

GRIGEO AB

Interim information for the nine months of 2019



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1. REPORTING PERIOD FOR WHICH THIS FINANCIAL STATEMENTS HAVE BEEN PREPARED

Reports have been prepared for the nine months of 2019.

2. AUDIT INFORMATION

The interim consolidated information of Grigeo AB covering nine months of 2019 is not audited or checked-up by auditors.

3. GROUP COMPANIES AND THEIR CONTACT DETAILS

On the 30th of September 2019 Grigeo AB (further the Company or the Issuer) had nine subsidiaries: Grigeo Klaipėda AB, Grigeo Baltwood UAB, Grigeo Recycling UAB, Grigeo Recycling SIA, Mena Pak AT, 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
Company's ID No.	110012450	141011268	126199731
Authorised capital	19,053,000 Eur	11,890,550.55 Eur	6,100,000 Eur
Shares directly or indirectly controlled by Grigeo AB	Company has not acquired any shares of itself	97.67 %**	100 %*
Address	Vilniaus str. 10, Grigiškės, Vilnius	Nemuno str. 2, Klaipėda	Vilniaus str. 10, Grigiškės, Vilnius
Phone	+370 5 243 58 01	+370 46 39 56 01	+370 5 243 59 00
Fax	+370 5 243 58 02	+370 46 39 56 00	+370 5 243 59 10
E-mail	info@grigeo.lt	info.klaipeda@grigeo.lt	info.baltwood@grigeo.lt
Internet address	http://www.grigeo.lt/en	http://www.grigeo.lt/en	http://www.grigeo.lt/en
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 AT
Company's ID No.	302529158	40203001091	00383260
Authorised capital	2,960,000 Eur	2,800 Eur	4,011,470 UAH
Shares directly or indirectly controlled by Grigeo AB	100 %*****	100 %****	100 %***
Address	Vilniaus str. 10, Grigiškės, Vilnius	Kārļa Ulmaņa str. 3, Rīga, Latvia	Koshevovo str. 6, Chernihiv region, Mena, Ukraine
Phone	+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/en	-	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

Status	Subsidiary	Subsidiary	Subsidiary	Subsidiary
Name	Grigeo investicijų valdymas UAB	Naujieji Verkiai UAB	Grigeo Packaging UAB	Grigiškių energija UAB
Company's ID No.	302416687	300015674	302329061	302674488
Authorised capital	19,329,776 Eur	28,962 Eur	15,202,900 Eur	2,900 Eur
Shares directly or indirectly controlled by Grigeo AB	100 %*	100 %*	100 %**	100 %*
Address	Vilniaus str. 10, Grigiškės, Vilnius	Popieriaus str. 15, Vilnius	Vilniaus str. 10, Grigiškės, Vilnius	Vilniaus str. 10, Grigiškės, Vilnius
Phone	+370 5 243 5933	+370 5 243 59 33	+370 5 243 58 38	+370 5 243 5933
Fax	+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 AB Grigeo.

** - Shares directly controlled by UAB Grigeo investicijų valdymas.

*** - Shares directly controlled by AB Grigeo Klaipėda.

**** - Shares directly controlled by UAB Grigeo Recycling.

***** - Shares directly semi-controlled by AB Grigeo and UAB Grigeo investicijų valdymas.

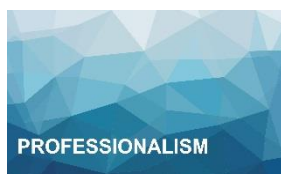
4. MISSION, VISSION, VALUES OF THE COMPANIES

By creating and producing, we always think of you - our customers, employees, partners, colleagues... What is important for you, and how we can make your and your surroundings welfare.

Mission – to develop and produce environmentally friendly products, improving quality of life.

Vission – Recognized as the 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 handkerchiefs.

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 furniture industry.

Core business activities of Grigeo Baltwood UAB are as follows: manufacturing self-coloured and painted hardboard.

Core business activities of Mena Pak AT (In Ukrainian – 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.

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

Core business activity of Grigiškių energija UAB is planned to be a business of heat production and sale. The company has not been operating in year 2019.

Core business activity 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.

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 21st of December, 2015 Finasta AB has been joined to Siaulių bankas AB, which from that date became 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 str. 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 making the market for the shares of Grigeo AB.

7. AUTHORISED CAPITAL OF THE ISSUER

7.1. The authorized capital registered at the Register of Legal Persons

7.1.1. Table. Structure of the authorized capital

Tape of shares	Number of shares	Par value, EUR	Total value, EUR	Interest in the authorised capital, %
Ordinary registered shares	65,700,000	0.29	19,053,000	100

All shares of the Issuer are fully paid up.

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

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

7.3. Rights and obligations conferred by the shares

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

- 1) to receive a part of the Company's profit - dividend;
- 2) to receive the Company's funds when the authorized capital of the Company is being reduced with a view to paying out the Company's funds to the shareholders;
- 3) to receive shares without payment if the authorized capital is increased out of the Company funds, except in cases specified in the Law on Companies of the Republic of Lithuania;
- 4) to have the pre-emption right in acquiring shares or convertible debentures issued by the Company, except in cases when the general meeting decides to withdraw the pre-emption right in acquiring the Company's newly issued shares or convertible debentures for all the shareholders in the manner prescribed by Law on Companies of the Republic of Lithuania;
- 5) to lend to the Company in the manner prescribed by laws of the Republic of Lithuania; however, when borrowing from its shareholders, the Company may not pledge its assets to the shareholders. When the company borrows from a shareholder, the interest may not be higher than the average interest rate offered by commercial banks of the locality where the lender has his place of residence

or business, which was in effect on the day of conclusion of the loan agreement. In such a case the Company and shareholders shall be prohibited from negotiating a higher interest rate;

- 6) to receive a part of assets of the Company in liquidation;
- 7) to bequeath all or a part of the shares to the ownership of the other people;
- 8) to transfer all or part of the shares to ownership of other people;
- 9) to attend the general meetings of shareholders;
- 10) to vote at general meetings of the shareholders according to voting rights carried by their shares (each fully paid share of the nominal value of 0.29 EUR gives its holder one vote at the general meeting);
- 11) to receive information on the Company according to the procedure laid down in the laws of the Republic of Lithuania and the Articles of Association of the Company;
- 12) to file a claim with the court for reparation of damage resulting from nonfeasance or malfeasance by the Company manager and Board members of their obligations prescribed by the Law on Companies and other laws of the Republic of Lithuania and the Articles of Association of the Company as well as in other cases laid down by laws of the Republic of Lithuania;
- 13) to authorize a person to vote on his/her behalf at the general meeting of the shareholders;
- 14) to exercise other property and non-property rights provided by laws of the Republic of Lithuania.

8. SHAREHOLDERS

8.1. Number of shareholders of the Company

On the 30th of September 2019 there were 2,885 shareholders of Grigeo AB.

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

8.2. table. Shareholders owning in excess of 5 per cent of the authorised capital of the Issuer on the 30th of September 2019 and/or the 31st of December 2018.

