Grigeo AB

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018
PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS,
AS ADOPTED BY THE EUROPEAN UNION,
PRESENTED TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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KPMG

KPMG Baltics, UAB
Konstitucijos Ave 29
LT-08105, Vilnius
Lithuania

Phone: +370 5 2102600
Fax: +370 5 2102659
E-mail: vilnius@kpmg.lt
Website: kpmg.com/lt

Independent Auditor's Report

To the Shareholders of Grigeo AB

Report on the Audit of the Separate and the Consolidated Financial Statements

Opinion

We have audited the separate financial statements of AB Grigeo ("the Company") and the consolidated financial statements of AB Grigeo and its subsidiaries ("the Group"). The Company's separate and the Group's consolidated financial statements comprise:

- the separate and the consolidated statement of financial position as at 31 December 2018,
- the separate and the consolidated statement of profit or loss and other comprehensive income for the year then ended,
- the separate and the consolidated statement of changes in equity for the year then ended,
- the separate and the consolidated statement of cash flows for the year then ended, and
- notes to the separate and the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the unconsolidated and consolidated financial position of the Company and the Group, respectively, as at 31 December 2018, and of their respective unconsolidated and consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements section of our report. We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Each audit matter and our respective response are described below.

Company code: 111494971
VAT code: LT114949716

Goodwill impairment (Consolidated financial statements)	
We refer to the financial statements: Note 2.4. (accounting policy), Note 5 (financial disclosures).	
The key audit matter	**How the matter was addressed in our audit**
The carrying amount of goodwill in the consolidated financial statements as at 31 December 2018: EUR 3,001 thousand; total impairment loss as at 31 December 2018: nil. The goodwill was allocated to Grigeo Klaipėda AB cash generating unit acquired in 2010. The recoverable amount of cash generating unit as at 31 December 2018 and 31 December 2017 was determined using the discounted cash flows projection based on the five-year financial forecasts prepared by the management, including terminal value. The determination of recoverable amounts of the cash generating unit is a process that requires management to make significant judgements, including those in respect of future operating cash flows, growth rates and discount rates. Accordingly, this area required our increased attention in the audit and as such was identified by us to be our key audit matter.	Our audit procedures performed in the area included, among others: • checking the mathematical accuracy of the impairment model used for determination of fair value of the Grigeo Klaipėda AB cash generating unit; • evaluating the Group's budgeting process by comparing the actual results for the year with original past forecasts, taking these observations into consideration in assessing the sensitivity analysis performed by the Group; • involving our valuation specialists to assist us in assessing the appropriateness of the methodology applied in the impairment model, challenging the key assumptions used therein by comparing the production, sales volumes and profit margins to historical results and to industry data, and also assessing the reasonableness of forecasted growth rates and discount rates to the ones generally observed in the paper manufacturing industry; • considering sensitivity of the impairment model to changes in key assumptions to understand the impact of such changes on levels of impairment test headroom; • considering the adequacy of the Group's disclosures in respect of impairment testing.

Useful lives of property, plant and equipment (separate and consolidated financial statements)	
We refer to the financial statements: Note 2.9. (accounting policy), Note 4 (financial disclosures).	
The key audit matter	**How the matter was addressed in our audit**
As at 31 December 2018, the stated amount of property, plant and equipment, carried at cost less accumulated depreciation and impairment losses, if any, was EUR 31.277 thousand in the separate financial statements and EUR 74.649 thousand in the consolidated financial statements. Property, plant and equipment, comprised primarily of buildings and structures and machinery and equipment, represents a major part of the total assets reported in the statement of financial position. One of the key aspects of accounting for property, plant and equipment include the determination of the useful lives of these assets. Estimated useful lives are reviewed by the Company and the Group annually taking into consideration various market and technical factors which may affect the useful life expectancy of the assets and therefore could have a material effect on any impairment charges or the depreciation charge for the year. The Management Board's assessment of useful lives of property, plant and equipment involves significant judgement, with the key assumptions applied therein further described in Note 2.9. Changes to these assumptions could result in a material change in the depreciation charge for the year. The area required our increased attention in the audit and as such was considered by us to be a key audit matter.	Our audit procedures in the area included, among others: • considering the appropriateness of the Company's and the Group's accounting policies relating to determination of useful lives of items of property, plant and equipment and assessing compliance of the policies with the applicable financial reporting standards; • assessing the appropriateness of the controls implemented by the Company and the Group with respect to determination and subsequent revision of useful life of items of property, plant and equipment; • performing retrospective review of accuracy of the Management Board's estimates with respect to useful life of significant items of property, plant and equipment; • comparing useful life of significant items of property, plant and equipment applied by the Company and the Group to that applied for similar assets by other companies in the manufacturing industry and seeking explanations from the Management Board for significant differences; • selecting a sample of acquisitions of items of property plant and equipment and testing whether depreciation rates applied for these items was in accordance with the Management Board's estimate of those assets' useful lives; • inquiring of the Management Board as to their plans to dispose and/or write-off or replace any significant items of property, plant and equipment and assessing consistency of these plans with their estimate of the remaining useful life of such assets; • considering the adequacy of the Company's and the Group's disclosures (Note 2.9. and Note 4) in respect of property, plant and equipment.

Other Information

The other information comprises the information included in the consolidated annual management report, including Corporate Governance Statement and Corporate Social Responsibility Report, but does not include the separate and consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the separate and consolidated financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In addition, our responsibility is to consider whether information included in the consolidated annual management report, including Corporate Governance Statement, for the financial year for which the separate and consolidated financial statements are prepared is consistent with the separate and consolidated financial statements and whether consolidated annual management report, including Corporate Governance Statement, has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of the separate and consolidated financial statements, in our opinion, in all material respects:

- The information given in the consolidated annual management report, including Corporate Governance Statement, for the financial year for which the separate and consolidated financial statements are prepared is consistent with the separate and consolidated financial statements; and
- The consolidated annual management report, including Corporate Governance Statement, has been prepared in accordance with the requirements of the Law on Consolidated Financial Reporting by Groups of Undertakings of the Republic of Lithuania.

It is also our responsibility check whether the Corporate Social Responsibility Report has been provided within the annual management report. If we identify that Corporate Social Responsibility Report has not been provided, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Separate and Consolidated Financial Statements

Management is responsible for the preparation of the separate and consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and/or the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and/or the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Under decision of the general shareholders' meeting, we were appointed on 25 April 2012 for the first time to audit the Company's and the Group's separate and consolidated financial statements. Our appointment to audit the Company's and the Group's separate and consolidated financial statements is renewed every two year under decision of the general shareholders' meeting, and the total uninterrupted period of engagement is 7 years.

We confirm that our audit opinion expressed in the Opinion section of our report is consistent with the additional report presented to the Company and the Group and its Audit Committee.

We confirm that to the best of our knowledge and belief, we have not provided to the Company and the Group any prohibited non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

In the course of audit, we have not provided any other services except for audit of separate and consolidated financial statements.

On behalf of KPMG Baltics, UAB

Domantas Dabulis
Partner pp
Certified Auditor

Vilnius, the Republic of Lithuania
29 March 2019

STATEMENTS OF FINANCIAL POSITION

	Notes	Group		Company	
		As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
ASSETS					
Non-current assets					
Property, plant and equipment	4	74,649,120	81,954,112	31,277,363	43,918,201
Investment property	6	1,231,100	1,331,302	1,231,100	1,331,302
Intangible assets	5	4,483,885	4,340,066	548,138	238,552
Investments into subsidiaries	1	-	-	8,468,001	8,468,001
Investments into other companies		487	29,449	-	28,962
Non-current receivables	8	143,450	287,873	35,190	178,755
Deferred income tax assets	24	2,030,564	1,886,619	1,294,269	1,317,155
Total non-current assets		**82,538,606**	**89,829,421**	**42,854,061**	**55,480,928**
Current assets					
Inventories	7	11,738,074	9,965,111	4,605,315	4,512,651
Accounts receivable	8	15,864,654	14,836,297	7,572,137	10,389,005
Other current assets		256,603	377,591	216,384	308,033
Advance income tax		-	-	-	-
Cash and cash equivalents	9	4,950,151	538,705	1,515	2,143
Disposed assets	1	-	-	14,886,660	-
Total current assets		**32,809,482**	**25,717,704**	**27,282,011**	**15,211,832**
TOTAL ASSETS		**115,348,088**	**115,547,125**	**70,136,072**	**70,692,760**

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STATEMENTS OF FINANCIAL POSITION (CONT'D)

	Notes	Group		Company	
		As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
EQUITY AND LIABILITIES					
Equity					
Share capital	10	19,053,000	19,053,000	19,053,000	19,053,000
Share premium	10	1,118,906	1,118,906	1,118,906	1,118,906
Legal reserve	10	1,905,300	1,905,300	1,905,300	1,905,300
Own shares reserve		-	1,000,000	-	1,000,000
Hedging reserve		(75,292)	(120,324)	(43,029)	(67,831)
Foreign currency translation reserve		(2,144,191)	(2,214,377)	-	-
Retained earnings		46,379,729	35,259,339	16,762,776	16,933,516
Equity attributable to equity holders of the parent		**66,237,452**	**56,001,844**	**38,796,953**	**39,942,891**
Non-controlling interests		648,602	425,395	-	-
Total equity		**66,886,054**	**56,427,239**	**38,796,953**	**39,942,891**
Liabilities					
Accounts payable after one year and non-current liabilities					
Grants and subsidies	12	2,261,848	3,036,304	1,620,546	2,119,102
Non-current borrowings	13	11,612,637	18,354,280	2,884,477	7,426,463
Finance lease obligations	14	-	15,500	-	6,162
Loans from subsidiaries		-	-	1,014,158	-
Deferred income tax liability	24	-	-	-	-
Fair value of financial instruments	13	75,292	120,324	27,254	67,831
Non-current employee benefits	15	152,709	149,442	80,760	102,126
Long-term trade payables and other non-current liabilities		-	-	-	-
Total accounts payable after one year and non-current liabilities		**14,102,486**	**21,675,850**	**5,627,195**	**9,721,684**
Accounts payable within one year and current liabilities					
Current portion of long-term loans	13	9,917,226	15,091,131	3,284,954	8,247,202
Current borrowings	13	2,421,396	1,928,034	2,340,843	1,218,058
Current portion of non-current finance lease obligations	14	12,072	205,769	6,162	66,763
Loans from subsidiaries		-	-	800,139	-
Income tax payable		50,826	347,697	-	18,724
Trade payables and other current liabilities	16	21,958,028	19,871,405	10,968,106	11,477,438
Liabilities related to disposed assets	1	-	-	8,311,720	-
Total accounts payable within one year and current liabilities		**34,359,548**	**37,444,036**	**25,711,924**	**21,028,185**
Total liabilities		**48,462,034**	**59,119,886**	**31,339,119**	**30,749,869**
TOTAL EQUITY AND LIABILITIES		**115,348,088**	**115,547,125**	**70,136,072**	**70,692,760**

The accompanying notes are an integral part of these financial statements.

The financial statements were prepared by the management on 29 March 2019 and signed on its behalf by:

Gintautas Pangonis
President

Nina Šilerienė
Vice President, Finance

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Group		Company	
		2018	2017	2018	2017
Sales revenue	18	142,545,545	129,867,083	82,478,639	70,976,100
Continuing operations		-	-	*58,357,327*	*50,816,673*
Transferred operations		-	-	*24,121,312*	*20,159,427*
Cost of sales		(112,732,185)	(105,670,868)	(72,090,832)	(59,562,705)
Continuing operations		-	-	*(51,573,548)*	*(42,758,243)*
Transferred operations		-	-	*(20,517,284)*	*(16,804,462)*
Gross profit		**29,813,360**	**24,196,215**	**10,387,807**	**11,413,395**
Other operating income	19	1,524,841	915,825	1,284,712	847,189
Continuing operations		-	-	*1,284,712*	*847,189*
Selling and distribution expenses	21	(10,316,679)	(10,416,095)	(6,649,568)	(6,339,316)
Continuing operations		-	-	*(4,759,658)*	*(4,815,293)*
Transferred operations		-	-	*(1,889,910)*	*(1,524,023)*
General and administrative expenses	22	(5,906,657)	(5,265,130)	(3,055,343)	(2,757,694)
Continuing operations		-	-	*(2,152,318)*	*(2,045,665)*
Transferred operations		-	-	*(903,025)*	*(712,029)*
Impairment losses from trade receivables		(4,243)	-	(2,553)	-
Other operating expenses	19	(353,191)	(293,284)	(237,564)	(402,300)
Continuing operations		-	-	*(237,564)*	*(402,300)*
Profit from operations		**14,757,431**	**9,137,531**	**1,727,491**	**2,761,274**
Finance income	23	13,017	33,348	249,726	503,775
Continuing operations		-	-	*249,726*	*503,712*
Transferred operations		-	-	-	*63*
Finance expenses	23	(491,557)	(721,106)	(252,284)	(322,197)
Continuing operations		-	-	*(198,963)*	*(250,966)*
Transferred operations		-	-	*(53,321)*	*(71,231)*
Profit before income tax		**14,278,891**	**8,449,773**	**1,724,933**	**2,942,852**
Income tax	24	68,287	851,967	1,046,327	658,828
Continuing operations		-	-	*1,046,327*	*658,828*
NET PROFIT		**14,347,178**	**9,301,740**	**2,771,260**	**3,601,680**
Continuing operations		-	-	*2,013,488*	*2,553,935*
Transferred operations		-	-	*757,772*	*1,047,745*

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STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

	Notes	Group		Company	
		2018	2017	2018	2017
Other comprehensive income					
Items that will never be reclassified to profit or loss		-	-	-	-
Items that are or may be reclassified to profit or loss		**116,706**	**(92,182)**	**24,802**	**69,743**
Exchange differences on translation of foreign operations		71,674	(196,487)	-	-
Cash flow hedges – effective portion of changes in fair value		45,032	104,305	24,802	69,743
Total comprehensive income for the year, net of tax		**14,463,884**	**9,209,558**	**2,796,062**	**3,671,423**
Profit attributable to:					
The shareholders of the Company		14,062,390	9,157,420	2,771,260	3,601,680
Non-controlling interests		284,788	144,320	-	-
		14,347,178	**9,301,740**	**2,771,260**	**3,601,680**
Total comprehensive income attributable to:					
The shareholders of the Company		14,177,608	9,069,317	2,796,062	3,671,423
Non-controlling interests		286,276	140,241	-	-
		14,463,884	**9,209,558**	**2,796,062**	**3,671,423**
Basic and diluted earnings per share	25	0.21	0.14	0.04	0.05
Continuing operations		-	-	*0.03*	*0.03*
Transferred operations		-	-	*0.01*	*0.02*
Adjusted earnings before interest, tax, depreciation and amortisation (adjusted EBITDA)	27	**28,112,875**	**22,894,230**	**9,285,701**	**10,235,022**
Continuing operations		-	-	*7,001,437*	*7,679,135*
Transferred operations		-	-	*2,284,264*	*2,555,887*

The accompanying notes are an integral part of these financial statements.

The financial statements were prepared by the management on 29 March 2019 and signed on its behalf by:

Gintautas Pangonis
President

Nina Šilerienė
Vice President, Finance

STATEMENTS OF CHANGES IN EQUITY

Group	Equity attributable to equity holders of the parent								Non-controlling interest	Total equity:
	Share capital	Share premium	Legal reserve	Own shares reserve	Hedging reserve	Foreign currency translation reserve	Retained earnings	Total:		
Balance as at 31 December 2016	**19,053,000**	**1,118,906**	**1,905,300**	**1,000,000**	**(224,629)**	**(2,021,969)**	**28,729,919**	**49,560,527**	**577,861**	**50,138,388**
Net profit for the year	-	-	-	-	-	-	9,157,420	9,157,420	144,320	9,301,740
Other comprehensive income (expenses)	-	-	-	-	104,305	(192,408)	-	(88,103)	(4,079)	(92,182)
Total comprehensive income (expenses)	**-**	**-**	**-**	**-**	**104,305**	**(192,408)**	**9,157,420**	**9,069,317**	**140,241**	**9,209,558**
Own shares reserve	-	-	-	-	-	-	-	-	-	-
Transfer to legal reserve	-	-	-	-	-	-	-	-	-	-
Dividends approved	-	-	-	-	-	-	(2,628,000)	(2,628,000)	-	(2,628,000)
Transactions with owners of the Company	**-**	**-**	**-**	**-**	**-**	**-**	**(2,628,000)**	**(2,628,000)**	-	**(2,628,000)**
Transactions with non-controlling interest	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(292,707)**	**(292,707)**
Balance as at 31 December 2017	**19,053,000**	**1,118,906**	**1,905,300**	**1,000,000**	**(120,324)**	**(2,214,377)**	**35,259,339**	**56,001,844**	**425,395**	**56,427,239**
Effect of IFRS 9 as at 1 January 2018	-	-	-	-	-	-	-	-	-	-
Effect of IFRS 15 as at 1 January 2018	-	-	-	-	-	-	-	-	-	-
Recalculated as at 1 January 2018	**19,053,000**	**1,118,906**	**1,905,300**	**1,000,000**	**(120,324)**	**(2,214,377)**	**35,259,339**	**56,001,844**	**425,395**	**56,427,239**
Net profit for the year	-	-	-	-	-	-	14,062,390	14,062,390	284,788	14,347,178
Other comprehensive income (expenses)	-	-	-	-	45,032	70,186	-	115,218	1,488	116,706
Total comprehensive income (expenses)	**-**	**-**	**-**	**-**	**45,032**	**70,186**	**14,062,390**	**14,177,608**	**286,276**	**14,463,884**
Own shares reserve (Note 10)	-	-	-	(1,000,000)	-	-	1,000,000	-	-	-
Dividends approved (Note 26)	-	-	-	-	-	-	(3,942,000)	(3,942,000)	-	(3,942,000)
Transactions with owners of the Company	**-**	**-**	**-**	**(1,000,000)**	**-**	**-**	**(2,942,000)**	**(3,942,000)**	-	**(3,942,000)**
Transactions with non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(63,069)**	**(63,069)**
Balance as at 31 December 2018	**19,053,000**	**1,118,906**	**1,905,300**	**-**	**(75,292)**	**(2,144,191)**	**46,379,729**	**66,237,452**	**648,602**	**66,886,054**

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STATEMENTS OF CHANGES IN EQUITY (CONT'D)

Company	Share capital	Share premium	Legal reserve	Own shares reserve	Hedging reserve	Retained earnings	Total equity:
Balance as at 31 December 2016	**19,053,000**	**1,118,906**	**1,905,300**	**1,000,000**	**(137,574)**	**15,959,836**	**38,899,468**
Net profit for the year	-	-	-	-	-	3,601,680	3,601,680
Other comprehensive income (expenses)	-	-	-	-	69,743	-	69,743
Total comprehensive income (expenses)	-	-	-	-	**69,743**	**3,601,680**	**3,671,423**
Own shares reserve	-	-	-	-	-	-	-
Dividends approved (Note 26)	-	-	-	-	-	(2,628,000)	(2,628,000)
Transfer to legal reserve	-	-	-	-	-	-	-
Transactions with owners of the Company	-	-	-	-	-	**(2,628,000)**	**(2,628,000)**
Balance as at 31 December 2017	**19,053,000**	**1,118,906**	**1,905,300**	**1,000,000**	**(67,831)**	**16,933,516**	**39,942,891**
Effect of IFRS 9 as at 1 January 2018	-	-	-	-	-	-	-
Effect of IFRS 15 as at 1 January 2018	-	-	-	-	-	-	-
Recalculated as at 31 December 2018	**19,053,000**	**1,118,906**	**1,905,300**	**1,000,000**	**(67,831)**	**16,933,516**	**39,942,891**
Net profit for the year	-	-	-	-	-	2,771,260	2,771,260
Other comprehensive income (expenses)	-	-	-	-	24,802	-	24,802
Total comprehensive income (expenses)	-	-	-	-	**24,802**	**2,771,260**	**2,796,062**
Own shares reserve	-	-	-	(1,000,000)	-	1,000,000	-
Dividends approved (Note 26)	-	-	-	-	-	(3,942,000)	(3,942,000)
Transactions with owners of the Company	-	-	-	**(1,000,000)**	-	**(2,942,000)**	**(3,942,000)**
Balance as at 31 December 2018	**19,053,000**	**1,118,906**	**1,905,300**	-	**(43,029)**	**16,762,776**	**38,796,953**

The accompanying notes are an integral part of these financial statements.

The financial statements were prepared by the management on 29 March 2019 and signed on its behalf by:

Gintautas Pangonis
President

Nina Šilerienė
Vice President, Finance

STATEMENTS OF CASH FLOWS

	Notes	Group		Company	
		2018	2017	2018	2017
Cash flows from (to) operating activities					
Profit before income tax		14,278,891	8,449,773	1,724,933	2,942,852
Adjustments for non-cash items					
Depreciation and amortisation, including subsidies		13,355,444	13,756,699	7,558,210	7,473,748
Elimination of finance (income) expenses	23	478,540	687,758	2,558	(181,578)
Loss (gain) on disposal and write-off of property, plant and equipment		(185,412)	(308,047)	(174,866)	(175,042)
Loss (profit) on disposal of emission rights		(845,650)	(258,825)	(693,300)	(179,075)
Impairment of other investments		58,936	-	58,936	-
Allowance for impairment of doubtful receivables (reversal)	8	4,243	(65,414)	2,553	71,749
		27,144,992	**22,261,944**	**8,479,024**	**9,952,654**
Changes in working capital					
(Increase) decrease in trade and other receivables		(938,334)	(2,647,105)	(960,961)	(1,999,814)
(Increase) decrease in inventories		(1,898,309)	(1,142,456)	(960,315)	(1,061,113)
(Increase) decrease in other assets		120,988	(147,897)	91,649	(173,905)
Increase (decrease) in trade and other payables		2,052,567	1,420,187	3,401,439	2,738,938
		(663,088)	**(2,517,271)**	**1,571,812**	**(495,894)**
Interest (paid)		(501,443)	(769,199)	(249,773)	(331,067)
Income tax (paid)		(353,480)	(171,839)		(59,461)
Net cash flows from (to) operating activities		**25,626,981**	**18,803,635**	**9,801,063**	**9,066,232**

(cont'd on the next page)

STATEMENTS OF CASH FLOWS (CONT'D)

	Notes	Group		Company	
		2018	2017	2018	2017
Cash flows from (to) investing activities					
(Acquisition) of property, plant and equipment and intangible assets	4, 5	(6,741,443)	(6,538,879)	(4,838,617)	(4,254,194)
(Acquisition) of other investments		-	-	-	-
Proceeds from sale of property, plant and equipment		206,508	348,240	176,989	178,127
Grants and subsidies received	12	-	-	-	-
Proceeds from disposal of emission allowances		845,650	258,825	693,300	179,075
Dividends received		-	-	245,243	475,051
Acquisition of non-controlling interest		(247,734)	(247,734)	-	-
Net cash flows from (to) investing activities		**(5,689,285)**	**(6,179,548)**	**(3,723,085)**	**(3,421,941)**
Cash flows from (to) financing activities					
Dividends (paid)		(3,894,867)	(2,604,418)	(3,863,009)	(2,573,130)
Loans (repaid)		(13,998,162)	(11,789,009)	(7,154,233)	(4,982,993)
Proceeds from borrowings		2,082,614	1,032,571	2,082,614	1,032,571
Received (repaid) credit lines		493,362	1,179,602	1,122,785	1,093,115
Loans received (repaid) from (to) subsidiaries and related companies		-	-	1,800,000	-
Finance lease (payments)		(209,197)	(471,092)	(66,763)	(213,833)
Net cash flows from financing activities		**(15,526,250)**	**(12,652,346)**	**(6,078,606)**	**(5,644,270)**
Net increase (decrease) in cash and cash equivalents		**4,411,446**	**(28,259)**	**(628)**	**21**
Cash and cash equivalents at the beginning of the period		**538,705**	**566,964**	**2,143**	**2,122**
Cash and cash equivalents at the end of the period		**4,950,151**	**538,705**	**1,515**	**2,143**
Supplemental information of cash flows:					
Non-cash investing activity:					
Property, plant and equipment acquisitions financed by finance lease		-	-	-	-
Liability for property, plant and equipment outstanding as at year end		560,888	575,398	426,860	562,295

The accompanying notes are an integral part of these financial statements.

The financial statements were prepared by the management on 29 March 2019 and signed on its behalf by:

Gintautas Pangonis
President

Nina Šilerienė
Vice President, Finance

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Grigeo AB (hereinafter referred to as the Company) is a public limited liability company registered in the Republic of Lithuania on 23 May 1991. The Company is engaged in production of toilet paper, paper towels, paper napkins, corrugated cardboard and products from corrugated cardboard. Paper mill in Grigiškės was established in 1823.

The address of the Company's registered office is as follows: Vilniaus St. 10, Grigiškės, Vilnius Mun., Lithuania.

Shares of the Company are included into the Baltic Main List of NASDAQ OMX Vilnius Stock Exchange (ISIN Code of the shares is LT0000102030). Trading Code of the shares on NASDAQ OMX Vilnius Stock Exchange is GRG1L.

The nominal value of one share of the Company is EUR 0.29 (twenty nine cents) and the amount of the authorized capital of the Company is EUR 19,053,000 (nineteen million fifty three thousand euro).

As at 31 December 2018, the number of employees of the Group was 844 (as at 31 December 2017: 809). As at 31 December 2018, the number of employees of the Company was 410 (as at 31 December 2017: 371).

Structure of the Group

As at 31 December 2018 and 2017, Grigeo AB group consists of Grigeo AB and the following subsidiaries (hereinafter referred to as the Group):

Name	2018				2017		Address	Principal activity
	Share of the stock held by the Group	Size of investment (cost)	Profit (loss) for the reporting period	Equity at the end of the reporting period 100%	Share of the stock held by the Group	Size of investment (cost)		
Subsidiaries directly controlled by the Company:								
Grigeo Baltwood UAB	100%	4,655,466	(406,395)	6,398,633	100%	4,655,466	Vilniaus St. 10, Grigiškės, Vilnius Mun., Lithuania	Manufacturing of wood fibre boards.
Grigeo Packaging UAB	100%	2,896	(652)	2,246	100 %	2,896	Vilniaus St. 10, Grigiškės, Vilnius Mun., Lithuania	Corrugated board and packaging manufacturing. No operations in 2018 and 2017.
Naujieji Verkiai UAB	100%	-	(40)	(16,768)	100%	-	Popieriaus St. 15, Vilnius, Lithuania	Building and development of real estate.
Grigeo investicijų valdymas UAB	100%	3,806,743	2,631,200	16,366,409	100 %	3,806,743	Vilniaus St. 10, Grigiškės, Vilnius Mun., Lithuania	Investment activities and corporate governance.
Grigiškių energija UAB	100%	2,896	-	33	100%	2,896	Vilniaus St. 10, Grigiškės, Vilnius Mun., Lithuania	Heat production and sale. No operations in 2018 and 2017.
Total:		**8,468,001**				**8,468,001**		

1. General information (cont'd)

Name	2018				2017		Address	Principal activity
	Share of the stock held by the Group	Size of investment (cost)	Profit (loss) for the reporting period	Equity at the end of the reporting period 100%	Share of the stock held by the Group	Size of investment (cost)		
Subsidiaries indirectly controlled by the Company:								
Grigeo Klaipėda AB	97.67%	-	11,989,194	26,686,480	97.67 %	-	Nemuno St. 2, Klaipėda, Lithuania	Production of paperboard and paper honeycomb.
Grigeo Recycling UAB	99.09%	-	202,048	1,851,969	99.09 %	-	Vilniaus St. 10, Grigiškės, Vilnius Mun., Lithuania	Collection of secondary materials and preparation for recycling.
Mena Pak PAT	95.64%	-	268,322	2,825,689	95.64%	-	Koshevovo St. 6, Chernigovo distr., Mena, Ukraine	Corrugated board and packaging manufacturing.
Grigeo Recycling SIA	99.09%	-	-	2,800	99.09%	-	Kārļa Ulmaņa St. 3, Riga, Latvia	Collection of secondary materials and preparation for recycling. No operations in 2018 and 2017.

