

**GRIGIŠKĖS AB**  
*CONSOLIDATED ANNUAL REPORT*  
*FOR THE YEAR 2012*

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## 1. REPORTING PERIOD FOR WHICH THIS INFORMATION HAS BEEN PREPARED

The statements have been prepared for the year 2012.

## 2. AUDIT INFORMATION

The Consolidated Annual Report of Grigiškės AB for the year 2012 has been prepared in accordance with the audited consolidated financial statements. The conformity of financial information presented in the Consolidated Annual Report with the consolidated financial statements for the year 2012 has been examined by the independent auditor.

## 3. GROUP COMPANIES AND THEIR CONTACT DETAILS

Grigiškės AB (hereinafter referred to as the Company or the Issuer) has eight subsidiaries: Klaipėdos kartonas AB, Baltwood UAB; Ekotara UAB; Naujieji Verkiai UAB, Mena pak PAT, AGR Prekyba UAB, Klaipėda recycling UAB and Grigiškių energija UAB.

Status	Issuer	Subsidiary	Subsidiary
Name	Grigiškės AB	Klaipėdos kartonas AB	Baltwood UAB
Company's ID No.	110012450	141011268	126199731
Authorised capital	60.000.000 LTL	41.001.895 LTL	32.537.000 LTL
Shares directly or indirectly controlled by Grigiškės AB	Company has not acquired any shares of itself	95,78%	100%
Address	Vilniaus st. 10, Grigiškės, Vilnius	Nemuno st. 2, Klaipėda	Vilniaus st. 10, Grigiškės, Vilnius
Phone	+370 5 243 58 01	+370 46 39 56 01	+370 5 243 59 00
Fax	+370 5 243 58 02	+370 46 39 56 00	+370 5 243 59 10
E-mail	<a href="mailto:info@grigiskes.lt">info@grigiskes.lt</a>	<a href="mailto:info@kartonas.lt">info@kartonas.lt</a>	<a href="mailto:info@baltwood.lt">info@baltwood.lt</a>
Internet address	<a href="http://www.grigiskes.lt">www.grigiskes.lt</a>	<a href="http://www.kartonas.lt">www.kartonas.lt</a>	<a href="http://www.baltwood.lt">www.baltwood.lt</a>
Legal form	Public Limited Liability Company	Public Limited Liability Company	Private Limited Liability Company
Date of registration	23 May 1991	22 September 1994	10 April 2003
Administrator of the register	State Enterprise Centre of Registers	State Enterprise Centre of Registers	State Enterprise Centre of Registers
Status	Subsidiary	Subsidiary	Subsidiary
Name	Ekotara UAB	Naujieji Verkiai UAB	Mena pak PAT
Company's ID No.	302329061	300015674	00383260
Authorised capital	10.000 LTL	100.000 LTL	4.012.000 UAH
Shares directly or indirectly controlled by Grigiškės AB	100%	100%	93,79%
Address	Vilniaus st. 10, Grigiškės, Vilnius	Popieriaus st. 15, Vilnius	Koshevovo st. 6, Chernihiv region, Mena, Ukraine
Phone	+370 5 243 58 01	+370 5 243 59 33	+380 4644 21341
Fax	+370 5 243 58 02	+370 5 243 58 02	+380 4644 21084
E-mail	<a href="mailto:info@grigiskes.lt">info@grigiskes.lt</a>	<a href="mailto:info@grigiskes.lt">info@grigiskes.lt</a>	<a href="mailto:menapack@ukr.net">menapack@ukr.net</a>
Internet address	<a href="http://www.ekotara.lt">www.ekotara.lt</a>	-	<a href="http://www.menapack.com.ua">www.menapack.com.ua</a>
Legal form	Private Limited Liability Company	Private Limited Liability Company	Public Limited Liability Company
Date of registration	10 April 2009	6 April 2004	30 December 1993
Administrator of the register	State Enterprise Centre of Registers	State Enterprise Centre of Registers	Chernihiv region, Mena dist. Public administration

Status	Subsidiary	Subsidiary	Subsidiary
Name	AGR Prekyba UAB	Klaipėda recycling UAB	Grigiškių energija UAB
Company's ID No.	302416687	302529158	302674488
Authorised capital	12.810.000 LTL	3.000.000 Lt	10.000 Lt
Shares directly or indirectly controlled by Grigiškės AB	100%	94,18%	100%
Address	Vilniaus st. 10, Grigiškės, Vilnius	Nemuno st. 2, Klaipėda	Vilniaus st. 14, Grigiškės, Vilnius
Phone	+370 5 243 5933	+370 46 395 601	+370 5 243 5933
Fax	+370 5 243 58 02	+370 46 395 600	+370 5 243 58 02
E-mail	<a href="mailto:vigmantas.kazukauskas@grigiskes.lt">vigmantas.kazukauskas@grigiskes.lt</a>	<a href="mailto:info@kartonas.lt">info@kartonas.lt</a>	<a href="mailto:vigmantas.kazukauskas@grigiskes.lt">vigmantas.kazukauskas@grigiskes.lt</a>
Internet address	-	-	-
Legal form	Private Limited Liability Company	Private Limited Liability Company	Private Limited Liability Company
Date of registration	10 July 2009	16 July 2010	7 October 2011
Administrator of the register	State Enterprise Centre of Registers	State Enterprise Centre of Registers	State Enterprise Centre of Registers

#### 4. NATURE OF CORE ACTIVITIES OF THE GROUP COMPANIES

Core business activities of Grigiškės AB are as follows: manufacturing of toilet paper, paper towels and paper napkins, corrugated board, products from corrugated board.

Core business activities of Klaipėdos kartonas AB are as follows: manufacturing of the raw materials for production of corrugated board – Testliner and Fluting. Beside the main activity, Klaipėdos kartonas AB also produces paper honeycomb used in furniture industry.

Core business activities of Baltwood UAB are as follows: wood processing, manufacturing of container wood, fuel granules, bonded furniture panel, hardboards and coloured hardboards of wood fibre (see material event announced on 02.01.2012).

Core business activities of Mena pak PAT (in Ukrainian – публічне акціонерне товариство „МЕНА ПАК“) are as follows: manufacturing of corrugated board, packaging from corrugated board.

Core business activities of Ekotara UAB are as follows: manufacturing of corrugated board, packaging from corrugated board. The company has not been operating in year 2012.

Core business activities of Naujieji Verkiai UAB are as follows: building and development of real estate.

Core business activity of Grigiškių energija UAB is planned to be a business of heat production and sale. The company has not been operating in year 2012.

Core business activity of Klaipėda recycling UAB is waste-paper procurement.

Core business activities of AGR Prekyba UAB are as follows: investment activities and corporate governance.

## 5. CONTRACTS WITH INTERMEDIARIES OF PUBLIC TRADING IN SECURITIES AND CREDIT INSTITUTIONS

The Company has signed a contract with Finasta AB (financial brokerage company) (Maironio st. 11, Vilnius, tel. (8~5) 203 2233, fax: (8~5) 203 2244, [info@finasta.lt](mailto:info@finasta.lt)) on the handling of securities issued by the Company and payment of dividend to the shareholders for 2004 and subsequent financial years.

The Company has signed a contract with Orion Securities UAB (financial brokerage company) (A.Tumėno st. 4, Vilnius, tel. (8~5) 231 3833, fax: (8~5) 231 3840, [info@orion.lt](mailto:info@orion.lt)) for making the market for the shares of Grigiškės AB.

## 6. AUTHORISED CAPITAL OF THE ISSUER

### 6.1. The authorized capital registered at the Register of Legal Persons

#### 6.1.1. Table. Structure of the authorized capital

Type of shares	Number of shares.	Par value, LTL	Total par value, LTL	Interest in the authorised capital, %
Ordinary registered shares	60.000.000	1	60.000.000	100,00

All shares of the Issuer are fully paid up.

### 6.2. Information on the prospective increase of the authorized capital by converting issued debt securities or derivative securities into shares

The issuer has not issued any debt securities or derivative securities to be converted into shares.