Shareholder's name (company's name, type, headquarters address, corporate ID number)	30 September 2019			31 December 2018		
	Number of ordinary registered shares owned by the shareholder	Interest in the authorised capital, %	Votes granted by shares held by the right of ownership, %	Number of ordinary registered shares owned by the shareholder	Interest in the authorised capital, %	Votes granted by shares held by the right of ownership, %
UAB „GINVILDOS INVESTICIJA“ Turniškių str. 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	8,584,171	13.07	13.07

Information about shareholders of Ginvildos investicija UAB is further disclosed in chapter 12 of the interim report.

8.3. Shareholders holding special controlling rights

There are no shareholders holding special controlling rights.

8.4. Restrictions of the voting rights

There are no restrictions of the voting rights.

8.5. Agreements between/among the shareholders

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

9. 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).

9.1. Key characteristics of the shares of the Company

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

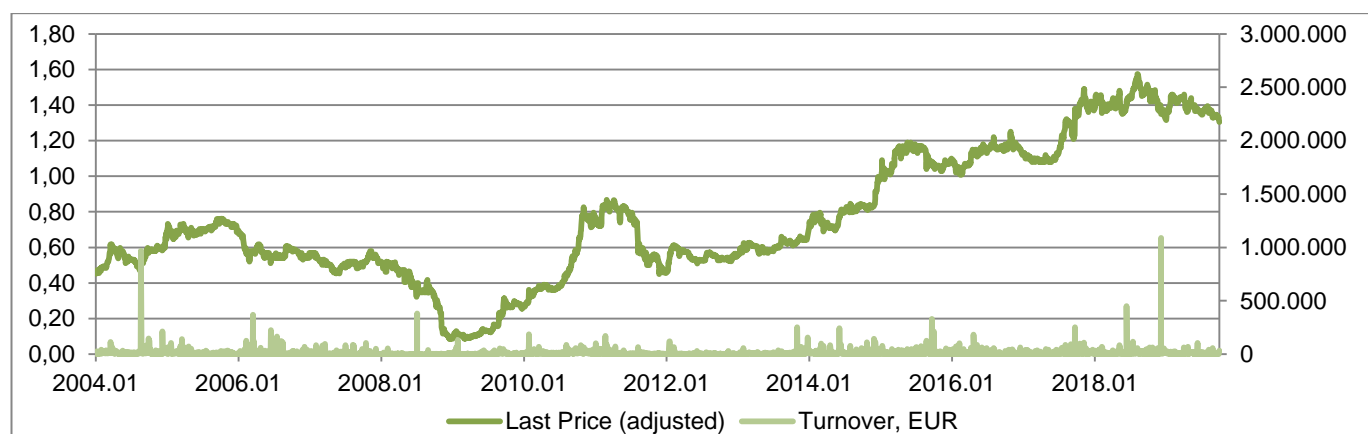
Type of shares	Securities ISIN code	Number of shares	Par value, EUR	Total par value, EUR
Registered ordinary shares	LT0000102030	65,700,000	0.29	19,053,000

9.2. Share trading information

9.2. table. Share trading information

Reported period	Price, EUR				Turnover, EUR			Total turnover	
	Max.	Min.	Last session	Average	Max.	Min.	Last session	Units	EUR
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	1.441	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
2018	1.575	1.325	1.325	1.414	1,089,964	0	14,277	3,767,611	5,327,757
2019, I Q	1.460	1.315	1.440	1.406	26,314	0	5,517	360,604	507,184
2019, II Q	1.460	1.355	1.360	1.390	103,995	0	1,715	628,442	873,498
2019, III Q	1.395	1.305	1.305	1.353	55,746	266	33,354	377,514	510,790

9.2. figure. Share price and turnover 01.01.2004 – 30.09.2019.



9.3. Capitalisation of the Company's shares

9.3. table. Capitalisation of the Company's shares

Last session date	Capitalisation, EUR
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
31.03.2019	94,608,000
30.06.2019	89,352,000
30.09.2019	85,738,500

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

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

9.5. Own shares buy out

The Company and the Group have not bought out own shares and have not acquired any shares of themselves.

9.6. Restrictions on shares transfer.

There are no restrictions on shares transfer.

9.7. Official takeover bid

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

10. EMPLOYEES

Over the nine months of the year 2019 there were no significant changes in number of employees or salary. The number of the Group employees fluctuated naturally. The change of average salary was mostly caused by the following factors: consistent salary increase policy and recruitment of workers of higher competences.

10.1. table. Number of employees of the Group

	30.09.2019	31.12.2018
Number of employees	854	844

10.2. table. Number of employees of the Company

	30.09.2019	31.12.2018
Number of employees	287	410

10.3. table. Average number of employees, salary and grouping of employees by education of the Group during the nine months of 2019.

Employees	Average salary*	Employees by education			
		University	College	Secondary	Basic
Workpeople	1,526	69	219	258	24
Specialists	1,917	132	29	28	-
Managers	4,474	67	2	6	-
Total	1,893	268	250	292	24

10.4. table. Average number of employees, salary and grouping of employees by education of the Group during the nine months of 2018.

Employees	Average salary*	Employees by education			
		University	College	Secondary	Basic
Workpeople	1,112	52	220	254	22
Specialists	1,495	137	29	28	-
Managers	3,528	68	2	3	-
Total	1,426	257	251	285	22

10.5. table. Average number of employees, salary and grouping of employees by education of the Company during the nine months of 2019.

Employees	Average salary	Employees by education			
		University	College	Secondary	Basic
Workpeople	1,641	25	60	87	10
Specialists	1,997	47	7	14	-
Managers	4,870	29	1	1	-
Total	2,082	101	68	102	10

10.6. table. Average number of employees, salary and grouping of employees by education of the Company during the nine months of 2018.

Employees	Average salary	Employees by education			
		University	College	Secondary	Basic
Workpeople	1,141	23	86	113	12
Specialists	1,514	80	10	21	-
Managers	3,689	35	2	2	-
Total	1,495	138	98	136	12

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

11. AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE ISSUER

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

12. INFORMATION ON THE MANAGING BODIES OF THE ISSUER

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

The supervisory council is comprised of 5 members. The members to the supervisory council are elected by the general meeting of shareholders for a period of 4 years. The supervisory council elects and revokes the members of the board. The board of the Company consists of 5 members. The supervisory council elects and revokes the members of the Audit committee. The Audit committee of the Company consists of 3 members.

The Supervisory Board represents the shareholders and together with the Audit Committee performs supervisory functions.

