not lesser than the Guaranteed amount of Offer Shares to a respective Existing Shareholder as indicated above). Fractional allocations (after the proportional reduction, if any) will be rounded down to the nearest integer value, and the remaining Offer Shares will be allocated to the Retail Investor who subscribed for the largest number of the Offer Shares.</p> <p>The Issuer and the Offering Broker are not obliged to allocate any Shares to any Investors participating in the Offering. Furthermore, there is no target minimum individual allotment to the Investors.</p>
E.4	Interests material to the Offering / Conflicting interests	<p>The Offering Broker has a contractual relationship with the Issuer and the Lending Shareholder in connection with the Offering and the Admission, and has been mandated to act as the offering agent for the Offering of the Offer Shares and listing of the New Shares on the OMX.</p> <p>The Offering Broker and its affiliates have engaged in and may in the future engage in advisory services and other commercial dealings in the ordinary course of business with the Company and the Lending Shareholder and any of their affiliates. The Offering Broker and its affiliates have received and may in the future receive customary fees and commissions for these transactions and services.</p>
E.5	Name of the person or entity offering to sell the security. Lock-up agreements: parties involved; period of lock-up	<p>Offer Shares (Borrowed Shares) shall be sold to the Investors by the Lead Manager, which shall be lent from the Lending Shareholder (Ginvidos investicija, UAB). The New Shares shall be subscribed and acquired by the Lead Manager, which upon execution of the formalities, indicated in Section <i>Admission to trading / Name of the regulated market</i> above shall return the New Shares to the Lending Shareholder gratuitously.</p> <p>No lock-up agreements will be signed with respect to the Offering.</p>
E.6	Immediate dilution. Amount and percentage of immediate dilution if Existing Shareholder not Subscribing during Offering	<p>The issue of New Shares comprises of 9.50% of the Company's authorised capital prior to its increase. In case all the Offer Shares are allocated to the Investors and all the Existing Shareholder acquire Offer Shares, the holdings of the Existing Shareholders would not be diluted from the amount of Shares, held by them prior to increase of the authorised capital of the Company. In case none of the Existing Shareholders would participate in the Offering and all the Offer Shares would be acquired by the Retail and Institutional Investors, the indicated dilution would amount to 8.68%.</p>
E.7	Estimated Expenses charged to the Investor by the Company	<p>Not applicable. The Issuer does not intend to charge any expenses to the investors, i.e. the Issuer agreed to pay all commissions and expenses in connection with the Offering. However, Investors will bear their own costs connected with the evaluation and participation in the Offering, e.g. standard brokerage fees charged by broker.</p>

### III RISK FACTORS

*Prospective investors should consider all of the information in this Prospectus, including the following risk factors, before deciding to invest in the Offer Shares. 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 Offer Shares may decline, resulting in a loss of all or a part of any investment in the Offer 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 its business, financial condition and results of operations of the Group.*

#### **3.1 General Risk Factors in the Business Field Where the Group Operates**

##### **Group's inability to compete successfully can bring a loss of the market share and have an adverse effect on business**

Companies in the paper, packaging and timber industry compete by prices, also by other competitive factors, such as innovations, design, quality of goods. The Group executes its business in the competitive market, therefore, with regard to possible activities of its competitors, there is no guarantee that the present prices of products manufactured by the Group will be maintained or increased.

Furthermore, as the new manufacturing technologies, new products are introduced, it is possible that the Group will not manage to compete successfully with its competitors, as a result of which the Group may lose the market share it currently holds, which may have an adverse effect on the Group's business, performance or financial situation.

##### **Substitutes for products manufactured by the Group can have a negative effect on the profit of the Group**

The Group faces competition with existing and newly created products, which are or may be substitutes for paper and packaging materials manufactured by the Group. The Group's products are environmentally friendly, they are manufactured from renewable sources – raw materials (wood) and by recycling waste paper and corrugated cardboard products. However, some of the substitutes for the Group's products can be more functional and/or cheaper than the products manufactured by the Group. Essential development of such products or the start of their massive use by consumers, which could result in the creation of a substitute for one or several essential products manufactured by the Group, could have an adverse effect on the profitability of the Group's business.

In parallel to the development of the paper and timber industry, materials alternative to paper as the essential packaging material can appear. In case the consumption of alternative packaging materials, such as plastic, glass or metal, increased compared to paper, the Group's business could suffer an adverse effect. If the present or potential competitors of the Group increase the functionality or quality of such alternative products, or substantially reduce prices of such products or substantially increase sales of such products otherwise, the Group's market share, sale and profit ratios could suffer an adverse effect. Besides, it is possible that substitutes for the Group's products could be developed and their massive use could start also for the reasons not depending on the attractiveness and price of alternative products.

##### **Price of materials used by the Group may rise**

The Group uses many materials in its business, such as fibre raw materials (cellulose and waste paper), wood, various chemicals for the production of paper products, as well as packaging materials. The costs of such materials constituted about 40–50% of all the Group's expenses. In the recent years the prices of fibre raw materials and wood fluctuated considerably, taking into account changes in demand and supply. Thus, in the opinion of the Company, there is no guarantee in the long term about the price of the above-specified materials and any other materials used by the Group. Besides, the availability of wood also depends on weather conditions.

There is no guarantee that in the future the Group will be able to raise prices for its products as much as the prices of materials used by it will increase. Furthermore, taking into account the Group's contractual obligations, the competitive environment and other factors, the increase in product prices can happen much later than the increase in materials prices or it may be done to a lesser extent than required, which could have a negative effect on the Company's business, performance and financial situation.

##### **Fluctuations in energy prices can increase the Group's expenses**

In 2012 external supplies satisfied 100 percent of all the need of the Group for electricity. The Group produces all the thermal energy (steam) in its boiler stations mostly from acquired raw materials (gas and wood, also waste resulting in the wood processing process). In spite of internal energy sources of the Group, the Group is much dependent on its external suppliers. The Group's energy expenses depend not only on transactions with relevant companies supplying energy, but also on many market factors, such as gas and energy market prices, decisions of local and national

regulators, etc. Rise in such prices can have an adverse effect on the price of the Group's products, its business or financial situation.

### **Inflation**

The coming year may be marked by big inflation. Certain expenses of the Issuer, e.g. investment into facilities and labour force, are very much related to the general level of prices. If inflation increases, there is a risk that the Issuer will not manage to change prices of its products so as to keep the present profit rates. Therefore, if the Issuer's expenses grow significantly due to inflation and the Issuer does not succeed to increase its prices in order to maintain the present profit rates or to increase them, such increased expenses will have to be covered from the internal resources of the Issuer. Thus, big inflation can have an adverse effect on the Issuer's financial situation and performance.

### **Increase in work pay**

Labour force related expenses constitute a considerable part of the cost of products offered by the Issuer. Though labour force in Lithuania is cheaper than in the older member states of the EU, this difference should constantly decrease, the Lithuanian economy approaching the EU average. In order to remain competitive and to keep its employees, the Issuer may be forced to increase labour force related expenses faster than in previous periods. If increase in such expenses of the Issuer cannot be followed by increase in work efficiency and productivity, this can have a significant adverse effect on the Issuer's financial situation and performance.

## **3.2 Risk Factors Characteristic of the Group**

### **Dependence on the team of top managers**

Each of the areas of the Issuer's business depends on the team of the Issuer's managers, responsible for the development, growth of a relevant area and appropriate day-to-day activities. Therefore the Issuer's ability to survive in the competitive environment and to implement its growth strategy is mostly determined by their experience, knowledge, personal relations and other characteristics. The Issuer's ability to attract and hire highly competent managers also contributes to the Issuer's success. As the competition for high qualification personnel is strong and constant, it is probable that the Issuer's managers and main employees can decide to change their jobs and to leave the Issuer or other Group companies. Loss of such employees or the Issuer's inability to hire new managing personnel with appropriate knowledge and capabilities or shortage of such people in the market can have a negative effect on the prospects of the Issuer's business, financial situation and performance.

Furthermore, neither the Company nor other essential Group company (Baltwood UAB) have entered into non-competition agreements either with main or any other employees of these companies. Furthermore, Baltwood UAB has not entered into confidentiality agreements with main or any other employees of the company (confidentiality agreements are entered into only with the Company's employees). It means that employees of these companies have the right to work and/or provide services for competitors of the Company and/or other Group companies, also to hold their shares or otherwise participate in the capital of such companies, which could be contrary to the interests of the Company and the Group and have an adverse effect on its prospects and performance.

### **Transactions with related parties**

There are quite a few transactions with related parties among the Group companies. Detailed information about such transactions is presented in section 4.17 *Related Party Transactions*. Following applicable taxation legislation, transactions with related parties must be conducted at arm's length. In spite of the fact that the Company's Management uses all efforts in order to ensure the conformity with the above-mentioned standard, a theoretical taxation risk remains here, i.e. the risk that applicable taxes will be calculated according to prices applicable at arm's length in case it were determined that certain transactions were conducted disregarding this principle, also the risk that relevant fines and default interest will be imposed. Besides, neither the Company nor its Subsidiaries have approved their pricing policy.

### **Success of former, current and future investment projects**

The Issuer carried out investment projects of large scope in the past and can carry them out in the future. Though the Issuer 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. Besides, 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 Issuer'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 products and/or technologies will meet the needs of the Group's customers.

### **Issuer's activities can be interrupted by various unforeseen circumstances and accidents**

The Issuer's activities can be affected by various unforeseen circumstances such as fire, transportation failures, equipment breakdowns, activities of third parties, etc. Companies controlled by the Issuer own a lot of various assets and equipment, which are used in the Group's activity. 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 Company's financial situation and performance.

### **Issuer's performance also depends on its ability to attract qualified and semi-qualified labour force**

Success of the Issuer's operations depends on the supply of qualified and semi-qualified labour force in the labour market. Shortage of labour force necessary for the Issuer can considerably increase labour force related expenses, stop the Issuer's development and in this way can have a significant adverse effect on its performance and financial situation.

### **Group must comply with many environmental requirements**

In performance of their operations the Group companies must follow various environmental rules, including, but not limited to, providing for marking, use, storage of various hazardous substances used in the Group's activities. These rules obligate to introduce procedures and technologies enabling proper handling of any hazardous substances, they also provide for the Issuer's or for its Subsidiaries' liability in managing and eliminating any environmental pollution. The Issuer or other Group companies may be held liable for any of their activities, if it turned out that such activities caused damage to the environment or that environmental rules were not properly complied with. Besides, any changes in environmental protection regulation made both nationally and internationally can obligate the Issuer or other Group companies to introduce measures conforming to the new standards, to obtain new permits, licenses, etc. This can have an adverse effect on the Group's business, financial situation and performance.

### **Permits for Integral Pollution Prevention and Control of the Company and Baltwood UAB must be renewed until 31 December 2013**

Permits for Integral Pollution Prevention and Control issued to the Company and to Baltwood UAB have to be renewed until 31 December 2013. The Company has already filed the application for the amendment and renewal of the permit with Regional Department of Environment Protection on 28 February 2013. Baltwood UAB must submit the application until 1 October 2013. This Subsidiary will submit the indicated application as soon as possible.

The Management of the Company believes that the permits will be acquired following the requirements of the applicable laws. However, there is a theoretical risk that the permits will not be issued to the Company and/ or to Baltwood UAB. Without Permit for Integral Pollution Prevention and Control the indicated Group companies would not be able to carry out their activities.

### **It may be necessary for the Group to significantly upgrade its equipment used in the manufacturing process**

The Group companies use a lot of equipment and technological facilities in their operations. Therefore, the Group carries the risk that the main parts of equipment and technological facilities can break down or show wear earlier than planned. In such a case the relevant Group company should assign a lot of funds for repairs or upgrade of equipment, in this way restricting its possibilities to make investments into the planned development and entry into new markets. This can have an adverse effect on Group's financial situation and prospects. Furthermore, such repairs, upgrades may require additional financing. Failures, breakdown, etc. of the main technological 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 Issuer's Management, the said equipment and technological facilities are currently in good technical order, besides, they are constantly maintained by relevant specialists, investments are regularly made in order that they would be line with the market standards. Thus, the Group seeks to minimise this risk using these and other related measures.

### **Group's business can be adversely affected by loss of major customers**

Though the Group is not dependent on any one major customer or their group, still loss of one or several of them and inability to substitute other similar customers for the lost ones can have an adverse effect on the Group's business, financial situation or performance.

**Group's forecasts for 2013 were prepared not for the purposes of distribution of the Company's Shares and/or their admission to the regulated market**

According to the notification on material event of 11 January 2013 the Company presented the information on Company's and Group's profit forecasts for the year 2013. Taking into account that forecasts were not audited, also that they were prepared not for the purposes of the Offering Offer Shares and/or Admission of the New Shares to the regulated market, as a result of which the indicated forecasts did not take into consideration the possible raising of additional funds for the Company, and accordingly, when they were being prepared it was not clear what effect the Offering of the Offer Shares and/or their Admission to the regulated market would have on the Company's and Group's performance in 2013 (this information is not available on the date of the Prospectus, either), there is a risk that the announced forecasts of the Company and the Group for 2013 can be inaccurate. For this reason, the Company's shareholders and investors, when taking a decision on the acquisition of the Company's Shares, should not rely on the above-specified forecasts before they are updated.

**The Company's contracts with several significant customers include provisions, due to which the Company may incur additional unexpected expenses**

The Company's goods supply contracts with several significant customers (the total sales revenue under contracts with which in 2012 amounted to about 14.6% of the total annual sales revenue) contain provisions due to which the Company may incur additional unexpected expenses:

- The Company assumes taxation risk by undertaking, among other things, to assess and indicate all taxes applicable to sale of goods, which are payable by the customer, in the documents delivered to the customer along with the goods. According to such contracts, the Company may need to pay additional taxes, tax in arrears and fines in case documents delivered along with the goods contain incorrect data about taxes applicable to the customer;
- A contract with several of such customers gives the customer the right to return the goods delivered by the Company back to the Company at any time for any reason. Thus, when the Company supplies goods to these customers, goods are to be considered actually sold to it only when the customer resells the goods to the final consumer. In case these customers returned large quantities of goods to the Company, this could have an adverse effect on the Company's performance. Besides, the said contracts also entitle the customers to take over the claims of any company of such customers group against the Company and to offset such claims against the customers' obligations to the Company to pay for the supplied goods. Thus, the companies of this customers group can satisfy all their claims against the Company through the customer, even if the Company objected to such claims.

**Company's and Group's liquidity**

In addition to other financial ratios, the Company and the Group calculate and present comparative values of the current ratio and the quick ratio in their annual and interim reports. Though the values of the current ratio and the quick ratio of the Company for 12 months of 2012 are 0.49 and 0.33, respectively, and the values of the current ratio and the quick ratio of the Group are 0.66 and 0.40, respectively, still a theoretical risk remains that circumstances could appear in which the Company and the Group would fulfil their current obligations only partially.

In addition to the above-mentioned liquidity ratios, the Company and the Group also calculate and present comparative values of the debt-to-equity ratio and the debt ratio in their annual and interim reports. The values of the debt-to-equity ratio and the debt ratio of the Company for 12 months of 2012 are 0.57 and 0.35, respectively, but the Group's ratios are 1.32 and 0.55, respectively. Taking this into account, a theoretical risk remains that circumstances could appear in which credit institutions can request that the Company offer additional guarantees for credits given to the Subsidiaries or for new credits that could be given. Also, there is a theoretical possibility that the Company could reach such a level of liabilities, where credit institutions would lend funds to the Company under less favourable conditions than they lend on the date of the Prospectus. Appearance of such circumstances could have an adverse effect on the Issuer's possibilities to raise borrowed funds for investments.

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

Some of the Company's and Group's assets are mortgaged in order to secure bank credits. The value of the assets mortgaged by the Company for this purpose as on 31 December 2012 was LTL 43 million, whereas the value of the assets mortgaged by the Group was LTL 109 million. Such mortgaged assets constituted 26% and 43% of the total assets on the financial statements of the Company and of the Group, respectively. In spite of that, a theoretical risk remains that circumstances could appear in which the Company and/or the Group could face financial difficulties of such a scope that the Company's and/or Group's creditors would take actions restricting the Company's and/or 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 Issuer and/or the Group.



### **The Company has an obligation to repay to one of its creditors material amounts of credit within 3.5 months**

The Company has an obligation to repay to one of its creditors (bank) LTL 9,193,459 until 31 July 2013 and additionally LTL 4,283,951 until 15 August 2013.

Unless the Company will agree on extension of credit agreements with the indicated creditor, it will be required to repay to the creditor the indicated amounts within the aforementioned terms.

### **Klaipėdos kartonas AB has overdue payments in excess of LTL 3,200,000**

As of 28 February 2013, Klaipėdos kartonas AB had payments overdue by up to 30 days in the amount of LTL 3,077,134 and payments overdue by up to 60 days in the amount of LTL 188,538. Overall, as of 28 February 2013, amounts payable by Klaipėdos kartonas AB exceeded its receivables by almost LTL 6,000,000.

Failure to make timely payments may be the basis for claims of creditors against Klaipėdos kartonas AB.

### **3.3 Risk Factors Related to the Company's Shares**

#### **The largest shareholder of the Company has and will have essential influence on decisions taken by the Company's shareholders in the future**

Before the distribution of the Company's shares specified in this Prospectus (up to 5,700,000 units), the largest shareholder of the Company, i.e. Ginvildos Investicija UAB, had 48.79% of all the Shares of the Company and votes carried by them. After distribution of all the Shares to the Investors (presuming, that this shareholder would not participate in the Offering), it would still have 44.55% of the Shares and would have a possibility to affect all essential decisions taken by the Company's shareholders, such as approval of sets of annual financial statements of the Company, taking decisions on payment of dividend, increase and reduction of the authorised capital, etc.

Thus, such decisions taken by the Company's shareholders can be in line with the interests of the largest shareholder (Ginvildos Investicija UAB) but not those of other shareholders.

#### **Price of the Issuer's shares may decline**

A decline in share price can be brought about by adverse changes in the Issuer's business, general tendencies in share market, including attractiveness of the country and of the region for foreign investors and other reasons. The market in which the Issuer's shares are traded will be probably dependent on comments made by the market and sector analysts and announcement of analyses about the Issuer and its business. The analysts' activities and analyses presented by them do not depend on the Issuer. If one or more such analysts present an unfavourable opinion on the prospects of the Issuer's shares, this can have a negative effect on the share price in the market. If one or more analysts stopped presenting their reports on the Issuer's business for the market or stopped publishing their reports regularly, the Issuer's visibility in the financial markets would decrease, therefore the volumes of trade in its shares and their price can decrease.

#### **Payment of dividend to the Issuer's shareholders is not guaranteed**

Payment of dividend to the Issuer's shareholders is not guaranteed. It will depend on the Issuer's profitability, investment plans and the general financial situation. Besides, credit agreements concluded by the Issuer contain an obligation to obtain relevant prior consents of the lending banks before payment of dividend to its shareholders. Thus, payment of dividend depends not only on the above-indicated ratios of the Company and the shareholders' decision but also on the banks' approval of payment of dividend.

#### **Liquidity of the Issuer's shares is not guaranteed**

It may be possible that in case an investor wants to urgently sell the Issuer's securities (especially a large number of them), demand for them on the exchange will not be sufficient. Therefore, sale of shares can take some more time or the investor may be forced to sell shares at a lower price. Analogous consequences could appear after the exclusion of the Company's Shares from the Main List of OMX. Besides, in case of deterioration of the Company's financial situation, demand for the Shares of the Company and, at the same time, their price may decrease.

#### **Planned increase in the number of the Issuer's Shares can reduce their price**

Increase in the number of the Issuer's shares can have a negative effect on their price. After the completion of the increase of the authorised capital (provided that all 5,700,000 units of Offer Shares are subscribed for, also provided that none of the Existing Shareholders would acquire the Offer Shares), the Issuer's shareholders that existed before the increase of the authorised capital will own approximately 91.32 percent of the Issuer's shares, i.e. the shareholdings of the present shareholders of the Company, in case they do not participate in the subscription, would decrease by 8.68% of their shareholding they had in the total capital of the Company.

**The Offering may be delayed, suspended or cancelled; the Investors are not guaranteed that they will be allotted the number of Offer Shares to be subscribed by them, if at all**

Public offerings are subject to various circumstances independent from the Company. In particular, the demand for the Offer Shares is shaped by, among others, investors' sentiment toward sector, legal and financial conditions of the Offering. In case such circumstances would have adverse impact on the results of the Offering, the Issuer may decide to delay, suspend or cancel the Offering (for further details see Section 5.6 *The Offering and the plan of distribution – Cancellation, Suspension or Postponement of the Offering*). Consequently, the investors may be unable to successfully subscribe for the Offer Shares and payments made by investors during the Offering, if any, may be returned without any compensation.

The same consequences (return of the Investors' funds or part thereof without any compensation) may arise, in case the respective Investor will be allotted lesser number of Offer Shares, than the number, subscribed by it or in case it is not allotted any Offer Shares at all. The Offer Shares after allocation thereof to the Existing Shareholders as indicated in Section 5.6 *The Offering and Plan of Distribution*, will be allotted to the Investors at an absolute discretion of the Issuer and the Offering Broker, i.e. the total number of the Offer Shares allotted to the Retail Investors and the Institutional Investors, as well to the Existing Shareholders, including a concrete number of Offer Shares, allocated to any individual Investor, will be determined by the Issuer with the Offering Broker at their absolute discretion (subject to certain exceptions with regards to the Existing Shareholders, participating in the Offering as indicated in the aforementioned Section).

**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.

### **3.4 Legal and Taxation Risk Factors**

**Legal requirements and regulations of the markets, in which the Group operates, may be changed**

The Group's business and sales both in the local and foreign markets are influenced by the policy of relevant states, as well as by present and future decisions regarding regulation, taxation, customs, product marking and similar issues.

If the Group fails to adapt itself in time to new requirements of legal acts or decisions regulating issues specified above, fines may be imposed, the Group's activities may be restricted, etc., which can have a relevant effect on its activities and business prospects, call for unexpected expenses necessary for fulfilment of certain obligations or for payment of fines.

Besides, in case of changes in legal acts or the state taxation policy with regard to equities, the attractiveness of the Company's shares may change. And this may lead to reduction of liquidity and/or the price of the Company's shares.

**Issuer does not fully comply with the OMX Corporate Governance Code**

The Issuer does not fully comply with the OMX Corporate Governance Code: it has not formed the Nomination and Remuneration Committee, the collegial bodies of the Issuer do not conduct the assessment of their activities every year, no public statements are made regarding the Company's remuneration policy, etc. (exhaustive information about its compliance with the Code is given in section 16 of the consolidated annual report of the Issuer for 2012).

## IV INFORMATION ABOUT THE ISSUER

### 4.1 Statutory Auditors

The IFRS Financial Statements of 2012 in the Prospectus were audited by KPMG Baltics UAB (license No. 001281), with its seat at Upės str. 21, LT-08128, Vilnius, Lithuania. KPMG Baltics UAB Mr Rokas Kasperavičius (auditor license No. 000119) and Ms Ieva Voverienė (auditor license No. 000329) is the signatory of the independent auditors' report on the IFRS Financial Statements, a member of the Lithuanian Chamber of Auditors.

The IFRS Financial Statements of 2011 and 2010 in the Prospectus were audited by Ernst & Young Baltic UAB (license No. 110878442), with its seat at Subačiaus str. 7, LT-01302, Vilnius, Lithuania. Ernst & Young Baltic UAB Mr Jonas Akelis (auditor license No. 000003) and Ms Asta Štreimikienė (auditor license No. 000382) is the signatory of the independent auditors' report on the IFRS Financial Statements (Mr Jonas Akelis is the signatory thereof only of the IFRS Financial Statements for the year 2010), a member of the Lithuanian Chamber of Auditors.

During the indicated period the statutory auditors of the Issuer were changed, as the Company's internal policy generally is to change its auditors every 2-3 years.

### 4.2 Selected Financial Information

**Table 1. Selected Financial Information of the Group**

000 LTL	2010	2011	2012
Sales	245,785	307,678	289,517
Gross profit	32,730	46,610	45,547
Operating profit	14,959	19,284	13,200
Net profit	7,542	12,784	9,331

000 LTL	2010	2011	2012
Non-current assets	183,780	192,023	199,613
Current assets	54,874	58,172	54,495
Total assets	238,654	250,195	254,109

Shareholders' equity	87,189	98,497	106,106
Non-current liabilities	74,913	76,165	64,962
Long-term liabilities	68,142	66,801	83,040
Total of equity and liabilities	238,654	250,195	254,109

Source: IFRS Financial Statements

On the 1st of March 2010, the Company acquired AGR Prekyba Group, which consisted of AGR Prekyba UAB, Klaipėdos kartonas AB and Mena Pak PAT. Between the 1st of March and the 31st of December 2010, the acquired Subsidiaries have generated LTL 108 million of revenues and LTL 6.8 million of net profit. The Group's revenues would have been by LTL 15.9 million and net profit by LTL 0.6 million higher if the above mentioned Subsidiaries had been acquired on the 1st of January, 2010.

