

GRIGIŠKĖS AB

Investor Presentation

May 2013



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Agenda

- 1 Introduction
- 2 Company overview
- 3 Market background
- 4 Solid base for growth

Appendices

1. Introduction

Offering structure

Type	- SPO of Grigiškės AB new common shares with a nominal value of EUR 0.29 per share
Timing	- Offering period – May 15 – May 24, 2013
Pricing	- EUR 0.51 / LTL 1.76 per share
Offer size	- Up to 5.7 million newly issued shares (up to 8.68% of the Issuer's increased share capital) - Up to EUR 2.91 / LTL 10.03 million offering (assuming all offering shares are placed)
Stock market	- Main list of NASDAQ OMX Vilnius Stock Exchange
No. of shares guaranteed to current shareholders	- Shareholders are guaranteed to be allocated number of newly issued shares <i>pro rata</i> to their shareholding in the Company as of end of 24 May 2013.
Offering structure	- Public offering in the Baltic States and Reg S placement outside Lithuania
Use of proceeds	- Financing of new hygiene paper production line (50% of the Offering proceeds) - Financing of energy efficiency programs (50% of the Offering proceeds)

Offering timetable

May						
M	T	W	T	F	S	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

June						
M	T	W	T	F	S	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

Date	Event
14 May	• Prospectus published
15 May – 24 May	• Retail subscription period
15 May – 24 May	• Roadshow
no later than 28 May	• Determination of the preliminary allotment
no later than 29 May	• Payment for the Offer Shares by Institutional Investors
no later than 31 May	• Press release on final allocation structure
no later than 31 May	• Closing and settlement
The beginning of June	• Listing and trading

Quick glance

Issuer

- Leading producer of paper products
- Significant sales growth potential
- Fully integrated production cycle
- Experienced management team

SPO goals

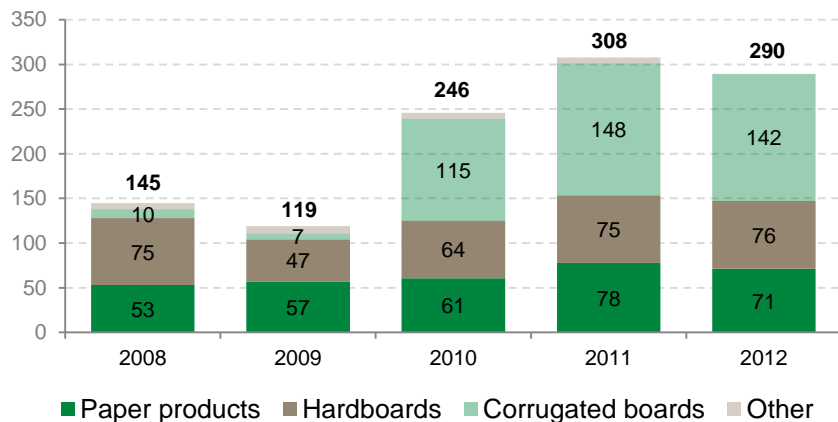
- Raising shareholder's capital for further organic growth
- Diversify shareholders' base
- Increase stock liquidity

Use of proceeds

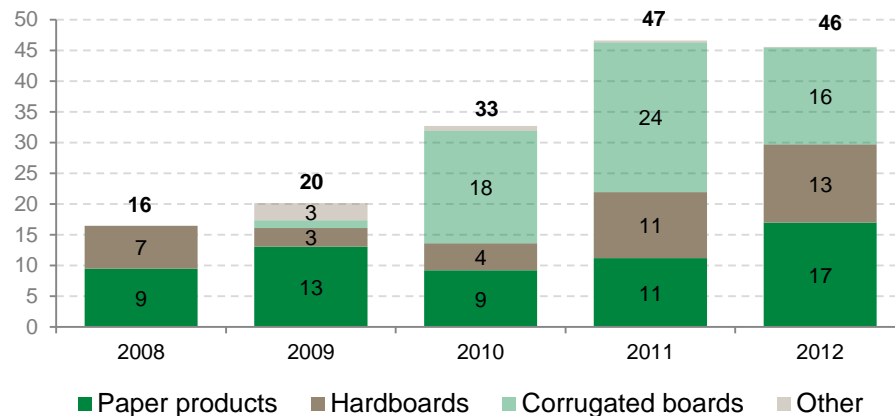
- Financing of new hygiene paper production line (50%)
- Investments into energy efficiency programs (50%)

Key figures

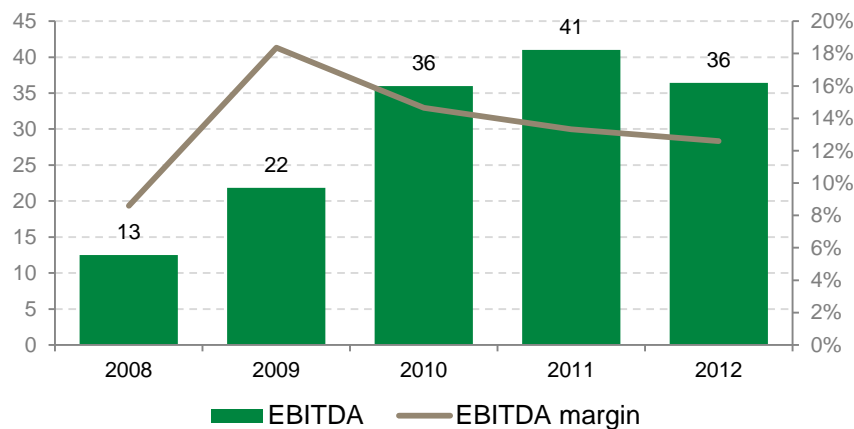
Revenues (mLTL)