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

12.1. Members of the managing bodies

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

Full names	Positions	Education	Tenure	Capital share and votes, %
SUPERVISORY COUNCIL				
Norimantas Stankevičius	Chairman	University	Since 26 April 2019 until the annual General Meeting, to be held in 2023	4.41
Vilius Oškeliūnas	Member	University		-
Romualdas Degutis	Member	University		0.03
Normantas Paliokas	Member	University		-
Daiva Duksienė	Member	University		-
AUDIT COMMITTEE				
Daiva Duksienė	Chairwoman	University	Since 26 April 2019 until the annual General Meeting, to be held in 2023	-
Norimantas Stankevičius	Member	University		4.41
Vilius Oškeliūnas	Member	University		-
BOARD				
Gintautas Pangonis	Chairman	University	Since 26 April 2019 until the annual General Meeting, to be held in 2023	-
Nina Šlierienė	Member	University		0.24
Vigmantas Kažukauskas	Member	University		0.85
Saulius Martinkevičius	Member	University		-
Tomas Jozonis	Member	University		-
ADMINISTRATION				
Gintautas Pangonis	President	University	-	-
Nina Šlierienė	Vice President, Finance	University	-	0.24
Vigmantas Kažukauskas	Vice President, Business Development	University	-	0.85
Saulius Martinkevičius	Vice President, Purchasing & Logistics	University	-	-
Tomas Jozonis	Director General	University	-	-

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

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

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

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

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

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

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

Name	Business participation		Capital interest	
	Name of enterprise, agency and organisation	Positions	Name of enterprise, agency and organisation	Capital share and votes, %
Norimantas Stankevičius	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	True member		
	Invalda privatus kapitalas AB	Member of the board		
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
	Antena UAB	Chairman of the board	Antena UAB	35.0
	InComSystems UAB	Chairman of the board	InComSystems UAB	60.0
	InComSystems UAB	Director general		
Normantas Paliokas	Elnorma UAB	Director	Elnorma UAB	100.0
	Grigeo AB	Member of the supervisory council		
Daiva Duksienė	Grigeo AB	Member of the supervisory council		
	Autodina UAB	Chief accountant		
	UAB „Vilturas“	Chief accountant		
	UAB „Ginekologijos ir šeimos klinika“	Chief accountant		
Gintautas Pangonis	Grigeo AB	President		
	Ginvildos investicija UAB	Director	Ginvildos 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		

Name	Business participation		Capital interest	
	Name of enterprise, agency and organisation	Positions	Name of enterprise, agency and organisation	Capital share and votes, %
	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 AT	Chairman of the Supervisory council		
	Grigeo Recycling SIA	Chairman of the Supervisory council		
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	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 AT	Member of the supervisory council		
Nina Šilerienė	Grigeo AB	Vice President, Finance	Grigeo AB	0.24
	Grigeo AB	Member of the board		
	Grigeo Klaipėda AB	Member of the board		
	Naujieji Verkiai UAB	Member of the board		
	Grigeo Baltwood UAB	Member of the board		
	Grigeo Packaging UAB	Member of the board		
	Grigiškių energija UAB	Member of the board		
	Grigeo investicijų valdymas UAB	Member of the board		
Saulius Martinkevičius	Grigeo AB	Vice president, Purchasing & Logistics		
	Grigeo AB	Member of the board		
	Grigeo Baltwood UAB	Member of the board		
	Grigeo Recycling UAB	Member of the board		
Tomas Jozonis	Grigeo AB	Director General		
	Grigeo AB	Member of the board		

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

The Supervisory Council of Grigeo AB was elected on the 26th of April 2019 for a 4 years' period (ending in 2023). The Board of the Company was elected on the 26th of April 2019 for a 4 years' period (ending in 2023).

13. INFORMATION ABOUT COMPLIANCE WITH GOVERNANCE CODE

Grigeo AB follows a Corporate Governance Code for the Companies Listed on the Vilnius Stock Exchange. Information presented in the [Annual Report of 2018](#) has not undergone any changes.

14. REVIEW OF ACTIVITY OF THE GROUP COMPANIES

14.1. Material events in the Issuer's activities

This section contains summary of all GRIGEO AB published reports on material event. Full text of reports could be found on the Company's [website](#).

- 03.01.2019** AB Grigeo transferred a part of its business – the corrugated cardboard production business to its 100 % owned subsidiary UAB Grigeo Packaging.
- 16.01.2019** AB Grigeo has received Decision No 241-13 of the Director of the Supervision Service of the Bank of Lithuania 'Regarding the imposition of a sanction on AB Grigeo'.
- 14.02.2019** During 2018, the Group achieved the consolidated sales turnover of EUR 142.5 million. During the same period, the Company's sales amounted to EUR 82.5 million. During the reporting period, the Group earned EUR 14.3 million and the Company earned EUR 1.7 million.
- 03.04.2019** Grigeo AB has revised preparation of Interim information and release dates in 2019.
- 04.04.2019** The Annual General Meeting of Shareholders of Grigeo AB is convened by initiative and the decision of the Board of the Company on the 26 April, 2019, at 11 a.m. Also Board of the Company proposed to pay the dividends of 0.06 EUR per share, in total 3,942,000 EUR.
- 15.04.2019** AB Grigeo has received from the shareholder of the Company, who holds shares of the Company carrying more than 1/20 of all the votes, proposal regarding the nominee to the Supervisory Board of the Company.
- 24.04.2019** AB Grigeo has received from the shareholders of the Company, who hold shares of the Company carrying more than 1/20 of all the votes, proposals regarding the nominees to the Supervisory Board of the Company.
- 26.04.2019** The General Meeting of shareholders of Grigeo AB made the following decisions:
- To approve the set of consolidated and separate financial statements of the Company for the year 2018.
 - To approve the appropriation of the Company's profit for the year 2018 according to the draft of profit appropriation presented for the Annual General Meeting of Shareholders.
 - To elect to the Supervisory council of Grigeo AB: Mr. Vilius Oškeliūnas, Mr. Norimantas Stankevičius, Mr. Romualdas Degutis, Mr. Normantas Paliokas and Mrs Daiva Duksienė.
- The Supervisory Board of Grigeo AB adopted the following decisions:
- To elect to the Board of the Company for the period of four years the following persons: Mr. Gintautas Pangonis, Mrs. Nina Šilerienė, Mr. Vigmantas Kažukauskas, Mr. Tomas Jozonis and Mr. Saulius Martinkevičius.
 - To elect to the Audit Committee of the Company for the period of four years the following members: Mr. Norimantas Stankevičius, Mr. Vilius Oškeliūnas and Mrs. Daiva Duksienė. Mrs. Daiva Duksienė was elected as the Chairwoman of the Audit Committee.
- 08.05.2019** Grigeo AB has published dividend payment ex-date.
- 28.05.2019** During the three months of 2019, the Group achieved the consolidated sales turnover of EUR 37 million. During the same period in question, the Company's sales amounted to EUR 17.1 million. During the reporting period, the Group earned EUR 3.2 million and the Company earned EUR 9.3 million profit before taxes.

- 10.06.2019** AB Grigeo signed the Investment and shareholders' agreement with UAB "BSGF Salvus" – the subsidiary of the private equity fund "INVL Baltic Sea Growth Fund" on the investments in the cardboard business managed by the Company.
- 09.08.2019** Grigeo AB received the opinion of the Company's Audit Committee on the conclusion of the transactions with the related parties.
- 13.08.2019** AB Grigeo has transferred the shares of UAB Grigeo Packaging to a subsidiary and has acquired 50 percent shares of UAB Grigeo Recycling from subsidiaries.
- 27.08.2019** During the 1st half of 2019, the Group achieved the consolidated sales turnover of EUR 70.8 million. During the same period in question, the Company's sales amounted to EUR 32.7 million.
During the reporting period, the Group earned EUR 6.1 million and the Company earned EUR 9.9 million profit before taxes.
- 10.09.2019** Grigeo AB hereby issued official statement about allegations made against former executives of AB Grigeo Klaipēda.
- 30.09.2019** The transaction with UAB „BSGF Salvus”, the subsidiary of „INVL Baltic Sea Growth Fund” on investments in the cardboard and packaging business managed by AB „Grigeo” was terminated by the initiative of AB „Grigeo”.