**Table 2. Group's Financial Ratios**

	2010	2011	2012
ROE, %	9.8%	13.8%	9.1%
ROA, %	4.2%	5.2%	3.7%
Current ratio	0.81	0.87	0.66
Quick ratio	0.52	0.50	0.40
Debt to equity ratio	1.64	1.45	1.32
Debt to total assets ratio	0.60	0.57	0.55

Source: the Company, Annual reports, reviewed by the auditor

ROE = Net profit for the period / Average shareholders' equity during the period

ROA = Net profit for the period / Average assets during the period

Current ratio = Current assets at the end of the period / Current liabilities at the end of the period

Quick ratio = Current assets at the end of the period less Inventory at the end of the period / Current liabilities at the end of the period

Debt to equity ratio = Total liabilities at the end of the period / Total equity at the end of the period

Debt to total assets ratio = Total liabilities at the end of the period / Total assets at the end of the period

#### 4.3 Information about the Group

##### 4.3.1 History and Development of the Group

Legal name of the Issuer	public limited liability company „GRIGIŠKĖS“
Commercial name of the Issuer	Grigiškės AB
Place of registration of the Issuer (registered office)	Vilniaus str. 10, LT-27101 Grigiškės, Lithuania
Corporate ID code of the Issuer	110012450
Legal form of the Issuer	public limited liability company
Legislation under which the Issuer operates	Lithuanian
Country of incorporation of the Issuer	Republic of Lithuania
Date of incorporation of the Issuer	23 May 1991
Telephone number	+370 5 243 5801
Fax number	+370 5 243 5802
Email	<a href="mailto:info@grigiskes.lt">info@grigiskes.lt</a>
Internet address	<a href="http://www.grigiskes.lt/">http://www.grigiskes.lt/</a>

The Company started operating in 1823 when Grigiškės paper factory was founded.

In 1923 Grigas Kurecas, who was talented mechanic, hydro technician and businessman, started building a paper factory on the current Company's location – on the confluence of Neris and Vokė rivers. This factory was destroyed and burnt down during the World War II (1941–1945). In the period of one year a new paper mill was rebuilt in the same place. Grigiškės paper factory produced around 1,100 tonnes of paper in 1946. At that time Grigiškės started producing cellulose wadding and increased its capacity of rolling paper manufacturing. The Company's paper mill employed 136 people.

The Company ended one of its major expansion stages in 1954 when a new timber processing unit with considerable processing capacity has been built. This unit supplied timber not only to Grigiškės paper manufacturing factory, but to other paper producing firms, as well. At that time Grigiškės has also opened a new department where notebooks, photo albums, writing paper and wallpapers were produced.

Grigiškės started producing hardboards in 1964, when the Company founded a new hardboards manufacturing unit with the production capacity of 5.5 million m<sup>2</sup> of boards per year. Grigiškės has become the first company producing hardboards in the Baltic States.

Grigiškės was the biggest producer of cellulose and paper in Lithuania throughout the period of 1980–1985. The Company employed almost 3 thousand workers and was managing Pabradė and Naujieji Verkiai factories.

In 1991 Grigiškės was restructured into a joint stock company.

In 1996 the Company installed modern creped paper processing and tissue packaging lines. At that time Grigiškės founded Grite brand and has started producing modern hygienic paper products (tissues, paper towels, toilet paper) under it.

In October 2003 the firm Naujieji Verkiai AB was incorporated into the Group. Grigiškės has had 49.92% of Naujieji Verkiai AB shares before the merger. At that time Naujieji Verkiai AB was producing paper for corrugating and tissue products, such as toilet paper and paper towels.

Grigiškės began its major stage of expansion into the wood products segment in 2003 when a new subsidiary Baltwood UAB was founded. The primary role of Baltwood UAB was to produce timber products for furniture and construction industries.

In 2010 intending to expand in the corrugated cardboard market the Company has acquired leading cardboard manufacturing firm Klaipėdos kartonas AB. Klaipėdos kartonas AB has strengthened the Company's positions in corrugated cardboard segment as this firm produced and continues producing high quality cardboard paper products: testliner and fluting, that are the main materials used in production of corrugated board. After the acquisition of Klaipėdos

kartonas AB the Company has also obtained the full cycle of corrugated cardboard products manufacturing, starting with production of a cardboard paper and finishing with products made of corrugated board.

In 2011 the Management Board of Grigiškės AB decided to transfer one of the Company's segments – the production of wood fibre board – to 100% owned subsidiary Baltwood UAB, in exchange for newly issued shares of the subsidiary. These activities were transferred in order to increase efficiency of the Group's manufacturing processes and to optimize the acquisition of raw materials.

#### **4.3.2 Investments**

Every year the Group invests into its production lines, buildings and infrastructure. Those investments ensure renewal of the Group's technology base, operating efficiency and stable growth of the Group's revenues. The Group also updates its equipment in order to increase the quality of its products and satisfy clients' needs.

#### **Major Group's Investments**

##### ***Paper and Paper Products Segment***

**2010.** Total LTL 0.6 million invested. The Company provided LTL 0.6 million for the modernization of the paper machine's dryer.

**2011.** Total of LTL 3.1 million invested. The Company purchased Yankee cylinder for a paper machine.

**2012.** In March 2012, the Company successfully completed proactive reliability maintenance project and improved the reliability and efficiency of its production equipment.

The Company has also invested LTL 12.5 million into the paper converting unit. Four new paper converting lines were added. All new production lines started operating in 2013.

Till 10 January 2014 the Company plans to implement the project No. VP3-3.4-ŪM-02-K-02-020 "Construction of 10 MW steam boiler using renewable energy resources at Grigiškės AB" the value of which is LTL 11.9 million (EUR 3.4 million) and to start using a new bio fuel steam boiler.

The Company has signed tripartite agreement with the Lithuanian Ministry of Economy and Public Institution Lithuanian Business support Agency on the Cohesion Fund award for the project of its heat (steam) production facilities modernisation and will be provided with the assistance of up to LTL 5.95 million from the EU structural funds and the Republic of Lithuania for the implementation of the said project.

**2013.** The Company expects to invest into the new tissue paper-making machine in the near future.

The Company also expects to purchase a new paper producing machine; this investment project is estimated to involve more than LTL 53 million. According to the initial Company's forecasts, it is expected to have the new production line operating by the end of 2014.

##### ***Raw Materials for Corrugated Cardboard and Related Production Segment***

**2010.** Total of LTL 1.9 million invested. The Group renewed its waste-paper processing and electronic equipment.

**2011.** Total of LTL 20.5 million invested. In the beginning of 2011 the Company approved the construction project of corrugated cardboard manufacturing plant, and raised a goal to implement the project within one year.

**2012.** The construction project of corrugated cardboard manufacturing plant was completed in the first half of 2012 and a new factory building was constructed. The new corrugated cardboard production unit can produce about 80 million sq. m of products per year compared to 15 million sq. m by the old equipment.

The Company started implementing the project of installation of a new bio fuel boiler of at least 17.5 MW thermal capacity in the premises of Klaipėdos kartonas AB. Total project costs are estimated at LTL 18.0 million. The Group will be provided with the assistance of up to LTL 6.0 million from the EU structural funds and the Republic of Lithuania.

##### ***Hardboard and Wood Products Segment***

**2010.** Total of LTL 17.6 million invested. The Group started the installation of a new bio-fuel boiler. The Group obtained the support of LTL 8.8 million from structural funds to fund this investment.



2011. The installation of the bio-fuel boiler was completed.

#### 4.4 Business Overview

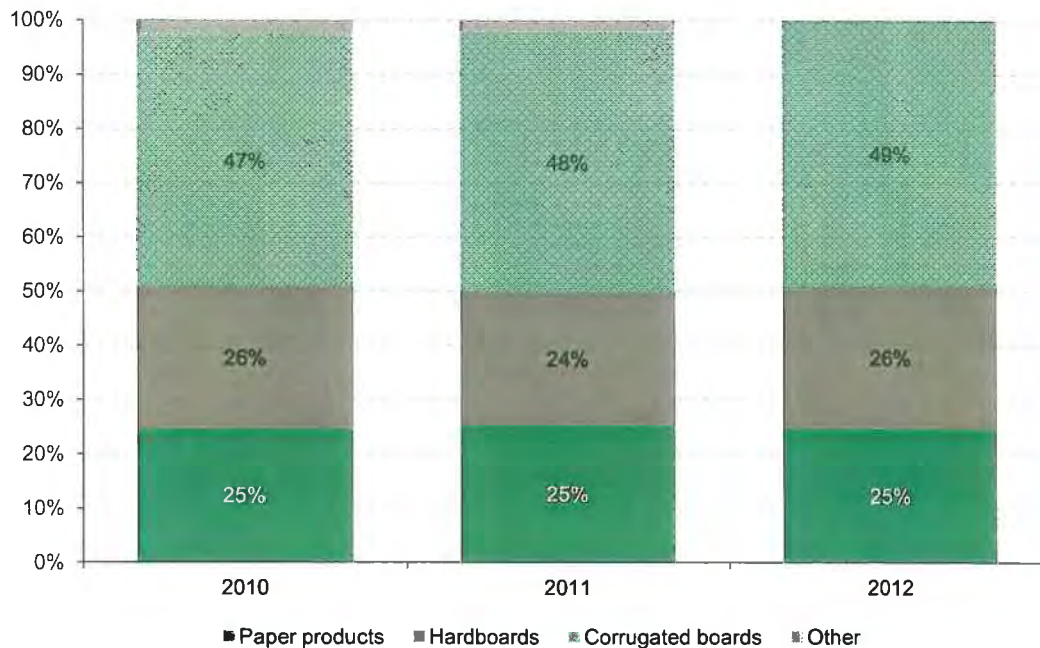
##### 4.4.1 Principal Activities

The Group is the largest group of the companies operating in the paper industry in the Baltic States. The Group consists of Grigiškės AB, Klaipėdos kartonas AB, Mena Pak PAT, Baltwood UAB, Ekotara UAB, Naujieji Verkliai UAB, AGR Prekyba UAB, Klaipėda recycling UAB and Grigiškių energija UAB. Currently, the Group employs up to 900 people. The Group earned LTL 290 million of revenues and LTL 10.64 million of earnings before taxes in 2012.

The Group operates in the following segments:

- paper and paper products,
- hardboard and wood products,
- raw materials for corrugated cardboard and related production.

**Figure 1. Breakdown of the Group's Revenues by Segments**



Source: the Company, audited

The Group's sales for the period of 2010–2012 are provided in Section 4.7.2 *Operating Results*.

##### Paper and Paper Products Segment

The Company produces high quality toilet paper, paper towels, napkins and paper tissues, which meet customers' needs. The Company mostly sells its paper products under well-known Grite and Grite Professional brands. The Company's products sold under these brands accounted for approximately 70% of the Company's paper products sales in 2012. These products are targeted for consumers and business segments.

In August 2012, sanitary paper products manufactured by the Group were awarded the EU Eco-label Flower. The Group is the first business subject in Lithuania awarded this label by the Environmental Protection Agency. The EU Eco-label is only awarded to goods and services meeting the environmental requirements of EU Eco-labelling scheme.

##### Raw Materials for Corrugated Cardboard and Related Production Segment

The Group's corrugated cardboard products are mostly used in food, chemical products, furniture industries and by the producers of packages. The Group is selling testliner, fluting, corrugated cardboard and its products for the clients. The Group also produces paper honeycomb panels.

## Hardboard and Wood Products Segment

The sales of hardboards account for the major part of the hardboard and wood products segment's revenues. The Group provides painted and appropriately cut hardboards for its clients. The Group sells its hardboard products under Stallionboard brand. Hardboards are mainly used in furniture and construction industries. The Management believes that currently expanding wood panels' production is a promising product segment. Local customers demand well-cut timber, which can be used in construction or packaging industries. The Group also produces wood pallets which are used for logistics. The waste-wood obtained in the Group's production process is processed into high quality bio-fuel – pellets and chips.

### 4.4.2 Principal Markets

The highest share of the Group's paper, corrugated cardboard, hardboard and other products is sold in the Baltic States, Poland, Denmark, Sweden and Ukraine. Lithuania remains the biggest market for the Group, however, the proportion of the revenues generated in the local market has diminished approximately by 7% during the period from 2010 till 2012. While the proportion of the Group's revenues in Lithuania has decreased, the share of sales in Latvia has remained stable and is even increasing. Sales of the Group in Ukraine have been increasing stably and the Group generated around 13% of its sales in Ukraine in 2012 and the share is still going upwards. More detailed information on the Group's revenues is provided in the table below.

**Table 3. Breakdown of the Group's Revenues by Country**

<b>LTL</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Domestic market (Lithuania)</b>	<b>97,908,658</b>	<b>92,286,082</b>	<b>90,643,046</b>
<b>Foreign market</b>			
Poland	32,463,404	64,891,390	45,856,748
Ukraine	24,369,433	32,325,995	35,953,818
Latvia	21,526,856	27,249,839	28,452,448
Estonia	9,356,598	13,467,921	20,202,571
Sweden	8,859,379	10,499,733	14,437,530
Denmark	10,663,434	10,520,805	12,143,960
Belarus	5,173,770	4,050,368	8,420,488
Czech Republic	5,302,193	13,784,310	5,839,039
Finland	2,818,267	3,145,629	5,794,292
Russia	6,439,534	7,617,808	4,559,908
Slovakia	3,963,554	4,314,106	3,477,400
France	821,514	2,176,345	2,637,011
Germany	3,912,088	4,771,510	2,310,337
Italy	1,009,721	1,429,066	2,277,814
Hungary	481,917	1,120,551	1,946,765
The Netherlands	3,397,253	2,527,678	1,859,766
Norway	1,275,057	755,161	625,183
Great Britain	3,935,663	6,291,616	0
Other countries	2,107,174	4,451,748	2,078,442
<b>Foreign market, total</b>	<b>147,876,809</b>	<b>215,391,579</b>	<b>198,873,520</b>
<b>TOTAL:</b>	<b>245,785,467</b>	<b>307,677,661</b>	<b>289,516,566</b>

Source: IFRS Financial Statements

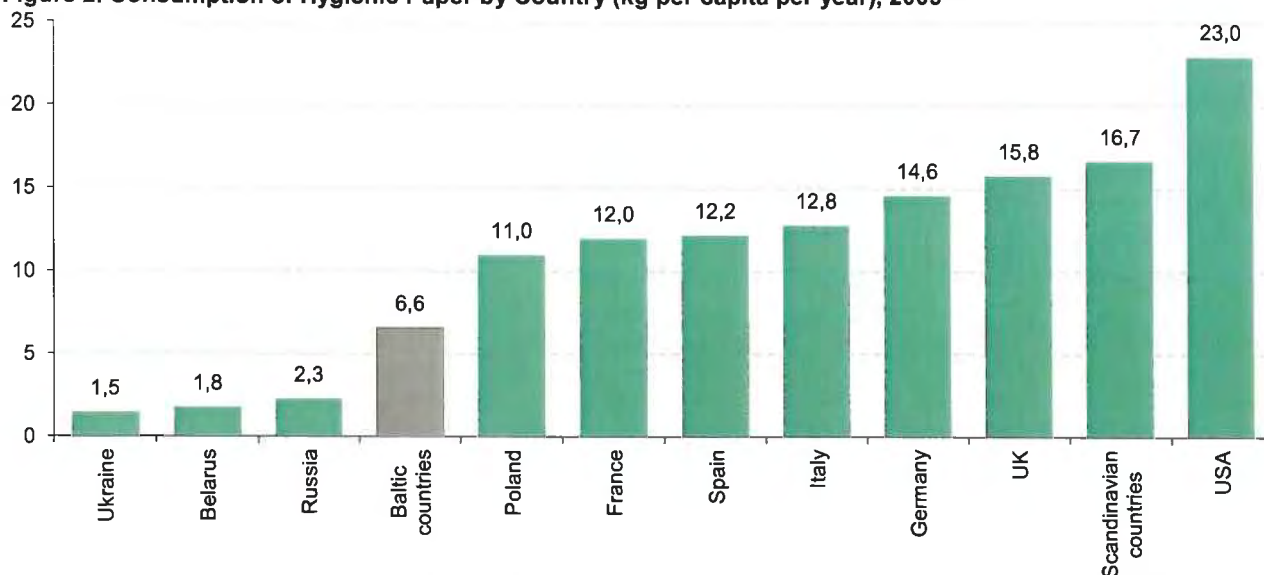
The Group's sales for the period of 2010–2012 are provided in Section 4.7.2 *Operating results*.

## Paper and Paper Products Segment

The consumption of tissue paper products is gradually increasing all over Europe. Moreover, depending on the development of the region the consumption of the tissue paper differs significantly among separate countries. As can be

noticed from Figure 2, the consumption of paper products per capita is considerably higher in Western Europe compared to Eastern Europe. For example, in Scandinavian countries the consumption of toilet paper is on average 17–19 kg per person per year, whereas in Lithuania the numbers stand at just 6.5 kg.

**Figure 2. Consumption of Hygienic Paper by Country (kg per capita per year), 2009**

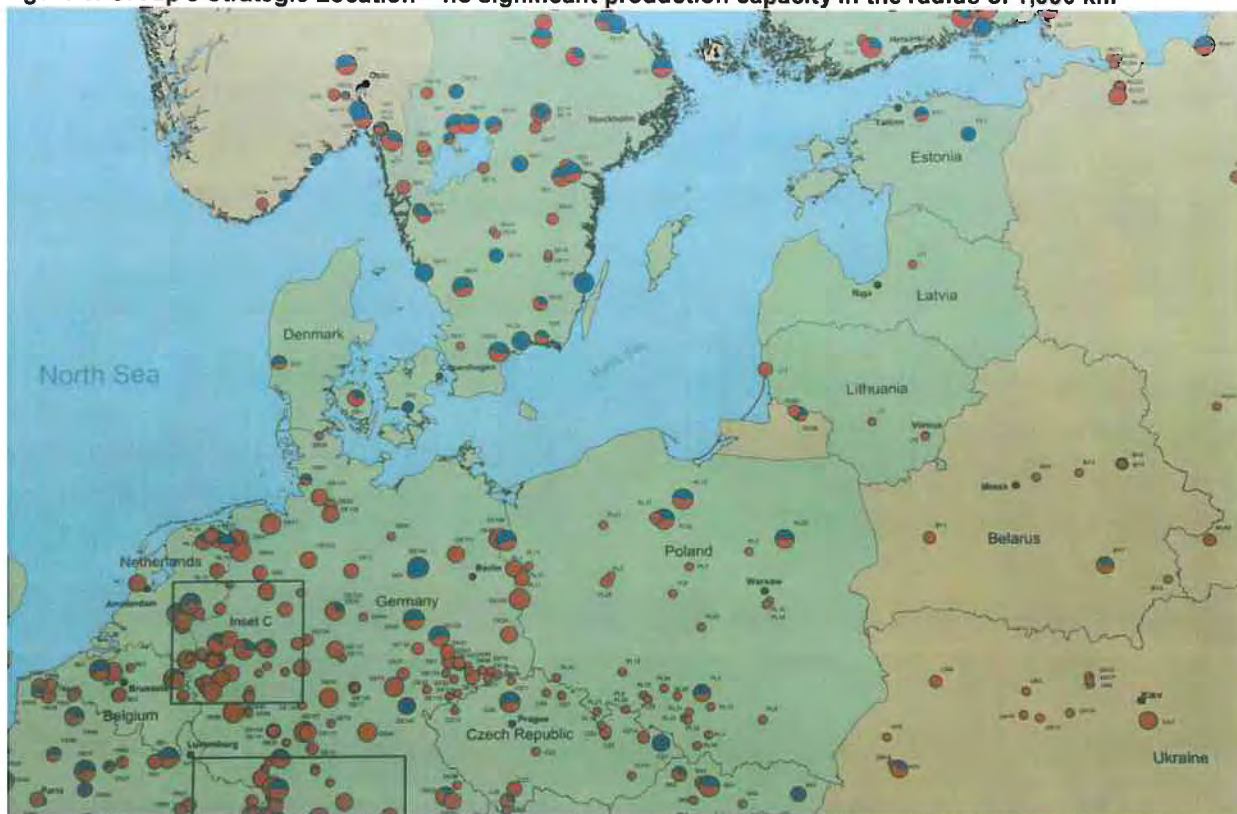


Source: the Company, RISI, The European Tissue Paper Industry Association

These figures suggest that the Baltic markets have a strong potential and there is a room for convergence in less developed Eastern European markets, where the Group has a major part of its sales. Moreover, the Group has the following strategic and competitive advantages, which allow sustaining its market position:

- Full product range and brand awareness – the Company is a market leader with its Grite brand
- The Company produces high quality products at competitive prices
- Strong presence in key retail chains in the region
- Geographical location offering lower logistics costs versus main competitors (please see Figure 3 below)

Figure 3. Group's Strategic Location – no significant production capacity in the radius of 1,000 km



Source: RISI

The main Group's competitors in the segment:

- Metsa-Tissue: Tendo, Serla, Labi and Katrin brands;
- SCA-Velvet, Zewa, Tempo and LOTUS brands;
- Kimberly-Clark&Klucze-Viva and Kleenex brands.

**Raw Materials for Corrugated Cardboard and Related Production Segment**

The corrugated cardboard packaging is one of the most ecologic and widely used nowadays. However, the situation in the corrugated cardboard market is similar to the one in the paper products market: the consumption of production per capita is materially lower in Eastern compared to Western Europe.

Table 4. Corrugated Cardboard Market

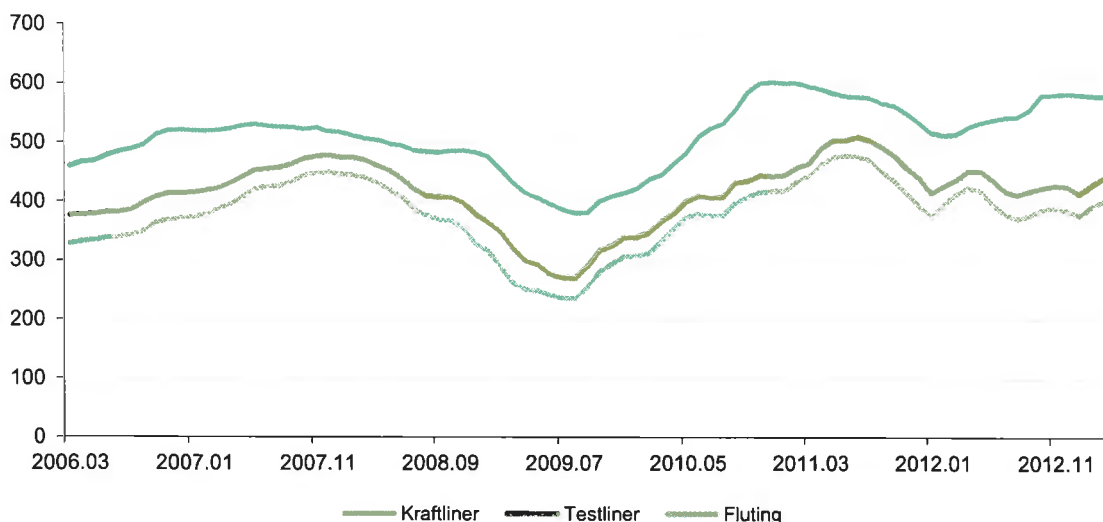
	2007	2008	2009	2010	2011	2012
Lithuania, million m <sup>2</sup>	129	113	94	99	150	155
Latvia, million m <sup>2</sup>	77	66	55	58	65	70
Estonia, million m <sup>2</sup>	75	67	55	58	53	55
<b>Baltic States, million m<sup>2</sup></b>	<b>281</b>	<b>246</b>	<b>205</b>	<b>215</b>	<b>268</b>	<b>280</b>
Growth, million m <sup>2</sup>	38	-36	-41	10	53	12
Growth, %	16	-13	-17	5	25	5

Source: the Company, unaudited

Currently, the average consumption of corrugated cardboard stands at approximately 16 kg per person per year in the Baltic States, while the EU average is almost 40 kg per capita per year. This, once again, leaves a potential for the convergence. The prices of corrugated cardboard primarily depend on the prices of its raw materials, such as testliner and fluting. Recently the prices of these commodities have been generally stable, however, the prices of testliner and fluting were lower in 2012 than in 2011. This kept a pressure on the prices of the Group's corrugated cardboard products and made a negative impact on the Group's financial performance in this segment in 2012.



**Figure 4. Prices of Kraftliner, Testliner and Fluting (EUR/tonne)**

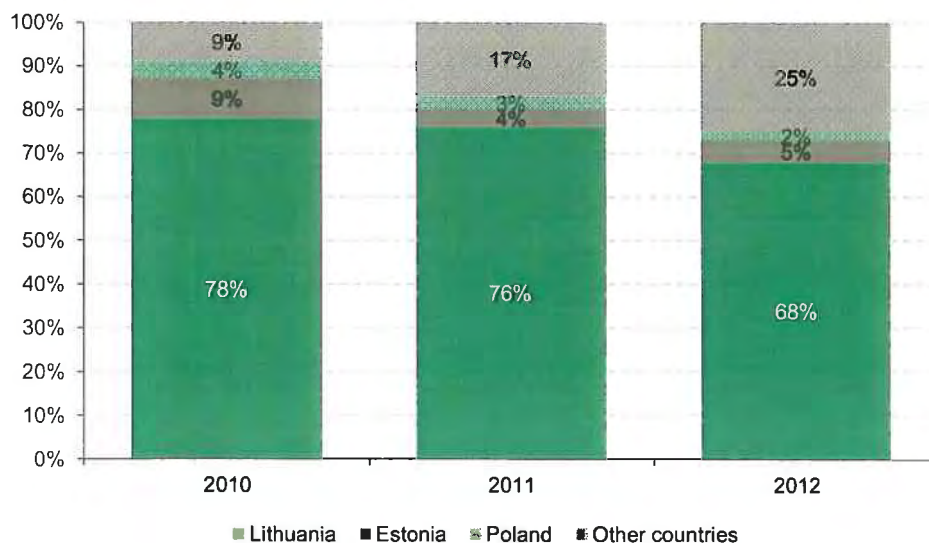


Source: Bloomberg

During the last few years the Group was very successful in the corrugated cardboard segment and that can be mainly attributed to its significant competitive advantage, which rests on the following pillars:

- The Group is well-positioned geographically as it can obtain almost all of the raw materials needed for the production from the local market (Figure 5 below) and sell a major part of its production for local customers, thus reducing transportation costs.
- The Group is the only subject in Lithuania and in the Baltic Countries having a complete cycle of corrugated paperboard production – from the collection of raw materials (i.e., waste paper) to the manufacturing of final products for customers.
- The Group has access to a well-developed infrastructure – rail, road and water transportation systems and its technological advantage is especially visible over Eastern European competitors.

