Grigeo AB

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019
PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS,
AS ADOPTED BY THE EUROPEAN UNION,
PRESENTED TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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Independent Auditor's Report

To the Shareholders of Grigeo AB

Report on the Audit of the Separate and Consolidated Financial Statements

Qualified Opinion

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

- the separate and consolidated statements of financial position as at 31 December 2019,
- the separate and consolidated statements of profit or loss and other comprehensive income for the year then ended,
- the separate and consolidated statements of changes in equity for the year then ended,
- the separate and consolidated statements of cash flows for the year then ended, and
- notes to the separate and consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, except for the effects on the consolidated financial statements of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying separate and consolidated financial statements give a true and fair view of the unconsolidated and consolidated financial position of, respectively, the Company and the Group, as at 31 December 2019, and of their respective unconsolidated and consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

Basis for Qualified Opinion

As disclosed in Note 31, a pre-trial investigation was initiated at one of the Group's subsidiaries in January 2020 by the Klaipėda District Prosecutor's office, due to that subsidiary's alleged violation of the relevant environmental protection legislation by discharging untreated sewage in the prior years and through January 2020. In our view, a present obligation existed as at 31 December 2019 as a result of the subsidiary's past activities, and it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation, which is reliably estimable and likely material. Pursuant to IAS 37 *Provisions, contingent liabilities and contingent assets*, under such circumstances, management is required to estimate and recognize a provision for the cost of restoration and any related fees and penalties. However, no such provision was estimated and recognized as at that date. It was impracticable for us to quantify the effects of this matter on the consolidated financial statements, including the necessary adjustments to the stated amounts of provisions and shareholders' equity as at 31 December 2019, and to operating expenses and the net result for the year then ended.

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

Company code: 111494971
VAT code: LT114949716

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Impairment of goodwill (consolidated financial statements)

The carrying amount of goodwill in the consolidated financial statements as at 31 December 2019: EUR 3,001 thousand (31 December 2018: EUR 3,001 thousand); total impairment loss as at 31 December 2019: nil (31 December 2018: nil).

We refer to the financial statements: Note 2.4 (accounting policy), Note 5 (financial disclosures).

The key audit matter	How the matter was addressed in our audit
In conjunction with its acquisition of Grigeo Klaipėda AB in 2010, the Group recognized goodwill, carried at EUR 3,001 thousand as at 31 December 2019. Pursuant to the relevant provisions the financial reporting standards, annual impairment testing is cash-generating units (CGUs) to which goodwill has been allocated. As disclosed in Note 5, based on its current year's test, the Group did not recognize any impairment. Management Board uses judgment in allocating goodwill and other long-lived assets to CGUs for the annual impairment test purposes. A complex value-in-use model is applied in the test, relying on adjusted historical performance, and a range of internal and external sources as inputs to the assumptions. Significant judgment is required in making key forward-looking assumptions applied in the model, including forecast cash flows and growth rates as well as discount rates, where judgment is required in building up a discount rate that appropriately reflects the risks associated with the cash flows of the CGU being tested for impairment. Complex models using forward-looking assumptions tend to be prone to greater risk of management bias, error and inconsistent application. These conditions necessitate our additional attention in the audit, in particular to address the objectivity of sources used for assumptions, and their consistent application. Due to the above factors, we considered this area to be a key audit matter.	Our audit procedures, performed, where applicable, with the assistance from our own valuation specialists, included, among other things: — Considering the appropriateness of the Group's value-in-use model ("impairment model") applied to perform the annual impairment test, against the relevant requirements of the financial reporting standards; — Assessing the integrity of the impairment model, including the accuracy of the underlying calculation formulas. Testing of the Group's impairment-related internal controls; — Assessing asset grouping into CGUs, based on our understanding of the Group's operations and business units; — Evaluating the quality of the Group's forecasting by comparing historical projections with actual outcomes, and also tracing the forecast cash flows in the impairment model to Management Board-approved forecasts; — Using our knowledge of the Group, its past performance, business and customers, and our industry experience, challenging significant forecast cash flow and growth assumptions. As part of the procedure we: • Challenged the discount rate used by reference to publicly available market data, adjusted by risk factors specific to the Group and its industry,

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	• Assessed reasonableness of the assumptions relating to future prices of products, and materials, as well as those in respect of expected sales, output and operating costs, by reference to publicly available reports, market reports and the Group's internal documents; • Checked the assumed growth rate by reference to the Group's past performance, its approved plan, and our experience regarding the feasibility of these in the economic environment in which it operates; • Challenged reasonableness of other key macroeconomic assumptions, by reference to publicly available market reports; — Considering the sensitivity of the impairment model to changes in key assumptions, such as forecast growth rates and discount rates to identify the assumptions at higher risk of bias or inconsistency in application; — Assessing impairment-related disclosures in the consolidated financial statements against the requirements of the financial reporting standards.

Other Information

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

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

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the *Basis for Qualified Opinion* section, above, the Group failed to estimate and recognize a provision for the probable effects of an ongoing investigation at one of its subsidiaries. We concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the annual report affected by the above matter.

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

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

We also need to check that the Corporate Social Responsibility Report has been provided. If we identify that the Corporate Social Responsibility Report has not been provided, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

Under decision of the general shareholders' meeting, we were appointed on 25 April 2012 for the first time to audit the Company's and the Group's respective separate and consolidated financial statements. Our appointment to audit the Company's and the Group's separate and consolidated financial statements is renewed every two year under decision of the general shareholders' meeting, and the total uninterrupted period of engagement is 8 years.

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

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

In addition to the statutory audit service, we have provided assistance in preparing transfer pricing documentation and translation services during the financial year ended 31 December 2019.

On behalf of KPMG Baltics, UAB

Domantas Dabulis
Partner pp
Certified Auditor

Vilnius, the Republic of Lithuania
13 July 2020

STATEMENTS OF FINANCIAL POSITION

	Notes	Group		Company	
		As at 31 December 2019	As at 31 December 2018	As at 31 December 2019	As at 31 December 2018
ASSETS					
Non-current assets					
Property, plant and equipment	4	76,273,764	74,649,120	29,181,575	31,277,363
Investment property	6	1,520,839	1,231,100	1,520,839	1,231,100
Intangible assets	5	3,797,777	4,483,885	520,883	548,138
Investments into subsidiaries	1	-	-	25,150,705	8,468,001
Investments into other companies		487	487	-	-
Non-current receivables	8	94,101	143,450	91,205	35,190
Deferred income tax assets	24	768,956	2,030,564	377,066	1,294,269
Total non-current assets		**82,455,924**	**82,538,606**	**56,842,273**	**42,854,061**
Current assets					
Inventories	7	10,142,424	11,738,074	4,355,836	4,605,315
Accounts receivable	8	15,041,302	15,864,654	8,386,267	7,572,137
Other current assets		235,713	256,603	155,533	216,384
Advance income tax		-	-	-	-
Cash and cash equivalents	9	8,648,601	4,950,151	1,581,080	1,515
Disposed assets	1	-	-	-	14,886,660
Total current assets		**34,068,040**	**32,809,482**	**14,478,716**	**27,282,011**
TOTAL ASSETS		**116,523,964**	**115,348,088**	**71,320,989**	**70,136,072**

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STATEMENTS OF FINANCIAL POSITION (CONT'D)

	Notes	Group		Company	
		As at 31 December 2019	As at 31 December 2018	As at 31 December 2019	As at 31 December 2018
EQUITY AND LIABILITIES					
Equity					
Share capital	10	19,053,000	19,053,000	19,053,000	19,053,000
Share premium	10	1,118,906	1,118,906	1,118,906	1,118,906
Legal reserve	10	1,905,300	1,905,300	1,905,300	1,905,300
Own shares reserve		-	-	-	-
Hedging reserve		(17,227)	(75,292)	(11,792)	(43,029)
Foreign currency translation reserve		(1,794,676)	(2,144,191)	-	-
Retained earnings		55,986,052	46,379,729	30,002,167	16,762,776
Equity attributable to equity holders of the parent		**76,251,355**	**66,237,452**	**52,067,581**	**38,796,953**
Non-controlling interests		618,548	648,602	-	-
Total equity		**76,869,903**	**66,886,054**	**52,067,581**	**38,796,953**
Liabilities					
Accounts payable after one year and non-current liabilities					
Grants and subsidies	12	1,494,097	2,261,848	1,101,041	1,620,546
Non-current borrowings	13	5,176,637	11,612,637	2,836,257	2,884,477
Non-current lease liabilities	14	2,767,798	-	829,594	-
Loans from subsidiaries		-	-	1,028,658	1,014,158
Deferred income tax liability	24	-	-	-	-
Fair value of financial instruments	13	33,002	75,292	11,792	27,254
Non-current employee benefits	15	155,737	152,709	67,604	80,760
Long-term trade payables and other non-current liabilities		4,985	-	-	-
Total accounts payable after one year and non-current liabilities		**9,632,256**	**14,102,486**	**5,874,946**	**5,627,195**
Accounts payable within one year and current liabilities					
Current portion of long-term loans	13	11,029,287	9,917,226	3,270,674	3,284,954
Current borrowings	13	-	2,421,396	-	2,340,843
Lease liabilities	14	34,253	12,072	235,373	6,162
Loans from subsidiaries		-	-	-	800,139
Income tax payable		249,435	50,826	-	-
Trade payables and other current liabilities	16	18,708,830	21,958,028	9,872,415	10,968,106
Liabilities related to disposed assets	1	-	-	-	8,311,720
Total accounts payable within one year and current liabilities		**30,021,805**	**34,359,548**	**13,378,462**	**25,711,924**
Total liabilities		**39,654,061**	**48,462,034**	**19,253,408**	**31,339,119**
TOTAL EQUITY AND LIABILITIES		**116,523,964**	**115,348,088**	**71,320,989**	**70,136,072**

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

The financial statements were prepared by the management on 13 July 2020 and signed on its behalf by:

Gintautas Pangonis President	Vidmantas Mačiukas Finance director

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Group		Company	
		2019	2018	2019	2018
Sales revenue	17,19	140,273,708	142,545,545	65,059,878	82,478,639
Continuing operations		-	-	-	*58,357,327*
Transferred operations		-	-	-	*24,121,312*
Cost of sales	18	(106,866,135)	(112,732,185)	(51,909,439)	(72,090,832)
Continuing operations		-	-	-	*(51,573,548)*
Transferred operations		-	-	-	*(20,517,284)*
Gross profit		**33,407,573**	**29,813,360**	**13,150,439**	**10,387,807**
Other operating income	20	1,855,830	1,524,841	1,966,023	1,284,712
Continuing operations		-	-	-	*1,284,712*
Selling and distribution expenses	22	(11,118,777)	(10,316,679)	(5,282,921)	(6,649,568)
Continuing operations		-	-	-	*(4,759,658)*
Transferred operations		-	-	-	*(1,889,910)*
General and administrative expenses	23	(6,467,280)	(5,906,657)	(3,107,662)	(3,055,343)
Continuing operations		-	-	-	*(2,152,318)*
Transferred operations		-	-	-	*(903,025)*
Impairment losses from trade receivables		-	(4,243)	-	(2,553)
Other operating expenses	21	(452,076)	(353,191)	(358,739)	(237,564)
Continuing operations		-	-	-	*(237,564)*
Profit from operations		**17,225,270**	**14,757,431**	**6,367,140**	**1,727,491**
Finance income	24	68,056	13,017	12,931,653	249,726
Continuing operations		-	-	-	*249,726*
Transferred operations		-	-	-	-
Finance expenses	24	(1,445,681)	(491,557)	(1,200,199)	(252,284)
Continuing operations		-	-	-	*(198,963)*
Transferred operations		-	-	-	*(53,321)*
Profit before income tax		**15,847,645**	**14,278,891**	**18,098,594**	**1,724,933**
Income tax	25	(2,222,856)	68,287	(917,203)	1,046,327
Continuing operations		-	-	-	*1,046,327*
NET PROFIT		**13,624,789**	**14,347,178**	**17,181,391**	**2,771,260**
Continuing operations		**-**	-	-	*2,013,488*
Transferred operations		**-**	-	-	*757,772*

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

	Notes	Group		Company	
		2019	2018	2019	2018
Other comprehensive income					
Items that will never be reclassified to profit or loss		-	-	-	-
Items that are or may be reclassified to profit or loss		**407,580**	**116,706**	**31,237**	**24,802**
Exchange differences on translation of foreign operations		349,515	71,674	-	-
Cash flow hedges – effective portion of changes in fair value		58,065	45,032	31,237	24,802
Total comprehensive income for the year, net of tax		**14,032,369**	**14,463,884**	**17,212,628**	**2,796,062**
Profit attributable to:					
The shareholders of the Company		13,508,422	14,062,390	17,181,391	2,771,260
Non-controlling interests		116,367	284,788	-	-
		13,624,789	**14,347,178**	**17,181,391**	**2,771,260**
Total comprehensive income attributable to:					
The shareholders of the Company		13,916,002	14,177,608	17,212,628	2,796,062
Non-controlling interests		116,367	286,276	-	-
		14,032,369	**14,463,884**	**17,212,628**	**2,796,062**
Basic and diluted earnings per share	26	0.21	0.21	0.26	0.04
Continuing operations		-	-	-	*0.03*
Transferred operations		-	-	-	*0.01*
Adjusted earnings before interest, tax, depreciation and amortisation (adjusted EBITDA)	28	**28,603,187**	**28,112,875**	**11,587,850**	**9,285,701**
Continuing operations		-	-	-	*7,001,437*
Transferred operations		-	-	-	*2,284,264*

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

The financial statements were prepared by the management on 13 July 2020 and signed on its behalf by:

Gintautas Pangonis
President

Vidmantas Mačiukas
Finance director

STATEMENTS OF CHANGES IN EQUITY

Group	Equity attributable to equity holders of the parent								Non-controlling interest	Total equity:
	Share capital	Share premium	Legal reserve	Own shares reserve	Hedging reserve	Foreign currency translation reserve	Retained earnings	Total:		
Balance as at 31 December 2017	**19,053,000**	**1,118,906**	**1,905,300**	**1,000,000**	**(120,324)**	**(2,214,377)**	**35,259,339**	**56,001,844**	**425,395**	**56,427,239**
Net profit for the year	-	-	-	-	-	-	14,062,390	14,062,390	284,788	14,347,178
Other comprehensive income (expenses)	-	-	-	-	45,032	70,186	-	115,218	1,488	116,706
Total comprehensive income (expenses)	**-**	**-**	**-**	**-**	**45,032**	**70,186**	**14,062,390**	**14,177,608**	**286,276**	**14,463,884**
Own shares reserve	-	-	-	(1,000,000)	-	-	1,000,000	-	-	-
Transfer to legal reserve	-	-	-	-	-	-	-	-	-	-
Dividends approved	-	-	-	-	-	-	(3,942,000)	(3,942,000)	-	(3,942,000)
Transactions with owners of the Company	**-**	**-**	**-**	**(1,000,000)**	**-**	**-**	**(2,942,000)**	**(3,942,000)**	**-**	**(3,943,000)**
Transactions with non-controlling interest	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(63,069)**	**(63,069)**
Balance as at 31 December 2018	**19,053,000**	**1,118,906**	**1,905,300**	**-**	**(75,292)**	**(2,144,191)**	**46,379,729**	**66,237,452**	**648,602**	**66,886,054**
Net profit for the year	-	-	-	-	-	-	13,508,422	13,508,422	116,367	13,624,789
Other comprehensive income (expenses)	-	-	-	-	58,065	349,515	-	407,580	-	407,580
Total comprehensive income (expenses)	**-**	**-**	**-**	**-**	**58,065**	**349,515**	**13,508,422**	**13,916,002**	**116,367**	**14,032,369**
Dividends approved (Note 26)	-	-	-	-	-	-	(3,942,000)	(3,942,000)	-	(3,942,000)
Transactions with owners of the Company	**-**	**-**	**-**	**-**	**-**	**-**	**(3,942,000)**	**(3,942,000)**	**-**	**(3,942,000)**
Transactions with non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**39,901**	**39,901**	**(146,421)**	**(106,520)**
Balance as at 31 December 2019	**19,053,000**	**1,118,906**	**1,905,300**	**-**	**(17,227)**	**(1,794,676)**	**55,986,052**	**76,251,355**	**618,548**	**76,869,903**