Changes in the Group in 2018 and 2017

On 26 October 2018, taking into consideration the growing volumes of manufacturing and sales of corrugated board of Grigeo AB and in order to guarantee a more efficient management of the business and its further development, and to increase the profitability of the business, the Management Board of Grigeo AB reached the decision regarding disposal of a part of Grigeo AB business – the business of corrugated board manufacturing (hereinafter referred to as the Business) – to its subsidiary Grigeo Packaging UAB (100% of shares owned) in exchange for newly issued shares of Grigeo Packaging UAB.

Business disposal to Grigeo Packaging UAB will be carried out by increasing the authorised capital of Grigeo Packaging UAB by Grigeo AB paying for the new share emission with a non-cash contribution – the Business, as a set of assets, rights and obligations, an organisationally autonomous economic unit, in exchange for new ordinary shares of Grigeo Packaging UAB.

The Business, as a non-cash contribution, will be transferred to Grigeo Packaging UAB on the basis of a share subscription agreement and a delivery and acceptance certificate (hereinafter together referred to as the Transaction). The Transaction is expected to be carried out on 2 January 2019 in accordance with the requirements laid down in relevant legislation of the Republic of Lithuania.

Following the transfer of the Business to the subsidiary, both Grigeo AB and Grigeo Packaging UAB will continue their operations under the same address as prior to the transfer of the Business – Vilniaus St. 10, Grigiškės, Vilnius Mun., Lithuania. Grigeo AB will focus on manufacturing of hygiene paper products, and Grigeo Packaging UAB will develop manufacturing of corrugated cardboard products.

The transfer of the Business is presented in both the statements of financial position and the statements of profit or loss and other comprehensive income.

Company	**2018**
Property, plant and equipment	9,073,311
Intangible assets	2,084
Non-current receivables	26,571
Deferred income tax asset	1,045,746
Inventories	867,651
Accounts receivable	3,871,297
Total disposed assets	**14,886,660**

1. General information (cont'd)

Company	2018
Non-current borrowings	4,432,615
Financial instruments	15,775
Non-current employee benefits	12,715
Trade payables and other current liabilities	3,850,615
Total transferred liabilities related to disposed assets	**8,311,720**

Information on the cash flows of the transferred Business is presented in the table below:

Cash flows of the Company's transferred business	2018
Net cash flows from (to) operating activities	2,288,018
Net cash flows from (to) investing activities	(2,807,511)
Net cash flows from (to) financing activities	519,493
(Decrease) increase in cash flows	-

The Management Board of Grigeo AB believes that concentration of the corrugated board manufacturing business in a separate company will help to guarantee greater clarity and efficiency of the management of this business and in the short-term will not have a significant effect on the financial results of Grigeo AB group companies.

In 2017 the share capital of Grigeo Recycling UAB was increased by EUR 1,800 thousand up to EUR 2,960 thousand.

2. Accounting policies

2.1. Basis of preparation

The financial statements of the Group and the Company are prepared in accordance with International Financial Reporting Standards effective as at 31 December 2018 that have been adopted for use in the European Union.

These financial statements have been prepared on a historical cost basis, except of the financial instruments used for hedging, which are accounted at fair value.

The Company's management prepared these financial statements on 29 March 2019. The shareholders of the Company have a statutory right to either approve these financial statements or not approve them and require the management to prepare a new set of financial statements.

Changes in accounting policies

The Group and the Company have consistently applied the accounting policies set out in Note 2 to all periods presented in these consolidated and separate financial statements. The Group and the Company adopted IFRS 15 and IFRS 9 as of 1 January 2018. Several other new standards came into force as of 1 January 2018; however, they did not have a significant effect on the financial statements of the Group and the Company.

Due to the methods of the transition period chosen by the Group and the Company when starting to adopt these new standards, the comparative information was not adjusted to reflect the requirements of the new standards. The adoption of the abovementioned standards did not have an effect on the statements of financial position, statements of profit or loss and other comprehensive income, statements of changes in equity, and statements of cash flows of the Group and the Company. The effect of changes in accounting policies due to adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers is reflected in the statements of changes in equity under retained earnings as at 1 January 2018.

IFRS 15 – Revenue from Contracts with Customers

Starting from 1 January 2018 the Group and the Company adopted IFRS 15 Revenue from Contracts with Customers, the explanations of which are mandatory for future reporting periods starting as of 1 January 2018.

Until 1 January 2018 the Group and the Company recognised their revenue in accordance with IAS 18 Revenue which requires to recognise revenue when it is likely that economic benefits associated with the sale transaction will flow to the Group and the Company.

2. Accounting policies (cont'd)

2.1. Basis of preparation (cont'd)

In accordance with IFRS 15, revenues are recognised as amounts equal to the transaction price that was assigned to a given performance obligation; however, any elements of a variable consideration are recognised when it is highly probable that the abovementioned revenue will not be restated. The new standard provides the main principle when recognising revenue from contracts with customers – revenue must be recognised when goods or services are transferred to the customer. Complex goods or services that can be separated, must be accounted for separately, and any discounts or incentives applied for the contract price should generally be attributed to separate elements.

If the consideration is different due to different contractual conditions, minimum amounts must be recognised if the risk that they will be restated is not significant.

Information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment conditions and the policies relating to revenue recognition, is disclosed in Note 18.

IFRS 15 had no effect on the retained earnings of the Group and the Company.

In 2018, following adoption of IFRS 15, the Group and the Company reclassified a part of marketing costs by reducing revenue; accordingly, the effect on the statements of profit or loss and other comprehensive income is presented below. Adoption of the new IFRS 15 had no effect on the statements of financial position.

Effect of IFRS 15 on the statements of financial position as at 31 December 2018:

Group	Figures presented in the statements	Recalculation	Figures without the effect of IFRS 15
Total assets	**115,348,088**	**-**	**115,348,088**
Equity	66,886,054	-	66,886,054
Liabilities	48,462,034	-	48,462,034
Total equity and liabilities	**115,348,088**	**-**	**115,348,088**

Company	Figures presented in the statements	Recalculation	Figures without the effect of IFRS 15
Total assets	**70,136,072**	**-**	**70,136,072**
Equity	38,796,953	-	38,796,953
Liabilities	31,339,119	-	31,339,119
Total equity and liabilities	**70,136,072**	**-**	**70,136,072**

Effect of IFRS 15 on the statements of profit or loss and other comprehensive income as at 31 December 2018:

Group	Figures presented in the statements	Recalculation	Figures without the effect of IFRS 15
Sales revenue	142,545,545	(836,258)	143,381,803
Cost of sales	(112,732,185)	836,258	(113,568,443)
Profit before income tax	14,278,891	-	14,278,891
Net profit	**14,347,178**	**-**	**14,347,178**

Company	Figures presented in the statements	Recalculation	Figures without the effect of IFRS 15
Sales revenue	82,478,639	(836,258)	83,314,897
Cost of sales	(72,090,832)	836,258	(72,927,090)
Profit before income tax	1,724,933	-	1,724,933
Net profit	**2,771,260**	**-**	**2,771,260**

2. Accounting policies (cont'd)

2.1. Basis of preparation (cont'd)

IFRS 9 Financial Instruments

This Standard replaces IAS 39 Financial Instruments: Recognition and Measurement, except that the IAS 39 exception for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply, and the Company has an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply the existing hedge accounting requirements of IAS 39 for all hedge accounting.

Following the adoption of IFRS 9, the Company and the Group has adopted further amendments of IAS 1 Presentation of Financial Statements which require to account for impairment of financial assets in a separate item in the statements of profit or loss and other comprehensive income. Previously the Group and the Company accounted for impairment of accounts receivable under *General and administrative expenses*. The Company and the Group did not transfer impairment of financial assets for the year ended 31 December 2017 from *General and administrative expenses* to a separate impairment item.

The Group and the Company adopted relevant amendments of IFRS 7 Financial Instruments: Disclosures applied for the year ended 31 December 2018.

Classification and subsequent measurement

In accordance with IFRS 9, financial assets are divided into three groups:
1. financial assets measured at amortised cost;
2. financial assets measured at fair value by recognising changes in fair value through other comprehensive income;
3. financial assets measured at fair value by recognising changes in fair value through the statement of profit or loss.

Classification of financial assets depends on the business management model of financial assets (assessments are made on the manner in which the Group and the Company manage financial assets in order to generate cash flows) and on the characteristics of the contractual cash flows of financial assets (whether contractual cash flows include only the amounts of the principal loan and interest payments). IFRS 9 replaces the classification of IAS 39 of financial assets into financial assets measured at fair value through profit or loss, held-to-maturity financial assets, loans granted and accounts receivable, and financial assets available for sale.

The majority of the requirements provided in IAS 39 related to classification and assessment of financial liabilities were transferred into IFRS 9 without adjustments.

Disclosure of classification and assessment of the Group's and the Company's financial instruments in accordance with the requirements of IFRS 9 as at 1 January 2018:

Group	Classification according to IAS 39	Classification according to IFRS 9	Applying IAS 39	Applying IFRS 9
Financial assets				
Trade and other receivables	Loans and receivables	Amortised cost	14,836,297	14,836,297
Cash and cash equivalents	Loans and receivables	Amortised cost	538,705	538,705
Total financial assets			**15,375,002**	**15,375,002**
Financial liabilities				
Finance lease liabilities	Other financial liabilities	Amortized cost	(205,769)	(205,769)
Trade and other payables	Other financial liabilities	Amortized cost	(16,430,017)	(16,430,017)
Total financial liabilities			**(16,635,786)**	**(16,635,786)**

2. Accounting policies (cont'd)

2.1. Basis of preparation (cont'd)

Company	Classification according to IAS 39	Classification according to IFRS 9	Applying IAS 39	Applying IFRS 9
Financial assets				
Trade and other receivables	Loans and receivables	Amortized cost	10,389,005	10,389,005
Cash and cash equivalents	Loans and receivables	Amortized cost	2,143	2,143
Total financial assets			**10,391,148**	**10,391,148**
Financial liabilities				
Finance lease liabilities	Other financial liabilities	Amortized cost	(66,763)	(66,763)
Trade and other payables	Other financial liabilities	Amortized cost	(10,116,572)	(10,116,572)
Total financial liabilities			**(10,183,335)**	**(10,183,335)**

Trade and other receivables, cash and cash equivalents which under IAS 39 were classified as loans and accounts receivable, are accounted for at amortised cost under IFRS 9. Change of impairment of accounts receivable was not recognised as at 1 January 2018 on transition to IFRS 9.

Effect of IFRS 9 on the values of financial assets as at 1 January 2018 is presented below:

Group	As at 31 December 2017 according to IAS 39	Recalculation	As at 1 January 2018 according to IFRS 9
Financial assets measured at amortised cost			
Cash and cash equivalents	538,705	-	538,705
Trade and other receivables	14,836,297	-	14,836,297
Total amortised cost	**15,375,002**		**15,375,002**

Company	As at 31 December 2017 according to IAS 39	Recalculation	As at 1 January 2018 according to IFRS 9
Financial assets measured at amortised cost			
Cash and cash equivalents	2,143	-	2,143
Trade and other receivables	10,389,005	-	10,389,005
Total amortised cost	**10,391,148**		**10,391,148**

Impairment of financial assets

The impairment model in IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised. The impairment requirements of IFRS 9 are applied both to actually receivable and accrued accounts receivable. The new impairment model is applied to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments.

Under IFRS 9, loss allowances will be measured on either of the following bases:
- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

2. Accounting policies (cont'd)

2.1. Basis of preparation (cont'd)

Effect of impairment of financial assets at amortised cost under IFRS 9 is presented below:

Group	Impairment
Impairment as at 31 December 2017 according to IAS 39	**143,613**
Change in impairment allowances	-
Impairment as at 1 January 2018 according to IFRS 9	**143,613**

Company	Impairment
Impairment as at 31 December 2017 according to IAS 39	**129,015**
Change in impairment allowances	-
Impairment as at 1 January 2018 according to IFRS 9	**129,015**

Changes in accounting policies following adoption of IFRS 9 were applied retrospectively by the Group and the Company, except for:

- The Company used the exemption allowing not to adjust comparable information of the previous periods on classification and assessment (including impairment requirements). Carrying amount differences of financial assets and financial liabilities resulting from adoption of IFRS 9 are accounted for under retained earnings as at 1 January 2018. The Group and the Company did not account for the initial effect as additional impairment was not significant.

Based on the facts and circumstances as at the date of initial adoption, the following assessments were carried out:

- The determination of the business model under which financial assets are held;
- Designation and revocation of previous names of certain financial assets and financial liabilities stated at fair value by recognising changes in fair value through other comprehensive income.

<u>New standards and interpretations not yet adopted</u>

A number of new Standards, amendments to Standards and Interpretations are not yet mandatorily effective for annual periods beginning on or after 31 December 2018 and have not been applied in preparing these consolidated financial statements. Of these pronouncements, the following will potentially have an impact on the Group's and the Company's financial statements. The Group and the Company do not plan to adopt these amendments, new Standards and Interpretations earlier.

IFRS 16 Leases

The Group and the Company are required to adopt IFRS 16 Leases from 1 January 2019. The Group and the Company have assessed the estimated impact that initial application of IFRS 16 will have on its consolidated and separate financial statements, as described below. The actual impacts of adopting the standard on 1 January 2019 may change because:

- The new accounting policies are subject to change until the Group and the Company present their first financial statements that include the date of initial application.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

(i) Leases in which the Group and the Company are a lessee

The Group and the Company will recognise new assets and liabilities for its operating leases of premises (Note 14). The nature of expenses related to those leases will now change because the Group and the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group and the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

2. Accounting policies (cont'd)

2.1. Basis of preparation (cont'd)

No significant impact is expected for the Group's and the Company's finance leases.

Based on the currently available information, under assessment of the Group and the Company, as at 1 January 2018, EUR 4,742 thousand and EUR 1,500, respectively, of additional lease liabilities and related assets will be recognised. The Group and the Company discounted lease liabilities based on the current borrowing discount rate as the majority of the lease contracts include the rights to use land and lease periods are from 30 to 100 years, the management has not performed the final assessment as yet, and figures can still be adjusted.

The Group and the Company does not expect the adoption of IFRS 16 to impact its ability to comply with the loan covenants described in Note 13.

(ii) Leases in which the Group and the Company are a lessor

In the contracts where the Group and the Company are a lessor, during the adoption of IFRS 16 the Group and the Company did not make any adjustments. Starting from 1 January 2019 the Group and the Company accounts for such contracts under IFRS 16.

No significant impact is expected for other lease contracts in which the Group and the Company is a lessor.

Other standards

The following amended standards are not expected to have a significant impact on the Company's financial statements:

- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards;
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28);
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19);
- IFRIC 23 Uncertainty over Income Tax Treatments;
- Amendments to References to Conceptual Framework in IFRS Standards;
- IFRS 17 Insurance Contracts.

2.2. Going concern

These financial statements for the year ended 31 December 2018 have been prepared under the assumption that the Group and the Company will continue as a going concern. Going concern is described in Note 31.

2.3. Basis of consolidation

The consolidated financial statements of the Group include Grigeo AB and its subsidiaries.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company or the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

2. Accounting policies (cont'd)

2.4. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units (refer to Note 2.24).

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.5. Presentation currency

The amounts shown in these financial statements are presented in euro, unless otherwise stated.

The functional currency of the Company and its subsidiaries operating in Lithuania is euro. The functional currencies of foreign subsidiaries are the respective foreign currencies of the country of residence. Items included in the financial statements of these subsidiaries are measured using their functional currency.

Transactions in foreign currencies are initially recorded in the functional currency as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange as at the date of the statement of financial position. Non-cash items carried at cost are translated using the exchange rate at the date of the transaction.

The assets and liabilities of foreign subsidiaries are translated into euro at the reporting date using the rate of exchange as at the date of the statement of financial position, and their statements of comprehensive income are translated at the weighted average exchange rates for the year. The exchange differences arising on this translation are recognised in other comprehensive income. On disposal of a foreign subsidiary, the deferred cumulative amount recognised in other comprehensive income relating to that foreign operation is recognised in the statement of comprehensive income.

2.6. Investments in subsidiaries (the Company)

Investments in subsidiaries in the Company's separate financial statements are carried at cost, less impairment.

2. Accounting policies (cont'd)

2.7. Discontinued operations

A discontinued operation is a component of the Group's or the Company's business, the operations and cash flaws of which can be clearly distinguished from the rest of the Group and the Company and which:

- represents a separate major line of business or geographical area of operations,
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

2.8. Intangible assets other than goodwill

Intangible assets acquired separately are initially measured at cost. The cost of intangible assets acquired in a business combination is stated at fair value as at the date of acquisition. Intangible assets are recognised if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of asset can be measured reliably.

The useful lives of intangible assets are assessed to be either finite or indefinite.

After initial recognition, intangible assets with finite lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over their useful lives:

Land lease right	90 years
Licenses, patents and etc.	3–5 years
Software	3–6 years
Other intangible assets	3–6 years

Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The useful lives, residual values and amortisation method are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits from items in intangible assets other than goodwill.

The Group and the Company do not have any intangible assets with infinite useful life other than goodwill.

2.9. Property, plant and equipment

Property, plant and equipment are stated at cost (or deemed cost – see below) less accumulated depreciation and impairment losses.

Before 31 December 2010, buildings were accounted as follows:

- The Company's buildings, acquired before 1 January 1996, were stated at indexed cost less indexed accumulated depreciation and impairment losses.
- The Company's buildings, acquired after 1 January 1996, were stated at acquisition cost less accumulated depreciation and impairment losses.

As at 31 December 2010, according to the exception available under IFRS 1, part of buildings, acquired before 1 January 1996, were measured at fair values, determined as at that date by independent property valuator, and these values were used as deemed cost at that date.

After 31 December 2010 all property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

2. Accounting policies (cont'd)

2.9. Property, plant and equipment (cont'd)

The initial cost of property, plant and equipment comprises its purchase price, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment is ready for its intended use, such as repair and maintenance costs, are normally charged to the statement of comprehensive income in the period the costs are incurred. Depreciation is computed on a straight-line basis over the following estimated useful lives:

Buildings and structures	8–91 years
Machinery and equipment	5–15 years
Vehicles	4–8 years
Other equipment and other assets	4–6 years

The useful lives, residual values and depreciation method are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits from items in property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

Construction in progress is stated at cost. This includes the cost of construction, plant and equipment and other directly attributable costs. Construction-in-progress is not depreciated until the relevant assets are completed and put into operation.

2.10. Investment property

Investment property, including part of buildings and structures, is held for earning rentals and / or for capital appreciation rather than for use in the production, provision of services, or for administration purposes or sale.

Investment property is stated at historical cost less accumulated depreciation and adjusted for impairment loss, if any. Depreciation is calculated on the straight-line method to write-off the cost of each asset to their residual values over their estimated useful life: 10-50 years.

Transfers to and from investment property are made only when there is an evidence of change in an asset's use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the carrying value of investment property at the date of change in use. If owner-occupied property becomes an investment property the Company and the Group account for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. The deemed cost for subsequent investment property accounting is the carrying value at the time of assets' transfer.

2.11. Disposed assets

Assets held for sale are measured at the lower of their carrying amount and the fair value less costs to sell. Assets are classified as held for sale when its carrying amount value will be recovered after its sale and when such sale is highly probable. This condition is regarded as met only when the sale is highly probable, and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current tangible and intangible assets once classified as held for sale are not depreciated or amortised.

2.12. Emission allowances

The EU Emission Allowance Trading Scheme was established by Directive 2003/87/EC and commenced on 1 January 2005. The first phase ran for the three-year period from 2005 to 2007; the second runs for five years from 2008 to 2012 to coincide with the first Kyoto Commitment Period; the third – for 8 years from 2013 to 2020. The scheme works on a 'Cap and Trade' basis. EU Member States' governments are required to set an emission cap for each phase for all 'installations' covered by the Scheme.

2. Accounting policies (cont'd)

Emission allowances (cont'd)

This cap is established in the National Allocation Plan (NAP), which is issued by the relevant authority in each Member State. The NAP describes the amount of yearly emissions (measured in tonnes of carbon dioxide equivalents) permitted per installation for each phase for which allowances will be allocated on an annual basis.

Member States are required to allocate allowances to installations by 28 February each year according to the NAP (a certain number of allowances are kept in reserve for new installations).

Member States must ensure that by 30 April of the following year at the latest, that the operator of each installation surrenders a number of allowances equal to the total emissions from that installation during the preceding calendar year.

The Group and the Company apply the net liability approach in accounting for the emission allowances received. It records the emission allowances granted to it at a nominal (nil) amount. When actual emissions exceed allocated emission allowances, the obligation of purchasing additional allowances is recognised as a provision measured at the market value of the allowances as at the reporting date. The Group and the Company have chosen a system that measures deficits on the basis of an annual allocation of emission allowances.

The outright sale of emission allowances is recorded as a sale at the fair value of consideration received. Any difference between the fair value of the consideration received and its carrying amount is recorded as a gain or loss, irrespective of whether this creates an actual or an expected deficit of the allowances held. When a sale creates an actual deficit, an additional liability is recognised in the statement of financial position.

2.13. Borrowing costs

Borrowing costs are interest and other costs that the Company and the Group incur in connection with the borrowing of funds. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognised as costs when incurred.

A qualifying asset is an asset that necessarily takes a substantial period to get ready for its intended use or sale.

Borrowing costs may include:
- interest expenses calculated using the effective interest,
- finance charges in respect of finance leases and
- exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

The commencement date for capitalisation is the date when all of the following three conditions are met:
- expenditures for the asset are incurred,
- borrowing costs are incurred,
- activities necessary to bring the asset into its intended use or sale are undertaken.

Capitalising of borrowing costs is ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

2.14. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

<u>**Recognition and initial measurement**</u>

The Group and the Company recognise a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. When financial instruments are recognised initially, they are measured at fair value equal to the fair value of the compensation paid, including transaction costs, except for financial assets measured at fair value through profit or loss.

2. Accounting policies (cont'd)

2.14. Financial instruments (cont'd)

Classification and subsequent measurement

Starting from 1 January 2018 the Group and the Company qualify financial assets to one of the following categories:

- measured at amortised cost,
- measured at fair value through other comprehensive income,
- measured at fair value through profit or loss,
- hedging financial instruments.

The Group and the Company qualify financial assets to the appropriate category depending on the business model of financial assets management and on the characteristics of contractual cash flows for a given financial asset.

The Group and the Company attribute to assets, measured at amortised cost, trade accounts receivable, loans granted, other accounts receivable of financial assets, and cash and cash equivalents.

At the initial recognition the Group and the Company attribute equity instruments, i.e. shares of other entities, to financial instruments measured at fair value through other comprehensive income.

The Group and the Company attribute to assets measured at fair value through profit or loss the financial derivatives not used for hedge accounting and hedging instruments measured in accordance with the hedge accounting principles.

The Group and the Company qualify financial liabilities to one of the following categories:

- measured at amortised cost,
- measured at fair value through profit or loss,
- hedging financial instruments.

The Group and the Company attribute to financial liabilities, measured at amortised cost, trade liabilities, other accounts payable and loans received.

Liabilities of derivative financial instruments not designated for hedge accounting and measured by the Group and the Company at fair value in profit or loss.

Measurement of financial assets at amortised cost

The Group and the Company apply the effective interest rate method to measure financial assets at amortised cost.

Trade receivables initially are measured at amortised cost using the effective interest rate method, including impairment losses, while trade receivables with a maturity date of less than 12 months from the date of recognition (i.e., not containing a financing element) and not designated to factoring, are not discounted and are measured at nominal value.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income and expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Measurement of financial assets at fair value through other comprehensive income

Gains and losses on a financial asset constituting an equity instrument for which the option of fair value was applied for other comprehensive income is recognised in other comprehensive income, except for revenues from received dividends.

Financial assets at fair value through profit or loss

The category financial assets at fair value through profit or loss includes financial assets classified as held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in profit or loss. Gains or losses on assets at fair value through profit or loss also include interest or dividend income.

The Group and the Company do not have any financial instruments at fair value through profit or loss as at 31 December 2018 and 2017.

2. Accounting policies (cont'd)

2.14. Financial instruments (cont'd)

Derivative financial instruments and hedge accounting

The Group and the Company holds derivative financial instruments to hedge their interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

Derivatives initially are measured at fair value; any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The amount accumulated in equity is retained in other comprehensive income and reclassified to profit of loss in the same period or periods during which the hedged forecast cash flows affect profit or loss or the hedged item affects profit of loss.

If the forecast transaction is no longer expected to occur, the hedge no longer meets the criteria for the hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

Derecognition in the statement of financial position

Financial assets (or, where appropriate, part of financial assets or part of the group of similar financial assets) are derecognised when:
- the rights to cash flows from the assets expire;
- the Group / the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group / the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group / the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's / the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group / the Company could be required to repay.

The Group / the Company derecognises financial liabilities when, and only when the Group's / the Company's obligations are discharged, cancelled or they expire. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit of loss.

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

2. Accounting policies (cont'd)

2.14. Financial instruments (cont'd)

Impairment of financial assets

IFRS 9 contains a new model for calculation of impairment of financial assets measured at amortised cost or FVOCI (except for investments in equity instruments, and to contract assets). The impairment model is based on the calculated possible losses and not the losses incurred as applied prior to 2018 under IAS 39.

The Group and the Company apply the following models for determining impairment write-offs:
- general model (basic),
- simplified model.

The general model is applied by the Group and the Company for financial assets measured at amortised cost – other than trade receivables and for assets measured at fair value through other comprehensive income.

In the general model, the Group and the Company monitor changes in the level of credit risk associated with a given financial asset and classify financial assets to one of the three stages for determining impairment allowances based on the observation of the change in the credit risk level in relation to the initial recognition of the instrument.

Depending on the classification to individual stages, the impairment allowance is estimated in the 12-month horizon (stage 1) or in the life horizon of the instrument (stage 2 and stage 3).

On each day ending the reporting period, the Group and the Company analyse the occurrence of indications leading to the classification of financial assets for individual stages of determining impairment allowances. The indications can include changes in the debtor's rating, serious financial problems of the debtor, occurrence of a significant unfavourable change in its economic, legal or market environment.

For the purpose of estimating the expected credit loss, the Group and the Company apply default probability levels, implied from market quotes of credit derivatives, for entities with a given rating and from a given sector.

The Group and the Company include information about the future in the parameters of the expected loss estimation model by calculating the probability of insolvency parameters based on current market quotes.

The simplified model is applied by the Group and the Company for trade receivables.

In the simplified model, the Group and the Company do not monitor changes in the credit risk level during the life of the instrument and estimate the expected credit loss in the horizon until maturity of the instrument.

For the purpose of estimating the expected credit loss, the Group and the Company use the provision matrix estimated on the basis of historical levels of repayment and recoveries from receivables from contractors.

The Group and the Company include information about the future in the parameters used in the expected loss estimation model through the management adjustment of the basic insolvency probability parameters.

For the purpose of calculating the expected credit loss, the Group and the Company determine default probability levels for liabilities of accounts receivable, calculated based on historical analysis of the number of unpaid invoices, and default levels for liabilities of accounts receivable, calculated based on historical analysis of the value of unpaid invoices.