**Figure 5. Suppliers of Raw Materials by Country**



Source: the Company, reviewed by the auditors

In the opinion of the Management, due to the above mentioned points the Group has lower production costs, which allows the Group sustaining its market share. Meanwhile, the material growth potential of the Eastern European corrugated cardboard market leaves significant expansion opportunities for the Group as well.

The main Group's competitors in the segment:

- Mondi Packaging Swiece (Poland)



- Intercell Ostroleka (Poland)
- Hamburger (Hungary)
- Svetlagorsko (Belarus)
- Obuhovo (Ukraine)

### Hardboard and Wood Products Segment

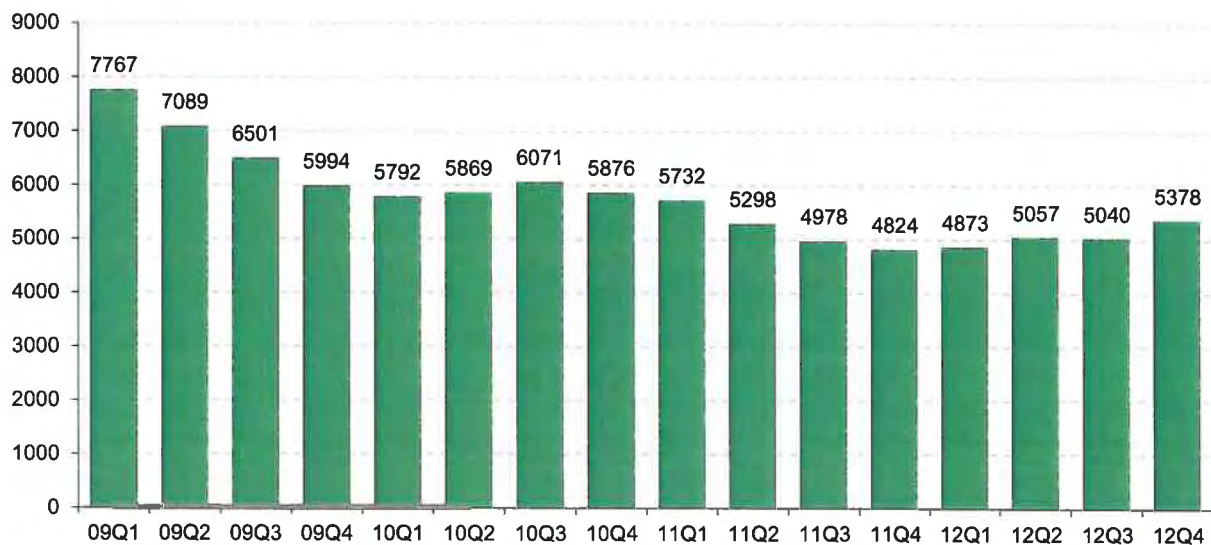
**Table 5. Timber production companies in Lithuania**

Timber production companies	2008	2009	2010	2011	2012
Number of companies	938	946	915	911	885
Sales, LTL million	2,100	1,667	1,866	2,049	2,061

Source: Lietuvos Mediena asociation

The sales of hardboard and wood products segment strongly rely on the level of construction in the market. While the building market suffered significantly from the economic downturn in 2008–2009, it has been recovering for the last two to three years.

**Figure 6. Number of given Building Permits in Lithuania in 2009–2012 (trailing 12 months)**



Source: Statistics Department of Lithuania

Building permits given in Lithuania have been showing growth year over year (YoY) for the last three quarters out of four. Moreover, from Figure 6 it can be clearly seen that the growth of given building permits in Lithuania has especially risen in the fourth quarter of 2012, hence, signalling the improvement of construction market. The Group can capitalize on the developments in the building market as it is strongly positioned due to the following reasons:

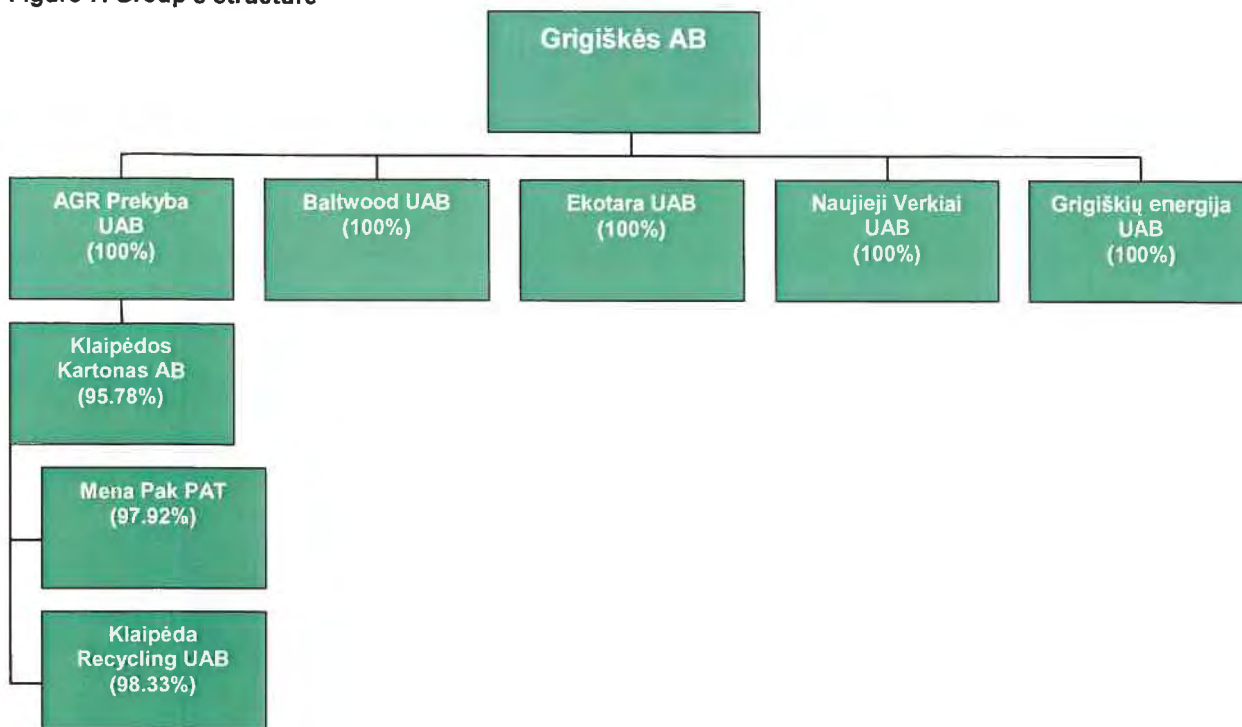
- The Group has a complete cycle of timber products production: the waste timber from the first production cycle is then used for manufacturing of hardboards, bio-fuel, etc.
- Once again, the Group has a good access to transport infrastructure, thus reducing raw materials and its products transportation costs.
- The Group is in a favourable geographical location as there is a well-developed furniture manufacturing sector in Lithuania.

The main Group's competitors in the segment:

- Heinola; Lionboard brand
- Krosno Odrzanskie; Hardex brand
- Przemyski; Fibris brand
- STEICO'; STEICO brand
- Stora Enso; does not use brands
- Graanul Invest; does not use brands

#### 4.5 Organisational Structure

Figure 7. Group's structure



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. However, the largest shareholder of the Company, Ginvildos Investicija UAB, has 48.79% of all the Shares of the Company and votes carried by them, thus, it generally has a possibility to affect all essential decisions taken by the Company's shareholders.

The Company together with the Subsidiaries form a Group of companies, as indicated below.

Table 6. Shareholdings of the Company, held in the Subsidiaries as on the date of the Prospectus

Company of the Group	State of registration	Status	Amount of shares and votes, held by the Company (%)
Klaipėdos kartonas AB	Lithuania	Subsidiary	95.78 <sup>(*)</sup>
Baltwood UAB	Lithuania	Subsidiary	100
AGR Prekyba UAB	Lithuania	Subsidiary	100
Ekotara UAB	Lithuania	Subsidiary	100
Naujieji Verkiai UAB	Lithuania	Subsidiary	100
Klaipėda Recycling UAB	Lithuania	Subsidiary	94.18 <sup>(**)</sup>
Grigiškių energija UAB	Lithuania	Subsidiary	100
Mena Pak PAT	Ukraine	Subsidiary	93.79 <sup>(**)</sup>

Source: the Company

<sup>(\*)</sup> The indicated shares are held by AGR Prekyba UAB, i.e. by the 100% Subsidiary of the Company.

<sup>(\*\*)</sup> The indicated shares of the Company are held by Klaipėdos kartonas AB, i.e. the company, 95.78% of shares and votes of which are held by the Subsidiary of the Company AGR Prekyba UAB.

The main registration data on the Company and the Subsidiaries are provided below:

Table 7. Registration information of the Company and of the Subsidiaries

Name of the company	Grigiškės AB
Legal form	public limited liability company

<b>Country of incorporation</b>	Republic of Lithuania
<b>Administrator of the register</b>	State Enterprise Centre of Registers
<b>Code</b>	110012450
<b>Date of incorporation</b>	23 May 1991
<b>Registered address</b>	Vilniaus str. 10, LT-27101 Grigiškės, Lithuania

<b>Name of the company</b>	Klaipėdos kartonas AB
<b>Legal form</b>	public limited liability company
<b>Country of incorporation</b>	Republic of Lithuania
<b>Administrator of the register</b>	State Enterprise Centre of Registers
<b>Code</b>	141011268
<b>Date of incorporation</b>	22 September 1994
<b>Registered address</b>	Nemuno str. 2, LT-91199 Klaipėda, Lithuania

<b>Name of the company</b>	Baltwood UAB
<b>Legal form</b>	private limited liability company
<b>Country of incorporation</b>	Republic of Lithuania
<b>Administrator of the register</b>	State Enterprise Centre of Registers
<b>Code</b>	126199731
<b>Date of incorporation</b>	10 April 2003
<b>Registered address</b>	Vilniaus str. 10, LT-27101 Grigiškės, Lithuania

<b>Name of the company</b>	AGR Prekyba UAB
<b>Legal form</b>	private limited liability company
<b>Country of incorporation</b>	Republic of Lithuania
<b>Administrator of the register</b>	State Enterprise Centre of Registers
<b>Code</b>	302416687
<b>Date of incorporation</b>	10 July 2009
<b>Registered address</b>	Vilniaus str. 10, LT-27101 Grigiškės, Lithuania

<b>Name of the company</b>	Ekotara UAB
<b>Legal form</b>	private limited liability company
<b>Country of incorporation</b>	Republic of Lithuania
<b>Administrator of the register</b>	State Enterprise Centre of Registers
<b>Code</b>	302329061
<b>Date of incorporation</b>	10 April 2009
<b>Registered address</b>	Vilniaus str. 10, LT-27101 Grigiškės, Lithuania

<b>Name of the company</b>	Naujieji Verkiai UAB
<b>Legal form</b>	private limited liability company

Country of incorporation	Republic of Lithuania
Administrator of the register	State Enterprise Centre of Registers
Code	300015674
Date of incorporation	6 April 2004
Registered address	Popieriaus str. 15, Vilnius, Lithuania

Name of the company	Klaipėda Recycling UAB
Legal form	private limited liability company
Country of incorporation	Republic of Lithuania
Administrator of the register	State Enterprise Centre of Registers
Code	302529158
Date of incorporation	16 July 2010
Registered address	Nemuno str. 2, LT-91199 Klaipėda, Lithuania

Name of the company	Grigiškių energija UAB
Legal form	private limited liability company
Country of incorporation	Republic of Lithuania
Administrator of the register	State Enterprise Centre of Registers
Code	302674488
Date of incorporation	7 October 2011
Registered address	Vilniaus str. 14, Grigiškės, Lithuania

Name of the company	Mena Pak PAT
Legal form	Public limited liability company
Country of incorporation	Ukraine
Administrator of the register	Chernihiv region, Mena distr. Public administration
Code	00383260
Date of incorporation	30 December 1993
Registered address	Koshevovo str. 6, Chernihiv region, Mena, Ukraine

#### 4.6 Property, Plants and Equipment

The Group's and the Company's non-current assets are detailed in the table provided below.

**Table 8. The Group's and Company's Tangible Non-current Assets**

LTL	Group			Company		
	2012	2011	2010	2012	2011	2010
Buildings and constructions	81,743,359	71,230,011	70,302,527	28,382,363	17,162,509	29,476,967
Machinery and equipment	83,030,326	81,959,224	75,109,398	58,288,319	52,158,326	48,734,043
Vehicles	2,256,323	1,846,793	1,796,494	760,953	794,981	1,057,084
Other assets	2,258,706	1,506,584	1,450,065	790,021	482,853	651,849
Construction in progress and prepayments	10,733,486	16,036,077	17,339,591	9,803,525	15,696,750	16,724,337

Investment property	3,237,646	4,722,791	4,949,000	3,237,646	4,722,791	4,949,000
<b>TOTAL</b>	<b>183,259,846</b>	<b>177,301,480</b>	<b>170,947,075</b>	<b>101,262,827</b>	<b>91,018,210</b>	<b>101,593,280</b>

Source: IFRS Financial Statements

All of the Group's and the Company's property, plant and equipment are held for their own use.

On the 31st of December 2012, the part of the Group's property, plant and equipment with a carrying value of LTL 96,630 thousand (31 December 2011 – LTL 68,466 thousand) was pledged as a security for repayment of the loans granted by banks.

On the 31st of December 2012, the part of the Company's property, plant and equipment with a carrying value of LTL 38,706 thousand (31 December 2011 – LTL 17,118 thousand) was pledged as a security for repayment of the loans granted by banks.

The depreciation expenses of the Group's property, plant, equipment and investment property for 2012, 2011 and 2010 amounted to LTL 22,639 thousand, LTL 21,992 thousand and LTL 20,651 thousand, respectively.

The depreciation expenses of the Company's property, plant, equipment and investment property for 2012, 2011 and 2010 amounted to LTL 12,188 thousand, LTL 13,992 thousand and LTL 13,770 thousand, respectively.

The Group's and the Company's property, plant and equipment with an acquisition cost of LTL 26,996 thousand and LTL 19,285 thousand, respectively, were fully depreciated as of 31 December 2012 (LTL 23,670 thousand and LTL 22,519 thousand as of 31 December 2011, respectively, and LTL 50,508 thousand and LTL 35,852 thousand as of 31 December 2010, respectively) but were still in active use.

In 2010 the Company decided to transfer buildings, located at Vilniaus str. 10 and Popieriaus str. 15 in Naujieji Verkiai to investment property as they were started to be held for rental income or for capital appreciation. As of 31 December 2010 these premises were reclassified from buildings to investment property.

#### A description of any environmental issues that may affect the Issuer's utilisation of the tangible fixed assets

The Group is not aware of such issues.

### 4.7 Operating and Financial Review

#### 4.7.1 Financial Condition

The Group's financial situation is provided in Section 4.2 *Selected Financial Information*.

#### 4.7.2 Operating Results

For the management and administration purposes the Group divides its operations into the three major segments: paper and paper products, hardboard and wood products, raw materials for corrugated cardboard and related production. The financial information in the separate segments is provided below:

**Table 9. The Group's Operating Results in Separate Segments**

<b>The Group, 2012, LTL</b>	<b>Paper and paper products</b>	<b>Hardboard and wood products</b>	<b>Raw material for corrugated cardboard and related production</b>	<b>Unallocated<sup>1</sup></b>	<b>TOTAL</b>
<b>Sales</b>	71,481,074	75,904,591	141,679,995	450,906	<b>289,516,566</b>
<b>Cost of sales</b>	(54,515,940)	(63,198,880)	(125,891,123)	(364,083)	<b>(243,970,026)</b>
<b>Gross profit</b>	<b>16,965,134</b>	<b>12,705,711</b>	<b>15,788,872</b>	<b>86,823</b>	<b>45,546,540</b>
Depreciation and amortization	6,787,025	4,358,049	7,862,588	435,756	<b>23,353,418</b>
Segment property, plant and equipment and intangible assets	48,891,243	27,990,824	80,360,367	31,689,323	<b>188,931,757</b>
Goodwill			10,362,101		<b>10,362,101</b>
Segment capital expenditure	14,926,127	1,782,696	15,196,061	452,234	<b>31,035,488</b>



<b>The Group, 2011, LTL</b>	<b>Paper and paper products</b>	<b>Hardboard and wood products</b>	<b>Raw material for corrugated cardboard and related production</b>	<b>Unallocated</b>	<b>TOTAL</b>
<b>Sales</b>	77,937,849	75,353,191	147,971,272	6,415,349	<b>307,677,661</b>
<b>Cost of sales</b>	(66,735,178)	(64,637,960)	(123,601,509)	(6,092,999)	<b>(261,067,646)</b>
<b>Gross profit</b>	<b>11,202,671</b>	<b>10,715,231</b>	<b>24,369,763</b>	<b>322,350</b>	<b>46,610,015</b>
Depreciation and amortization	6,041,858	5,803,923	7,110,707	3,178,172	<b>22,134,660</b>
Segment property, plant and equipment and intangible assets	38,097,832	30,604,683	74,409,242	38,497,979	<b>181,609,736</b>
Goodwill	–	–	10,362,101	–	<b>10,362,101</b>
Segment capital expenditure	4,127,459	4,953,891	19,562,038	2,401,464	<b>31,044,852</b>

<b>The Group, 2010, LTL</b>	<b>Paper and paper products</b>	<b>Hardboard and wood products</b>	<b>Raw material for corrugated cardboard and related production</b>	<b>Unallocated</b>	<b>TOTAL</b>
<b>Sales</b>	60,762,127	64,271,728	114,503,450	6,248,162	<b>245,785,467</b>
<b>Cost of sales</b>	(51,556,002)	(59,889,429)	(96,137,055)	(5,472,741)	<b>(213,055,227)</b>
<b>Gross profit</b>	<b>9,206,125</b>	<b>4,382,299</b>	<b>18,366,395</b>	<b>775,421</b>	<b>32,730,240</b>
Depreciation and amortization	6,292,205	5,436,581	5,965,777	3,066,836	<b>20,761,399</b>
Segment property, plant and equipment and intangible assets	40,493,130	45,326,172	61,586,924	25,950,118	<b>173,356,344</b>
Goodwill	–	–	–	10,362,101	<b>10,362,101</b>
Segment capital expenditure	1,191,212	16,920,371	2,112,153	496,031	<b>20,719,767</b>

Source: IFRS Financial Statements, taking into consideration the below explanation

<sup>1</sup> Unallocated sales include revenues which cannot be assigned to any of the three main segments. Unallocated revenues may include heat energy and other utilities sales.

The costs of unallocated sales may include the costs of heat generation.

The unallocated depreciation and amortization, property, plant and equipment, intangible assets and capital expenditure are related to heat generation and other utilities sales.

**Table 10. The Company's Operating Results in Separate Segments**

<b>The Company, 2012, LTL</b>	<b>Paper and paper products</b>	<b>Hardboard and wood products<sup>1</sup></b>	<b>Raw material for corrugated cardboard and related production</b>	<b>Unallocated<sup>2</sup></b>	<b>TOTAL</b>
<b>Sales</b>	71,481,074		18,274,698	21,295,223	<b>111,050,995</b>
<b>Cost of sales</b>	(54,515,940)		(16,631,424)	(19,803,202)	<b>(90,950,566)</b>
<b>Gross profit</b>	<b>16,965,134</b>		<b>1,643,274</b>	<b>1,492,021</b>	<b>20,100,429</b>
Depreciation and amortization	6,787,025		1,223,832	4,345,755	<b>12,356,612</b>
Segment property, plant and equipment and intangible assets	48,891,243		21,994,752	31,689,322	<b>102,575,317</b>
Segment capital expenditure	14,926,127		9,629,791	452,234	<b>25,008,152</b>

<b>The Company, 2011, LTL</b>	<b>Paper and paper products</b>	<b>Hardboard and wood products</b>	<b>Raw material for corrugated cardboard and related production</b>	<b>Unallocated</b>	<b>TOTAL</b>
<b>Sales</b>	77,937,849	59,669,830	15,254,511	6,415,349	<b>159,277,539</b>
Cost of sales	(66,735,178)	(50,131,465)	(13,344,368)	(6,092,999)	<b>(136,304,010)</b>
<b>Gross profit</b>	<b>11,202,671</b>	<b>9,538,365</b>	<b>1,910,143</b>	<b>322,350</b>	<b>22,973,529</b>
Depreciation and amortization	6,041,858	4,211,029	649,580	3,178,172	<b>14,080,638</b>
Segment property, plant and equipment and intangible assets	38,097,832	–	14,641,049	38,497,979	<b>91,236,860</b>
Segment capital expenditure	4,127,457	4,614,050	14,513,284	2,401,464	<b>25,656,257</b>

<b>The Company, 2010, LTL</b>	<b>Paper and paper products</b>	<b>Hardboard and wood products</b>	<b>Raw material for corrugated cardboard and related production</b>	<b>Unallocated</b>	<b>TOTAL</b>
<b>Sales</b>	60,764,575	49,220,002	11,472,674	8,285,197	<b>129,742,468</b>
Cost of sales	(51,558,450)	(46,904,242)	(9,690,735)	(7,509,775)	<b>(115,663,202)</b>
<b>Gross profit</b>	<b>9,206,125</b>	<b>2,315,760</b>	<b>1,781,939</b>	<b>775,422</b>	<b>14,079,266</b>
Depreciation and amortization	6,292,205	3,926,359	550,310	3,064,589	<b>13,833,463</b>
Segment property, plant and equipment and intangible assets	40,493,130	34,291,773	984,643	25,952,947	<b>101,722,493</b>
Segment capital expenditure	1,191,212	16,261,146	210,829	496,031	<b>18,159,218</b>

Source: IFRS Financial Statements, taking into consideration the below explanations

<sup>1</sup> In order to increase efficiency of manufacturing processes of the Company, to optimize the acquisition of raw materials, production supplies, production and logistics processes, to reduce costs and increase profitability of business segments, on the 1 December 2011 the Management Board of the Company decided to transfer one of the Company's segments – the production of wood fibre board – to 100% owned subsidiary Baltwood UAB, in exchange for newly issued shares of this subsidiary.

Along with the activity transferred the Company passed the property, rights and obligations related to processing of the wood fibre boards, including but not limited to, real estate and equipment needed to conduct the activities, commitment to employees and other rights and obligations arising from existing agreements.

The value of Company's net assets related to activities transferred was equal to LTL 16,747 thousand, while the value of subsidiary's shares received was equal to LTL 22,587 thousand. The difference of LTL 5,840 thousand between net assets and shares received was accounted as a financial income of the Company. The effect of activities transfer was eliminated at the Group level.

After the transfer of the part of Company's operations both of the mentioned companies will continue to operate at the same address as before the transfer – at Vilniaus str. 10, Grigiškės, Vilnius. The main activity of the Company will remain the production of tissue paper products and corrugated cardboard packaging production, while Baltwood UAB will focus on activities related to wood processing.

The Management believes that the transfer of the part of Company's segments will not have significant impact on financial indicators of the Group. However, it will help to optimize management of the Group's activities, which is likely to result in a higher profitability and higher return on assets (ROA).

<sup>2</sup> Unallocated sales include revenues which cannot be assigned to any of the three main segments. Unallocated revenues may include heat energy and other utilities sales.

The costs of unallocated sales may include the costs of heat generation.

The unallocated depreciation and amortization, property, plant and equipment, intangible assets and capital expenditure are related to heat generation and other utilities sales.

### Paper and Paper Products Segment

The Group's revenues decreased by approximately 8.3% in the paper and paper products segment in 2012. More than 60% of this segment's sales are generated in foreign markets. The main trading currency is euro, consequently the Group does not face material risks of currency rates fluctuation. This Group's segment is significantly impacted by the prices of cellulose and waste-paper. The Group's activity in the year 2013 will be focused on the development of the hygienic paper products sales in Lithuania and foreign markets as the Group's recent investments were completed in this segment. In 2012 new sheet towel and paper handkerchiefs' production lines started operating. Currently, a new paper processing line is starting its operations, as well. Moreover, the Group expects positive trends of activity in paper markets.

The current technology base of the segment is provided below.

**Table 11. Group's Paper and Paper Products Segment Technology Base**

Key processes	Equipment	Max capacity
Paper mill	PM	25,000 T/year
Paper converting	Consumer product lines	324 million rolls/year
	AFH product lines	10,000 T/year

Source: the Company

### Raw Materials for Corrugated Cardboard and Related Production Segment

This Group's segment had grown the most throughout the period of 2010–2012. This growth can be mainly attributed to the acquisition of Klaipėdos kartonas AB in 2010. In 2009 Klaipėdos kartonas AB had revenues of approximately LTL 100 million, so the new subsidiary had a huge positive impact on the Group's financial performance in 2010. Moreover, Klaipėdos kartonas AB has strengthened the Group's position in corrugated cardboard segment as this firm produced and continues producing high quality cardboard paper products: testliner and fluting, which are the main materials used in the production of corrugated board. Besides, Klaipėdos kartonas' AB subsidiary Mena Pak PAT was also operating in this segment, thus adding additional sales to this section of revenues. After the acquisition of Klaipėdos kartonas AB the Group has also obtained the full cycle of corrugated cardboard products' manufacturing, starting with production of a cardboard paper and finishing with products made of corrugated board.