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STATEMENTS OF CHANGES IN EQUITY (CONT'D)

Company	Share capital	Share premium	Legal reserve	Own shares reserve	Hedging reserve	Retained earnings	Total equity:
Balance as at 31 December 2017	**19,053,000**	**1,118,906**	**1,905,300**	**1,000,000**	**(67,831)**	**16,933,516**	**39,942,891**
Net profit for the year	-	-	-	-	-	2,771,260	2,771,260
Other comprehensive income (expenses)	-	-	-	-	24,802	-	24,802
Total comprehensive income expenses)	-	-	-	-	**24,802**	**2,771,260**	**2,796,062**
Own shares reserve	-	-	-	(1,000,000)	-	1,000,000	-
Dividends approved (Note 26)	-	-	-	-	-	(3,942,000)	**(3,942,000)**
Transfer to legal reserve	-	-	-	-	-	-	-
Transactions with owners of the Company	-	-	-	**(1,000,000)**	-	**(2,942,000)**	**(3,942,000)**
Balance as at 31 December 2018	**19,053,000**	**1,118,906**	**1,905,300**	-	**(43,029)**	**16,762,776**	**38,796,953**
Recalculated as at 31 December 2018	**19,053,000**	**1,118,906**	**1,905,300**	-	**(43,029)**	**16,762,776**	**38,796,953**
Net profit for the year	-	-	-	-	-	**17,181,391**	**17,181,391**
Other comprehensive income (expenses)	-	-	-	-	31,237	-	31,237
Total comprehensive income expenses)	-	-	-	-	**31,237**	**17,181,391**	**17,212,628**
Own shares reserve	-	-	-	-	-	-	-
Dividends approved (Note 26)	-	-	-	-	-	**(3,942,000)**	**(3,942,000)**
Transactions with owners of the Company	-	-	-	-	-	**(3,942,000)**	**(3,942,000)**
Balance as at 31 December 2019	**19,053,000**	**1,118,906**	**1,905,300**	-	**(11,792)**	**30,002,167**	**52,067,581**

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

The financial statements were prepared by the management on 13 July 2020 and signed on its behalf by:

Gintautas Pangonis
President

Vidmantas Mačiukas
Finance director

STATEMENTS OF CASH FLOWS

	Notes	Group		Company	
		2019	2018 (restated)	2019	2018
Cash flows from (to) operating activities					
Profit before income tax		15,847,645	14,278,891	18,098,594	1,724,933
Adjustments for non-cash items					
Depreciation and amortisation, including subsidies		11,377,917	13,355,444	5,220,710	7,558,210
Elimination of finance (income) expenses	24	1,377,625	478,540	(11,731,454)	2,558
Loss (gain) on disposal and write-off of property, plant and equipment		(217,519)	(185,412)	(77,816)	(174,866)
Impairment of other investments		-	58,936	-	58,936
Allowance for impairment of doubtful receivables (reversal)	8	(31,016)	4,243	(59,819)	2,553
		28,354,652	**27,990,642**	**11,450,215**	**9,172,324**
Changes in working capital					
(Increase) decrease in trade and other receivables		908,702	(938,334)	(810,326)	(960,961)
(Increase) decrease in inventories		1,595,650	(1,898,309)	249,480	(960,315)
(Increase) decrease in other assets		20,890	120,988	60,851	91,649
Increase (decrease) in trade and other payables		(4,188,599)	2,052,567	(1,962,774)	3,401,439
		(1,663,357)	**(663,088)**	**(2,462,769)**	**1,571,812**
Interest (paid)		(342,702)	(501,443)	(143,922)	(249,773)
Income tax (paid)		(604,658)	(353,480)	-	-
Net cash flows from (to) operating activities		**25,743,935**	**26,472,631**	**8,843,524**	**10,494,363**

(cont'd on the next page)

STATEMENTS OF CASH FLOWS (CONT'D)

	Notes	Group		Company	
		2019	2018 (restated)	2019	2018
Cash flows from (to) investing activities					
(Acquisition) of property, plant and equipment and intangible assets	4, 5, 6	(10,826,199)	(6,741,443)	(2,945,629)	(4,838,617)
(Acquisition) of subsidiaries		-	-	(1,065,600)	-
Proceeds from sale of property, plant and equipment		751,043	206,508	153,162	176,989
Grants and subsidies received	12	-	-	-	-
Dividends received		-	-	3,900,000	245,243
Acquisition of non-controlling interest		-	-	-	-
Net cash flows from (to) investing activities		**(10,075,156)**	**(6,534,935)**	**41,933**	**(4,416,385)**
Cash flows from (to) financing activities					
Dividends (paid)		(4,025,550)	(3,894,867)	(3,879,129)	(3,863,009)
Loans (repaid)		(10,723,939)	(13,998,162)	(4,062,955)	(7,154,233)
Proceeds from borrowings		5,400,000	2,082,614	4,000,000	2,082,614
Received (repaid) credit lines		(2,421,396)	493,362	(2,340,843)	1,122,785
Loans received (repaid) from (to) subsidiaries and related companies		-	-	(800,139)	1,800,000
Lease (payments)		(199,444)	(209,197)	(222,826)	(66,763)
Net cash flows from financing activities		**(11,970,329)**	**(15,526,250)**	**(7,305,892)**	**(6,078,606)**
Net increase (decrease) in cash and cash equivalents		**3,698,450**	**4,411,446**	**1,579,565**	**(628)**
Cash and cash equivalents at the beginning of the period		**4,950,151**	**538,705**	**1,515**	**2,143**
Cash and cash equivalents at the end of the period		**8,648,601**	**4,950,151**	**1,581,080**	**1,515**
Supplemental information of cash flows:					
Non-cash investing activity:					
Property, plant and equipment acquisitions under lease		-	-	-	-
Liability for property, plant and equipment outstanding as at year end		304,269	560,888	155,629	426,860

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

The financial statements were prepared by the management on 13 July 2020 and signed on its behalf by:

Gintautas Pangonis
President

Vidmantas Mačiukas
Finance director

NOTES TO THE FINANCIAL STATEMENTS

1. General information

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

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

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

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

As at 31 December 2019, the number of employees of the Group was 869 (as at 31 December 2018: 844). As at 31 December 2019, the number of employees of the Company was 295 (as at 31 December 2018: 410).

<u>Structure of the Group</u>

As at 31 December 2019 and 2018, Grigeo AB group consists of Grigeo AB and the following subsidiaries (hereinafter referred to as the Group):

Name	2019				2018		Address	Principal activity
	Share of the stock held by the Group	Size of investment (cost)	Profit (loss) for the reporting period	Equity at the end of the reporting period 100%	Share of the stock held by the Group	Size of investment (cost)		
Subsidiaries directly controlled by the Company:								
Grigeo Baltwood UAB	100%	4,655,466	384,529	6,783,162	100%	4,655,466	Vilniaus St. 10, Grigiškės, Vilnius Mun., Lithuania	Manufacturing of wood fibre boards.
Grigeo Recycling UAB	100%	1,065,600	474,208	2,326,177	100%	-	Vilniaus St. 10, Grigiškės, Vilnius Mun., Lithuania	Collection of secondary materials and preparation for recycling.
Naujieji Verkiai UAB	100%	-	(11)	(16,779)	100%	-	Popieriaus St. 15, Vilnius, Lithuania	Building and development of real estate.
Grigeo investicijų valdymas UAB	100%	19,426,743	3,821,501	31,907,910	100%	3,806,743	Vilniaus St. 10, Grigiškės, Vilnius Mun., Lithuania	Investment activities and corporate governance.
Grigiškių energija UAB	100%	2,896	-	33	100%	2,896	Vilniaus St. 10, Grigiškės, Vilnius Mun., Lithuania	Heat production and sale. No operations in 2019 and 2018.
Grigeo Packaging UAB	-	-	-	-	100%	2,896	Vilniaus St. 10, Grigiškės, Vilnius Mun., Lithuania	Corrugated cardboard and packaging manufacturing.
Total:		**25,150,705**				**8,468,001**		

1. General information (cont'd)

Name	2019				2018		Address	Principal activity
	Share of the stock held by the Group	Size of investment (cost)	Profit (loss) for the reporting period	Equity at the end of the reporting period 100%	Share of the stock held by the Group	Size of investment (cost)		
Subsidiaries indirectly controlled by the Company:								
Grigeo Klaipėda AB	97.67%	-	4,564,229	28,623,408	97.67%	-	Nemuno St. 2, Klaipėda, Lithuania	Production of paperboard and paper honeycomb.
Grigeo Packaging UAB	100%	-	1,981,646	17,192,644	-	-	Vilniaus St. 10, Grigiškės, Vilnius Mun., Lithuania	Corrugated cardboard and packaging manufacturing.
Mena Pak AT	100%	-	555,607	2,366,750	95.64%	-	Koshevovo St. 6, Chernigovo distr., Mena, Ukraine	Corrugated cardboard and packaging manufacturing.
Grigeo Recycling SIA	100%	-	(103,472)	(100,787)	100%	-	Ēdoles iela 5, Riga, Latvia	Collection of secondary materials and preparation for recycling.

The non-controlling portion comprises 2.33% shares of Grigeo Klaipėda AB which are not owned by the Company's shareholders (as at 31 December 2018 the non-controlling portion still was in the Mena Pak AT company which was acquired during 2019). In 2019 changes of the non-controlling portion are related to the result portion attributed to it and disposal of indirect investment held by Grigeo Klaipėda AB. In 2019 Grigeo Klaipėda AB paid EUR 53,421 dividends to the non-controlling shareholders (in 2018 – EUR 36,627).

Key financial indicators of AB Grigeo Klaipėda:

	As at 31 December 2019	As at 31 December 2018
Non-current assets	31,623,907	32,783,420
Current assets	10,176,064	13,428,433
TOTAL ASSETS	**41,799,971**	**46,211,853**
Equity	28,623,408	28,059,219
Liabilities	13,176,563	18,152,634
TOTAL EQUITY AND LIABILITIES	**41,799,971**	**46,211,853**
Net profit	4,564,299	11,726,589
Net cash flows from operating activities	10,623,784	13,733,953
Net cash flows from investing activities	(1,694,912)	(941,316)
Net cash flows from financing activities	(9,262,594)	(8,432,229)
Cash and cash equivalents at the beginning of the reporting period	4,653,292	292,884
Cash and cash equivalents at the end of the reporting period	4,319,570	4,653,292

Changes in the Group in 2019 and 2018

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

1. General information (cont'd)

On 2 January 2019 Grigeo AB transferred a part of its business – the business of corrugated cardboard manufacturing – to its subsidiary Grigeo Packaging UAB of which it owns 100% shares. Business disposal to Grigeo Packaging UAB was carried out by increasing the authorised capital of Grigeo Packaging UAB, and Grigeo AB paid for the new share emission with a non-cash contribution – the Business, as a set of assets, rights and obligations, an organisationally autonomous economic unit, in exchange for new ordinary shares of Grigeo Packaging UAB. The new Business was evaluated by an independent valuator at EUR 15,200,000. Upon transfer of shares the Company earned a profit of EUR 8,609 thousand (see Note 24).

In August 2019 Grigeo AB as the sole shareholder adopted a decision and Grigeo investicijų valdymas UAB increased authorised capital from EUR 3,709,776 up to EUR 19,329,776 by issuing an emission of 15,620,000 new shares. Grigeo AB paid to Grigeo investicijų valdymas UAB for the newly issued shares with contribution held by the right of ownership – 15,202,900 units of Grigeo Packaging UAB shares of EUR 1 each. Upon transfer of shares the Company earned a profit of EUR 417,100 (see Note 24).

In 2018 revenue on disposal of emission rights was transferred from "Net cash flows from (to) financing activities" to "Cash flows from (to) operating activities" in the statement of cash flows (the Company – EUR 693,300, the Group – EUR 845,650). This change made no impact on the statement of profit or loss and other comprehensive income and the balance sheet.

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

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

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

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

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

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

Grigeo Recycling UAB

On 13 August 2019 the Company acquired 50% of Grigeo Recycling UAB shares for EUR 1,065,600. The shares were acquired from Group companies – 39.19% from Grigeo Klaipėda AB and 10.81% from Grigeo investicijų valdymas UAB. The remaining shares were acquired from Grigeo Klaipėda AB by Grigeo investicijų valdymas UAB.

The share purchase and sale price was determined by an independent valuator. As at 31 December 2019 the Company directly and indirectly controlled 100% of Grigeo Recycling UAB shares.

2. Accounting policies

2.1. Basis of preparation

The financial statements of the Group and the Company are prepared in accordance with International Financial Reporting Standards effective as at 31 December 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.

The Company's management prepared these financial statements on 13 July 2020. The shareholders of the Company have a statutory right to either approve these financial statements or not approve them and require the management to prepare a new set of financial statements.

Changes in accounting policies

The Company has initially adopted IFRS 16 Leases from 1 January 2019. A number of other new standards are also effective from 1 January 2019 but they do not have a material effect on the Company's financial statements.

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings as 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

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

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

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

i. Leases in which the Company is a lessee

The Company recognised new assets and liabilities for its operating leases of premises and land, depreciation charge for right-of-use assets and interest expense on lease liabilities.

The increases (decreases) in relevant statement of financial position items on transition is summarised below:

EUR	**1 January 2019**
Right-of-use assets	2,997,146
Long-term leasehold improvements	-
Lease liabilities	2,997,146
Other assets (prepayment)	-
Other liabilities	-

A reconciliation of the undiscounted operating lease commitment at 31 December 2018 recognised in the consolidated statement of financial position at transition date is presented below:

EUR	
Operating lease commitment at 31 December 2018	7,513,401
Recognition exemption:	
- Leases of low-value assets	-
- Leases with remaining lease term of less than 12 months	-
Undiscounted lease liabilities	7,513,401
Discounted using the incremental borrowing rate at 1 January 2019	2,997,146

2. Accounting policies (cont'd)

2.1. Basis of preparation (cont'd)

The discount rate used by the Group is 4.0%. The discount rate was calculated based on assessment of current loan interest rates, the financial position and results of the Group and the Company as well as maturities of lease agreements.

The discount rate used by the Company is 4.0%. The discount rate was calculated based on assessment of current loan interest rates, the financial position and results of the Company as well as maturities of lease agreements.

New standards and interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet mandatorily effective for annual periods beginning on or after 31 December 2019 and have not been applied in preparing these consolidated financial statements. Of these pronouncements, the following will potentially have an impact on the Group's and the Company's financial statements. The Group and the Company do not plan to adopt these amendments, new Standards and Interpretations earlier.

- Amendments to References to Conceptual Framework in IFRS Standards;
- Definition of Material (Amendments to IAS 1 and IAS 8);
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7);
- Definition of a Business (Amendments to IFRS 3) (not yet endorsed by EU);
- IFRS 17 Insurance Contracts (not yet endorsed by EU);
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) (not yet endorsed by EU);
- IFRS 14 Regulatory Deferral Accounts (not yet endorsed by EU).

2.2. Going concern

These financial statements for the year ended 31 December 2019 have been prepared under the assumption that the Group and the Company will continue as a going concern.

2.3. Basis of consolidation

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

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

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

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

2.4. Business combinations and goodwill

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

2. Accounting policies (cont'd)

2.4. Business combinations and goodwill (cont'd)

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

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

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

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

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

When a company is split by way of a spin-off or split-off, its assets and liabilities are transferred to newly established or other operating companies, and a decrease in assets, liabilities and equity is registered in the accounting of the split company.

The difference in value of assets and liabilities of the spin-off or split-off companies provided in the conditions of the split determine the equity amount of the newly established or operating companies, and in their accounting equity it is registered in the account of the authorised capital and other equity accounts as at the date of reception and transfer according to the conditions of the split. If the conditions of the split do not provide in which equity accounts the difference in value of assets and liabilities should be registered, it is registered in the account of the formed authorised capital and share premium or the account of retained earnings (loss).