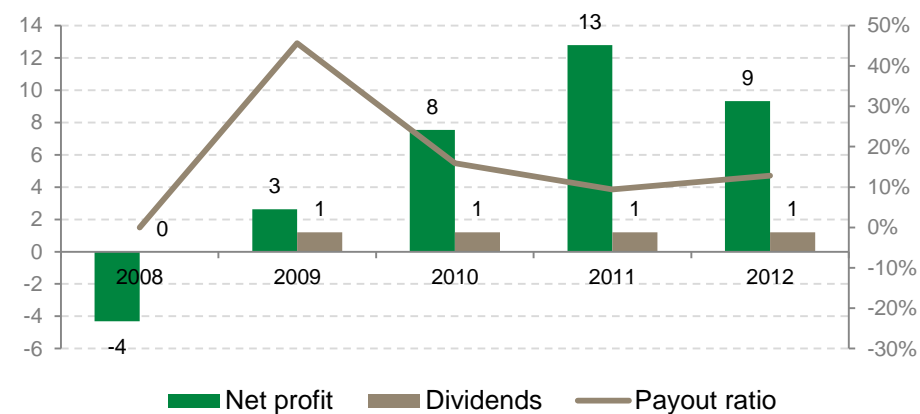
Gross profit breakdown (mLTL)



EBITDA(mLTL), EBITDA margin (%)



Net profit (mLTL), dividends (mLTL), payout ratio (%)



Investment highlights

- 1 Acquisition of new hygiene products production line
- 2 Construction of independent energy sources
- 3 Market leader position in the region
- 4 Fully integrated and efficient business model
- 5 Capitalization of strategic location and economies of scale
- 6 Regional market upside potential

2. Company overview

Grigiškės AB

Group

- The Group consists of 4 companies – Grigiškės AB, Baltwood UAB, Klaipėdos Kartonas AB, Mena Pak PAT

Geography

- Lithuania, Ukraine

Personnel

- 915 employees (average number for 2012)

Financials

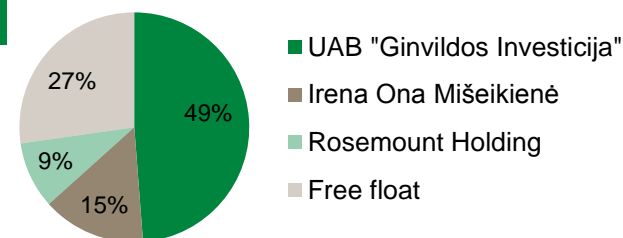
- Sales revenue of LTL 290 million in 2012
- EBITDA of LTL 35.6 million in 2012

Stock exchange

- Listed on NASDAQ OMX Vilnius stock exchange since 1994



Shareholders








Group structure

The Group

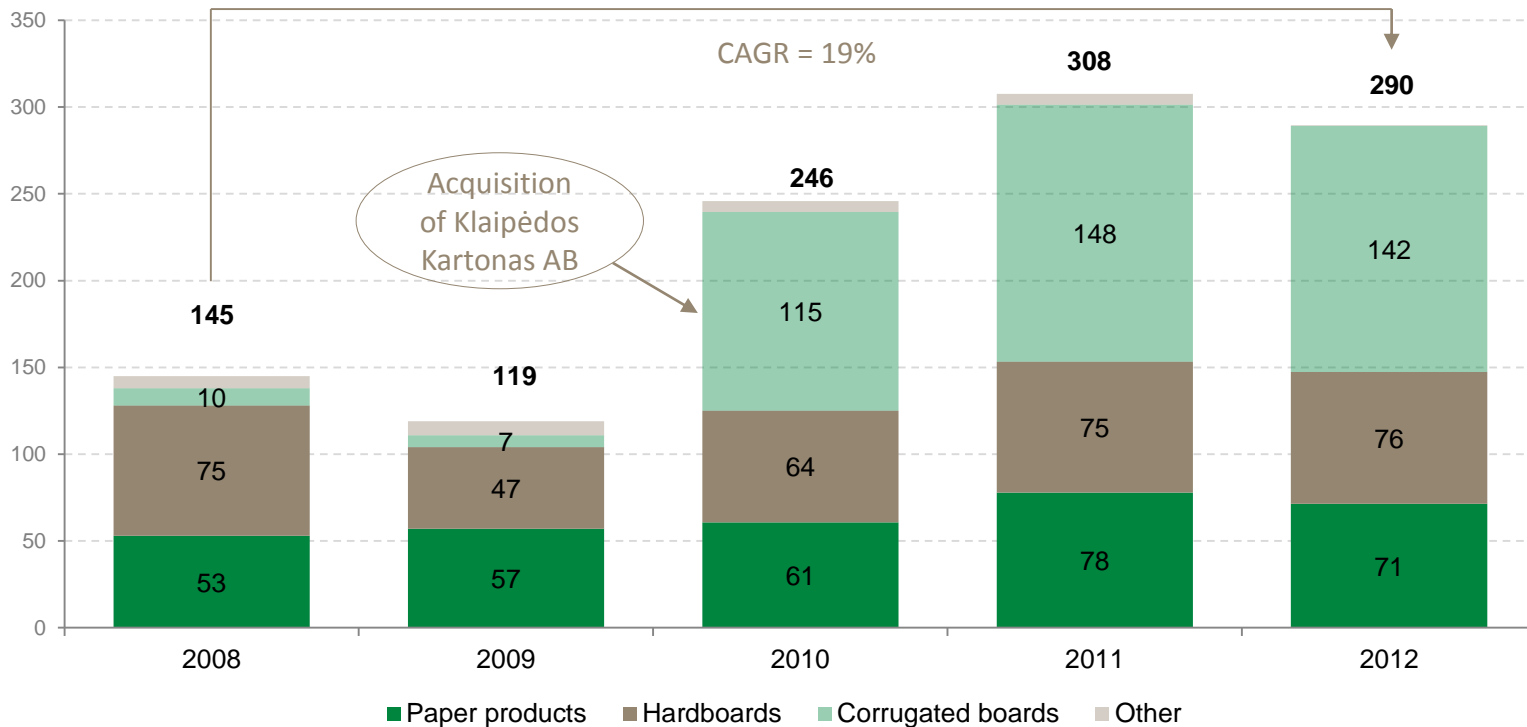
	Description	Production
Grigiškės AB	<ul style="list-style-type: none"> - Parent company of the Group - Established in 1823 - First ISO certified paper mill in Lithuania 	<ul style="list-style-type: none"> - Tissue products - Corrugated packaging
Baltwood UAB	<ul style="list-style-type: none"> - Established as a joint venture by Grigiškės AB and Dansk Traemballage A/S - Acquired by Grigiškės AB in 2005 	<ul style="list-style-type: none"> - Wood panels - Hard boards - Sawn timber - Wood pellets
Klaipėdos Kartonas AB	<ul style="list-style-type: none"> - The largest producer of paper packaging material in the Baltic States - Acquired by Grigiškės AB in 2010 	<ul style="list-style-type: none"> - Testliner - Fluting - Honeycomb
Mena Pak PAT	<ul style="list-style-type: none"> - Based in Ukraine - Acquired by Klaipėdos kartonas AB in 2006, later acquired by Grigiškės in 2010 	<ul style="list-style-type: none"> - Corrugated packaging