The Group's revenues decreased by approximately 4.3% in the segment in 2012. The prices of corrugated cardboard primarily depend on the prices of its raw materials, such as testliner and fluting. Recently the prices of these commodities have been generally stable, however, the prices of testliner and fluting were lower in 2012 than in 2011. This kept pressure on the prices of the Group's corrugated cardboard products and made a negative impact on the Group's performance in this segment in 2012. The Group's activity in the year 2013 will be focused on the development of the corrugated cardboard products sales in Lithuania and foreign markets as the Group's recent investments were completed in this segment. In 2012 the new corrugated cardboard production plant started operating. Moreover, the Management expects positive trends of activity in the corrugated cardboard market.

The current technology base of the segment is provided below.

**Table 12. Group's Raw Materials for Corrugated Cardboard and Related Production Segment Technology Base**

Key processes	Max capacity
Paper machine	100,000 T/year
Corrugating capacity	115 million m <sup>2</sup> /year

Source: the Company

### Hardboard and Wood Products Segment

The Group's revenues increased by 0.7% in the hardboard and wood products segment in 2012. The hardboard and wood products segment was the only of the Group's segments growing in 2012. The growth can be mainly attributed to the increasing consumption of wood products due to the reviving construction activity in Lithuania. The sales of hardboard and wood products segment strongly rely on the level of construction in the market.

The current technology base of the segment is provided below.

**Table 13. Group's Hardboard and Wood Products Segment Technology Base**

Key processes	Max capacity
Hardboard production line capacity	20 million m <sup>2</sup> /year

**Information regarding any governmental, economic, fiscal, monetary or political policies or factors that have materially affected, or could materially affect, directly or indirectly, the Issuer's operations**

There are no such policies or factors.

#### 4.8 Capital Resources

The primary objectives of the Group's and the Company's capital management are to ensure that the Group and the Company comply with externally imposed capital requirements and that the Group and the Company maintain healthy capital ratios in order to support their business and to maximise shareholders' value (capital in the meaning of IAS 1 comprises equity, attributable to equity holders of the parent, presented in the financial statements).

The Group and the Company manage their capital structures and make adjustments to them in the light of changes in economic conditions and the risk characteristics of their activities. To maintain or adjust the capital structure, the Group and the Company may issue new shares, adjust the dividend payments to shareholders, return capital to shareholders. No changes were made in the objectives, policies or processes of capital management during the years ended 31 December 2012 and 2011.

The Group and the Company are obliged to upkeep their equity at not less than 50% of their share capital (comprised of share capital and share surplus), as imposed by the Law on Companies. There were no other externally imposed capital requirements on the Group and the Company. As at 31 December 2012 and 2011 and 2010 the Company was not in breach of the above mentioned requirement.

The Group's subsidiary Baltwood UAB as at 31 December 2011 and 2010 was not in compliance with the indicated requirement. Baltwood UAB became compliant with the requirement in 2012 when after the transfer of hardboard production activities, new Articles of Association were approved and increase of authorised capital of subsidiary up to LTL 32,367 thousand was registered with the Register of Legal Persons on 1 March 2012.

The Group and the Company monitor capital using debt to equity ratio. Capital includes ordinary shares, reserves, retained earnings attributable to the equity holders of the parent. The Group's and the Company's existing debt will be repaid using free cash flow generated by the Group and the Company respectively.

**Table 14. The Group's and Company's Debt to Equity Ratio**

LTL	Group			Company		
	2012	2011	2010	2012	2011	2010
Non-current liabilities (excluding grants and deferred tax liability)	54,748,205	74,374,928	74,913,034	14,438,199	20,046,138	20,383,589
Current liabilities	83,040,328	66,801,118	68,141,887	42,370,711	29,296,840	40,368,580
<b>Liabilities</b>	<b>137,788,533</b>	<b>141,176,046</b>	<b>143,054,921</b>	<b>56,808,910</b>	<b>49,342,978</b>	<b>60,108,212</b>
<b>Equity, attributable to equity holders of the parent</b>	<b>104,005,433</b>	<b>95,518,844</b>	<b>87,188,679</b>	<b>99,725,100</b>	<b>92,443,232</b>	<b>80,108,212</b>
<b>Debt to equity ratio</b>	<b>132%</b>	<b>148%</b>	<b>164%</b>	<b>57%</b>	<b>53%</b>	<b>76%</b>

Source: IFRS Financial Statements

The Group's and the Company's policy is to maintain an appropriate sum of cash and its equivalents in order to meet their strategic objectives. The Group's current (current assets / current liabilities) and quick ((current assets – inventories) / current liabilities) ratios stood at 0.7 and 0.5 respectively as of 31 December 2012 (0.9 and 0.5 respectively as of 31 December 2011, as well as 0.8 and 0.5 respectively as of 31 December 2010). The Company's current and quick ratios stood at 0.5 and 0.3 respectively as of 31 December 2012 (0.7 and 0.5 respectively as of 31 December 2011, as well as 0.7 and 0.5 as of 31 December 2010). As of 31 December 2012 the Group's current liabilities exceeded current assets by LTL 28,545 thousand (by LTL 8,629 thousand and LTL 13,268 thousand as of 31 December 2011 and 2010 respectively). As of 31 December 2012 the Company's current liabilities exceeded current assets by LTL 21,500 thousand (by LTL 9,250 thousand and LTL 11,526 thousand as of 31 December 2011 and 2010 respectively). The Company is also using short-term loans as a tool to insure the appropriate level of its cash flows.

The maturity profile of the Group's and the Company's financial liabilities as at 31 December 2012, 2011 and 2010 based on contractual undiscounted payments is detailed below.

**Table 15. Maturity Profile of the Group's Financial Liabilities**

<b>The Group, LTL</b>	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Interest bearing borrowings	-	3,153,898	35,337,649	40,552,239	13,115,446	92,159,232
Financial lease obligations	-	964,851	2,371,811	3,274,114	-	6,610,776
Trade payables	-	32,807,272	-	-	-	32,807,272
Other current liabilities	1,207,983	620,585	-	-	-	1,648,568
<b>Balance as at 31 December 2012</b>	<b>1,027,983</b>	<b>37,546,606</b>	<b>37,709,460</b>	<b>43,826,353</b>	<b>13,115,446</b>	<b>133,225,848</b>
Interest bearing borrowings	-	3,256,078	18,852,885	54,636,443	19,837,537	96,582,943
Financial lease obligations	-	927,836	2,972,887	4,177,003	-	8,077,726
Trade payables	-	32,560,874	-	-	-	32,560,874
Other current liabilities	998,232	2,393,075	-	-	-	3,391,307
<b>Balance as at 31 December 2011</b>	<b>998,232</b>	<b>39,137,863</b>	<b>21,825,772</b>	<b>58,813,446</b>	<b>19,837,537</b>	<b>140,612,850</b>
Interest bearing borrowings	3.859.292	5.708.956	13.675.239	38.165.663	26.308.694	87.717.844
Financial lease obligations	-	1.494.562	2.923.864	7.405.294	-	11.823.720
Trade payables	-	31.400.977	-	-	-	31.400.977
Other current liabilities	1.552.564	2.337.220	-	-	-	3.889.784
<b>Balance as at 31 December 2010</b>	<b>5.411.856</b>	<b>40.941.715</b>	<b>16.599.103</b>	<b>45.570.957</b>	<b>26.308.694</b>	<b>134.832.325</b>

Source: IFRS Financial Statements

**Table 16. Maturity Profile of the Company's Financial Liabilities**

<b>The Company, LTL</b>	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Interest bearing borrowings	-	1,126,734	20,876,166	11,746,893	-	33,749,793
Financial lease obligations	-	800,292	2,032,403	2,942,712	-	5,775,407
Payables to related parties	-	3,168,569	-	-	-	3,168,569
Trade payables	-	11,035,331	-	-	-	11,035,331
Other current liabilities	472,690	144,080	-	-	-	616,770
<b>Balance as at 31 December 2012</b>	<b>472,690</b>	<b>16,275,006</b>	<b>22,908,569</b>	<b>14,689,605</b>	<b>-</b>	<b>54,345,870</b>
Interest bearing borrowings	-	774,032	9,423,710	17,054,209	-	27,251,951
Financial lease obligations	-	819,865	2,210,517	3,738,146	-	6,768,528
Payables to related parties	-	1,843,004	-	-	-	1,843,004
Trade payables	-	11,093,937	-	-	-	11,093,937
Other current liabilities	442,939	1,253,465	-	-	-	1,696,404
<b>Balance as at 31 December 2011</b>	<b>442,939</b>	<b>15,784,303</b>	<b>11,634,227</b>	<b>20,792,355</b>	<b>-</b>	<b>48,653,824</b>
Interest bearing borrowings	-	3.801.163	8.345.224	11.368.000	-	23.514.387
Financial lease obligations	-	1.442.976	2.518.020	6.997.832	-	10.958.828
Payables to related parties	-	2.625.855	-	-	-	2.625.855
Trade payables	-	17.517.298	-	-	-	17.517.298



Other current liabilities	420.644	1.989.260	-	-	-	2.409.904
<b>Balance as at 31 December 2010</b>	<b>420.644</b>	<b>27.376.552</b>	<b>10.863.244</b>	<b>18.365.832</b>	<b>-</b>	<b>57.026.272</b>

Source: IFRS Financial Statements

The interest payments on variable interest rate loans in the tables above reflect average market interest rates at the end of the period, and these amounts may change as market interest rates change. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

The Group's and the Company's borrowings structures are provided in the tables below.

**Table 17. The Group's and Company's Borrowings Structure**

LTL	Group			Company		
	As at 31 December 2012	As at 31 December 2011	As at 31 December 2010	As at 31 December 2012	As at 31 December 2011	As at 31 December 2010
<b>Non-current borrowings:</b>						
Bank borrowings secured by the Group assets	50,728,916	69,533,156	63,098,888	11,217,373	16,249,993	11,147,580
	<b>50,728,916</b>	<b>69,533,156</b>	<b>63,098,888</b>	<b>11,217,373</b>	<b>16,249,993</b>	<b>11,147,580</b>
<b>Current borrowings:</b>						
Current portion of non-current bank borrowings secured by the Group assets	14,285,395	12,023,517	15,253,992	7,265,599	3,500,642	4,318,342
Current bank borrowings secured by the Group assets	22,763,353	8,137,151	7,470,799	14,356,273	6,137,151	7,470,799
	<b>37,048,748</b>	<b>20,160,668</b>	<b>22,724,791</b>	<b>21,621,872</b>	<b>9,637,793</b>	<b>11,789,141</b>
<b>TOTAL:</b>	<b>87,777,664</b>	<b>89,693,824</b>	<b>85,823,679</b>	<b>32,839,245</b>	<b>25,887,786</b>	<b>22,936,721</b>

Source: IFRS Financial Statements

**Table 18. The Group's and Company's Borrowings Structure**

LTL	Group			Company		
	As at 31 December 2012	As at 31 December 2011	As at 31 December 2010	As at 31 December 2012	As at 31 December 2011	As at 31 December 2010
Within one year	14,285,395	12,023,517	15,253,992	7,265,600	3,500,642	4,318,342
In the period of five years	31,450,453	50,254,693	37,394,201	11,217,373	16,249,993	11,147,580
After 5 years	19,278,463	19,278,463	25,704,687	-	-	-
	<b>65,014,311</b>	<b>81,556,673</b>	<b>78,352,880</b>	<b>18,482,973</b>	<b>19,750,635</b>	<b>15,465,922</b>

Source: IFRS Financial Statements

Based on the terms of the loan and overdraft agreements, the Group and the Company have to comply with certain financial and non-financial covenants, such as: debt service coverage ratio, EBITDA to financial liabilities ratio, capital ratio, free cash flow indicator and a minimum set volume of the Company's and of certain its subsidiaries bank transactions shall be performed through the bank.

As at 31 December 2010 the Company and the Group complied with all the mentioned debt covenants, except for Baltwood UAB (subsidiary of the Company) which EBITDA to financial liabilities ratio was equal to 2.4 and was below the requirement (required not less than 3.8). Therefore, the loan of LTL 3,859 thousand is accounted for as current loan in the statement of financial position of the Group as at 31 December 2010.

As at 31 December 2011 and 31 December 2012 the Company and the Group complied with all the mentioned debt covenants.

The Group and the Company face risk due to possible interest rate fluctuations. Actual interest rates are close to effective interest rates. As at 31 December 2012 the weighted average annual interest rate of borrowings outstanding of

the Company and the Group was 1.95% and 2.53% respectively (3.30% and 2.99% respectively as at 31 December 2011). In 2012, 2011 and 2010, the period of re-pricing of floating interest rates on borrowings varies from 1 day to 12 months.

The following interest rate bases are set for the borrowings as at 31 December 2012:

**Table 19. The Group's Borrowings in 2012**

<b>The Group, LTL</b>	<b>Currency</b>	<b>Nominal interest rate base</b>	<b>Repayment period</b>	<b>Carrying amount</b>
Overdraft	LTL	VILIBOR	2013	8,106,272
Overdraft	LTL	VILIBOR	2013	309,083
Overdraft	EUR	EURIBOR	2013	1,297,997
Secured bank loan	LTL	VILIBOR	2013–2018	13,403,383
Secured bank loan	EUR	EURIBOR	2012–2013	4,631,310
Secured bank loan	LTL	VILIBOR	2013	6,250,000
Secured bank loan	EUR	LIBOR	2012–2014	448,280
Secured bank loan	LTL	VILIBOR	2013	6,800,000
Secured bank loan	LTL	VILIBOR	2013–2015	1,500,012
Secured bank loan	LTL	VILIBOR	2013	48,176
Secured bank loan	EUR	EURIBOR	2012–2019	44,983,151
<b>TOTAL:</b>				<b>87,777,664</b>

Source: IFRS Financial Statements

**Table 20. The Company's Borrowings in 2012**

<b>The Company, LTL</b>	<b>Currency</b>	<b>Nominal interest rate base</b>	<b>Repayment period</b>	<b>Carrying amount</b>
Overdraft	LTL	VILIBOR	2013	8,106,272
Secured bank loan	EUR	EURIBOR	2012–2013	4,631,310
Secured bank loan	LTL	VILIBOR	2013–2018	13,403,383
Secured bank loan	LTL	VILIBOR	2013	6,250,000
Secured bank loan	EUR	LIBOR	2012–2014	448,280
<b>TOTAL:</b>				<b>32,839,245</b>

Source: IFRS Financial Statements

The following interest rate bases are set for the borrowings as at 31 December 2011:

**Table 21. The Group's Borrowings in 2011**

<b>The Group, LTL</b>	<b>Currency</b>	<b>Nominal interest rate base</b>	<b>Repayment period</b>	<b>Carrying amount</b>
Overdraft	LTL	VILIBOR	2012	8,137,151
Secured bank loan	LTL	VILIBOR	2012-2015	6,020,744
Secured bank loan	EUR	EURIBOR	2012-2015	6,762,590
Secured bank loan	LTL	VILIBOR	2013	6,250,000
Secured bank loan	EUR	LIBOR	2012-2014	717,301
Secured bank loan	LTL	VILIBOR	2013	4,000,000
Secured bank loan	LTL	VILIBOR	2012-2015	3,045,460
Secured bank loan	LTL	VILIBOR	2013	2,800,000
Secured bank loan	EUR	EURIBOR	2012-2019	51,409,323
Secured bank loan	USD	LIBOR	2012	551,255
<b>TOTAL:</b>				<b>89,693,824</b>

Source: IFRS Financial Statements

**Table 22. The Company's Borrowings in 2011**

<b>The Company, LTL</b>	<b>Currency</b>	<b>Nominal interest rate base</b>	<b>Repayment period</b>	<b>Carrying amount</b>
Overdraft	LTL	VILIBOR	2012	6,137,151

Secured bank loan	EUR	EURIBOR	2012-2015	6,020,744
Secured bank loan	LTL	VILIBOR	2012-2015	6,762,590
Secured bank loan	LTL	VILIBOR	2013	6,250,000
Secured bank loan	EUR	LIBOR	2012-2014	717,301
<b>TOTAL:</b>				<b>25,887,786</b>

Source: IFRS Financial Statements

The following interest rate bases are set for the borrowings as at 31 December 2010:

**Table 23. The Group's Borrowings in 2010**

The Group, LTL	Currency	Nominal interest rate base	Repayment period	Carrying amount
Overdraft	LTL	VILIBOR	2011	7,470,799
Secured bank loan	LTL	VILIBOR	2011-2013	10,182,240
Secured bank loan	EUR	LIBOR	2011-2014	5,283,681
Secured bank loan	EUR	VILIBOR	2011-2019	57,835,496
Secured bank loan	USD	LIBOR	2011	1,192,171
Secured bank loan	LTL	VILIBOR	2011	2,750,000
Secured bank loan	EUR	LIBOR	2011	1,109,292
<b>TOTAL:</b>				<b>85,823,679</b>

Source: IFRS Financial Statements

**Table 24. The Company's Borrowings in 2010**

The Company, LTL	Currency	Nominal interest rate base	Repayment period	Carrying amount
Overdraft	LTL	VILIBOR	2011	7,470,799
Secured bank loan	LTL	VILIBOR	2011-2013	10,182,241
Secured bank loan	EUR	LIBOR	2011-2014	5,283,681
<b>TOTAL:</b>				<b>22,936,721</b>

Source: IFRS Financial Statements

For the loans from banks the Group and the Company have pledged property, plant and equipment, intangible assets, inventories, trade accounts receivable, bank accounts, the share of Klaipėdos kartonas AB stock held by the Group and AGR Prekyba UAB.

The assets leased by the Group and the Company under financial lease contracts mainly consist of vehicles, machinery and equipment. The terms of the financial lease agreements are from 2 to 5 years. The currency of the financial lease agreements is EUR.

As at 31 December 2012 the interest rate on the financial lease obligations fluctuates from 6 month EURIBOR or 3-6 months EUR LIBOR (as at 31 December 2011 – fluctuates from 6 to 12 month EURIBOR or 6 month EUR LIBOR and as at 31 December 2010 – 6 month EUR LIBOR – 12 month EUR LIBOR or 6 month VILIBOR).

Future minimal lease payments under the above mentioned financial lease contracts are as follows:

**Table 25. Group's and Company's Future Minimal Lease Payments**

LTL	Group			Company		
	As at 31 December 2012	As at 31 December 2011	As at 31 December 2010	As at 31 December 2012	As at 31 December 2011	As at 31 December 2010
Within one year	3,336,662	3,900,723	4,466,109	2,832,695	3,030,382	3,960,996
From one to five years	3,274,114	4,177,003	7,360,661	2,942,712	3,738,146	6,997,832
<b>Total financial lease obligations</b>	<b>6,610,776</b>	<b>8,077,726</b>	<b>11,826,770</b>	<b>5,775,407</b>	<b>6,768,528</b>	<b>10,958,828</b>
Interest	(171,898)	(273,231)	(427,370)	(147,723)	(206,061)	(358,001)

**Present value of financial lease obligations**

<b>6,438,878</b>	<b>7,804,495</b>	<b>11,399,400</b>	<b>5,627,684</b>	<b>6,562,467</b>	<b>10,600,827</b>
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Financial lease obligations are accounted as:

-current	3,254,648	3,752,086	4,242,460	2,762,658	2,936,417	3,787,762
-non-current	3,184,230	4,052,409	7,156,940	2,865,026	3,626,050	6,813,065

Source: IFRS Financial Statements

The fair value of the Group's and the Company's lease liabilities approximate their carrying amount. The Group's and the Company's obligations under finance leases are secured by the lessor's charge over the leased assets.

The Company's monetary assets and liabilities as at 31 December 2012, 2011 and 2010 are denominated in LTL or EUR, to which LTL is pegged, consequently the Management of the Company believes that foreign exchange risk on EUR is insignificant.

Monetary assets and liabilities of the Group denominated in various currencies as at 31 December 2012, 2011 and 2010 were as follows (equivalent in LTL).

**Table 26. Breakdown of the Group's Monetary Assets and Liabilities by Currency in 2012**

<b>The Group, LTL</b>	<b>UAH</b>	<b>USD</b>	<b>EUR</b>	<b>LTL</b>	<b>Other</b>
Receivables	3,203,043	–	10,836,594	16,799,217	154,320
Cash and cash equivalents	359,410	–	431,822	448,345	–
Borrowings and financial lease obligations	–	–	57,545,835	36,670,707	–
Payables	591,267	289,414	8,709,103	32,571,493	1,040

Source: IFRS Financial Statements

**Table 27. Breakdown of Group's Monetary Assets and Liabilities by Currency in 2011**

<b>The Group, LTL</b>	<b>UAH</b>	<b>USD</b>	<b>EUR</b>	<b>LTL</b>	<b>Other</b>
Receivables	2,061,118	–	12,664,224	15,106,042	153,167
Cash and cash equivalents	176,701	–	437,659	1,520,450	–
Borrowings and financial lease obligations	–	848,781	65,654,337	30,995,201	–
Payables	628,109	69,391	6,028,003	37,300,467	–

Source: IFRS Financial Statements

**Table 28. Breakdown of the Group's Monetary Assets and Liabilities by Currency in 2010**

<b>The Group, LTL</b>	<b>UAH</b>	<b>USD</b>	<b>EUR</b>	<b>LTL</b>	<b>Other</b>
Receivables	1,980,711	2,532	10,802,511	19,751,699	–
Cash and cash equivalents	–	–	608,145	770,490	–
Borrowings and financial lease obligations	–	1,696,450	64,510,578	31,016,051	–
Payables	360,340	693	4,749,303	39,425,897	409,894

Source: IFRS Financial Statements

The highest share of the Group's cash flows is generated from the operating activities. During the period of 2010-2012 the highest proportion of the Group's cash flows was spent on investing and financial activities. You can find the summary of the Group's cash flows provided below.

**Table 29. The Group's Cash Flows**

<b>LTL</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Net cash flows from (to) operating activities	33,392,731	33,897,665	28,313,485
Net cash flows from (to) investing activities	(25,729,219)	(28,604,378)	(10,054,530)

Net cash flows from (to) financial activities	(8,558,744)	(4,537,113)	(17,341,922)
<b>Net increase in cash and cash equivalents</b>	<b>(895,232)</b>	<b>756,174</b>	<b>917,034</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>2,134,809</b>	<b>1,378,635</b>	<b>461,601</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>1,239,577</b>	<b>2,134,809</b>	<b>1,378,635</b>

Source: IFRS Financial Statements

#### 4.9 Research and Development, Patents and Licences

Neither the Company nor the Group has patents, licenses. Furthermore, they do not have and did not apply research and development policies.

#### 4.10 Trend Information

The Group expects that it will face the following trends and events in the foreseeable future:

- moderate growth of tissue consumption in local and neighbouring markets,
- continuous increase in corrugated packaging consumption in local and nearby foreign countries,
- decline in costs of goods sold as a result of capital investments in energy efficiency increasing programs,
- change in the sale structure due to the acquisition of new hygiene paper production line.

**Information on any known 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**

There are no such trends, uncertainties, demands or events.

#### **Significant negative changes, related to the perspective of the Issuer**

The Issuer confirms that as from the date of announcement of the last financial statements, no significant negative changes took place, related to the perspective of the Issuer.

#### 4.11 Profit Forecasts

According to the notification on material event of 11 January 2013 the Company presented the information on Company's and Group's profit forecasts for the year 2013. Taking into consideration that these forecasts were not audited as well as that they were prepared not for the purposes of Offering of the Offer Shares and/ or Admission of the New Shares, and thus, when concluding the forecasts possible raising of funds during the Offering was not considered, respectively, while compiling the forecasts it was not clear, what effect the Offering and Admission would have towards the results of the Company and the Group during 2013 (this information is not known on the day of this Prospectus as well), the risk arises that the announced forecasts of the Company and of the Group may be not accurate. For these purposes the shareholders of the Company and the investors should not rely on the forecasts while taking the decision on acquisition of the Offer Shares of the Company until their renewal.

For the indicated reasons also because the announced forecasts of the Group and the Company were not audited, they are not included into the Prospectus.

#### 4.12 Administrative, Management and Supervisory Bodies and Senior Management

##### 4.12.1 Management Structure of the Company

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

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, submitting proposals to the Management Board or Manager to revoke their decisions, 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 President), calling the General Meetings, adoption of other corporate decisions which are economically feasible for the Company, etc.

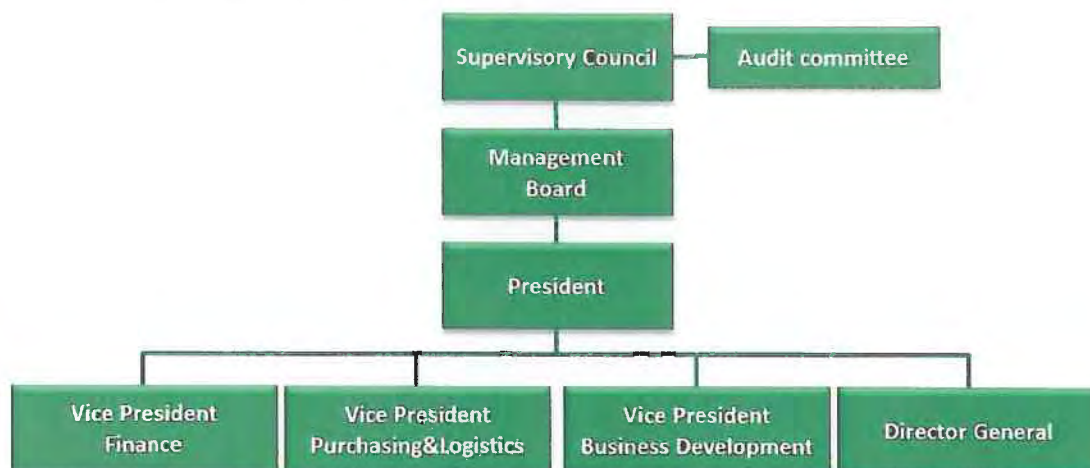


The Manager is responsible for the day-to-day management of the Company and enjoys the exclusive right of representing the Company vis-à-vis third parties.