2.5. Presentation currency

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

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

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

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

2.6. Investments in subsidiaries (the Company)

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

2. Accounting policies (cont'd)

2.7. Discontinued operations

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

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

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

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

2.8. Intangible assets other than goodwill

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

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

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

Licenses, patents and etc.	3–5 years
Software	3–6 years
Other intangible assets	3–6 years

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

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

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

2.9. Property, plant and equipment

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

Before 31 December 2010, buildings were accounted as follows:

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

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

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

2. Accounting policies (cont'd)

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

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

Land lease right	2–90 years
Buildings and structures	8–91 years
Machinery and equipment	5–15 years
Vehicles	4–8 years
Other equipment and other assets	4–6 years

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

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

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

2.10. Investment property

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

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

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

2.11. Disposed assets

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

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

2.12. Emission allowances

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

2. Accounting policies (cont'd)

2.12. Emission allowances (cont'd)

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

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

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

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

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

2.13. Borrowing costs

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

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

Borrowing costs may include:

- interest expenses calculated using the effective interest, and
- exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

The commencement date for capitalisation is the date when all of the following three conditions are met:

- expenditures for the asset are incurred,
- borrowing costs are incurred,
- activities necessary to bring the asset into its intended use or sale are undertaken.

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

2.14. Financial instruments

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

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.

2. Accounting policies (cont'd)

2.14. Financial instruments (cont'd)

Classification and subsequent measurement

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

Measurement of financial assets at fair value through other comprehensive income

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

Financial assets at fair value through profit or loss

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

The Group and the Company do not have any financial instruments at fair value through profit or loss as at 31 December 2019 and 2018.

2. Accounting policies (cont'd)

2.14. Financial instruments (cont'd)

Derivative financial instruments and hedge accounting

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

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

Cash flow hedges

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

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

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

Derecognition in the statement of financial position

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

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

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

Offsetting financial assets and financial liabilities

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

2. Accounting policies (cont'd)

2.14. Financial instruments (cont'd)

Impairment of financial assets

IFRS 9 contains a new model for calculation of impairment of financial assets measured at amortised cost or FVOCI (except for investments in equity instruments, and to contract assets). The impairment model is based on the calculated possible losses.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.15. Inventories

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

2. Accounting policies (cont'd)

2.16. Financial and operating leases

Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

The Group as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2. Accounting policies (cont'd)

2.16. Financial and operating leases

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group as a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
    - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
    - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
    - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

2. Accounting policies (cont'd)

2.16. Financial and operating leases (cont'd)

The Group as a lessee

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

The Group as a lessor

When the Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease. To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

2.17. Non-current employee benefits

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

The past service costs are recognised as an expense 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.

2.18. Financial guarantee contracts

Financial guarantees provided for the liabilities of the Group companies (i.e. companies controlled by the same parent) during the initial recognition are accounted at estimated fair value as injection of capital 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 group company's financial liability to the bank. If there is a possibility that the group 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 9 Financial Instruments.

2.19. Grants and subsidies

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

2. Accounting policies (cont'd)

2.19. Grants and subsidies (cont'd)

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

2.20. Income tax

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

Income tax rate of 15% has been introduced starting from 1 January 2010 for companies operating in the Republic of Lithuania. Standard income tax rate in Ukraine for the year 2019 was 18% (2018: 18%).

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

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

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

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

2.21. Revenue recognition

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

Identification requirements for contracts with customers

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

2. Accounting policies (cont'd)

2.21. Revenue recognition (cont'd)

Identification of performance obligations

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

Determination of transaction price

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

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

Allocation of the transaction price for each performance obligation

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

Revenue recognition when all performance obligations are fulfilled

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

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

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

2.22. Impairment of non-financial assets

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

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

2. Accounting policies (cont'd)

2.23. Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with International Financial Reporting Standards as adopted by EU requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies, at the reporting date and within the next financial year. The significant areas of estimation used in the preparation of the accompanying financial statements relate to depreciation (Notes 2.8., 2.9., 4 and 6), amortisation (Note 2.7. and Note 5), impairment of buildings (Note 2.8., Note 4), non-current employee benefits (Note 2.17. and Note 15), impairment evaluation of goodwill (Note 2.4., Note 5), recognition of deferred income tax asset (Note 2.19., Note 24), impairment evaluation of other assets (Note 2.21., Note 8) and rights to lease of premises and land (Note 2.1 and Note 13). Future events may occur which will cause the assumptions used in arriving at the estimates to change. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

2.24. Fair value measurement

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

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

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

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

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

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

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

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

2.25. Contingencies

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

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

2. Accounting policies (cont'd)

2.26. Subsequent events

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

3. Financial instruments – fair values and risk management

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

Credit risk

The Group and the Company do not have any significant concentration of trading counterparties. The Group's receivables from two major customers as at 31 December 2019 amounted to 6.7 % and 2.3 %, respectively (settled) (9.7 % and 0 % as at 31 December 2018) of the total Group's trade receivables. The Company's receivables from two major customers as at 31 December 2019 amounted to 17.1 % and 4.3 %, respectively (12.9 % and 2.2 % as at 31 December 2018) of the total Company's trade receivables.

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

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

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

Liquidity risk

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2019 and 2018 based on contractual undiscounted payments:

	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total	Carrying amount
Interest bearing borrowings	-	2,554,215	6,119,846	7,739,641	-	16,413,702	16,205,924
Lease liabilities	-	38,562	115,685	550,988	6,726,159	7,431,394	2,802,051
Trade payables	-	14,820,771	-	-	-	14,820,771	14,820,771
Other current liabilities	637,592	1,093,511	-	-	-	1,731,103	1,731,103
Balance as at 31 December 2019	**637,592**	**18,507,059**	**6,235,531**	**8,290,629**	**6,726,159**	**40,396,970**	**35,559,849**
Interest bearing borrowings	-	2,649,276	9,973,592	11,744,786	-	24,367,654	23,951,259
Lease liabilities	-	12,099	-	-	-	12,099	12,072
Trade payables	-	18,149,004	-	-	-	18,149,004	18,149,004
Other current liabilities	628,466	566,778	-	-	-	1,195,244	1,195,244
Balance as at 31 December 2018	**628,466**	**21,377,157**	**9,973,592**	**11,744,786**	**-**	**43,724,001**	**43,307,579**

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

Liquidity risk (cont'd)

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2019 and 2018 based on contractual undiscounted payments:

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total	Carrying amount
Interest bearing borrowings	-	1,158,302	2,136,581	2,883,986	-	6,178,869	6,106,931
Lease liabilities	-	71,694	215,079	152,138	2,339,600	2,778,511	1,064,967
Payables to related parties	-	753,072	-	-	-	753,072	753,072
Trade payables	-	7,629,372	-	-	-	7,629,372	7,629,372
Guarantees issued for the related parties	545,455	-	-	-	-	545,455	545,455
Other current liabilities	176,580	288,213	-	-	-	464,793	464,793
Balance as at 31 December 2019	**722,035**	**9,900,653**	**2,351,660**	**3,036,124**	**2,339,600**	**18,350,072**	**16,564,590**
Interest bearing borrowings	-	1,241,260	6,019,703	5,877,504	-	13,138,467	12,942,889
Lease liabilities	-	6,173	-	-	-	6,173	6,162
Payables to related parties	-	2,945,944	-	-	-	2,945,944	2,945,944
Trade payables	-	10,202,857	-	-	-	10,202,857	10,202,857
Guarantees issued for the related parties	1,353,281	-	-	-	-	1,353,281	1,353,281
Other current liabilities	356,713	107,341	-	-	-	464,054	464,054
Balance as at 31 December 2018	**1,709,994**	**14,503,575**	**6,019,703**	**5,877,504**	**-**	**28,110,776**	**27,915,187**

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

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

In 2019 the Company had a guarantee issued to the bank to secure the loans of EUR 545 thousand of its subsidiary Grigeo Klaipėda AB (as at 31 December 2018: the loans of EUR 1,273 thousand) and of its subsidiary Grigeo Recycling UAB which had been repaid as at 2019 (as at 31 December 2018: EUR 80 thousand).

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

Exposure to interest rate risk

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

In 2016 the Company entered into two interest rate swap agreements with the bank establishing fixed interest rates on loans. The agreements come into effect on 15 February 2016 and will be effective until 15 March 2021. As at 31 December 2019 the fair value of the financial instrument, which is calculated by the bank, amounted to EUR 12 thousand for the Company and EUR 33 thousand for the Group (as at 31 December 2018: the fair value of the financial instrument amounted to EUR 27 thousand for the Company and EUR 76 thousand for the Group). As at 31 December 2019 the nominal value of financial instruments amounted to EUR 6,179 thousand for the Company and EUR 16,414 thousand for the Group (as at 31 December 2018: the Company's financial instruments have a nominal value EUR 5,077 thousand, the Group's – EUR 13,182 thousand.

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

	Increase/decrease in basis points	Effect on equity	Effect on the profit before the income tax
2019			
EUR	+100	-	(211,565)
EUR	-100	-	211,565
2018			
EUR	+100	-	(213,555)
EUR	-100	-	213,555

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

	Increase/decrease in basis points	Effect on equity	Effect on the profit before the income tax
2019			
EUR	+100	-	(63,200)
EUR	-100	-	63,200
2018			
EUR	+100	-	(108,878)
EUR	-100	-	108,878

Foreign exchange risk

The Group's and the Company's monetary assets and liabilities as at 31 December 2019 and 2018 are mainly denominated EUR and Ukrainian hryvnia (functional currencies of Group companies); therefore; the management of the Group and the Company believes that foreign exchange risk is insignificant.

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

Fair value of financial instruments

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

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

31 December 2019:

Group	Note	Carrying amount	Fair value			
		Total	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value						
Interest rate swap used for hedging		(33,002)	-	(33,002)	-	(33,002)
Financial liabilities not measured at fair value						
Interest bearing loans and borrowings		(16,205,924)	-	(16,205,924)	-	(16,205,924)
Lease liabilities		(2,802,051)	-	(2,802,051)	-	(2,802,051)
Total financial liabilities		**(19,040,977)**	**-**	**(19,040,977)**	**-**	**(19,040,977)**

31 December 2018:

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

31 December 2019:

Company	Note	Carrying amount	Fair value			
		Total	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value						
Interest bearing loans and borrowings		(11,792)	-	(11,792)	-	(11,792)
Financial liabilities not measured at fair value						
Interest bearing loans and borrowings		(6,106,931)	-	(6,106,931)	-	(6,106,931)
Lease liabilities		(1,064,967)	-	(1,064,967)	-	(1,064,967)
Total financial liabilities		**(7,183,690)**	**-**	**(7,183,690)**	**-**	**(7,183,690)**

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

Fair value of financial instruments (cont'd)

31 December 2018:

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

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

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

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

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

4. Property, plant and equipment

Group	Land	Buildings and structures	Machinery and equipment	Vehicles	Other assets	Construction in progress and prepayments	TOTAL
Cost:							
Balance as at 31 December 2017	**-**	**42,559,990**	**108,432,214**	**1,941,361**	**2,366,622**	**588,523**	**155,888,710**
Additions	-	75,125	348,825	442,396	197,636	5,008,421	6,072,403
Disposals and write-offs	-	(55,876)	(2,042,894)	(206,844)	(817,920)	-	(3,123,534)
Transfer from construction in progress to property, plant and equipment	-	455,433	4,296,425	14,008	163,982	(4,929,848)	-
Reclassifications	-	434,206	(357,788)	-	-	-	76,418
Transfer to inventories for sale	-	-	-	-	-	125,340	125,340
Effect of foreign currency translation	-	32,086	24,456	1,735	1,525	-	59,802
Balance as at 31 December 2018	**-**	**43,500,964**	**110,701,238**	**2,192,656**	**1,911,845**	**792,436**	**159,099,139**
Recognition of right of use	2,997,146	-	-	-	-	-	2,997,146
Adjusted balance as at 1 January 2019	**2,997,146**	**43,500,964**	**110,701,238**	**2,192,656**	**1,911,845**	**792,436**	**162,096,285**
Additions	-	121,111	409,965	416,533	601,510	8,812,928	10,362,047
Disposals and write-offs	-	(301,497)	(2,087,546)	(278,337)	(85,976)	-	(2,753,356)
Transfer from intangible assets*	695,088	-	-	-	-	-	695,088
Transfer from construction in progress to property, plant and equipment	-	4,024,403	3,151,030	-	104,576	(7,280,009)	-
Reclassifications	-	(132,936)	-	-	-	-	(132,936)
Effect of foreign currency translation	2,672	114,215	158,530	6,132	2,965	18,164	302,678
Balance as at 31 December 2019	**3,694,906**	**47,326,260**	**112,333,217**	**2,336,984**	**2,534,920**	**2,343,519**	**170,569,806**
Accumulated depreciation and impairment:							
Balance as at 31 December 2017	**-**	**12,435,799**	**58,595,924**	**1,280,874**	**1,622,001**	**-**	**73,934,598**
Depreciation	-	2,853,772	10,376,639	289,142	330,479	-	13,850,032
Impairment loss/(reversal)	-	-	-	-	-	-	-
Disposals and write-offs	-	(55,876)	(2,035,581)	(194,259)	(816,729)	-	(3,102,445)
Reclassifications	-	80,458	(358,072)	-	285	-	(277,329)
Effect of foreign currency translation	-	20,383	22,507	915	1,358	-	45,163
Balance as at 31 December 2018	**-**	**15,334,536**	**66,601,417**	**1,376,672**	**1,137,394**	**-**	**84,450,019**
Transfer from intangible assets*	126,145	**-**	**-**	**-**	**-**	**-**	126,145
Depreciation	281,703	2,522,425	8,350,135	278,555	342,331	-	11,775,149
Impairment loss/(reversal)	-	-	-	-	-	-	-
Disposals and write-offs	-	(207,336)	(1,738,232)	(193,264)	(81,000)	-	(2,219,832)
Reclassifications	-	(15,871)	-	-	-	-	(15,871)
Effect of foreign currency translation	352	82,502	90,928	4,424	2,226	-	180,432
Balance as at 31 December 2019	**408,200**	**17,716,256**	**73,304,248**	**1,466,387**	**1,400,951**	**-**	**94,296,042**
Net book value as at 31 December 2018	**-**	**28,166,428**	**44,099,821**	**815,984**	**774,451**	**792,436**	**74,649,120**
Net book value as at 31 December 2019	**3,286,706**	**29,610,004**	**39,028,969**	**870,597**	**1,133,969**	**2,343,519**	**76,273,764**

*Transfer from intangible assets is related to the right of the land rent owned by the Group company Grigeo Baltwood UAB which was reclassified from intangible assets (note 5).