Business lines

Manufacture	Key products	End markets	% of total operations	Margins
Tissue products	 <p>Toilet paper Paper towels Napkins Handkerchiefs</p>	 <p>Retail consumers HORECA, Offices, Industry etc.</p>	25%	High
Corrugated packaging	 <p>Testliner Fluting Paper honeycomb</p>	 <p>Containerboard packaging for food and manufacturing industries</p>	49%	Mid-range
Wood products	 <p>Hardboard Sawn timber Wood panels Wood pellets</p>	 <p>Raw material for construction and furniture manufacturing industries</p>	26%	Mid-range

Revenue breakdown

Solid track record of 19% annual growth during the last five years

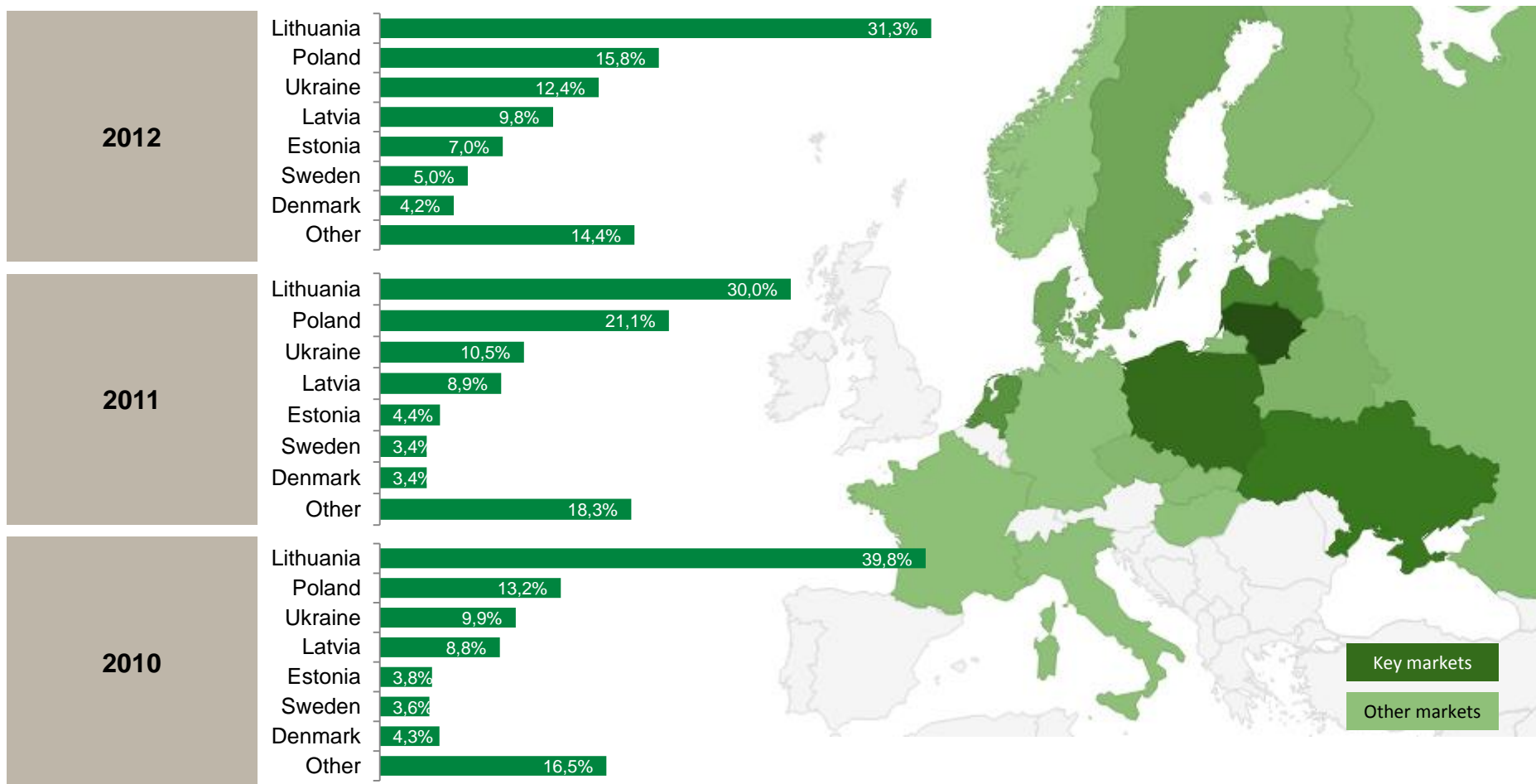


- The Group has demonstrated a solid track record of sales growth with double increase in revenues over the last 5 years
- The Group acquired Klaipėdos Kartonas AB in March 2010
- New production lines in hygiene product segment will further increase high profit margin products sale

3. Market background

Primary markets

Top markets by product segments in 2012 (of total segment sales)