In addition, the Company employs several Key Executives: the Vice President, Finance and the Vice President, Business Development, Vice President, Purchasing & Logistics, as well as Director General. All the Key Executives of the Company are directly subordinated and report to the President.

The internal management structure of the Company is indicated below.

**Figure 8. Internal management structure of the Company**



#### 4.12.2 Members of the Administrative, Management and Supervisory Bodies and Key Executives

##### Supervisory Council

The Company's Supervisory Council is currently comprised of five members elected for the tenure of four years.

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 Grigiškės AB, Vilnius str. 10, LT-27101 Grigiškės, Lithuania. The list of the members of the Supervisory Council is presented below.

**Table 30. Members of the Supervisory Council**

Name	Position in the Company
Norimantas Stankevičius	Chairman of the Supervisory Council
Tautvilas Adamonis	Member of the Supervisory Council
Romualdas Juškevičius	Member of the Supervisory Council
Algimantas Goberis	Member of the Supervisory Council
Daiva Duksienė	Member of the Supervisory Council

**Norimantas Stankevičius.** Norimantas Stankevičius (56 years) acquired university education by graduating from the Faculty of Physics, Vilnius University. In 1990–1993 he was the Deputy Manager of LGA UAB, in 1994–2010 he was the Manager of Didma UAB, and since 2011 he has been the Project Manager of Didma UAB; as well as the Manager of Naras UAB. Norimantas Stankevičius holds 51% of shares in Didma UAB, 62.48% of shares in Naras UAB, 100% of shares in Bakenas UAB, 62% of shares in Statybų Namai UAB, 62% of shares in Technikos Namai UAB and 13% of shares in Ginvildos Investicija UAB.

**Tautvilas Adamonis.** Tautvilas Adamonis (59 years) acquired university education from Vilnius Gediminas Technical University (his speciality is industrial and civil engineering). He has been the Manager of Remada UAB since 1996 and the Manager of Remados Statyba UAB since 2009. Tautvilas Adamonis holds 100% of shares in Remada UAB and Remados Statyba UAB.

**Romualdas Juškevičius.** Romualdas Juškevičius (57 years) acquired university education by graduating from the Faculty of Physics, Vilnius University (his speciality is a physicist), he also lectures in the said faculty. He was the Head of the Marketing Division of Vilniaus Vingis AB in 1997–1999, Deputy General Manager of Žemės Ūkio Informacijos ir Kaimo Verslo Centras VŠĮ in 2000–2002, he has been the Head of the General Service Division of the said institution since 2003.

**Algimantas Goberis.** Algimantas Goberis (56 years) acquired college education in Kalvarijos Food Industry Technical School (his speciality is technology of the milk industry). He does not participate in any other legal entities in addition to the Company.

**Daiva Duksienė.** Daiva Duksienė (45 years) acquired university education by graduating from the Faculty of Economics, Vilnius University (her speciality is trade economics). She has been the Chief Financial Officer of Autodina UAB since 2002 and the Chief Financial Officer of Vilturas UAB since 2004. In 1994–2005 Daiva Duksienė was the owner of D. Duksienė's sole proprietorship Grida.

### 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 Grigiškės AB, Vilniaus str. 10, LT-27101 Grigiškės, Lithuania. The list of the members of the Management Board is presented below.

**Table 31. Members of the Management Board**

Name	Position in the Company
Gintautas Pangonis	Chairman of the Management Board
Nina Šilerienė	Member of the Management Board
Normantas Paliokas	Member of the Management Board
Vytautas Juška	Member of the Management Board
Vigmantas Kažukauskas	Member of the Management Board

**Gintautas Pangonis.** Gintautas Pangonis (52 years) acquired university education by graduating from the Kaunas University of Technology. He was the Manager of Marijampolės Pašto, Telefono Ir Telegrafo VĮ in 1991–1992, the Manager of the Marijampolė Branch of Lietuvos Telekomas AB in 1992–1994, the State Secretary – the Director of the Telecommunications Department of the Ministry of Communications and Information Technology of the Republic of Lithuania in 1994–1997, the advisor to the Government of the Republic of Lithuania on communications and information technology in 1997, the General Manager of Lietuvos Telekomas AB in 1997–1998, the Executive Vice-President of Lietuvos Telekomas AB in 1998, the General Manager of Bitė GSM UAB in 1999 and the Chairman of its Board later. Gintautas Pangonis does not have any securities, shares, etc. in other companies in addition to his participation in the authorised capital of Ginvildos Investicija UAB and the Company, as mentioned in Section 4.12.5 *Conflicts of Interest of Members of the Administrative, Management and Supervisory Bodies and Key Executives*.

**Nina Šilerienė.** Nina Šilerienė (58 years) acquired university education by graduating from the Lithuanian University of Agriculture (her speciality is analysis of accounting, control and economic activity). In 1987–2001 she was the Chief Financial Officer of a branch of Lietuvos Telekomas AB, in 2001–2003 she was the Chief Financial Officer of the Company. Nina Šilerienė does not have any securities, shares, etc. in other companies in addition to her participation in the authorised capital of the Company as mentioned in Section 4.12.5 *Conflicts of Interest of Members of the Administrative, Management and Supervisory Bodies and Key Executives*.

**Normantas Paliokas.** Normantas Paliokas (54 years) acquired university education from Vilnius Gediminas Technical University (his speciality is architecture), he also completed studies of architecture and design in N. Krupskaya Leningrad Art Academy. In 1992–1994 he was the Head of the Vilnius Branch of Didma UAB, in 1995–1997 the Manager of the Finnish company Hela for Lithuania, Belarus and Ukraine. Normantas Paliokas does not participate in the capital of any legal entities.

**Vytautas Juška.** Vytautas Juška (60 years) acquired university education by graduating from the Kaunas University of Technology (his speciality is mechanical engineer). In 1986–1989 he was the Head of the Metering Converters Laboratory of the Vilnius Territorial Computation Centre under the Vilnius Branch of the Research Institute of the Experimental Metal Cutting Machines (ENIMS), in 1989–1991 he was the Deputy Chief Engineer of the Pilot Plant *Precizika* of the Vilnius Branch of the Research Institute of the Experimental Metal Cutting Machines, in 1991–1995 he was the Manager of the Manufacturing Department and the Head of the Manufacturing Division of the Lithuanian – American joint venture Brown and Shape – Precizika, in 1995–2005 he worked in Bitė Lietuva UAB (in 1995–2000 he was the Manager of the Administration, in 2000–2004 the Centralised Procurements Manager, in 2004–2005 the Manager for Procurements and Services), in 2005–2008 the Manager of the Procurements and Services Division of Lietuvos Draudimas AB, in 2008–2009 he worked in Lietuvos Energija AB (in 2008–2009 the Manager of the Procurements and Asset Management Department, in 2009 the Manager of the Procurements Department). Vytautas Juška holds 32,026 shares in scientific-manufacturing public limited liability company PRECIZIKA.

**Vigmantas Kažukauskas.** Vigmantas Kažukauskas (50 years) acquired university education by graduating from the Kaunas University of Technology (his speciality is electrical engineer). In 1997–1999 he was the Manager of the Network Department of Lietuvos Telekomas AB, in 1999–2001 the Manager of the Vilnius Branch of Columbus IT Partner UAB, in

2001–2003 the Manager of the Administration Department of the Company, in 2003–2006 the Manager of Baltwood UAB. Vigmantas Kažukauskas does not have any securities, shares, etc. in other companies in addition to his participation in the authorised capital of the Company, as mentioned in Section 4.12.5 *Conflicts of Interest of Members of the Administrative, Management and Supervisory Bodies and Key Executives*.

## Key Executives

**Table 32. Key Executives**

Name	Position in the Company
Gintautas Pangonis	President
Nina Šilerienė	Vice President, Finance
Vigmantas Kažukauskas	Vice President, Business Development
Vytautas Juška	Vice President, Purchasing & Logistics
Robertas Krutikovas	Director General

**Robertas Krutikovas** (35 years) acquired university education by graduating from Kaunas University of Technology. He was a Manager of Purchasing department at Grafobal Vilnius AB in 2000–2003, Manager of Commercial department at Grafobal Vilnius AB in 2003–2004, Director of POLO AG representative Office Baltic states & Belarus in 2004–2008, Director of Corrugated board department of the Company in January 2008 – September 2010, Director of Paper department of the Company in September 2010 – May 2012. Robertas Krutikovas is the Director General of the Company from June 2012. Robertas Krutikovas does not have any securities, shares, etc. in other companies in addition to his participation in the authorised capital of the Company, as mentioned in Section 4.12.5 *Conflicts of Interest of Members of the Administrative, Management and Supervisory Bodies and Key Executives*.

Information on all other the Key Executives is provided in Section *Management Board* above.

### 4.12.3 Principal Activities Outside the Company of Members of the Management and Supervisory Bodies

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 2007) is provided below. The table below does not include the positions held within the Company.

**Table 33. Principal activities of the members of the Management Board, members of the Supervisory Council and the Key Executives outside the Company<sup>1</sup>**

Name	Legal person	Position	Since	Until	Holds currently
<b>Norimantas Stankevičius</b>	<u>Group companies:</u>				
	Baltwood UAB	Member of the Management Board	2011	2012	No
	<u>Other Companies:</u>				
	Didma UAB	Project Manager	2010	–	Yes
	Naras UAB	Manager	2012	2012	No
<b>Tautvilas Adamonis</b>	<u>Other companies:</u>				
	Remada UAB	General Manager	1996	–	Yes
	Remados statyba UAB	Manager	2009	–	Yes
<b>Gintautas Pangonis</b>	<u>Group companies:</u>				
	Klaipėdos kartonas AB	Chairman of the Management Board	2010	2014	Yes
	Naujieji Verkiai UAB	Chairman of the Management Board	2013	2017	Yes
	Baltwood UAB	Chairman of the Management Board	2012	2016	Yes
	Ekotara UAB	Chairman of the Management Board	2013	2017	Yes

<sup>1</sup> Members of management and supervisory bodies, about which no information is provided in this table do not hold any positions in management boards or supervisory councils of any other legal persons, except the Company.



Name	Legal person	Position	Since	Until	Holds currently
		Board			
	Grigiškių energija UAB	Chairman of the Management Board	2011	2015	Yes
	Klaipėda Recycling UAB	Member of the Management Board	2012	2014	Yes
	Mena Pak PAT	Member of the Supervisory Council	2011	2016	Yes

Name	Legal person	Position	Since	Until	Holds currently
<b>Nina Šilerienė</b>	<b>Group companies:</b>				
	Klaipėdos kartonas AB	Member of the Management Board	2010	2014	Yes
	Naujieji Verkiai UAB	Member of the Management Board	2013	2017	Yes
	Baltwood UAB	Member of the Management Board	2012	2016	Yes
	Ekotara UAB	Member of the Management Board	2013	2017	Yes
	Grigiškių energija UAB	Member of the Management Board	2011	2015	Yes

Name	Legal person	Position	Since	Until	Holds currently
<b>Normantas Paliokas</b>	<b>Other companies:</b>				
	Didma UAB	Head of Vilnius Representative Office	1997	–	Yes
	Ginvildos investicija UAB	Manager	2001	–	Yes

Name	Legal person	Position	Since	Until	Holds currently
<b>Vytautas Juška</b>	<b>Group companies:</b>				
	Baltwood UAB	Member of the Management Board	2012	2016	Yes
	Grigiškių energija UAB	Member of the Management Board	2011	2015	Yes

Name	Legal person	Position	Since	Until	Holds currently
<b>Vigmantas Kažukauskas</b>	<b>Group companies:</b>				
	Klaipėdos kartonas AB	Member of the Management Board	2010	2014	Yes
	Baltwood UAB	Member of the Management Board	2012	2016	Yes
	Naujieji Verkiai UAB	Member of the Management Board	2013	2017	Yes
	Naujieji Verkiai UAB	Manager	2009	–	Yes
	Ekotara UAB	Member of the Management Board	2013	2017	Yes
	Ekotara UAB	Manager	2013	–	Yes
	Grigiškių energija UAB	Manager	2011	–	Yes
	Grigiškių energija UAB	Member of the Management Board	2011	2015	Yes
	AGR Prekyba UAB	Manager	2010	–	Yes

Source: the Company

#### 4.12.4 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 fraud 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, except that in 2009 the member of the Management Board Vigmantas Kažukauskas and his spouse were imposed with fines by the Lithuanian Securities Commission (currently the LB) for late announcement to the Company on conclusion of transactions in Shares of the Issuer.

#### 4.12.5 Conflicts of Interest of Members of the Administrative, Management and Supervisory Bodies and Key Executives

3 (three) members of the Management Board – Gintautas Pangonis, Nina Šilerienė and Vigmantas Kažukauskas – are the direct shareholders of the Company, holding 0.22%, 0.07% and 0.33% Shares respectively. Furthermore, Director General Robertas Krutikovas owns 0.07% of Shares in the Company.

Furthermore, the Chairman of the Management Board Gintautas Pangonis indirectly, through Ginvidos investicija UAB, in which he owns 79% of all the shares of this company (13% of shares of this company are owned by the Chairman of Supervisory Council Norimantas Stankevičius), holds 48.79% Shares of the Issuer and votes in the General Meeting carried thereby.

It is possible that the direct and indirect shareholders of the Company (three of which are members of the Management Board and one – 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.

#### 4.13 Remuneration and Benefits

During the year 2012 the amount of remuneration paid (including any contingent or deferred compensation), and benefits in kind granted to the Management by the Issuer and its Subsidiaries for services in all capacities to the Issuer and its Subsidiaries amounted to LTL 863,050. The information on such amounts is provided in the table below.

**Table 34. Remuneration and benefits paid to Management Board, Supervisory Council and Key Executives, LTL**

Name	Position in the Company	Amount
Gintautas Pangonis	President, Chairman of the Management Board	243,228
Nina Šilerienė	Member of the Management Board, Vice President, Finance	159,982
Vigmantas Kažukauskas	Member of the Management Board, Vice President, Business Development	104,948
Vytautas Juška	Vice President, Purchasing & Logistics	149,700
Robertas Krutikovas	Director General	205,192

Source: the Company, unaudited

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, except that in 2012 the Company paid bonuses to its Supervisory Board and Management Board in total amount of LTL 120 thousand (in 2011 – LTL 100 thousand).

The amounts, paid to the managers and the managers of separate departments of the Company and the Group during the years 2010–2012 is indicated in table below (the amounts, indicated in table 18 above are also included in these values).

**Table 35. Salaries, paid to the Management, LTL**

	Group			Company		
	2012	2011	2010	2012	2011	2010
Salaries to the Management	2,191,983	1,901,055	1,750,288	931,135	1,144,661	1,105,321
Average number of managers during the year	17	15	14	6	8	8

Source: IFRS Financial Statements

There are no loans granted by the Group to the members of the Supervisory Council, Management Board or the Key Executives of the Company. Furthermore, there are no guarantees or warranties provided, according to which execution of their obligations is ensured, also there were no paid or counted amounts or transfer of assets.



#### 4.14 Board Practices

##### 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 36. Tenure of the Management Board, the Supervisory Council and the Key Executives of the Company**

Name	Position in the Company	In the position	
		Since	Until
<b>Supervisory Council</b>			
Norimantas Stankevičius	Chairman of the Supervisory Council	26 April 2011	Until the annual General Meeting, to be held in 2015
Tautvilas Adamonis	Member of the Supervisory Council	26 April 2011	
Romualdas Juškevičius	Member of the Supervisory Council	26 April 2011	
Algimantas Goberis	Member of the Supervisory Council	26 April 2011	
Daiva Dukšienė	Member of the Supervisory Council	26 April 2011	
<b>Management Board</b>			
Gintautas Pangonis	Chairman of the Management Board	26 April 2011	Until the annual General Meeting, to be held in 2015
Nina Šilerienė	Member of the Management Board	26 April 2011	
Normantas Paliokas	Member of the Management Board	26 April 2011	
Vytautas Juška	Member of the Management Board	26 April 2011	
Vigmantas Kažukauskas	Member of the Management Board	26 April 2011	
<b>Key Executives</b>			
Gintautas Pangonis	President	2 April 2001	Indefinite
Nina Šilerienė	Vice President, Finance	1 May 2001	Indefinite
Vigmantas Kažukauskas	Vice President, Business Development	4 September 2009	Indefinite
Vytautas Juška	Vice President, Purchasing & Logistics	11 February 2010	Indefinite
Robertas Krutikovas	Director General	21 January 2008	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 President (Gintautas Pangonis) may be revoked from the position by the Management Board 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.

##### **Information about members of the administrative, management or supervisory bodies' service contracts with the Issuer or any of its Subsidiaries providing for benefits upon termination of employment**

According to the Labour Code of the Republic of Lithuania, those who are employed in any Group company under an employment agreement 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.

##### **Audit Committee and Nomination and Remuneration Committee**

The Internal Rules of the Audit Committee were approved and its members were elected according to the decision of the Supervisory Council, dated 29 April 2011.

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

- to observe the process of preparation of a set of consolidated financial statements;

- to observe the effectiveness of internal control, risk management and internal audit systems in the Company. In case the functions of internal audit are not executed in the Company, the Audit Committee should periodically assess the necessity of such function;
- to make recommendations to the Supervisory Council with regard to the selection of external audit firm, its appointment and with the terms and conditions of agreement with the audit firm;
- to monitor the process of external audit;
- to monitor the independence and objectivity of the external auditor or audit firm;
- at least once a year to review the effectiveness of the process of external audit as well as the reaction of the Company's administration to the recommendations provided by the Audit Committee to the Company's administration;
- to perform other functions provided for in Lithuanian legal acts.

The members of the Audit Committee shall be appointed by the Supervisory Council. The Audit Committee consists of 3 members who have to be the members of the Supervisory Council. One member of the Audit Committee should be the independent member having at least 3 years experience in accounting or auditing. The criteria of independency are determined in the Internal Rules of the Audit Committee. The Supervisory Council has the right to withdraw the entire Audit Committees *in corpore* or their individual members and to appoint a new committee or individual members of the committee. The independent member of the Audit Committee may receive annual allowance designated by the decision of the general meeting of shareholders when distributing the profit of the Company.

The Audit Committee may adopt the decisions and the meeting shall be considered as valid if it is attended at least by 2 members. The committee's decisions shall be deemed adopted if they receive more votes in favour than against. The members of the Audit Committee do not have the right to refrain from voting.

Additionally the Audit Committee is obliged to provide its activity report to the Supervisory Council when approving the set of annual consolidated financial statements as well as within 30 days under the demand of the Supervisory Council but not more frequently than twice a year.

Current members of the Audit Committee are the following: Tautvilas Adamonis, Daiva Duksienė (independent member) and Norimantas Stankevičius.

The Issuer has not formed the Nomination and Remuneration Committee.

#### Compliance with the Corporate Governance Regime

Information on Company's compliance with Corporate Governance regime is provided in part 16 of the consolidated annual report of the Company for the year 2012.

#### 4.15 Employees

##### Number of Employees

On 31 December 2012 the Group had 890 employees (on 31 December 2011 – 997). The indicated reduction of number of employees of the Group was a natural process and was executed due to transfer of part of Company's business (hardboard manufacturing) to Baltwood UAB and optimization of number of employees in connection therewith as well as due to termination of lease of workshop Medžio plaušas BAB and dismissal of employees of it.

The breakdown of employees of the Group by the Group 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 37. The breakdown of employees of the Group by companies (on the last day of the year)**

<b>Company</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Grigiškės AB	291	283	448
Klaipėdos kartonas AB	200	197	192
Baltwood UAB	267	366	128
Naujieji Verkiai UAB	–(*)	–(*)	–(*)
AGR Prekyba UAB	–(*)	–(*)	–(*)
Klaipėda Recycling UAB	11	–(*)	–(*)
Ekotara UAB	–(*)	–(*)	–(*)
Grigiškių energija UAB	–(*)	–(*)	–
Mena Pak PAT	121	151	172

Company	2012	2011	2010
<b>Total for the Group:</b>	<b>890</b>	<b>997</b>	<b>940</b>

Source: the Company (data of the total number of employees for the Group and for the Company is audited; other data – unaudited)

(<sup>1</sup>) In the indicated Subsidiaries one-two employees are employed, who are all additionally employed in other Group companies, the data on employees of which is provided in the table.

**Table 38. The breakdown of employees of the Group by business segments<sup>2</sup>**

Business segment	2012	2011	2010
Manufacturing of paper and paper products	221	238	183
Manufacturing of hardboard and wood products	267	366	285
Manufacturing of raw materials for corrugated cardboard and related production	402	393	405
<b>Total for the Group:</b>	<b>890</b>	<b>997</b>	<b>940</b>

Source: the Company (data of the total number of employees for the Group and for the Company is audited; other data – unaudited)

### Collective Bargaining Agreement

The Company has a valid collective bargaining agreement with its employees' as of 27 April 2011. This agreement shall be valid until execution of the new collective bargaining agreement. The agreement establishes the following social guarantees that are not mandatory under the legal acts:

1. Employees are granted bonus for reaching 5, 10, 15, 20, 25, 30, 35, 40 years of service length in the Company:
  - a. 5 years – LTL 250;
  - b. 10 years – LTL 500;
  - c. 15 years – LTL 750;
  - d. 20, 25, 30, 35, 40 years – LTL 1,000.
2. If possible, the Company grants money for employees' children Christmas presents, and, in case of exclusively good Company's economic conditions and under the decision of the Management Board, the Company also grants money for employee's Christmas presents.
3. In case of good financial condition of the Company, it also organizes and pays for:
  - a. Christmas events and presents for employees' children;
  - b. Christmas events for the employees;
  - c. Summer events for the employees.
4. Company's employees who are parents of children going to I–V classes are granted a day off on the 1<sup>st</sup> of September.
5. Company evaluates every misfortune of the employee (disease, fire, accident at work etc.) and decides on possible material help on case by case basis.
6. The following benefits are granted in case of death:
  - a. 3 days (during the funerals) paid leave is granted in case of employee's close relative death;
  - b. 1 Company's staff average salary is paid to employee in case of family member's death, or to employees family members in case of the employee's death.

Baltwood UAB, under decision of manager of this company, also applies the collective bargaining agreement of Grigiškės AB to its employees.

### 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 4.12.5 *Conflicts of Interest of Members of the Administrative, Management and Supervisory Bodies and Key Executives*.

### Arrangements for involving the employees in the capital of the Issuer

There are no such arrangements.

### 4.16 Major Shareholders

On the day of this Prospectus the authorised capital of the Company is LTL 60,000,000 and is divided into 60,000,000 ordinary registered Shares with a nominal value of LTL 1 each. All the Shares issued by the Company entitle to equal voting rights to their holders.

<sup>2</sup> The data is provided without the employees of the Financial Department and of the independent departments; total data is provided taking into consideration the remarks of table 37.

In the table below the information is provided on shareholders of the Company having more than 5% of authorised capital of the Company on the date of this Prospectus.

**Table 39. Shareholders of the Company, holding more than 5% of the authorised capital of the Company**

No.	Shareholder	Number of owned shares and votes	Percentage owned, %
1.	Ginvildos investicija UAB	29,272,228	48.79
2.	Irena Ona Mišeikienė	8,731,686	14.55
3.	Rosemount Holding LLC	5,639,967	9.40

Source: the Company

#### Voting rights of major shareholders of the Issuer

All the Shares of the Issuer entitle equal voting rights to its shareholders.

#### Direct or indirect control over the Issuer

The aforementioned major shareholders of the Company control the Company directly. Furthermore, Chairman of the Management Board Gintautas Pangonis indirectly, through Ginvildos investicija UAB, in which he holds 79% of all the shares of this company (13% of shares of this company are held by the Chairman of the Supervisory Council Norimantas Stankevičius), holds 48.79% of Shares of the Issuer and voting rights, carried thereby in the General Meeting. Directly Gintautas Pangonis holds 0.22% Shares of the Issuer. Member of the Management Board Nina Šilerienė holds 0.07% Shares of the Issuer, member of the Management Board Vigmantas Kažukauskas – 0.33%, Director General Robertas Krutikovas – 0.07%.

According to the knowledge of the Issuer, there are no other direct or indirect control relations in the Issuer.

#### Arrangements, known to the Issuer, the operation of which may at a subsequent date result in a change in control of the Issuer

The issuer is not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Issuer.

#### 4.17 Related Party Transactions

The related parties of the Group and the Company are considered the following:

- Ginvildos Investicija UAB – the main shareholder of the Company;
- Subsidiaries of the Company;
- Didma UAB, Remada UAB and Naras UAB (companies related to the members of Supervisory Council).

Transactions with related parties include sales and purchases of goods and services in the ordinary course of business.

As at 31 December 2012, 2011 and 2010 the Group had no guarantees or pledges given or received in respect of the related party payables and receivables. The Company as at 31 December 2012, 2011 and 2010 had a guarantee issued to the bank to secure the loans of LTL 11,845 thousand and financial lease of LTL 251 thousand (31 December 2011 – LTL 2,800 thousand) of its subsidiary Baltwood UAB.