### 6.3. Rights and obligations conferred by the shares

The shareholders have the following property and non-property rights:

- 1) to receive a part of the Company's profit - dividend;
- 2) to receive the Company's funds when the authorized capital of the Company is being reduced with a view to paying out the Company's funds to the shareholders;
- 3) to receive shares without payment if the authorized capital is increased out of the Company funds, except in cases specified in the Law on Companies of the Republic of Lithuania;
- 4) to have the pre-emption right in acquiring shares or convertible debentures issued by the Company, except in cases when the general meeting decides to withdraw the pre-emption right in acquiring the Company's newly issued shares or convertible debentures for all the shareholders in the manner prescribed by Law on Companies of the Republic of Lithuania;
- 5) to lend to the Company in the manner prescribed by laws of the Republic of Lithuania; however, when borrowing from its shareholders, the Company may not pledge its assets to the shareholders. When the company borrows from a shareholder, the interest may not be higher than the average interest rate offered by commercial banks of the locality where the lender has his place of residence or business, which was in effect on the day of conclusion of the loan agreement. In such a case the Company and shareholders shall be prohibited from negotiating a higher interest rate;
- 6) to receive a part of assets of the Company in liquidation;
- 7) to bequeath all or a part of the shares to the ownership of the other people;
- 8) to transfer all or part of the shares to ownership of other people;
- 9) to attend the general meetings of shareholders;

- 10) to vote at general meetings of the shareholders according to voting rights carried by their shares (each fully paid share of the nominal value of 1 (one) LTL gives its holder one vote at the general meeting);
- 11) to receive information on the Company according to the procedure laid down in the laws of the Republic of Lithuania and the Articles of Association of the Company;
- 12) to file a claim with the court for reparation of damage resulting from nonfeasance or malfeasance by the Company manager and Board members of their obligations prescribed by the Law on Companies and other laws of the Republic of Lithuania and the Articles of Association of the Company as well as in other cases laid down by laws of the Republic of Lithuania;
- 13) to authorize a person to vote on his/her behalf at the general meeting of the shareholders;
- 14) to exercise other property and non-property rights provided by laws of the Republic of Lithuania.

## 7. SHAREHOLDERS

### 7.1. Number of shareholders of the Company

As at 31 December 2012, there were 2.573 shareholders of Grigiškės AB.

### 7.2. Main shareholders owning in excess of 5 per cent of the authorised capital of the Issuer

7.2. table. Shareholders owning more than 5 per cent of the authorised capital of the Issuer as at 31 December 2012.

Shareholder's name (company's name, type, headquarters address, corporate ID number)	31 December 2012			31 December 2011		
	Number of ordinary registered shares owned by the shareholder	Interest in the authorised capital, %	Votes granted by shares held by the right of ownership, %	Number of ordinary registered shares owned by the shareholder	Interest in the authorised capital, %	Votes granted by shares held by the right of ownership, %
UAB „GINVILDOS INVESTICIJA“ Turniškių st. 10a-2, Vilnius, 125436533	29.272.228	48,79	48,79	29.272.228	48,79	48,79
IRENA ONA MIŠEIKIENĖ	8.731.686	14,55	14,55	8.731.686	14,55	14,55
ROSEMOUNT HOLDING LLC 3533 Fairview Industrial Drive SE, Salem, OR 97302, United States of America	5.639.967	9,40	9,40	5.639.967	9,40	9,40

### 7.3. Shareholders holding special controlling rights

There are no shareholders holding special controlling rights.

### 7.4. Restrictions of the voting rights

There are no restrictions of the voting rights.

### 7.5. Agreements between/among the shareholders

The Issuer is not aware of any agreements between/among the shareholders likely to result in the restriction of securities transfer and (or) voting rights.

## 8. INFORMATION ON TRADING WITH ISSUER'S SECURITIES ON THE REGULATED MARKETS

Registered ordinary shares of Grigiškės AB are listed in the main list of NASDAQ OMX VILNIUS, AB (ticker – GRG1L).

### 8.1. Key characteristics of the shares of the Company

8.1. table. Key characteristics of the shares of the Company

Type of shares	Securities ISIN code	Number of shares	Par value, LTL	Total par value, LTL
Registered ordinary shares	LT0000102030	60.000.000	1	60.000.000

### 8.2. Share trading information

8.2. table. Share trading information

Reported period	Price, LTL				Turnover, LTL			Total turnover	
	Max.	Min.	Last session	Average	Max.	Min.	Last session	Units	LTL
2008, I Q	1,798	1,598	1,652	2,580	183.621	0	0	167.207	431.407
2008, II Q	1,632	1,110	1,110	1,809	45.478	0	5.910	96.273	174.179
2008, III Q	1,440	1,110	1,140	1,283	1.311.782	0	4.812	1.325.360	1.700.485
2008, IV Q	1,140	0,290	0,300	0,427	42.459	0	6.593	884.565	378.011
<b>2008</b>	<b>1,798</b>	<b>0,290</b>	<b>0,300</b>	<b>1,085</b>	<b>1.311.782</b>	<b>0</b>	<b>6.593</b>	<b>2.473.405</b>	<b>2.684.081</b>
2009, I Q	0,450	0,300	0,310	0,392	458.897	0	0	4.465.664	1.751.743
2009, II Q	0,490	0,330	0,450	0,430	122.162	0	20.205	2.033.965	873.993
2009, III Q	1,090	0,420	1,020	0,698	185.607	0	22.208	2.889.167	2.017.305
2009, IV Q	1,030	0,880	0,930	0,947	62.921	364	5.460	863.978	817.846
<b>2009</b>	<b>1,090</b>	<b>0,300</b>	<b>0,930</b>	<b>0,533</b>	<b>458.897</b>	<b>0</b>	<b>5.460</b>	<b>10.252.774</b>	<b>5.460.887</b>
2010, I Q	1,330	0,920	1,270	1,200	643.163	0	14.597	3.109.465	3.731.893
2010, II Q	1,350	1,240	1,340	1,297	98.746	0	25.194	1.017.209	1.319.328
2010, III Q	2,020	1,320	1,950	1,686	299.041	0	38.734	1.817.780	3.065.303
2010, IV Q	2,850	2,000	2,676	2,512	293.473	0	7.054	1.994.606	5.010.498
<b>2010</b>	<b>2,850</b>	<b>0,920</b>	<b>2,676</b>	<b>1,653</b>	<b>643.163</b>	<b>0</b>	<b>7.054</b>	<b>7.939.060</b>	<b>13.127.022</b>
2011, I Q	2,997	2,486	2,883	2,746	593.054	0	22.989	1.221.311	3.354.105
2011, II Q	2,987	2,555	2,624	2,822	251.419	360	8.948	463.059	1.306.703
2011, III Q	2,745	1,726	1,823	2,076	223.677	0	9.137	753.319	1.564.106
2011, IV Q	1,937	1,554	1,595	1,746	41.693	0	4.142	328.401	573.445
<b>2011</b>	<b>2,997</b>	<b>1,554</b>	<b>1,595</b>	<b>2,458</b>	<b>593.054</b>	<b>0</b>	<b>4.142</b>	<b>2.766.090</b>	<b>6.798.360</b>
2012, I Q	2,120	1,595	1,989	1,950	417.134	0	2.995	1.142.755	2.228.267
2012, II Q	1,999	1,761	1,816	1,854	100.495	0	2.177	372.658	691.007
2012, III Q	1,975	1,816	1,844	1,902	64.688	0	2.404	329.661	626.890
2012, IV Q	1,951	1,802	1,899	1,861	107.318	0	6.812	294.869	548.774
<b>2012</b>	<b>2,120</b>	<b>1,595</b>	<b>1,899</b>	<b>1,914</b>	<b>417.134</b>	<b>0</b>	<b>6.812</b>	<b>2.139.943</b>	<b>4.094.938</b>

## 8.2. figure. Share price and turnover 01.01.2004 – 31.12.2012.



## 8.3. Capitalisation of the Company's shares

## 8.3. table. Capitalisation of the Company's shares

Last session date	Capitalisation, LTL
28.12.2007	107.880.000
31.03.2008	99.120.000
30.06.2008	66.600.000
30.09.2008	68.400.000
31.12.2008	18.000.000
31.03.2009	18.600.000
30.06.2009	27.000.000
30.09.2009	61.200.000
31.12.2009	55.800.000
31.03.2010	76.200.000
30.06.2010	80.400.000
30.09.2010	117.000.000
31.12.2010	160.560.000
31.03.2011	172.980.000
30.06.2011	157.440.000
30.09.2011	109.380.000
31.12.2011	95.700.000
31.03.2012	119.340.000
30.06.2012	108.960.000
30.09.2012	110.640.000
31.12.2012	113.940.000

## 8.4. Issuer's share trading on other stock exchanges and regulated markets

The Company's shares are not traded on other stock exchanges and regulated markets.