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

Company	Land	Buildings and structures	Machinery and equipment	Vehicles	Other assets	Construction in progress and prepayments	TOTAL
Cost:							
Balance as at 31 December 2017	**-**	**20,747,318**	**63,282,749**	**606,071**	**1,279,903**	**579,417**	**86,495,458**
Additions	-	-	50,405	203,661	109,020	3,673,492	4,036,578
Disposals and write-offs	-	(9,450)	(653,677)	(128,921)	(383,079)	-	(1,175,127)
Transfer from construction in progress to property, plant and equipment	-	17,688	3,630,072	4,900	141,786	(3,794,446)	-
Reclassification	-	455,283	-	-	-	-	455,283
Disposed assets	-	(5,085,556)	(11,095,961)	(103,327)	(250,753)	(110,694)	(16,646,291)
Balance as at 31 December 2018	**-**	**16,125,283**	**55,213,588**	**582,384**	**896,877**	**347,769**	**73,165,901**
Recognition of right of use	1,281,631	-	-	-	-	-	1,281,631
Adjusted balance as at 1 January 2019	**1,281,631**	**16,125,283**	**55,213,588**	**582,384**	**896,877**	**347,769**	**74,447,532**
Additions	-	49,500	165,307	100,220	101,840	1,881,302	2,298,169
Disposals and write-offs	-	(43,310)	(381,393)	(95,574)	(11,700)	-	(531,977)
Transfer from construction in progress to property, plant and equipment	-	1,476,977	164,351	-	55,413	(1,696,741)	-
Reclassification	-	(132,936)	-	-	-	-	(132,936)
Balance as at 31 December 2019	**1,281,631**	**17,475,514**	**55,161,853**	**587,030**	**1,042,430**	**532,330**	**76,080,788**
Accumulated depreciation and impairment:							
Balance as at 31 December 2017	**-**	**5,240,688**	**36,008,761**	**373,375**	**954,433**	**-**	**42,577,257**
Depreciation	-	1,280,763	6,406,139	89,830	179,003	-	7,955,735
Disposals and write-offs	-	(9,450)	(653,664)	(127,849)	(382,047)	-	(1,173,010)
Transfer to inventories for sale	-	-	-	-	-	-	-
Reclassifications	-	101,535	-	-	-	-	101,535
Disposed assets	-	(1,501,197)	(5,849,388)	(49,389)	(173,005)	-	(7,572,979)
Balance as at 31 December 2018	**-**	**5,112,339**	**35,911,848**	**285,967**	**578,384**	**-**	**41,888,538**
Depreciation	243,372	888,884	4,123,541	80,784	146,596	-	5,483,177
Disposals and write-offs	-	(38,119)	(362,324)	(45,572)	(10,616)	-	(456,631)
Transfer to inventories for sale	-	-	-	-	-	-	-
Reclassifications	-	(15,871)	-	-	-	-	(15,871)
Balance as at 31 December 2019	**243,372**	**5,947,233**	**39,673,065**	**321,179**	**714,364**	**-**	**46,899,213**
Net book value as at 31 December 2018	**-**	**11,012,944**	**19,301,740**	**296,417**	**318,493**	**347,769**	**31,277,363**
Net book value as at 31 December 2019	**1,038,259**	**11,528,281**	**15,488,788**	**265,851**	**328,066**	**532,330**	**29,181,575**

As at 31 December 2019 and 2018, the net book value of the Group's and Company's property, plant and equipment acquired under lease was as follows:

	Group		Company	
	As at 31 December 2019	As at 31 December 2018	As at 31 December 2019	As at 31 December 2018
Machinery and equipment	-	13,576	-	13,576
Vehicles	55,954	71,555	13,844	40,755
Land lease rights	3,286,706	-	1,038,259	-
Total	**3,342,660**	**85,131**	**1,052,103**	**54,331**

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

The depreciation charge of the Group's and the Company's property, plant and equipment for the years 2019 and 2018 is included in the following items of profit or loss:

	Group		Company	
	As at 31 December 2019	As at 31 December 2018	As at 31 December 2019	As at 31 December 2018
Cost of production	10,970,845	13,536,511	5,043,717	7,749,835
General and administrative	460,023	155,367	351,417	108,145
Selling and distribution	344,281	158,154	88,043	97,755
Total	**11,775,149**	**13,850,032**	**5,483,177**	**7,955,735**

As at 31 December 2019, the part of the Group's and the Company's property, plant and equipment and land lease rights with a net book value of EUR 60,698 thousand and EUR 21,507 thousand, respectively (31 December 2018: EUR 57,337 thousand and EUR 32,215 thousand, respectively) is pledged as a security for repayment of the loans granted by banks (Note 13).

Property, plant and equipment of the Group and the Company with an acquisition cost of EUR 8,330 thousand and EUR 3,850 thousand, respectively, were fully depreciated as at 31 December 2019 (EUR 15,776 thousand and EUR 10,845 thousand as at 31 December 2018, respectively), but were still in active use.

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

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

Group	2019			2018		
	Carrying amount	Total estimated costs of the project	Estimated date of completion	Carrying amount	Total estimated costs of the project	Estimated date of completion
Major repair of administrative production building	-	-	-	261,304	602,000	2019
Major repair of investment property	-	-	-	306,061	1,060,000	2019
Major repair of AFH roll line	519,200	4,883,000	2020	-	-	-
Binding of sheet palettes	978,155	1,000,000	2020	-	-	-
Automatic box production line	650,000	1,800,000	2020	-	-	-
System for enclosure of sewage treatment plants and pumping of sewage sludge	129,000	531,000	2020	-	-	-
Modernisation of the drying line enclosure and ventilation	50,447	100,000	2020	-	-	-
Other projects	16,717	163,130	2020	62,237	70,000	2019
Total	**2,343,519**	**8,477,130**		**629,602**	**1,732,000**	

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

Company	2019			2018		
	Carrying amount	Total estimated costs of the project	Estimated date of completion	Carrying amount	Total estimated costs of the project	Estimated date of completion
Major repair of administrative production building	-	-	-	261,304	602,000	2019
Major repair of investment property	-	-	-	306,061	1,060,000	2019
Installation of AFH roll line	519,200	4,883,000	2020	-	-	-
Other projects	13,130	126,130	2020	62,237	70,000	2019
Total	**532,330**	**5,009,130**		**629,602**	**1,732,000**	

5. Intangible assets

	Group		Company	
	As at 31 December 2019	As at 31 December 2018	As at 31 December 2019	As at 31 December 2018
Goodwill	3,001,072	3,001,072	-	-
Other intangible assets	796,705	1,482,813	520,883	548,138
Total	**3,797,777**	**4,483,885**	**520,883**	**548,138**

Goodwill

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

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

For the purpose of impairment evaluation, the goodwill as at 31 December 2019 and 2018 was allocated to Grigeo Klaipėda AB cash generating unit. The recoverable amount of cash generating unit as at 31 December 2019 and 2018 was determined based on the discounted cash flow projections based on the five-year financial forecasts prepared by the management. Significant assumptions used for the assessment of the value in use in 2019 and 2018 are described further.

Year 2019:
The forecasted revenues were estimated based on the management assumptions as at 31 December 2019 assuming that the growth in revenue for the next three years could be less because of legal case which started in the beginning of year 2020, for the next two years - will be in line with the estimated inflation rate, ongoing investment in manufacturing equipment productivity and efficiency gain and the actions of sale activation. Costs were forecasted with reference to actual costs, considering the forecasted inflation level and the risk of raw material price increase because of lost suppliers because of legal case. Cash flows beyond the five-year period were extrapolated using 1% growth rate that reflects the best estimate of the management based on the current situation in the respective industry. The discount rate used by the management was estimated for cash generating unit as a weighted average cost of capital for that particular cash generating unit and is equal to 7% for cash generating units located in Lithuania.

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

The assessment of the recoverable amount of the CGU as at 31 December 2019 and 2018 resulted in no impairment of goodwill.

With regard to the assessment of the recoverable amount of the above mentioned cash generating unit as at 31 December 2019 and 2018, the management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

5. Intangible assets (cont'd)

Other intangible assets

Group	Land lease right	Licenses, patents	Software	Other assets and prepayments	Total
Cost:					
Balance as at 31 December 2017	**695,088**	**74,451**	**1,629,731**	**908,296**	**3,307,566**
Additions	-	10,844	13,611	355,628	380,083
Disposals and write-offs	-	(22,390)	(81,266)	(207,105)	(310,761)
Reclassifications from property, plant and equipment	-	-	173	-	173
Transfer from construction in progress to intangible assets	-	-	525,547	(525,547)	-
Effect of foreign currency translation	-	-	113	-	113
Balance as at 31 December 2018	**695,088**	**62,905**	**2,087,909**	**531,272**	**3,377,174**
Transfer to property, plant and equipment	(695,088)	-	-	-	(695,088)
Additions	-	87,217	63,280	40,547	191,044
Transfer from construction in progress to intangible assets	-	-	40,547	(40,547)	-
Effect of foreign currency translation	-	-	396	-	396
Balance as at 31 December 2019	**-**	**150,122**	**2,192,132**	**531,272**	**2,873,526**
Accumulated amortisation:					
Balance as at 31 December 2017	**110,699**	**58,445**	**1,074,843**	**724,585**	**1,968,572**
Amortisation	7,723	10,843	206,906	10,881	236,353
Disposals and write-offs	-	(22,388)	(81,261)	(207,105)	(310,754)
Reclassifications	-	-	172	-	172
Effect of foreign currency translation	-	-	18	-	18
Balance as at 31 December 2018	**118,422**	**46,900**	**1,200,678**	**528,361**	**1,894,361**
Transfer to property, plant and equipment	**(126,145)**	**-**	**-**	**-**	**(126,145)**
Amortisation	7,723	4,780	295,022	970	308,495
Effect of foreign currency translation	-	-	110	-	110
Balance as at 31 December 2019	**-**	**51,680**	**1,495,810**	**529,331**	**2,076,821**
Net book value as at 1 January 2018	**584,389**	**16,006**	**554,888**	**183,711**	**1,338,994**
Net book value as at 31 December 2018	**576,666**	**16,005**	**887,231**	**2,911**	**1,482,813**
Net book value as at 31 December 2019	**-**	**98,442**	**696,322**	**1,941**	**796,705**

5. Intangible assets (cont'd)

Other intangible assets (cont'd)

Company	Licenses, patents	Software	Other assets and prepayments	Total
Cost:				
Balance as at 31 December 2017	**74,451**	**656,526**	**386,621**	**1,117,598**
Additions	10,844	2,720	355,628	369,192
Disposals and write-offs	(22,390)	(78,659)	(207,105)	(308,154)
Reclassifications	-	-	-	-
Transfers from construction in progress	-	525,164	(525,164)	-
Disposed assets	-	(192,631)	-	(192,631)
Balance as at 31 December 2018	**62,905**	**913,120**	**9,980**	**986,005**
Additions	87,217	39,995	40,547	167,759
Disposals and write-offs	-	-	-	-
Reclassifications	-	-	-	-
Transfers from construction in progress	-	40,547	(40,547)	-
Balance as at 31 December 2019	**150,122**	**993,662**	**9,980**	**1,153,764**
Accumulated amortisation:				
Balance as at 31 December 2017	**58,445**	**617,202**	**203,399**	**879,046**
Amortisation	10,843	35,898	10,775	57,516
Disposals and write-offs	(22,388)	(78,655)	(207,105)	(308,148)
Reclassifications	-	-	-	-
Disposed assets	-	(190,547)	-	(190,547)
Balance as at 31 December 2018	**46,900**	**383,898**	**7,069**	**437,867**
Amortisation	4,780	189,264	970	195,014
Disposals and write-offs	-	-	-	-
Reclassifications	-	-	-	-
Balance as at 31 December 2019	**51,680**	**573,162**	**8,039**	**632,881**
Net book value as at 1 January 2018	**16,006**	**39,324**	**183,222**	**238,552**
Net book value as at 31 December 2018	**16,005**	**529,222**	**2,911**	**548,138**
Net book value as at 31 December 2019	**98,442**	**420,500**	**1,941**	**520,883**

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

	Group		Company	
	As at 31 December 2019	As at 31 December 2018	As at 31 December 2019	As at 31 December 2018
Cost of production	285,581	220,940	181,848	55,986
General and administrative expenses	21,292	12,880	12,316	-
Selling and distribution expenses	1,622	2,533	850	1,530
Total	**308,495**	**236,353**	**195,014**	**57,516**

Part of the non-current intangible assets of the Group and the Company with the acquisition value of EUR 1,059 thousand and EUR 86 thousand, respectively, as at 31 December 2019 was fully amortised (EUR 1,351 thousand and EUR 343 thousand as at 31 December 2018, respectively) but was still in use.

6. Investment property

Group

Cost:	Buildings	Construction in progress and prepayments	Total
Balance as at 31 December 2017	**1,605,907**	**-**	**1,605,907**
Additions	-	306,061	306,061
Disposals	(455,283)	-	(455,283)
Balance as at 31 December 2018	**1,150,624**	**306,061**	**1,456,685**
Additions	-	225,698	225,698
Disposals	491,355	(491,355)	-
Reclassification	132,936	-	132,936
Balance as at 31 December 2019	**1,774,915**	**40,404**	**1,815,319**
Accumulated depreciation:			
Balance as at 31 December 2017	**274,605**	**-**	**274,605**
Depreciation	52,515	-	52,515
Reclassification	(101,535)	-	(101,535)
Balance as at 31 December 2018	**225,585**	**-**	**225,585**
Depreciation	53,024	-	53,024
Reclassification	15,871	-	15,871
Balance as at 31 December 2019	**294,480**	**-**	**294,480**
Net book value as at 1 January 2018	**1,331,302**	**-**	**1,331,302**
Net book value as at 31 December 2018	**925,039**	**306,061**	**1,231,100**
Net book value as at 31 December 2019	**1,480,435**	**40,404**	**1,520,839**

Company

Cost:	Buildings	Construction in progress and prepayments	Total
Balance as at 31 December 2017	**1,605,907**	**-**	**1,605,907**
Additions	-	306,061	306,061
Disposals	(455,283)	-	(455,283)
Balance as at 31 December 2018	**1,150,624**	**306,061**	**1,456,685**
Additions	-	225,698	225,698
Disposals	491,355	(491,355)	-
Reclassification	132,936	-	132,936
Balance as at 31 December 2019	**1,774,915**	**40,404**	**1,815,319**
Accumulated depreciation:			
Balance as at 31 December 2017	**274,605**	**-**	**274,605**
Depreciation	52,515	-	52,515
Reclassification	(101,535)	-	(101,535)
Balance as at 31 December 2018	**225,585**	**-**	**225,585**
Depreciation	53,024	-	**53,024**
Reclassification	15,871	-	15,871
Balance as at 31 December 2019	**294,480**	**-**	**294,480**
Net book value as at 1 January 2018	**1,331,302**	**-**	**1,331,302**
Net book value as at 31 December 2018	**925,039**	**306,061**	**1,231,100**
Net book value as at 31 December 2019	**1,480,435**	**40,404**	**1,520,839**

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

6. Investment property (cont'd)

Fair value measurement

The fair value of the investment property was determined based on the cash flows from the investment property for a 10-year period, estimated income, estimated current income and costs. A discount rate of 8% was used to calculate cash flows. According to the calculation, the fair value of investment property is approximately EUR 1,830 thousand.

Group and Company	Carrying amount		Fair value (Level 3)	
	As at 31 December 2019	As at 31 December 2018	As at 31 December 2019	As at 31 December 2018
Investment property	1,520,839	1,231,100	1,830,000	1,590,000
Total	**1,520,839**	**1,231,100**	**1,830,000**	**1,590,000**

7. Inventories

	Group		Company	
	As at 31 December 2019	As at 31 December 2018	As at 31 December 2019	As at 31 December 2018
Materials	4,059,606	4,148,439	1,081,625	1,285,618
Unfinished production	1,402,637	1,768,601	735,669	998,009
Finished goods	4,469,112	5,590,595	2,424,532	3,040,831
Goods in transit	78,411	116,059	77,728	87,031
Prepayments	132,658	114,380	36,282	61,477
Transferred to disposed assets	-	-	-	(867,651)
Total:	**10,142,424**	**11,738,074**	**4,355,836**	**4,605,315**

As at 31 December 2019, the cost of the Group's and the Company's inventories was decreased by EUR 276 thousand and EUR 193 thousand, respectively (31 December 2018: EUR 358 thousand and EUR 278 thousand, respectively) to net realisable value. Net realisable value adjustment was accounted for under cost of sales.

In 2019 the Group recognised inventories for EUR 92 million (in 2018: EUR 101 million), the Company – EUR 40 million (in 2018: EUR 54 million) in cost of sales.

As described in the Note 13, as at 31 December 2019 the Group and the Company have pledged inventories with a carrying value of EUR 1,158 thousand and EUR 1,158 thousand respectively (31 December 2018: EUR 1,158 thousand and EUR 1,158 thousand, respectively) as a collateral to the banks for the loans received.

8. Accounts receivable

	Group		Company	
	As at 31 December 2019	As at 31 December 2018	As at 31 December 2019	As at 31 December 2018
Trade receivables, gross	14,301,603	14,318,483	8,200,736	10,733,607
Other non-current receivables	94,101	143,450	91,205	61,760
Other receivables, gross	856,539	1,694,027	257,280	841,395
Transferred to disposed assets	-	-	-	(3,897,867)
	15,252,243	**16,155,960**	**8,549,221**	**7,738,895**
Less: allowance for doubtful trade receivables	(116,840)	(147,856)	(71,749)	(131,568)
Total accounts receivable, net	**15,135,403**	**16,008,104**	**8,477,472**	**7,607,327**
from this amount:				
Total non-current receivables	**94,101**	**143,450**	**91,205**	**35,190**
Total current receivables	**15,041,302**	**15,864,654**	**8,386,267**	**7,572,137**

Change in allowance for doubtful trade receivables for the year 2019 and 2018 has been included into general and administrative expenses.