Related party receivables and payables are expected to be settled in cash or set-off against payables / receivables to / from a respective related party.

**Table 40.**

Group 2012	Sale of goods and services	Purchase of goods and services	Amounts receivables	Amounts payable
Ginvildos investicija UAB	32	148,180		52,938
Didma UAB	1,573	133,275		
Naujieji Verkiai UAB	12,024		1,492	
<b>TOTAL:</b>	<b>13,629</b>	<b>281,455</b>	<b>1,492</b>	<b>52,938</b>

Group 2011	Sale of goods and services	Purchase of goods and services	Amounts receivables	Amounts payable
Ginvildos investicija UAB	390	218,873		
Didma UAB	3,373	475,147		90,088
Naras UAB	3,959			

Naujieji Verkiai UAB	11,303		1,254	
<b>TOTAL:</b>	<b>19,025</b>	<b>694,020</b>	<b>1,254</b>	<b>90,088</b>

<b>Group 2010</b>	<b>Sale of goods and services</b>	<b>Purchase of goods and services</b>	<b>Amounts receivables</b>	<b>Amounts payable</b>
Ginvildos investicija UAB	6,676	139,075		23,056
Didma UAB	601,815	360,022	183,899	
Naras UAB	55,249	3,700	12,286	
Naujieji Verkiai UAB	3,086		897	
<b>TOTAL:</b>	<b>666,826</b>	<b>502,797</b>	<b>197,082</b>	<b>23,056</b>

Source: IFRS Financial Statements

Table 41.

<b>Company 2012</b>	<b>Sale of goods and services</b>	<b>Purchase of goods and services</b>	<b>Amounts receivables</b>	<b>Amounts payable</b>
Baltwood UAB	21,009,321	9,248,462	1,166,340	
Ginvildos investicija UAB	32	148,180		52,938
Didma UAB	1,573	133,275		
Klaipėda Recycling UAB	2,828,974	220,450	54,170	
Klaipėdos kartonas AB	159,493	11,260,148	19,275	3,115,631
Naujieji Verkiai UAB	12,024		1,492	
<b>TOTAL:</b>	<b>24,011,417</b>	<b>21,010,515</b>	<b>1,241,277</b>	<b>3,168,569</b>

<b>Company 2011</b>	<b>Sale of goods and services</b>	<b>Purchase of goods and services</b>	<b>Amounts receivables</b>	<b>Amounts payable</b>
Baltwood UAB	4,501,283	3,325,979	3,580,133	
AGR Prekyba UAB	1,671		116,985	
Ginvildos investicija UAB	390	218,873		90,088
Didma UAB	3,373	475,147		
Naras UAB	3,959			
Naujieji Verkiai UAB	11,303		1,254	
Klaipėdos kartonas AB	407,965	10,542,891	84,707	1,752,916
<b>TOTAL:</b>	<b>4,929,944</b>	<b>14,562,890</b>	<b>3,783,079</b>	<b>1,843,004</b>

<b>Company 2010</b>	<b>Sale of goods and services</b>	<b>Purchase of goods and services</b>	<b>Amounts receivables</b>	<b>Amounts payable</b>
Baltwood UAB	2,429,075	2,573,362	3,841,528	
AGR Prekyba UAB	115,287		10,115,287	
Ginvildos investicija UAB	380	139,075		23,056
Didma UAB	2,548	313,427		
Naras UAB	55,205		10,047	
Naujieji Verkiai UAB	3,086		897	
Klaipėdos Kartonas AB	332,284	7,133,263	127,374	2,602,799
<b>TOTAL:</b>	<b>2,937,865</b>	<b>10,159,127</b>	<b>14,095,133</b>	<b>2,625,855</b>

Source: IFRS Financial Statements

Sales to Baltwood UAB mainly include sales of heating energy (steam) and other utilities services. Purchases from Baltwood UAB include purchases of packaging material and bio fuel.

Sales to Klaipėda Recycling UAB include sold investment property for LTL 2,800 thousand.

Purchases from Klaipėdos kartonas AB include purchase of testliner and fluting used as raw materials in the production. Accounts receivable and accounts payable to the related parties bear the same terms and conditions as receivables and payables to external customers and suppliers.



#### 4.18 Financial Information Concerning the Issuer's Assets and Liabilities, Financial Position and Profit and Losses

##### 4.18.1 Historical Financial Information

The Group's and the Company's audited financial information for the years 2010, 2011 and 2012 is provided below.

Since 2010 the Group consisted of Grigiškės AB, Baltwood UAB, Ekotara UAB (has not been operating in 2012, 2011 and 2010), Klaipėdos kartonas AB, Mena Pak PAT, Naujieji Verkiai UAB, AGR Prekyba UAB and Klaipėda Recycling UAB. The Group has registered a new subsidiary Grigiškių Energija UAB in October 2011.

The Group's and the Company's annual and quarterly financial statements are provided on its website <http://www.grigiskes.lt> as well as on <http://www.crib.lt> and on <https://newsclient.omxgroup.com>.

**Table 42. The Group's and Company's Balance Sheet**

LTL	Group			Company		
	As at 31 December 2012	As at 31 December 2011	As at 31 December 2010	As at 31 December 2012	As at 31 December 2011	As at 31 December 2010
<b>ASSETS</b>						
<b>Non-current assets</b>						
Property, plant and equipment	180,022,200	172,578,689	165,998,075	98,025,181	86,295,419	96,644,280
Investment property	3,237,646	4,722,791	4,949,000	3,237,646	4,722,791	4,949,000
Intangible assets	16,034,012	14,670,357	12,771,370	1,312,490	218,649	129,213
Investments into subsidiaries	–	–	–	40,755,923	37,950,923	5,358,923
Non-current receivables	319,318	51,298	61,847	278,019	1,701,303	13,347,028
Deferred income tax assets	–	–	–	153,650	–	–
<b>Total non-current assets</b>	<b>199,613,176</b>	<b>192,023,135</b>	<b>183,780,292</b>	<b>143,762,909</b>	<b>130,889,085</b>	<b>18,705,951</b>
<b>Current assets</b>						
Inventories	21,297,591	24,538,379	19,623,910	6,717,904	5,580,809	9,960,609
Accounts receivable	30,993,674	30,452,543	32,357,453	13,621,147	14,029,967	18,038,094
Other assets	964,596	1,046,261	1,513,830	335,881	365,015	482,562
Cash and cash equivalents	1,239,577	2,314,809	1,378,635	195,749	71,238	361,192
<b>Total current assets</b>	<b>54,495,438</b>	<b>58,171,992</b>	<b>54,873,828</b>	<b>20,870,681</b>	<b>20,047,029</b>	<b>28,842,457</b>
<b>TOTAL ASSETS</b>	<b>254,108,614</b>	<b>250,195,127</b>	<b>238,654,120</b>	<b>164,633,590</b>	<b>150,936,114</b>	<b>149,270,901</b>

LTL	Group			Company		
	As at 31 December 2012	As at 31 December 2011	As at 31 December 2010	As at 31 December 2012	As at 31 December 2011	As at 31 December 2010
<b>EQUITY AND LIABILITIES</b>						
<b>EQUITY</b>						
Share capital	60,000,000	60,000,000	60,000,000	60,000,000	60,000,000	60,000,000
Legal reserve	4,898,670	4,221,919	4,145,934	4,898,670	4,221,919	4,145,934
Foreign currency translation reserve	(354,420)	(59,777)	(53,388)	–	–	–
Retained earnings	39,461,183	31,356,702	20,273,624	34,826,430	28,221,313	15,962,278
Equity attributable to equity holders of	104,005,433	95,518,844	84,366,170	99,725,100	92,443,232	80,108,212

the parent						
Non-controlling interests	2,100,568	2,977,858	2,822,509	–	–	–
<b>Total equity</b>	<b>106,106,001</b>	<b>98,496,702</b>	<b>87,188,679</b>	<b>99,725,100</b>	<b>92,443,232</b>	<b>80,108,212</b>
<b>Liabilities</b>						
<b>Non-current liabilities</b>						
Grants and subsidies	8,214,716	8,732,291	8,410,520	8,099,580	8,732,291	8,410,520
Non-current borrowings	50,728,916	69,533,156	63,098,888	11,217,373	16,249,993	11,147,580
Financial lease obligations	3,184,230	4,052,409	7,156,940	2,865,026	3,626,050	6,813,065
Deferred income tax liability	1,999,364	1,790,088	3,927,139	–	417,613	2,052,891
Non-current employee benefits	648,608	789,363	730,067	169,349	170,095	370,053
Long-term trade payables	186,451	–	–	186,451	–	–
<b>Total non-current liabilities</b>	<b>64,962,285</b>	<b>84,897,307</b>	<b>83,323,554</b>	<b>22,537,779</b>	<b>29,196,042</b>	<b>28,794,109</b>

LTL	Group			Company		
	As at 31 December 2012	As at 31 December 2011	As at 31 December 2010	As at 31 December 2012	As at 31 December 2011	As at 31 December 2010
<b>Current liabilities</b>						
Current portion of long-term loans	14,285,395	12,023,517	15,253,992	7,265,600	3,500,642	4,318,342
Current borrowings	22,763,353	8,137,151	7,470,799	14,356,272	6,137,151	7,470,799
Current portion of financial lease obligations	3,254,648	3,752,086	4,242,460	2,726,658	2,936,417	3,787,762
Income tax payable	574,615	130,781	120,376	493,885	82,688	3,572
Trade and other payables	42,162,317	42,757,583	41,054,260	17,492,296	16,639,942	24,788,105
<b>Total current liabilities</b>	<b>54,495,438</b>	<b>66,801,118</b>	<b>68,141,887</b>	<b>42,370,711</b>	<b>29,296,840</b>	<b>40,368,580</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>254,108,614</b>	<b>250,195,127</b>	<b>238,654,120</b>	<b>164,633,590</b>	<b>150,936,114</b>	<b>149,270,901</b>

Source: IFRS Financial Statements

The Management Board of the Company decided to transfer one of the Company's segments – the production of wood fibre board – to 100% owned subsidiary Baltwood UAB on the 1<sup>st</sup> of December 2011, in exchange for newly issued shares of the subsidiary. These activities were transferred in order to increase efficiency of the Group's manufacturing processes and to optimize the acquisition of raw materials.

Table 43. The Group's and Company's Income Statement

LTL	Group			Company		
	As at 31 December 2012	As at 31 December 2011	As at 31 December 2010	As at 31 December 2012	As at 31 December 2011	As at 31 December 2010
Revenue	289,516,566	307,677,661	245,785,467	111,050,995	159,277,539	129,742,468
Cost of Sales	-243,970,026	-261,067,646	-213,055,227	-90,950,566	-136,304,010	-115,663,202
<b>Gross profit</b>	<b>45,546,540</b>	<b>46,610,015</b>	<b>32,730,240</b>	<b>20,100,429</b>	<b>22,973,529</b>	<b>14,079,266</b>
Other operating income	2,347,237	3,996,924	4,545,526	3,510,466	3,894,372	4,330,109
Selling and distribution expenses	-21,580,698	-18,795,162	-10,756,558	-7,399,223	-10,984,819	-9,025,765

General and administrative expenses	-12,282,835	-12,275,366	-11,129,268	-6,192,489	-6,598,517	-6,844,537
Other operating expenses	-829,978	-252,342	-430,472	-807,772	-231,525	-150,924
<b>Profit from operations</b>	<b>13,200,266</b>	<b>19,284,069</b>	<b>14,959,468</b>	<b>9,211,411</b>	<b>9,053,040</b>	<b>2,388,149</b>
Finance income	532,398	155,757	3,857	506,841	5,843,585	121,508
Finance expenses	-3,090,245	-7,375,881	-6,309,187	1,000,251	-1,408,967	-902,256
<b>Profit before income tax</b>	<b>10,642,419</b>	<b>12,063,945</b>	<b>8,654,138</b>	<b>8,718,001</b>	<b>13,487,658</b>	<b>1,607,401</b>
Income tax	-1,311,878	-720,311	-1,111,856	-236,133	-47,362	-87,692
<b>NET PROFIT</b>	<b>9,330,541</b>	<b>12,784,256</b>	<b>7,542,282</b>	<b>8,481,868</b>	<b>13,535,020</b>	<b>1,519,709</b>
<b>Other comprehensive income</b>						
Exchange differences on translation of foreign operations	-294,643	-6,389	-53,388	-	-	-
<b>Total comprehensive income for the year, net of tax</b>	<b>9,035,898</b>	<b>12,777,867</b>	<b>7,488,894</b>	<b>8,481,868</b>	<b>13,535,020</b>	<b>1,519,709</b>
<b>Profit attributable to:</b>						
The shareholders of the Company	9,358,500	12,654,614	7,200,526	8,481,868	13,535,020	1,519,709
Non-controlling interests	-27,959	129,642	341,756	-	-	-
<b>Total comprehensive income attributable to:</b>	<b>9,330,541</b>	<b>12,784,256</b>	<b>7,542,282</b>	<b>8,481,868</b>	<b>13,535,020</b>	<b>1,519,709</b>
The shareholders of the Company	9,063,857	12,648,225	7,147,138	8,481,868	13,535,020	1,519,709
Non-controlling interests	-27,959	129,642	341,756	-	-	-
<b>Basic and diluted earnings per share</b>	<b>0.16</b>	<b>0.21</b>	<b>0.12</b>			

Source: IFRS Financial Statements

**Table 44. The Group's and Company's Statement of Changes in Equity**

Group	Equity attributable to equity holders of the parent company					Non-controlling interest	Total equity
	Share capital	Legal reserve	Foreign currency translation reserve	Retained earnings	TOTAL:		
Balance as at 31 December 2010	60,000,000	4,145,934	-53,388	20,273,624	84,366,170	2,822,509	87,188,679
Net profit for the year	-	-	-	12,654,614	12,654,514	129,642	12,784,256
Other comprehensive income (expenses)	-	-	-6,389	-	-6,389	-	-6,389
Total comprehensive	-	-	-6,389	12,654,514	12,648,225	129,642	12,777,867

income							
(expenses) for							
the year							
Transfer to							
legal reserve	-	75,985	-	-75,985	-	-	-
Dividends							
declared	-	-	-	-1,200,000	-1,200,000	-269,844	-1,469,844
Disposal of							
controlling							
interests	-	-	-	-295,551	-295,551	295,551	-
<b>Balance as at</b>							
<b>31 December</b>							
<b>2011</b>	<b>60,000,000</b>	<b>4,221,919</b>	<b>-59,777</b>	<b>31,356,702</b>	<b>95,518,844</b>	<b>2,977,858</b>	<b>98,496,702</b>
Net profit for							
the year	-	-	-	9,358,500	9,358,500	-27,959	9,330,541
Other							
comprehensive							
income							
(expenses)	-	-	-294,643	-	-294,643	-	-294,643
Total							
comprehensive							
income							
(expenses) for							
the year	-	-	-294,643	9,358,500	9,063,857	27,959	9,035,898
Transfer to							
legal reserve	-	676,751	-	-676,751	-	-	-
Change of							
controlling							
interest				622,732	622,732	-622,732	-
Dividends							
declared	-	-	-	-1,200,000	-1,200,000	-226,599	-1,426,599
<b>Balance as at</b>							
<b>31 December</b>							
<b>2012</b>	<b>60,000,000</b>	<b>4,898,670</b>	<b>-354,420</b>	<b>39,461,183</b>	<b>104,005,433</b>	<b>2,100,568</b>	<b>106,106,001</b>

Source: IFRS Financial Statements

Company	Share capital	Legal reserve	Other reserves	Retained earnings	Total equity:
<b>Balance as at 31 December 2010</b>	<b>60,000,000</b>	<b>4,145,934</b>	<b>-</b>	<b>15,962,278</b>	<b>80,108,212</b>
Net profit for the year	-	-	-	13,535,020	13,535,020
Other comprehensive income (expenses)	-	-	-	-	-
Total comprehensive income (expense) for the year	-	-	-	13,535,020	13,535,020
Dividends declared	-	-	-	(1,200,000)	(1,200,000)
Transfer to legal reserve	-	75,985	-	(75,985)	-
<b>Balance as at 31 December 2011</b>	<b>60,000,000</b>	<b>4,221,919</b>	<b>-</b>	<b>28,221,313</b>	<b>92,443,232</b>
Net profit for the year	-	-	-	8,481,868	8,481,868
Other comprehensive income (expenses)	-	-	-	-	-
Total comprehensive income (expense) for the year	-	-	-	8,481,868	8,481,868
Dividends declared	-	-	-	(1,200,000)	(1,200,000)
Transfer to legal reserve	-	676,751	-	(676,751)	-
<b>Balance as at 31 December 2012</b>	<b>60,000,000</b>	<b>4,898,670</b>	<b>-</b>	<b>34,826,430</b>	<b>99,725,100</b>

Source: IFRS Financial Statements

Table 45. The Group's and Company's Statement of Cash Flows

	Group			Company		
	As at December 31 2012	As at December 31 2011	As at December 31 2010	As at December 31 2012	As at December 31 2011	As at December 31 2010
<b>Cash flows from (to) operating activities</b>						
Profit before income tax	10,642,419	12,063,945	8,654,138	8,718,001	13,487,658	1,607,401
<b>Adjustments for non- cash items:</b>						
Depreciation and amortisation net of grant	22,385,923	21,508,136	20,665,974	11,397,341	13,454,114	13,738,038
Finance (income) expenses, net	2,557,847	7,220,124	6,305,330	493,410	(4,434,618)	780,748
Loss (gain) on disposal of property, plant and equipment	(872,433)	(110,479)	(28,945)	(2,277,355)	(110,479)	13,925
Allowance (reversal) for slow moving inventory, write-off to net realizable value	(552,338)	573,362	(59,969)	(67,837)	(95,231)	(79,969)
Property, plant and equipment impairment losses (reversal)	(6,250)	(84,247)	–	(6,250)	(84,247)	–
Allowance for doubtful accounts receivable	4,896	(67,849)	120,959	141,446	(401,231)	(1,691)
	<b>34,160,064</b>	<b>41,102,992</b>	<b>35,657,487</b>	<b>18,534,430</b>	<b>21,815,966</b>	<b>16,058,452</b>
<b>Changes in working capital</b>						
(Increase) decrease in trade receivables and other receivables	(814,047)	1,983,308	(6,874,882)	1,690,658	623,470	(1,072,687)
(Increase) decrease in inventories	3,815,525	(5,487,831)	(4,028,409)	(1,182,558)	(121,972)	(892,193)
(Increase) decrease in other assets	81,665	467,569	(542,196)	29,134	109,405	48,329
Increase (decrease) in trade and other payables	243,970	1,068,671	8,904,986	(1,412,383)	(4,083,606)	10,474,098
	<b>3,327,113</b>	<b>(1,968,283)</b>	<b>(2,540,501)</b>	<b>1,949,617</b>	<b>(3,472,703)</b>	<b>8,557,547</b>
Interest (paid)	(2,490,845)	(3,136,315)	(3,331,828)	(990,120)	(1,265,123)	(859,236)
Income tax (paid)	(1,603,601)	(2,100,729)	(1,471,673)	(287,008)	(204,650)	–
<b>Net cash flows from (to) operating activities</b>	<b>33,392,731</b>	<b>33,897,665</b>	<b>28,313,485</b>	<b>19,206,919</b>	<b>16,873,490</b>	<b>23,756,763</b>

	Group			Company		
	As at December 31 2012	As at December 31 2011	As at December 31 2010	As at December 31 2012	As at December 31 2011	As at December 31 2010
<b>Cash flows from (to) investing activities</b>						
(Acquisition) of non-current assets	(27,242,546)	(29,757,180)	(20,484,979)	(21,606,162)	(25,021,841)	(18,025,618)
(Acquisition) of investments in subsidiaries (net of cash acquired in the Group)	–	–	2,347,079	(2,805,000)	(5,000)	(343,923)
Proceeds from sale of non- current assets	1,050,004	200,895	37,898	774,313	200,895	37,898
Grants and subsidies	449,920	948,295	8,043,997	326,560	948,295	8,043,997



received						
Interests received	13,403	3,612	1,475	13,195	3,611	119,125
Loans (provided)	–	–	–	–	–	(13,017,031)
<b>Net cash flows (to) investing activities</b>	<b>(25,729,219)</b>	<b>(28,604,378)</b>	<b>(10,054,530)</b>	<b>(20,497,094)</b>	<b>(23,874,040)</b>	<b>(22,841,629)</b>
<b>Cash flows from (to) financing activities</b>						
Dividends (paid)	(1,426,599)	(1,469,844)	(997,809)	(1,200,000)	(1,200,000)	(997,809)
Loans (repaid)	(14,128,196)	(18,738,269)	(21,096,310)	(3,605,072)	(8,661,095)	(4,627,975)
Proceeds from borrowings	12,212,036	20,191,269	10,420,729	10,556,531	19,991,269	10,420,729
Finance lease (payments)	(5,215,985)	(4,520,269)	(5,668,532)	(4,336,773)	(3,419,578)	(5,163,545)
<b>Net cash flows (to) financial activities</b>	<b>(8,558,744)</b>	<b>(4,537,113)</b>	<b>(17,341,922)</b>	<b>1,414,686</b>	<b>6,710,596</b>	<b>(368,600)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(895,232)</b>	<b>756,174</b>	<b>917,034</b>	<b>124,511</b>	<b>(289,954)</b>	<b>202,611</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>2,134,809</b>	<b>1,378,635</b>	<b>461,601</b>	<b>71,238</b>	<b>361,192</b>	<b>158,581</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>1,239,577</b>	<b>2,134,809</b>	<b>1,378,635</b>	<b>195,749</b>	<b>71,238</b>	<b>361,192</b>
<b>Supplemental information of cash flows:</b>						
<b>Non-cash investing activity:</b>						
Property, plant and equipment acquisitions financed by financial lease	3,850,368	847,513	139,373	3,401,990	403,054	38,185
Payable for the property, plant and equipment outstanding as at year end	3,264,316	2,663,900	2,223,741	1,318,509	2,455,103	2,223,741

Source: IFRS Financial Statements

The Group's and the Company's full IFRS Financial Statements including accounting policies and notes to the financial statements are incorporated by reference to the Prospectus and are publicly available on the website of the Company <http://www.grigiskes.lt> as well as on <http://www.crib.lt> and on <https://newsclient.omxgroup.com>.

#### 4.18.2 Audited Financial Statements

The IFRS Financial Statements of 2012 in the Prospectus were audited by KPMG Baltics UAB (license No. 001281), with its seat at Upės str. 21, LT-08128 Vilnius, Lithuania. KPMG Baltics UAB Mr Rokas Kasperavičius and Ms Ieva Voverienė (auditor license No. 000119 and 000329 respectively) is the signatory of the independent auditors' report on the IFRS Financial Statements, a member of the Lithuanian Chamber of Auditors.

In auditors opinions, the separate financial statements give a true and fair view of the financial position of the unconsolidated financial position of the Company as at 31 December 2012, 2011 and 2010, and of its unconsolidated financial performance and cash flows for the years then ended in accordance with the IFRS as adopted by the EU.

In auditors opinions, the consolidated financial statements give a true and fair view of the consolidated financial position of the unconsolidated financial position of the Company and its Subsidiaries as at 31 December 2012, 2011 and 2010, and of the unconsolidated financial performance and cash flows for the years then ended in accordance with the IFRS as adopted by the EU.

The IFRS Financial Statements of 2011 and 2010 in the Prospectus were audited by Ernst & Young Baltic UAB (license No. 110878442), with its seat at Subačiaus str. 7, LT-01302 Vilnius, Lithuania. Ernst & Young Baltic UAB Mr Jonas Akelis and Ms Asta Štreimikienė (auditor license No. 000003 and 000382 respectively) is the signatory of the

independent auditors' report on the IFRS Financial Statements (Mr Jonas Akelis is the signatory thereof only of the IFRS Financial Statements for the year 2010), a member of the Lithuanian Chamber of Auditors.

The Company and the Group applied the IFRS 1 "First-time Adoption of International Financial Reporting Standards" exemption for the valuation of certain buildings and structures at deemed cost, except that the date of transition has been established at the 31 December 2010 and not at 1 January 2009 as would be required by IFRS 1. The auditors were unable to determine the historical cost values or the fair values (as deemed cost) of non-current assets with a carrying value of LTL 13,050 thousand as of 1 January 2009 and LTL 11,742 thousand as of 31 December 2009 and the statement of comprehensive income for the year 2010. In auditors opinion on the Group's and the Company's financial statements for the period ended 31 December 2010 was qualified accordingly. In auditors opinion on the Group's and the Company's current period's financial statements was also qualified because of the possible effect of this matter on the comparability of the current period's figures and the comparative information.

In auditors opinion, except for the possible effect on the comparative information of the matter described in the paragraph above, the accompanying financial statements were present fairly, in all material respects, the financial position of the Group and the Company as of 31 December 2010 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU.

#### 4.18.3 Dividend Policy

The Company does not have an approved policy on dividend distributions and any restrictions thereon. Decision on distribution of dividends to shareholders is adopted by the General Meeting.