## 8.5. Own shares buy out

The Company has not bought out own shares.

## 8.6. Restrictions on shares transfer.

There are no restrictions on shares transfer.

### 8.7. Official takeover bid

Official takeover bid for the Company's shares has not been declared. The Company also has not declared official takeover bid for shares of other companies.

## 9. EMPLOYEES

Over the year 2012 the number of the Group employees fluctuated naturally.

### 9.1. table. Number of employees of the Group

	31.12.2012	31.12.2011
Number of employees	890	997

### 9.2. table. Number of employees of the Company

	31.12.2012	31.12.2011
Number of employees	291	283

### 9.3. table. Average number of employees, salary and grouping of employees by education of the Group during the twelve months of 2012.

Employees	Average salary	Employees by education			
		University	College	Secondary	Basic
Workpeople	2.018	43	186	416	35
Managers	6.039	70	12	2	-
Specialists	3.117	119	26	6	-
<b>Total</b>	<b>2.669</b>	<b>232</b>	<b>224</b>	<b>424</b>	<b>35</b>

### 9.4. table. Average number of employees, salary and grouping of employees by education of the Group in 2011.

Employees	Average salary	Employees by education			
		University	College	Secondary	Basic
Workpeople	1.952	47	177	471	75
Managers	5.775	77	16	1	-
Specialists	2.885	103	26	4	-
<b>Total</b>	<b>2.428</b>	<b>227</b>	<b>219</b>	<b>476</b>	<b>75</b>

### 9.5. table. Average number of employees, salary and grouping of employees by education of the Company during the twelve months of 2012.

Employees	Average salary	Employees by education			
		University	College	Secondary	Basic
Workpeople	2.554	16	46	108	9
Managers	8.118	21	5	0	-
Specialists	3.903	55	11	5	-
<b>Total</b>	<b>3.428</b>	<b>92</b>	<b>62</b>	<b>112</b>	<b>9</b>

9.6. table. Average number of employees, salary and grouping of employees by education of the Company in 2011.

Employees	Average salary	Employees by education			
		University	College	Secondary	Basic
Workpeople	2.444	12	56	114	11
Managers	6.032	35	4	-	-
Specialists	3.179	39	9	3	-
<b>Total</b>	<b>3.014</b>	<b>86</b>	<b>69</b>	<b>117</b>	<b>11</b>

## 10. AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE ISSUER

The Articles of Association of the Issuer are amended in the procedure prescribed by legal acts of the Republic of Lithuania.

## 11. SIGNIFICANT AGREEMENTS

The issuer has not made any significant agreements in which one of parties would be the Company and which will be effective, will change or break if Company's control changes.

The issuer and its managing bodies have not made any agreements which foreseen compensations for resigned persons from managing bodies and employees or they be laid off without any reason or their job finishes if Grigiškės AB control changes.

## 12. INFORMATION ON THE MANAGING BODIES OF THE ISSUER

The Company has the general meeting of shareholders, the sole-person managing body – the head of the Company (director general), the collegial managing body – supervisory council and the collegial managing body – the board.

The supervisory council is comprised of 5 members. The members to the supervisory council are elected by the general meeting of shareholders for a period of 4 years. The supervisory council elects and revokes the members of the board. The board of the Company consists of 5 members.

The board of the Company elects and revokes the head of the Company, fixes his salary, approves his job description, awards bonuses to and imposes penalties on the head of the Company.

### 12.1. Members of the managing bodies

12.1. table. Members of the supervisory council, board and administration, and their capital share and votes

Full names	Positions	Capital share and votes, %
<b>SUPERVISORY COUNCIL</b>		
Norimantas Stankevičius	Chairman	-
Algimantas Goberis	Member	-
Romualdas Juškevičius	Member	-
Tautvilas Adamonis	Member	-
Daiva Dukšienė	Member	-
<b>BOARD</b>		
Gintautas Pangonis	Chairman	0,22
Nina Šilerienė	Member	0,07
Vigmantas Kažukauskas	Member	0,33
Normantas Paliokas	Member	-
Vytautas Juška	Member	-

Full names	Positions	Capital share and votes, %
<b>ADMINISTRATION</b>		
Gintautas Pangonis	President	0,22
Nina Šilerienė	Vice President, Finance	0,07
Vigmantas Kažukauskas	Vice President, Business Development	0,33
Vytautas Juška	Vice President, Purchasing & Logistics	-
Robertas Krutikovas	Director General	0,07
Viktoras Tirevičius	Director of Corrugated board Department	0,10

### 12.2. Information of the Chairman of the Board, President and Vice President, Finance

**Gintautas Pangonis** – Chairman of the Board, president. Education – university degree. Profession – multichannel telecommunication engineer. Workplaces during the last 10 years:

Employers	Positions
Grigiškės AB	Director general, chairman of the board
Grigiškės AB	President, chairman of the board

**Nina Šilerienė** – Vice President, Finance. Education – university degree. Profession – economist for accounting, control and analysis of economic activities. Workplaces during the last 10 years:

Employers	Positions
Grigiškės AB	Director of Finance Department, member of the board
Grigiškės AB	Vice president, Finance, member of the board

### 12.3. Information on the participation in the activities of other enterprises, agencies and organisations (name of the enterprise, agency or organisation and position thereat, capital interest and votes in excess of 5 per cent)

12.3. table. Participation of the members of the supervisory council, board and administration in the activities of other enterprises, agencies and organisations

Name	Business participation		Capital interest	
	Name of enterprise, agency and organisation	Positions	Name of enterprise, agency and organisation	Capital share and votes, %
Norimantas Stankevičius	Didma UAB	Project director	Didma UAB	51,00
	Naras UAB	Director	Naras UAB	62,48
			Bakenas, UAB	100,00
			Statybų namai, UAB	62,00
			Technikos namai, UAB	62,00
			Ginvildos investicija UAB	13,00
	Grigiškės AB	Chairman of the supervisory council		
Algimantas Goberis	Grigiškės AB	Member of the supervisory council		
Romualdas Juškevičius	Grigiškės AB	Member of the supervisory council		
Tautvilas Adamonis	Remada UAB	Director General	Remada UAB	100,0
	Grigiškės AB	Member of the supervisory council		

Name	Business participation		Capital interest	
	Name of enterprise, agency and organisation	Positions	Name of enterprise, agency and organisation	Capital share and votes, %
	Remados statyba UAB	Director	Remados statyba UAB	100,0
Daiva Duksienė	Grigiškės AB	Member of the supervisory council		
Gintautas Pangonis			Ginvildos investicija UAB	79,0
	Grigiškės AB	President	Grigiškės AB	0,22
	Grigiškės AB	Chairman of the board		
	Klaipėdos kartonas AB	Chairman of the board		
	Naujieji Verkiai UAB	Chairman of the board		
	Baltwood UAB	Chairman of the board		
	Ekotara UAB	Chairman of the board		
	Grigiškių energija UAB	Chairman of the board		
	Klaipėda recycling UAB	Member of the board		
	Mena pak PAT	Member of the Supervisory council		
Normantas Paliokas	Didma UAB	Head of Vilnius Representative Office		
	Ginvildos investicija UAB	Director		
	Grigiškės AB	Member of the board		
Vigmantas Kažukauskas	Grigiškės AB	Vice president, Business Development	Grigiškės AB	0,33
	Grigiškės AB	Member of the board		
	Klaipėdos kartonas AB	Member of the board		
	Baltwood UAB	Member of the board		
	Naujieji verkiai UAB	Director		
	Naujieji Verkiai UAB	Member of the board		
	Ekotara UAB	Member of the board		
	Grigiškių energija, UAB	Director		
	Grigiškių energija, UAB	Member of the board		
	AGR Prekyba UAB	Director		
Vytautas Juška	Grigiškės AB	Vice president, Purchasing & Logistics		
	Grigiškės AB	Member of the board		