Trade receivables are non-interest bearing and are generally collectible on 7–90 days terms. The carrying amount of trade and other receivables approximates their fair value. Information on receivables from related parties is presented under Note 29.

8. Accounts receivable (cont'd)

As at 31 December 2019 the Company and the Group carried out probable impairment tests for accounts receivable in accordance with IFRS 9. Sales operations of 2017–2019 were used to calculate the probable amount of impairment of accounts receivable. Based on the impairment tests carried out, an additional collective impairment allowance of was not formed.

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

	Group				Company			
	Individual impair-ment	Individual impair-ment	Collective impair-ment	Collective impair-ment	Individual impair-ment	Individual impair-ment	Collective impair-ment	Collective impair-ment
	2019	2018	2019	2018	2019	2018	2019	2018
At the beginning of the period	**146,166**	**143,613**	**1,690**	**-**	**131,568**	**129,015**	**-**	**-**
Impairment for the year	354	47,006	(1,690)	1,690	(29,680)	47,006	-	-
Reversal of impairment	-	-	-	-	-	-	-	-
Receivables written off	(29,680)	(44,453)	-	-	-	(44,453)	-	-
Effect of foreign currency translation	-	-	-	-	-	-	-	-
Transferred to subsidiary	-	-	-	-	(30,139)	-	-	-
At the end of the period	**116,840**	**146,166**	**-**	**1,690**	**71,749**	**131,568**	**-**	**-**

Impairment allowance booked by the Group and the Company is related to receivables as at 31 December 2019 and 2018.

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

	Receivables neither past due nor impaired	Receivables past due but not impaired					Total
		Less than 30 days	30–60 days	60–90 days	90–360 days	More than 360 days	
2019	12,002,931	2,784,080	311,857	33,639	-	-	15,132,507
2018	13,805,138	2,142,823	52,469	7,674	-	-	16,008,104

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

	Receivables neither past due nor impaired	Receivables past due but not impaired					Total
		Less than 30 days	30–60 days	60–90 days	90–360 days	More than 360 days	
2019	7,573,161	865,874	38,437	-	-	-	8,477,472
2018	10,352,404	1,143,522	9,214	55	-	-	11,505,195

9. Cash and cash equivalents

	Group		Company	
	As at 31 December 2019	As at 31 December 2018	As at 31 December 2019	As at 31 December 2018
Cash at bank	8,648,548	4,950,094	1,581,080	1,515
Cash in hand	53	57	-	-
TOTAL:	**8,648,601**	**4,950,151**	**1,581,080**	**1,515**

As at 31 December 2019, bank accounts of the Group amounting to EUR 2,447 thousand (2018: EUR 2 thousand) and the Company amounting to EUR 1,581 thousand (2018: EUR 2 thousand) are pledged to banks for loans, as described further in Note 13. As at 31 December 2019 and 2018, there were no restrictions on use of cash balances held in the pledged accounts.

10. Share capital and reserves

<u>Share capital</u>

The share capital of the Company was EUR 19,053,000 as at 31 December 2019 and as at 31 December 2018. It is divided into 65,700 thousand ordinary registered shares with the nominal value of EUR 0.29 each.

All shares of the Company are fully paid. The Company does not have any other classes of shares than the aforementioned ordinary shares. There are no restrictions of share rights or special control rights for the shareholders set in the Articles of Association of the Company. No shares of the Company are held by itself or its subsidiaries. No convertible securities, exchangeable securities or securities with warrants are outstanding; likewise, there are no outstanding acquisition rights or undertakings to increase share capital as at 31 December 2019 and 2018.

As at 31 December 2019 and 31 December 2018 the shareholders of the Company were:

	2019		2018	
	Number of shares	Proportion of ownership, %	Number of shares	Proportion of ownership, %
Lithuanian legal entities	31,598,017	48.1	31,357,181	47.7
Lithuanian individuals	30,259,208	46.1	30,415,330	46.3
Foreign legal entities	2,364,988	3.6	2,469,881	3.8
Foreign individuals	1,477,787	2.2	1,457,608	2.2
TOTAL:	**65,700,000**	**100**	**65,700,000**	**100**

Three major shareholders as at 31 December 2019 and 31 December 2018 are listed below:

	2019		2018	
	Number of shares	Proportion of ownership, %	Number of shares	Proportion of ownership, %
Ginvildos investicija UAB	28,582,407	43.50	28,582,407	43.50
Mišeikienė Irena Ona	8,584,171	13.07	8,584,171	13.07
Norimantas Stankevičius	2,898,628	4.41	2,898,628	4.41
TOTAL:	**40,065,206**	**60.98**	**40,065,206**	**60.98**

<u>Share premium</u>

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

10. Share capital and reserves (cont'd)

Reserves

This reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5% of distributable retained earnings calculated for statutory reporting purposes are required until the reserve reaches 10% of the share capital. The legal reserve is fully formed as at 31 December 2019 and 2018. In accordance with legislation, the reserve can be used to cover the company's losses.

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

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

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

11. Capital management

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

The Group and the Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Group and the Company may issue new shares, adjust the dividend payment to shareholders, return capital to shareholders. No changes were made in the objectives, policies or processes of capital management during the year ended 31 December 2019.

The Group and the Company are obliged to maintain its equity at not less than 50% of its share capital (comprised of share capital and share surplus), as imposed by the Law on Companies of the Republic of Lithuania. As at 31 December 2019 and 2018, the Company was in compliance with the aforementioned requirement.

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

	Group		Company	
	2019	2018	2019	2018
Non-current liabilities (excluding subsidies, grants and deferred tax liability)	8,138,159	11,840,638	4,773,905	6,967,754
Current liabilities	30,021,805	34,359,548	13,378,462	22,750,819
Total liabilities	**38,159,964**	**46,200,186**	**18,152,367**	**29,718,573**
Equity attributable to equity holders of the parent	**76,251,355**	**66,237,452**	**52,067,581**	**38,796,953**
Debt to equity ratio	**50%**	**70%**	**35%**	**77%**

12. Grants and subsidies

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

	Group	Company
Balance as at 31 December 2017	**3,036,304**	**2,119,102**
Received	9,000	9,000
Amortisation	(783,456)	(507,556)
Balance as at 31 December 2018	**2,261,848**	**1,620,546**
Adjustment of grants	(9,000)	(9,000)
Amortisation	(758,751)	(510,505)
Balance as at 31 December 2019	**1,494,097**	**1,101,041**

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

No agreements were signed in 2018 and 2019.

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

13. Borrowings

	Group		Company	
	As at 31 December 2019	As at 31 December 2018	As at 31 December 2019	As at 31 December 2018
Non-current borrowings:				
Bank borrowings secured by the Group's/Company's assets	5,176,637	11,612,637	2,836,257	5,817,092
Transferred liabilities related to disposed assets	-	-	-	(2,932,615)
	5,176,637	**11,612,637**	**2,836,257**	**2,884,477**
Current borrowings:				
Current portion of non-current bank borrowings secured by the Group's/Company's assets	11,029,287	9,917,226	3,270,674	4,784,954
Current bank borrowings secured by the Group's/Company's assets	-	2,421,396	-	2,340,843
Transferred liabilities related to disposed assets	-	-	-	(1,500,000)
	11,029,287	**12,338,622**	**3,270,674**	**5,625,797**
TOTAL:	**16,205,924**	**23,951,259**	**6,106,931**	**8,510,274**

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

	Group		Company	
	As at 31 December 2019	As at 31 December 2018	As at 31 December 2019	As at 31 December 2018
Opening balance	**23,951,259**	**35,373,445**	**8,510,274**	**16,891,723**
Loans received	5,400,000	2,082,614	4,000,000	2,082,614
Loans repaid	(10,723,939)	(13,998,162)	(4,062,955)	(7,154,233)
Received (repaid) credit lines	(2,421,396)	493,362	(2,340,843)	1,122,785
Interest calculated	342,702	501,443	144,377	249,773
Interest paid	(342,702)	(501,443)	(143,922)	(249,773)
Transferred liabilities related to disposed assets	-	-	-	(4,432,615)
Closing balance	**16,205,924**	**23,951,259**	**6,106,931**	**8,510,274**

13. Borrowings (cont'd)

Borrowings at the end of the year according to currency:

	Group		Company	
	2019	2018	2019	2018
EUR	16,205,924	23,951,259	6,106,931	12,942,889
TOTAL:	**16,205,924**	**23,951,259**	**6,106,931**	**12,942,889**

As at 31 December 2019 the Group and the Company had overdrafts of EUR 2,000 thousand and EUR 1,000 thousand, respectively (31 December 2018: EUR 1,379 thousand and EUR 659 thousand, respectively).

Information on borrowings from related parties is presented under Note 29.

Compliance with loan covenants

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

As at 31 December 2018 the Company and the Group were in compliance with all the financial and non-financial requirements provided in bank agreements.

As at 31 December 2019 the Company and the Group were in compliance with all the financial and non-financial requirements provided in bank agreements, except for one company which infringed a financial requirement provided in a bank agreement. In April 2020 the Group Company obtained a bank statement under which the bank confirmed that it will not impose sanctions due to the infringement. As the bank statement was received after 31 December 2019, all long term loan (2,5 mio EUR) was classified as short term loan in consolidated financial statements.

Interest rates

The Group and the Company face risk due to possible interest rate fluctuation. Actual interest rates are close to effective interest rates. As at 31 December 2019 the interest on loans of the Company and the Group are variable. They depend on EURIBOR (2018: EURIBOR) and on the margin agreed with the bank which meets the market conditions. In 2019 and 2018, the period of re-pricing of floating interest rates on borrowings varies from 1 month to 6 months.

In 2016 the Group and the Company have entered into a fixed-rate interest swap agreement. At 31 December 2019, the Group loans amounting to EUR 18.374 thousand and the Company's loans amounting to EUR 2.884 thousand (31 December 2018: EUR 18,374 thousand and EUR 8,719 thousand, respectively) were hedged until 2020. As at 31 December 2019 the Company's financial instruments have a fair value EUR 12 thousand, the Group's – EUR 33 thousand (as at 31 December 2018 the Company's financial instruments have a fair value EUR 43 thousand (EUR 16 thousand transferred with disposed assets), the Group's – EUR 76 thousand.

For analysis of liquidity risk please refer to Note 3.

Pledged assets

For bank loans the Group and the Company have pledged property, plant and equipment (Note 4), inventories (Note 7), trade accounts receivable (Note 8), bank accounts (Note 9).

Terms and debt repayment schedule

The following interest rate bases are set for the borrowings as at 31 December 2019:

Group	Currency	Nominal interest rate base	Repayment period	Carrying amount
Secured bank loan	EUR	EURIBOR	2020	674,183
Secured bank loan	EUR	EURIBOR	2020	545,456
Secured bank loan	EUR	EURIBOR	2021	2,210,526
Secured bank loan	EUR	EURIBOR	2021	3,222,222
Secured bank loan	EUR	EURIBOR	2021	5,250,089
Secured bank loan	EUR	EURIBOR	2021	1,650,000
Secured bank loan	EUR	EURIBOR	2021	1,282,614
Secured bank loan	EUR	EURIBOR	2023	1,370,834
TOTAL:				**16,205,924**

13. Borrowings (cont'd)

Company	Currency	Nominal interest rate base	Repayment period	Carrying amount
Secured bank loan	EUR	EURIBOR	2020	674,183
Secured bank loan	EUR	EURIBOR	2021	2,210,526
Secured bank loan	EUR	EURIBOR	2021	3,222,222
TOTAL:				**6,106,931**

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

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

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

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

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

	Group		Company	
	As at 31 December 2019	As at 31 December 2018	As at 31 December 2019	As at 31 December 2018
Within 1 year	11,029,287	9,917,226	3,270,674	7,125,797
In the period of two to five years	5,176,637	14,034,033	2,836,257	5,817,092
After five years	-	-	-	-
TOTAL:	**16,205,924**	**23,951,259**	**6,106,931**	**12,942,889**

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

14. Lease liabilities

The assets leased by the Group and the Company under lease contracts mainly consist of vehicles, machinery and equipment, and lease of premises and land. The terms of the lease agreements are from 1 to 78 years. The currency of the lease agreements is EUR.

Movement in liabilities related to lease during the year is presented in the table below:

	Group		Company	
	As at 31 December 2019	As at 31 December 2018	As at 31 December 2019	As at 31 December 2018
Initial balance	**3,009,218**	**221,269**	**1,287,793**	**66,673**
New lease liabilities	-	-	-	-
Payments	207,167	209,197	222,826	60,511
Final balance	**2,802,051**	**12,072**	**1,064,967**	**6,162**

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

	Group		Company	
	As at 31 December 2019	As at 31 December 2018	As at 31 December 2019	As at 31 December 2018
Within 1 year	34,253	12,072	235,373	6,162
From one to five years	104,710	-	16,310	-
After five years	2,663,088		813,284	
Total	**2,802,051**	**12,072**	**1,064,967**	**6,162**

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

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

	Group		Company	
	As at 31 December 2019	As at 31 December 2018	As at 31 December 2019	As at 31 December 2018
Within 1 year	-	132,246	-	280,914
From one to five years	-	284,641	-	146,280
After five years	-	7,096,514	-	2,619,049

15. Non-current employee benefits

As at 31 December 2019 and 2018, the Group and the Company accounted for non-current employee benefits for employees leaving the Group or the Company at the age of retirement. Related expenses are included into operating expenses in profit or loss.

	Group	Company
As at 31 December 2017	**149,442**	**102,126**
Change during the year 2018	3,267	(8,651)
Transferred liabilities related to disposed assets	-	(12,715)
As at 31 December 2018	**152,709**	**80,760**
Change during the year 2019	3,028	(13,156)
As at 31 December 2019	**155,737**	**67,604**

Actuarial gains and losses during 2019 and 2018 were insignificant; therefore, they were not separated and disclosed in other comprehensive income.

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

	As at 31 December 2019	As at 31 December 2018
Discount rate	0.31%	0.31%
Anticipated annual salary increase	5.00%	5.00%

16. Trade payables and other current liabilities

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

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

	Group		Company	
	As at 31 December 2019	**As at 31 December 2018**	**As at 31 December 2019**	**As at 31 December 2018**
Trade payables	14,820,771	18,149,004	8,382,444	13,148,801
Taxes, salaries and social insurance	1,983,912	2,054,385	954,873	1,062,417
Advances received	173,044	559,395	70,305	143,449
Other payables	1,731,103	1,195,244	464,793	464,054
Transferred liabilities related to disposed assets	-	-	-	(3,850,615)
TOTAL:	**18,708,830**	**21,958,028**	**9,872,415**	**10,968,106**
From this amount:				
Financial liabilities (Note 3)	16,551,874	19,344,248	8,847,237	13,612,855
Continuing operations	-	-	-	*10,013,621*
Transferred operations	-	-	-	*3,599,234*
Non-financial liabilities	2,156,956	2,613,780	1,025,178	1,205,866
Continuing operations	-	-	-	*954,485*
Transferred operations	-	-	-	*251,381*

17. Segment information

Operating segments

For decision taking purposes, the Group is organised into three operating business units based on its products produced and has three reportable segments: paper and paper products, wood fibre boards and wood processing, raw material for corrugated cardboard and related production. The Group analyses segment information only up to gross profit, as other operating income and finance income and expenses are not attributed to any segment. Assets and liabilities of the Group are not divided into segments for decision-making.