The expected credit loss is calculated when the receivable is recognised in the statement of financial position and is updated on each subsequent day ending the reporting period, depending on the number of overdue days of the receivable.

Losses (reversal of losses) due to impairment of financial instruments

The losses due to impairment of financial instruments (including reversal of losses) include, in particular, losses (reversal of losses) due to impairment of trade receivables and losses (reversal of losses) due to impairment of granted loans.

2.15. Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. The costs of inventories are determined based on FIFO principle. The cost of finished goods and work in progress includes the applicable allocation of fixed and variable overhead costs based on a normal operating capacity.

2. Accounting policies (cont'd)

2.16. Financial and operating leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance lease – Group and the Company as a lessee

Leases in terms of which the Group and the Company assume substantially all the risks and rewards of ownership are classified as finance leases.

The Group and the Company recognise finance leases as assets and liabilities in the statement of financial position at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, to the present value of the minimum lease payments. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine it; otherwise, the Company's incremental borrowing rate is used. Any initial direct costs are added to the amount recognised as an asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The depreciation is accounted for finance lease assets and it also gives rise to financial expenses in the Group's and the Company's statement of profit or loss for each accounting period. The depreciation policy for leased assets is consistent with that for depreciable assets that are owned. The leased assets cannot be depreciated over the period longer than lease term, unless the Group or the Company, according to the lease contract, gets transferred their ownership after the lease term is over.

Operating lease – the Group and the Company as lessee

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term, on a straight-line basis.

If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss is recognised immediately. If the sale price is lower than the fair value, any gain or loss is recognised immediately, save for the cases when losses are compensated by future lease payments that are lower than market prices. The profit is then deferred, and it is amortised in proportion to the lease payments over a period, during which the assets are expected to be operated. If the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used.

Operating lease – the Group and the Company as lessor

Assets leased under operating lease in the statement of financial position of the Group and the Company are accounted for depending on their nature. Income from operating lease is recognised as other income in profit or loss within the lease period using the straight-line method. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental revenue over the lease term on a straight-line basis. Initial direct expenses incurred in order to generate lease income are included in the carrying value of the leased asset.

2.17. Non-current employee benefits

According to the requirements of Lithuanian Labour Code, each employee leaving the Group or the Company at the age of retirement is entitled to a one-off payment in the amount of 2-month salary.

The past service costs are recognised as an expense on a straight-line basis in profit or loss immediately after the assessment of such liability. Any gains or losses appearing as a result of curtailment and/or settlement are recognised in profit or loss as incurred.

The above-mentioned employee benefit obligation is calculated based on actuarial assumptions, using the projected unit credit method. Obligation is recognised in the statement of financial position and reflects the present value of these benefits on the preparation date of the statement of financial position.

2. Accounting policies (cont'd)

2.17. Non-current employee benefits (cont'd)

Present value of the non-current obligation to employees is determined by discounting estimated future cash flows using the discount rate which reflects the interest rate of the Government bonds of the same currency and similar maturity as the employment benefits. Actuarial gains and losses are recognised in other comprehensive income as incurred.

2.18. Financial guarantee contracts

Financial guarantees provided for the liabilities of the Group companies (i.e. companies controlled by the same parent) during the initial recognition are accounted at estimated fair value as distribution to shareholder and financial liability in the balance sheet.

Subsequent to initial recognition this financial liability is amortised and recognised as income depending on the related amortisation / repayment of the sister company's financial liability to the bank. If there is a possibility that the sister company may fail to fulfil its obligations to the bank, a financial liability of the Company is accounted for at the higher of amortised value and the value estimated according to IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

2.19. Grants and subsidies

Grants and subsidies (hereinafter "grants") intended for the purchase, construction or other acquisition of non-current assets are considered as asset-related grants. Assets received free of charge are also allocated to this group of grants. The amount of the asset related grants is recognised in profit and loss gradually according to the depreciation rate of the assets associated with this grant. In profit or loss, a relevant expense account is reduced by the amount of grant amortisation. Grants are accounted at the fair value of the assets received.

Grants received as a compensation for the expenses or unearned income of the current or previous reporting period, also, all the grants, which are not grants related to assets, are considered as grants related to income. The income-related grants are recognised as used in parts to the extent of the expenses incurred during the reporting period or unearned income to be compensated by that grant.

2.20. Income tax

The Group companies are taxed individually, irrespective of the overall results of the Group. Income tax calculations are based on annual profit net of deferred income tax. The charge for taxation included in these financial statements is based on the calculation made by the management in accordance with tax legislation of the Republic of Lithuania and Ukraine.

Income tax rate of 15% has been introduced starting from 1 January 2010 for companies operating in the Republic of Lithuania. Standard income tax rate in Ukraine for the year 2018 was 18% (2017: 18%).

Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments and for the losses accumulated in the Ukrainian company (under the Ukrainian law, losses can be carried forward for 4 years). Such carrying forward is disrupted if the Company changes its activities due to which these losses incurred except when the Company does not continue its activities due to reasons which do not depend on Company itself. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and can only be used to reduce the taxable income earned from the transactions of the same nature.

From 2014 tax losses carried forward can cover not more than 70 percent of the taxable profit of a taxable period according to Lithuanian laws.

Deferred taxes are calculated using the balance sheet liability method. Deferred taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantially enacted at the date of the statement of financial position.

Deferred tax assets have been recognised in the statement of financial position to the extent the management believes they will be realised in the foreseeable future, based on taxable profit forecasts. When it is probable that a portion of deferred tax will not be utilised, this portion of deferred tax is not recognised in the financial statements.

2. Accounting policies (cont'd)

2.21. Revenue recognition

Starting from 1 January 2018 revenue of the Group and the Company is recognised in accordance with the provisions of IFRS 15, i.e. the Group and the Company recognise revenue at the time and to such an extent so that the transfer of goods or services to customers would show the amount which corresponds to the compensation that the Company expects to receive in exchange for the goods or services. When applying the standard, the Company takes into consideration the terms of the contract and all significant facts and circumstances. Revenue is recognised in the Company using the five-step model.

Identification requirements for contracts with customers

The contract with the costumer meets its definition when all of the following criteria are met: the parties of the contract concluded a contract and are required to perform their duties; the Group and the Company are able to identify the rights of each party regarding goods or services to be transferred; the Group and the Company are able to identify the payment terms for goods or services to be transferred; the contract has economic substance and it is probable that the Group and the Company will receive a remuneration which they will be entitled to in exchange for goods or services that will be transferred to the costumer. Contracts with customers can be combined or separated into several contracts by maintaining the criteria of the previous contracts. Such combination or separation constitutes an amendment of the contract.

Identification of performance obligations

At the time of concluding the contract, the Group and the Company evaluate the goods or services promised in the contract with the client and identify as a commitment to perform any promise to transfer to the client: good or service (or a package of goods or services) that can be separated or groups of separate goods or services which are basically the same and for which the transfer to the client is of the same nature.

Determination of transaction price

In order to determine the transaction price, the Group and the Company take into account the terms of the contract and the customary business practices. The transaction price is the amount of consideration which, according to the Group's and the Company's expectation, will be due in exchange for the transfer of promised goods or services to the costumer, excluding amounts collected on behalf of third parties. The consideration specified in the contract with the customer may include fixed amounts, variable amounts or both.

When calculating variable amounts, the Group and the Company reached the decision to apply the most probable value method for contracts with one threshold or the expected value method for contracts where there are more value thresholds from which the customer receives a discount.

Allocation of the transaction price for each performance obligation

The Group and the Company allocate the transaction price to each performance obligation (or distinct good or service) at an amount that reflects the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring the promised goods or services to the customer.

Revenue recognition when all performance obligations are fulfilled

The Group and the Company recognise revenue when the Group and the Company fulfils an obligation by transferring to the customer the promised goods or services (i.e. the customer obtains control of the assets). Revenues are recognised as amounts equal to the transaction price that was assigned to a given performance obligation.

The Group and the Company transfer control over good or service over time and thus satisfy the performance obligation and recognise revenues over time if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits from performance of obligation as the Group and the Company performs it,
- the asset is created or enhanced as a result of the performance, and the customer controls the asset as it is created or enhanced,
- as a result of the performance of the service, an alternative component for the Group and the Company is not created, and the Group and the Company have an enforceable right to payment for performance completed until a certain date.

2. Accounting policies (cont'd)

2.22. Impairment of non-financial assets

Non-financial assets, except for goodwill, inventories and deferred tax, are reviewed for impairment whenever events or changes in circumstances indicate that carrying amount of an asset may not be recoverable. If such conditions exist, the asset's recoverable amount is estimated. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in profit or loss. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is accounted for in the same caption of profit or loss as the impairment loss. An impairment loss of the goodwill is recognised in profit or loss.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2.23. Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with International Financial Reporting Standards as adopted by EU requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies, at the reporting date and within the next financial year. The significant areas of estimation used in the preparation of the accompanying financial statements relate to depreciation (Notes 2.8., 2.9., 4 and 6), amortisation (Note 2.8. and Note 5), impairment of buildings (Note 2.8., Note 4), non-current employee benefits (Note 2.17. and Note 15), impairment evaluation of goodwill (Note 2.4., Note 5), recognition of deferred income tax asset (Note 2.20., Note 24), and impairment evaluation of other assets (Note 2.22., Note 8). Future events may occur which will cause the assumptions used in arriving at the estimates to change. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

2.24. Fair value measurement

A number of the Group's and the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group and the Company have access at that date. The fair value of a liability reflects its non-performance risk.

When measuring the fair value of an asset or a liability, the Group and the Company use market observable data as far as possible. Fair values are categorised within different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group and the Company recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

2. Accounting policies (cont'd)

2.24. Fair value measurement (cont'd)

Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability:

- Note 6 – Investment property
- Note 3 – Financial instruments – fair values and risk management

2.25. Contingencies

Contingent liabilities are not recognised in the financial statements, except for contingent liabilities associated with business acquisitions. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

2.26. Subsequent events

Subsequent events that provide additional information about the Group's / the Company's position at the date of statements of financial position (adjusting events) are reflected in the financial statements. Subsequent events that are not adjusting events are disclosed in the notes to the financial statements when material.

3. Financial instruments – fair values and risk management

The Group and the Company are exposed to the financial risk in their operations, i.e. credit risk, liquidity risk and market risk (foreign currency risk, interest rate risk). To manage these risks, the Group and the Company seek to mitigate potential adverse effects which could negatively impact the financial performance of the Group and the Company.

Credit risk

The Group and the Company do not have any significant concentration of trading counterparties. The Group's receivables from two major customers as at 31 December 2018 amounted to 9.7 % and 0 %, respectively (settled) (9.3 % and 8.4 % as at 31 December 2017) of the total Group's trade receivables. The Company's receivables from two major customers as at 31 December 2018 amounted to 12.9 % and 2.2 %, respectively (13.3 % and 11.9 % as at 31 December 2017) of the total Company's trade receivables.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, consequently, the Company's management considers that its maximum exposure is reflected by the amount of current and non-current trade and other receivables, net of allowance for doubtful accounts and cash and cash equivalents recognised at the date of the statement of financial position. Credit risk or risk that a counterparty will not fulfil its obligations, is controlled by credit terms and monitoring procedures, using services of external credit insurance and debt recovery agencies. The Company's intent is to maximize the number of insured clients, with clients who are not insured by a credit insurance company, the Company usually only works on the basis of an advance payment.

The ageing analysis of the Group's and the Company's trade debtors and impairment allowances are provided in Note 8.

The maximum exposure to credit risk of the Group's and the Company's cash and cash equivalents is equal to the fair value of cash and cash equivalents classified as cash and cash equivalents at the date of the preparation of the statements of financial position. The management of the Group and the Company considers that the risk arising from placement of cash and cash equivalents at bank accounts and other short-term financial instruments is not significant, as placements are made only in commercial banks in Lithuania, which have high credit ratings.

Liquidity risk

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2018 and 2017 based on contractual undiscounted payments:

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total	Carrying amount
Interest bearing borrowings	-	2,649,276	9,973,592	11,744,786	-	24,367,654	23,951,259
Finance lease obligations	-	12,099	-	-	-	12,099	12,072
Trade payables	-	18,149,004	-	-	-	18,149,004	18,149,004
Other current liabilities	628,466	566,778	-	-	-	1,195,244	1,195,244
Balance as at 31 December 2018	**628,466**	**21,377,157**	**9,973,592**	**11,744,786**	**-**	**43,724,001**	**43,307,579**
Interest bearing borrowings	-	3,408,843	14,043,731	18,648,037	-	36,100,611	35,373,445
Finance lease obligations	-	78,130	129,115	15,540	-	222,785	221,269
Trade payables	-	16,430,016	-	-	-	16,430,016	16,430,016
Other current liabilities	248,219	543,740	-	-	-	791,959	791,959
Balance as at 31 December 2017	**248,219**	**20,460,729**	**14,172,846**	**18,663,577**	**-**	**53,545,371**	**52,816,689**

3. Financial instruments – fair values and risk management (cont'd)

Liquidity risk (cont'd)

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2018 and 2017 based on contractual undiscounted payments:

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total	Carrying amount
Interest bearing borrowings	-	1,241,260	6,019,703	5,877,504	-	13,138,467	12,942,889
Finance lease obligations	-	6,173	-	-	-	6,173	6,162
Payables to related parties	-	2,945,944	-	-	-	2,945,944	2,945,944
Trade payables	-	10,202,857	-	-	-	10,202,857	10,202,857
Guarantees issued for the related parties	1,353,281	-	-	-	-	1,353,281	1,353,281
Other current liabilities	356,713	107,341	-	-	-	464,054	464,054
Balance as at 31 December 2018	**1,709,994**	**14,503,575**	**6,019,703**	**5,877,504**	**-**	**28,110,776**	**27,915,187**
Interest bearing borrowings	-	1,334,604	8,277,583	7,502,829	-	17,115,016	16,891,723
Finance lease obligations	-	28,081	39,157	6,173	-	73,411	72,925
Payables to related parties	-	1,579,779	-	-	-	1,579,779	1,579,779
Trade payables	-	8,536,793	-	-	-	8,536,793	8,536,793
Guarantees issued for the related parties	3,871,633	-	-	-	-	3,871,633	3,871,633
Other current liabilities	2,909	173,880	92,998	-	-	269,787	269,787
Balance as at 31 December 2017	**3,874,542**	**11,653,137**	**8,409,738**	**7,509,002**	**-**	**31,446,419**	**31,222,640**

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

As disclosed in Note 13, the Group and the Company have secured bank loans that contain a loan covenant. A future breach of covenant may require the Group to repay the loan earlier than indicated in the above table. Under the agreement the covenant is monitored in a regular basis by the Finance team, and the management is regularly provided reports on compliance with agreement in order to ensure compliance with the agreement requirements.

As at 31 December 2018 the Company had a guarantee issued to the bank to secure the loans of EUR 1,273 thousand of its subsidiary Grigeo Klaipėda AB (as at 31 December 2017: the loans of EUR 3,162 thousand) and of its indirect subsidiary Grigeo Recycling UAB – EUR 80 thousand (as at 31 December 2017: the loans of EUR 710 thousand).

As described in Note 31, as at 31 December 2018 current liabilities of the Group and the Company exceeded its current assets. The Group and the Company use overdrafts and other short-term credits; furthermore, as described in Note 31, some repayment terms for the current loans have been already rescheduled subsequently and other are expected to be rescheduled.

3. Financial instruments – fair values and risk management (cont'd)

Exposure to interest rate risk

The major part of the Group's and the Company's borrowings (loans and finance lease obligations) are subject to variable rates, related to EURIBOR, which creates an interest rate risk (Notes 13 and 14).

In 2016 the Company entered into two interest rate swap agreements with the bank establishing fixed interest rates on loans. The agreements come into effect on 31 March 2016 and will be effective until 31 December 2020. As at 31 December 2018 the fair value of the financial instrument, which is calculated by the bank, amounted to EUR 43 thousand for the Company and EUR 76 thousand for the Group (as at 31 December 2017: the fair value of the financial instrument amounted to EUR 68 thousand for the Company and EUR 120 thousand for the Group). As at 31 December 2018 the Company's financial instruments have a nominal value EUR 5,077 thousand, the Group's – EUR 13,182 thousand (as at 31 December 2017: the Company's financial instruments have a nominal value EUR 12,736 thousand and the Group's – EUR 24,818 thousand).

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in interest rates, with all other variables held constant (through the impact on floating rate borrowings).

	Increase/decrease in basis points	Effect on equity	Effect on the profit before the income tax
2018			
EUR	+100	(1,233)	(506,457)
EUR	-100	1,233	506,457
2017			
EUR	+100	(26,964)	(328,983)
EUR	-100	26,964	328,983

The following table demonstrates the sensitivity of the Company's profit before tax to a reasonably possible change in interest rates, with all other variables held constant (through the impact on floating rate borrowings).

	Increase/decrease in basis points	Effect on equity	Effect on the profit before the income tax
2018			
EUR	+100	-	(252,271)
EUR	-100	-	252,271
2017			
EUR	+100	(12,904)	(156,742)
EUR	-100	12,904	156,742

Foreign exchange risk

The Group's and the Company's monetary assets and liabilities as at 31 December 2018 and 2017 are mainly denominated EUR, consequently the management of the Company believes that foreign exchange risk is insignificant.

3. Financial instruments – fair values and risk management (cont'd)

Foreign exchange risk (cont'd)

Monetary assets and liabilities of the Group denominated in various currencies as at 31 December 2018 were as follows (equivalent in EUR):

Group	UAH	USD	EUR	Other
Receivables	458,743	-	15,549,361	-
Cash and cash equivalents	166,973	-	4,783,178	-
Borrowings and finance lease obligations	-	-	23,963,331	-
Payables	(217,740)	-	(19,126,508)	-
Total	**407,976**	**-**	**25,169,362**	**-**

Monetary assets and liabilities of the Group denominated in various currencies as at 31 December 2017 were as follows (equivalent in EUR):

Group	UAH	USD	EUR	Other
Receivables	353,267	-	14,770,903	-
Cash and cash equivalents	145,119	-	393,586	-
Borrowings and finance lease obligations	-	-	(35,594,714)	-
Payables	(263,584)	(400)	(16,957,991)	-
Total	**234,802**	**(400)**	**(37,388,216)**	**-**

The following table demonstrates the sensitivity to a reasonably possible change in currency exchange rates, with all other variables held constant, of the Group's profit before tax:

	Increase/decrease in basis points	Effect on the profit before the income tax
2018		
USD	+10	-
USD	-10	-
UAH	+10	408
UAH	-10	(408)
2017		
USD	+10	-
USD	-10	-
UAH	+10	235
UAH	-10	(235)

Fair value of financial instruments

The carrying values of the Group's and the Company's principal financial instruments, trade and other payables, long-term and short-term borrowings, approximates their fair values.

3. Financial instruments – fair values and risk management (cont'd)

Fair value of financial instruments (cont'd)

The following table shows the carrying amounts and fair values of financial liabilities, including their levels in the fair value hierarchy. The carrying of financial liabilities not measured at fair value approximates their fair value.

31 December 2018:

Group	Note	Carrying amount	Fair value			
		Total	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value						
Interest rate swap used for hedging		(75,292)	-	(75,292)	-	(75,292)
Financial liabilities not measured at fair value						
Interest bearing loans and borrowings		(23,951,259)	-	(23,951,259)	-	(23,951,259)
Finance lease obligations		(12,072)	-	(12,072)	-	(12,072)
Total financial liabilities		**(24,038,623)**	**-**	**(24,038,623)**	**-**	**(24,038,623)**

31 December 2017:

Group	Note	Carrying amount	Fair value			
		Total	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value						
Interest rate swap used for hedging		(120,324)	-	(120,324)	-	(120,324)
Financial liabilities not measured at fair value						
Interest bearing loans and borrowings		(35,373,445)	-	(35,373,445)	-	(35,373,445)
Finance lease obligations		(221,269)	-	(221,269)	-	(221,269)
Total financial liabilities		**(35,715,038)**	**-**	**(35,715,038)**	**-**	**(35,715,038)**

31 December 2018:

Company	Note	Carrying amount	Fair value			
		Total	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value						
Interest bearing loans and borrowings		(43,029)	-	(43,029)	-	(43,029)
Financial liabilities not measured at fair value						
Interest bearing loans and borrowings		(12,942,889)	-	(12,942,889)	-	(12,942,889)
Finance lease obligations		(6,162)	-	(6,162)	-	(6,162)
Total financial liabilities		**(12,992,080)**	**-**	**(12,992,080)**	**-**	**(12,992,080)**

3. Financial instruments – fair values and risk management (cont'd)

Fair value of financial instruments (cont'd)

31 December 2017:

Company	Note	Carrying amount	Fair value			
		Total	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value						
Interest bearing loans and borrowings		(67,831)	-	(67,831)	-	(67,831)
Financial liabilities not measured at fair value						
Interest bearing loans and borrowings		(16,891,723)	-	(16,891,723)	-	(16,891,723)
Finance lease obligations		(72,925)	-	(72,925)	-	(72,925)
Total financial liabilities		**(17,032,479)**	**-**	**(17,032,479)**	**-**	**(17,032,479)**

The fair values of financial assets and financial liabilities are determined as follows:

(a) The carrying amount of current trade and other accounts receivable, current accounts payable and short-term borrowings approximates fair value;

(b) The fair value of non-current borrowings is based on the quoted market price for the same or similar issues or on the current rates available for borrowings with the same maturity profile.

The fair value of financial instruments is determined based on observable market inputs, apart from market quoted prices; therefore, the fair value of interest bearing loans and borrowings as well as finance lease obligations is attributed to Level 2. The value of cash is attributed to Level 1.

4. Property, plant and equipment

Group	Buildings and structures	Machinery and equipment	Vehicles	Other assets	Construction in progress and prepayments	TOTAL
Cost:						
Balance as at 31 December 2016	**39,861,863**	**102,845,241**	**1,907,637**	**2,169,902**	**10,251,390**	**157,036,033**
Additions	16,605	172,407	156,747	204,856	1,932,015	2,482,630
Disposals and write-offs	(183,871)	(2,822,164)	(118,459)	(290,659)	-	(3,415,153)
Transfer from construction in progress to property, plant and equipment	3,646,237	23,243,707	114,467	138,686	(27,143,097)	-
Reclassifications	-	-	-	-	-	-
Transfer to inventories for sale	-	(32,813)	-	-	-	(32,813)
Effect of foreign currency translation	(98,215)	(73,206)	(4,564)	(6,002)	-	(181,987)
Balance as at 31 December 2017	**42,559,990**	**108,432,214**	**1,941,361**	**2,366,622**	**588,523**	**155,888,710**
Additions	75,125	348,825	442,396	197,636	5,008,421	6,072,403
Disposals and write-offs	(55,876)	(2,042,894)	(206,844)	(817,920)	-	(3,123,534)
Transfer from construction in progress to property, plant and equipment	455,433	4,296,425	14,008	163,982	(4,929,848)	-
Reclassifications	434,206	(357,788)	-	-	-	76,418
Transfer from inventories	-	-	-	-	125,340	125,340
Effect of foreign currency translation	32,086	24,456	1,735	1,525	-	59,802
Balance as at 31 December 2018	**43,500,964**	**110,701,238**	**2,192,656**	**1,911,845**	**792,436**	**159,099,139**
Accumulated depreciation and impairment:						
Balance as at 31 December 2016	**9,344,931**	**50,977,330**	**1,126,245**	**1,638,230**	**-**	**63,086,736**
Depreciation	3,332,456	10,520,897	238,971	278,899	-	14,371,223
Impairment loss/(reversal)	-	-	-	-	-	-
Disposals and write-offs	(183,871)	(2,819,031)	(82,133)	(289,926)	-	(3,374,961)
Reclassifications	-	-	-	-	-	-
Transfer to inventories for sale	-	(17,813)	-	-	-	(17,813)
Effect of foreign currency translation	(57,717)	(65,459)	(2,209)	(5,202)	-	(130,587)
Balance as at 31 December 2017	**12,435,799**	**58,595,924**	**1,280,874**	**1,622,001**	**-**	**73,934,598**
Depreciation	2,853,772	10,376,639	289,142	330,479	-	13,850,032
Impairment loss/(reversal)						
Disposals and write-offs	(55,876)	(2,035,581)	(194,259)	(816,729)	-	(3,102,445)
Reclassifications	80,458	(358,072)	-	285	-	(277,329)
Transfer to inventories for sale	-	-	-	-	-	-
Effect of foreign currency translation	20,383	22,507	915	1,358	-	45,163
Balance as at 31 December 2017	**15,334,536**	**66,601,417**	**1,376,672**	**1,137,394**	**-**	**84,450,019**
Net book value as at 31 December 2017	**30,124,191**	**49,836,290**	**660,487**	**744,621**	**588,523**	**81,954,112**
Net book value as at 31 December 2018	**28,166,428**	**44,099,821**	**815,984**	**774,451**	**792,436**	**74,649,120**

4. Property, plant and equipment (cont'd)

Company	Buildings and structures	Machinery and equipment	Vehicles	Other assets	Construction in progress and prepayments	TOTAL
Cost:						
Balance as at 31 December 2016	**17,829,560**	**57,614,657**	**578,364**	**1,271,351**	**10,237,811**	**87,531,743**
Additions	-	32,547	56,200	130,596	1,496,137	1,715,480
Disposals and write-offs	(15,060)	(2,553,355)	(28,493)	(122,044)	-	(2,718,952)
Transfer from construction in progress to property, plant and equipment	2,932,818	8,221,713	-	-	(11,154,531)	-
Transfer to inventories for sale	-	(32,813)	-	-	-	(32,813)
Balance as at 31 December 2017	**20,747,318**	**63,282,749**	**606,071**	**1,279,903**	**579,417**	**86,495,458**
Additions	-	50,405	203,661	109,020	3,673,492	4,036,578
Disposals and write-offs	(9,450)	(653,677)	(128,921)	(383,079)	-	(1,175,127)
Transfer from construction in progress to property, plant and equipment	17,688	3,630,072	4,900	141,786	(3,794,446)	-
Reclassification	455,283	-	-	-	-	455,283
Disposed assets	(5,085,556)	(11,095,961)	(103,327)	(250,753)	(110,694)	(16,646,291)
Balance as at 31 December 2018	**16,125,283**	**55,213,588**	**582,384**	**896,877**	**347,769**	**73,165,901**
Accumulated depreciation and impairment:						
Balance as at 31 December 2016	**4,084,299**	**32,157,604**	**333,419**	**901,218**	**-**	**37,476,540**
Depreciation	1,171,449	6,422,316	65,395	175,237	-	7,834,397
Disposals and write-offs	(15,060)	(2,553,346)	(25,439)	(122,022)	-	(2,715,867)
Transfer to inventories for sale	-	(17,813)	-	-	-	(17,813)
Reclassifications	-	-	-	-	-	-
Balance as at 31 December 2017	**5,240,688**	**36,008,761**	**373,375**	**954,433**	**-**	**42,577,257**
Depreciation	1,280,763	6,406,139	89,830	179,003	-	7,955,735
Disposals and write-offs	(9,450)	(653,664)	(127,849)	(382,047)	-	(1,173,010)
Transfer to inventories for sale	-	-	-	-	-	-
Reclassifications	101,535	-	-	-	-	101,535
Disposed assets	(1,501,197)	(5,849,388)	(49,389)	(173,005)	-	(7,572,979)
Balance as at 31 December 2018	**5,112,339**	**35,911,848**	**285,967**	**578,384**	**-**	**41,888,538**
Net book value as at 31 December 2017	**15,506,630**	**27,273,988**	**232,696**	**325,470**	**579,417**	**43,918,201**
Net book value as at 31 December 2018	**11,012,944**	**19,301,740**	**296,417**	**318,493**	**347,769**	**31,277,363**

As at 31 December 2018 and 2017, the net book value of the Group's and Company's property, plant and equipment acquired under finance lease was as follows:

	Group		Company	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Machinery and equipment	13,576	237,504	13,576	107,194
Vehicles	71,555	272,567	40,755	120,892
Total	**85,131**	**510,070**	**54,331**	**228,085**

4. Property, plant and equipment (cont'd)

The depreciation charge of the Group's and the Company's property, plant and equipment for the years 2018 and 2017 is included in the following items of profit or loss:

	Group		Company	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Cost of production	13,536,511	14,144,024	7,749,835	7,715,218
General and administrative expenses	155,367	87,904	108,145	33,293
Selling and distribution expenses	158,154	139,295	97,755	85,886
Total	**13,850,032**	**14,371,223**	**7,955,735**	**7,834,397**

As at 31 December 2018, the part of the Group's and the Company's property, plant and equipment with a net book value of EUR 57,337 thousand and EUR 32,215 thousand, respectively (31 December 2017: EUR 67,346 thousand and EUR 33,952 thousand, respectively) is pledged as a security for repayment of the loans granted by banks (Note 13).