Name	Business participation		Capital interest	
	Name of enterprise, agency and organisation	Positions	Name of enterprise, agency and organisation	Capital share and votes, %
	Baltwood UAB	Member of the board		
	Grigiškių energija UAB	Member of the board		
Nina Šilieriėnė	Grigiškės AB	Vice President, Finance	Grigiškės AB	0,07
	Grigiškės AB	Member of the board		
	Klaipėdos kartonas AB	Member of the board		
	Naujieji Verkiai UAB	Member of the board		
	Baltwood UAB	Member of the board		
	Ekotara UAB	Member of the board		
	Grigiškių energija UAB	Member of the board		

#### 12.4. Data on the commencement and expiration of the tenure of each managing body

The Supervisory Council of Grigiskės AB was elected on the 26 April 2011 for a 4 years' period (ending in 2015). The Board of the Company was elected on the 26 April 2011 for a 4 years' period (ending in 2015).

#### 12.5. Information about payments and loans to the members of the managing bodies

12.5. Table. Information on the salaries, bonuses and other payments from profit paid by the Issuer within the reported period.

	Salaries LTL	Bonuses LTL	Dividends LTL	Other payments LTL
Totally for all members of the supervisory council	-	24.000	-	-
In average per one member of the supervisory council	-	4.800	-	-
Totally for all members of the board	-	96.000	-	-
In average per one member of the board	-	19.200	-	-
Totally for all members of the administration	931.135	-	8.354	-
In average per one member of the administration	155.189	-	-	-

The members of the Supervisory Council, Board and Administration of the Issuer, have not received salaries, bonuses and other payments during reported period from profit of companies where the share of the Issuer in the authorised capital exceeds 20 per cent.

#### 12.6. Loans, guarantees and warranties granted to the members of the Issuer managing bodies to secure fulfilment of their obligations

None.

### 13. REVIEW OF ACTIVITY OF THE GROUP COMPANIES

#### 13.1. Material events in the Issuer's activities

**January** Implementing the decision of December 1, 2011 of the Board of GRIGISKES AB to transfer one of segments of GRIGISKES AB activities – the production of wood fibre board – to 100% owned subsidiary Baltwood UAB, in exchange for newly issued shares of the company, on December 31, 2011 GRIGISKES AB and Baltwood UAB signed an agreement of transferring of the part of activities.

As it was mentioned, the Board of GRIGISKES AB believes that the fact of transferring of the part of activities of GRIGISKES AB will not have significant impact on financial indicators of the Group of GRIGISKES AB.

**January** The GRIGISKES AB Group reached the goals of 2011. According to unaudited data over the twelve months of 2011 the sales turnover of the Group which consists of the production company GRIGISKES AB, Baltwood UAB, Klaipedos kartonas AB, Mena pak PAT and company engaged in the waste paper business of Klaipeda recycling UAB reached LTL 308m (EUR 89.2m) which is by LTL 8m (EUR 2.3m) or 2.7% higher than proclaimed forecasted turnover for 2011.

Over the twelve months of 2011 the turnover of GRIGISKES AB outmeasured LTL 159m. (EUR 64m.) and was by LTL 14m (EUR 4.1m) or 9.7% higher than proclaimed forecasted turnover for 2011.

On January 9, 2012 the Board meeting approved a budget for the year 2012.

It is planned that The Group which consists of companies GRIGISKES AB, Baltwood UAB, Klaipedos kartonas AB, Klaipeda recycling UAB and Mena pak PAT in the year 2012 will reach a turnover of LTL 322m (EUR 93.3m), which is LTL 22m (EUR 6.4m) or 7.3% over the turnover of 2011. The Group's profit before taxes will reach LTL 15m (EUR 4.3m) and will be LTL 3m (EUR 0.9m) or 25% higher than it is expected for the year 2011.

It is also planned that GRIGISKES AB in the year 2012 will reach a turnover of LTL 117m (EUR 33.9m) and will be less by LTL 42m (EUR 12.2m) than not audited sales of the year 2011 are. The company will earn profit before taxes of LTL 4.6m (EUR 1.3m) which will be by LTL 0.2m (EUR 0.1m) less than it is expected for the year 2011.

In planning the activities for the year 2012 among the other factors the Company has evaluated the impact of on December 2, 2011 disclosed and on December 31, 2011 implemented transference of a part of activities (wood fibre board manufacture) to a subsidiary Baltwood UAB. Up to 31.12.2011 GRIGISKES AB had three main operating business units – reportable segments: „Paper and paper products“, „Hardboard and hardboard products“ and also „Corrugated cardboard and related products“ and since the year 2012 company will have two business units – reportable segments: „Paper and paper products“ and „Corrugated cardboard and related products“. Namely the mentioned transference has led to the reduction of forecasted turnover by 26.4 percent and profit before taxes by 4.2 percent for the year 2012 compared to the forecasted results of the year 2011.

These forecasts have not been audited.

- January** On October 6, 2011, GRIGISKES AB and MEDIENOS PLAUSAS AB, the company in bankruptcy, have signed a contract of lease of a part of premises, production and other equipment owned by MEDIENOS PLAUSAS AB, the company in bankruptcy. After a reassessment of the market situation, the rented asset's condition and the necessary level of investments to carry out an activity, GRIGISKES AB unilaterally terminates the lease contract mentioned above from February 1, 2012.
- March** GRIGISKES AB successfully accomplished proactive reliability maintenance project now providing opportunity further to improve the reliability and efficiency of existing production assets. Project implementation started on 18 February 2011 when GRIGISKES AB and SKF Lietuva UAB signed a proactive reliability maintenance service agreement. Within a period of one year professionals of SKF group carried out agreed obligations and delivered World Class maintenance experience to GRIGISKES AB technicians with the unique opportunity for company's rapid improvement. During project implementation an innovative GRIGISKES AB maintenance strategy was developed. The aim of the strategy is influence to potential failures of existing production assets which are critical to safety, environment and economics sense. This system allows plan preventive and diagnostic maintenance tasks in order to reduce cost and improve output. Proactive equipment-reliability-oriented activities keep improving the processes of maintenance of equipment and increase efficiency of existing production equipment. To support the maintenance strategy, GRIGISKES AB also implemented an extensive computerized maintenance management system, which helps to optimise all maintenance activities and processes. Development of key performance indicators system guide to straight identification and prediction of equipment failures with decision making in maintenance areas, production planning and order fulfilment in time. GRIGISKES AB will continue implementing Word Class maintenance in subsidiaries to fulfil the ambition to reach high quality services, flexibility execution of client orders and become an important player in the market.
- March** The Annual General Shareholders Meeting of Grigiskes AB, legal entity code 110012450, registered office: Vilnius st. 10, Grigiškės, LT-27101, Vilnius (hereinafter - Company), is convened by initiative and the decision of the Board. The Date of the Meeting –25 April, 2012, Wednesday. Time – 11 a.m., place - Vilnius st. 10, Grigiškės, Vilnius, the first floor of Company's administration building. Registration of shareholders starts at 10.30 a.m., ends at 10.55 a.m. The accounting day of the Annual General Meeting of Shareholders' is 18 April 2012. Shareholders that own Company's shares at the end of the day of 18 April 2012 shall have the right to participate in convened General Meeting. The shareholders' proprietary rights accounting day is 10 May 2012. The right to receive a part of the Company's profit (dividend) shall be held by persons who were shareholders at the close of the tenth working day after adopting the appropriate decision of the General Meeting of Shareholders.