Segment information about these business segments is presented below:

Group 2019	Paper and paper products	Wood fibre boards	Raw material for corrugated cardboard and related production	Total disclosed segments	Unallocated	Elimination	TOTAL
Sales	58,933,809	16,188,293	62,596,356	137,718,458	2,555,250	-	140,273,708
Sales between segments	(5,619,646)	(680,016)	(15,093,243)	(21,392,905)	(4,707,268)	26,100,173	-
Unconsolida-ted segment sales	64,553,455	16,868,309	77,689,599	159,111,363	7,262,518	(26,100,173)	140,273,708
Cost of sales	(45,731,999)	(14,122,427)	(45,133,487)	(104,987,913)	(1,878,222)	-	(106,866,135)
Gross profit	**13,201,810**	**2,065,866**	**17,462,869**	**32,730,545**	**677,028**	**-**	**33,407,573**
Depreciation and amortisation	4,836,097	953,380	5,242,179	11,031,656	1,105,012	-	12,136,668
Segment property, plant and equipment, investment property and intangible assets	24,842,373	3,774,749	40,996,500	69,613,622	6,259,923	-	75,873,545
Goodwill	-	-	3,001,072	3,001,072	-	-	3,001,072
Segment capital expenditure	815,499	512,363	6,597,336	7,925,198	1,537,419	-	9,462,617

17. Segment information (cont'd)

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

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

17. Segment information (cont'd)

Split by countries

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

	Group		Company	
	2019	2018	2019	2018
Domestic market (Lithuania)	**46,917,332**	**50,851,514**	**21,639,540**	**33,793,768**
Foreign market				
Poland	27,544,168	35,899,635	11,511,869	13,006,007
Latvia	13,928,417	9,671,408	7,073,234	9,171,725
Estonia	9,621,012	9,141,023	3,713,836	6,676,106
Ukraine	8,972,094	7,601,685	3,025,344	2,170,911
Finland	8,088,720	7,363,894	4,226,302	5,562,781
Denmark	6,785,447	5,706,312	5,722,474	4,744,509
Sweden	4,579,530	4,660,607	3,277,621	3,573,074
Belarus	3,648,042	2,011,500	1,153,057	978,259
The Netherlands	2,919,447	2,179,301	1,488,656	1,190,478
Germany	1,898,116	738,617	337,288	153,251
United Kingdom	1,380,274	1,946,530	431,515	210,293
Russia	1,357,626	836,729	614,046	520,446
Austria	849,276	1,407,312	42,444	9,888
Norway	495,728	398,022	495,728	398,022
Czech Republic	425,147	503,632	-	2,245
France	161,591	197,160	-	19,367
Hungary	138,715	210,692	40,537	40,122
Italy	57,859	441,631	-	-
Serbia	-	183,575	-	-
Other countries	505,167	594,766	266,387	257,387
Foreign market, total	**93,356,376**	**91,694,031**	**43,420,338**	**48,684,871**
TOTAL:	**140,273,708**	**142,545,545**	**65,059,878**	**82,478,639**

Property, plant and equipment and investment property location:

	Group		Company	
	2019	2018	2019	2018
Lithuania	76,876,009	75,437,341	30,702 414	41,581,774
Ukraine	918,594	442,879	-	-
TOTAL:	**77,794,603**	**75,880,220**	**30,702,414**	**41,581,774**

18. Cost of sales

	Group		Company	
	2018	2019	2018	2019
Direct cost (raw materials, materials, energy)	76,891,307	83,213,510	41,568,742	57,842,652
Remuneration and social security	13,762,462	12,167,146	4,816,571	5,906,018
Depreciation and amortisation of non-current assets, including grants	10,556,183	13,026,510	4,768,083	7,350,780
Other costs	5,656,183	4,325,019	756,043	991,382
TOTAL:	**106,866,135**	**112,732,185**	**51,909,439**	**72,090,832**

19. Sales revenue

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

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

Sales according to countries:

Group	2019	2018
Sales to Lithuanian customers	46,917,332	50,851,514
Sales to EU customers	79,378,614	80,846,095
Sales to other third parties	13,977,762	10,847,936
Total sales	**140,273,708**	**142,545,545**

Company	2019	2018
Sales to Lithuanian customers	21,639,540	33,793,768
Sales to EU customers	38,627,891	44,617,233
Sales to other third parties	4,792,447	4,067,638
Total sales	**65,059,878**	**82,478,639**

Sales according to type of revenue:

Group	2019	2018
Paper and paper products	58,933,809	53,251,388
Wood fibre boards	16,188,293	14,974,228
Raw material for corrugated cardboard (test liner and fluting), corrugated cardboard and its products	62,596,356	72,032,365
Other goods and services	2,555,250	2,287,564
Sales according to type of revenue	**140,273,708**	**142,545,545**

Company	2019	2018
Paper and paper products	58,933,809	53,251,388
Corrugated cardboard and its products	-	24,121,312
Other goods and services	6,126,069	5,105,939
Sales according to type of revenue	**65,059,878**	**82,478,639**

19. Sales revenue (cont'd)

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

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

20. Other operating income

	Group		Company	
	2019	2018	2019	2018
Profit from sale of emission allowances	1,435,565	845,650	1,291,565	693,300
Rental income	105,193	8,329	-	-
Gain from disposal of property, plant and equipment	205,500	190,917	182,474	174,960
Gain on sale of scrap	71,747	69,384	17,963	17,721
Insurance compensations	29,043	328,018	10,268	16,544
Other income	8,782	82,543	463,753	382,187
TOTAL:	**1,855,830**	**1,524,841**	**1,966,023**	**1,284,712**

21. Other operating expenses

	Group		Company	
	2019	2018	2019	2018
Expenses related to rented property	103	-	103	-
Expenses from insured events	11,972	172,360	5,495	16,775
Other expenses	440,001	180,831	353,141	220,789
TOTAL:	**452,076**	**353,191**	**358,739**	**237,564**

22. Selling and distribution expenses

	Group		Company	
	2019	2018	2019	2018
Fuel and transportation services	6,908,484	6,487,559	2,486,182	3,565,421
Mediation, marketing, promotion and representation	1,134,519	985,066	1,122,313	981,324
Salaries and social security	2,133,774	1,912,028	1,107,733	1,377,586
Asset repair and maintenance	72,502	311,400	29,838	308,903
Depreciation and amortisation of non-current assets	345,903	160,687	88,893	99,285
Other sales expenses	523,595	459,939	447,962	317,049
TOTAL:	**11,118,777**	**10,316,679**	**5,282,921**	**6,649,568**
Continuing operations	-	-	-	*(4,759,658)*
Transferred operations	-	-	-	*(1,889,910)*

23. General and administrative expenses

	Group		Company	
	2019	2018	2019	2018
Salaries and social security	2,768,109	2,693,191	1,437,358	1,660,169
Taxes, except for income tax	497,624	639,222	179,530	281,974
Asset repair and maintenance	313,211	476,225	173,751	187,075
Depreciation and amortisation of non-current assets	473,592	168,247	363,733	108,145
Security services	372,477	357,608	68,626	50,375
Insurance services	137,831	90,928	32,880	20,077
Bank charges	59,560	43,255	28,065	28,706
Advertising and representation	42,979	87,034	30,197	50,416
Professional services	132,325	106,368	86,524	53,474
Consulting services	62,274	15,089	25,200	8,400
Fuel and transportation services	41,933	45,190	22,301	27,533
Listing of securities and related costs	35,777	34,178	35,777	34,178
Support	73,600	17,140	72,600	5,640
Communication services	19,621	21,661	5,775	8,349
Allowance for impairment of doubtful receivables (reversal)	(11,265)	-	(13,156)	-
Other administrative expenses	1,447,632	1,111,321	558,501	530,832
TOTAL:	**6,467,280**	**5,906,657**	**3,107,662**	**3,055,343**
Continuing operations	-	-	-	*(2,152,318)*
Transferred operations	-	-	-	*(903,025)*

During 2019 year, the Group and the Company received non-audit services provided by the audit company in total of 6,700 EUR.

24. Finance income and expenses

	Group		Company	
	2019	2018	2019	2018
Interest income	4,167	4,127	1,869	2,473
Foreign exchange gains, net value	-	-	-	-
Dividends received	-	-	3,900,000	245,243
Other finance income	63,889	8,890	9,029,784	2,010
Total finance income	**68,056**	**13,017**	**12,931,653**	**249,726**
Interest on loans and leases	(438,925)	(477,393)	(195,346)	(240,294)
Net foreign exchange losses	(1,859)	(866)	(908)	(368)
Other finance expenses	(1,004,897)	(13,298)	(1,003,945)	(11,622)
Total finance expenses	**(1,445,681)**	**(491,557)**	**(1,200,199)**	**(252,284)**
Finance income and expenses, net	**(1,377,625)**	**(478,540)**	**11,731,454**	**(2,558)**
Continuing operations	-	-	-	*50,763*
Transferred operations	-	-	-	*(53,321)*

24. Finance income and expenses (cont'd)

The Group and the Company capitalise borrowing costs for all qualifying assets where construction was commenced on or after 1 January 2009. In 2019 the Group and the Company capitalised borrowing costs of EUR 6,107 and 6,107, respectively (in 2018: EUR 8,719 and EUR 8,719, respectively). Interest rate is margin + 6-month EURIBOR.

The Company's other finance income comprised profit received upon transferring a part of its business to the Group subsidiary UAB Grigeo Packaging – EUR 8,609 thousand, and profit of EUR 417.1 thousand received upon transfer of Grigeo investicijų valdymas UAB shares (see description in Note 1).

The Group's and the Company's other finance expenses comprised EUR 1,000 thousand penalty fee upon termination of cooperation with UAB BSGF Salvus (a subsidiary of INVL Baltic Sea Growth Fund) regarding investments into the managed cardboard and packaging business.

25. Income tax

Components of income tax expenses	Group		Company	
	2019	2018	2019	2018
Current income tax	961,248	99,939	-	-
Correction of income tax for previous periods	-	(23,832)	-	(23,467)
Deferred income tax (income)	1,261,608	(144,394)	917,203	(1,022,860)
Income tax expenses (income) recorded in profit or loss	**2,222,856**	**(68,287)**	**917,203**	**(1,046,327)**

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

	Group		Company	
	2019	2018	2019	2018
Profit before tax	**15,847,645**	**14,278,891**	**18,098,594**	**1,724,933**
Income tax expenses computed at 15%	2,377,147	2,141,834	2,714,789	258,740
Effect of higher tax rate in Ukraine	20,203	9,660	-	-
Effect of change in tax rate	-	-	-	-
Change in not recognised deferred tax asset	(35,875)	(2,388,173)	(39,353)	(1,335,762)
Use of investment exemption for the current year	(238,034)	-	-	-
Correction of income tax for previous periods	-	(23,832)	-	(23,467)
Not allowed deductions	197,399	227,401	243,089	93,580
Income not subject to tax	(97,984)	(35,177)	(2,001,322)	(39,418)
Income tax expenses (income) recorded in profit or loss	**2,222,856**	**(68,287)**	**917,203**	**(1,046,327)**

The biggest impact of the change in the Company's unrecognised corporate income tax is the investment exemption which as at 31 December 2019 amounts to EUR 369 thousand for the Company, and EUR 1,150 thousand for the Group (31 December 2018: EUR 1,306 thousand for the Company and EUR 2,163 thousand for the Group).

25 Income tax (cont'd)

	Group		Company	
	Balance as at 31 December 2019	Balance as at 31 December 2018	Balance as at 31 December 2019	Balance as at 31 December 2018
Deferred income tax asset				
Allowance for accounts receivable	17,526	21,671	28,932	19,735
Investment incentive	1,171,697	2,397,728	368,629	2,335,197
Write-down of inventories to net realisable value	41,342	53,641	10,762	41,773
Non-current employee benefits	23,376	23,506	10,141	14,621
Vacation accrual	165,353	144,539	81,665	101,366
Tax losses carried forward	-	-	-	-
Other accruals	32,326	42,300	-	-
Deferred income tax asset	**1,451,620**	**2,683,385**	**500,129**	**2,512,692**
Less: not recognised amount	(58,868)	(75,312)	(39,694)	(61,508)
Deferred income tax asset, net of valuation allowance	**1,392,752**	**2,608,073**	**460,435**	**2,451,184**
Deferred income tax liability				
Intangible assets (land lease right)	(66,403)	(86,500)	-	-
Property, plant and equipment (investment incentive)	(353,803)	(376,207)	(394)	(649)
Property, plant and equipment revaluation (deemed cost)	(49,713)	(69,496)	(45,506)	(65,214)
Property, plant and equipment (repairs incentive)	(126,819)	(12,965)	(12,476)	(12,965)
Capitalised borrowing costs	(27,058)	(32,341)	(24,993)	(32,341)
Deferred income tax liability	**(623,796)**	**(577,509)**	**(83,369)**	**(111,169)**
Deferred income tax, net	**768,956**	**2,030,564**	**377,066**	**2,340,015**
Disposed assets due to transferred operations	-	-	-	(1,045,746)
Deferred income tax, net	**768,956**	**2,030,564**	**377,066**	**1,294,269**

The Group's deferred income tax assets and liabilities were offset by the amount related to the same tax administration institution and the same taxable subject.

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

Group	Balance as at 31 December 2017	Change	Balance as at 31 December 2018	Change	Balance as at 31 December 2019
Non-current intangible assets	(719,744)	174,576	(545,168)	(51,570)	(596,738)
Investment incentive	5,770,984	(3,373,255)	2,397,729	(1,226,032)	1,171,697
Non-current employee benefits	22,408	1,098	23,506	(130)	23,376
Allowance for accounts receivable	21,542	129	21,671	(4,145)	17,526
Write-down of inventories to net realisable value	39,339	14,302	53,641	(12,299)	41,342
Vacation accrual	152,508	(7,970)	144,538	20,815	165,353
Capitalised borrowing costs	(36,133)	3,792	(32,341)	5,283	(27,058)
Other	24,483	17,818	42,300	(9,974)	32,326
Total deferred income tax	**5,275,386**	**(3,169,510)**	**2,105,876**	**(1,278,052)**	**827,824**
Not recognised amount	(3,388,768)	3,313,456	(75,312)	16,444	(58,868)
Deferred income tax, net	**1,886,618**	**143,946**	**2,030,564**	**(1,261,608)**	**768,956**

25 Income tax (cont'd)

As at 31 December 2019 the amount of the Group's unrecognised deferred income tax is related to the decrease in the realisable value of receivables (EUR 116,840) and the write-down of inventories to net realisable value (EUR 275,612) (as at 31 December 2018: EUR 147,856 and EUR 357,605). As at 31 December 2019, the Group had an unrecognised deferred income tax of EUR 5,126,372 from the temporary differences. The major part of it is related to an investment incentive (as at 31 December 2018: EUR 13,537,087). As at 31 December 2019 the Group and the Company had no unrecognised deferred income tax related to the investment incentive. The Group and the Company expect to earn sufficient revenue in the future to use the investment incentive.

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

Company	Balance as at 31 December 2017	Recognised in profit or loss	Balance as at 31 December 2018	Recognised in profit or loss	Balance as at 31 December 2019
Non-current intangible assets	(110,888)	32,060	(78,828)	20,452	(58,376)
Investment incentive	3,850,635	(1,515,438)	2,335,197	(1,966,568)	368,629
Non-current employee benefits	15,319	(698)	14,621	(4,480)	10,141
Allowance for accounts receivable	19,352	383	19,735	(8,973)	10,762
Write-down of inventories to net realisable value	38,776	2,997	41,773	(12,841)	28,932
Vacation accrual	98,557	2,809	101,366	(19,701)	81,665
Capitalised borrowing costs	(36,133)	3,792	(32,341)	7,348	(24,993)
Total deferred income tax	**3,875,618**	**(1,474,095)**	**2,401,523**	**(1,984,763)**	**416,760**
Not recognised amount	(2,558,463)	2,496,955	(61,508)	21,814	(39,694)
Deferred income tax, net	**1,317,155**	**1,022,860**	**2,340,015**	**(1,962,949)**	**377,066**
Disposed assets due to transferred operations	-	-	(1,045,746)	1,045,746	-
Deferred income tax, net	**1,317,155**	**1,022,860**	**1,294,269**	**917,203**	**377,066**

Deferred income tax asset and liability, related to entities operating in Lithuania, were accounted for at 15% rate in 2019 and 2018. The deferred tax of the company operating in Ukraine was calculated using 18% tax rate in 2019, 18% in 2018. The expiry date of the use of deferred tax asset from investment incentive applied to entities operating in Lithuania is five years.