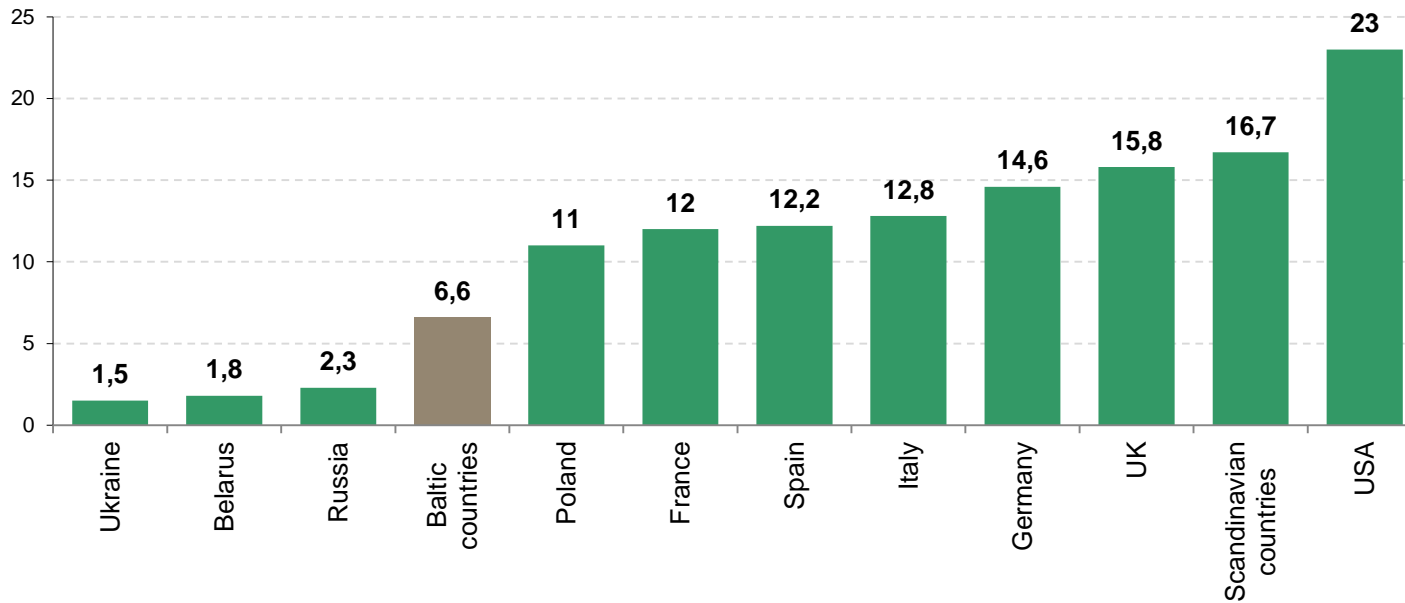


Tissue market

Regional market consumption provides significant upside potential

- Tissue consumption in Lithuania and the Baltic region is below that of the developed markets in Europe
 - Western Europe consumes from 2 to 3 times more tissue paper
 - The highest tissue consumption is concentrated in the Scandinavian countries
- Tissue product demand has been rising in the Eastern Europe during the last years

Tissue consumption, kg/capita 2009



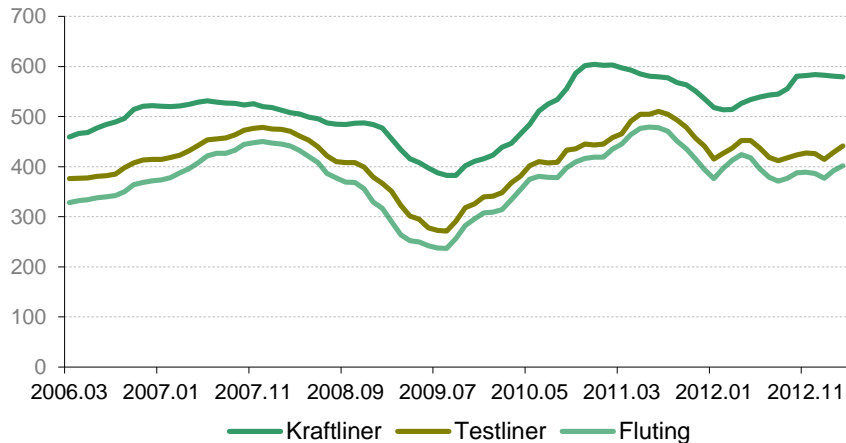
Source: Company, RISI, The European Tissue Paper Industry Association

Packaging market

Packaging consumption in the Baltics lags behind

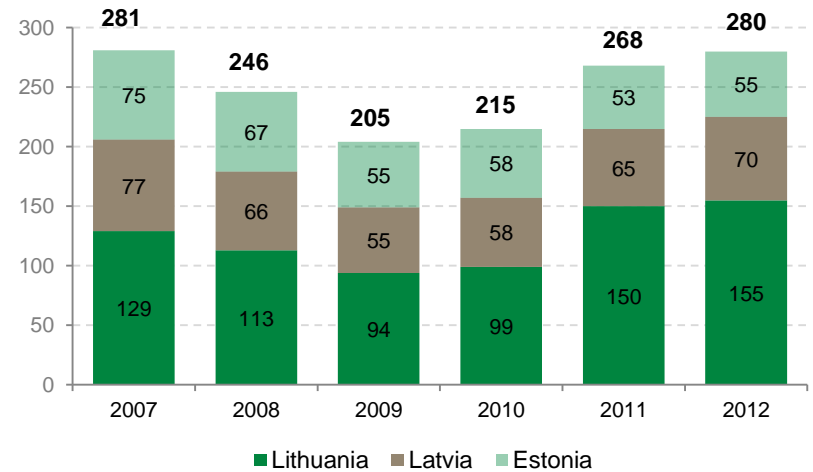
- Corrugated packaging consumption levels in the Baltic States are far below mature markets
- Paper packaging market has recovered after the global decline in output in 2009
 - In Baltic countries, compared with 2009, corrugated packaging consumption has increased by 37%
- The recovery of growth in packaging market is reflected in key raw material prices for packaging products
 - Prices for testliner and fluting have nearly doubled since the lowest levels in 2009

