



ĮMONIŲ GRUPĖ „ALITA“, AB

**REPORT OF THE BOARD OF THE GROUP OF COMPANIES ALITA AB TO
THE GENERAL MEETING OF SHAREHOLDERS OF THE GROUP OF COMPANIES ALITA AB**

28 September 2011
Alytus

Referring to paragraph 6 of Article 57 of the Law of the Republic of Lithuania on Companies, the Board of the company must submit a written report to the General Meeting of Shareholders which is supposed to discuss the withdrawal of the shareholders' pre-emptive right to acquire newly issued shares of the company.

As on 3 October 2011 the General Meeting of Shareholders of the Group of companies ALITA AB (hereinafter, the **Company**) will consider issues regarding (i) the increase of the authorised capital of the Company, by determining that after the authorised capital of the Company is reduced down to LTL 3,126,000, it will subsequently be increased up to LTL 20,000,000 by issuing 16,874,000 ordinary registered shares of the Company, the par value of LTL 1 each, and (ii) the withdrawal of the shareholders' pre-emptive right to acquire newly issued shares of the Company, the Board of the Company is presenting this written report to the General Meeting of Shareholders:

1. Reasons for withdrawal of the shareholders' pre-emptive right to acquire newly issued shares of the Company

On 7 September 2011 the Company's shareholder Vytautas Junevičius (hereinafter, the **Shareholder**) and the Company's creditor FR&R Invest, IGA S.A. (an investment company with Swedbank) (hereinafter, **FRR**) signed the Agreement on Entry into Equity Position, i.e. an agreement on acquisition of the Company's shares by way of conversion of the Company's debt owing to FRR into shares of the Company (hereinafter, the **Agreement**). By the Agreement the parties *inter alia* have agreed that the Company will issue 16,874,000 new shares of the Company and FRR will acquire the whole new issue of the shares paying for it the issue price equal to LTL 91,072,084 with additional monetary contributions. It is established in the Agreement that FRR will acquire all the newly issued shares by way of capitalisation of the Company's debt owing to FRR, i.e. payment for the new shares will be made by offsetting opposite homogeneous (i.e. monetary) claims of the Company and FRR (i.e. the Company's debt to FRR under the Credit Agreement and the debt of FRR to the Company arising out of the duty to pay the issue price for the newly issued shares). In such a way, after the closing of the transaction FRR will own about 84.4% of all the shares of the Company, whereas the financial liabilities of the Company will decrease by LTL 91,072,084.

Besides, on 2 August 2011 Swedbank, AB transferred to FRR the right of claim in the amount of LTL 96,333,120 against the Company arising out of the currently effective Credit Agreement No. 06-046799-KL of 29 June 2006 (as amended) (hereinafter, the **Credit Agreement**). At the closing of the transaction FRR will transfer to the Shareholder, under the terms and conditions set in the Agreement, the remaining part of the right of claim against the Company (amounting to LTL 5,261,036) that will have remained with FRR after the payment of the issue price for the newly issued shares. This will be done only provided that (i) the pre-emptive right of all the shareholders of the Company to acquire newly issued shares is withdrawn, (ii) FRR acquires all the newly issued shares and (iii) the authorised capital is increased and the new Articles of Association of the Company, reflecting the increase of the share capital, are registered with the Register of Legal Entities, the Shareholder covers some of the Company's losses by offsetting the Company's debt to the Shareholder and the debt in relation to payment of the contribution in the amount of LTL 5,261,036 that is due to be paid by the Shareholder.

Thus, it is planned that after the closing of the transaction, the Company's debt both to FRR and to the Shareholder will be covered, and consequently the Company's overall financial liabilities will decrease by

the total amount of LTL 96,333,120. The remaining debt of the Company to Swedbank, AB arising out of the Credit Agreement will be restructured at the closing of the transaction.

Thus, the implementation of the above-mentioned Agreement will be possible only in case the General Meeting of Shareholders of the Company grants the right to the Company's creditor FRR to acquire all the shares newly issued by the Company.

Therefore, we recommend the General Meeting of Shareholders of the Company to take a decision to withdraw the pre-emptive right from all the shareholders of the Company to acquire any of the newly issued 16,874,000 shares of the Company and to grant the right to subscribe for and acquire all the newly issued shares of the Company to the Company's creditor FRR.

2. Substantiation of the issue price of the shares to be issued by the Company

The Agreement between FRR and the Shareholder establishes that the Company will issue new ordinary registered shares of the Company that will make approximately 84.4% of all the shares of the Company (after such a new share issue is made). Therefore, taking into account that the General Meeting of Shareholders of the Company, before making the new share issue, is going to reduce the authorised capital of the Company down to LTL 3,126,000, for the purposes of implementation of the said Agreement, 16,874,000 new ordinary registered shares of the Company with the par value of LTL 1 each will be specifically issued. The total issue price of the newly issued shares, as indicated in the Agreement, will be equal to LTL 91,072,084, i.e. the amount which corresponds to the part of the total debt of the Company to FRR that is going to be converted into newly issued shares of the Company.

Following paragraph 2 of Article 45 of the Law of the Republic of Lithuania on Companies, the issue price of a share must not be less than its par value. Currently, the par value of one share of the Company is equal to LTL 1. The increase of the authorised capital of the Company in the above-mentioned way would not be in conflict with the requirement set in the Law of the Republic of Lithuania on Companies, as the newly issued shares will be sold (by way of setting off) for the price which is approximately equal to LTL 5.3971841 per share, i.e. the price of one share will be LTL 4.3971841 more than its par value.

3. The person to which it is suggested to grant the right to acquire the newly issued shares of the Company and the number of the shares to be issued that the said person has the right to acquire

The person that is suggested to acquire all the newly issued shares of the Company is the Company's creditor FR&R Invest, IGA S.A., the legal form of which is private limited liability company, organised and existing according to the laws of Luxembourg, legal entity code B161760, registered office located at 3a Rue Guillaume Kroll L-1882, Luxembourg, represented by Jan Åberg.

FR&R Invest, IGA S.A. is suggested to acquire all 16,874,000 ordinary registered shares to be newly issued of the Company with the par value of LTL 1 each.

Members of the Board of the Group of companies ALITA AB:

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Vytautas Junevičius

Paulius Kibiša

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Loreta Nagulevičienė

Martynas Grigalavičius