14.2. Newest events in the Issuer's activities

This section contains summary of all GRIGEO AB published newest reports on material event.

After the end of reporting period the Company has not published any notifications about the material event.

14.3. Offices and branches

Group has Country marketing representatives operating in Latvia and Estonia. No new offices or branches are planned to open in 2019.

14.4. Risk factors

Information about financial risk management is provided in [note No.3](#) of annual audited consolidated statements and annual report's [chapter No. 13.4](#) for the year 2018. There are no material changes in financial risk management during nine months of year 2019.

14.5. Suppliers

14.5. table. Countries of suppliers of main raw materials and materials for the Company over the nine months of the year

Supplier's country	2019	2018
	%	%
Lithuania	55.5	54.8
Finland	18.0	21.4
Estonia	17.3	6.4
Sweden	2.7	1.2
Germany	2.2	2.5
Austria	1.3	3.2
Poland	1.1	3.1
Latvia	0.7	1.5
Russia	0.6	0.7
United Kingdom	0.2	0.2
Other countries	0.4	5.0
TOTAL	100.0	100.0

14.6. Segment information

For decision taking purposes, the Group are organized into three operating business units based on their products produced and have three reportable segments: paper and paper products, hardboard, 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:

14.6.1. table. Consolidated segments of the Group over the nine months of the year 2019

	Paper and paper products	Hardboard	Raw material for corrugated cardboard and related production	Total disclosed segments	Unallocated	Eliminations	TOTAL
Sales	44,617,227	12,142,050	47,802,908	104,562,186	1,717,387	-	106,279,573
Sales between segments	-	(498,234)	(7,624,628)	(8,122,861)	(11,961,984)	20,084,845	-
Non-consolidated segment sales	44,617,227	12,640,284	55,427,536	112,685,047	13,679,371	(20,084,845)	106,279,573
Cost of sales	(36,138,123)	(10,918,748)	(35,466,953)	(82,523,824)	(463,518)	-	(82,987,343)
Gross profit	8,479,104	1,223,302	12,335,955	22,038,361	1,253,869	-	23,292,230
Depreciation and amortization	3,496,141	739,183	3,731,614	7,966,938	882,220	-	8,849,157
Segment property, plant and equipment and intangible assets	25,293,952	4,634,930	42,501,994	72,430,876	8,361,488	-	80,792,364
Goodwill	-	-	3,001,072	3,001,072	-	-	3,001,072
Segment capital expenditure	777,708	496,550	4,586,837	5,861,095	1,227,445	-	7,088,540

14.6.2. table. Consolidated segments of the Group over the nine months of the year 2018

	Paper and paper products	Hardboard	Raw material for corrugated cardboard and related production	Total disclosed segments	Unallocated	Eliminations	TOTAL
Sales	40,366,694	11,493,125	54,926,105	106,785,924	1,213,997	-	107,999,921
Sales between segments	-	(506,067)	(8,619,700)	(9,125,767)	(10,423,711)	19,549,478	-
Non-consolidated segment sales	40,366,694	11,999,192	63,545,805	115,911,691	11,637,708	(19,549,478)	107,999,921
Cost of sales	(34,406,499)	(9,803,338)	(38,766,043)	(82,975,880)	(970,925)	-	(83,946,805)
Gross profit	5,960,195	1,689,787	16,160,062	23,810,044	243,072	-	24,053,116
Depreciation and amortization	4,086,356	1,084,782	4,099,060	9,270,198	1,228,696	-	10,498,894
Segment property, plant and equipment and intangible assets	29,110,131	4,682,367	39,299,845	73,092,343	6,610,409	-	79,702,752
Goodwill	-	-	3,001,072	3,001,072	-	-	3,001,072
Segment capital expenditure	978,641	265,153	3,614,330	4,858,124	605,713	-	5,463,837

14.6.3. table. Segments of the Company over the nine months of the year 2019

	Paper and paper products	Corrugated cardboard and related production	Total disclosed segments	Unallocated	TOTAL
Sales	44,617,227	-	44,617,227	4,719,460	49,336,687
Cost of sales	(36,138,123)	-	(36,138,123)	(4,282,287)	(40,420,410)
Gross profit	8,479,104	-	8,479,104	437,173	8,916,277
Depreciation and amortization	3,496,141	-	3,496,141	619,668	4,115,809
Segment property, plant and equipment and intangible assets	25,293,952	-	25,293,952	6,782,674	32,076,626
Segment capital expenditure	777,708	-	777,708	874,856	1,652,564

14.6.4. table. Segments of the Company over the nine months of the year 2018

	Paper and paper products	Corrugated cardboard and related production	Total disclosed segments	Unallocated	TOTAL
Sales	40,366,694	17,558,696	57,925,390	3,526,580	61,451,970
Cost of sales	(34,406,499)	(15,041,493)	(49,447,992)	(3,382,294)	(52,830,286)
Gross profit	5,960,195	2,517,203	8,477,398	144,286	8,621,684
Depreciation and amortization	4,086,356	1,003,159	5,089,515	863,409	5,952,924
Segment property, plant and equipment and intangible assets	29,110,131	9,425,579	38,535,710	4,938,191	43,473,901
Segment capital expenditure	978,641	2,706,288	3,684,929	254,979	3,939,908

14.6.5. table. Group's and Company's countries of sales

Country	Group				Company			
	nine months of 2019		nine months of 2018		nine months of 2019		nine months of 2018	
	thousand euros	%	thousand euros	%	thousand euros	%	thousand euros	%
Lithuania	35,562	33.46	37,924	35.11	16,419	33.28	24,969	40.63
Latvia	10,309	9.70	7,389	6.84	5,106	10.35	6,967	11.34
Poland	21,685	20.40	28,033	25.96	9,372	19.00	9,932	16.16
Sweden	3,399	3.20	3,704	3.43	2,568	5.21	2,837	4.62
Denmark	5,126	4.82	4,248	3.93	4,302	8.72	3,453	5.62
Estonia	7,441	7.00	7,349	6.80	2,783	5.64	5,432	8.84
The Netherlands	2,113	1.99	1,430	1.32	1,006	2.04	890	1.45
Finland	6,136	5.77	5,224	4.84	3,076	6.24	3,714	6.04
Great Britain	1,191	1.12	1,589	1.47	432	0.87	210	0.34
Norway	380	0.36	323	0.30	380	0.77	323	0.53
Czech Republic	360	0.34	322	0.30	-	-	2	0.00
Germany	1,538	1.45	644	0.60	286	0.58	128	0.21
Belarus	2,487	2.34	1,413	1.31	834	1.69	577	0.94
Hungary	89	0.08	174	0.16	30	0.06	29	0.05
Italy	41	0.04	433	0.40	-	-	-	-

France	121	0.11	234	0.22	-	-	19	0.03
Ukraine	6,226	5.86	5,298	4.91	2,089	4.23	1,364	2.22
Russia	906	0.85	498	0.46	411	0.83	425	0.69
Austria	711	0.67	1,251	1.16	32	0.06	-	-
Other countries	460	0.43	520	0.48	210	0.43	181	0.29
Total	106,280	100.00	108,000	100.00	49,337	100.00	61,452	100.00

14.7. Strategy of the activity and plans for the close future

It is planned that the Group which consists of companies Grigeo AB, Grigeo Baltwood UAB, Grigeo Klaipėda AB, Grigeo Packaging UAB, Grigeo Recycling UAB and Mena Pak AT in the year 2019 will reach a turnover of EUR 154 million. The Group's profit before taxes will reach EUR 14.4 million. It is also planned that EBITDA of the Group will reach EUR 27.2 million in 2019.