The Board proposed the following agenda for the Annual General Meeting of Shareholders:

1. Consolidated annual report of the Company for the year 2011.
2. Auditor's report for the year 2011.
3. Approval of the set of consolidated annual financial statements and annual financial statements of the Company for the year 2011.
4. The appropriation of the Company's profit for the year 2011.
5. Selection of the firm of auditors and setting the conditions for auditor remuneration.

**April** The Board meeting of GRIGISKES AB on 11 April 2012 decided to provide Annual General Meeting of Shareholders of GRIGISKES AB to be held on 25 April 2012, the following information and documents: consolidated annual report of the Company for the year 2011, Auditor's report for the year 2011 and the set of consolidated annual financial statements and annual financial statements of the Company for the year 2011, project of appropriation of the Company's profit for the year 2011, Draft decisions on the agenda of the Annual General Meeting of Shareholders of GRIGISKES AB to be held on 25 April 2012 proposed by the Board, the general ballot paper.

**April** Over the year 2011 the turnover of GRIGISKES AB outmeasured LTL 159,3m (EUR 46,1m) and by LTL 14,3m (EUR 4,1m) or 9,9% exceeded forecasted turnover for 2011.

Over the same period the consolidated turnover of GRIGISKES AB Group, which consists of the production companies GRIGISKES AB, Baltwood UAB, Klaipėdos kartonas AB, Mena pak PAT and company engaged in the waste paper business of Klaipėda recycling UAB, outmeasured LTL 307,7m (EUR 89,1m). It is by LTL 7,7m (EUR 2,2m) or 2,6 % above proclaimed forecasted turnover for 2011.

Over the year 2011 audited profit before taxes of the GRIGISKES AB reached LTL 13,5m (EUR 3,9m) and was by LTL 8,7m (EUR 2,5m) or 2,8 times higher than it was forecasted.

Company's consolidated profit before taxes increased compared with the published forecasts for the year 2011 mostly due to the asset revaluation, which was needed by the transfer of a part of activities to the subsidiary Baltwood UAB, announced on December 2, 2011. Asset revaluation increased profit before taxes by LTL 5,8m (EUR 1,7m).

After the effect of asset revaluation is eliminated, the Company's audited profit before taxes is LTL 7.7m (EUR 2.2m)

Over the year 2011 an audited consolidated profit before taxes of GRIGISKES AB Group reached LTL 12,1m (EUR 3,5m) and was by LTL 0,1m (EUR 0,03m) higher than it was forecasted.

The Group's audited consolidated profit before taxes is by LTL 6,7m (EUR 1,9m) lower than the published Group's unaudited consolidated profit before taxes largely due to the mentioned elimination of business valuation effect.

**April** The General Meeting of shareholders of GRIGISKES AB was held on 25-04-2012. The meeting heard the consolidated annual report of the Company for the year 2011 and the Auditor's report for the year 2011 and made following resolutions:

- to approve the set of consolidated annual financial statements and annual financial statements of the Company for the year 2011;
- to approve the appropriation of Company's profit for the year 2011: for dividends to distribute LTL 0,02 (0,006 EUR) per ordinary registered share and to pay in total LTL 1.200.000 (347.544 EUR) of dividends, to appropriate LTL 676.751 (196.001 EUR) to the legal reserves and to appropriate LTL 120.000 (34.754 EUR) for bonuses to the members of the Board and Supervisory council.
- to elect an audit company KPMG Baltics, UAB (legal entity code 111494971) for the financial year 2012 and 2013 audit of consolidated and Company's financial statements, and to fix a sum payable for the audit services not more than 43.000 LTL (12.454 EUR) (plus VAT) for a single financial year.

**May**

In November 2010 GRIGIŠKES AB management decided to attract own capital for the investment of future projects, and it was decided to invest part of the attracted funds to the production of corrugated cardboard packaging. In the beginning of 2011, the company approved the construction project of corrugated cardboard manufacturing plant, and raised an ambitious goal – to implement the project within one year. A total of 20.5 million LTL (5.9 million EUR) was allocated to the project.

The project was completed within the stipulated time, and a new factory building was built. The new corrugated board manufacturing unit and the new corrugated cardboard packaging production lines were equipped in the new department. They will produce a much broader range of packages and a variety of custom corrugated products. Before the beginning of 2012, using old equipment, GRIGISKES AB could only produce up to 15 million sq. m of 4 mm thick ("C" type) corrugated cardboard and its products. However, since the second quarter of 2012, the new plant can produce 1.5 to 4 mm thick ("C", "B", "E" types) corrugated cardboard and its items. From now on, buyers are offered much wider range of products: not only standard boxes, but also packaging made by flat or rotary cutting of different thicknesses of corrugated cardboard with 4 colours of prints. "The new corrugated cardboard production unit can produce about 80 million sq. m of products per year," said GRIGISKES AB General Director Gintautas Pangonis.

"According to preliminary estimates, considering the adjustments of initial investment projects, the investment in this project amounted to about 20.5 million LTL (5.9 million EUR). This project strengthened our position in the corrugated cardboard market, and we also strive to create greater added value to our customers and better meet their needs. We hope that after starting the manufacture with new facilities, we will sell at least 1.5 times more packaging of products in 2012 than in the last year," G. Pangonis says.

GRIGISKES AB is the only company in Lithuania and in the Baltic countries, having a complete cycle of corrugated paperboard production in its group of companies – from the collection of raw materials (i.e., waste paper) to the manufacture of final products for consumers.

**May**

GRIGISKES AB is present at conference "CEO Meets Investor" held by NASDAQ OMX Vilnius AB. Here, in this event, Company's activities, results of the activities, plans and prospect of the Company are presented by general director Gintautas Pangonis.

**May** AB GRIGISKES has successfully completed the first investment stage of 2011-2013 and continues the implementation of investment programme. As announced in December 2011, the planned release of the share issue would allow to implement the investment programme over 2012-2014. However, the company has prepared and is successful implementing the alternative scenario where the investment programme is extended over a longer period of time from the company's operating cash flows. Having invested 20.5 million litas (5.9 million euro) into the construction of a new corrugated cardboard production plant, AB GRIGISKES has already started the development of paper manufacture. The new paper cutting-duplication line has been installed in the industrial facilities of the company and the sheet towel production line is being equipped. They will be followed by paper handkerchiefs production line for regular products and products with aroma. "Investment in these lines already totals 3.5 million litas (1.0 million euro) out of 44.9 million litas (EUR 13 million euro) allocated for the development of paper products. Moreover, a new paper processing line has been ordered and should be delivered at the end of this year. In the near future we plan to buy the new tissue paper-making machine No 6", says general director of AB GRIGISKES Gintautas Pangonis.

The paper market is constantly changing, therefore, in the light of customer needs and the competitive environment, AB GRIGISKES also updates its Grite brand products.

"According to the information from AC Nielsen, the share of Grite toilet paper in the Lithuanian market has increased from 33 to 37.7 percent. Grite share in the towel segment grew from 7 to 18 percent. In the market of the Baltic States, the share of Grite toilet paper grew by one percent, from 25 to 26. The growth in the category of towels was 6.2 percent points, i.e. from 6.5 to 12.7 percent. These facts and the active interest in Grite and Grite Professional products in this year's international cleaning industry exhibition ISSA INTERCLEAN in Amsterdam inspires us for new achievements and challenges", G. Pangonis said.

**May** On May 30, 2012 a new edition of Articles of association of GRIGISKES AB were registered in Register of legal entities.

The new edition of Articles of association of Company was released according to decisions of the extraordinary General Meeting of shareholders of GRIGISKES AB held on December 19, 2011:

As the Board of GRIGISKES AB decided to consider that the increase of share capital of Company was not passed, the share capital of GRIGISKES AB remained unchanged and equal to 60.000.000 LTL.

- With regard to the adopted resolution to increase the authorised capital of the Company, to amend paragraphs 3.1 and 4.1 of the Articles of Association of public limited liability company "GRIGISKES" and to read them as follows:  
„5.1. The Company achieves civil rights, assumes civil duties and implements them through its bodies. Company's Organs:  
5.1.1. General Meeting of Shareholders;  
5.1.2. Supervisory Board;  
5.1.3. Board;  
5.1.4. Company manager – President.“

„9.1. The Company manager – President – is a single-person management body of the Company. The manager of the Company organises and executes commercial business activities of the Company. In his activities, the manager of the Company shall be guided by laws and other legal acts, the Articles of Association of the company, decisions of the General Meeting of Shareholders, decisions of the Supervisory Board and the Board, and his job description.“

The Articles of Association were changed according to the requirements of the Law on Companies of the Republic of Lithuania and current version of Classification of Economic Activities (NACE Rev. 2.).