Property, plant and equipment of the Group and the Company with an acquisition cost of EUR 15,776 thousand and EUR 10,845 thousand, respectively, were fully depreciated as at 31 December 2018 (EUR 17,292 thousand and EUR 11,675 thousand as at 31 December 2017, respectively), but were still in active use.

Acquisitions of property, plant and equipment and intangible assets in the cash flow statement are shown together with the change in the payable amount for loans at the year-end for the acquisition of property, plant and equipment.

As at 31 December, the Group's and the Company's constructions in progress and prepayments include unfinished projects:

Group	2018			2017		
	Carrying amount	Total estimated costs of the project	Estimated date of completion	Carrying amount	Total estimated costs of the project	Estimated date of completion
Dust removal system for the tissue machine rewinder	-	-	-	239,315	245,000	2018
Repair of administrative production building	261,304	602,000	2019	-	-	-
Repair of investment property	306,061	1,060,000	2019	-	-	-
Other projects	62,237	70,000	2019	23,296	605,000	2018
Total	**629,602**	**1,732,000**		**262,611**	**850,000**	

4. Property, plant and equipment (cont'd)

Company	2018			2017		
	Carrying amount	Total estimated costs of the project	Estimated date of completion	Carrying amount	Total estimated costs of the project	Estimated date of completion
Dust removal system for the tissue machine rewinder	-	-	-	239,315	245,000	2018
Repair of administrative production building	261,304	602,000	2019	-	-	-
Repair of investment property	306,061	1,060,000	2019	-	-	-
Other projects	62,237	70,000	2019	23,296	605,000	2018
Total	**629,602**	**1,732,000**		**262,611**	**850,000**	

5. Intangible assets

	Group		Company	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Goodwill	3,001,072	3,001,072	-	-
Other intangible assets	1,482,813	1,338,994	548,138	238,552
Total	**4,483,885**	**4,340,066**	**548,138**	**238,552**

Goodwill

On 1 March 2010, the Company acquired Grigeo investicijų valdymas UAB, consisting of Grigeo investicijų valdymas UAB, Avesko UAB, Grigeo Klaipėda AB and Mena Pak PAT.

At the acquisition of these subsidiaries goodwill of EUR 3,001,072 has been accounted for. The goodwill arose on the expected operating synergies of the Group companies. Goodwill is not amortised, but is tested annually for possible impairment.

For the purpose of impairment evaluation, the goodwill as at 31 December 2018 and 2017 was allocated to Grigeo Klaipėda AB cash generating unit. The recoverable amount of cash generating unit as at 31 December 2018 and 2017 was determined based on the discounted cash flow projections based on the five-year financial forecasts prepared by the management. Significant assumptions used for the assessment of the value in use in 2018 and 2017 are described further.

The forecasted revenues were estimated based on the management assumptions as at 31 December 2018 and 2017 assuming that the growth in revenue will be in line with the estimated inflation rate, ongoing investment in manufacturing equipment productivity and efficiency gain and the actions of sale activation. Costs were forecasted with reference to actual costs, considering the forecasted inflation level. Cash flows beyond the five-year period were extrapolated using 1% growth rate that reflects the best estimate of the management based on the current situation in the respective industry. The discount rate used by the management was estimated for cash generating unit as a weighted average cost of capital for that particular cash generating unit and is equal to 7% in 2018 and 7 % in 2017 for cash generating units located in Lithuania. The main assumptions applied in goodwill impairment evaluation were the same in 2018 and 2017.

The assessment of the recoverable amount of the CGU as at 31 December 2018 and 2017 resulted in no impairment of goodwill.

With regard to the assessment of the recoverable amount of the above mentioned cash generating unit as at 31 December 2018 and 2017, the management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

5. Intangible assets (cont'd)

Other intangible assets

Group	Land lease right	Licenses, patents	Software	Other assets and prepayments	Total
Cost:					
Balance as at 31 December 2016	**695,088**	**69,214**	**1,128,692**	**876,103**	**2,769,097**
Additions	-	5,237	3,094	539,415	547,746
Disposals and write-offs	-	-	(8,959)	-	(8,959)
Transfers from property, plant and equipment	-	-	-	-	-
Transfer from construction in progress to intangible assets	-	-	507,222	(507,222)	-
Effect of foreign currency translation	-	-	(318)	-	(318)
Balance as at 31 December 2017	**695,088**	**74,451**	**1,629,731**	**908,296**	**3,307,566**
Additions	-	10,844	13,611	355,628	380,083
Disposals and write-offs	-	(22,390)	(81,266)	(207,105)	(310,761)
Reclassifications	-	-	173	-	173
Transfer from construction in progress to intangible assets	-	-	525,547	(525,547)	-
Effect of foreign currency translation	-	-	113	-	113
Balance as at 31 December 2018	**695,088**	**62,905**	**2,087,909**	**531,272**	**3,377,174**
Accumulated amortisation:					
Balance as at 31 December 2016	**102,976**	**43,983**	**990,876**	**688,734**	**1,826,569**
Amortisation	7,723	14,462	92,958	35,851	150,994
Disposals and write-offs	-	-	(8,958)	-	(8,958)
Reclassifications	-	-	-	-	-
Effect of foreign currency translation	-	-	(33)	-	(33)
Balance as at 31 December 2017	**110,699**	**58,445**	**1,074,843**	**724,585**	**1,968,572**
Amortisation	7,723	10,843	206,906	10,881	236,353
Disposals and write-offs	-	(22,388)	(81,261)	(207,105)	(310,754)
Reclassifications	-	-	172	-	172
Effect of foreign currency translation	-	-	18	-	18
Balance as at 31 December 2018	**118,422**	**46,900**	**1,200,678**	**528,361**	**1,894,361**
Net book value as at 1 January 2017	**592,112**	**25,231**	**137,816**	**187,369**	**942,528**
Net book value as at 31 December 2017	**584,389**	**16,006**	**554,888**	**183,711**	**1,338,994**
Net book value as at 31 December 2018	**576,666**	**16,005**	**887,231**	**2,911**	**1,482,813**

5. Intangible assets (cont'd)

Other intangible assets (cont'd)

Company	Licenses, patents	Software	Other assets and prepayments	Total
Cost:				
Balance as at 31 December 2016	**69,214**	**653,976**	**269,486**	**992,676**
Additions	5,237	2,550	117,135	124,922
Disposals and write-offs	-	-	-	-
Reclassifications	-	-	-	-
Transfers from construction in progress	-	-	-	-
Balance as at 31 December 2017	**74,451**	**656,526**	**386,621**	**1,117,598**
Additions	10,844	2,720	355,628	369,192
Disposals and write-offs	(22,390)	(78,659)	(207,105)	(308,154)
Reclassifications	-	-	-	-
Transfers from construction in progress	-	525,164	(525,164)	-
Disposed assets	-	(192,631)	-	(192,631)
Balance as at 31 December 2018	**62,905**	**913,120**	**9,980**	**986,005**
Accumulated amortisation:				
Balance as at 31 December 2016	**43,983**	**551,370**	**167,785**	**763,138**
Amortisation	14,462	65,832	35,614	115,908
Disposals and write-offs	-	-	-	-
Reclassifications	-	-	-	-
Balance as at 31 December 2017	**58,445**	**617,202**	**203,399**	**879,046**
Amortisation	10,843	35,898	10,775	57,516
Disposals and write-offs	(22,388)	(78,655)	(207,105)	(308,148)
Reclassifications	-	-	-	-
Disposed assets	-	(190,547)	-	(190,547)
Balance as at 31 December 2018	**46,900**	**383,898**	**7,069**	**437,867**
Net book value as at 1 January 2017	**25,231**	**102,606**	**101,701**	**229,538**
Net book value as at 31 December 2017	**16,006**	**39,324**	**183,222**	**238,552**
Net book value as at 31 December 2018	**16,005**	**529,222**	**2,911**	**548,138**

The Group and the Company have not capitalised any internally generated intangible assets. Amortisation expenses of intangible assets are included in the following captions in profit or loss:

	Group		Company	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Cost of production	220,940	59,829	55,986	59,658
General and administrative expenses	12,880	83,932	-	56,250
Selling and distribution expenses	2,533	7,233	1,530	-
Total	**236,353**	**150,994**	**57,516**	**115,908**

Part of the non-current intangible assets of the Group and the Company with the acquisition value of EUR 1,351 thousand and EUR 343 thousand, respectively, as at 31 December 2018 was fully amortised (EUR 1,384 thousand and EUR 460 thousand as at 31 December 2017, respectively) but was still in use.

As at 31 December 2017, the Group's land lease rights with a carrying value of EUR 584 thousand are pledged as a security for repayment of the loan granted by banks (Note 13). As at 31 December 2018 land lease rights were not pledged.

6. Investment property

Group

Cost:	Buildings	Construction in progress and prepayments	Total
Balance as at 31 December 2016	**1,048,424**	**-**	**1,048,424**
Additions	-	557,483	557,483
Disposals	557,483	(557,483)	-
Balance as at 31 December 2017	**1,605,907**	**-**	**1,605,907**
Additions	-	306,061	306,061
Reclassification	(455,283)	-	(455,283)
Balance as at 31 December 2018	**1,150,624**	**306,061**	**1,456,685**
Accumulated depreciation:			
Balance as at 31 December 2016	**244,023**	**-**	**244,023**
Depreciation	30,582	-	30,582
Balance as at 31 December 2017	**274,605**	**-**	**274,605**
Depreciation	**52,515**	**-**	**52,515**
Reclassification	**(101,535)**	**-**	**(101,535)**
Balance as at 31 December 2018	**225,585**	**-**	**225,585**
Net book value as at 1 January 2017	**804,401**	**-**	**804,401**
Net book value as at 31 December 2017	**1,331,302**	**-**	**1,331,302**
Net book value as at 31 December 2018	**925,039**	**306,061**	**1,231,100**

Company

Cost:	Buildings	Construction in progress and prepayments	Total
Balance as at 31 December 2016	**1,048,424**	**-**	**1,048,424**
Additions	-	557,483	557,483
Disposals	557,483	(557,483)	-
Balance as at 31 December 2017	**1,605,907**	**-**	**1,605,907**
Additions	-	306,061	306,061
Reclassification	(455,283)	-	(455,283)
Balance as at 31 December 2018	**1,150,624**	**306,061**	**1,456,685**
Accumulated depreciation:	-	-	-
Balance as at 31 December 2016	**244,023**	**-**	**244,023**
Depreciation	30,582	-	30,582
Balance as at 31 December 2017	**274,605**	**-**	**274,605**
Depreciation	**52,515**	**-**	**52,515**
Reclassification	**(101,535)**	**-**	**(101,535)**
Balance as at 31 December 2018	**225,585**	**-**	**225,585**
Net book value as at 1 January 2017	**804,401**	**-**	**804,401**
Net book value as at 31 December 2017	**1,331,302**	**-**	**1,331,302**
Net book value as at 31 December 2018	**925,039**	**306,061**	**1,231,100**

Investment property represents buildings, located at Popieriaus St. 15 and Popieriaus St. 25 in Naujieji Verkiai. Part of the investment properties are rented to third parties. Rent contracts are open-ended. Depreciation charge is included in general and administrative expenses.

6. Investment property (cont'd)

Fair value measurement

The fair value of the investment property was determined based on the cash flows from the investment property for a 10-year period, estimated income, estimated current income and costs. A discount rate of 7.87 % was used to calculate cash flows. According to the calculation, the fair value of investment property is approximately EUR 1.590 thousand.

Group and Company	Carrying amount		Fair value (Level 3)	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Investment property	1,231,100	1,331,302	1,590,000	1,200,000
Total	**1,231,100**	**1,331,302**	**1,590,000**	**1,200,000**

7. Inventories

	Group		Company	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Materials	4,148,439	4,038,863	1,285,618	1,457,733
Unfinished production	1,768,601	1,237,088	998,009	684,569
Finished goods	5,590,595	4,062,856	3,040,831	2,192,929
Goods in transit	116,059	205,357	87,031	156,598
Prepayments	114,380	420,947	61,477	20,822
Transferred to disposed assets	-	-	(867,651)	-
Total:	**11,738,074**	**9,965,111**	**4,605,315**	**4,512,651**

As at 31 December 2018, the cost of the Group's and the Company's inventories was decreased by EUR 358 thousand and EUR 278 thousand, respectively (31 December 2017: EUR 262 thousand and EUR 259 thousand, respectively) to net realisable value. Net realisable value adjustment was accounted for under cost of sales.

In 2018 the Group wrote down inventories for EUR 101 million (in 2017: EUR 90 million), the Company – EUR 54 million (in 2017: EUR 43 million) to cost.

As described in the Note 13, as at 31 December 2018 the Group and the Company have pledged inventories with a carrying value of EUR 1,158 thousand and EUR 1,158 thousand respectively (31 December 2017: EUR 4,803 thousand and EUR 1,158 thousand, respectively) as a collateral to the banks for the loans received.

8. Accounts receivable

	Group		Company	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Trade receivables, gross	14,318,483	14,433,469	10,733,607	10,234,888
Other non-current receivables	143,450	287,873	61,760	178,755
Other receivables, gross	1,694,027	546,441	841,395	283,132
Transferred to disposed assets	-	-	(3,897,867)	-
	16,155,960	**15,267,783**	**7,738,895**	**10,696,775**
Less: allowance for doubtful trade receivables	(147,856)	(143,613)	(131,568)	(129,015)
Total accounts receivable, net	**16,008,104**	**15,124,170**	**7,607,327**	**10,567,760**
from this amount:				
Total non-current receivables	**143,450**	**287,873**	**35,190**	**178,755**
Total current receivables	**15,864,654**	**14,836,297**	**7,572,137**	**10,389,005**

Change in allowance for doubtful trade receivables for the year 2018 and 2017 has been included into general and administrative expenses.

Trade receivables are non-interest bearing and are generally collectible on 7–90 days terms. The carrying amount of trade and other receivables approximates their fair value. Information on receivables from related parties is presented under Note 28.

8. Accounts receivable (cont'd)

As at 31 December 2018 the Company and the Group carried out probable impairment tests for accounts receivable in accordance with IFRS 9. Sales operations of 2016–2018 were used to calculate the probable amount of impairment of accounts receivable. In the Group, taking into consideration that the price of cardboard paper in 2019 is expected to be closest to the price of cardboard paper in 2017, the probable impairment coefficients of 2017 were used in the impairment test. Based on the impairment tests carried out, an additional collective impairment allowance of EUR 1,690 was formed.

Movements in the allowance for impairment of the receivables were as follows:

	Group				Company			
	Individual impair-ment	Individual impair-ment	Collective impair-ment	Collective impair-ment	Individual impair-ment	Individual impair-ment	Collective impair-ment	Collective impair-ment
	2018	2017	2018	2017	2018	2017	2018	2017
At the beginning of the period	**143,613**	**209,027**	**-**	**-**	**129,015**	**57,266**	**-**	**-**
Impairment for the year	47,006	71,749	1,690	-	47,006	71,749	-	-
Reversal of impairment	-	-	-	-	-	-	-	-
Receivables written off	(44,453)	(137,163)	-	-	(44,453)	-	-	-
Effect of foreign currency translation	-	-	-	-	-	-	-	-
At the end of the period	**146,166**	**143,613**	**1,690**	**-**	**131,568**	**129,015**	**-**	**-**

Impairment allowance booked by the Group and the Company is related to receivables as at 31 December 2018 and 2017.

The ageing analysis of the Group's receivables (presented net of allowance for impaired receivables) as at 31 December is as follows:

	Receivables neither past due nor impaired	Receivables past due but not impaired					Total
		Less than 30 days	30–60 days	60–90 days	90–360 days	More than 360 days	
2018	13,805,138	2,142,823	52,469	7,674	-	-	16,008,104
2017	13,037,689	2,007,107	58,769	342	16,633	3,630	15,124,170

The ageing analysis of the Company's receivables (presented net of allowance for impaired receivables and including the transferred accounts receivable) as at 31 December is as follows:

	Receivables neither past due nor impaired	Receivables past due but not impaired					Total
		Less than 30 days	30–60 days	60–90 days	90–360 days	More than 360 days	
2018	10,352,403	1,143,522	9,214	55	-	-	11,505,194
2017	9,365,392	1,126,626	58,767	342	16,633	-	10,567,760

9. Cash and cash equivalents

	Group		Company	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Cash at bank	4,950,094	538,684	1,515	2,143
Cash in hand	57	21	-	-
TOTAL:	**4,950,151**	**538,705**	**1,515**	**2,143**

As at 31 December 2018, bank accounts of the Group amounting to EUR 2 thousand (2017: EUR 5 thousand) and the Company amounting to EUR 2 thousand (2017: EUR 2 thousand) are pledged to banks for loans, as described further in Note 13. As at 31 December 2018 and 2017, there were no restrictions on use of cash balances held in the pledged accounts.

10. Share capital and reserves

Share capital

The share capital of the Company was EUR 19,053,000 as at 31 December 2018 and as at 31 December 2017. It is divided into 65,700 thousand ordinary registered shares with the nominal value of EUR 0.29 each.

All shares of the Company are fully paid. The Company does not have any other classes of shares than the aforementioned ordinary shares. There are no restrictions of share rights or special control rights for the shareholders set in the Articles of Association of the Company. No shares of the Company are held by itself or its subsidiaries. No convertible securities, exchangeable securities or securities with warrants are outstanding; likewise, there are no outstanding acquisition rights or undertakings to increase share capital as at 31 December 2018 and 2017.

As at 31 December 2018 and 31 December 2017 the shareholders of the Company were:

	2018		2017	
	Number of shares	Proportion of ownership, %	Number of shares	Proportion of ownership, %
Lithuanian legal entities	31,357,181	47.7	31,467,706	47.9
Lithuanian individuals	30,415,330	46.3	30,120,594	45.8
Foreign legal entities	2,469,881	3.8	2,772,465	4.2
Foreign individuals	1,457,608	2.2	1,339,235	2.1
TOTAL:	**65,700,000**	**100**	**65,700,000**	**100**

Three major shareholders as at 31 December 2018 and 31 December 2017 are listed below:

	2018		2017	
	Number of shares	Proportion of ownership, %	Number of shares	Proportion of ownership, %
Ginvildos investicija UAB	28,582,407	43.50	28,582,407	43.50
Mišeikienė Irena Ona	8,584,171	13.07	7,857,585	11.96
Norimantas Stankevičius	2,898,628	4.41	2,898,628	4.41
TOTAL:	**40,065,206**	**60.98**	**39,338,620**	**59.87**

Share premium

The Company's authorised capital was increased after the additional issue of shares of the total nominal value of EUR 1,650,834, following the resolutions of the annual General Shareholders' Meeting of the Company held on 26 April 2013. The nominal value per share is EUR 0.29, while the emission of shares was issued for EUR 0.51 per share. Share premium is a difference between the nominal value and emission price of shares, less expenses related to emission of shares.

10. Share capital and reserves (cont'd)

Reserves

This reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5% of distributable retained earnings calculated for statutory reporting purposes are required until the reserve reaches 10% of the share capital. The legal reserve is fully formed as at 31 December 2018 and 2017. In accordance with legislation, the reserve can be used to cover the company's losses.

The foreign currency translation reserve is used for translation differences arising on consolidation of financial statements of the foreign subsidiary (Note 2.5).

The reserve for own shares was formed by the decision of shareholders adopted on 29 April 2016 at a general meeting. The reserve was formed to restrict the use of profit and to cover the acquisition cost of own shares. On 26 April 2018 during the General Shareholders' Meeting, the decision of shareholders was reached to reverse the reserve for own shares.

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of the hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows or items affect profit or loss.

11. Capital management

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

The Group and the Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Group and the Company may issue new shares, adjust the dividend payment to shareholders, return capital to shareholders. No changes were made in the objectives, policies or processes of capital management during the year ended 31 December 2018.

The Group and the Company are obliged to maintain its equity at not less than 50% of its share capital (comprised of share capital and share surplus), as imposed by the Law on Companies of the Republic of Lithuania. As at 31 December 2018 and 2017, the Company was in compliance with the aforementioned requirement.

The Group and the Company monitor capital using debt to equity ratio. Capital includes ordinary shares, reserves, and retained earnings attributable to the equity holders of the parent.

	Group		Company	
	2018	2017	2018	2017
Non-current liabilities (excluding subsidies, grants and deferred tax liability)	11,840,638	18,639,546	6,967,754	7,602,582
Current liabilities	34,359,548	37,444,036	22,750,819	21,028,185
Total liabilities	**46,200,186**	**56,083,582**	**29,718,573**	**28,630,767**
Equity attributable to equity holders of the parent	**66,237,452**	**56,001,844**	**38,796,953**	**39,942,891**
Debt to equity ratio	**70%**	**100%**	**77%**	**72%**

12. Grants and subsidies

Change in grants and subsidies in the Group and the Company is as follows:

	Group	Company
Balance as at 31 December 2016	**3,678,004**	**2,471,789**
Received	154,400	154,400
Amortisation	(796,100)	(507,087)
Balance as at 31 December 2017	**3,036,304**	**2,119,102**
Received	9,000	9,000
Amortisation	(783,456)	(507,556)
Balance as at 31 December 2018	**2,261,848**	**1,620,546**

The grants mainly consist of the funds received from the EU for the purpose of construction of structures, acquisition of machinery and equipment (non-current assets).

On 18 August 2017 the Company signed a financing and monitoring agreement with the Lithuanian Environmental Investment Fund for EUR 154,000. In 2018 the Company signed a financing agreement with the public entity Lietuvos verslo paramos agentūra for EUR 9,000.

The amortisation of grants is accounted for under cost of sales in profit or loss and reduces the depreciation of related asset expenses.

13. Borrowings

	Group		Company	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Non-current borrowings:				
Bank borrowings secured by the Group's/Company's assets	11,612,637	18,354,280	5,817,092	7,426,463
Transferred liabilities related to disposed assets	-	-	(2,932,615)	-
	11,612,637	**18,354,280**	**2,884,477**	**7,426,463**
Current borrowings:				
Current portion of non-current bank borrowings secured by the Group's/Company's assets	9,917,226	15,091,131	4,784,954	8,247,202
Current bank borrowings secured by the Group's/Company's assets	2,421,396	1,928,034	2,340,843	1,218,058
Transferred liabilities related to disposed assets	-	-	(1,500,000)	-
	12,338,622	**17,019,165**	**5,625,797**	**9,465,260**
TOTAL:	**23,951,259**	**35,373,445**	**8,510,274**	**16,891,723**

Movement of liabilities related to financing activities during the year is presented in the table below:

	Group		Company	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Opening balance	**35,373,445**	**44,950,281**	**16,891,723**	**19,749,030**
Loans received	2,082,614	1,032,571	2,082,614	1,032,571
Loans repaid	(13,998,162)	(11,789,009)	(7,154,233)	(4,982,993)
Received (repaid) credit lines	493,362	1,179,602	1,122,785	1,093,115
Interest calculated	501,443	769,199	249,773	331,067
Interest paid	(501,443)	(769,199)	(249,773)	(331,067)
Transferred liabilities related to disposed assets	-	-	(4,432,615)	-
Closing balance	**23,951,259**	**35,373,445**	**8,510,274**	**16,891,723**

13. Borrowings (cont'd)

Borrowings at the end of the year according to currency:

	Group		Company	
	2018	2017	2018	2017
EUR	23,951,259	35,373,445	12,942,889	16,891,723
TOTAL:	**23,951,259**	**35,373,445**	**12,942,889**	**16,891,723**

As at 31 December 2018 the Group and the Company had overdrafts of EUR 1,379 thousand and EUR 659 thousand, respectively (31 December 2017: EUR 3,190 thousand and EUR 1,229 thousand, respectively). The Company's borrowings at the end of the year according to currency are disclosed together with the transferred part.

Information on borrowings from related parties is presented under Note 28.

Compliance with loan covenants

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

As at 31 December 2018 and 31 December 2017, the Group and the Company were in compliance with all of the aforementioned loan covenants.

Interest rates

The Group and the Company face risk due to possible interest rate fluctuation. Actual interest rates are close to effective interest rates. As at 31 December 2018 the interest on loans of the Company and the Group are variable. They depend on EURIBOR (2017: LIBOR or EURIBOR) and on the margin agreed with the bank which meets the market conditions. In 2018 and 2017, the period of re-pricing of floating interest rates on borrowings varies from 1 month to 6 months.

In 2016 the Group and the Company have entered into a fixed-rate interest swap agreement. At 31 December 2018, the Group loans amounting to EUR 18.374 thousand and the Company's loans amounting to EUR 8.719 thousand (31 December 2017: EUR 26,964 thousand and EUR 12,904 thousand, respectively) were hedged until 2020. As at 31 December 2018 the Company's financial instruments have a fair value EUR 43 thousand (EUR 16 thousand transferred with disposed assets), the Group's – EUR 76 thousand (as at 31 December 2017: the Company's financial instruments have a fair value EUR 68 thousand and the Group's – EUR 120 thousand).

For analysis of liquidity risk please refer to Note 3.

Pledged assets

For bank loans the Group and the Company have pledged property, plant and equipment (Note 4), intangible assets (Note 5), inventories (Note 7), trade accounts receivable (Note 8), bank accounts (Note 9). Shares of Grigeo investicijų valdymas UAB and Grigeo Klaipėda AB are also pledged for the bank loans.

Terms and debt repayment schedule

The following interest rate bases are set for the borrowings as at 31 December 2018:

Group	Currency	Nominal interest rate base	Repayment period	Carrying amount
Overdraft	EUR	EURIBOR	2019	80,553
Overdraft	EUR	EURIBOR	2019	2,340,843
Secured bank loan	EUR	EURIBOR	2020	2,695,748
Secured bank loan	EUR	EURIBOR	2021	2,550,000
Secured bank loan	EUR	EURIBOR	2021	3,473,684
Secured bank loan	EUR	EURIBOR	2021	1,882,614
Secured bank loan	EUR	EURIBOR	2021	9,655,089
Secured bank loan	EUR	EURIBOR	2020	1,272,728
TOTAL:				**23,951,259**

13. Borrowings (cont'd)

Company	Currency	Nominal interest rate base	Repayment period	Carrying amount
Overdraft	EUR	EURIBOR	2019	2,340,843
Secured bank loan	EUR	EURIBOR	2020	2,695,748
Secured bank loan	EUR	EURIBOR	2021	2,550,000
Secured bank loan	EUR	EURIBOR	2021	3,473,684
Secured bank loan	EUR	EURIBOR	2021	1,882,614
TOTAL:				**12,942,889**

The Company's carrying value is disclosed together with the transferred part.