It is planned that Grigeo AB in the year 2019 will reach a turnover of EUR 66.5 million. The Company will earn a profit before taxes of EUR 2.4 million. It is also planned that EBITDA of Grigeo AB will reach EUR 8.6 million in 2019.

These forecasts are not audited.

14.8. Financial indicators of the Group and the Company

Items	Group			Company		
	nine months of 2019	nine months of 2018	Change, %	nine months of 2019	nine months of 2018	Change, %
EBITDA	20,082,876	21,953,207	-8.5	7,778,292	7,071,193	10.0
Profitability ratios						
EBITDA profitability	18.9%	20.3%	-1.4	15.8%	11.5%	4.3
Gross margin	21.9%	22.3%	-0.4	18.1%	14.0%	4.1
Operating margin	11.1%	11.2%	-0.1	8.2%	2.4%	5.8
Net margin	9.9%	10.6%	-0.7	34.2%	2.6%	31.6
ROE profitability	15.2%	19.5%	-4.3	37.7%	4.2%	33.5
ROA profitability	8.9%	9.8%	-0.9	23.4%	2.3%	21.1
Liquidity ratio, %						
Current ratio	1.38	1.12	26	1.26	0.90	36
Quick ratio	1.04	0.79	25	0.98	0.65	33
Capital structure ratio						
Debt to equity ratio	0.63	0.81	-18	0.42	0.88	-46
Debt to total assets ratio	0.39	0.45	-6	0.30	0.47	-17
Market value ratio						
P/E	8.17	8.62	-5.2	5.09	61.14	-91.7
Earnings per share	0.160	0.174	-8.2	0.256	0.025	945.3

The indicators are calculated in accordance with the Nasdaq Vilnius 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.

14.9. Related party transactions

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

Grigeo Klaipėda AB – subsidiary of Grigeo AB.

Grigeo Baltwood UAB – subsidiary of Grigeo AB.

Mena Pak AT – subsidiary of Grigeo AB.

Grigeo investicijų valdymas UAB – subsidiary of Grigeo AB.

Ginvildos Investicija UAB – major shareholders of Grigeo AB.

Statybų namai UAB – company related to the members of Supervisory Council.

Grigeo Packaging UAB – subsidiary of Grigeo AB.

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.

14.9.1. table. Group's transactions with related persons over the nine months of 2019. Balances of amounts receivable/payable in relation thereto on the 30th of September 2019 (EUR)

	Sale of goods and services	Purchase of goods and services	Amounts receivable*	Amounts payable
Entities with significant influence	-	13,700	-	1,936
Subsidiaries	-	-	-	-
Other related companies	8,888	-	-	-
Total	8,888	13,700	-	1,936

*Amounts receivable include prepayments for goods and services.

14.9.2. table. Company's transactions with related persons over the nine months of 2019. Balances of amounts receivable/payable in relation thereto on the 30th of September 2019 (EUR)

	Sale of goods and services	Purchase of goods and services	Amounts receivable*	Amounts payable
Entities with significant influence	-	13,700	-	1,936
Subsidiaries	4,022,040	5,715,126	395,426	1,893,390
Other related companies	8,888	-	-	-
Total	4,030,928	5,728,826	395,426	1,895,326

15. FINANCIAL INFORMATION

15.1. Statement of financial position

	Notes	The Group		The Company	
		30.09.2019	31.12.2018	30.09.2019	31.12.2018
ASSETS					
Non-current assets:					
Property, plant and equipment	15.7	77,651,276	74,649,120	29,805,313	31,277,363
Investment property	15.8	1,785,408	1,231,100	1,785,408	1,231,100
Intangible assets	15.9	4,356,752	4,483,885	485,905	548,138
Investments into subsidiaries	15.10	-	-	25,150,705	8,468,001
Investments into other companies		487	487	-	-
Non-current receivables		155,413	143,450	152,517	35,190
Deferred income tax assets		1,928,417	2,030,564	1,294,269	1,294,269
TOTAL NON-CURRENT ASSETS		85,877,753	82,538,606	58,674,117	42,854,061
CURRENT ASSETS:					
Inventories	15.13	8,454,945	11,738,074	3,261,685	4,605,315
Accounts receivable	15.11	17,533,158	15,864,654	9,165,212	7,572,137
Other current assets		233,468	256,603	108,702	216,384
Advance income tax		600,983	-	-	-
Cash and cash equivalents	15.12	7,339,693	4,950,151	2,193,489	1,515
Disposed assets		-	-	-	14,886,660
TOTAL CURRENT ASSETS		34,162,247	32,809,482	14,729,088	27,282,011
TOTAL ASSETS		120,040,000	115,348,088	73,403,205	70,136,072
EQUITY AND LIABILITIES					
EQUITY					
Share capital	15.14	19,053,000	19,053,000	19,053,000	19,053,000
Share premium		1,118,906	1,118,906	1,118,906	1,118,906
Legal reserve		1,905,300	1,905,300	1,905,300	1,905,300
Hedging reserve		(59,526)	(75,292)	(24,071)	(43,029)
Foreign currency translation reserve		(1,794,217)	(2,144,191)	-	-
Retained earnings		52,972,394	46,379,729	29,669,452	16,762,776
Non-controlling interests		584,329	648,602	-	-
TOTAL EQUITY		73,780,186	66,886,054	51,722,587	38,796,953
NON-CURRENT LIABILITIES:					
Grants and subsidies		1,683,784	2,261,848	1,228,667	1,620,546
Non-current borrowings	15.15	14,834,860	11,612,637	6,106,701	2,884,477
Long-term lease liabilities		4,665,877	-	1,481,081	-
Loans from subsidiaries		-	-	1,025,004	1,014,158
Finance lease obligations		47,367	-	10,879	-
Deferred income tax liability		-	-	-	-
Fair value of financial instruments		59,526	75,292	24,071	27,254
Non-current employee benefits		167,504	152,709	72,787	80,760
Long-term trade payables and other non-current liabilities		5,325	-	-	-
TOTAL NON-CURRENT LIABILITIES		21,464,243	14,102,486	9,949,190	5,627,195
CURRENT LIABILITIES:					
Current portion of long term loans	15.15	2,813,093	9,917,226	1,155,025	3,284,954
Current borrowings	15.15	51,734	2,421,396	-	2,340,843
Lease liabilities		71,525	-	32,634	-
Loans from subsidiaries		-	-	-	800,139
Current portion of financial lease obligations		7,434	12,072	3,525	6,162
Income tax payable		795,749	50,826	-	-
Trade and other payables	15.16	21,056,036	21,958,028	10,540,244	10,968,106
Liabilities related to disposed assets		-	-	-	8,311,720
TOTAL CURRENT LIABILITIES		24,795,571	34,359,548	11,731,428	25,711,924
TOTAL EQUITY AND LIABILITIES		120,040,000	115,348,088	73,403,205	70,136,072