Prices of kraftliner, testliner, fluting, EUR/tonne



Source: Bloomberg

Corrugated packaging consumption in the Baltics, million m²



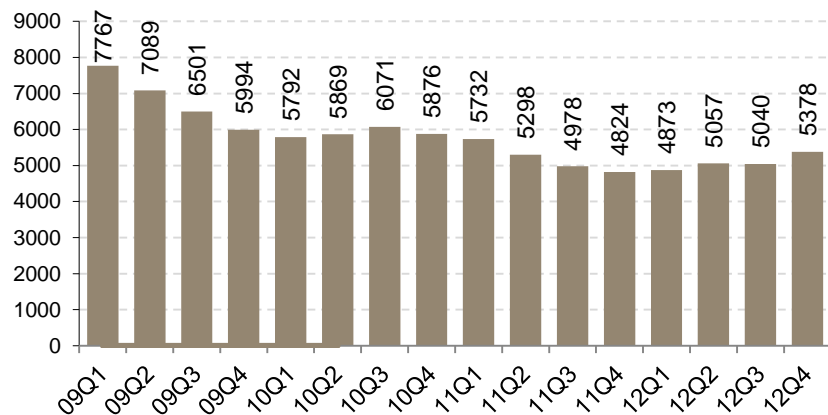
Source: the Company

Wood product market

Sector heavily dependent on construction levels

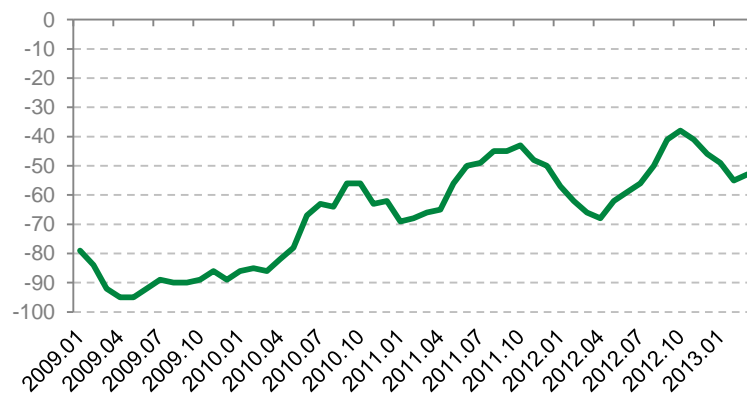
- Wood product market is dependent on construction levels in Lithuania and neighbouring markets
- The construction market started to recover in 2009-2010, after the slump in real estate prices in 2008
- Construction confidence index shows volatile but steadily increasing values
 - The index reveals the confidence of sector participants regarding current and upcoming construction orders
- Timber prices are picking up, indicating recovery in construction and furniture sectors

Given building permits in Lithuania (trailing 12 m)



Source: Statistics Department of Lithuania

Construction confidence index in Lithuania

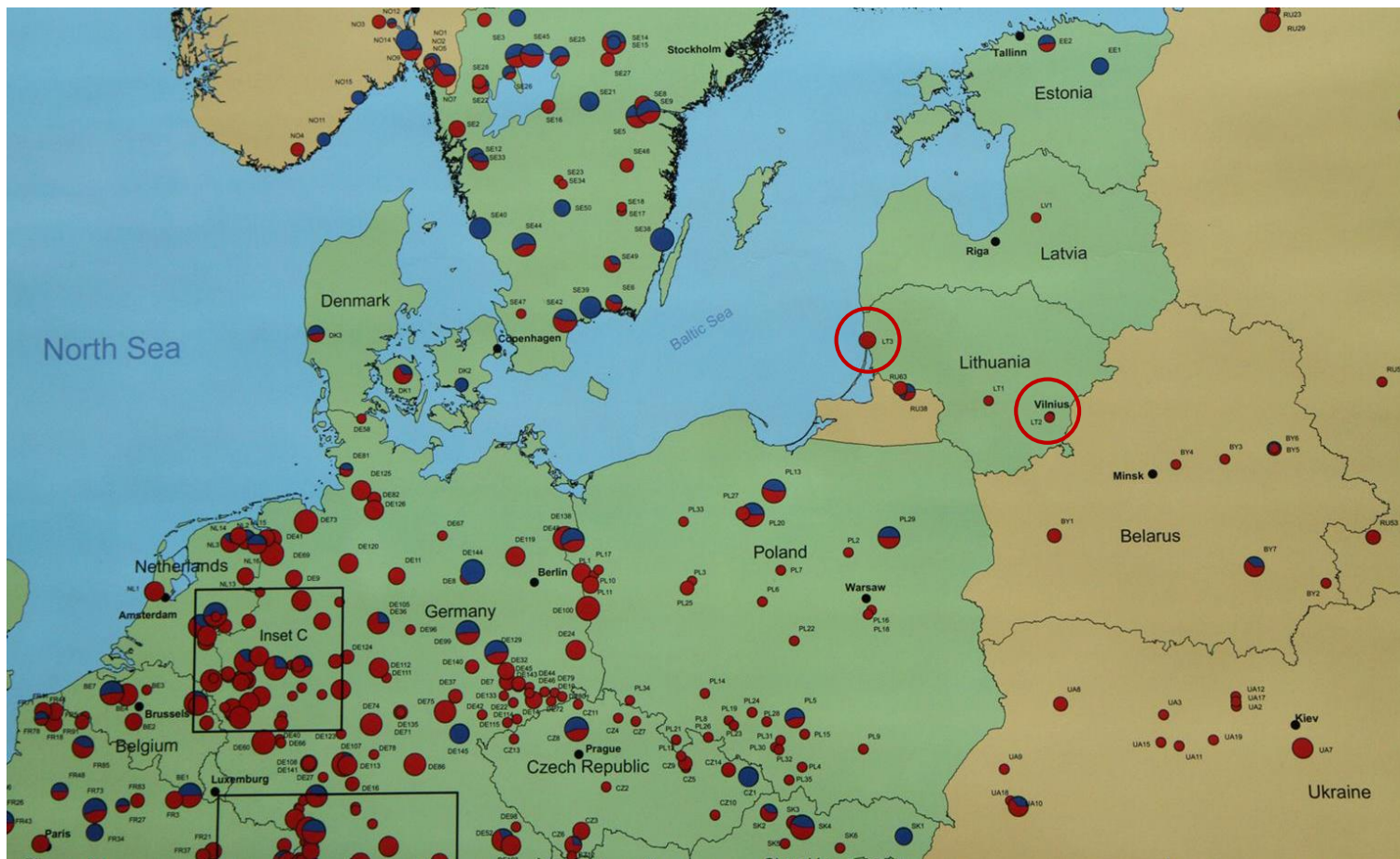


Source: Statistics Department of Lithuania

4. Solid base for growth

Strategic location

Lack of production facilities in 1000 km market



Source: RISI

1000 km

- The Group's target markets include territory of 1000 km radius from Grigiškės AB production sites

Logistics

- Further markets require higher transportation costs, thus usually lower margins.