<u>Terms and debt repayment schedule (cont'd)</u>

The following interest rate bases are set for the borrowings as at 31 December 2017:

Group	Currency	Nominal interest rate base	Repayment period	Carrying amount
Overdraft	EUR	EURIBOR	2018	709,976
Overdraft	EUR	EURIBOR	2018	1,218,058
Secured bank loan	EUR	EURIBOR	2018	1,055,556
Secured bank loan	EUR	EURIBOR	2020	4,717,544
Secured bank loan	EUR	EURIBOR	2021	4,736,841
Secured bank loan	EUR	EURIBOR	2018	456,693
Secured bank loan	EUR	EURIBOR	2019	1,257,031
Secured bank loan	EUR	EURIBOR	2018	3,450,000
Secured bank loan	EUR	EURIBOR	2021	14,060,089
Secured bank loan	EUR	EURIBOR	2018	1,161,657
Secured bank loan	EUR	EURIBOR	2020	2,000,000
Secured bank loan	EUR	EURIBOR	2018	550,000
TOTAL:				**35,373,445**

Company	Currency	Nominal interest rate base	Repayment period	Carrying amount
Overdraft	EUR	EURIBOR	2018	1,218,058
Secured bank loan	EUR	EURIBOR	2018	1,055,556
Secured bank loan	EUR	EURIBOR	2020	4,717,544
Secured bank loan	EUR	EURIBOR	2021	4,736,841
Secured bank loan	EUR	EURIBOR	2018	456,693
Secured bank loan	EUR	EURIBOR	2019	1,257,031
Secured bank loan	EUR	EURIBOR	2018	3,450,000
TOTAL:				**16,891,723**

Terms of repayment of non-current debt are as follows:

	Group		Company	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Within 1 year	12,338,622	17,019,165	7,125,797	9,465,260
In the period of two to five years	11,612,637	18,354,280	5,817,092	7,426,463
After five years	-	-	-	-
TOTAL:	**23,951,259**	**35,373,445**	**12,942,889**	**16,891,723**

The Company's repayment of loans is disclosed together with the transferred part.

14. Finance lease obligations

The assets leased by the Group and the Company under finance lease contracts mainly consist of vehicles, machinery and equipment. The terms of the finance lease agreements are from 1 to 5 years. The currency of the finance lease agreements is EUR.

As at 31 December 2018, the interest rate on the finance lease obligations is 6-month EURIBOR or 6-month EUROLIBOR (as at 31 December 2017: fluctuates from 6-month EURIBOR or 6-month EUROLIBOR).

Future finance lease payments under the above-mentioned finance lease contracts are as follows:

	Group		Company	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Within 1 year	12,099	207,244	6,173	67,238
From one to five years	-	15,540	-	6,173
Total finance lease obligations	**12,099**	**222,784**	**6,173**	**73,411**
Interest	(27)	(1,515)	(11)	(486)
Present value of finance lease obligations	**12,072**	**221,269**	**6,162**	**72,925**
Finance lease liabilities are accounted for as:				
- current	12,072	205,769	6,162	66,763
- non-current	-	15,500	-	6,162

The fair value of the Group's and the Company's finance lease liabilities approximate their carrying amount. The Group's and the Company's obligations under finance leases are secured with leased assets (Note 4).

Operating lease payments in the future under lease contracts are as follows:

	Group		Company	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Within 1 year	142,585	142,585	55,340	59,536
From one to five years	4,249,384	1,557,437	195,251	216,231
After five years	7,449,174	7,670,760	2,544,979	2,956,256

15. Non-current employee benefits

As at 31 December 2018 and 2017, the Group and the Company accounted for non-current employee benefits for employees leaving the Group or the Company at the age of retirement. Related expenses are included into operating expenses in profit or loss.

	Group	Company
As at 31 December 2016	151,387	80,765
Change during the year 2017	(945)	21,361
As at 31 December 2017	149,442	102,126
Change during the year 2018	3,267	(8,651)
Transferred liabilities related to disposed assets	-	(12,715)
As at 31 December 2018	152,709	80,760

Actuarial gains and losses during 2018 and 2017 were insignificant; therefore, they were not separated and disclosed in other comprehensive income.

Main assumptions applied while evaluating the Group's and the Company's non-current employee benefits are as follows:

	As at 31 December 2018	As at 31 December 2017
Discount rate	0.31%	0.31%
Anticipated annual salary increase	5.00%	5.00%

16. Trade payables and other current liabilities

Terms and conditions of the financial liabilities other than borrowings are as follows:

a. Trade payables are non-interest bearing and are normally settled on 10 to 120-day terms,
b. Other payables are non-interest bearing and have an average term of one month.

	Group		Company	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Trade payables	18,149,002	16,430,016	13,148,801	10,116,572
Taxes, salaries and social insurance	2,054,387	2,050,348	1,062,417	1,043,163
Advances received	559,395	599,082	143,449	47,916
Other payables	1,195,244	791,959	464,054	269,787
Transferred liabilities related to disposed assets	-	-	(3,850,615)	-
TOTAL:	**21,958,028**	**19,871,405**	**10,968,106**	**11,477,438**
From this amount:				
Financial liabilities (Note 3)	19,344,246	17,221,975	13,612,855	10,386,359
Continuing operations	-	-	*10,013,621*	*7,309,994*
Transferred operations	-	-	*3,599,234*	*3,076,365*
Non-financial liabilities	2,613,782	2,649,430	1,205,866	1,091,079
Continuing operations	-	-	*954,485*	*810,287*
Transferred operations	-	-	*251,381*	*280,792*

17. Segment information

Operating segments

For decision taking purposes, the Group and the Company are organised into three operating business units based on their products produced and have three reportable segments: paper and paper products, wood fibre boards and wood processing, raw material for corrugated cardboard and related production. The Group and the Company analyse segment information only up to gross profit, as other operating income and finance income and expenses are not attributed to any segment.

Segment information about these business segments is presented below:

Group 2018	Paper and paper products	Wood fibre boards	Raw material for corrugated cardboard and related production	Total disclosed segments	Unallocated	Elimination	TOTAL
Sales	53,251,388	14,974,228	72,032,365	140,257,981	2,287,564	-	142,545,545
Sales between segments	-	(686,281)	(11,689,147)	(12,375,428)	(14,277,533)	26,652,961	-
Unconsolida-ted segment sales	53,251,388	15,660,509	83,721,512	152,633,409	16,565,097	(26,652,961)	142,545,545
Cost of sales	(46,730,582)	(13,649,518)	(51,422,270)	(111,802,370)	(929,815)	-	(112,732,185)
Gross profit	**6,520,806**	**1,324,710**	**20,610,095**	**28,455,611**	**1,357,749**	**-**	**29,813,360**
Depreciation and amortisation	5,438,990	1,452,813	5,598,761	12,490,564	1,648,336	-	14,138,900
Segment property, plant and equipment, investment property and intangible assets	28,135,879	4,499,577	38,254,003	70,889,459	6,473,574	-	77,363,033
Goodwill	-	-	3,001,072	3,001,072	-	-	3,001,072
Segment capital expenditure	1,357,034	581,257	4,052,900	5,991,191	892,696	-	6,883,887

17. Segment information (cont'd)

Group 2017	Paper and paper products	Wood fibre boards	Raw material for corrugated cardboard and related production	Total disclosed segments	Unallocated	Elimination	TOTAL
Sales	46,257,256	15,587,347	66,832,013	128,676,616	1,190,467	-	129,867,083
Sales between segments	-	(520,727)	(16,298,210)	(16,818,937)	(3,368,950)	20,187,887	-
Unconsolidated segment sales	46,257,256	16,108,074	83,130,223	145,495,553	4,559,417	(20,187,887)	129,867,083
Cost of sales	(38,312,480)	(13,515,778)	(52,842,366)	(104,670,624)	(1,000,244)	-	(105,670,868)
Gross profit	**7,944,776**	**2,071,569**	**13,989,647**	**24,005,992**	**190,223**	**-**	**24,196,215**
Depreciation and amortisation	5,374,667	2,026,215	5,982,671	13,383,553	1,169,246	-	14,552,799
Segment property, plant and equipment, investment property and intangible assets	32,277,652	5,383,974	41,427,224	79,088,850	5,535,558	-	84,624,408
Goodwill	-	-	3,001,072	3,001,072	-	-	3,001,072
Segment capital expenditure	1,023,354	104,861	1,583,184	271,399	876,460	-	3,587,859

1 Unallocated sales include sales not attributable to either of the listed segments, namely sales of heating energy (steam) (as the Company has its own steam house) and other utilities services.
2 Unallocated cost of sales includes costs related to unallocated sales, identifiable as expenses for purchases of wood needed for energy production and other utilities services.
3 Unallocated depreciation and amortisation, property, plant and equipment, investment property and intangible assets, and capital expenditure are related to energy and sales of other utilities services.

Company 2018	Paper and paper products	Raw material for corrugated cardboard and related production	Total disclosed segments	Unallocated	TOTAL
Sales	53,251,388	24,121,312	77,372,700	5,105,939	82,478,639
Cost of sales	(46,730,582)	(20,517,284)	(67,247,866)	(4,842,966)	(72,090,832)
Gross profit	**6,520,806**	**3,604,028**	**10,124,834**	**262,973**	**10,387,807**
Depreciation and amortisation	5,438,990	1,473,171	6,912,161	1,153,605	8,065,766
Segment property, plant and equipment, investment property and intangible assets	28,135,879	9,075,395	37,211,274	4,920,723	42,131,997
Segment capital expenditure	1,357,034	2,822,916	4,179,950	531,881	4,711,831

Company 2017	Paper and paper products	Raw material for corrugated cardboard and related production	Total disclosed segments	Unallocated	TOTAL
Sales	46,257,256	20,159,427	66,416,683	4,559,417	70,976,100
Cost of sales	(38,312,480)	(16,804,462)	(55,116,942)	(4,445,763)	(59,562,705)
Gross profit	**7,944,776**	**3,354,965**	**11,299,741**	**113,654**	**11,413,395**
Depreciation and amortisation	5,374,667	1,436,974	6,811,641	1,169,246	7,980,887
Segment property, plant and equipment, investment property and intangible assets	32,277,652	7,674,845	39,952,497	5,535,558	45,488,055
Segment capital expenditure	1,023,354	498,071	1,521,425	876,460	2,397,885

1 Unallocated sales include sales not attributable to either of the listed segments, namely sales of heating energy (steam) (as the Company has its own steam house) and other utilities services.
2 Unallocated cost of sales includes costs related to unallocated sales, identifiable as expenses for purchases of wood needed for energy production, and cost of utilities services.
3 Unallocated depreciation and amortisation, property, plant and equipment, investment property and intangible assets, and expenditure are related to energy and sales of other utilities services.

17. Segment information (cont'd)

Payroll related expenses included in the Group's and the Company's cost of sales in 2018 amount to EUR 11,796 thousand and EUR 5,719 thousand, respectively (in 2017: EUR 11,642 thousand and EUR 5,258 thousand, respectively).

Split by countries

The following tables present information on revenue based on the location of the customers' information for the year ended 31 December:

	Group		Company	
	2018	2017	2018	2017
Domestic market (Lithuania)	**50,851,514**	**43,081,573**	**33,793,768**	**29,013,564**
Foreign market				
Poland	35,899,635	37,966,578	13,006,007	14,822,653
Latvia	9,671,408	8,186,775	9,171,725	6,365,046
Estonia	9,141,023	7,656,728	6,676,106	7,186,229
Ukraine	7,601,685	6,424,902	2,170,911	693,336
Finland	7,363,894	6,190,635	5,562,781	3,447,550
Denmark	5,706,312	5,189,986	4,744,509	4,206,459
Sweden	4,660,607	4,656,662	3,573,074	3,198,520
The Netherlands	2,179,301	2,035,387	1,190,478	734,383
Belarus	2,011,500	1,742,553	978,259	39,770
Great Britain	1,946,530	1,389,153	210,293	536,991
Austria	1,407,312	1,356,596	9,888	68,783
Russia	836,729	1,311,823	520,446	5,224
Germany	738,617	796,627	153,251	-
Czech Republic	503,632	762,421	2,245	304,979
Italy	441,631	336,129	-	20,000
Norway	398,022	295,133	398,022	59,314
Hungary	210,692	228,719	40,122	153,053
France	197,160	154,110	19,367	15,652
Serbia	183,575	104,594	-	104,594
Other countries	594,766	-	257,387	-
Foreign market, total	**91,694,031**	**86,785,511**	**48,684,871**	**41,962,536**
TOTAL:	**142,545,545**	**129,867,083**	**82,478,639**	**70,976,100**

Property, plant and equipment and investment property location:

	Group		Company	
	2018	2017	2018	2017
Lithuania	75,437,341	83,026,077	41,581,775	45,249,503
Ukraine	442,879	259,337	-	-
TOTAL:	**75,880,220**	**83,285,414**	**41,581,775**	**45,249,503**

18. Sales revenue

The Company and the Group earn revenue by providing different goods and services. Sales revenue is divided into three groups based on the type of revenue:

1. Paper and paper products
2. Raw material for corrugated cardboard (test liner and fluting)
3. Corrugated cardboard and its products
4. Wood fibre boards
5. Other goods and services

Sales according to countries:

Group	2018	2017
Sales to Lithuanian customers	50,851,514	43,081,573
Sales to EU customers	80,846,095	77,011,100
Sales to third parties	10,847,936	9,774,410
Total sales	**142,545,545**	**129,867,083**

18. Sales revenue (cont'd)

Company	2018	2017
Sales to Lithuanian customers	33,793,768	29,013,564
Sales to EU customers	44,617,233	41,164,892
Sales to third parties	4,067,638	797,644
Total sales	**82,478,639**	**70,976,100**

Sales according to type of revenue:

Group	2018	2017
Paper and paper products	53,251,388	46,257,256
Wood fibre boards	14,974,228	15,587,347
Raw material for corrugated cardboard (test liner and fluting), corrugated cardboard and its products	72,032,365	66,832,013
Other goods and services	2,287,564	1,190,467
Sales according to type of revenue	**142,545,545**	**129,867,083**

Company	2018	2017
Paper and paper products	53,251,388	46,251,256
Corrugated cardboard and its products	24,121,312	20,159,427
Other goods and services	5,105,939	4,559,417
Sales according to type of revenue	**82,478,639**	**70,976,100**

The Company and the Group recognise revenue when goods are transferred to the customer, and revenue from the services provided is recognised when services are rendered. The table below provides information on the nature and timing of the fulfilment of performance obligations provided in contracts with customers, payment terms and accounting policies for revenue recognition:

Type of goods sold	Nature and timing of performance obligation fulfilment, payment terms	Revenue recognition according to IFRS 15 (applied from 1 January 2018)	Revenue recognition according to IAS 18 (applied from 1 January 2018)
Paper and paper products Wood fibre boards Raw material for corrugated cardboard (test liner and fluting), corrugated cardboard and its products Other goods	Customer obtains control of goods when the goods are delivered. Invoices for goods are issued at the moment when the goods are delivered to the customer or when they are removed from the warehouse. Invoices are usually paid in 30–45 calendar days. The goods sold are subject to turnover discounts which are calculated at the end of each month, quarter and year for the previous period.	Revenue is recognised when goods are delivered to the customer or when they are removed from the warehouse. Related costs are recognised in the statement of profit or loss, when incurred. Marketing costs which are directly related to generation of income, are accounted for in the statement of profit or loss as revenue reduction. Expected loss due to a contract is recognised immediately in the statement of profit or loss.	Revenue is recognised when goods are delivered to the customer or when they are removed from the warehouse. Related costs were recognised in the statement of profit or loss, when they were incurred. Expected loss due to a contract was recognised immediately in the statement of profit or loss.
Sales of heat energy and other utilities	Invoices for services provided during the month are issued on the last day of the month. The standard payment term is 10–30 calendar days.	Revenue is recognised over time when services are rendered.	Revenue is recognised over time when services are rendered.
Rent services	Invoices for rental services are issued each month (for the current month) and paid within 10 calendar days.	Revenue is recognised over time when services are rendered.	Revenue is recognised over time when services are rendered.

19. Other operating income

	Group		Company	
	2018	2017	2018	2017
Profit from sale of emission allowances	845,650	258,825	693,300	179,075
Rental income	8,329	19,329	-	15,608
Gain from disposal of property, plant and equipment	190,917	303,049	174,960	175,071
Gain on sale of scrap	69,384	66,864	17,721	20,352
Insurance compensations	328,018	70,081	16,544	10,747
Other income	82,543	197,677	382,187	446,336
TOTAL:	**1,524,841**	**915,825**	**1,284,712**	**847,189**

20. Other operating expenses

	Group		Company	
	2018	2017	2018	2017
Expenses related to rented property	-	-	-	714
Expenses from insured events	172,360	52,373	16,775	6,522
Other expenses	180,831	240,911	220,789	395,064
TOTAL:	**353,191**	**293,284**	**237,564**	**402,300**

21. Selling and distribution expenses

	Group		Company	
	2018	2017	2018	2017
Fuel and transportation services	6,487,559	6,047,584	3,565,421	2,698,501
Mediation, marketing, promotion and representation	985,066	1,977,330	981,324	1,961,975
Salaries and social security	1,912,028	1,606,227	1,377,586	1,130,892
Asset repair and maintenance	311,400	193,493	308,903	191,103
Depreciation and amortisation of non-current assets	160,687	146,528	99,285	85,886
Other sales expenses	459,939	444,933	317,049	270,959
TOTAL:	**10,316,679**	**10,416,095**	**6,649,568**	**6,339,316**
Continuing operations	-	-	*(4,759,658)*	*(4,815,293)*
Transferred operations	-	-	*(1,889,910)*	*(1,524,023)*

22. General and administrative expenses

	Group		Company	
	2018	2017	2018	2017
Salaries and social security	2,693,191	2,425,325	1,660,169	1,336,721
Taxes, except for income tax	639,222	537,587	281,974	228,870
Asset repair and maintenance	476,225	297,538	187,075	166,201
Depreciation and amortisation of non-current assets	168,247	179,482	108,145	97,189
Security services	357,608	247,743	50,375	61,751
Insurance services	90,928	90,305	20,077	18,617
Bank charges	43,255	35,423	28,706	12,869
Advertising and representation	87,034	116,055	50,416	54,135
Professional services	106,368	85,439	53,474	44,551
Consulting services	15,089	18,816	8,400	14,400
Fuel and transportation services	45,190	45,752	27,533	24,875
Listing of securities and related costs	34,178	33,979	34,178	33,979
Support	17,140	119,003	5,640	118,426
Communication services	21,661	23,933	8,349	9,266
Allowance for impairment of doubtful receivables (reversal)	-	70,749	-	71,749
Other administrative expenses	1,111,321	938,001	530,832	464,095
TOTAL:	**5,906,657**	**5,265,130**	**3,055,343**	**2,757,694**
Continuing operations	-	-	*(2,152,318)*	*(2,045,665)*
Transferred operations	-	-	*(903,025)*	*(712,029)*

23. Finance income and expenses

	Group		Company	
	2018	2017	2018	2017
Interest income	4,127	7,980	2,473	22,875
Foreign exchange gains, net value	-	14,156	-	-
Dividends received	-	-	245,243	475,051
Other finance income	8,890	11,212	2,010	5,849
Total finance income	**13,017**	**33,348**	**249,726**	**503,775**
Interest on loans and leases	(477,393)	(717,625)	(240,294)	(318,994)
Net foreign exchange losses	(866)	-	(368)	(463)
Other finance expenses	(13,298)	(3,481)	(11,622)	(2,740)
Total finance expenses	**(491,557)**	**(721,106)**	**(252,284)**	**(322,197)**
Finance income and expenses, net	**(478,540)**	**(687,758)**	**(2,558)**	**181,578**
Continuing operations	-	-	*50,763*	*252,746*
Transferred operations	-	-	*(53,321)*	*(71,168)*

The Group and the Company capitalise borrowing costs for all qualifying assets where construction was commenced on or after 1 January 2009. In 2018 the Group and the Company capitalised borrowing costs of EUR 8,719 and 8,719, respectively (in 2017: EUR 13,767 and EUR 13,767, respectively). Interest rate is margin + 6-month EUROLIBOR.

Foreign exchange profit in the Group in 2018 and 2017 is generated by subsidiary Mena Pak PAT, which is operating in Ukraine.

24. Income tax

Components of income tax expenses	Group		Company	
	2018	2017	2018	2017
Current income tax	99,939	852,888	-	229,407
Correction of income tax for previous periods	(23,832)	(59,559)	(23,467)	(7,323)
Deferred income tax (income)	(144,394)	(1,645,296)	(1,022,860)	(880,912)
Income tax expenses (income) recorded in profit or loss	**(68,287)**	**(851,967)**	**(1,046,327)**	**(658,828)**

The reported amount of income tax expenses attributable to the year can be reconciled to the amount of income tax expenses that would result from applying statutory income tax rate to pre-tax income as follows:

	Group		Company	
	2018	2017	2018	2017
Profit before tax	**14,278,891**	**8,449,773**	**1,724,933**	**2,942,852**
Income tax expenses computed at 15%	2,141,834	1,267,466	258,740	441,428
Effect of higher tax rate in Ukraine	9,660	5,668	-	-
Effect of change in tax rate	-	-	-	-
Change in not recognised deferred tax asset	(2,388,173)	(2,317,035)	(1,335,762)	(1,110,319)
Use of investment exemption for the current year	-	-	-	-
Correction of income tax for previous periods	(23,832)	(59,559)	(23,467)	(7,323)
Not allowed deductions	227,401	262,451	93,580	90,640
Income not subject to tax	(35,177)	(10,958)	(39,418)	(73,254)
Income tax expenses (income) recorded in profit or loss	**(68,287)**	**(851,967)**	**(1,046,327)**	**(658,828)**

The biggest impact of the change in the Company's unrecognised corporate income tax is the investment exemption which as at 31 December 2018 amounts to EUR 1,306 thousand for the Company, and EUR 2,163 thousand for the Group (31 December 2017: EUR 1,040 thousand for the Company and EUR 2,196 thousand for the Group).

24 Income tax (cont'd)

	Group		Company	
	Balance as at 31 December 2018	Balance as at 31 December 2017	Balance as at 31 December 2018	Balance as at 31 December 2017
Deferred income tax asset				
Allowance for accounts receivable	21,671	21,542	19,735	19,352
Investment incentive	2,397,728	5,770,984	2,335,197	3,850,635
Write-down of inventories to net realisable value	53,641	39,339	41,773	38,776
Non-current employee benefits	23,506	22,408	14,621	15,319
Vacation accrual	144,539	152,508	101,366	98,557
Tax losses carried forward	-	-	-	-
Other accruals	42,300	24,483	-	-
Deferred income tax asset	**2,683,385**	**6,031,264**	**2,512,692**	**4,022,639**
Less: not recognised amount	(75,312)	(3,388,767)	(61,508)	(2,558,463)
Deferred income tax asset, net of valuation allowance	**2,608,073**	**2,642,497**	**2,451,184**	**1,464,176**
Deferred income tax liability				
Intangible assets (land lease right)	(86,500)	(87,658)	-	-
Property, plant and equipment (investment incentive)	(376,207)	(14,784)	(649)	(1,025)
Property, plant and equipment revaluation (deemed cost)	(69,496)	(603,849)	(65,214)	(96,409)
Property, plant and equipment (repairs incentive)	(12,965)	(13,454)	(12,965)	(13,454)
Capitalised borrowing costs	(32,341)	(36,133)	(32,341)	(36,133)
Deferred income tax liability	**(577,509)**	**(755,878)**	**(111,169)**	**(147,021)**
Deferred income tax, net	**2,030,564**	**1,886,619**	**2,340,015**	**1,317,155**
Disposed assets due to transferred operations	-	-	(1,045,746)	-
Deferred income tax, net	**2,030,564**	**1,886,619**	**1,294,269**	**1,317,155**

The Group's deferred income tax assets and liabilities were offset by the amount related to the same tax administration institution and the same taxable subject. The Group and the Company did not use an investment incentive of EUR 11,439 thousand.

24 Income tax (cont'd)

The changes of temporary differences before and after tax effect in the Group were as follows:

Group	Balance as at 31 December 2016	Booked in profit or loss	Balance as at 31 December 2017	Recognised in profit or loss	Balance as at 31 December 2018
Non-current intangible assets	(592,112)	7,724.000	(584,388)	7,722	(576,666)
Property, plant and equipment (investment incentive)	(103,239)	4,680	(98,559)	(2,409,491)	(2,508,050)
Property, plant and equipment	(4,663,627)	637,972	(4,025,655)	3,562,348	(463,307)
Investment incentive	41,794,880	(3,321,655)	38,473,225	(22,488,368)	15,984,857
Property, plant and equipment (repairs incentive)	(92,953)	3,259	(89,694)	3,259	(86,435)
Non-current employee benefits	151,387	(1,997)	149,390	7,318	156,708
Allowance for accounts receivable	209,027	(65,414)	143,613	863	144,476
Write-down to net realisable value	208,844	53,414	262,258	95,347	357,605
Vacation accrual	879,103	137,617	1,016,720	(53,132)	963,588
Tax losses carried forward	-	-	-	-	-
Capitalised borrowing costs	(214,405)	(26,483)	(240,888)	25,278	(215,610)
Other	41,852	121,365	163,217	118,785	282,002
Total temporary differences	**37,618,757**	**(2,449,518)**	**35,169,239**	**(21,130,071)**	**14,039,168**
Not recognised amount	(36,023,283)	13,431,497	(22,591,786)	22,089,705	(502,081)
Total temporary differences	**1,595,474**	**10,981,979**	**12,577,453**	**959,634**	**13,537,087**
Deferred income tax, net	**239,321**	**1,647,297**	**1,886,619**	**143,945**	**2,030,564**
Change in temporary differences		1,647,297		143,945	

As at 31 December 2018 the amount of the Group's unrecognised deferred income tax is related to the decrease in the realisable value of receivables (EUR 209,027) and the write-down of inventories to net realisable value (EUR 208.936) (as at 31 December 2017: EUR 143,390 and EUR 262,258). As at 31 December 2017, the Group had an unrecognised deferred income tax of EUR 22,591,786 from the temporary differences. The major part of it is related to an investment incentive (as at 31 December 2017: EUR 22,185,915). As at 31 December 2018 the Group and the Company had no unrecognised deferred income tax related to the investment incentive. The Group and the Company expect to earn sufficient revenue in the future to use the investment incentive.