26. Basic and diluted earnings per share

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

	Group	
	2019	**2018**
Net profit (loss) attributable to the Company's shareholders	13,508,422	14,062,390
Weighted average number of ordinary shares	65,700,000	65,700,000
Earnings per share (EUR)	**0.21**	**0.21**

	Company	
	2019	**2018**
Net profit (loss) attributable to the Company's shareholders	17,181,391	2,771,260
Continuing operations	-	*2,013,488*
Transferred operations	-	*757,772*
Weighted average number of ordinary shares	65,700,000	65,700,000
Earnings per share (EUR)	**0.26**	**0.04**
Continuing operations	-	*0.03*
Transferred operations	-	*0.01*

27. Dividends per share

	2019	2018
Approved dividends*	3,942,000	3,942,000
Number of shares**	65,700,000	65,700,000
Approved dividends per share (EUR)	**0.06**	**0.06**

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

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

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

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

	Group		Company	
	As at 31 December 2019	As at 31 December 2018	As at 31 December 2019	As at 31 December 2018
Net profit	**13,624,789**	**14,347,178**	**17,181,391**	**2,771,260**
Income tax	(2,222,856)	68,287	(917,203)	1,046,327
Profit before tax	**15,847,645**	**14,278,891**	**18,098,594**	**1,724,933**
Adjustments for:				
Net finance costs (Note 24)	(1,377,625)	(478,540)	11,731,454	(2,558)
Depreciation (Notes 4 and 6)	(11,828,173)	(13,902,547)	(5,536,201)	(8,008,250)
Amortisation (Note 5)	(308,495)	(236,353)	(195,014)	(57,516)
Amortisation of subsidies (Note 12)	758,751	783,456	510,505	507,556
Adjusted EBIDTA	**28,603,187**	**28,112,875**	**11,587,850**	**9,285,701**
Continuing operations	-	-	-	*7,001,437*
Transferred operations	-	-	-	*2,284,264*

29. Related party transactions

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

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

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

As at 31 December 2019 and 2018, the Group had no guarantees or pledges given or received in respect of the related party payables and receivables.

As at 31 December 2019, the Company had issued a guarantee of EUR 545 thousand to secure the bank loans of its subsidiary Grigeo Klaipėda AB (31 December 2018: EUR 1,273 thousand). The Company has also issued a guarantee for credit limits of subsidiaries which as at 31 December 2019 and 31 December 2018 were not used.

29. Related party transactions (cont'd)

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

Group 2019	Sale of goods and services	Purchase of goods and services	Accounts receivable *	Accounts payable
Entities with significant influence	-	15,300	-	-
Other related companies	11,708	-	-	-
TOTAL:	**11,708**	**15,300**	**-**	**-**

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

* Accounts receivable include prepayments for goods and services.

Company 2019	Sale of goods and services	Purchase of goods and services	Accounts receivable *	Accounts payable **
Entities with significant influence	-	15,300	-	-
Subsidiaries	5,121,157	7,737,503	425,797	1,781,730
Other related companies	11,708	-	-	-
TOTAL:	**5,132,865**	**7,752,803**	**425,797**	**1,781,730**

Company 2018	Sale of goods and services	Purchase of goods and services	Accounts receivable *	Accounts payable **
Entities with significant influence	-	17,300	-	3,388
Subsidiaries	4,711,673	17,111,010	466,446	4,760,241
Other related companies	8,934	-	-	-
TOTAL:	**4,720,607**	**17,128,310**	**466,446**	**4,763,629**

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

In 2019 Grigeo AB transferred the business of corrugated cardboard manufacturing to its subsidiary Grigeo Packaging UAB (100% of shares owned) in exchange for newly issued shares of Grigeo Packaging UAB. The profit received from the transaction amounts to EUR 8,609 thousand (see Note 1).

The Company's sales in 2019 and 2018 to related parties mainly comprised sales of heat (steam) energy, electricity and service provision to Grigeo Baltwood UAB, sales of secondary raw materials and services to Grigeo Recycling UAB and services provided to Grigeo Packaging UAB and Grigeo Klaipėda AB.

The Company's purchases in 2019 and 2018 to related parties mainly comprised purchases of raw materials from Grigeo Recycling UAB, and in 2018 – purchases of raw materials from Grigeo Klaipėda AB for production of corrugated cardboard. Sales to Grigeo Baltwood UAB mainly include sales of heating energy (steam) and other utilities services. Purchases from Grigeo Baltwood UAB include purchases of biofuel, services of wastewater treatment and rent of premises.

In 2018 the major purchases from Grigeo Klaipėda AB include purchases of a test liner and fluting used as raw materials in production. Accounts receivable and accounts payable to the related parties bear the same terms and conditions as receivables and payables to external customers and suppliers.

29. Related party transactions (cont'd)

As at 31 December 2019 the Company had a loan from UAB Grigeo Baltwood (EUR 1,000 thousand) with fixed annual interest rate approximately equal to the rate of the interest paid to the bank.

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

Remuneration of the key management personnel

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

	Group		Company	
	2019	2018	2019	2018
Remuneration of the key management personnel	1,195,678	689,692	554,654	388,762
Average number of managers during the year	11	10	5	5

In 2019 and 2018, the key management personnel of the Company did not receive any guarantees; no other payments or property transfers were made or accrued. In 2019 the Company paid bonuses to its Supervisory Board and Management Board in total amount of EUR 160 thousand (in 2018: EUR 130 thousand).

As at 31 December 2019 and 2019, the Group and the Company issued loans to the key management personnel of the Company and the Group, amounting to EUR 91 thousand and EUR 91 thousand together with accrued interest, respectively (in 2018: EUR 195 thousand and EUR 119 thousand). Loans bear fixed interest rate and mature in 2021. Loans are not secured.

The shares and managing positions held in Group companies by the management of the Group and the Company are disclosed in the annual management report.

30. Off-balance sheet items and contingent liabilities

The Tax Authorities have not performed full-scope tax investigations at the Group companies. The Tax Authorities may inspect accounting, transaction and other documents, accounting records and tax returns for the current and previous 3 calendar years at any time, and where appropriate, for the current and previous 5 or 10 calendar years and impose additional taxes and penalties. Management of the Group is not aware of any circumstances which would cause calculation of additional significant liabilities due to unpaid taxes.

The Company and the Group are involved in a dispute with the State Tax Inspectorate concerning unpaid pollution tax of EUR 87 thousand (the Group – EUR 144 thousand). Group management believes that the Group will not incur any additional costs.

Management of the Company is not aware of any other circumstances which would cause calculation of additional significant tax liabilities.

30. Off-balance sheet items and contingent liabilities (cont'd)

Information on emission allowances (EL)

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

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

Emission allowances	Quantity	
	Group	Company
As at 31 December 2017	**(6,065)**	**(7,245)**
Emission allowances allocated	68,418	45,539
Purchase of emission allowances	-	-
Emission allowances used	(21,160)	(7,243)
Sale of emission allowances	(50,000)	(39,000)
As at 31 December 2018	**(8,807)**	**(7,949)**
Emission allowances allocated	58,921	36,502
Specification of emission allowances	1,070	1,070
Replacement of Kyoto units with emission allowances	23,294	23,294
Emission allowances used	(20,395)	(6,859)
Sale of emission allowances	(58,917)	(52,917)
As at 31 December 2019	**(4,834)**	**(6,859)**

31. Subsequent events and going concern assessment

Pre-trial proceedings on potential pollution

Subsequent to the annual reporting date, on 7 January 2020, the Group were informed that a pre-trial investigation was initiated in the Klaipeda District Prosecutor's office regarding the actions of the Group's subsidiary, Grigeo Klaipėda AB (Grigeo Klaipeda), related to wastewater management. In the investigation, the subsidiary is suspected in that incompletely treated wastewater generated in the production process, in the period from 2012 (the exact time was not determined during the pre-trial investigation) to 7 January 2020, was discharged into the wastewater collection collector of AB Klaipėdos vanduo. The following violations have been identified:

- Grigeo Klaipėda is suspected in criminal case under Article 270 (2) and Article 300 (3) of the Criminal Code of the Republic of Lithuania (the "Criminal Case'). Article 270 (2) of the Criminal Code states that a person who violates the environmental rules, natural resources usage rules or violates the maintenance of buildings, where hazardous materials are used or stored; where this causes major damage to the air, land, water, fauna and flora or other serious consequences to the environment. A legal entity shall also be held liable for the acts provided for in this Article;
- Article 300 (3) of the Criminal Code imposes a criminal liability for forgery of a document or possession of a forged document. A legal entity shall also be held liable for the acts provided for in this Article;
- the Law on Environment Protection, Art. 19, Part 2;
- the order No. D1-236 of 17-05-2006 (the relevant edition from 01-11-2019), issued by the Minister of Environment of the Republic of Lithuania on "Approval of Waste Water Treatment Regulation", the approved Waste Water Treatment Regulation, Points 6 and 9.

Also, a temporary restriction of the right of ownership has been applied to the subsidiary by the decision of the Prosecutor of the Klaipėda Regional Prosecutor's Office and assets with the carrying amount of 26.6 mio euros as at 31 December 2019 were seized for the period of 6 months. Due to the duration of the seizure and the value of the seized property, Grigeo Klaipeda violated a credit agreement clause that entitles the bank to demand early repayment (see Note 13), but the Group's subsidiary had information that the bank did not take decision to exercise this clause by the date of approval of the consolidated financial statements.

The management of Grigeo Klaipėda, with the assistance of advisors has performed and is performing the following actions:
- co-operates with the Klaipeda District Prosecutor's office under the Klaipeda Regional Prosecutor's office. The Company provides the necessary technical information and other available data or explanations at the request of the Prosecutor's Office.

31. Subsequent events (cont'd)

Pre-trial proceedings on potential pollution (cont'd)

- applied to the Environmental Protection Department with a request to determine the plan of measures for the restoration of the environment (Curonian Lagoon) and the deadlines for their implementation;

- independently collects and stores actual data related to the alleged criminal;

- currently the selected international competent specialists/experts perform evaluation of the collected data and perform an assessment of the significance of the negative impact done on the environment as to the EU Directives.

Grigeo Klaipeda has stated its position to the Klaipėda District Prosecutor's Office of the Klaipėda Regional Prosecutor's Office, which is conducting a pre-trial investigation, that it is ready to compensate the damage as soon as it is objectively and in detail established.

To ensure continuity of operations, from 7 January 2020 to 14 May 2020, the subsidiary entered into temporary, one-month purchase agreements for wastewater treatment services with AB Klaipėdos vanduo. On 5 June 2020 and 29 June 2020, the subsidiary entered into new temporary procurement agreements on wastewater treatment services with AB Klaipėdos vanduo, the latter of which is to be effective until 4 August 2020.

Based on the preliminary analysis of the plausible outcome scenarios for the case, developed with the assistance of external experts engaged by the subsidiary, the management of the Group believe that the outflow of economic resources to be required to settle the case may be material and may include the cost of restoration and any related fees and penalties. In these consolidated financial statements, as at 31 December 2019, the Group did not recognize any provision for the possible damage to nature, due to the following factors:

- The Group does not know the exact date of the end of the pre-trial investigation;

- Neither the exact period of the breach nor potential damage to environment caused have been objectively and fully identified by the prosecutors at the date of approval of these consolidated financial statements.

The Group will recognize a liability in the consolidated statement of financial position when the above uncertainties are substantially resolved.

COVID-19 outbreak

In addition, on 11 March 2020, the World Health Organization declared the coronavirus outbreak a pandemic Taking into account the situation regarding coronavirus (COVID-19), as well as the fact that on 16 March 2020 the Government of the Republic of Lithuania announced quarantine throughout the country and that the Government and other state and municipal institutions started implementing prevention measures against the outbreak, the Group immediately began to apply various preventive measures to ensure the safety of both its employees and partners. Accordingly, a crisis management team has been formed in the Group, which monitors and analyses the situation in the group companies on a daily basis and adjusts the action plans as needed.

The wider economic impacts of these events include:

- Disruption to business operations and economic activity in Lithuania, with a cascading impact on both upstream and downstream supply chains;
- Significant disruption to businesses in certain sectors, both within Lithuania and in markets with high dependence on a foreign supply chain as well as export-oriented businesses with high reliance on foreign markets. The affected sectors include trade and transportation, travel and tourism, entertainment, manufacturing, construction, retail, insurance, education and the financial sector;
- Significant decrease in demand for non-essential goods and services;
- An increase in economic uncertainty, reflected in more volatile asset prices and currency exchange rates.

Based on the publicly available information at the date these separate and consolidated financial statements were authorised for issue, management considered potential development of the outbreak and its expected impact on the entity and economic environment, in which the entity operates, including the measures already taken by the Lithuanian government and governments in other countries, where the entity's major business partners and customers are located.

Management considered the following operating risks that may adversely affect the Group and the Company:

- Unavailability of staff for extended period of time;
- Interruptions in transportation of goods that would disrupt distribution of products to selling points;
- Current level of available cash may decrease due to possible customer settlement delays;
- Bank covenants that are at risk of being breached after the year-end due to possible liquidity risk.

31. Subsequent events (cont'd)

COVID-19 outbreak (cont'd)

Since the announcement of the quarantine, the Group has been continuing its production operations, except of three weeks continuous downtime at Grigeo Klaipėda because of terminated contract with wastewater treatment company. The Group closely monitors the current situation and communicates, on a regular basis, with its clients and suppliers about their plans and fulfilment of the contractual obligations. In order to mitigate the risks resulting from potential adverse scenarios, management started to implement the measures, which notably include:

- Employees in production departments have been trained to adhere to very strict precautionary standards including social distancing.
- Considering adjustment to the scale (reduce production volumes) of the Group's operations to respond to the possible decrease in demand for the products offered by the entity.
- Assessment of the economic trends in Europe and the CIS countries and their possible long-term impact. To mitigate the outbreak's impact, among other things, the Group has accumulated significant financial resources, sufficient inventories and raw materials, and has diversified raw material supply and purchase chains.

Although, the quarantine restrictions have not had a direct effect on the Company's and Group's activities, the Company and Group pay close attention to economic trends in European and CIS countries and their potential long-term effects on their financial position and results of operations. In the first five months of 2020, the Group's sales decreased by 8% compared to 2019, as part of cardboard honeycomb clients were lost after legal case of Grigeo Klaipėda, discussed above, as well as downtime of three weeks because of terminated contract with wastewater treatment company used by that subsidiary. During the first five months of 2020, the Group did not experience any significant delays in recovery of debts from customers. The Group generated positive cash flows from operations and its current assets exceeded current liabilities as at 31 May 2020. Supply lines of raw materials have also not been disturbed significantly – no delays noted, customers are meeting their obligations; furthermore, delivery and acquisition chains for raw materials have been diversified. The health of employees in the Group is constantly monitored and there have been no cases of COVID-19 infection.

Effects of subsequent events on the going concern assumption

Taking into consideration all the above, the Group's management expects to be able generate sufficient cash flows in the foreseeable future to service its external debt and other liabilities as they fall due, also considering reasonably possible unfavourable outcomes of the legal case discussed above. The Group plans to finish 2020 with profit with no significant negative impact from the coronavirus situation on liquidity. One cannot however preclude the possibility that extended / reimposed lock down periods, an escalation in the severity of government measures, or a consequential adverse impact of such measures on the economic environment the Group operates in will have an adverse effect on the Group, and its financial position and operating results, in the medium and longer term. Management continues to monitor the situation closely and will respond to mitigate the impact of such events and circumstances as they occur.

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

CONSOLIDATED ANNUAL MANAGEMENT REPORT

CONTENTS

1. Reporting period for which this information has been prepared

Reports have been prepared for the twelve months of 2019.

2. Audit information

The consolidated annual management report of Grigeo AB for the year 2019 has been prepared by the Management. The compliance of the financial data presented in the consolidated annual management report with the set of consolidated financial statements for the year 2019 has been checked by an independent auditor.

3. Group companies and their contact details

As at 31 December 2019, the Company had nine subsidiaries: Grigeo Klaipėda AB, UAB Grigeo Packaging, Grigeo Baltwood UAB, Grigeo Recycling UAB, Grigeo Recycling SIA, Mena Pak AT, Grigeo investicijų valdymas UAB, Naujieji Verkiai UAB and Grigiškių energija UAB.