% of pulp

% of paper

Grigiškės
AB

Competitive advantages

Despite the competitors in the region, the Group maintains a leading position by several strong advantages:

Tissue market	Name	Brands	Group's competitive advantage	<ul style="list-style-type: none"> - Brand awareness - Full product range, covering economy, mid-price and premium segments - Geographical location offering lower logistics costs versus main competitors - Strong presence in key retail chains in the region
	Metsa – Tissue	Tento, Serla, Labi, KATRIN		
	SCA	Velvet, Zewa, Tempo, LOTUS		
	Kimberly – Clark&Klucze	Viva, Kleenex		
Packaging market	Name	Country	Group's competitive advantage	<ul style="list-style-type: none"> - Strategic location for reaching customers both in Eastern and Western part of Europe - Sufficient supply of recycled paper from local and import markets - Access to rail, road and water transportation system - Technological advantage (especially over competitors in the Eastern Europe)
	Mondi Packaging Swiece	Poland		
	Stora Enso (Intercell) Ostroleka	Poland		
	Hamburger	Hungary		
	Svetlagorsko	Belarus		
	Obuhovo	Ukraine		
Wood product market	Name	Brand	Group's competitive advantage	<ul style="list-style-type: none"> - Favorable geographical location with Lithuania having a developed furniture manufacturing sector - Use of biomass boiler-house assuring independence from external energy supplies - Full manufacturing cycle
	Finnish Fibreboard Ltd (Heinola)	Lionboard (Hardboard)		
	Homanit (Krosno Odrzanskie)	Non branded (Hardboard)		
	Fibris SA (Przemysi)	Fibris (Hardboard)		
	STEICO	STEICO (Hardboard)		
	Stora Enso	Non branded (Other)		
	Graanul Invest	Non branded (Other)		

Solid financial performance

Robust financials supported by gross profit margin growth

- Sales revenues have increased by 99% over the last 5 years
- Sales revenues reached LTL 289.5 million in 2012
 - In 2012, sales declined by 6%, mainly due to a significant price decline in corrugated packaging segment
- Gross profit margins have been increasing since 2010
 - In 2009 gross profit margin spiked due to favorable raw material purchase conditions and prices
- EBITDA reached LTL 35.6 million, whereas EBITDA margin slightly decreased to – 12%
- Total assets increased by 2% due to additional capital investments into paper production lines
 - Non-current assets account for 78.6% of total assets
 - Current assets comprise of account receivables (57%), inventories (39%), and other items (4%)
- Financial liabilities declined by 3% to LTL 94.2 million

mLTL	2008	2009	2010	2011	2012
Sales	145.5	118.9	245.8	307.7	289.5
Gross profit	15.8	20.2	32.7	46.6	45.5
EBITDA	12.6	21.9	35.6	40.8	35.6
Net Profit	-3.9	2.6	7.5	12.8	9.3
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Gross profit margin	11%	17%	13%	15%	16%
EBITDA margin	9%	18%	14%	13%	12%
Net profit margin	-3%	2%	3%	4%	3%
<hr/>					
Total assets	140.7	121.4	238.7	250.2	254.1
Non-current assets	106.6	95.5	183.8	192.0	199.6
Current assets	34.1	25.9	54.9	58.2	54.5
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Total liabilities	75.7	53.6	143.1	143.0	139.8
Financial liabilities	57.5	38.1	97.2	97.5	94.2
Other liabilities	18.2	15.5	45.8	45.5	45.6
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Total equity	64.7	67.3	87.2	98.5	106.1
ROA	-3%	2%	3%	5%	4%
ROE	-6%	4%	9%	13%	9%

Growth and efficiency oriented investment program

Strategic investments in tissue segment will double production output

	Tissue segment	Corrugated packaging segment
Planned investments	<ul style="list-style-type: none"> - LTL 65 million (53mLTL paper production line + 12mLTL biomass boiler) during 2013-2014 	<ul style="list-style-type: none"> - LTL 18 million (energy efficiency programs) during 2013
Investment areas	<ul style="list-style-type: none"> - New paper production line (launch at the end of 2014) - New biomass heating facility (launch at the beg. of 2014) 	<ul style="list-style-type: none"> - Energy efficiency programs - Operational efficiency of corrugated packing production line
Economic effect	<ul style="list-style-type: none"> - Capacity of new paper production line will be two times larger than current combined capacity. It will replace old, less efficient production lines. - After the launch of production line, sales revenue is estimated to double in two years time. 	<ul style="list-style-type: none"> - New biomass heating (steam) facility will reduce cost for steam by 45% - Other investments will reduce energy consumption by 10%

Substantial upside potential for Grigiškės

Continuous strategy implementation and favourable market conditions provide significant upside potential

	Event	Economic effect
1	Acquisition of hygiene products production line	<ul style="list-style-type: none">- Hygiene paper production output will double in two years after the launch in the end of 2014- Increased efficiency and lower production costs
2	Construction of independent energy sources	<ul style="list-style-type: none">- 45% reduction of energy costs after investment program is fully implemented
3	Fully integrated and efficient business model	<ul style="list-style-type: none">- Flexibility in completing lower amount but more profitable orders- Innovative business control system allows timely completion of orders, thus increasing trust and loyalty of clients
4	Capitalization economies of scale	<ul style="list-style-type: none">- Higher production capacity allows to participate in larger public tenders, thus resulting in higher sales and controlled cost side
5	Regional market upside	<ul style="list-style-type: none">- Expected convergence of tissue and packaging consumption to the level of mature markets justifies increased production output
6	Russia joins World Trade Organization	<ul style="list-style-type: none">- More favourable export conditions in the Russian market, which has even higher growth potential than the Baltics combined