15.2. Statements of comprehensive income

	Notes	The Group		The Company	
		January – September 2019	January – September 2018	January – September 2019	January – September 2018
Revenue		106,279,573	107,999,921	49,336,687	61,451,970
Cost of sales		82,987,343	83,946,805	40,420,410	52,830,286
Gross profit		23,292,230	24,053,116	8,916,277	8,621,684
Other operating income	15.17	1,640,058	1,005,978	1,537,599	969,703
Selling and distribution expenses		8,203,027	8,477,257	3,909,458	5,612,907
General and administrative expenses		4,518,060	4,239,893	2,244,313	2,301,731
Other operating expenses	15.18	399,421	295,719	254,743	176,705
Profit from operations		11,811,782	12,046,225	4,045,362	1,500,044
Other finance income		8,802	8,869	12,930,960	248,667
Other finance expenses		286,318	381,762	127,646	189,608
Profit before income tax		11,534,265	11,673,332	16,848,676	1,559,103
Income tax		957,354	(10,226)	-	(52,773)
NET PROFIT		10,576,911	11,683,558	16,848,676	1,611,876
Other comprehensive income:					
Exchange differences on translation of foreign operations		349,974	11,633	-	-
Cash flow hedges – effective portion of changes in fair value		15,766	44,229	18,958	25,692
Total comprehensive income, net of tax		10,942,651	11,739,420	16,867,634	1,637,568
Profit attributable to:					
The shareholders of the Company		10,494,764	11,434,302	16,848,676	1,611,876
Non-controlling interests		82,147	249,256	-	-
Total of attributable profit		10,576,911	11,683,558	16,848,676	1,611,876
Basic and diluted earnings per share		0.160	0.174	0.256	0.025
Adjusted earnings before interest, tax, depreciation and amortisation (adjusted EBITDA)		20,082,876	21,953,207	7,778,292	7,071,193

15.3. Statement of changes in equity

The Group	Share capital	Share premium	Legal reserve	Own shares reserve	Hedging reserve	Foreign currency translation reserve	Non-controlling interest	Retained earnings	Total
31 December 2017	19,053,000	1,118,906	1,905,300	1,000,000	(120,324)	(2,214,377)	425,395	35,259,339	56,427,239
Effect of IFRS 9 as at 1 January 2018	-	-	-	-	-	-	-	-	-
Effect of IFRS 15 as at 1 January 2018	-	-	-	-	-	-	-	-	-
1 January 2018	19,053,000	1,118,906	1,905,300	1,000,000	(120,324)	(2,214,377)	425,395	35,259,339	56,427,239
Net profit	-	-	-	-	-	-	284,788	14,062,390	14,347,178
Other comprehensive income (expenses)	-	-	-	-	45,032	70,186	1,488	-	116,706
Own shares reserve	-	-	-	(1,000,000)	-	-	-	1,000,000	-
Dividends approved	-	-	-	-	-	-	-	(3,942,000)	(3,942,000)
Transactions with non-controlling interest	-	-	-	-	-	-	(63,069)	-	(63,069)
31 December 2018	19,053,000	1,118,906	1,905,300	-	(75,292)	(2,144,191)	648,602	46,379,729	66,886,054
Net profit	-	-	-	-	-	-	82,147	10,494,764	10,576,911
Other comprehensive income (expenses)	-	-	-	-	15,766	349,974	(52,771)	39,901	352,870
Dividends approved	-	-	-	-	-	-	-	(3,942,000)	(3,942,000)
Transactions with non-controlling interest	-	-	-	-	-	-	(93,649)	-	(93,649)
30 September 2019	19,053,000	1,118,906	1,905,300	-	(59,526)	(1,794,217)	584,329	52,972,394	73,780,186

The Company	Share capital	Share premium	Legal reserve	Own shares reserve	Hedging reserve	Retained earnings	Total
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	-	-	-	-	-	-	-
1 January 2018	19,053,000	1,118,906	1,905,300	1,000,000	(67,831)	16,933,516	39,942,891
Net profit	-	-	-	-	-	2,771,260	2,771,260
Other comprehensive income (expenses)	-	-	-	-	24,802	-	24,802
Own shares reserve	-	-	-	(1,000,000)	-	1,000,000	-
Dividends approved	-	-	-	-	-	(3,942,000)	(3,942,000)
31 December 2018	19,053,000	1,118,906	1,905,300	-	(43,029)	16,762,776	38,796,953
Net profit	-	-	-	-	-	16,848,676	16,848,676
Other comprehensive income (expenses)	-	-	-	-	18,958	-	18,958
Dividends approved	-	-	-	-	-	(3,942,000)	(3,942,000)
30 September 2019	19,053,000	1,118,906	1,905,300	-	(24,071)	29,669,452	51,722,587

15.4. Statements of cash flows

	The Group		The Company	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
CASH FLOWS FROM (TO) OPERATING ACTIVITIES				
Profit before income tax	10,494,764	11,673,332	16,848,676	1,559,103
Adjustments for non-cash items				
Depreciation and amortisation net of grants	8,271,094	9,906,982	3,732,930	5,571,149
Elimination of finance (income) expenses	261,289	373,893	(12,803,201)	(59,059)
Loss (gain) on disposal and write-off of property, plant and equipment	(273,072)	(189,165)	(5,034)	(174,894)
Loss (profit) on disposal of emission rights	(1,194,509)	(643,650)	(1,050,509)	(491,300)
TOTAL	17,499,116	21,076,941	6,663,600	6,360,546
Changes in working capital				
(Increase) decrease in trade and other receivables	(1,599,220)	(2,718,797)	(1,680,263)	(1,827,728)
(Increase) decrease in inventories	3,312,252	537,074	1,372,753	(394,978)
(Increase) decrease in other assets	23,135	168,144	107,682	176,689
Increase (decrease) in trade and other payables	333,987	1,276,758	(205,580)	3,324,283
TOTAL	2,070,154	(736,821)	(405,408)	1,278,266
Interest (paid)	(268,010)	(382,405)	(109,744)	(181,736)
Income tax received (paid)	(611,219)	(358,855)	-	-
Net cash flows from (to) operating activities	18,690,041	19,598,860	6,148,448	7,457,076
CASH FLOWS FROM (TO) INVESTING ACTIVITIES				
(Acquisition) of property, plant and equipment and intangible assets	(7,559,997)	(5,611,741)	(1,657,218)	(4,247,080)
Proceeds from sale of property, plant and equipment	503,308	205,551	57,362	176,032
Investments into other companies	-	-	(1,065,600)	-
Proceeds from disposal of emission allowances	1,194,509	643,650	1,050,509	491,300
Dividends received	-	-	3,900,000	245,243
Net cash flows from (to) investing activities	(6,141,758)	(4,762,540)	1,980,784	(3,334,505)
CASH FLOWS FROM (TO) FINANCING ACTIVITIES				
Dividends (paid)	(3,879,129)	(3,893,730)	(3,879,129)	(3,858,054)
Loans (repaid)	(7,881,910)	(11,518,856)	(2,908,160)	(5,957,995)
Proceeds from borrowings	4,000,000	2,082,614	4,000,000	2,082,614
Received (repaid) credit lines	(2,369,662)	2,112,699	(2,340,843)	2,166,779
Loans received (repaid) from (to) subsidiaries and related companies	-	-	-	1,800,000
Finance lease (payments)	(28,040)	(194,801)	(8,987)	(56,799)
Net cash flows from financing activities	(10,158,741)	(11,412,074)	(5,937,258)	(4,123,455)
Net increase (decrease) in cash and cash equivalents	2,389,542	3,424,246	2,191,974	(884)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	4,950,151	538,705	1,515	2,143
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7,339,693	3,962,951	2,193,489	1,259

15.5. Basis of preparation

The financial statements of the Group and the Company are prepared in accordance with International Financial Reporting Standards effective as at 30 September 2019 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.