- May** Over the three months of 2012 the Group which consists of producing companies GRIGISKES AB, Baltwood UAB, Klaipedos kartonas AB and Mena pak PAT reached a turnover of LTL 72.7m (EUR 21.1m), which is by LTL 3.9m (EUR 1.1m) or 5.1 % less than it was reached over the same period of 2011.  
The Group's profit before taxes reached LTL 1.2m (EUR 0.3m) and is by LTL 0.4m (EUR 0.1m) less than it was over the same period of 2011.  
Over the three months of 2012 the GRIGISKES AB reached a turnover of LTL 25.6m (EUR 7.4m), which is by LTL 16.3m (EUR 4.7m) or 38.9 % less than it was reached over the same period of 2011. On the 2nd of December 2011 disclosed transference of a part of activities to a subsidiary is the main reason of mentioned turnover decrease.  
The Company's profit before taxes reached LTL 2.2m (EUR 0.6m) and is by LTL 1.8m (EUR 0.5m) higher than it was over the same period of 2011.  
More information is provided in the interim consolidated report of GRIGISKES AB covering the three months of 2012 with endorsement of the responsible persons (see attachments).  
On the 9th of January 2012 proclaimed forecast of financial indicators for the year 2012 of GRIGISKES AB and the Group shall not be amended and shall remain valid.
- June** GRIGISKES AB has received notification from the Director of Corrugated board Department Viktoras Tirevičius on the transactions in issuer's securities (see attachment).
- July** Seeking to enhance production competitiveness, to reduce impact of gas price increase on business and to modernize its heat (steam) production facilities, GRIGISKES AB Company Group intends to implement two projects in Vilnius and Klaipeda.  
Construction of a new minimum 17.5 MW thermal output biofuel boiler, which is partly to replace the existing boilers using natural gas, is planned on the premises of Klaipedos kartonas AB in the course of implementation of the project "Modernization of the existing boiler plant of Klaipedos kartonas AB through use of renewable energy resources". It is planned that the new biofuel boiler will generate approx. 50 percent of heat (steam) required for the company's technological needs. Following completion of the project, Klaipedos kartonas AB will reduce the costs of thermal energy production by approx. 40 percent. In addition, it is planned that the project will enable to supply part of the heat generated at a lower cost to the district heating network of Klaipeda City.

The assistance of up to 6.0 million Litas (1.7 million EUR) from the EU structural funds and the State Budget of the Republic of Lithuania was allocated for the planned Klaipėdos kartonas AB project under 24 July 2012 Order No. 4-740 of Minister of Economy of the Republic of Lithuania. Total project costs are estimated at 18.0 million Litas (5.2 million EUR).

Investment of 11.9 million Litas (3.4 million EUR) has been earmarked for implementation of the project "Construction of 10 MW steam boiler using renewable energy resources at GRIGISKES AB" which foresees building of a new minimum 10 MW thermal output biofuel boiler on the premises of GRIGISKES AB. Having regard to the current market situation, heat generated by the new boiler will enable to entirely abandon the use of fossil fuel used in production of heat required for the company's technological purposes. In addition, it is planned that the project will enable to supply heat at a lower cost to the district heating network of Vilnius City.

The assistance of up to 5.95 million Litas (1.7 million EUR) from the EU structural funds and the State Budget of the Republic of Lithuania was allocated for the planned GRIGISKES AB project under 24 July 2012 Order No. 4-740 of Minister of Economy of the Republic of Lithuania. Total project costs are estimated at 11.9 million Litas (3.4 million EUR).

## August

On August 3, sanitary paper products manufactured by GRIGISKES AB were awarded the EU Eco-label Flower. GRIGISKES AB is the first company in Lithuania to be awarded this label by the Environmental Protection Agency. The EU eco-label is awarded to goods and services meeting the environmental demands for EU eco-labelling scheme.

To produce its eco-products, GRIGISKES AB uses processed pulp or sustainably managed forest fibre thus saving electricity, using sustainable resources and reducing environment pollution. These products contain no harmful substances, are less polluting the environment and are not dangerous to health.

The EU Eco-label will provide an opportunity to better meet the needs of business partners. Also, the company will increase its competitiveness on the Lithuanian and international markets, in particular in the Scandinavian countries, where environmental protection and promotion of organic products are given a major focus. It will significantly enhance the company's opportunities for participation in green procurement (procurement, where the contracting authority includes one or more environmental criteria in its public tender conditions, choosing goods, services and work not only by their price and quality but also lower environmental impact in a single, several or all phases of the product lifecycle, thus promoting the development of more environmentally friendly products). With the EU eco-label, the company can participate in international tendering procedures, offering paper products with private label and presenting its products on major European trade networks. Until now, exports to the Scandinavian and other European countries were very limited, precisely because the company did not have the EU Eco-label.

This label is important on the Lithuanian market as well. The Lithuanian Government decree obliging budgetary institutions to significantly increase their volumes of green procurements became effective in January 2012. This year, green procurement will have to total at least 25 percent, in 2014 no less than 30 percent and in 2015 no less than 35 percent of the overall procurement amount, by volumes and by value.

- September** GRIGISKES AB has signed a contract with an audit company KPMG Baltic, UAB for the Company's and Group's annual financial statements audit for years 2012 and 2013. A sum payable for the audit services – 43,000 LTL (12,454 EUR) (plus VAT) for a single financial year.
- October** GRIGISKES AB is present at conference “Business plan 2013. Pulse of the market. What do corporate executives expect?” held by “Verslo žinios”. Here, in this event, president of the Company Gintautas Pangonis will discuss Lithuanian business relevant topics and will present the growth opportunities for year 2013 of Lithuanian industry and GRIGISKES AB group business.
- As it was published on 27.07.2012 seeking to enhance production competitiveness, to reduce impact of gas price increase on business and to modernize its heat (steam) production facilities, GRIGISKES AB Company Group intends to implement two projects in Vilnius and Klaipeda. For this purpose, GRIGISKES AB and Klaipedos kartonas AB signed tripartite agreements with the Lithuanian Ministry of Economy and Public Institution Lithuanian Business support Agency on the Cohesion Fund award these projects.
- By these contracts the assistance of 11.95 million LTL (3.5 million EUR) from the Cohesion Fund was allocated for GRIGISKES AB Group. Totally the companies will invest 30 million LTL (8.7 million EUR) into modernization of the heat sector.
- Till January 10, 2014 GRIGISKES AB plans to implement the project “Construction of 10 MW steam boiler using renewable energy resources at GRIGISKES AB” No. VP3-3.4-ŪM-02-K-02-020 of value of 11.9 million LTL (3.4 million EUR) and to start using a new biofuel steam boiler. A subsidiary company Klaipedos kartonas AB plans to implement the project “Modernization of the existing boiler plant of Klaipedos kartonas AB through use of renewable energy resources” No. VP3-3.4-ŪM-02-K-02-003 of value of 18 million LTL (5.2 million EUR) and to start using thermal energy (steam form) produced from biofuel in manufacturing processes till February 28, 2014.
- It is expected that in Klaipeda new biofuel steam boiler will produce about 50 percent of heat consumption of the company's technological needs and in Grigiskes, having regard to the current market situation, heat generated by the new boiler will enable to entirely abandon the use of fossil fuel used in production of heat required for the company's technological purposes.
- November** GRIGISKES AB has received notification from the Technical Director of Paper Department Audrius Maminskas on the transactions in issuer's securities.
- November** Over the nine months of 2012 the Group which consists of producing companies GRIGISKES AB, Baltwood UAB, Klaipedos kartonas AB and Mena pak PAT reached a turnover of LTL 218.7m (EUR 63.3m), which is by LTL 16.5m (EUR 4.8m) or 7 % less than it was reached over the same period of 2011.
- The Group's profit before taxes reached LTL 9.7m (EUR 2.8m) and is by LTL 1.4m (EUR 0.4m) more that it was over the same period of 2011.