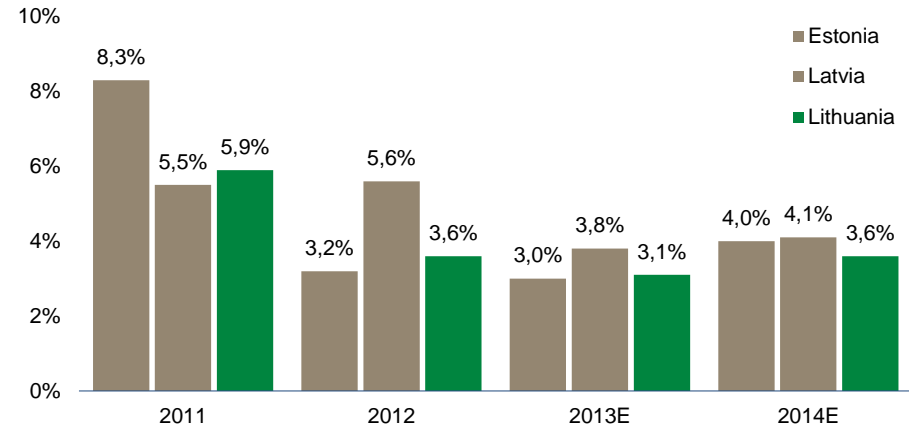
Appendices

Baltic macroeconomic overview

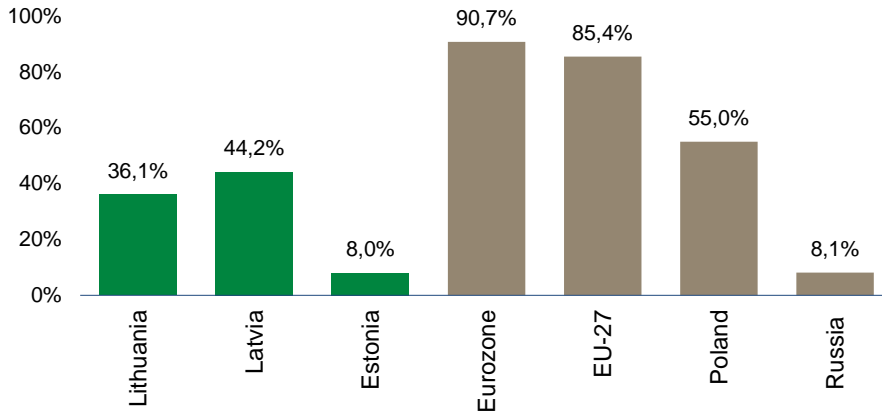
Economic recovery in the Baltics

- Economies of the Baltic States are recovering
 - Increasing exports together with internal devaluation resulted in higher competitiveness of the region
- Baltic growth outpaces that of the EU
 - Region's GDP growth forecasts are positive and above that of Eurozone or EU-27
- Sovereign debt levels are under control
 - All three Baltic countries have maintained relatively low debt levels throughout the crisis
- Baltic stock market index has substantially increased in value over the last two years

GDP is expected to grow steadily in all three Baltic countries

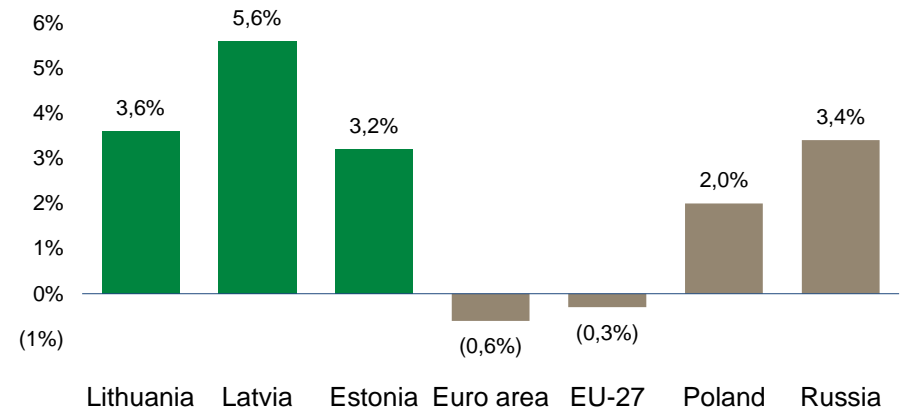


Government finances – low debt ratios



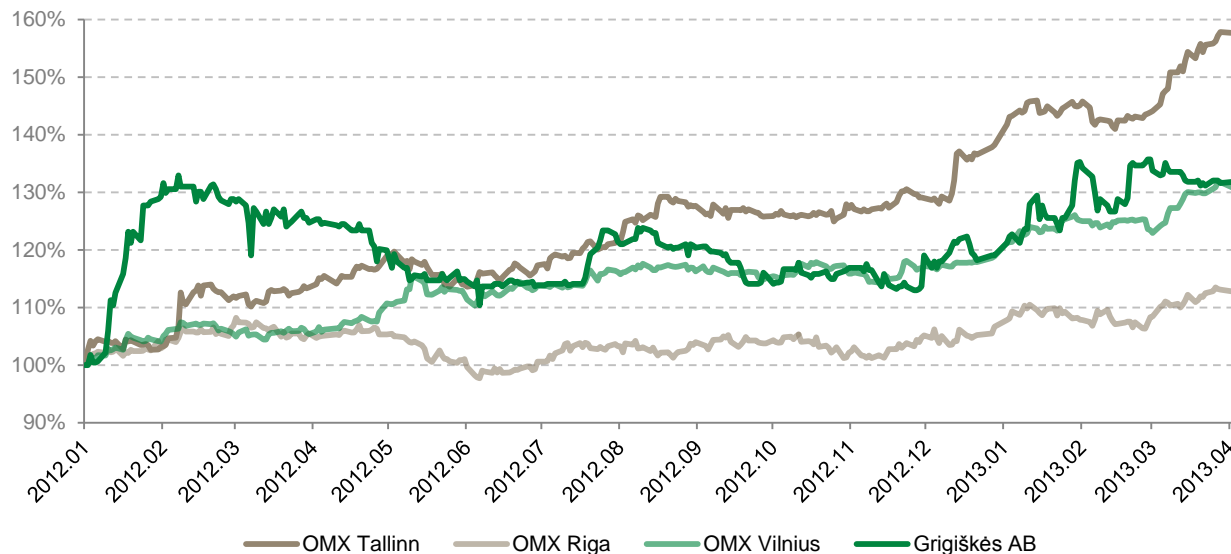
Source: Statistical office of the European Union (EUROSTAT)