24 Income tax (cont'd)

The changes of temporary differences before and after tax effect in the Company were as follows:

Company	Balance as at 31 December 2016	Recognised in profit or loss	Balance as at 31 December 2017	Recognised in profit or loss	Balance as at 31 December 2018
Property, plant and equipment (investment incentive)	(11,514)	4,680	(6,834)	2,509	(4,325)
Property, plant and equipment	(977,092)	334,367	(642,725)	207,965	(434,760)
Investment incentive	26,742,275	(1,071,377)	25,670,898	(10,102,917)	15,567,981
Property, plant and equipment (repairs incentive)	(92,953)	3,259	(89,694)	3,259	(86,435)
Non-current employee benefits	80,765	21,361	102,126	(4,652)	97,474
Allowance for accounts receivable	57,266	71,749	129,015	2,553	131,568
Write-down of inventories to net realisable value	203,718	54,790	258,508	19,977	278,485
Vacation accrual	525,478	131,566	657,044	18,728	675,772
Capitalised borrowing costs	(214,405)	(26,484)	(240,889)	25,279	(215,610)
Total temporary differences	**26,313,538**	**(476,089)**	**25,837,449**	**(9,827,299)**	**16,010,150**
Not recognised amount	(23,405,259)	6,348,838	(17,056,421)	16,646,368	(410,053)
Total temporary differences	**2,908,279**	**5,872,749**	**8,781,028**	**6,819,069**	**15,600,097**
Deferred income tax, net	**436,243**	**880,912**	**1,317,155**	**1,022,860**	**2,340,015**
Disposed assets due to transferred operations	-	-	-	-	(1,045,746)
Deferred income tax, net	**436,243**	**880,912**	**1,317,155**	**1,022,860**	**1,294,269**
Change in temporary differences		880,912		1,022,860	

Deferred income tax asset and liability, related to entities operating in Lithuania, were accounted for at 15% rate in 2018 and 2017. The deferred tax of the company operating in Ukraine was calculated using 18% tax rate in 2018, 18% in 2017. The expiry date of the use of deferred tax asset from investment incentive applied to entities operating in Lithuania is five years.

25. Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to the shareholders by the weighted average number of ordinary shares issued and paid during the year. The Company has no diluting instruments, therefore basic and diluted earnings per share are equal. Calculation of basic and diluted earnings per share is presented below:

	Group	
	2018	2017
Net profit (loss) attributable to the shareholders	14,062,390	9,157,420
Weighted average number of ordinary shares	65,700,000	65,700,000
Earnings per share (EUR)	**0.21**	**0.14**

	Company	
	2018	2017
Net profit (loss) attributable to the shareholders	2,771,260	3,601,680
Continuing operations	*2,013,488*	*2,553,935*
Transferred operations	*757,772*	*1,047,745*
Weighted average number of ordinary shares	65,700,000	65,700,000
Earnings per share (EUR)	**0.04**	**0.05**
Continuing operations	*0.03*	*0.03*
Transferred operations	*0.01*	*0.02*

26. Dividends per share

	2018	2017
Approved dividends*	3,942,000	2,628,000
Number of shares**	65,700,000	65,700,000
Approved dividends per share (EUR)	**0.06**	**0.04**

* The year when the dividends are approved.
** At the date when dividends are approved.

27. Adjusted earnings before interest, tax, depreciation and amortisation (adjusted EBITDA)

The Management of the Group and the Company measure adjusted EBITDA as they monitor this performance measure at a consolidated level and on individual company level. The Management believes this measure is relevant to an understanding of the Group's and the Company's financial performance. Adjusted EBITDA is calculated by adjusting profit from continuing operations to exclude the impact of taxation, net finance costs, depreciation, amortisation, impairment losses/reversals related to goodwill, intangible assets, property plant and equipment. Amortisation of subsidies related to non-current assets which has an impact on net profit is also included.

Adjusted EBITDA is not a defined performance measure in IFRS. The Group's definition of adjusted EBITDA may not be comparable with similar titled performance measures and disclosures by other entities.

	Group		Company	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Net profit	**14,347,178**	**9,301,740**	**2,771,260**	**3,601,680**
Income tax	68,287	851,967	1,046,327	658,828
Profit before tax	**14,278,891**	**8,449,773**	**1,724,933**	**2,942,852**
Adjustments for:				
Net finance costs	(478,540)	(687,758)	(2,558)	181,578
Depreciation	(13,902,547)	(14,401,805)	(8,008,250)	(7,864,927)
Amortisation	(236,353)	(150,994)	(57,516)	(115,908)
Amortisation of subsidies	783,456	796,100	507,556	507,087
Adjusted EBIDTA	**28,112,875**	**22,894,230**	**9,285,701**	**10,235,022**
Continuing operations			*7,001,437*	*7,679,135*
Transferred operations			*2,284,264*	*2,555,887*

28. Related party transactions

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

- Ginvildos investicija UAB – the main shareholder of the Company;
- Subsidiaries of Grigeo AB (for the list of the subsidiaries, see also Note 1);
- Didma UAB and Statybų namai UAB (companies related to the members of the Supervisory Board).

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

As at 31 December 2018 and 2017, the Group had no guarantees or pledges given or received in respect of the related party payables and receivables.

As at 31 December 2018, the Company had issued a guarantee of EUR 1.273 thousand to secure the bank loans of its subsidiary Grigeo Klaipėda AB (31 December 2017: EUR 3.162 thousand). The Company issued a guarantee of EUR 80 thousand as at 31 December 2018 to secure the bank loans of its subsidiary Grigeo Recycling UAB (31 December 2017: EUR 710 thousand).

28. Related party transactions (cont'd)

Receivables and payables from / to related parties will be settled in cash or offset with the payables / receivables from / to respective related parties.

Group 2018	Sale of goods and services	Purchase of goods and services	Accounts receivable *	Accounts payable
Entities with significant influence	-	25,850	-	3,388
Other related companies	8,934	-	-	-
TOTAL:	**8,934**	**25,850**	**-**	**3,388**

Group 2017	Sale of goods and services	Purchase of goods and services	Accounts receivable *	Accounts payable
Entities with significant influence	-	38,908	-	3,267
Other related companies	10,479	-	1,753	-
TOTAL:	**10,479**	**38,908**	**1,753**	**3,267**

* Accounts receivable include prepayments for goods and services.

Company 2018	Sale of goods and services	Purchase of goods and services	Accounts receivable *	Accounts payable **
Entities with significant influence	-	17,300	-	3,388
Subsidiaries	4,711,673	17,111,010	466,446	4,760,241
Other related companies	8,934	-	-	-
TOTAL:	**4,231,773**	**11,248,623**	**266,942**	**1,583,046**

Company 2017	Sale of goods and services	Purchase of goods and services	Accounts receivable *	Accounts payable **
Entities with significant influence	-	21,082	-	3,267
Subsidiaries	4,222,173	11,227,541	265,189	1,579,779
Other related companies	9,600	-	1,753	-
TOTAL:	**4,231,773**	**11,248,623**	**266,942**	**1,583,046**

* Accounts receivable include prepayments for goods and services and loans issued to subsidiaries.
** Accounts payable also include loans received from subsidiaries.

Sales to Grigeo Baltwood UAB mainly include sales of heating energy (steam) and other utilities services. Purchases from Grigeo Baltwood UAB include purchases of biofuel, services of waste water treatment and rent of premises.

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

As at 31 December 2018 the Company had a loan from Grigeo Baltwood UAB (EUR 1,000 thousand) and a loan from AB Grigeo Klaipėda (EUR 800 thousand) with fixed annual interest approximately equal to the rate of the interest paid to the bank.

The Company had no loans from related parties as at 31 December 2017.

28. Related party transactions (cont'd)

Remuneration of the key management personnel

For the year ended 31 December, the remuneration of the management was as follows:

	Group		Company	
	2018	2017	2018	2017
Remuneration of the key management personnel	689,692	610,586	388,762	352,415
Average number of managers during the year	10	10	5	5

In 2018 and 2017, the key management personnel of the Company did not receive any guarantees; no other payments or property transfers were made or accrued. In 2018 the Company paid bonuses to its Supervisory Board and Management Board in total amount of EUR 130 thousand (in 2017: EUR 120 thousand).

As at 31 December 2018, the Group and the Company issued loans to the key management personnel of the Company and the Group, amounting to EUR 195 thousand and EUR 119 thousand together with accrued interest, respectively (in 2017: EUR 219 thousand and EUR 116 thousand). Loans bear fixed interest rate and mature in 2019. Loans are not secured.

29. Off-balance sheet items and contingent liabilities

The State Tax Inspectorate did not carry out a full tax inspection of the Company and the Group for the period of 2014–2018. According to prevailing tax legislation, the State Tax Inspectorate has the right to check accounting registers and records of the Company for 5 years prior to the current accounting period and may charge additional taxes and penalties.

The Company and the Group are involved in a dispute with the State Tax Inspectorate concerning unpaid pollution tax of EUR 87 thousand (the Group – EUR 144 thousand). Management of the Company is not aware of any other circumstances which would cause calculation of additional significant tax liabilities.

Information on emission allowances

Emission allowances that were granted to the Company are reflected in the permission to emit greenhouse gasses. Emission allowances are granted free of charge and are recognised at zero value.

The Company received 275,082 units of emission allowances for the period 2013–2020. This period is divided down to the amount of each subsequent year, respectively, from 39,614 emission allowances in 2013 to 29,327 emission allowances in 2020.

Emission allowances	Quantity (not audited)	
	Group	Company
As at 31 December 2016	**(7,830)**	**(8,790)**
Emission allowances allocated	56,924	33,589
Purchase of emission allowances	-	-
Emission allowances used	(19,459)	(7,344)
Sale of emission allowances	(35,700)	(24,700)
As at 31 December 2017	**(6,065)**	**(7,245)**
Emission allowances allocated	68,418	45,539
Purchase of emission allowances		
Emission allowances used	(21,160)	(7,243)
Sale of emission allowances	(50,000)	(39,000)
As at 31 December 2018	**(8,807)**	**(7,949)**

30. Subsequent events

On 2 January 2019 Grigeo AB transferred its business of corrugated board manufacturing to its subsidiary Grigeo Packaging UAB. The value of the transferred business, based on the valuation report of an independent valuator, is EUR 15.2 million. As disclosed in Note 1, the net book value of the transferred business is EUR 6.57 million.

On 8 March 2018 the Company signed an amendment to the credit agreement with AB SEB bank under which the overdraft amount was increased from EUR 3 million up to EUR 4.5 million.

After the end of the financial year until the date of approval of these financial statements, no other events occurred which would have a material effect on the financial statements or require disclosure.

31. Going concern

As at 31 December 2018, current liabilities of the Group and the Company exceeded their current assets by EUR 1,550 thousand and EUR 5,032 thousand, respectively (2017: EUR 11,726 thousand and EUR 5,816 thousand, respectively). In 2018 and 2017 the net current liability position was influenced by completion of investment projects and relatively low investments made to the property, plant and equipment of the Group and the Company, and repayment of loans to banks.

The Group's and the Company's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of credit facilities to meet their commitments at a given date in accordance with its strategic plans. Under effective loan agreements, financial liabilities mature from 2019 to 2021.

Furthermore, as disclosed in Note 13, as at 31 December 2018 the Group and the Company had unused borrowings and overdrafts of EUR 1,379 thousand and EUR 659 thousand, respectively (2017: EUR 3,190 thousand and EUR 1,229 thousand, respectively). Also, as disclosed in Note 30, on 8 March 2019 the Company signed an amendment to the credit agreement with AB SEB bank under which the credit limit was increased from EUR 3 million to EUR 4.5 million.

Liquidity management plans are based on further stability of the Group's and the Company's results and on extension of repayment schedules of current liabilities. During 2018 the Group and the Company generated EUR 25.63 million and EUR 9.80 million of net cash flows from operating activities, respectively (in 2017 the Group generated EUR 18.80 million and the Company – EUR 9.01 million). The Group and the Company expect to earn sufficient cash flows from operating activities in 2019 to cover the liquidity gap.

Due to the aforementioned reasons, the management believes that the Group and the Company can prepare the financial statements based on the going concern principle.

CONSOLIDATED ANNUAL MANAGEMENT REPORT

CONTENTS

1. Reporting period for which this information has been prepared

Reports have been prepared for the twelve months of 2018.

2. Audit information

The consolidated annual management report of Grigeo AB for the year 2018 has been prepared by the Management. The compliance of the financial data presented in the consolidated annual management report with the set of consolidated financial statements for the year 2018 has been checked by an independent auditor.

3. Group companies and their contact details

As at 31 December 2018, the Company had nine subsidiaries: Grigeo Klaipėda AB, Grigeo Baltwood UAB, Grigeo Recycling UAB, Grigeo Recycling SIA, Mena Pak PAT, Grigeo investicijų valdymas UAB, Naujieji Verkiai UAB, Grigeo Packaging UAB and Grigiškių energija UAB.

Status	Issuer	Subsidiary	Subsidiary
Name	**Grigeo** AB	**Grigeo Klaipėda** AB	**Grigeo Baltwood** UAB
Code	110012450	141011268	126199731
Authorised capital	EUR 19,053,000	EUR 11,890,549.55	EUR 6,100,000
Shares directly or indirectly controlled by Grigeo AB	Company has not acquired own shares	97.67%**	100%*
Address	Vilniaus St. 10, Grigiškės, Vilnius	Nemuno St. 2, Klaipėda	Vilniaus St. 10, Grigiškės, Vilnius
Telephone	+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	info@grigeo.lt	info.klaipeda@grigeo.lt	info.baltwood@grigeo.lt
Internet address	http://www.grigeo.lt/lt	http://www.grigeo.lt/lt	http://www.grigeo.lt/lt
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	**Grigeo Recycling** UAB	**Grigeo Recycling** SIA	**Mena Pak** PAT
Code	302529158	40203001091	00383260
Authorised capital	EUR 2,960,000	EUR 2,800	UAH 4,011,470
Shares directly or indirectly controlled by Grigeo AB	100%*****	100%****	97.92%***
Address	Vilniaus St. 10, Grigiškės, Vilnius	Kārļa Ulmaņa St. 3, Riga, Latvia	Koshevovo St. 6, Chernihiv region, Mena, Ukraine
Telephone	+370 5 243 3393	+370 5 243 3393	+380 4644 21341
Fax	-	-	+380 4644 21084
E-mail	info.recycling@grigeo.lt	info.recycling@grigeo.lt	menapack@ukr.net
Internet address	http://www.grigeo.lt/lt	-	www.menapack.com.ua
Legal form	Private Limited Liability Company	Private Limited Liability Company	Public Limited Liability Company
Date of registration	16 July 2010	16 June 2016	30 December 1993
Administrator of the register	State Enterprise Centre of Registers	Latvian Republic register of enterprises	Chernihiv region, Mena distr. Public administration

	Subsidiary	Subsidiary	Subsidiary	Subsidiary
Name	**Grigeo investicijų valdymas** UAB	**Naujieji Verkiai** UAB	**Grigeo Packaging** UAB	**Grigiškių energija** UAB
Code	302416687	300015674	302329061	302674488
Authorised capital	EUR 3,709,776	EUR 28,962	EUR 2,900	EUR 2,900
Shares directly or indirectly controlled by Grigeo AB	100%*	100%*	100%*	100%*
Address	Vilniaus St. 10, Grigiškės, Vilnius	Popieriaus St. 15, Vilnius	Vilniaus St. 10, Grigiškės, Vilnius	Vilniaus St. 10, Grigiškės, Vilnius
Telephone	+370 5 243 5933	+370 5 243 59 33	+370 5 243 58 01	+370 5 243 5933
	+370 5 243 58 02	+370 5 243 58 02	+370 5 243 58 02	+370 5 243 58 02
E-mail	vigmantas.kazukauskas@grigeo.lt	info@grigeo.lt	info.packaging@grigeo.lt	vigmantas.kazukauskas@grigeo.lt
Internet address	-	-	-	-
Legal form	Private Limited Liability Company	Private Limited Liability Company	Private Limited Liability Company	Private Limited Liability Company
Date of registration	10 July 2009	6 April 2004	10 April 2009	7 October 2011
Administrator of the register	State Enterprise Centre of Registers	State Enterprise Centre of Registers	State Enterprise Centre of Registers	State Enterprise Centre of Registers

* – Shares directly controlled by Grigeo AB.
** – Shares directly controlled by Grigeo investicijų valdymas UAB.
*** – Shares directly controlled by Grigeo Klaipėda AB.
**** – Shares directly controlled by Grigeo Recycling UAB.
***** – Shares directly controlled by Grigeo investicijų valdymas UAB and Grigeo Klaipėda AB.

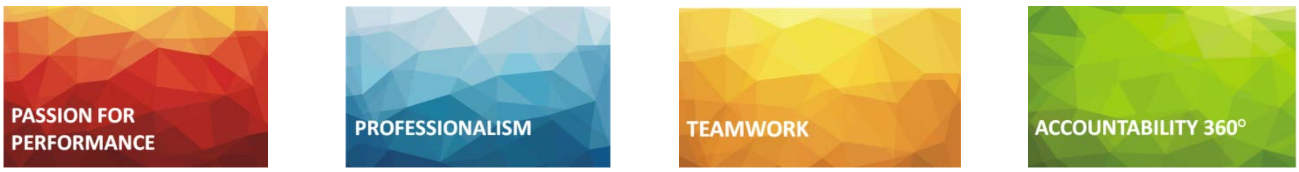
4. Mission, vision, values of the companies

We create and deliver our products with You in mind: our customers, employees, partners and colleagues. We care about things that matter to You and the ways we can contribute to the prosperity of Your environment.

Mission – to create and deliver sustainable products enhancing the quality of life.

Vision – to become a recognised European manufacturer.

Values



5. Nature of core activities of the group companies

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

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

Core business activities of Grigeo Baltwood UAB are as follows: manufacturing of wood fibre boards.

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

Core business activities of Grigeo Packaging UAB are as follows: manufacturing of corrugated board, products from corrugated board. The company has not been actually operating in 2018.

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

Core business activity of Grigiškių energija UAB is heat production and sale. The company has not been actually operating in 2018.

Core business activities of Grigeo Recycling UAB are as follows: second-hand paper collection and preparation for recycling.

Core business activity of Grigeo Recycling SIA are as follows: second-hand paper collection and preparation for recycling. The company has not been operating in year 2018.

Core business activities of Grigeo investicijų valdymas UAB are as follows: investment activities and corporate governance.

6. Contracts with intermediaries of public trading in securities and credit institutions

The Company has signed a contract with Finasta AB (financial brokerage company) on payment of dividend to the shareholders for 2004 and subsequent financial years. On 21 December 2015 Finasta AB was joined to Šiaulių bankas AB, which from that date became the successor to all assets, rights and obligations of Finasta AB.

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) on the handling of securities issued by the Company and for market making activities.

7. Information on trading with issuer's securities on the regulated markets

Registered ordinary shares of Grigeo AB are listed in the main list of Nasdaq Vilnius, AB (ticker – GRG1L).

a. Key characteristics of the shares of the Company

Table 7.1. Key characteristics of the shares of the Company.

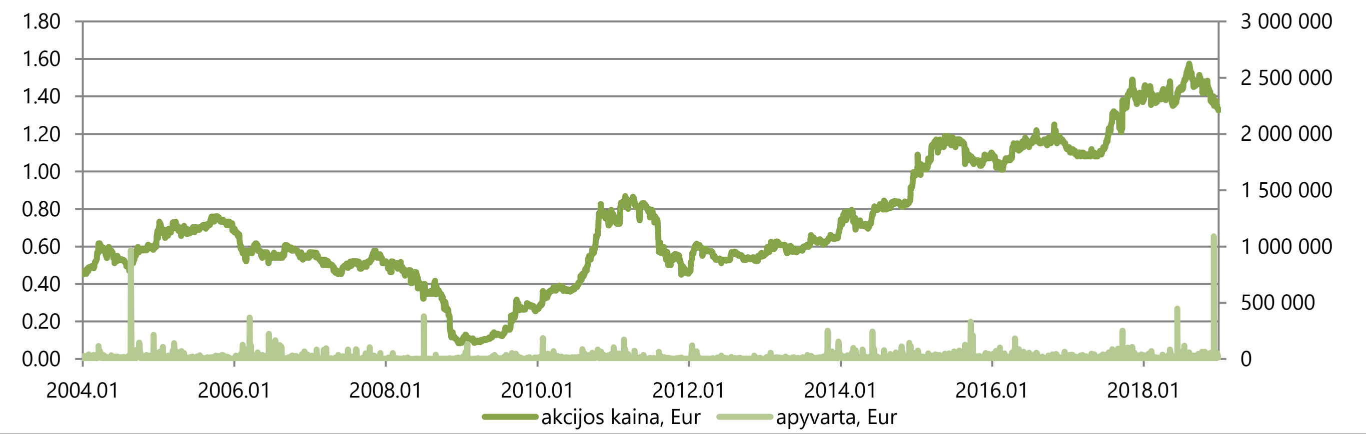
Type of shares	Securities ISIN code	Number of shares, units	Par value, EUR	Total par value, EUR
Ordinary registered shares	LT0000102030	65,700,000	0.29	19,053,000

b. Share trading information

Table 7.2. Share trading information

Reported period	Price, EUR				Turnover, EUR			Total turnover	
	Max.	Min.	Last session	Average	Max.	Min.	Last session	Units	EUR
2014	**0.997**	**0.690**	**0.980**	**0.788**	**243,318**	**0**	**1,323**	**4,345,210**	**3,425,422**
2015, I Q	1.160	0.982	1.160	1.047	76,624	0	8,086	619,999	649,240
2015, II Q	1.190	1.100	1.170	1.155	56,780	0	56,780	639,333	738,494
2015, III Q	1.170	1.040	1.070	1.084	331,209	0	212,477	1,498,711	1,624,843
2015, IV Q	1.100	1.030	1.100	1.066	53,523	116	13,903	487,498	519,606
2015	**1.190**	**0.982**	**1.100**	**1.088**	**331,209**	**0**	**13,903**	**3,245,541**	**3,532,183**
2016, I Q	1.090	1.010	1.080	1.042	102,188	0	10,596	845,479	881,331
2016, II Q	1.180	1.070	1.150	1.128	183,659	454	12,207	1,065,079	1,201,738
2016, III Q	1.220	1.140	1.180	1.169	56,960	0	12,582	379,397	443,588
2016, IV Q	1.250	1.120	1.130	1.177	63,348	0	15,898	597,790	703,627
2016	**1.250**	**1.010**	**1.130**	**1.119**	**183,659**	**0**	**15,898**	**2,887,745**	**3,230,284**
2017, I Q	1.130	1.080	1.090	1.099	39,634	0	3,017	496,998	546,188
2017, II Q	1.130	1.080	1.130	1.100	47,155	0	4,209	488,357	537,049
2017, III Q	1.380	1.150	1.350	1.275	251,837	0	10,143	1,305,203	1,663,852
2017, IV Q	1.490	1.340	1.390	1.403	107,228	0	3,636	906,108	1,271,658
2017	**1.490**	**1.080**	**1.390**	**1.257**	**251,837**	**0**	**3,636**	**3,196,666**	**4,018,748**
2018, I Q	1.460	1.355	1.410	1.406	69,059	0	13,250	606,716	853,330
2018, II Q	1.480	1.350	1.440	1.411	449,125	0	288	975,739	1,376,401
2018, III Q	1.575	1.435	1.500	1.499	116,826	0	18,801	732,650	1,098,258
2018, IV Q	1.500	1.325	1.325	1.377	1,089,964	0	14,277	1,452,506	1,999,768

Figure 7.2. Share price and turnover 01/01/2004 – 31/12/2018.



c. Capitalisation of the Company's shares

Table 7.3. Capitalisation of the Company's shares

Last session	Capitalisation, EUR
31/12/2014	**64,391,000**
31/03/2015	76,212,000
30/06/2015	76,869,000
30/09/2015	70,299,000
31/12/2015	**72,270,000**
31/03/2016	70,956,000
30/06/2016	75,555,000
30/09/2016	77,526,000
31/12/2016	**74,241,000**
31/03/2017	71,613,000
30/06/2017	74,241,000
30/09/2017	88,695,000
31/12/2017	**91,323,000**
31/03/2018	92,637,000
30/06/2018	94,608,000
30/09/2018	98,550,000
31/12/2018	**87,052,500**

8. Objective overview of the Company's and the Group companies' financial position, performance and development, description of its exposure to key risks and contingencies

During the reporting period, compared to the previous year, the financial position of the Group companies improved in all comparative respects (see point 9). In 2018 all indicators from EBITDA and profitability to liquidity, capital structure and market value increased compared to the respective values of 2017. The position of the Company was less optimistic: during 2018, compared to the previous year, the majority of the indicators slightly deteriorated. However, this was due to objective reasons – the prices of raw materials (especially cellulose) used in manufacturing of hygiene paper products increased throughout 2018, and this had a significant effect on the cost of the product and, respectively, results of the Company; the price level of raw cardboard paper, from which corrugated board packaging is made, was also significantly higher in 2018 compared to 2017; the prices of energy resources (electricity energy and biofuel) used in manufacturing increased significantly in III Q and also contributed to the weaker-than-expected indicators. However, current market trends suggest that the prices of raw materials appear to be stabilising. The Company's progress when regulating the pricing which is quite stagnant due to long-term contracts, allows to expect stable results in the future.

Grigeo AB Group of companies has a complete packaging manufacturing cycle: we purchase waste paper, produce raw cardboard paper, then corrugated cardboard from raw cardboard paper, and finally, packaging from cardboard according to individual needs. The complete packaging manufacturing cycle enables us to offer our customers stable supply and highest quality assurance and traceability from the packaging up to the paper from which the packaging was manufactured as well as competitive prices.

The management of the Group companies believes it is taking all appropriate measures to support the sustainability of the Group's business. Although the impact of the ongoing instability of the business environment is difficult to evaluate, the Group's management believes that it will not have a significant negative impact on the Group's results.

Market of hygiene paper products. Grigeo AB sales of hygiene paper products in 2018, compared to the previous year, were higher by EUR 6,994 thousand or 15%.

The substantially increased sales were mostly due to the significant focus put in 2018 on the increase of sales of household and business products, especially those made from cellulose, to end-users (owned brands), at the same time reducing sales of semi-produced paper the profitability of which is lower than that of converted products.

Continued growth is forecasted for the hygiene paper market of the Baltic States in 2019, especially in the category of paper towels. It is also planned that the updated range of products and investments into brand awareness in Latvian and Estonian markets will help to increase GRITE brand market share.

It is likely that the retail chains will strengthen product quality and increase the space of their shelves for their brands. The quality of private brands is increasing; therefore, they will be increasingly competing with other brands owned by the Company.

In the export markets, we plan to expand the client base both by offering production of private brand products and by selling GRITE brand products.

Market of corrugated cardboard packaging products. In 2018 Grigeo AB sold as much as 20% more of corrugated board packaging, compared to 2017. Sales increased due to annual investments into new equipment and modernisation, focus on quality assurance and improvement, continual process optimisation in order to increase labour productivity, employee trainings, improvement of qualifications and competences.

In 2019 investments into new equipment and modernisation are planned, which will allow to continue increase of sales, guarantee high product quality and be among the leading manufacturers of corrugated cardboard packaging in Lithuania.

In 2018, the main packaging markets included Lithuania, Latvia, Estonia, Finland, and Russia.

As the main export currency is the euro, exchange rate risk is at a minimum.

Main risks of this business come from changes in the prices of raw materials.

Market of raw cardboard paper. In 2018 Grigeo Klaipėda AB generated revenue of EUR 53,524 thousand (2017 – EUR 49,701 thousand) from operating activity. The sales target of the operating activity was exceeded by 2.6%. Compared to the previous year, sales volume of the operating activity increased by EUR 3,823 thousand or 8%.

The Company's sales in the Baltic States during 2018 accounted for 60% of total sales (2017 – 51% of total sales), in the Central and Easter European countries – 39% of total sales (2017 – 45%), sales in CIS countries – 1% (2017 – 4%).

Market of wood products. In 2018, the sales revenue of Grigeo Baltwood UAB amounted to EUR 15.7 million. 82% of production was exported. Other 18% was sold in the local market. The main wood product export markets included Poland, Sweden, United Kingdom and Finland. In 2019, the Company plans further expansion in foreign markets.

The main buyers of wood fibre boards are cabinet and cushioned furniture manufacturers, manufacturers and user of special packaging, the DIY (Do-It-Yourself) sector, and construction companies.

As the main export currency is the euro, exchange rate risk is at a minimum.

Main risks of this business come from increase in the prices of raw materials.