As from the year 2004 the Company has paid to its shareholders the following amounts of dividends:

**Table 46. Distributed amounts of dividends**

<b>Dividend for the year</b>	<b>Distributed dividends in total, LTL</b>	<b>Distributed dividends per share, LTL</b>
2004	2,000,000	0.05
2005	2,000,000	0.05
2006	2,000,000	0.05
2007	2,000,000	0.05
2008	0	0
2009	1,200,000	0.02
2010	1,200,000	0.02
2011	1,200,000	0.02
2012	1,200,000	0.02

*Source: the Company*

#### 4.18.4 Legal and Arbitration 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.

Notwithstanding the above, the Company is involved in the following legal proceeding, which is not considered to be material for the Company or the Group:

The public prosecutor has presented a claim to the court against the defendants – the National Land Service under the Ministry of Agriculture, the Company, Remada RUAB and bankrupting bank SNORAS for the invalidation of contracts, object exaction from unlawful possession and restitution. The case relates to an agreement for acquisition of land by the Company from the State and subsequent sale of the same parcel of land to Remada RUAB. The public prosecutor argues that the sale of land from the State to the Company was unlawful due to the fact that a forest of national importance was located on the said land plot at the time of sale.

The claimant (public prosecutor) requests the court to order the return of land to the State, payment of LTL 1,367,518 by the State to the Company, which in turn should pay LTL 1,660,679 to Remada RUAB. The court hearing shall be held on 13 June 2013. In case the court satisfied the claim of the prosecutor, the Company would be obliged to redeem the sum amounting to LTL 1,660,679 to the defendant Remada RUAB or appeal the decision to the Court of Appeals. The maximum exposure of the Company should not exceed the difference between the acquisition and sale price of the land – LTL 293,161.

#### 4.18.5 Significant Changes in the Issuer's Financial or Trading Position

On 15 January 2013 the Company signed the amendment to agreement with AS UniCredit Bank Lithuanian branch on overdraft facility of LTL 4,000 thousand (outstanding balance as at 31 December 2012 – LTL 3,900 thousand), according to which the term of the overdraft repayment was extended to 15 April 2013.

On 20 February 2013 the Company and SEB Bank AB signed a loan supply contract for LTL 35 million. The loan to be obtained as a result of the financing contract will be used to purchase a new paper manufacturing machine. This investment project will take two years and will involve more than LTL 53 million. It is planned to have the new production line operating by the end of 2014. The Company intends to purchase a new, up-to-date, European paper manufacturing machine. This paper manufacturing machine will be the most modern and will permit the Company to adapt more quickly to the ever-fluctuating needs of the market, to satisfy clients' requirements more satisfactorily, to produce a product of even higher quality and to expand the product range. It is foreseen that the production capabilities of the newest paper manufacturing machine will be double those that currently exist; and the new paper manufacturing machine will replace the two machines with the lowest output of the three paper manufacturing machines that are currently operating.

#### 4.19 Additional Information

##### 4.19.1 Share Capital

Table 47.

Name of securities	Number of securities	Nominal value, LTL	Total nominal value, LTL	Part in the share capital, %
Ordinary registered shares	60,000,000	1	60,000,000	100

Source: IFRS Financial Statements

On the date of this Prospectus a freefloat of Shares of the Issuer comprised of 15,984,704. The Shares, freely floating shall be deemed the Shares, which are owned by the shareholders of the Issuer, not holding more than 5% of share capital of the Issuer and if such shareholders are not related to other shareholders, holding more than 5% of share capital of the Issuer.

##### Amendments to share capital of the Issuer within 5 last years

Table 48.

Registration of the amended share capital	Amount of share capital prior to amendment, LTL	Amendment, LTL	Reason	Share capital after the amendment, LTL
22-05-2008	39,956,657	+ 20,043,343	Increase of the share capital from the Company's funds	60,000,000

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.

#### **4.19.2 Articles of Association**

##### **Issuer's objects and purposes**

Following paragraph 2.1 of the Articles of Association of the Company, the main purpose of the activities of the Company is to engage in manufacture, trade and provision of services in order to earn profit. Paragraph 2.2 establishes that the character of the business and commercial activities of the Company is:

- Manufacture of veneer sheets and wood-based panels;
- Manufacture of wood fibreboards coated with ornamental film;
- Manufacture of wooden containers;
- Manufacture of pallets, box pallets and other load boards of wood;
- Manufacture of other products of wood; manufacture of articles of cork, straw and plaiting materials;
- Manufacture of pulp;
- Manufacture of paper and paperboard;
- Manufacture of corrugated paper and paperboard and of containers of paper and paperboard;
- Manufacture of household and sanitary goods and of toilet requisites;
- Manufacture of toilet paper;
- Other printing;
- Manufacture of glues;
- Manufacture of other chemical products n.e.c.;
- Other manufacturing n.e.c.;
- Distribution of electricity;
- Trade of electricity;
- Steam and air conditioning supply;
- Hot water supply;
- Water collection, treatment and supply;
- Water supply for population;
- Sewerage;
- Waste collection, treatment and disposal activities; materials recovery;
- Development of building projects;
- Construction of residential and non-residential buildings;
- Construction of new buildings;
- Civil engineering;
- Construction of roads and motorways;
- Construction of railways and underground railways;
- Construction of bridges and tunnels;
- Construction of utility projects for fluids;
- Construction of utility projects for electricity and telecommunications;
- Construction of other civil engineering projects n.e.c.;
- Other specialised construction activities n.e.c.;
- Sale of cars and light motor vehicles;
- Sale of other motor vehicles;
- Maintenance and repair of motor vehicles;
- Non-specialised wholesale trade;
- Other retail sale in non-specialised stores;
- Other retail sale not in stores, stalls or markets;
- Freight transport by road;
- Transport via pipeline;
- Warehousing and storage;
- Service activities incidental to land transportation;
- Cargo handling;
- Other transportation support activities;
- Book publishing;
- Publishing of directories and mailing lists;
- Publishing of newspapers;
- Publishing of journals and periodicals;
- Other publishing activities;
- Publishing of computer games;
- Other software publishing;
- Sound recording and music publishing activities;
- Radio broadcasting;
- Television programming and broadcasting activities;
- Wired telecommunications activities;
- Wireless telecommunications activities;

- Satellite telecommunications activities;
- Other telecommunications activities;
- Computer programming activities;
- Computer facilities management activities;
- Other information technology and computer service activities;
- Data processing, hosting and related activities;
- Web portals;
- Other information service activities n.e.c.;
- Buying and selling of own real estate;
- Renting and operating of own or leased real estate;
- Real estate agencies;
- Management of real estate on a fee or contract basis;
- Advertising agencies;
- Media representation;
- Specialised design activities;
- Other professional, scientific and technical activities n.e.c.;
- Renting and leasing of cars and light motor vehicles;
- Renting and leasing of trucks;
- Renting and leasing of agricultural machinery and equipment;
- Renting and leasing of construction and civil engineering machinery and equipment;
- Renting and leasing of office machinery and equipment (including computers);
- Renting and leasing of other machinery, equipment and tangible goods n.e.c.;
- Leasing of non-financial intangible assets;
- Combined facilities support activities;
- Organisation of conventions and trade shows;
- Activities of collection agencies and credit bureaus;
- Other business support service activities n.e.c.;
- Technical and vocational secondary education;
- Sports and recreation education;
- Other personal service activities n.e.c.

The Company may engage in any lawful activity that is not in conflict with legal acts of the Republic of Lithuania.

#### **Bodies of the Issuer**

Pursuant to item 5.1 of the Articles of Association of the Company, the bodies of the Company are the following:

- the General Meeting of Shareholders (General Meeting);
- the Supervisory Council;
- the Management Board;
- the Manager (President).

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 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;
- 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 than 1/2 of all the votes conferred by the shares of the shareholders present at the General Meeting.

The Supervisory Council of the Company is a collegial body supervising the activities of the Company. The Supervisory Council shall be responsible for:

- 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 is a collegial management body of the Company. The Management Board:

- shall consider and approve:
  - o the operating strategy of the Company;
  - o the annual report of the Company;
  - o the interim report of the Company;
  - o the management structure of the Company, the positions of the employees and the systems for payment to the employees;
  - o the positions to which employees are recruited through competition;
  - o the salaries of the directors of departments of the Company and their job descriptions;
  - o 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 consent to the candidates offered by the Manager to his deputies as well as to the candidates to the positions, to which employees are recruited through competition;

- 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:
  - o adopt the decisions to become a promoter of or a member in other business entities;
  - o adopt the decisions to establish or terminate activities of affiliates or representative offices of the Company;
  - o adopt the decisions to invest, transfer, lease of long-term assets of the balance value exceeding 1/20 of the authorised capital of the Company (calculated individually for every type of transaction);
  - o adopt the decisions to mortgage and pledge of long-term assets of the balance value exceeding 1/20 of the authorised capital of the Company (per aggregate sum of transactions);
  - o 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 1/20 of the authorised capital of the Company;
  - o decisions to acquire long-term assets at a price exceeding 1/20 of the authorised capital of the Company;
  - o decisions on restructuring of the Company in the cases laid down by the Law on Restructuring of Enterprises of the Republic of Lithuania;
  - o 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:
  - o 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;
  - o the draft of set of annual financial statements and draft of profit (loss) distribution of the Company and together with the annual report shall present the same to the Supervisory Council and the General Meeting for consideration;
  - o 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 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.

Business operations of the Company are organised and conducted by the 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 Manager shall hire and dismiss employees, conclude and terminate employment contracts therewith, provide incentives and impose penalties. The Manager shall be responsible for:

- 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 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 in the source indicated in the Articles of Association (daily *Lietuvos rytas*);
- 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 Manager.

#### **Rights conferred by the Shares of the Company**

Pursuant to item 4.4 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 bequeath all or part of owned Shares to the ownership of other persons;
- to transfer all or part of owned Shares to the ownership of other persons;
- 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;
- to authorise other persons to vote in the General Meeting;
- 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 13 of the Articles of Association foresees, that:

- 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 item 6.15 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 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 OMX distribution system as a material event, and is also to be published on the Company's website <http://www.griqiskes.lt>.

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 must 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 must 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 in the Company 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 deliver by hand. The general ballot paper must also be available on the Company's website <http://www.grigiskes.lt> 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 Vilniaus str. 10, Grigiškės LT-27101, 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.

**4.20 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.

**4.21 Information on Holdings**

There are no undertakings 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.

## V SHARE SECURITIES NOTE

### 5.1 Working Capital Statement

The Management is of the opinion that the working capital available to the Company is sufficient to meet its present requirements for at least the next 12 months following the date of the Prospectus.

### 5.2 Capitalisation and Indebtedness

The tables below present a statement of capitalisation and indebtedness as at 31 March 2012:

<b>Item, LTL</b>	<b>31 March, 2013</b>
<b>Total Current Debt</b>	<b>37,992,513</b>
Guaranteed	0
Secured	37,992,513
Unguaranteed/ Unsecured	0
<b>Total Non-Current Debt (excluding current portion of long – term debt)</b>	<b>53,995,723</b>
- Guaranteed	0
- Secured	53,995,723
- Unguaranteed/ Unsecured	0
<b>Shareholder's Equity:</b>	<b>107,536,326*</b>
Share Capital	60,000,000
Legal Reserve	4,898,670
Other Reserves	-694,238
<b>Total</b>	<b>199,524,562</b>

Source: the Company, unaudited

\* including minority interest.

The Offering will influence the share capital of the Company – if all 5,700,000 nominal value Shares are allocated, the share capital will increase by LTL 5,700,000 to LTL 65,700,000.

<b>Item, LTL</b>	<b>31 March, 2013</b>
A. Cash	1,899,095
B. Cash Equivalent (Detail)	0
C. Trading Securities	0
<b>D. Liquidity (A) + (B) + (C)</b>	<b>1,899,095</b>
<b>E. Current Financial Receivable</b>	<b>0</b>
F. Current Bank Debt	23,552,023
G. Current portion of non-current debt	12,088,383
H. Other current financial debt	2,352,107
<b>I. Current Financial Debt (F) + (G) + (H)</b>	<b>37,992,513</b>
<b>J. Net Current Financial Indebtedness (I) - (E) - (D)</b>	<b>40,344,620</b>
K. Non-current Bank Loans	50,728,916
L. Bonds Issued	0
M. Other non-current Loans	3,266,807
<b>N. Non-current Financial Indebtedness (K) + (L) + (M)</b>	<b>53,995,723</b>
<b>O. Net Financial Indebtedness (J) + (N)</b>	<b>94,340,343</b>

Source: the Company, unaudited

### 5.3 Interest of Natural and Legal Persons Involved in the Offering

According to the knowledge of the Company, its Major Shareholders Ginvildos investicija UAB and Irena Ona Mišeikienė intend to participate in the Offering and subscribe for Offer Shares according to the terms and conditions of this Offering.

### 5.4 Reasons for the Offering and Use of Proceeds

The purpose of the Offering is to obtain additional equity financing necessary for the Group's core business activities. The Management has decided to issue additional 5,700,000 ordinary registered shares to provide a number of benefits to the issuer:



- Partial acquisition financing of new hygiene paper production line (50% of the Offering proceeds will be used for this purpose, the remaining part will be financed by debt and retained earnings);
- Further investments into energy efficiency programs (50% of the Offering proceeds will be used for this purpose, the remaining part will be financed by EU support, retained earnings and debt);
- Diversification of investors' base and increase stock liquidity.

The Offering consists solely of the sale of the existing Shares (Borrowed Shares). As a result of the Offering, the Issuer will receive proceeds of EUR 2,907,000 assuming all the Offer Shares are sold for the Offer Price. All net proceeds from the Offering shall be received by the Issuer.

## 5.5 Information Concerning the Securities to be Offered and Admitted to Trading

### Description of the Shares of the Company (including the Offer Shares and the New Shares)

<b>Type of the Shares:</b>	ordinary registered Shares
<b>ISIN number:</b>	LT0000102030. After the assimilation of the previous issue, ISIN number of the New Shares will be the same as the number of Shares, already admitted to trading on the OMX – LT0000102030
<b>Currency of Shares:</b>	LTL
<b>Form of Shares:</b>	Registered dematerialised shares in book-entry form. Entity currently in charge of keeping the records is Finasta AB FMJ, code 122570630, registered at the address Maironio str. 11, Vilnius, Lithuania

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 26 April 2013. In this meeting it was decided *inter alia* to withdraw the pre-emptive right of all the shareholders of the Company to acquire the New Shares and to grant the Lead Manager the right to subscribe for and acquire the New Shares for the purposes of the Offering, which shall act as an Offering Broker.

Due to the nature of the envisaged transaction and following the applicable laws, according to which there is no possibility to ensure the simultaneity of settlement for the subscribed shares of the company during the capital increase and provision of the new shares to the investors (delivery versus payment method), the Lending Shareholder agreed to borrow fully paid Borrowed Shares, which are already listed on the OMX, to the Lead Manager, the number of which shall be equal to the maximum number of New Shares to be issued during the capital increase of the Company (i.e. 5,700,000). Such Borrowed Shares (Offer Shares) will be used for the purposes of the Offering for settlement with investors, whilst the Lead Manager will use the proceeds of the Offering to subscribe for the New Shares and return them to the Lending Shareholder once the capital increase will be registered with the Register of Legal Persons and the New Shares are registered with the CSDL and assimilated with the currently registered issue of Shares and the New Shares are admitted to trading on the OMX (all these actions by CSDL and by OMX shall be executed simultaneously).

Thus, following the Offering of the Borrowed Shares (Offer Shares) by the Lead Manager, the procedures of capital increase of the Company following the decisions of the General Meeting of 26 April 2013 shall be performed, the purpose of which shall be to increase the authorised capital of the Company by the amount of nominal value of shares (Borrowed Shares) to be allocated to the Investors during this Offering by the Lead Manager. As indicated above the Lead Manager will use the proceeds of the Offering to subscribe for the New Shares and return them to the Lending Shareholder, which agreed to borrow the Borrowed Shares for the purposes of this Offering.

Following the indicated decisions of the General Meeting only the minimal issue price of New Shares was established, which is equal to the nominal value of Share, i.e. LTL 1. Accordingly total minimal issue price of all the issue of New Shares shall be equal to LTL 5,700,000 (in case all of them will be subscribed).

Final issue price of New Shares, which is equal to the Offer Price (the price of sale of Borrowed Shares to the Investors), was determined by the Management Board on 6 May 2013 and is indicated in Section *The Offering and Plan of Distribution – Offer Price* below.

The New Shares, the number of which shall be equal to the number of the allotted Offer Shares and which shall be paid by the Lead Manager from the proceeds of this Offering and returned to the Lending Shareholder shall be admitted on the Main List of the OMX once the capital increase of the Company is registered in the Register of Legal Persons and the New Shares are registered with the CSDL and assimilated with the currently registered issue of Shares.

## **Transfer restrictions**

There are no restrictions on transfer of Shares (including the Offer Shares and the New Shares) as they are described in the applicable Lithuanian laws.

## **Rights and obligations granted by securities**

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 4.19.2 *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 not executed obligations, the terms of which have matured until adoption of the relevant decision; (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 as at the end of the previous 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 matters described in the Section *Taxation*.

For more information on dividends please also see Section 4.18.3 *Dividend Policy*.

#### ***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, except for case when the purpose of reduction of the authorised capital is to cover the losses suffered by the Issuer.

#### **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 the Issuer 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 effected 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 daily *Lietuvos rytas*, report the same to the Register of Legal Persons and announce as a material event. 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 nominal 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).

## **Right to receive information**

According to the Articles of Association and 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 more than 1/2 of shares of the Company, have the right to access all documents of the Company subject to presenting a written pledge not to disclose a commercial (industrial) secret, confidential information. The Articles of Association foresees, that a charge for copying of documents and other information for the shareholder, which shall not exceed the costs of preparation of documents presented to the shareholder shall be required by the Company.

## **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.

## **An indication of the existence of any mandatory takeover bids and/or squeeze-out and sell-out rules in relation to the securities**

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.

As for the Company's shareholder Ginvidos Investicija UAB, as the shareholder who acquired shares of the Company before the effective date of the currently effective Law on Securities, it is subject to the threshold of 50% of votes at the general meeting of shareholders of the Company – in case it exceeds this threshold (acting independently or in concert with other persons) and does not transfer shares exceeding this threshold, it would have to announce and implement 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 (if any).

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, 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.

Following the decision of the Company's shareholders to delist the shares of the Issuer from the trading on the regulated market (such a decision is taken by the majority of  $\frac{3}{4}$  of all votes attaching to shares of the shareholders attending the general meeting of shareholders), a takeover bid must be submitted and implemented to buy-up the shares of the Issuer admitted to the regulated market. The mandatory takeover bid must be submitted by the shareholders who voted for the decision to delist the shares of the Issuer from the trading on the regulated market. One or several shareholders have the right to implement this duty for other shareholders. The shareholders who voted "against" or did not vote when the decision was taken to delist the shares of the Issuer from the trading on the regulated market operating in the Republic of Lithuania have the right to sell their shares during the effective term of the mandatory takeover bid.

#### **An indication of public takeover bids by third parties in respect of the Issuer's equity, which have occurred during the last financial year and the current financial year**

Within the indicated period no takeover bids were submitted by third parties in respect of the Issuer's equity.

#### **Taxation in Lithuania**

The following is a summary of certain Lithuanian tax implications of ownership and disposition of the Shares. The summary is based on the tax laws of Lithuania 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 and other tax implications of the Offering and 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.

#### ***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 20%.

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).

## **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.

### *Individuals*

Capital gains received from the sale of shares by the Lithuanian residents are subject to 15% personal income tax.

Capital gains from the sale of shares are not taxed if the shares are sold not earlier than 366 days after the date of their acquisition and the individual had not held more than 10% of the shares of the entity for three years preceding the end of the tax period during which the shares were sold. The application of the said exemption is restricted in respect of the shares received by the shareholder free of charge due to the increase in the issuer's share capital from its own funds or in case the nominal value of the sale shares was increased from the issuer's own funds (in which case the application of the exemption will be restricted solely to the income equal to the amount of the increase in the nominal value of the sale shares). Moreover, the application of the said exemption is restricted if shares are transferred to the issuer.

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.

## **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.

### **Value added tax**

Generally, under effective laws, share acquisition or transfer transactions are not subject to value added tax (VAT) in Lithuania.

### **Description of any restrictions on the free transferability of the securities**

There are no restrictions on the free transferability of the securities.

## 5.6 The Offering and Plan of Distribution

### General Information

The Issuer is offering up to 5,700,000 ordinary registered Shares (the "Offer Shares"). The Offer Shares are being offered at the Offer Price, which is equal to EUR 0.51 and its equivalent in Lithuanian Litas, equal to LTL 1.76 (based on the official EUR/LTL exchange rate of 1 / 3.4528).

This Offering consists of a public offering in Lithuania to: (i) existing shareholders of the Company (the "Existing Shareholders"), (ii) retail investors (the "Retail Investors") and (iii) legal persons who are institutional investors (which term includes entities managing portfolios of securities for their clients and unincorporated organizations) (the "Institutional Investors", and together with the Retail Investors and Existing Shareholders, the "Investors").

Only such prospective Investors will be eligible to participate in the Offering who at or by the time of placing their orders (before the end of the Subscription Period) have opened securities accounts with entities of their choice which are licensed to provide such services within the territory of the Republic of Lithuania.

For the purposes of the Offering no tranches of the Investors are being established. However, each of the Existing Shareholders are entitled and are guaranteed that, in case it will participate in the Offering (and subscribe for the below indicated number of Offer Shares), such an Existing Shareholder will be allocated the Offer Shares *pro rata* to the nominal value of its shareholding in the Company as at the close of 24 May 2013 or any lesser number of Offer Shares, in case it places an order for less Offer Shares, than indicated above (the "Guaranteed amount of Offer Shares"). The Retail Investors and the Institutional Investors (as well as the Existing Shareholders in case such Investors provide subscription orders for more Offer Shares, than the Guaranteed amount of Offer Shares to a respective Existing Shareholder – with regards to the amount of Offer Shares, exceeding the indicated guaranteed amount) shall have no guarantees as to acquisition of the Offer Shares, i.e. they may be allotted a lower number of Offer Shares than the number specified in such Investors' subscription orders, or may be not allotted any Offer Shares at all, pursuant to the terms and conditions set forth in the Prospectus (with the exception regarding the allotment to the Existing Shareholders, having participated in the Offering, which will be allotted the Guaranteed amount of Offer Shares to the respective Existing Shareholder in such case).

### Notices

Any notices relating to the final results of the Offering will be filed with the LB, and will be published as a material event *inter alia* on the website of the Issuer <http://www.griqiskes.lt> and the Offering Broker <http://www.orion.lt>. In addition, any notices relating to the approval of the Prospectus and its supplements (if any) which have to be published by the LB in accordance with Lithuanian law will be published on its website <http://www.lb.lt>.

### Corporate Resolutions and General Structure of the Offering

On 26 April 2013 the General Meeting adopted *inter alia* the following decisions: (i) to increase the authorised capital of the Issuer; (ii) to revoke the pre-emptive right to acquire the New Shares for the existing shareholders; (iii) to grant the Lead Manager the right to subscribe for and acquire the New Shares for the purposes of the Offering, which shall act as an Offering Broker; (iv) to authorise the Management Board to determine the final conditions of the Offering, including the right of the Existing Shareholders to subscribe for up to 5,700,000 of the Offer Shares *pro rata* to their shareholding in the Company; (v) to list the New Shares of the Issuer on the OMX; (vi) to authorise the Management Board to take corresponding actions and (vii) taking into consideration the increase of the authorised capital of the Company, to amend its Articles of Association.

Due to the nature of the envisaged transaction and following the applicable laws, according to which there is no possibility to ensure the simultaneity of settlement for the subscribed shares of the company during the capital increase and provision of the new shares to the investors (delivery versus payment method), the Lending Shareholder agreed to borrow fully paid Borrowed Shares, which are already listed on the OMX, to the Lead Manager, the number of which shall be equal to the maximum number of New Shares to be issued during the capital increase of the Company (i.e. 5,700,000). Such Borrowed Shares (Offer Shares) will be used for the purposes of the Offering for settlement with investors, whilst the Lead Manager will use the proceeds of the Offering to subscribe for the New Shares and return them to the Lending Shareholder once the capital increase will be registered with the Register of Legal Persons and the New Shares are registered with the CSDL and assimilated with the currently registered issue of Shares and the New Shares are admitted to trading on the OMX (all these actions by CSDL and by OMX shall be executed simultaneously).

Thus, following the Offering of the Borrowed Shares (Offer Shares) by the Lead Manager, the procedures of capital increase of the Company following the decisions of the General Meeting of 26 April 2013 shall be performed, the purpose of which shall be to increase the authorised capital of the Company by the amount of nominal value of shares (Borrowed Shares) to be allocated to the Investors during this Offering by the Lead Manager.

Following the indicated decisions of the General Meeting only the minimal issue price of New Shares was established, which is equal to the nominal value of Share, i.e. LTL 1. Accordingly total minimal issue price of all the issue of New Shares shall be equal to LTL 5,700,000 (in case all of them will be subscribed).

Final issue price of New Shares shall be equal to the Offer Price (the price of sale of Borrowed Shares to the Investors), which was set by the Management Board on 6 May 2013 at EUR 0.51, the equivalent of which in Lithuanian Litas is equal to LTL 1.76.

The New Shares, the number of which shall be equal to the number of the allotted Offer Shares and which shall be paid by the Lead Manager from the proceeds of this Offering and returned to the Lending Shareholder shall be admitted on the Main List of the OMX once the capital increase of the Company is registered in the Register of Legal Persons and the New Shares are registered with the CSDL and assimilated with the currently registered issue of Shares.

The Management Board, upon agreement concluded by the Issuer and the Offering Broker, will determine the final terms on which the Offer Shares will be offered, including: the final number of Offer Shares offered to Existing Shareholders, the Retail and Institutional Investors respectively. Upon the decision hereon, the Issuer will issue the New Shares.

For information on applicable selling restrictions in respect of the Offer Shares, please refer to Section 1.8 *Selling Restrictions* and for information regarding the rights pertaining to the Shares, please refer to Section 5.5 *Information Concerning the Securities to be Offered and Admitted to Trading*.