Changes in accounting policies

The Group and the Company have consistently applied the accounting policies to all periods presented in these consolidated and separate financial statements.

15.6. Accounting policies

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.

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.

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.

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.

Investments in subsidiaries (the Company)

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

Discontinued operations

A discontinued operation is a component of the Group's or the Company's business, the operations and cash flows 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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

Recognition and initial measurement

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.

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 30 September 2019.

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 or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss or the hedged item affects profit or 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 or 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.

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.

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.

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.

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.

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.

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.

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.

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.

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 customer 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 customer. 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 customer, 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.

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.

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, amortisation, impairment of buildings, non-current employee benefits, impairment evaluation of goodwill, recognition of deferred income tax asset, and impairment evaluation of other assets. 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.

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.

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:

- Investment property
- Financial instruments – fair values and risk management

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.

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.

15.7. Non-current assets

The Group	Land	Buildings and constructions	Machinery and Equipment	Vehicles	Other assets	Construction in progress and prepayments	Total
Modified cost							
31 December 2018	-	43,500,964	110,701,238	2,192,656	1,911,845	792,436	159,099,139
Additions	-	2,248	354,426	339,273	221,783	6,165,291	7,083,022
Recognition of use rights	4,737,402	-	-	-	-	-	4,737,402
Disposals	-	(13,626)	(591,622)	(279,102)	(23,848)	(33,925)	(942,123)
Transfers	-	1,092,230	2,752,555	-	110,938	(3,955,723)	-
Rate of exchange influence	-	117,987	184,408	6,334	3,176	12,337	324,242
30 September 2019	4,737,402	44,699,803	113,401,006	2,259,161	2,223,894	2,980,416	170,301,682
Accumulated depreciation and impairment							
31 December 2018	-	15,334,536	66,601,417	1,376,672	1,137,394	-	84,450,019
Depreciation	-	1,914,827	6,215,717	206,606	250,886	-	8,588,036
Disposals	-	(12,952)	(374,096)	(177,095)	(7,488)	-	(571,631)
Transfers	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-
Rate of exchange influence	-	85,039	92,066	4,583	2,294	-	183,982
30 September 2019	-	17,321,450	72,535,104	1,410,766	1,383,087	-	92,650,406
Carrying amount							
31 December 2018	-	28,166,428	44,099,821	815,984	774,451	792,436	74,649,120
30 September 2019	4,737,402	27,378,353	40,865,902	848,396	840,807	2,980,416	77,651,276

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

On the 30th of September 2019, the part of the Group's property, plant and equipment with a carrying value of 57,627 thousand Euros (31 December 2018 – 57,337 thousand Euros) is pledged as a security for repayment of the loans granted by banks.

The Company	Land	Buildings and constructions	Machinery and Equipment	Vehicles	Other assets	Construction in progress and prepayments	Total
Modified cost							
31 December 2018	-	16,125,283	55,213,588	582,384	896,877	347,769	73,165,901
Additions	-	-	15,436	85,242	33,270	875,780	1,009,728
Recognition of use rights	1,513,715	-	-	-	-	-	1,513,715
Disposals	-	(13,626)	-	(95,574)	(2,007)	-	(111,207)
Transfers	-	738,690	164,351	-	110,938	(1,013,979)	-
30 September 2019	1,513,715	16,850,347	55,393,375	572,052	1,039,078	209,570	75,578,137
Accumulated depreciation and impairment							
31 December 2018	-	5,112,339	35,911,848	285,967	578,384	-	41,888,538
Depreciation	-	665,659	3,108,882	60,120	108,504	-	3,943,165
Disposals	-	(12,952)	-	(45,032)	(895)	-	(58,879)
Transfers	-	-	-	-	-	-	-
30 September 2019	-	5,765,046	39,020,730	301,055	685,993	-	45,772,824
Carrying amount							
31 December 2018	-	11,012,944	19,301,740	296,417	318,493	347,769	31,277,363
30 September 2019	1,513,715	11,085,301	16,372,645	270,997	353,085	209,570	29,805,313

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

On the 30th of September 2019, the part of the Company's property, plant and equipment with a carrying value of 21,309 thousand Euros (31 December 2018 – 32,215 thousand Euros) is pledged as a security for repayment of the loans granted by banks.

15.8. Investment property

Group / Company	Buildings and constructions	Construction in progress and prepayments	Total
Modified cost			
31 December 2018	1,150,624	306,061	1,456,685
Additions	-	584,177	584,177
Transfers	-	-	-
30 September 2019	1,150,624	890,238	2,040,862
Accumulated depreciation and impairment			
31 December 2018	225,585	-	225,585
Depreciation	29,869	-	29,869
Transfers	-	-	-
30 September 2019	255,454	-	255,454
Carrying amount			
31 December 2018	925,039	306,061	1,231,100
30 September 2019	895,170	890,238	1,785,408

15.9. Intangible assets

The Group	Land lease rights	Licenses, patents	Software	Prestige	Other assets and prepayments	Total
Cost						
31 December 2018	695,088	62,905	2,087,909	3,001,072	531,272	6,378,246
Additions	-	-	63,280	-	40,547	103,827
Disposals	-	-	-	-	-	-
Transfers	-	-	40,546	-	(40,546)	-
Rate of exchange influence	-	-	293	-	-	293
30 September 2019	695,088	62,905	2,192,028	3,001,072	531,273	6,482,366
Accumulated amortization						
31 December 2018	118,422	46,900	1,200,678	-	528,361	1,894,361
Amortization	5,793	3,585	221,147	-	728	231,253
Disposals	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Rate of exchange influence	-	-	-	-	-	-
30 September 2019	124,215	50,485	1,421,825	-	529,089	2,125,614
Carrying amount						
31 December 2018	576,666	16,005	887,231	3,001,072	2,911	4,483,885
30 September 2019	570,873	12,420	770,203	3,001,072	2,184	4,356,752

The Company	Licenses and patents	Software	Other assets	Total
Cost				
31 December 2018	62,905	913,120	9,980	986,005
Additions	-	39,995	40,547	80,542
Disposals	-	-	-	-
Transfers	-	40,546	(40,546)	-
30 September 2019	62,905	993,661	9,981	1,066,547
Accumulated amortization				
31 December 2018	46,900	383,898	7,069	437,867
Amortization	3,585	138,462	728	142,775
Disposals	-	-	-	-
Transfers	-	-	-	-
30 September 2019	50,485	522,360	7,797	580,642
Carrying amount				
31 December 2018	16,005	529,222	2,911	548,138
30 September 2019	12,420	471,301	2,184	485,905