Business environment in Ukraine. Ukraine's political and economic situation has deteriorated significantly since the Government's decision not to sign the Association Agreement and the Deep and Comprehensive Free Trade Agreement with the European Union in late November 2013. In February 2014, following the devaluation of the national currency, the National Bank of Ukraine introduced certain administrative restrictions on currency conversion transactions and also announced a transition to a floating foreign exchange rate regime. High inflation and drastic changes in local currency rate impedes business management and efforts to sustain profitability.

The period of the reporting year saw stabilisation of production orders, improved settlement for the goods produced and smaller changes in currency rates.

Social risk factors

Salaries are paid in the terms set in the collective agreement.

Technical – technological risk factors

In order to improve the technical production assurance level, the Company continuously modernizes its equipment and facilities, purchases new equipment, and automates process management.

In 2018 a new manufacturing line of corrugated cardboard packaging was launched. This investment will result in an increase of production of corrugated cardboard packaging, widening of product range and quality improvement.

Environmental risk factors

When carrying out its business activities the Company follows the "Pollution integrated prevention and control" principles. The Company uses energy and natural resources rationally by applying modern technologies of production and cleaning of environmental components without compromising product quality.

The Company pays taxes for the used natural resources (water) and for its environment pollution (air pollution caused by steam shop, technological equipment and mobile pollution sources, water pollution caused by rain outflows).

Polluted water is cleaned mechanically and pumped to the Vilnius city biological cleaning complex.

The Company operates the biodegradable waste composting site, which enables natural composting of organic waste in the field of environment with the use of industrial and domestic wastewater treatment sludge and wood chips for compost production. The produced compost is used for reclamation of quarries and other needs.

The recertification audit of management systems performed in 2018 by DNV GL Lietuva UAB confirmed that the Company's management systems comply with the requirements of LST EN ISO 9001 and LST EN ISO 14001. In 2016 the Company was also granted a FSC® Chain-of-Custody certificate.

9. Analysis of the Group's financial and non-financial performance, information on environment and personnel-related issues

a. *Financial indicators of the Company and the Group*

Items	Group			Company		
	2018	2017	Change, %	2018	2017	Change, %
EBITDA	28,112,875	22,894,230	22.8	9,285,701	10,235,022	-9.3
Profitability ratios						
EBITDA profitability	19.7%	17.6%	2.1	11.3%	14.4%	-3.1
Gross margin	20.9%	18.6%	2.3	12.6%	16.1%	-3.5
Operating margin	10.4%	7.0%	3.4	2.1%	3.9%	-1.8
Net margin	9.9%	7.1%	2.8	3.4%	5.1%	-1.7
ROE profitability	22.8%	17.2%	5.6	7.0%	9.1%	-2.1
ROA profitability	12.2%	7.7%	4.5	3.9%	5.0%	-1.1
Liquidity ratio, %						
Current ratio	0.95	0.69	26	0.75	0.72	3
Quick ratio	0.61	0.42	19	0.51	0.51	-
Capital structure ratio						
Debt to equity ratio	0.72	1.05	-33	0.81	0.77	4
Debt to total assets ratio	0.42	0.51	-9	0.45	0.43	2
Market value ratio						
P/E	6.19	9.97	-37.9	31.41	25.36	23.9
Earnings per share	0.214	0.139	54.0	0.042	0.055	-23.6

The decision was reached to no longer calculate the dividend pay-out ratio as it is calculated when the General Shareholders' Meeting approves dividends for the current year, and there is no comparative information following change in ratio presentation. Cash to current liabilities ratio is also no longer disclosed as overdraft is no longer used and it is no longer relevant to observe the cash flow balance as at the end of the period.

The aforementioned indicators are calculated in accordance with Nasdaq Vilnius AB recommended formulas:

EBITDA profitability = EBITDA / revenue. EBITDA to revenue ratio shows the overview of operational efficiency and cash flows.
Gross margin = Gross profit / sales revenue. Gross profit margin shows ability to earn profit from operating activity, control the level of sales revenue and cost.

Operating margin = Profit from operations / sales revenue. Monetary value of the coefficient shows operating margin to 1 sales EUR. Higher ratio shows higher profitability.
Net margin = Net profit from operations / sales revenue. The ratio describing profitability of the final total operational result.
ROE profitability = Net profit / average equity. This ratio estimates shareholders' return on investment.
ROA profitability = Net profit / average assets. Return on assets shows how effectively assets are used to generate profit.
Current ratio = Current assets / current liabilities. The ratio shows the ability to cover current liabilities with current assets.
Quick ratio = (Current assets – Inventories)/ current liabilities. Liquidity describing the ability to fulfil current liabilities from quickly realisable current assets.
Debt to equity ratio = Liabilities / equity. The ratio estimates the combination of fund resources in the balance and compares funds from owners and those that were borrowed.
Debt ratio = Liabilities / assets. The ratio shows the asset share financed from borrowed funds. The lower the value, the more borrowings are covered with assets.
P/E = the market price of share / total of attributable profit. The ratio shows how much investors pay for one EUR of profit.
Earnings per share = (Net profit – preferred stock dividends)/ weighted average number of ordinary shares in circulation. The calculated profit shows the earned net profit per share.

b. Employees

In 2018, there were no significant changes in the number of employees. The number of the employees in Group companies fluctuated naturally.

The average salary of the employees of the Company and Group companies, compared to 2017, increased for all employee categories. The change of average salary was mostly caused by the consistent salary increase policy and recruitment of workers of higher competences.

Table 9.2.1. Number of employees of the Group.

	31/12/2018	31/12/2017
Number of employees	844	809

Table 9.2.2. Number of employees of the Company.

	31/12/2018	31/12/2017
Number of employees	410	371

Table 9.2.3. The average number of employees, salary and grouping of employees by education of the Group during the twelve months of 2018.

Employees	Average salary, EUR*	Employees by education			
		University	College	Secondary	Basic
Workpeople	1,109	51	220	257	23
Specialists	1,478	138	27	29	-
Managers	3,448	66	2	4	-
Total	**1,408**	**255**	**249**	**290**	**23**

Table 9.2.4. Average number of employees, salary and grouping of employees by education of the Group during the twelve months of 2017.

Employees	Average salary, EUR*	Employees by education			
		University	College	Secondary	Basic
Workpeople	1,042	65	203	270	17
Specialists	1,329	126	27	23	1
Managers	2,825	70	2	4	-
Total	**1,282**	**261**	**232**	**297**	**18**

Table 9.2.5. Average number of employees, salary and grouping of employees by education of the Company during the twelve months of 2018.

Employees	Average salary, EUR*	Employees by education			
		University	College	Secondary	Basic
Workpeople	1,135	23	86	117	13
Specialists	1,476	81	10	22	-
Managers	3,574	34	2	2	-
Total	**1,465**	**138**	**98**	**141**	**13**

Table 9.2.6. Average number of employees, salary and grouping of employees by education of the Company during the twelve months of 2017.

Employees	Average salary, EUR*	Employees by education			
		University	College	Secondary	Basic
Workpeople	1,065	34	85	105	10
Specialists	1,378	66	11	15	-
Managers	3,094	35	2	3	-
Total	**1,362**	**135**	**98**	**123**	**10**

* - information on the average wage is provided without Mena Pak PAT data to show the precise Group average wages unaffected by fluctuations of Ukrainian currency.

c. Environmental protection

FOCUS ON THE ENVIRONMENT – one of the key sustainability aspects of the Company and Group companies which encourages us to constantly think about and take up actions guaranteeing a safe and healthy environment for us and future generations. We constantly invest into the environment and introduce environment-friendly equipment; the Company is the first Lithuanian company to be granted the ecology mark EU ‘flower’, aimed at implementation of the EU policy of sustainable consumption and production, which seeks to reduce negative impact of consumption and production on the environment, health, climate and natural resources. Paper for production of sanitary and household goods as well as corrugated paperboard products are manufactured by reprocessing secondary materials, i.e. waste paper, thereby reducing the amount of waste in Lithuania, in the neighbouring countries and contributing to saving of forests. Our annual tree replanting campaigns have become a tradition.

The fact that we hold ISO 9001 and ISO 14001 certificates proves that the Company’s structure, responsibility and powers are defined, processes and procedures are described, the main documents are controlled and constantly updated and examined. Control actions are performed, non-compliances are identified, analysed and corrected, prevention of non-compliance and accidents is guaranteed, negative impact on the environment is reduced.

10. The number and nominal value of the Company’s own shares acquired and held, and the part of the authorised capital comprised by those shares

The Company and its Group companies did not acquire or hold own shares during the reporting period.

11. The number and nominal value of shares acquired and transferred during the reporting period and the part of the authorised capital comprised by those shares

During 2018 the Company and its Group companies did not acquire, transfer an annul own shares.

12. Information about payment for own shares if they are acquired or transferred for a charge

During 2018 Grigeo AB and its Group companies did not acquire own shares.

13. The reasons for acquisition of own shares during the reporting period

None.

14. Information about the Company’s branches and representative offices

The Company has marketing representatives in Latvia and Estonia. No new offices or branches are planned to be opened in 2019.

15. Information on significant events after the end of the financial year

This section contains summary of all Grigeo AB published reports on material events. Full text of reports can be found on the Company's website.

On **03/01/2019** Grigeo AB transferred its business part of corrugated board manufacturing to its subsidiary Grigeo Packaging UAB (100% of shares owned).

On **16/01/2019** Grigeo AB received the decision of the Director of the Supervision Service of the Bank of Lithuania No. 241-13 “On enforcement of sanctions for Grigeo AB”.

16. Operating plans and forecasts of the Group’s activities

It is planned that the Group which consists of the companies Grigeo AB, Grigeo Baltwood UAB, Grigeo Packaging UAB, Grigeo Klaipėda AB, Grigeo Recycling UAB and Mena Pak PAT in the year 2019 will reach a sales turnover of EUR 154 million, and profit before taxes – EUR 14.4 million. The forecasted EBITDA of the Group in 2019 – EUR 27.2 million. It is also planned that the Company’s sales in 2019 will reach EUR 66.5 million. The Company’s profit before taxes will reach EUR 2.4 million, and EBITDA will reach EUR 8.6 million in 2019.

17. Information about the Group’s research and development activity

The Company and the Group constantly carry out investments and are looking for ways to guarantee steady growth and increase operational efficiency.

18. The number and nominal value of all the Parent Company’s shares, that are owned by the Parent Company, subsidiaries or authorised persons acting on their own behalf

The Company has not acquired own shares. Subsidiaries of Grigeo AB also have not acquired own shares, and neither have authorised persons acting on their own behalf.

19. Information about the Group’s objectives of the financial risk management, its hedging instruments for which hedge accounting is used, and the Group’s exposure to price risk, credit risk, liquidity risk and cash flow risk when the Group employs financial instruments and when it is important for the valuation of the Group’s assets, equity, liabilities, revenue and expenses

The objectives of financial risk management are disclosed in the general information of the notes to the financial statements. The scope of credit risk, liquidity risk and cash flow risk is disclosed in Notes 3 and 13 of the notes to the financial statements. Price risk is not relevant as prices have no effect on the financial measures used. Information about derivative financial instruments used is disclosed in Note 13 of the notes to the financial statements.

20. Information about other managing positions held by the head of the Company, member of the Board, members of the Supervisory Board and their main workplace

Table 20. Participation of the members of the Supervisory Council, Board and administration in the activities of other enterprises, agencies and organisations.

Name, surname	Business participation		Capital interest	
	Name of enterprise, agency and organisation	Position	Name of enterprise, agency and organisation	Capital share and votes, %
Norimantas Stankevičius	Grigeo AB	Chairman of the Supervisory Council	Grigeo AB	4.41
	Didma UAB	Project Director	Didma UAB	51.0
			Statybų namai UAB	62.0
			Technikos namai UAB	62.0
Vilius Oškeliūnas	Grigeo AB	Member of the Supervisory Council		
	Atelier Investment Management UAB	Director		
	Atelier Investment Management UAB	Member of the Board		
	Gerovės valdymas UAB	Wealth Manager		
	IM investment UAB	Director		
	Ars Lab Limited, IE	Chairman of the Board		
	Gerovės partneriai KŪB	Full Member		
Romualdas Degutis	Grigeo AB	Member of the Supervisory Council	Grigeo AB	0.03
	Telesat sprendimai UAB	Member of the Board	Telesat sprendimai UAB	50.0

Name, surname	Business participation		Capital interest	
	Name of enterprise, agency and organisation	Position	Name of enterprise, agency and organisation	Capital share and votes, %
	Antena UAB	Chairman of the Board	Antena UAB	35.0
	InComSystems UAB	Chairman of the Board	InComSystems UAB	60.0
	InComSystems UAB	General Director		
Tautvilas Adamonis	Grigeo AB	Member of the Supervisory Council		
Daiva Duksienė	Grigeo AB	Members of the Supervisory Council		
	Autodina, UAB	Chief Accountant		
	Vilturas UAB	Chief Accountant		
	Ginekologijos ir šeimos klinika UAB	Chief Accountant		
Gintautas Pangonis	Grigeo AB	President		
	Ginvildos investicija UAB	Director	Grinvaldos investicija UAB	100.0
	Grigeo AB	Chairman of the Board		
	Grigeo Klaipėda AB	Chairman of the Board		
	Naujieji Verkiai UAB	Chairman of the Board		
	Grigeo Baltwood UAB	Chairman of the Board		
	Grigeo Packaging UAB	Chairman of the Board		
	Grigiškių energija UAB	Chairman of the Board		
	Grigeo Recycling UAB	Chairman of the Board		
	Grigeo investicijų valdymas UAB	Chairman of the Board		
	Mena Pak PAT	Chairman of the Supervisory Council		
	Grigeo Recycling SIA	Chairman of the Supervisory Council		
Normantas Paliokas	Elnorma UAB	Director	Elnorma UAB	100.0
	Grigeo AB	Member of the Board		
Vigmantas Kažukauskas	Grigeo AB	Vice president, Business Development	Grigeo AB	0.85
	Grigeo AB	Member of the Board		
	Grigeo Klaipėda AB	Member of the Board		
	Grigeo Baltwood UAB	Member of the Board		
	Naujieji Verkiai UAB	Director		
	Naujieji Verkiai UAB	Member of the Board		
	Grigeo Packaging UAB	Director		
	Grigeo Packaging UAB	Member of the Board		
	Grigiškių energija UAB	Director		
	Grigiškių energija UAB	Member of the Board		
	Grigeo investicijų valdymas UAB	Director		
	Grigeo investicijų valdymas UAB	Member of the Board		
	Grigeo Recycling SIA	Member of the Supervisory Council		
	Mena Pak PAT	Member of the Supervisory Council		

Name, surname	Business participation		Capital interest	
	Name of enterprise, agency and organisation	Position	Name of enterprise, agency and organisation	Capital share and votes, %
Vytautas Juška	Grigeo AB	Vice president, Purchasing & Logistics		
	Grigeo AB	Member of the Board		
	Grigeo Klaipėda AB	Member of the Board		
	Grigeo Baltwood UAB	Member of the Board		
	Grigeo Recycling UAB	Member of the Board		
	Grigiškių energija UAB	Member of the Board		
	Grigeo Recycling SIA	Deputy Chairman of the Supervisory council		
Nina Šilerienė	Grigeo AB	Vice President, Finance	Grigeo AB	0.24
	Grigeo AB	Board Member		
	Grigeo Klaipėda AB	Board Member		
	Naujieji Verkiai UAB	Board Member		
	Grigeo Baltwood UAB	Board Member		
	Grigeo Packaging UAB	Board Member		
	Grigiškių energija UAB	Board Member		
	Grigeo investicijų valdymas UAB	Board Member		

21. Management report

a. Reference to the Corporate Governance Code and where it is publicly published, and reference to all of the public information necessary on the Company's management practices

The Corporate Governance Code is applied and information on compliance with the Code is presented in the annex to this management report.

b. Explanations of deviations from the Corporate Governance Code

Explanations of deviations from the Corporate Governance Code are presented together with the provisions of the Corporate Governance Code in the annex to this management report.

c. Information about the extent of risk and its management – descriptions of the management of the risk related to the financial reporting, risk mitigation measures and the internal control system implemented in the Company

The Company's financial accounting is performed, and financial statements are prepared in accordance with the requirements of International Financial Reporting Standards. Annual financial reporting is audited by independent auditors elected by the general shareholder's meeting. Independency of the auditors is assessed by the Company's Audit Committee. This procedure guarantees the relevance and transparency of the data presented in the Company's financial statements.

d. Information about significant directly and indirectly controlled shares

As at 31 December 2018 there were 2,776 shareholders of Grigeo AB.

Shareholders owning in excess of 5 per cent of the authorised capital of the Issuer as at 31 December 2018 and/or 31 December 2017.

Shareholder's name (company's name, type, headquarters address, corporate ID number)	As at 31 December 2018			As at 31 December 2017		
	Number of ordinary registered shares owned by the shareholder	Portion of the authorised capital held, %	Votes granted by shares held by the right of ownership, %	Number of ordinary registered shares owned by the shareholder	Portion of the authorised capital held, %	Votes granted by shares held by the right of ownership, %
Ginvildos investicija UAB Turniškių St. 10a-2, Vilnius, 125436533	28,582,407	43.50	43.50	28,582,407	43.50	43.50
IRENA ONA MIŠEIKIENĖ	8,584,171	13.07	13.07	7,857,585	11.96	11.96

Information about shareholders of Ginvildos investicija UAB is further disclosed in point 20.

e. Information about transactions with related parties

All transactions with related parties were carried out at market prices when engaged in ordinary economic activities.

Grigeo Klaipėda AB – subsidiary of Grigeo AB.
Grigeo Baltwood UAB – subsidiary of Grigeo AB.
Mena Pak PAT – subsidiary of Grigeo AB.
Grigeo investicijų valdymas UAB – subsidiary of Grigeo AB.
Ginvildos investicija UAB – the main shareholder of Grigeo AB.
Statybų namai UAB – company related to the members of the Supervisory Board.
Grigeo Packaging UAB – subsidiary of the Group not subject to consolidation.
Naujieji Verkiai UAB – subsidiary of the Group not subject to consolidation.
Grigeo Recycling UAB – subsidiary of Grigeo AB.
Grigeo Recycling SIA – subsidiary of Grigeo AB.
Grigiškių energija UAB – subsidiary of the Group not subject to consolidation.

The Group's transactions with related parties during the twelve months of 2018 and respective balances of accounts receivable / payable as at 31 December 2018:

	Sale of goods and services	Purchase of goods and services	Accounts receivable *	Accounts payable
Ginvildos investicija UAB	-	25,850	-	3,388
Statybų namai UAB	8,934	-	-	-
Total	**8,934**	**25,850**	**-**	**3,388**

* Accounts receivable include prepayments for goods and services.

The Company's transactions with related parties during the twelve months of 2018 and respective balances of accounts receivable / payable as at 31 December 2018:

	Sale of goods and services	Purchase of goods and services	Accounts receivable *	Accounts payable
Grigeo Baltwood UAB	4,166,806	949,975	446,098	1,103,389
Ginvildos investicija UAB	-	17,300	-	3,388
Grigeo Recycling UAB	139,595	4,759,515	15,882	708,151
Statybų namai UAB	8,934	-	-	-
Grigeo Klaipėda AB	401,722	11,401,520	4,466	2,948,701
Mena Pak PAT	3,550	-	-	-
Total	**4,720,607**	**17,128,310**	**466,446**	**4,763,629**

* Accounts receivable include prepayments for goods and services.

f. Information about shareholders holding special controlling rights

There are no shareholders holding special controlling rights in the Company.

g. Information about all current limitations of voting rights, such as limitations of voting rights for persons holding a certain percentage or number of votes, deadlines by which voting rights can be used or systems under which the property rights granted under securities are separated from the holder of securities

The are no limitations of voting rights in the Company. Also, the Company is not aware of any agreements between shareholders under which a transfer of securities and / or voting rights could be limited.

h. Information about the rules regulating election and revocation of Board Members, and amendments of the Articles of Association of the Company

Members of the Company's Board are elected and revoked in accordance with the procedure laid down in the Law on Companies of the Republic of Lithuania and the Articles of Association of the Company.

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

i. Information about the powers of the Board Members

The powers of the Board Members are provided in the Law on Companies of the Republic of Lithuania and the Articles of Association of the Company.

The Articles of Association of the Company provide the following additional competences of the Board not provided in the Law on Companies of the Republic of Lithuania:

- The Board considers and approves the operational strategy of the Company;
- The Board considers and approves employees' remuneration systems;
- The Board elects and revokes employees under direct control of the head of the Company, directors of the Company's divisions / departments, determines their remuneration, other terms of their employment contract, approves their job description, awards bonuses;
- The Board elects and revokes the company providing accounting services to maintain the Company's accounting, determines payment terms for accounting services.
- The Board approves the systems and procedures of employee bonuses and rewards;
- The Board elects and revokes directors of the Company's branches and representative offices;
- The Board analyses and assesses the material presented by the head of the Company on the implementation of the Company's operational strategy;
- The Board determines depreciation and amortisation rates and calculation methods applied for the Company's non-current assets;

j. Information about the competence of the General Shareholders' Meeting and shareholders' rights and their exercising are provided for by the laws of the Republic of Lithuania

The competence of the General Shareholders' Meeting, the procedures for its convening and other issues related to the activities of the General Shareholders' Meeting and the decisions adopted are regulated under the procedure established by the Law on Companies of the Republic of Lithuania.

k. Information about composition of the management and supervisory bodies and their committees, the area of activities of the aforementioned and the head of the Company

Names, surnames	Position	Education	Tenure	Capital share and votes, %
SUPERVISORY BOARD				
Norimantas Stankevičius	Chairman	University	Since 30 April 2015 until the General Shareholders' Meeting, to be held in 2019	4.41
Vilius Oškeliūnas	Member	University		-
Romualdas Degutis	Member	University		0.03
Tautvilas Adamonis	Member	University		-
Daiva Duksienė	Member	University		-
AUDIT COMMITTEE				
Norimantas Stankevičius	Member	University	Since 30 April 2015 until the General Shareholders' Meeting, to be held in 2019	4.41
Tautvilas Adamonis	Member	University		-
Daiva Duksienė	Member	University		-
BOARD				
Gintautas Pangonis	Chairman	University	Since 30 April 2015 until the General Shareholders' Meeting, to be held in 2019	-
Nina Šilerienė	Member	University		0.24
Vigmantas Kažukauskas	Member	University		0.85
Vytautas Juška	Member	University		-
Normantas Paliokas	Member	University		-
ADMINISTRATION				
Gintautas Pangonis	President	University	-	-
Nina Šilerienė	Vice President, Finance	University	-	0.24
Vigmantas Kažukauskas	Vice President, Business Development	University	-	0.85
Vytautas Juška	Vice president, Purchasing & Logistics	University	-	-
Robertas Krutikovas	General Director	University	-	0.30

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

Employers	Position
Grigeo AB	General Director, Chairman of the Board
Grigeo 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	Position
Grigeo AB	Finance Director, Member of the Board
Grigeo AB	Vice President, Finance, Member of the Board

The competences of the management and supervisory bodies and their committees, the area of activities of the aforementioned and the head of the Company are as determined under the Law on Companies of the Republic of Lithuania, other legal acts and the Articles of Association of the Company.

l. Description of the diversity policy applied for election of the head of the Company, members of its management and supervisory bodies, related to aspects such as age, sex, education, professional experience, the objectives of the policy, its methods of implementation and results during the reporting period. If diversity policy is not applied, reasons of non-application are explained.

The Company does not apply the diversity policy when electing the head of the Company, members of its management and supervisory bodies as there is no such policy approved at the Company. The main criteria for electing a candidate to management and supervisory bodies is the competence of a candidate.

m. Information about remuneration of each member of management and supervisory bodies (average salaries paid during the reporting period, by presenting bonuses, premiums, tantiemes or other payments separately)

Names, surnames	Tantiemes paid in 2018, EUR
SUPERVISORY BOARD	
Norimantas Stankevičius	10,000
Vilius Oškeliūnas	1,800
Romualdas Degutis	1,800
Tautvilas Adamonis	1,800
Daiva Duksienė	1,800
BOARD	
Gintautas Pangonis	31,800
Nina Šilerienė	25,000
Vigmantas Kažukauskas	25,000
Vytautas Juška	25,000
Normantas Paliokas	6,000

All Board Members, except for Normantas Paliokas, work at the Company under employment agreements; therefore, they received remuneration according to their positions (employment agreements). No other payments were paid.

n. Information about all agreements between shareholders (their substance and terms)

The Company is not aware of any agreements between shareholders.

22. Social responsibility report

The activities of social responsibility of the Company and the Group are based on its values and define the Company's and Group's attitude towards their activity, inclusion of social, environmental protection and transparency principles in the internal processes of the Company and the Group, as well as in the relationship with interested parties.

Responsibility is one of the four core values of the Group claiming that in our work there are no insignificant things or details. Everything we do affects our results and surroundings. This is the value that inspires and engages employees to pursue higher goals in daily activities and increases the efforts in creating a successful and sustainable business.

In accordance with the principles of sustainable activities, we aim for socially responsible creation and sustainable development of the Group's business culture and practice. To give a meaning to the social responsibility we rely on purposeful and consistent activities in the following areas: in the relationships with employees, partners, society and environmental protection.

The Company announces all essential information about important facts of the Company and the Group in Nasdaq Baltic system.

In 2018, the Company was named the third best company in the annual Baltic Corporate Excellence Awards by Baltic stock exchanges. The goal of the awards is to recognise and encourage the most advance companies listed in Nasdaq Baltic exchanges, also, to promote the development of capital market of the Baltic States. The companies in the main list of the Baltic stock exchanges are assessed according to qualitative and quantitative criteria which account for 50% of the final score. Quantitative criteria include assets, profitability, capital and efficiency indicators; qualitative – business model, management, the quality of financial management, market environment and social responsibility.

a. Relationships with employees

Collective bargaining agreement. In the second half of 2018, we have reviewed the packages of additional employee benefits. At the end of 2018, the Company negotiated with the Trade Union of the Company and the new collective bargaining agreement was approved in the conference of employees which took place on 28 December 2018.

Reward system. Competitive remuneration is one of the crucial factors in retaining current employees and attracting new talents. In 2018, taking into consideration external and internal changes, market situation and forecasts, the remuneration in the Group companies was systematically reviewed and increased for the employees of the Company from 1 April.

The Company also applies additional monetary reward systems enabling the employees to earn extra income subject to personal and the Company's performance results. At the beginning of the year, bonus system for the top- and middle-level management was updated. Moreover, bonus schemes for the specialists of the Sales Department were updated. In July 2018, we have adopted additional reward system for the employees of the Sales Department in order to allow logistics employees to earn more subject to performance results.

Employee performance evaluation. In the course of the year 2018, periodic performance discussions were successfully carried out together with the employees. In 2017, we have replaced annual performance evaluation interviews with quarterly ones and have already seen greater engagement of the employees in day-to-day activities, purposefulness of works. More frequent feedback ensures employee motivation and desire to reach goals, thus, contribute to the success of the Company.

At the beginning of the year, the content of the performance evaluation was supplemented to include aspects pertaining to employee well-being at the organisation, their education, in order to refine training needs, actively engage management into this process and strengthen the culture of learning organisation. Furthermore, the Company discusses training goals that were set with the employees in order to enable them to improve qualification and achieve better fulfilment in day-to-day activities of the Company.

Employee evaluation. Group companies organised Best Employee of the Year Award. As each year, nominations for the best manager, specialist, technician, production operator, production employee were announced. Employees can enjoy the gifts they receive, namely, recreational trips to Lithuanian and foreign resorts.