Baltic growth outpaces that of the EU



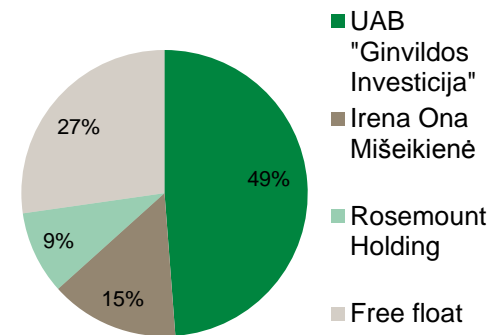
Stock market overview

Stock market performance



Source: Nasdaq OMX Vilnius

Shareholders (31 Dec 2012)

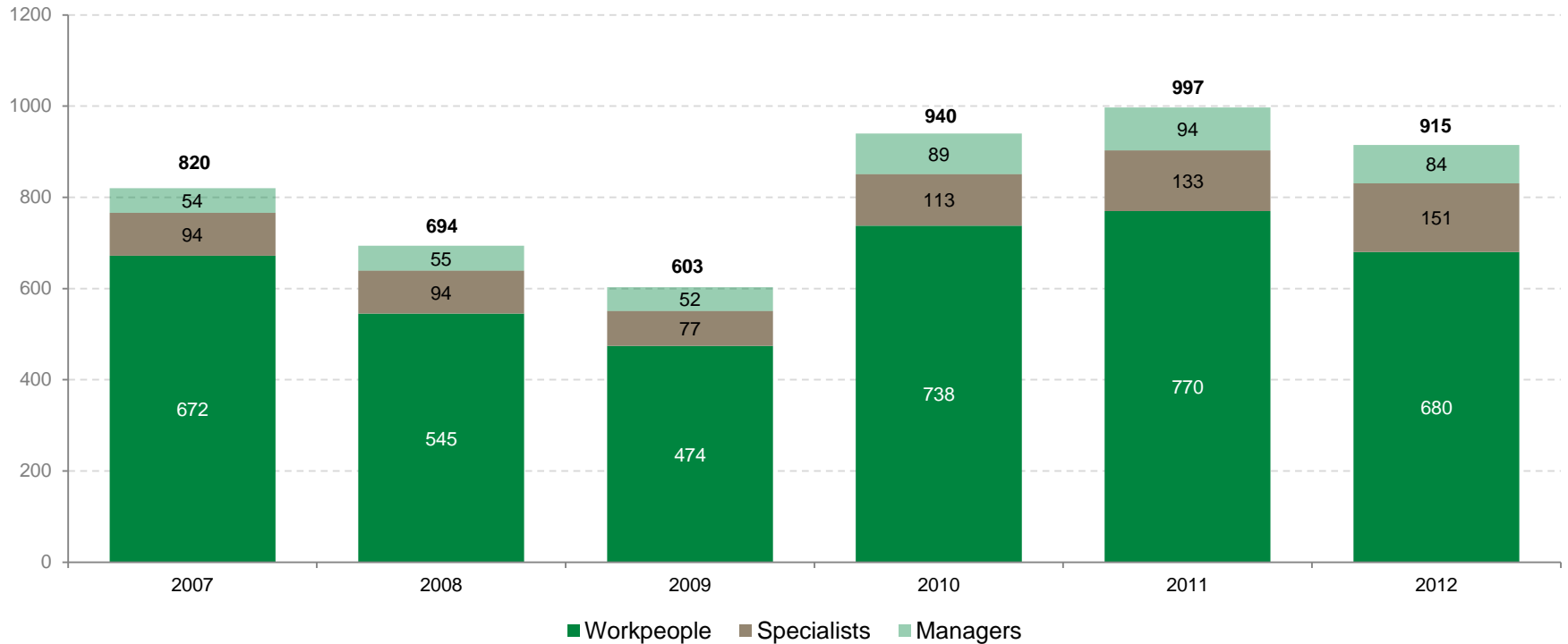


Source: the Company

- Economic recovery in the Baltics has positively affected cash flows to the local stock markets
- Baltic stock market indices have substantially increased in value over the last years
 - The value of NASDAQ OMX Vilnius index has increased by 31% since the beginning of 2012
 - The price of Grigiškės AB stocks have increased by 32% over the same period

Employees

Average number of employees



- In 2012, due to business optimization process, average number of employees has decreased to 915
- In 2010, the average number of employees increased due to the acquisition of Klaipėdos Kartonas AB
 - 357 employees joined from Klaipėdos Kartonas AB and Mena Pak PAT

Company history

- 
- 2012 - Launch of new corrugated cardboard production line
 - 2011 - Production of wood fiberboard was moved to Baltwood UAB
 - 2010 - Acquisition of Klaipėdos Kartonas AB, a manufacturer of raw materials for corrugated packaging
 - 2003 - Establishment of Baltwood UAB, a wood product manufacturer
 - 2003 - Acquisition of Naujieji Verkiai AB, manufacturer of fluting and tissue products
 - 2001 - Acquisition of Grigiškės AB by its current largest shareholder Ginvildos Investicija UAB
 - 1991 - Establishment of Grigiškės AB
 - 1964 - Launch of a fiberboard manufacturing line
 - 1923 - Establishment of a manufacturing site at Grigiškės city
 - 1823 - Establishment of the first paper product manufacturing plant

Thank you!