Thus, according to the information, provided above, the Offering shall be structured in the following order:

- (i) the subscriptions as to acquisition of the Offer Shares (Borrowed Shares) shall be received from the Investors as well as paid according to the order, described in this Prospectus;
- (ii) the Offering Broker shall borrow the Borrowed Shares (Offer Shares) from the Lending Shareholder, the number of which shall be equal to the number of the Offer Shares, to be allocated to the Investors, which shall be distributed to the Investors following the order, described in this Prospectus;
- (iii) the Offering Broker shall use the proceeds of the Offering to subscribe and pay for the New Shares;
- (iv) the Offering Broker shall return the New Shares to the Lending Shareholder upon registration of the capital increase of the Company with the Register of Legal Persons and registration of the New Shares with the CSDL as well as introduction thereof to trading on the OMX.

#### **Place of Subscription**

Subscriptions will be accepted at the offices of the Offering Broker, at the addresses A. Tumėno str. 4, Vilnius, Lithuania, and Savanorių ave. 363A, Kaunas, Lithuania.

Subscriptions will be accepted on a subscription form in Lithuanian or in English (for persons who are not Lithuanian residents). Retail Investors and Existing Shareholders are allowed to submit a copy of a signed subscription form to the Offering Broker by fax or email prior to submitting an original document to the office of the Offering Broker. Institutional Investors are allowed to submit a signed copy of a subscription form by fax or email and are not required to submit an original document. The Existing Shareholders, which are attributed to the Institutional Investors as such, are also not required to submit an original copy of the subscription form.

Subscriptions will be accepted if Investors have a brokerage account agreement with the Offering Broker or other entities of their choice, which are licensed to provide such services within the territory of the Republic of Lithuania. The subscription forms will be available at the offices of the Offering Broker and on the webpage of the Offering Broker (<http://www.orion.lt>).

Firms managing securities portfolios on a discretionary basis should place subscription orders for the Offer Shares by submitting the subscription order form along with a list of investors on whose behalf the subscription order is placed. The list must include details required to be included in the subscription order form with respect to each investor listed, and must be signed by persons authorised to represent the firm.

#### **Expected timetable of the Offering**

The expected timetable below lists expected key dates relating to the Offering on or around which the events listed below should occur. The Issuer reserves the right to change the timetable of the Offering. Should the Issuer decide to materially adjust the dates set out in the timetable, the Issuer will provide the LB with the relevant supplement to the Prospectus for the approval and publish such information (upon the approval of supplement) in compliance with applicable regulations, as well as market practices in Lithuania.

from 15 till 24 May 2013 (until 5 p.m. Vilnius time)	Accepting subscriptions from all the Investors and payment for the Offer Shares by Existing Shareholders and the Retail Investors
from 15 till 24 May 2013	Roadshow
not later than 28 May 2013	Determination of the preliminary allotment of the Offer



	Shares
29 May 2013	Payment for the Offer Shares by Institutional Investors
not later than 31 May 2013	Determination and announcement of the final number of the Offer Shares and the allotment between the Existing Shareholders and the Retail and Institutional Investors (the "Allotment Date")
not later than 31 May 2013	Settlement Date
in the beginning of June 2013	Trading in New Shares is expected to commence on the OMX

All times and dates referred to in this timetable may be adjusted by the Issuer, in consultation with the Offering Broker, if deemed necessary for the successful completion of the Offering and Admission. In particular, the Issuer upon recommendation from the Offering Broker, may extend the subscription period for the Offer Shares, base on monitoring the market. An extension of the subscription period will result in the postponement of the allotment date of the Offer Shares, as well as in the postponement of the date of listing of the New Shares on the OMX. Information of any changes in the above dates should be published on the websites of the Issuer (<http://www.grigiskes.lt>) and the Offering Broker (<http://www.orion.lt>).

Where required by law, any changes in the Offering dates should be published in the form of a supplement to the Prospectus. Information of any change of the dates should be published no later than on the originally set date, provided that if the period of acceptance of subscription orders is shortened, relevant information should be published no later than on the date preceding the last day (according to the new schedule) of the acceptance of subscription orders.

## Subscription Procedure

### **Existing Shareholders' subscription procedure**

Each of the Existing Shareholders are entitled and are guaranteed that, in case it will participate in the Offering (and subscribe for the below indicated number of Offer Shares), such an Existing Shareholder will be allocated the Offer Shares *pro rata* to the nominal value of its shareholding in the Company as at the close of 24 May 2013 or any lesser number of Offer Shares, in case it places an order for less Shares, than indicated above (Guaranteed amount of Offer Shares). Thus, persons, being shareholders of the Company at the close of 24 May 2013 (the Existing Shareholders) generally are entitled to acquire all the Offer Shares of the Company, in case all the Existing Shareholders will participate in the Offering and will subscribe for the number of Offer Shares, not less than *pro rata* to the nominal values of their shareholdings in the Company as at the close of 24 May 2013.

Pro rata to the nominal value of Shares of the Company, held by the shareholders of the Company as at the close of 24 May 2013, the number of Offer Shares that a relevant shareholder is guaranteed to be allotted by the Issuer during this Offering subject to the aforementioned conditions shall be calculated according to this formula:  $A = 5,700,000 \times k$ , in which:

A – the number of Offer Shares, which a respective Existing Shareholder is guaranteed to acquire and which the Company shall allot to the respective shareholder, in case it subscribes for not less than such number of Offer Shares;

k – coefficient, indicating which part of the Offer Shares is guaranteed by the Issuer to be allotted to the concrete Existing Shareholder of the Company, which shall be calculated according to the following formula:  $k = S/60,000,000$ , where S – number of Shares, held by the respective Existing Shareholder of the Company at the close of 24 May 2013. The value of coefficient k shall be rounded to eight digits after the comma, following the general arithmetic rules.

Calculated number of Offer Shares, which the concrete Existing Shareholder is entitled to acquire during this Offering and which the Company shall allot to such shareholder, in case it subscribes for not less than such a number of Offer Shares shall be rounded to the whole number according to the general arithmetic rules, in case it is with fractional part.

The Existing Shareholder of the Company at his own discretion may subscribe and acquire also any lesser number of Offer Shares than the number, calculated according to the aforementioned formula, which the respective Existing Shareholder would be allotted by the Company based on the indicated rules (in which case such Existing Shareholder would be allotted all such lesser number of Offer Shares). The Existing Shareholder may also not participate in the Offering and not subscribe for Offer Shares.

Furthermore, the Existing Shareholder may place a subscription order for any higher number of Offer Shares than the number, calculated according to the indicated formula. In such case the Existing Shareholder will be safely allotted the number of Offer Shares, calculated according to the aforementioned formula. The number of Offer Shares, exceeding the number, calculated according to the formula, shall be allotted following the general allocation order, as described in Section *Rules of Offer Shares allocation*, and there is no guarantee, that the Existing Shareholders shall be allotted with all the Offer Shares, exceeding the number thereof, calculated according to the aforementioned formula, it has placed a subscription for.



In any case, disregarding the number of Offer Shares, that a relevant Existing Shareholder intends to acquire (either the Guaranteed amount of Offer Shares, or the number, which is lesser or higher than the Guaranteed amount of Offer Shares), he/she/it may place a single subscription order for all the number of Offer Shares he/she/it intends to acquire.

#### ***Retail and Institutional Investors' subscription procedure***

Each Retail and Institutional Investor may subscribe for the minimum of one Offer Share.

Institutional Investors are also entitled to place multiple subscription orders.

#### ***General information regarding the subscription procedure***

At the time of placing a subscription order, Investors are required to make an irrevocable instruction for depositing the Offer Shares in a securities account maintained in their name.

By placing a subscription order, each Investor is deemed to have read this Prospectus and the Company's Articles of Association and accepted their content, as well as have read the terms of the Offering, consented to being allotted a lower number of Offer Shares than the number specified in such Investor's subscription orders, or to not being allotted any Offer Shares at all, pursuant to the terms and conditions set forth in the Prospectus.

An Investor may submit a subscription order either personally or via a representative whom the Investor has authorized (in the form required by law) to submit the subscription order. More detailed information concerning the identification of Investors, including requirements concerning documents submitted and the rules for acting through authorized representatives, can be obtained by Investors from the entities accepting subscription orders.

An Investor must ensure that all information contained in the subscription order is correct, complete and legible. The Issuer reserves the right to reject any subscription orders that are incomplete, incorrect, unclear or ineligible, or that have not been completed and submitted during the subscription period and in accordance with all requirements set out in these terms and conditions.

Any consequences of a form of subscription for the Offer Shares being incorrectly filled out will be borne by the Investor.

#### **Withdrawal of the Subscription Orders**

Subscription orders for the Offer Shares may be withdrawn (and new orders placed) at any time until the end of the Subscription Period. An investor will be liable for the payment of all fees charged by the Offering Agent in connection with the withdrawal or amendment of the subscription order.

Furthermore, a subscription for the Offer Shares may also be withdrawn when after the start of the Offering, a supplement is made public concerning an event or circumstances occurring before the allotment of the Offer Shares, of which the Issuer became aware before the allotment. The Investor who has made a subscription before the publication of the supplement may withdraw such subscription by submitting a written statement to the institution where the subscription was made, within two business days from the date of the publication of the supplement.

The repayments will be made in accordance with the subscription form within ten business days after making the statement on the subscription cancellation.

#### **Procedure and dates for payment and delivery for the Offer Shares**

Subscriptions for the Offer Shares by the Existing Shareholders and the Retail Investors should be fully paid for no later than on the day on which they are made. The full payment by the Existing Shareholders and by the Retail Investors means a payment equal to the number of the Offer Shares indicated in the subscription order multiplied by the Offer Price, indicated in this Prospectus. Payments by these Investors can be made by wire transfer and should be made either in EUR or in its equivalent in LTL, as indicated in this Prospectus, to the account of the entity accepting the subscription. The Existing Shareholders, which are attributed to the Institutional Investors as such, shall fully pay the Offer Shares as indicated in paragraph below.

By submitting a subscription, an Institutional Investor authorises and instructs the broker operating the Institutional Investor's cash account connected to its/his/her securities account to block the whole transaction amount on the Institutional Investor's cash account until the settlement is completed or funds are released in accordance with these terms and conditions. The transaction amount to be blocked will be equal to the Offer Price, multiplied by the number of Offer Shares which the Institutional Investor wishes to acquire. An Institutional Investor must ensure, that no later than on 29 May 2013, 5 p.m. (Vilnius time) there are sufficient funds on its/his/her cash account connected to securities account with the broker to cover the whole transaction amount, as indicated above.

All monetary amounts, paid by the Investors during the Offering may be executed either in EUR or in their equivalent in LTL.

Payments for the Offer Shares are interest free.

A legal consequence of non-payment on time or a partial payment for the Offer Shares will be the invalidity of the entire subscription, provided that in the case of the institutional Investors a partial payment before the deadline results in the subscription being valid only for the number of shares for which the payment has been made, ignoring fractional entitlements.

Delivery of the Offer Shares to the Existing Shareholders and to the Retail Investors, having participated in the Offering, shall be made not later than on 31 May 2013. Offer Shares allocated to the Institutional Investors will be transferred to their securities accounts on the same date (31 May 2013) through the delivery versus payment method simultaneously with the transfer of payment for such Offer Shares.

#### **Intentions of the shareholders and members of Management, Supervisory and Administrative bodies of the Issuer as to participation in the Offering**

According to the information available to the Issuer, obtained after a review carried out with due diligence, none of the present members of the management, supervisory or administrative bodies of the Issuer intend to subscribe for the Offer Shares. However, according to the knowledge of the Company, its Major Shareholders Ginvildos investicija UAB and Irena Ona Mišeikienė intend to participate in the Offering and subscribe for Offer Shares according to the terms and conditions of this Offering.

#### **Rules of Offer Shares allocation**

According to the decision of the General Meeting of 26 April 2013, the purposes of this Offering and Allocation are the following:

- (i) to finance expansion of Company's operations;
- (ii) to strengthen the Company's shareholders' base;
- (iii) to increase the liquidity of Shares of the Company in the secondary market; as well as
- (iv) it is aimed that during the Offering the Existing Shareholders would have a possibility to acquire the Offer Shares in proportion to the number of the Shares owned by them.

Thus, following the indicated purposes of the Offering, the Offer Shares will be allotted in accordance with the following principles:

- first, the Offer Shares will be allotted to the Existing Shareholders, having participated in the Offering *pro rata* to the nominal values of their shareholdings in the Company as at the close of 24 May 2013 – the number of the Offer Shares will be allotted based on subscription orders placed by the Existing Shareholders, but no more than the number of the Offer Shares that the Company guarantees each of the Existing Shareholders will be allotted according to the formula, indicated in Section *Existing Shareholders' subscription procedure* (Guaranteed amount of Offer Shares to a respective Existing Shareholder). The Issuer will not give preferential treatment or discriminate against and between the Existing Shareholders, while allotting the Offer Shares as indicated in this item;
- next, the remaining Offer Shares after allocation thereof to the Existing Shareholders as indicated in item above, will be allotted to the Retail and Institutional Investors as well as to the Existing Shareholders (with regards to the number of Offer Shares, subscribed by the Existing Shareholders, exceeding the Guaranteed amount of Offer Shares to a respective Existing Shareholder) at an absolute discretion of the Issuer and the Offering Broker, i.e. the total number of the Offer Shares allotted to the Retail Investors and the Institutional Investors, as well to the Existing Shareholders (having placed the subscriptions for more Offer Shares than the Guaranteed amount of Offer Shares to a respective Existing Shareholder, with regards to such exceeding number of Offer Shares), including a concrete number of Offer Shares, allocated to any individual Investor, will be determined by the Issuer with the Offering Broker at their absolute discretion. In case the Offer Shares will be allotted also to the Retail Investors, the Issuer will not give preferential treatment or discriminate against and between the Retail Investors, and in case for the purposes of allocation the subscription of any of such Investors will be reduced, the subscriptions of all other Retail Investors will also be subject to reduction in accordance with the proportionate reduction principle. The aforementioned rule shall not be applied towards the Existing Shareholders, in case they place the subscription for acquisition of the Offer Shares in excess of the Guaranteed amount of Offer Shares to a respective Existing Shareholder with regards to the amount of Offer Shares, exceeding the indicated guaranteed amount. Thus, none of such Existing Shareholders, participating in the allotment of Offer Shares according to this item is guaranteed that it/he/she will be allocated the number of Offer Shares, indicated in its/his/hers order (it may be allotted less Offer Shares, in any case not lesser than the Guaranteed amount of Offer Shares to a respective Existing Shareholder as indicated above). Fractional allocations (after the proportional reduction, if any) will be rounded down to the nearest integer value, and the remaining Offer Shares will be allocated to the Retail Investor who subscribed for the largest number of the Offer Shares.

The Issuer and the Offering Broker are not obliged to allocate any Shares to any Investors participating in the Offering. Furthermore, there is no target minimum individual allotment to the Investors.

### **Overallotment and overallotment option**

The Issuer will not grant any overallotment option of the green shoe type and therefore no overallotment is foreseen. No stabilisation will be undertaken.

### **Public announcement of the Offering results**

Information on the results of the Offering will be announced by way of the notification on material event according to the procedure of the applicable Lithuanian laws, including on the websites of the Issuer (<http://www.grigiskes.lt>) and the Offering Broker (<http://www.orion.lt>). Furthermore, the placement report will be filed with the LB within 3 business days as from the registration of the capital increase of the Issuer with the Register of Legal Persons.

### **Cancellation, Suspension or Postponement of the Offering**

The Issuer may cancel the Offering, upon recommendation of the Offering Broker or at its own initiative, at any time prior to the Settlement Date without disclosing any reason for doing so. The Issuer may also change the dates of opening and closing of the subscription period, or decide that the Offering will be postponed and that new dates of the Offering will be provided by the Issuer later.

The Issuer may cancel the Offering, upon recommendation of the Offering Broker if the Issuer considers it impracticable or inadvisable to proceed with the Offering. Such reasons include, but are not limited to: (i) suspension or material limitation of trading in securities generally on the OMX, as well as any other official stock exchange in the EU and the United States; (ii) sudden and material adverse change in the economic or political situation in Lithuania or worldwide; (iii) a material loss or interference with the Issuer's or its Group's business, or (iv) any material change or development in or affecting the general affairs, management, financial position, shareholders' equity or results of the Issuer's operations or the operations of the Group. In such an event, subscriptions for Offer Shares that have been made will be disregarded, and any subscription payments made will be returned without interest or any other compensation.

If the Offering is suspended, the Issuer may decide that subscriptions made and payments made will be deemed to remain valid, however for not longer than seven business days. In such case, Investors may withdraw subscriptions made by submitting a relevant statement to that effect within two business days after the report on the suspension is announced.

Any decision on cancellation, suspension, postponement or changes of dates of the Offering will be published by way of a material event notification and in a manner compliant with applicable regulations, as well as market practices in Lithuania.

If the Offering is cancelled or suspended, Investors who placed subscription orders and paid for the subscription will get their payments back:

- if the Offering is cancelled – within three business days after the public announcement by the Company of the Offering cancellation;
- if the Offering is suspended – within three business days after the date on which the Investor has made a statement cancelling his subscription or three business days after the date that the Issuer announces that the orders placed are not valid.

The timely repayment of money paid will be without any interest or compensation.

### **Offer Price**

The Offer Shares are being offered at the Offer Price, which was established by the Management Board at EUR 0.51 and the equivalent of which in Lithuanian Litas is equal to LTL 1.76. The Offer Price is the same for all the Investors.

### **Change of terms of the Offering**

In accordance with the relevant regulations in force in Lithuania applicable to public offerings and the admission of securities to trading on a regulated market, any significant change to the Prospectus, as defined in the aforementioned regulations, will be communicated through a supplement to the Prospectus, if required. The supplement to the Prospectus will need to be approved by the LB and published in the same manner as the Prospectus. If the supplement is published after approval of the Prospectus by the LB and relates to events or circumstances which occurred prior to the Allotment Date and about which the Issuer or the Offering Broker have learnt prior to the allotment, Investors who have placed their subscription orders before publication of the supplement will have a right to withdraw their subscriptions within two business days from the publication of the supplement to the Prospectus.

In such a case, if necessary, the Settlement Date will be adjusted in order to enable the Investors to withdraw their subscriptions.

Moreover, information resulting in changes to the content of the Prospectus or supplements already made available to the public in respect of the organization or conduct of subscription of Offer Shares or the Admission, which do not require publication of the supplement, will be published in the same manner as the Prospectus in compliance with applicable regulations. Such information will be simultaneously submitted to the LB. In such a case, the Investors shall not have a right to withdraw their subscriptions.

#### **Admission of the New Shares to trading on the regulated market**

All the Shares of the Company, including the Offer Shares, offered during this Offering, being borrowed by the Lead Manager from the Lending Shareholder for the purposes of this Offering are already admitted to trading on the Main List of the OMX.

The New Shares are issued following the decisions of the General Meeting, dated 26 April 2013. In this meeting it was decided *inter alia* to withdraw the pre-emptive right of all the shareholders of the Company to acquire the New Shares and to grant the Lead Manager the right to subscribe for and acquire the New Shares, which shall act as an Offering Broker.

Due to the nature of the envisaged transaction and following the applicable laws, according to which there is no possibility to ensure the simultaneity of settlement for the subscribed shares of the company during the capital increase and provision of the new shares to the investors (delivery versus payment method), the Lending Shareholder agreed to borrow fully paid Borrowed Shares, which are already listed on the OMX, to the Lead Manager, the number of which shall be equal to the maximum number of New Shares to be issued during the capital increase of the Company (i.e. 5,700,000). Such Borrowed Shares (Offer Shares) will be used for the purposes of the Offering for settlement with investors, whilst the Lead Manager will use the proceeds of the Offering to subscribe for the New Shares and return them to the Lending Shareholder once the capital increase will be registered with the Register of Legal Persons and the New Shares are registered with the CSDL and assimilated with the currently registered issue of Shares and the New Shares are admitted to trading on the OMX (all these actions by CSDL and by OMX shall be executed simultaneously).

Thus, following the Offering of the Borrowed Shares (Offer Shares) by the Lead Manager, the procedures of capital increase of the Company following the decisions of the General Meeting of 26 April 2013 shall be performed, the purpose of which shall be to increase the authorised capital of the Company by the amount of nominal value of shares (Borrowed Shares) to be allocated to the Investors during this Offering by the Lead Manager. As indicated above the Lead Manager will use the proceeds of the Offering to subscribe for the New Shares and return them to the Lending Shareholder, which agreed to borrow the Borrowed Shares for the purposes of this Offering.

Following the indicated decisions of the General Meeting only the minimal issue price of New Shares was established, which is equal to the nominal value of Share, i.e. LTL 1. Accordingly total nominal value of all the issue of New Shares shall be equal to LTL 5,700,000 (in case all of them will be subscribed).

Final issue price of New Shares shall be equal to the Offer Price (the price of sale of Borrowed Shares to the Investors), which was set by the Management Board on 6 May 2013 at EUR 0.51, the equivalent of which in Lithuanian Litas is equal to LTL 1.76.

The New Shares, the number of which shall be equal to the number of the allotted Offer Shares and which shall be paid by the Lead Manager from the proceeds of this Offering and returned to the Lending Shareholder shall be admitted on the Main List of the OMX once the capital increase of the Company is registered in the Register of Legal Persons and the New Shares are registered with the CSDL and assimilated with the currently registered issue of Shares.

The Issuer expects that the trading in the New Shares on the OMX will commence in the beginning of June 2013.

#### **Selling Securities Holder**

Offer Shares (Borrowed Shares) shall be sold to the Investors by the Lead Manager, which shall be lent to from the Lending Shareholder (Ginvildos investicija, UAB). The New Shares shall be subscribed and acquired by the Lead Manager, which upon execution of the formalities, indicated in Section *Admission of the New Shares to trading on a regulated market* above shall return the New Shares to the Lending Shareholder gratuitously.

#### **Offering Broker**

The Company has appointed Orion securities UAB FMJ, a private limited liability company established and existing under the laws of the Republic of Lithuania, corporate ID code 122033915, with its registered address at A. Tumėno str. 4, Vilnius, Lithuania, to act as the offering broker in Lithuania.

#### **Market Maker**

As of the Prospectus the Company has concluded an agreement in subject of market maker service for Shares admitted to trading on the OMX with Orion securities UAB FMJ, a private limited liability company established and existing under

the laws of the Republic of Lithuania, corporate ID code 122033915, with its registered address at A. Tumėno str. 4, Vilnius, Lithuania.

## **Dilution**

The issue of New Shares comprises of 9.50% of the Company's authorised capital prior to its increase. In case all the Offer Shares are allocated to the Investors and all the Existing Shareholder acquire Offer Shares, the holdings of the Existing Shareholders would not be diluted from the amount of Shares, held by them prior to increase of the authorised capital of the Company. In case none of the Existing Shareholders would participate in the Offering and all the Offer Shares would be acquired by the Retail and Institutional Investors, the indicated dilution would amount to 8.68%.

## **5.7 Placing**

### **Placement Agreement**

The Issuer and the Lending Shareholder intend to enter, prior to the Allotment Date, into a placement agreement (the "Placement Agreement") in respect of the Offering with the Offering Broker, in which the Offering Broker will commit to undertake certain actions in connection with organization of the Offering.

The Issuer, the Lending Shareholder and the Offering Broker do not expect to enter into an underwriting agreement.

The Offering Broker will act as an offering agent with respect to the Offer Shares for the purposes of the Offering and admission to trading on the OMX of the New Shares.

Following the preliminary calculations, the Issuer's expenses, related to this issue, shall comprise of up to LTL 500,000 (including the fees for the Lead Manager, the legal counsel, fees to the LB for approval of the Prospectus, fees to the CSDL and OMX and fees for the preparation of the Prospectus).

The final amount of expenses will be calculated after the Offering and will be publicly announced within two weeks from the Settlement Date.

The Issuer agreed to pay all commissions and expenses in connection with the Offering. However, Investors will bear their own costs connected with the evaluation and participation in the Offering, e.g. standard brokerage fees charged by broker. Investors may incur currency exchange costs, which will depend on applicable transaction fee and applied exchange rate by their bank or brokerage company.

### **Lock-up Agreements**

No lock-up agreements will be signed with respect to the Offering.

### **Interests of Natural and Legal Persons Participating in the Offering**

The Offering Broker has a contractual relationship with the Issuer and the Lending Shareholder in connection with the Offering and the Admission, and has been mandated to act as the offering agent for the Offering of the Offer Shares and listing of the New Shares on the OMX.

The Offering Broker and its affiliates have engaged in and may in the future engage in advisory services and other commercial dealings in the ordinary course of business with the Company and the Lending Shareholder and any of their affiliates. The Offering Broker and its affiliates have received and may in the future receive customary fees and commissions for these transactions and services.



**COMPANY**

Grigiškės AB  
Vilniaus str. 10, LT-27101 Grigiškės, Lithuania  
tel. +370 5243 5801  
fax. + 370 5243 5802

**LEAD MANAGER AND OFFERING BROKER**

Orion securities UAB FMĮ  
Tumėno str. 4, Vilnius, Lithuania  
tel. +370 5231 3833  
fax. +370 5231 3840

**LEGAL ADVISER**

*To the Lead Manager as to Lithuanian Law and as to  
Legal Due Diligence of the Group companies*  
TARK GRUNTE SUTKIENE  
Didžioji str. 23, LT-01128 Vilnius, Lithuania

**AUDITOR**

Ernst & Young Baltic UAB  
Subačiaus str. 7, LT-01302 Vilnius, Lithuania