Over the nine months of 2012 the GRIGISKES AB reached a turnover of LTL 81.3m (EUR 23.5m), which is by LTL 39.1m (EUR 11.3m) or 32.5 % less than it was reached over the same period of 2011. On the 31st of December 2012 implemented transference of a part of activities to a subsidiary is the main reason of mentioned turnover decrease.

The Company's profit before taxes reached LTL 7.7m (EUR 2.2m) and is by LTL 3.1m (EUR 0.9m) higher that it was over the same period of 2011.

More information is provided in the interim consolidated report of GRIGISKES AB covering the nine months of 2012 with endorsement of the responsible.

**November** On 9 January 2012 proclaimed forecast of financial indicators for the year 2012 of GRIGISKES AB and the Group shall be changed latter today as the results of the nine months and tendencies of the fourth quarter of the year 2012 were evaluated.

As the results of the nine months and tendencies of the fourth quarter of the year 2012 were evaluated the forecast of financial indicators for the year 2012 of GRIGISKES AB and the Group proclaimed on the 9th of January 2012 is changed.

It is planned that The Group which consists of companies GRIGISKES AB, Baltwood UAB, Klaipėdos kartonas AB, Klaipėda recycling UAB and Mena pak PAT in the year 2012 will reach a turnover of LTL 290m (EUR 84.0m), which is by LTL 17.7m (EUR 5.1m) or 5.8% lower compared to the audited turnover of 2011. The Group's profit before taxes will reach LTL 13m (EUR 3.8m) and will be higher by LTL 1m (EUR 0.3m) or 8.3% compared to the audited one of the year 2011.

Group turnover forecast is reduced for the following reasons. Although this year, a subsidiary company Klaipėdos kartonas AB production amount reached the quantities of 2011, turnover decreased as the average market prices of cardboard paper fell by 13-14% compared to nine months of the year 2011. The second reason is the larger amount of intra-group transactions, the subject for consolidation, influenced by implemented optimisation of the supply of the raw materials. Forecasted Group's profitability before taxes for the year 2012 is 4.5%, compared to the audited 3.9% of the year 2011. The mentioned higher profitability is influenced by optimisation mentioned above.

It is also planned that GRIGISKES AB in the year 2012 will reach a turnover of LTL 111m (EUR 32.1m) and will be less by LTL 48.3m (EUR 14m) than audited sales of the year 2011 are. On the 31st of December 2012 implemented transference of a part of activities to a subsidiary is the main reason of mentioned turnover decrease. The company will earn a profit before taxes of LTL 9.5m (EUR 2.8m) which will be by two times higher than it was forecasted in the beginning of the year.

### 13.2. Newest events in the Issuer's activities

**January** The Board meeting on January 10, 2013 approved budget for the year 2013. It is planned that the Group which consists of companies GRIGISKES AB, Baltwood UAB, Klaipėdos kartonas AB, Klaipėda recycling UAB, Mena pak PAT and Klaipėda recycling UAB in the year 2013 will reach a turnover of LTL 330m (EUR 95.6m), which is by LTL 40m (EUR 11.6m) or 13.8% over the expected turnover of 2012. The Group's profit before taxes will reach LTL 13.4m (EUR 3.9m) and will be by LTL 3% higher than it is expected for the year 2012.

It is also planned that GRIGISKES AB in the year 2013 will reach a turnover of LTL 148m (EUR 42.8m) and will be higher by LTL 37m (EUR 10.7m) than it is expected for the year 2012. The company will earn a profit before taxes of LTL 7m (EUR 2m) which will be by LTL 2.5m (EUR 0.7m) less than it is expected for the year 2012.

The activity of the year 2013 will be focused on the development of the hygienic paper and corrugated cardboard and related products sales in Lithuania and foreign markets. In planning the activities for the year 2013 tendencies of the market were evaluated.

Also, there is no doubt that the achievement of approved objectives will be supported by the implementation of the program of investments to development of the base of production. In the year 2012 the new corrugated cardboard production plant, sheet towel and paper handkerchiefs production lines started to work. Currently new paper processing line starts to work too. In total investments in the mentioned objects will amount LTL 33m (EUR 9.6m).

In order to expand sales and increase the competitiveness of the products in 2013 the Group will continue its investment program. As it is already mentioned in previous reports on the material event, the Group will invest LTL 30m (EUR 8.7m) to two biofuel boilers building in Vilnius and Klaipėda. LTL 11.95m (EUR 3.5m) of this amount will be the Cohesion Fund support.

In addition to that in 2013 it is expected to launch a new investment project of paper machine No. 6.

These forecasts have not been audited.

**February** GRIGISKES AB informs that all the operations of the Group of GRIGISKES AB are financed from accounts in other banks operating in the territory of the Republic of Lithuania.

Till 12.02.2013 a negligible number of customers of all Group companies made settlement from their accounts in "Ūkio bankas" AB. Sales to these customers accounted for a negligible share of each Group company's turnover.

In addition, GRIGISKES AB Group is insuring the potential customer's creditworthiness.

For these reasons, the decision of the Board of the Bank of Lithuania to temporarily restrict operation of "Ūkio bankas" AB has no significant direct effect on activities and results of GRIGISKES AB or other companies of the Group.

**February** On 20th February 2013, GRIGISKES AB and SEB bank AB signed a loan supply contract for LTL 35m (EUR 10.1m). This begins the third stage of the investment program announced in April 2011, the company's President Gintautas Pangonis announced.

As announced in earlier reports about material event, in 2012 GRIGISKES AB completed the first stage of the investment program when it invested LTL 20.5m (EUR 5.9m) and built and put into operation a new corrugated cardboard production unit equipped with modern production lines. The second stage consisted of an investment of another LTL 12.5m (EUR 3.6m) to increase the output of the paper production unit by the addition of four new paper processing production lines.

The loan to be obtained as a result of the financing contract signed yesterday will be used to purchase a new paper manufacturing machine. This investment project will take two years and will involve more than LTL 53m (EUR 15.3m). It is planned to have the new production line operating by the end of 2014. GRIGISKES AB 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. There is no doubt that these investments will help the company strengthen its position in the European market and will make it possible for it to compete successfully with other manufacturers of paper products. 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.

GRIGISKES AB plans that at the end of 2014 when it has implemented the above-mentioned investment program, sales of the company's products will double in the following two years. It is hoped that the growing sales figures of the group of companies will reach LTL 500m (EUR 145m).

### 13.3. Offices and branches

Company has Country sales representatives operating in Latvia, Estonia and Poland. No new offices or branches are planned to open in 2013.

### 13.4. Risk factors

Information about financial risk management is provided in notes of annual audited consolidated statements of 2012.

#### *Economic risk factors*

**Paper production.** As Company's paper production is export accounts for around 42,1 percent of all paper products sales, the sales are affected by exchange rate fluctuations, as well as transport and raw material prices. Since the main export sales currency is euro, exchange rate risk is at a minimum.

In 2013, as in 2012, Company plans growth of sales in all markets.

**Corrugated cardboard and related products.** It is planned that the rise of prices of corrugated cardboard and related products will be caused by raw materials' prices rise and growing consumption. Main risks of this business come from changes in raw material's prices.

#### *Social risk factors*

Salaries are paid in terms set in collective agreement.

#### *Technical – technological risk factors*

On purpose to improve technical level of production supply Company's production equipment and buildings are constantly upgraded, new equipment is acquired and processes are automated. In 2012 Company installed a "Moldow" air-purifier produced by the Danish company, Moldow A/S, to reduce the volume of particulate matter discharged into the environment in the process of paper manufacturing. A modern filter equipped with an automatic regenerative filter system allows significant reduction of particle pollution.