Employee competence development. The Company continues to develop informal vocational training system for production workers. 4 vocational training programmes were updated by focusing on adaptation of new employees. Training coordinators, along with the theory and practice teachers, consistently take care of the training of the newcomers during the first work weeks, thus ensuring effective integration in work processes, and, equally important, safe work. New administration employees are given introduction plans for the first work week prepared for a specific position in order to ensure consistent and fast adaptation.

In 2018, continuous Group manager education project was completed. The management team improved their competences in areas such as employee training, feedback and communication, strengthening of employee engagement, personal qualities, etc. Training programmes attracted over 60 top- and middle-level managers from the entire Group of companies. A recurrent 360° leadership competency assessment is planned for QII 2019 to assess the progress and provide directions for further management team development.

Over 380 Group employees participated in various trainings at least once within 2018. One employee had more than 10 hours of training.

Occupational safety and health. Our aim is to create safe and healthy work culture in the organisation. This is an integral part of day-to-day activities. In 2018, every other employee of the Company registered at least once unsafe situation at work and contributed to prevention programmes aiming to manage risks and prevent accidents at work.

Unfortunately, we were unable to prevent accidents. There were 7 accidents in the Company. All accidents were minor and were caused by inattention of employees. Once again, this proved that employee awareness raising in the area of safe work is an integral part of everyday work in the Group. In 2018, along with mandatory periodic briefing, over 440 hours were devoted to further development of employees in the area of occupational safety and health, which is one of focus areas in the Company.

Last year, annual occupational safety and health week combined various sports-wellness activities and trainings helping to draw the attention of the organisation's employees to the aspects of healthy and safe work.

In the course of the year, without changing the traditions, basketball, football and table tennis tournaments took place. Employees and teams from the Group competed in them. The Company's employees and their family members participated in Danske Bank Marathon. The employees continue to use the opportunity to participate in sports (a part of membership fee is covered from the Company's funds).

As every year, the Company covered the costs of employee vaccination against flu and tick-borne encephalitis, if they work outdoors.

In 2018, in order to take care of everyday working environment of the employees, we have renewed air cleaning systems in one of production units, and at the end of the year, we have initiated the overhaul of production administrative premises that also connect the areas designated for changing for the workers in production unit. The works will be completed in the spring 2019.

We have started the renovation of office furniture for the administration employees. Works will be carried out in stages. The furniture will be replaced with ergonomic ones in order to create more comfortable working conditions, protect health and increase the efficiency.

Social activity, volunteering. Volunteering is promoted at the Group of companies. Each employee has an opportunity to get a paid day-off for volunteering work.

We are very proud of our joint activities as well.

In the spring 2018, our staff has traditionally contributed to the reforestation works in the surroundings of Vilnius city. A record number of tree seedlings were planted in the area of 1.1 ha – almost 5,400. In this way, the area covered by our employees increased to 10.5 ha.

In addition, blood donation campaign, which attracted more interest than ever before, and assistance to the Food Bank (Maisto bankas) in preparing the support to Grigiškės community expanded the extent of volunteering initiatives of our employees.

b. Relationships with the society

Promoting the community. In 2018, Christmas Mass was held in the newly built Grigiškės town church. This was a very important project to both the Company and community of Grigiškės town which fostered a close interrelationship having deep historical links.

The annual gift to Grigiškės town – a Christmas Tree – was no exception in 2018 as well.

Educational activities and practice opportunities. In continuing educational activities, Grigeo, AB invited more than 500 pupils and students to free excursions in objects controlled by the Company. During the excursions, the visitors had a unique opportunity to get to know the Company, learn and see the process of manufacture of products used in everyday life from waste paper or cellulose.

Collaboration with education institutions results in young enthusiastic specialists joining our team every year. In 2018, 15 students from Vilnius Gediminas Technical University, Klaipėda University, Vilnius College of Technologies and Design, Klaipėda State University of Applied Sciences, and SMK University of Applied Social Sciences apprenticed in Group companies. Group companies became a first employer for three of them.

c. Environmental protection

The environmental protection is a priority. Group's philosophy is the manufacture of environmentally-friendly products with optimum use of natural resources.

Energy. After implementing energy resource monitoring system in one of main manufacturing bars, we have achieved 2.6% energy savings per production unit. Thus, we have not only improved performance results, but also contributed to the country's obligations to the European Union for reducing energy consumption. Our goal is to implement the system in other production units and set even higher goals in the area of energy efficiency.

At the end of the year, we have completed Group companies' (Grigeo AB, Grigeo Packaging UAB, Grigeo Baltwood UAB, Grigeo Recycling UAB) territory lighting renovation works and were able to reduce outdoor lighting costs by more than three times.

Production environmental friendliness. In November 2018, Grigeo, AB hygiene paper products were granted the ecolabel of the Nordic countries – Nordic Swan Ecolabel. This is an ecolabel developed in the Northern Europe with a goal to promote production that has a minimum impact on the environment. Raw materials and supplies are chosen taking into consideration the assessment of production impact on the environment and human health. Products bearing this mark comply with the high standards of environmental, quality, health and safety requirements. We are very proud of this certificate which verifies that the Company complies with international standards, protects the environment and contributes to reducing the impact on climate change. At the same time, the certificate gives the impulse to become even more competitive in the markets of the Northern Europe.

The Nordic Swan Ecolabel perfectly complements EU Flower granted to the Company in 2012 related to the implementation of EU sustainable consumption and production policy and FSC® Chain-of-Custody) certificate.

d. Business risk management

On the basis of the ISO requirements approved in 2015, the procedure for identification and management of risks was approved in the Company covering the procedure for risk identification, analysis, significance assessment and preventive actions planning and execution. Risk identification, preventive and corrective actions management involve the Company's employees directly related to management activities: from specialists to top management. Risks that may be faced in the Company are assessed through internal and external aspects taking into account the interested parties. In addition, in the Company, the risks are classified as specific and general risks. According to the likelihood of the occurrence of risks, the impact on risks management and the nature of preventive actions, risks management tools, as a mandatory part of the process, are integrated into activities management standard, or risk identification and management is carried out separately. According to the likelihood of risk occurrence and the necessity of assurance of activity standard, standard preventive and corrective action plans are prepared for risks, the effectiveness of actions is monitored.

The main risk assessment and management directions of the Company:

- Project risks
- Financial risks
- Legislation compliance risks
- Procurement risks
- Sales risks
- Customer-related risks
- Strategic risks
- Environmental risks
- Occupational safety risks
- Quality-related risks
- Production process risks
- Product safety risks

e. Business ethics and transparency

In their everyday activities, the employees of the Group companies follow Group Business Ethics Code (Grigeo, AB Business Ethics Code is available on www.grigeo.lt/lt/verslo-tvarumas/grigeo-verslo-etikos-kodeksas), approved activity standards used as a basis for the entire business. We conduct a transparent and fair business and follow the laws of the Republic of Lithuania, pay taxes and settle with our employees in a transparent manner, also, encourage other market participants to act accordingly.

Integrity and anti-corruption. We are strictly against any forms of corruption and bribery. In conducting the business, we do not give, offer and do not promise to give any unreasonable remuneration to a person in order to directly or indirectly influence persons in performance of their functions or making decisions. Our employees do not accept any gifts or bribes intended to directly or indirectly influence the decisions and actions of the Group's employees.

We ensure the transparency and impartiality in the process of supplier selection by executing procurements according to the Company's management system procurement procedure which defines clear supplier selection and assessment criteria: the price and quality of product or service, delivery and payment terms.

Transparent and fair approach of the Company in the relationships with the employees, society, business partners is supported by alliance with the White Wave (Baltoji banga) lasting for number of years.

Human rights. We respect and guarantee human rights and freedoms defined in the Universal Declaration of the Human Rights approved in the General Assembly of the United Nations, the Convention for the Protection of Human Rights and Fundamental Freedoms of the European Council, conventions of International Labour Organisation and the laws of the Republic of Lithuania. This aspect is discussed in more detail in the Group Business Ethics Code which defines strict approach of the Group to child labour, right to association and trade unions, discrimination, etc. In 2018, there were no incidents related to discrimination or human rights violations in the Company.

INFORMATION ON COMPLIANCE WITH GOVERNANCE CODE

The public company Grigeo AB (hereinafter – "the Company"), following Article 22(3) of the Law on Securities of the Republic of Lithuania and item 24.5 of the Trading Rules of the stock exchange NASDAQ Vilnius AB, discloses its compliance with the Governance Code, approved for the companies listed on the regulated market, and its specific provisions. In the event of non-compliance with the Code or with certain provisions thereof, it must be specified which provisions are not complied with and the reasons of non-compliance.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLIC A-BLE	COMMENTARY
Principle I: Basic Provisions **The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.**		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	The Company fully complies with this recommendation. Plans and forecasted result of the Company are published on an annual basis.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	All supreme managing and supervision bodies of the Company are focused on the implementation of the main objectives and tasks of the Company.
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	The one-person managing body – the head of the Company, the collegial managing body – the management board and the supervisory body – the council of observers (supervisory board) cooperate in view of seeking the best benefit for the Company and its shareholders.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	The Company fully complies with these recommendations.
Principle II: The corporate governance framework **The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.**		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	Yes	The Company fully complies with this recommendation, as its bodies consist of the single-person managing body (the head of the Company), the collegial managing body (the management board) and the supervisory body (the council of observers).
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	The management board is responsible for strategic management of the Company and parries out other essential managerial functions in the Company. The council of observers (supervisory board) is responsible for the efficient supervision of the managing bodies of the Company.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a	Not applica-ble	Both the council of observers (supervisory board) and the management board are formed in the Company.

case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.		
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.[1]	Yes	The collegial supervisory body, as elected by the general meeting of shareholders, is formed and operates in the procedure laid down in guidelines III and IV; guidelines III and IV also apply to the management board, insofar this does not contradict the essence and purpose of the mentioned body.
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.[2]	Yes	The management board of Company consists of 5 members. The council of observers (supervisory board) also consists of 5 members. This is set forth in the Articles of Association of the Company. The Articles of Association shall be approved by the supreme managing body of the Company, i.e., the general meeting of shareholders.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	Yes	In accordance with the Articles of Association of the Company, the council of observers shall be elected by the general meeting of shareholders for the maximum period of 4 years. This is the maximum period permitted by the legislation of the Republic of Lithuania. The general meeting of shareholders is entitled to revoke all or individual members of the council of observers before expiration of their tenure.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The chairperson of the council of observers, as formed in the Company, has not been the head of the Company.

[1]Provisions of Principles III and IV are more applicable to those instances when the general shareholders' meeting elects the supervisory board, i.e. a body that is essentially formed to ensure oversight of the company's board and the chief executive officer and to represent the company's shareholders. However, in case the company does not form the supervisory board but rather the board, most of the recommendations set out in Principles III and IV become important and applicable to the board as well. Furthermore, it should be noted that certain recommendations, which are in their essence and nature applicable exclusively to the supervisory board **(e.g. formation of the committees)**, should not be applied to the board, as the competence and functions of these bodies according to the Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) are different. For instance, item 3.1 of the Code concerning oversight of the management bodies applies to the extent it concerns the oversight of the chief executive officer of the company, but not of the board itself; item 4.1 of the Code concerning recommendations to the management bodies applies to the extent it relates to the provision of recommendations to the company's chief executive officer; item 4.4 of the Code concerning independence of the collegial body elected by the general meeting from the company's management bodies is applied to the extent it concerns independence from the chief executive officer.

[2]Definitions *'executive director'* and *'non-executive director'* are used in cases when a company has only one collegial body.

Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting **The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.[3]**		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	The collegial body elected by the general meeting of shareholders is elected in compliance with the procedure prescribed by the legislation of the Republic of Lithuania. Concurrently, the interests of small shareholders, disinterested and unbiased supervision of the managing bodies are ensured.
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual management report.	Yes	The Company discloses information about the nominees to the collegial bodies to shareholders immediately after it receives proposals for candidates to the collegial body. Information about the members of the council of observers and the management board is disclosed by the Company in its periodical reports. Accordingly, there is enough time for the shareholders to decide on which nominee they will vote.
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual management report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	The Company complies with the provisions laid down in this recommendation. Information about the members to the council of observers is disclosed by the Company in its periodical reports.
3.4 In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.	Yes	The members to the collegial body of the Company, as formed by the general meeting of shareholders, are elected taking into consideration the structure and types of activities of the Company; the members have versatile knowledge, opinions and experience necessary for the proper performance of their tasks.
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a	Yes	New members elected to the collegial bodies of the Company are made familiar with the

[3]Attention should be drawn to the fact that in the situation where the collegial body elected by the general shareholders' meeting is the board, it is natural that being a management body it should ensure oversight not of all management bodies of the company, but only of the single-person body of management, i.e. the company's chief executive officer. This note shall apply in respect of item 3.1 as well.

member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.		Company, its organization, activity specifics, etc.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient[4] number of independent[5] members.	No	Independency of the members of the council of observers has not been evaluated in the Company so far; the Company has not discussed the contents of the concept of “sufficiency” of independent members.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependent are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders’ meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1);	Yes	According to the criteria laid down in paragraph 3.7, there is an independent member in the council of observers of the Company.

[4]The Code does not provide for a concrete number of independent members to comprise a collegial body. Many codes in foreign countries fix a concrete number of independent members (e.g. at least 1/3 or 1/2 of the members of the collegial body) to comprise the collegial body. However, having regard to the novelty of the institution of independent members in Lithuania and potential problems in finding and electing a concrete number of independent members, the Code provides for a more flexible wording and allows the companies themselves to decide what number of independent members is sufficient. Of course, a larger number of independent members in a collegial body is encouraged and will constitute an example of more suitable corporate governance.

[5]It is notable that in some companies all members of the collegial body may, due to a very small number of minority shareholders, be elected by the votes of the majority shareholder or a few major shareholders. But even a member of the collegial body elected by the majority shareholders may be considered independent if he/she meets the independence criteria set out in the Code.

He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counselling and consulting services), major client or organization receiving significant payments from the company or its group; He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company; He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; He/she has not been in the position of a member of the collegial body for over than 12 years; He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.		
3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.	No	The Company has not defined the concept of independency.
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	No	The Company has not applied so far the practice of evaluation and announcement of independency of the members of the council of observers.
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	No	The Company has not applied so far the practice of evaluation and announcement of independency of the members of the council of observers.

3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds[6]. The general shareholders' meeting should approve the amount of such remuneration.	Yes	Members of the collegial bodies were remunerated for their work from the funds of the Company by tantiemes.
Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting **The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring[7] of the company's management bodies and protection of interests of all the company's shareholders.**		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.[8]	Yes	The council of observers makes recommendations to the managing bodies of the Company and monitors their activities.
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	Yes	To the best knowledge of the Company, all members of the council of observers act in a good will in respect of the Company, comply with the interests of the Company (not those of third parties) and take efforts to maintain independency in decision making.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half[9] of the meetings of the collegial body throughout the financial year of	Yes	Members of the collegial body properly perform the functions delegated to them: actively participate at the sitting of the collegial body and devote sufficient time for the performance of their duties as the members of the collegial body.

[6]It is notable that currently it is not yet completely clear, in what form members of the supervisory board or the board may be remunerated for their work in these bodies. The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) provides that members of the supervisory board or the board may be remunerated for their work in the supervisory board or the board by payment of annual bonuses in the manner prescribed by Article 59 of this Law, i.e. from the company's profit. The current wording, contrary to the wording effective before 1 January 2004, eliminates the exclusive requirement that annual bonuses should be the *only* form of the company's compensation to members of the supervisory board or the board. So it seems that the Law contains no prohibition to remunerate members of the supervisory board or the board for their work in other forms, besides bonuses, although this possibility is not expressly stated either.

[7]See Footnote 3.

[8] See Footnote 3. In the event the collegial body elected by the general shareholders' meeting is the board, it should provide recommendations to the company's single-person body of management, i.e. the company's chief executive officer.

[9]It is notable that companies can make this requirement more stringent and provide that shareholders should be informed about failure to participate at the meetings of the collegial body if, for instance, a member of the collegial body participated at less than 2/3 or 3/4 of the meetings. Such measures, which ensure active participation in the meetings of the collegial body, are encouraged and will constitute an example of more suitable corporate governance.

the company, shareholders of the company should be notified.		
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	The collegial body treat all shareholders in a fair and unbiased manner. There have been no conflicts of interests so far.
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Yes	The Company complies with the provisions laid down in this recommendation.
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies.[10] Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advice the human resources department, executive directors or collegial management organs of the company concerned.	Yes	The collegial body is independent in making decision important for the activities and strategy of the Company. Also, there are no restrictions for the collegial body to receive information of the Company's employees.
4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination,	Yes	An Audit committee is formed in the Company and is responsible for issues related to the company's audit control and evaluation and is not responsible for issues related to the company's directors and the appointment of directors' remuneration determination. Conflicts of interests in the fields relating to audit control and evaluation of the Company have been avoided so far.

[10] In the event the collegial body elected by the general shareholders' meeting is the board, the recommendation concerning its independence from the company's management bodies applies to the extent it relates to the independence from the company's chief executive officer.

remuneration, and audit committees[11]. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.		
4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgment and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.	Yes	An Audit committee is formed in the Company.
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.	Yes	An Audit committee of the Company is composed of 3 members of the Company's Supervisory Council.
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to	Yes	The authority of the Audit committee is determined by Supervisory Council by approving the Audit committee's internal rules.

[11]The Law on Audit of the Republic of Lithuania (*Official Gazette*, 2008, No 82-53233) determines that an Audit Committee shall be formed in each public interest entity (including, but not limited to public companies whose securities are traded in the regulated market of the Republic of Lithuania and/or any other member state).

them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.		
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	Yes	According to the Audit Committee's internal rules the Audit Committee has the right to invite to its meetings the Chairman of the Supervisory Board and certain employees of the Company, the external auditor.
4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; Properly consider issues related to succession planning; Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.	No	No nomination committee has been formed in the Company so far.
4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following:	No	No remuneration committee has been formed in the Company so far.

1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; 2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; 3) Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company; 4) Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation; 5)Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; 6)Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); 7) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should: Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; Examine the related information that is given in the company's annual management report and documents intended for the use during the shareholders meeting; Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the		

reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies. 4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.		
4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: 1)Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); 2)At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; 3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; 4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; 5)Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee;	Yes	The Company has formed an audit committee whose main functions are in line with these recommendations.

6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations. 4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors. 4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit. 4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.		
4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment	No	Such practice has not been applied in the Company.

whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.		
Principle V: The working procedure of the company's collegial bodies **The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.**		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	The Company fully complies with these recommendations.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.[12]	Yes	Sittings of the collegial bodies of the Company are held at such intervals as are necessary to ensure uninterrupted tackling of essential issues relating to the management and supervisory of activity of the Company.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	Members of the collegial bodies are notified on the sitting in advance by sending them the agenda and all needed materials of the meeting, so that they'd have enough time to properly prepare for consideration of the issues to be addressed at the meeting and share in useful discussions leading to adoption of proper resolutions.
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings,	Yes	In order to coordinate operations of the collegial bodies of the Company and to ensure efficient decision-making process, chairpersons of the collegial supervisory and managing bodies of the Company agree upon the dates and

[12]The frequency of meetings of the collegial body provided for in the recommendation must be applied in those cases when both additional collegial bodies are formed at the company, the board and the supervisory board. In the event only one additional collegial body is formed in the company, the frequency of its meetings may be as established for the supervisory board, i.e. at least once in a quarter.

their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.		agendas of future sittings, closely cooperate in tackling other issues relating to the management of the Company.
Principle VI: The equitable treatment of shareholders and shareholder rights **The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.**		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The authorized capital of the Company is comprised of 65.700.000 ordinary shares. The par value of one share is EUR 0.29. All shareholders of the Company enjoy equal rights.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The Company fully complies with this recommendation.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting.[13] All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	Yes	In order to ensure continuous and effective activities of the company and to avoid unnecessarily frequent consideration of transactions at the meeting of shareholders, transactions that are important to the company and its shareholders, such as transfer, investment, mortgage or other encumbrance are approved by the decision of the board without the approval of the meeting shareholders.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders.	Yes	Procedures of convocation and holding the general meetings of shareholders of the Company create the shareholders equal opportunities to attend the meetings and do not violate their rights and interests. Notices of convocation of the general meeting are published following the procedure established by the Republic of Lithuania Law on Securities in the Central database of regulated information administrated by Nasdaq Vilnius AB, on the Company's website. The general meetings of shareholders of the Company are convened at the address of the Company's registered and operational address at Vilniaus str. 10, Grigiškės, Vilnius, the place, date and time do not preclude the active shareholders' participation at the meeting.
6.5. If possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general	Yes	The Company fully complies with this recommendation.

[13]The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) no longer assigns resolutions concerning the investment, transfer, lease, mortgage or acquisition of the long-terms assets accounting for more than 1/20 of the company's authorised capital to the competence of the general shareholders' meeting. However, transactions that are important and material for the company's activity should be considered and approved by the general shareholders' meeting. The Law on Companies contains no prohibition to this effect either. Yet, in order not to encumber the company's activity and escape an unreasonably frequent consideration of transactions at the meetings, companies are free to establish their own criteria of material transactions, which are subject to the approval of the meeting. While establishing these criteria of material transactions, companies may follow the criteria set out in items 3, 4, 5 and 6 of paragraph 4 of Article 34 of the Law on Companies or derogate from them in view of the specific nature of their operation and their attempt to ensure uninterrupted, efficient functioning of the company.

shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.		
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	The Company fully complies with this recommendation.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.	No	The Company does not comply with the provisions of this recommendation, because there have been no such request on the part of the shareholders.

Principle VII: The avoidance of conflicts of interest and their disclosure The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	The Company fully complies with these recommendations.
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	The Company fully complies with these recommendations.
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	The Company fully complies with these recommendations.
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	The Company fully complies with these recommendations.

Principle VIII: Company's remuneration policy Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	No	Such practice has not been applied in the Company so far.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be	No	The Company does not publish its report on remuneration policy; therefore, such practice has not been applied in the Company so far.

given to any significant changes in company's remuneration policy as compared to the previous financial year.		
8.3. Remuneration statement should leastwise include the following information: Explanation of the relative importance of the variable and non-variable components of directors' remuneration; Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; An explanation how the choice of performance criteria contributes to the long-term interests of the company; An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; Sufficient information on deferment periods with regard to variable components of remuneration; Sufficient information on the linkage between the remuneration and performance; The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; Sufficient information on the policy regarding termination payments; Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code; Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned; A description of the main characteristics of supplementary pension or early retirement schemes for directors; Remuneration statement should not include commercially sensitive information.	No	The Company does not publish its report on remuneration policy; therefore, such practice has not been applied in the Company so far.
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	No	The Company does not publish its report on remuneration policy; therefore, such practice has not been applied in the Company so far.
8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.5.1. The following remuneration and/or emoluments-related information should be disclosed: The total amount of remuneration paid or due to the director for services performed during the relevant	No	The Company does not publish its report on remuneration policy; therefore, such practice has not been applied in the Company so far.

financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; The remuneration and advantages received from any undertaking belonging to the same group; The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; All changes in the terms and conditions of existing share options occurring during the financial year. 8.5.3. The following supplementary pension schemes-related information should be disclosed: When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		
8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.	No	The Company does not publish its report on remuneration policy; therefore, such practice has not been applied in the Company so far.
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.	No	The Company does not publish its report on remuneration policy; therefore, such practice has not been applied in the Company so far.

8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.	No	The Company does not publish its report on remuneration policy; therefore, such practice has not been applied in the Company so far.
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.	No	The Company does not publish its report on remuneration policy; therefore, such practice has not been applied in the Company so far.
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.	No	The Company does not publish its report on remuneration policy; therefore, such practice has not been applied in the Company so far.
8.11. Termination payments should not be paid if the termination is due to inadequate performance.	No	The Company does not publish its report on remuneration policy; therefore, such practice has not been applied in the Company so far.
8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	No	The Company does not publish its report on remuneration policy; therefore, such practice has not been applied in the Company so far.
8.13. Shares should not vest for at least three years after their award.	No	The Company does not publish its report on remuneration policy; therefore, such practice has not been applied in the Company so far.
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.	No	The Company does not publish its report on remuneration policy; therefore, such practice has not been applied in the Company so far.
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	No	The Company does not publish its report on remuneration policy; therefore, such practice has not been applied in the Company so far.
8.16. Remuneration of non-executive or supervisory directors should not include share options.	No	The Company does not publish its report on remuneration policy; therefore, such practice has not been applied in the Company so far.
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	No	The Company does not publish its report on remuneration policy; therefore, such practice has not been applied in the Company so far.
8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be	No	The Company does not publish its report on remuneration policy; therefore, such practice has not been applied in the Company so far.

put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.		
8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	No	The Company does not publish its report on remuneration policy; therefore, such practice has not been applied in the Company so far.
8.20. The following issues should be subject to approval by the shareholders' annual general meeting: Grant of share-based schemes, including share options, to directors; Determination of maximum number of shares and main conditions of share granting; The term within which options can be exercised; The conditions for any subsequent change in the exercise of the options, if permissible by law; All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.	No	The Company does not publish its report on remuneration policy; therefore, such practice has not been applied in the Company so far.
8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.	No	The Company does not publish its report on remuneration policy; therefore, such practice has not been applied in the Company so far.
8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.	No	The Company does not publish its report on remuneration policy; therefore, such practice has not been applied in the Company so far.
8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution	No	The Company does not publish its report on remuneration policy; therefore, such practice has not been applied in the Company so far.

must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.		
Principle IX: The role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.**		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The Company complies with all statutory requirements aimed at ensuring the rights of interest holders.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.	Yes	The Company complies with all statutory requirements aimed at ensuring the rights of interest holders.
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	The Company complies with all statutory requirements aimed at ensuring the rights of interest holders.

Principle X: Information disclosure and transparency The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.		
10.1. The company should disclose information on: The financial and operating results of the company; Company objectives; Persons holding by the right of ownership or in control of a block of shares in the company; Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; Material foreseeable risk factors; Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; Material issues regarding employees and other stakeholders; Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.	Yes	The Company complies with this recommendation.
10.2. It is recommended to the company, which is the parent of other companies, that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.	Yes	The Company complies with this recommendation.
10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.	Partly	The Company regularly discloses information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company as well as potential conflicts of interest that may have an effect on their decisions.
10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.	Yes	The Company complies with this recommendation.
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the NASDAQ Vilnius AB Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	The Company publishes information through the Central database of regulated information administrated by NASDAQ Vilnius AB in Lithuanian and English simultaneously, of possible. The Stock Exchange places the received information on its home page and trade system, thus ensuring simultaneous placement of information to all readers. In addition, the Company, if possible, publishes its information prior to or after trade sessions of the stock exchange NASDAQ OMX Vilnius and

		provides information for all markets where securities of the Company are traded simultaneously. The Company does not publish in commentaries, interviews or otherwise any information likely to affect the price of its emitted securities until such information is announced through the Central database of regulated information administrated by NASDAQ OMX Vilnius. The mentioned information is also placed on the website of the Company: www.grigeo.lt.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient or in cases provided by the legal acts free of charge access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	Essential events, press releases, activity reports and other information important for the shareholders are published on the website of the Company in Lithuanian and English.
10.7. It is recommended that the company's annual management report and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	The Company fully complies with this recommendation.

Principle XI: The selection of the company's auditor **The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements	Yes	The Company complies with this recommendation, except for audited of interim financial statement.
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	An audit company is proposed to the general meeting of shareholders by the Board of the Company, taking into account the recommendations of the Company's Audit Committee.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Yes	The Company complies with this recommendation. In 2018 Audit company has not rendered other services for the company.