15.10. Investments into subsidiaries

	The Company	
	30.09.2019	31.12.2018
Grigeo Baltwood UAB	4,655,466	4,655,466
Grigeo investicijų valdymas UAB	19,426,743	3,806,743
Grigeo Packaging UAB	-	2,896
Grigeo Recycling UAB	1,065,600	-
Grigiškių energija UAB	2,896	2,896
Total investments in subsidiaries	25,150,705	8,468,001

15.11. Account receivables

	The Group		The Company	
	30.09.2019	31.12.2018	30.09.2019	31.12.2018
Trade receivables, gross	16,719,468	14,318,483	8,854,725	10,733,607
Other non-current receivables	152,517	143,450	152,517	61,760
Other receivables, gross	930,219	1,694,027	411,916	841,395
Transferred to disposed assets	-	-	-	(3,897,867)
	17,802,204	16,155,960	9,419,158	7,738,895
Less: allowance for doubtful trade receivables	(116,529)	(147,856)	(101,429)	(131,568)
Total accounts receivable, net	17,685,675	16,008,104	9,317,729	7,607,327
from this amount:				
Total non-current receivables	152,517	143,450	152,517	35,190
Total current receivables	17,533,158	15,864,654	9,165,212	7,572,137

The carrying amount of the Group's and the Company's trade and other receivables approximates their fair value.

The movement for 2018 in the allowance for doubtful amounts receivable consisted of the following, EUR:

	The Group		The Company	
	30.09.2019	31.12.2018	30.09.2019	31.12.2018
On the 1st of January	147,856	143,613	131,568	129,015
Impairment for the period	(31,327)	48,696	-	47,006
Reversed during the period	-	-	-	-
Receivables written off as uncollectible	-	(44,453)	-	(44,453)
Transferred with disposed business	-	-	(30,139)	-
At the end of the period	116,529	147,856	101,429	131,568

15.12. Cash and cash equivalents

	The Group		The Company	
	30.09.2019	31.12.2018	30.09.2019	31.12.2018
Cash at bank	7,339,591	4,950,094	2,193,489	1,515
Cash on hand	102	57	-	-
Total	7,339,693	4,950,151	2,193,489	1,515

15.13. Inventories

	The Group		The Company	
	30.09.2019	31.12.2018	30.09.2019	31.12.2018
Materials	3,568,441	4,148,439	716,139	1,285,618
Work in progress	1,315,532	1,768,601	746,713	998,009
Finished goods	3,255,065	5,590,595	1,699,366	3,040,831
Goods for resale	57,541	-	56,797	-
Goods in transit	12,668	116,059	-	87,031
Prepayments	245,698	114,380	42,670	61,477
Transferred to disposed business	-	-	-	(867,651)
Total (less)	8,454,945	11,738,074	3,261,685	4,605,315
Write-down to net realizable value	(333,260)	(359,450)	(249,363)	(278,485)

On the 30th of September 2019, the Group's and the Company's inventories with carrying amount of 1,158 thousand Euros and 1,158 thousand Euros respectively are pledged as a security for the loan granted by the bank (31 December 2018 – the Group's and the Company's inventories were pledged respectively 1,158 thousand Euros and 1,158 thousand Euros).

15.14. Share capital and legal reserve

On the 30th of September 2019 share capital consisted of 65,700,000 ordinary shares at a par value of EUR 0.29 each. All shares were fully paid.

On the 30th of September 2019 shareholders of the Company were as follows:

	Number of shares	Proportion of ownership, %
Lithuanian legal entities	31,432,656	47.9
Lithuanian individuals	30,349,886	46.2
Foreign legal entities	2,454,810	3.7
Foreign individuals	1,462,648	2.2
Total	65,700,000	100.0

On the 30th of September 2019 shareholders of the Company (by country) were as follows:

	Number of shares	Proportion of ownership, %
Lithuania	61,782,542	94.0
Estonia	2,535,968	3.9
United States	1,208,333	1.8
Other countries	173,157	0.3
Total	65,700,000	100.0

The Company has one class of ordinary shares which carry no right to fixed income.

The legal reserve is a compulsory reserve under Lithuanian legislation. Annual contributions of 5 per cent of the net profit are required until the legal reserve reach 10 per cent of the statutory capital. The appropriation is restricted to reduction of the accumulated deficit.

The Company has contributed 10 per cent of the statutory capital to legal reserve.

15.15. Non-current and current borrowings

	The Group		The Company	
	30.09.2019	31.12.2018	30.09.2019	31.12.2018
Non-current borrowings:				
Bank borrowings secured by the Group's/Company's assets	14,834,861	11,612,637	6,106,701	5,817,092
Transferred liabilities related to disposed assets	-	-	-	(2,932,615)
	14,834,861	11,612,637	6,106,701	2,884,477
Current borrowings:				
Current portion of non-current bank borrowings secured by the Group's/Company's assets	2,813,092	9,917,226	1,155,025	4,784,954
Current bank borrowings secured by the Group's/Company's assets	51,734	2,421,396	-	2,340,843
Transferred liabilities related to disposed assets	-	-	-	(1,500,000)
	2,864,826	12,338,622	1,155,025	5,625,797
TOTAL:	17,699,687	23,951,259	7,261,726	8,510,274

15.16. Trade and other payables

	The Group		The Company	
	30.09.2019	31.12.2018	30.09.2019	31.12.2018
Trade payables	16,181,521	18,149,002	8,523,432	13,148,801
Taxes, salaries and social insurance payable	3,051,023	2,054,387	1,232,815	1,062,417
Advances received	210,783	559,395	129,932	143,449
Other payables	1,612,709	1,195,244	654,065	464,054
Transferred liabilities related to disposed assets	-	-	-	(3,850,615)
Total	21,056,036	21,958,028	10,540,244	10,968,106

15.17. Other operating income

	The Group		The Company	
	01.01.2019-30.09.2019	01.01.2018-30.09.2018	01.01.2019-30.09.2019	01.01.2018-30.09.2018
Income from disposal of emission rights	1,194,509	643,650	1,050,509	491,300
Rent income	28,560	4,622	-	-
Gain from disposal of fixed assets	294,058	190,917	110,238	174,960
Scrap metal recognition	54,684	42,671	15,095	12,349
Insurance compensation	29,255	60,913	11,728	15,507
Other income	38,992	63,204	350,029	275,587
Total	1,640,058	1,005,978	1,537,599	969,703

15.18. Other operating expenses

	The Group		The Company	
	01.01.2019-30.09.2019	01.01.2018-30.09.2018	01.01.2019-30.09.2019	01.01.2018-30.09.2018
Rent expenses	103	-	103	-
Insurance expenses	10,218	153,840	4,027	12,023
Other expenses	389,100	141,879	250,613	164,682
Total	399,421	295,719	254,743	176,705

15.19. Off balance articles

Emission rights movement for the nine months of 2019

	Amount, pcs.	
	The Group	The Company
31 December 2018	(8,807)	(7,949)
Emission rights allocated	58,921	36,502
Correction of emission rights	1,070	1,070
Purchase of emission rights	-	-
Emission rights used	(14,804)	(4,915)
Sale of emission rights	(49,294)	(43,294)
30 September 2019	(12,914)	(18,586)

15.20. Court and arbitration proceedings

Over the nine months of 2019 the Group and the Company were not involved in court or arbitration proceedings which would have a material impact on the financial position of Grigeo AB.