On August 3 of 2012, sanitary paper products manufactured by GRIGISKES AB were awarded the EU Eco-label Flower. GRIGISKES AB is the first company in Lithuania to be awarded this label by the Environmental Protection Agency. The EU eco-label is awarded to goods and services meeting the environmental demands for EU eco-labelling scheme. To produce its eco-products, GRIGISKES AB uses processed pulp or sustainably managed forest fibre thus saving electricity, using sustainable resources and reducing environment pollution. These products contain no harmful substances, are less polluting the environment and are not dangerous to health.

In September 2011, Company began to implement an environmental management system in accordance with the requirements of standard LST EN ISO 14001. On 8-9 May 2012, certification of the quality and environmental management systems of AB Grigiškės was carried out as part of the last stage of the project. The certification was performed by UAB Det Norske Veritas, which represents DNV Business Assurance, one of the world's leading certification/registration institutions. As a result of successful certification, the company's management systems were approved as conforming to standards LST EN ISO 9001 and LST EN ISO 14001.

#### *Ecological risk factors*

The Company carrying out business activities, follow "Pollution integrated prevention and control" principles. Rational use of energy and natural resources, applying modern production and environmental components cleaning technologies without compromising product quality.

Company For used natural resources (water) and for environment pollution (air pollution caused by steam shop, technological equipment and mobile pollution sources, water pollution caused by rain outflows) Company pays taxes. Polluted water is cleaned in mechanical way and pumped to Vilnius city biological cleaning complex.

Management system operating in accordance with ISO 14001 was implemented in 2012.

### 13.5. Suppliers

13.5.1 table. Countries of suppliers' of main raw materials and materials for the Company

Supplier's country	2012 m.	2011 m.
	proc.	proc.
Lithuania	68	76
Estonia	5	4
Poland	2	3
Latvia	1	1
Germany	2	1
Belarus	0	0
Austria	1	0
Other countries	21	15
<b>TOTAL</b>	<b>100</b>	<b>100</b>

### 13.6. Segment information

In the year 2012 for management purposes, the Group was organized into three and the Company was organized into two operating business units based on their products produced and have three reportable segments: paper, hardboard and wood processing, raw material for corrugated cardboard and related production.

### 13.7. Strategy of the activity and plans for the close future

It is planned that the Group which consists of companies GRIGISKES AB, Baltwood UAB, Klaipėdos kartonas AB, Klaipėda recycling UAB, Mena pak PAT and Klaipėda recycling UAB in the year 2013 will reach a turnover of LTL 330m (EUR 95.6m), which is by LTL 40m (EUR 11.6m) or 13.8% over the expected turnover of 2012. The Group's profit before taxes will reach LTL 13.4m (EUR 3.9m) and will be by LTL 3% higher than it is expected for the year 2012.

It is also planned that GRIGISKES AB in the year 2013 will reach a turnover of LTL 148m (EUR 42.8m) and will be higher by LTL 37m (EUR 10.7m) than it is expected for the year 2012. The company will earn a profit before taxes of LTL 7m (EUR 2m) which will be by LTL 2.5m (EUR 0.7m) less than it is expected for the year 2012.

The activity of the year 2013 will be focused on the development of the hygienic paper and corrugated cardboard and related products sales in Lithuania and foreign markets. In planning the activities for the year 2013 tendencies of the market were evaluated.

Also, there is no doubt that the achievement of approved objectives will be supported by the implementation of the program of investments to development of the base of production. In the year 2012 the new corrugated cardboard production plant, sheet towel and paper handkerchiefs production lines started to work. Currently new paper processing line starts to work too. In total investments in the mentioned objects will amount LTL 33m (EUR 9.6m).

In order to expand sales and increase the competitiveness of the products in 2013 the Group will continue its investment program. As it is already mentioned in previous reports on the material event, the Group will invest LTL 30m (EUR 8.7m) to two biofuel boilers building in Vilnius and Klaipėda. LTL 11.95m (EUR 3.5m) of this amount will be the Cohesion Fund support.

Next to that, implementations works of investment project of paper-making machine No. 6 are projected to be started already in 2013.

### 13.8. Financial indicators

Financial ratios	2010, audited		2011		2012	
	Group	Company	Group	Company	Group	Company
EBITDA	35.625.442	16.126.187	40.792.205	22.507.154	35.586.189	20.608.752
EBITDA profitability	14,5%	12,4%	13,3%	14,1%	12,3%	18,6%
Gross margin	13,3%	10,9%	15,1%	14,4%	15,7%	18,1%
Operating margin	6,1%	1,8%	6,3%	5,7%	4,6%	8,3%
Net margin	3,1%	1,2%	4,2%	8,5%	3,2%	7,6%
ROE, %	9,8%	2,0%	13,8%	15,7%	9,1%	8,8%
ROA, %	4,2%	1,1%	5,2%	9,0%	3,7%	5,4%
Current ratio	0,81	0,71	0,87	0,68	0,66	0,49
Quick ratio	0,52	0,47	0,50	0,49	0,40	0,33
Cash to current liabilities	0,020	0,009	0,032	0,002	0,015	0,005
P/E	21,29	105,65	7,49	7,07	12,21	13,43
Earnings per share	0,13	0,03	0,21	0,23	0,16	0,14
Debt to equity ratio	1,64	0,76	1,45	0,54	1,32	0,57
Debt to total assets ratio	0,60	0,41	0,57	0,33	0,55	0,35

### 13.9. Patents, licenses and research

The Company and the Group have no patents and licenses.

## 13.10. Environment protection

## Emission allowances movement for the year 2012

	Amount, pcs.	
	The Group	The Company
31 December 2011	(9.911)	(6.390)
Emission allowances allocated	126.393	94.081
Purchase of emission allowances		
Emission allowances used	(25.109)	(51)
Sale of emission allowances		
<b>31 December 2012</b>	<b>91.373</b>	<b>87.640</b>

## 14. RELATED PARTY TRANSACTIONS

All transactions with related persons were carried out at market prices.

AB „Klaipėdos kartonas“ – subsidiary of Grigiškės AB.

Baltwood UAB – subsidiary of Grigiškės AB.

Mena pak PAT – subsidiary of Grigiškės AB.

AGR Prekyba UAB – subsidiary of Grigiškės AB.

Ginvildos Investicija UAB – major shareholders of Grigiškės AB.

Didma UAB, Remada UAB and Naras UAB – companies related to companies related to the members of Supervisory Council.

Ekotara UAB – subsidiary of the group not subject to consolidation.

Naujieji Verkiai UAB – subsidiary of the group not subject to consolidation.

Klaipėda recycling UAB – subsidiary of Grigiškės AB.

Grigiškių energija UAB – subsidiary of the group not subject to consolidation.

14.1. table. Group's transactions with related persons over the twelve months of 2012. Balances of amounts receivable/payable in relation thereto on 31 December 2012 (LTL)

	Sales of goods and services	Acquisition of goods and services	Receivable from related persons	Amounts payable to related persons
Ginvildos Investicija UAB	32	148.180		52.938
Didma UAB	1.573	133.275		
Remada UAB				
Ekotara UAB				
Naras UAB				
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>

14.2. table. Company's transactions with related persons over the twelve months of 2012. Balances of amounts receivable/payable in relation thereto as at 31 December 2012 (LTL)

	Sales of goods and services	Acquisition of goods and services	Receivable from related persons	Amounts payable to related persons
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>

## 15. COURT AND ARBITRATION PROCEEDINGS

During the twelve months of 2012 the Group and the Company were not involved in any legal proceedings would have a material impact on the financial statements.

## CONFIRMATION OF RESPONSIBLE PERSONS

Pursuing Article 22 of the Law on Securities of the Republic of Lithuania, and the Rules for Preparation and Announcement of Periodical and Supplementary Information approved by the Board of the Bank of Lithuania, we, the undersigned – President Gintautas Pangonis and Vice President for finance Nina Šilerienė approve that the audited financial statements of Grigiskės AB for the year 2012, as made in compliance with applicable accounting standards, are true, correctly reflect issuer's and aggregate consolidated companies' assets, liabilities, financial standing, profit or loss, cash flow and also that the consolidated annual report for the year 2012 shows fair business environment as well as description of the company's performance.

President



Gintautas Pangonis

Vice President for Finance



Nina Šilerienė