Status	Issuer	Subsidiary	Subsidiary
Name	**Grigeo** AB	**Grigeo Klaipėda** AB	**Grigeo Packaging** UAB
Code	110012450	141011268	302329061
Authorised capital	EUR 19,053,000	EUR 11,890,549.55	EUR 15,202,900
Shares directly or indirectly controlled by Grigeo AB	Company has not acquired own shares	97.67%**	100%**
Address	Vilniaus St. 10, Grigiškės, Vilnius	Nemuno St. 2, Klaipėda	Vilniaus St. 10, Grigiškės, Vilnius
Telephone	+370 5 243 58 01	+370 46 39 56 01	+370 5 243 58 38
Fax	+370 5 243 58 02	+370 46 39 56 00	-
E-mail	info@grigeo.lt	info.klaipeda@grigeo.lt	info.packaging@grigeo.lt
Internet address	http://www.grigeo.lt/lt	http://www.grigeo.lt/lt	http://www.grigeo.lt/lt
Legal form	Public Limited Liability Company	Public Limited Liability Company	Private Limited Liability Company
Date of registration	23 May 1991	22 September 1994	10 April 2009
Administrator of the register	State Enterprise Centre of Registers	State Enterprise Centre of Registers	State Enterprise Centre of Registers

Status	Subsidiary	Subsidiary	Subsidiary
Name	UAB **Grigeo Baltwood**	**Grigeo Recycling** UAB	**Grigeo Recycling** SIA
Code	126199731	302529158	40203001091
Authorised capital	EUR 6,100,000	EUR 2,960,000	EUR 2,800
Shares directly or indirectly controlled by Grigeo AB	100%*	100%*****	100%****
Address	Vilniaus St. 10, Grigiškės, Vilnius	Vilniaus St. 10, Grigiškės, Vilnius	Ēdoles iela 5, Riga, Latvia
Telephone	+370 5 243 59 00	+370 5 243 3393	+370 5 243 3393
Fax	+370 5 243 59 10	-	-
E-mail	info.baltwood@grigeo.lt	info.recycling@grigeo.lt	info.recycling@grigeo.lt
Internet address	http://www.grigeo.lt/lt	http://www.grigeo.lt/lt	-
Legal form	Private Limited Liability Company	Private Limited Liability Company	Private Limited Liability Company
Date of registration	10 April 2003	16 July 2010	16 June 2016
Administrator of the register	State Enterprise Centre of Registers	State Enterprise Centre of Registers	Latvian Republic Register of Enterprises

	Subsidiary	Subsidiary	Subsidiary	Subsidiary
Name	**Mena Pak** AT	**Grigeo investicijų valdymas** UAB	**Naujieji Verkiai** UAB	**Grigiškių energija** UAB
Code	00383260	302416687	300015674	302674488
Authorised capital	UAH 4,011,470	EUR 19,329,776	EUR 28,962	EUR 2,900
Shares directly or indirectly controlled by Grigeo AB	100%***	100%*	100%*	100%*
Address	Koshevovo St. 6, Chernihiv region, Mena, Ukraine	Vilniaus St. 10, Grigiškės, Vilnius	Popieriaus St. 15, Vilnius	Vilniaus St. 10, Grigiškės, Vilnius
Telephone	+380 4644 21341	+370 698 87433	+370 5 243 59 33	+370 5 243 5933
Fax	+380 4644 21084	-	+370 5 243 58 02	+370 5 243 58 02
E-mail	menapack@ukr.net	robertas.krutikovas@grigeo.lt	info@grigeo.lt	vigmantas.kazukauskas@grigeo.lt
Internet address	www.menapack.com.ua	-	-	-
Legal form	Public Limited Liability Company	Private Limited Liability Company	Private Limited Liability Company	Private Limited Liability Company
Date of registration	30 December 1993	10 July 2009	6 April 2004	7 October 2011
Administrator of the register	Chernihiv region, Mena distr. Public	State Enterprise Centre of Registers	State Enterprise Centre of Registers	State Enterprise Centre of Registers

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

4. Mission, vision, values of the companies

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

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

Vision – to become a recognised European manufacturer.

Values

5. Nature of core activities of the group companies

Core business activities of Grigeo AB are as follows: manufacturing of toilet paper, paper towels and paper handkerchiefs.

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

Core business activities of Grigeo Packaging UAB are as follows: manufacturing of corrugated cardboard, products from corrugated cardboard.

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

Core business activities of Mena Pak AT (in Ukrainian – акціонерне товариство МЕНА ПАК) are as follows: manufacturing of corrugated cardboard, products from corrugated cardboard.

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

Core business activity of Grigiškių energija UAB is heat production and sale. The company has not been actually operating in 2019.

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

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

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

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

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

The Company has signed a contract with Orion Securities UAB (financial brokerage company) (A. Tumėno St. 4, Vilnius, tel. (8~5) 231 3833, fax: (8~5) 231 3840, info@orion.lt) on the handling of securities issued by the Company and for market making activities.

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

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

a. Key characteristics of the shares of the Company

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

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

b. Share trading information

Table 7.2. Share trading information

Reported period	Price, EUR				Turnover, EUR			Total turnover	
	Max.	Min.	Last se-ssion	Ave-rage	Max.	Min.	Last se-ssion	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	1,411	449,125	0	288	975,739	1,376,401
2018, III Q	1,575	1,435	1,500	1,499	116,826	0	18,801	732,650	1,098,258
2018, IV Q	1,500	1,325	1,325	1,377	1,089,964	0	14,277	1,452,506	1,999,768
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
2019, IV Q	1,470	1,320	1,445	1,419	104,495	42	13,623	628,797	892,451
2019	**1,470**	**1,305**	**1,445**	**1,395**	**104,495**	**0**	**13,623**	**1,995,357**	**2,783,923**

Figure 7.2. Share price and turnover 01/01/2004 – 31/12/2019. *Capitalisation of the Company's shares*

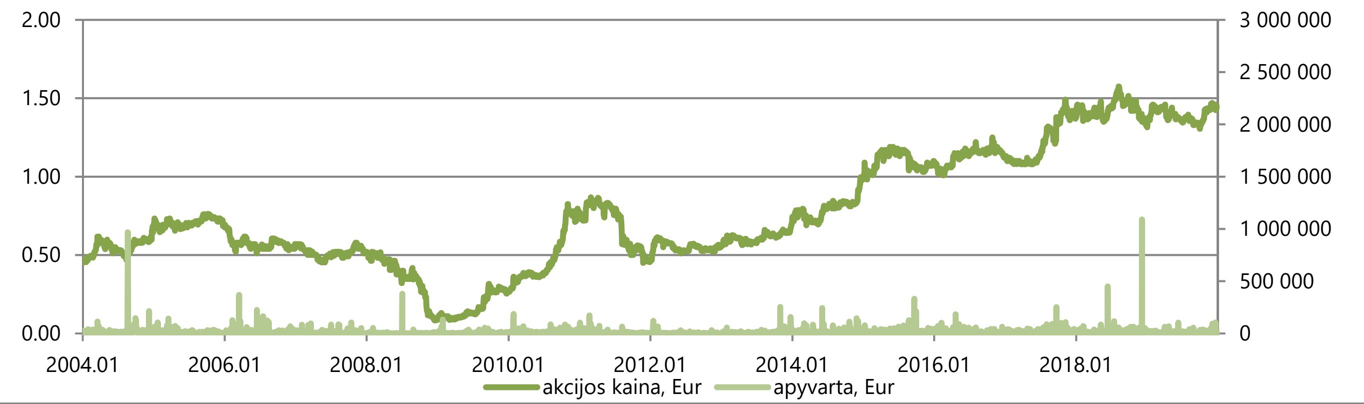

Table 7.3. Capitalisation of the Company's shares

Last session	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
31/12/2019	**94,936,500**

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

During the reporting period, compared to the previous year, the financial position of the Group companies changed slightly when comparing profitability indicators (see page 9). In 2019 indicators of liquidity and capital structure improved if compared to respective values of 2018. The Company's position in these circumstances was even more optimistic: all indicators from EBITDA and profitability to liquidity, capital structure and market value increased in 2019 compared to the respective values of 2018.

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

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

Market of hygiene paper products. Grigeo AB sales of hygiene paper products in 2019, compared to the previous year, were higher by EUR 6,166 thousand or 12%.

The substantially increased sales were mostly due to the significant focus put in 2019 on the increase of sales of household and business products, especially those made from cellulose, to end-users (owned brands), at the same time reducing sales of semi-produced paper the profitability of which is lower than that of converted products.

Continued growth is forecasted for the hygiene paper market of the Baltic States in 2020, especially in the category of paper towels. It is also planned that the updated range of products and investments into brand awareness in Latvian and Estonian markets will help to increase GRITE brand market share.

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

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

Market of corrugated cardboard packaging products. In 2019 Grigeo Packaging UAB generated record profit. EBITDA increased by 103% compared to 2018, meanwhile sales turnover grew by 2.6%. Favourable factors for the growth of profit were a fall in market prices of raw materials from spring of 2019, the investment projects implemented for modernisation of manufacturing processes which improved production efficiency without increasing costs, the attention paid to quality and creation of added value for clients and a number of new packaging projects implemented.

In 2020 investments into new equipment and modernisation are planned, which will allow to continue increase of sales, guarantee high product quality and be among the leading manufacturers of corrugated cardboard packaging in Lithuania. Special attention will be paid to optimisation of processes, enhanced productivity, employee trainings, improvement of qualification and competence.

In 2019, the main packaging markets included Lithuania, Latvia, Estonia, Finland, and Russia.

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

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

Market of raw cardboard paper. In 2019 Grigeo Klaipėda AB generated revenue of EUR 43,252 thousand (2018 – EUR 53,524 thousand) from operating activity. The sales target of the operating activity was lower by 17%. Compared to the previous year, sales volume of the operating activity decreased by EUR 10,272 thousand or 19%.

The Company's sales in the Baltic States during 2019 accounted for 63% of total sales (2018 – 60% of total sales), in the Central and Easter European countries – 27% of total sales (2018 – 39%), sales in CIS countries – 10% (2018 – 1%).

In 2019 the Company's net profit amounted to EUR 4,564 thousand (2018 – EUR 11,727 thousand).

The Company's revenue decreased in 2019 mainly due to lower production sale prices compared to the previous year.

Market of wood products. In 2019 the Company's sales revenue amounted to EUR 16,868 million. Sales in foreign country markets comprised 84%, domestic market – 16%. Compared to 2018, sales revenue increased by 8% – it grew by 10% in export markets, and remained at the similar lever in the domestic market. In 2019 the Company's position remained strong in the export markets, such as the United Kingdom, Sweden, Finland, Poland, the Benelux Economic Union due to public recognition and reputation of the brand and the product.

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

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

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

Market of corrugated cardboard packaging products in Ukraine. In 2019 Mena Pak AT received EUR 6,575 thousand from operating activity (2018 – EUR 6,388 thousand). Implementation of sales plan for operating activity was higher by 1%. Compared to the previous year, volume of sales from operating activity grew by EUR 184 thousand or 3 %.

Mena Pak AT sales in CIS countries comprised 99.8% of total sales, including 0.2% sales in Lithuania. In 2019 Mena Pak AT net profit amounted to EUR 556 thousand (2018 – EUR 268 thousand).

Social risk factors

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

Technical – technological risk factors

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

Environmental risk factors

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

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

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

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

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

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

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

Items	Group			Company		
	2019	2018	Change, %	2019	2018	Change, %
EBITDA	28,603,187	28,112,875	1.7	11,587,850	9,285,701	24.8
Profitability ratios						
EBITDA profitability	20.4%	19.7%	0.7	17.8%	11.3%	6.5
Gross margin	23.8%	20.9%	2.9	20.2%	12.6%	7.6
Operating margin	12.3%	10.4%	1.9	9.8%	2.1%	7.7
Net margin	9.6%	9.9%	(0.3)	26.4%	3.4%	23.0
ROE profitability	18.8%	22.8%	(4.0)	37.8%	7.0%	30.8
ROA profitability	11.7%	12.2%	(0.5)	24.3%	3.9%	20.4
Liquidity ratio, %						
Current ratio	1.13	0.95	18	1.08	0.75	33
Quick ratio	0.80	0.61	19	0.76	0.51	25
Capital structure ratio						
Debt to equity ratio	0.52	0.72	(20)	0.37	0.81	(44)
Debt to total assets ratio	0.34	0.42	(8)	0.27	0.45	(18)
Market value ratio						
P/E	7.03	6.19	13.5	5.53	31.41	(82.4)
Earnings per share	0.206	0.214	(3.9)	0.262	0.042	522.6

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

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

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

b. Employees

In 2019, there were no significant changes in the number of employees. The number of the employees in Group companies fluctuated naturally.

The average salary of the employees of the Company and Group companies, compared to 2018, increased for all employee categories. The change of average salary was mostly caused by the consistent salary increase policy and recruitment of workers of higher competences.

Table 9.2.1. Number of employees of the Group.

	31/12/2019	31/12/2018
Number of employees	869	844

Table 9.2.2. Number of employees of the Company.

	31/12/2019	31/12/2018
Number of employees	295	410

Table 9.2.3. The average number of employees, salary and grouping of employees by education of the Group during the twelve months of 2019.

Employees	Average salary, EUR*	Employees by education			
		University	College	Secondary	Basic
Workpeople	1,555	68	221	262	23
Specialists	1,921	134	30	27	-
Managers	4,383	67	2	6	-
Total	**1,905**	**269**	**253**	**295**	**23**

Table 9.2.4. Average number of employees, salary and grouping of employees by education of the Group during the twelve months of 2018.

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

Table 9.2.5. Average number of employees, salary and grouping of employees by education of the Company during the twelve months of 2019.

Employees	Average salary, EUR*	Employees by education			
		University	College	Secondary	Basic
Workpeople	1,679	25	61	88	10
Specialists	1,974	48	7	14	-
Managers	4,710	28	1	1	-
Total	**2,081**	**101**	**69**	**103**	**10**

Table 9.2.6. Average number of employees, salary and grouping of employees by education of the Company during the twelve months of 2018.

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

* - 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.

c. Environmental protection

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

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

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

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

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

During 2019 the Company and its Group companies did not acquire, transfer an annual own shares.

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

During 2019 Grigeo AB and its Group companies did not acquire own shares.

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

None.

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

The Company has marketing representatives in Latvia and Estonia. No new offices or branches are planned to be opened in 2020.

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

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

08/01/2020 Grigeo AB confirms public information that on 7 January 2020 a search was carried out at Grigeo Klaipėda AB in order to collect the documents necessary for the pre-trial investigation of Klaipėda District Prosecutor's Office of Klaipėda County Prosecutor's Office regarding uncleaned wastewater possibly released to the Curonian Lagoon by Grigeo Klaipėda AB.

09/01/2020 BNS news agency held a press conference to discuss the events in Klaipėda.

10/01/2020 President of Grigeo AB G. Pangonis commented on the events at Grigeo Klaipėda AB.

15/01/2020 Grigeo AB received a notification of transactions in the issuer's securities carried out by the Company's management/related parties.

15/01/2020 On 13/01/2020 a temporary restriction on property rights was applied to Grigeo AB under the ruling of the Prosecutor of Klaipėda District Prosecutor's Office of Klaipėda County Prosecutor's Office in the pre-trial investigation of 10/01/2020.

17/01/2020 The Company issued a request to temporary suspend sale of Grigeo AB shares.

17/01/2020 Klaipėda District Prosecutor's Office of Klaipėda County Prosecutor's Office raised suspicions in the pre-trial investigation to Grigeo Klaipėda AB and three of its former and current employees.

20/01/2020 Under the ruling of the Prosecutor of Klaipėda District Prosecutor's Office of Klaipėda County Prosecutor's Office in the pre-trial investigation of 16/01/2020 the request of Grigeo Klaipėda AB of 14/01/2020 to use a part of the seized assets was granted.

27/01/2020 On 24 January of the current year Grigeo AB published a press release on its intention to inform the public on issues related to monitoring of wastewater, air and water.

12/02/2020 Klaipėda District Prosecutor's Office of Klaipėda County Prosecutor's Office in the pre-trial investigation regarding alleged environmental pollution of Grigeo Klaipėda AB delivered the notification on the suspicion raised to the former Chairman of the Board of Grigeo Klaipėda AB Gintautas Pangonis.

25/02/2020 During 2019 the Group generated consolidated sales turnover of EUR 140.3 million. The Company's sales during the same period amounted to EUR 65.1 million.
During the reporting period, the Group earned EUR 15.9 million, and the Company – EUR 18.1 million.

02/03/2020 Grigeo AB received a notification of transactions in the issuer's securities carried out by the Company's management/related parties.

03/03/2020 Grigeo AB subsidiary Grigeo Klaipėda UAB signed an agreement with the international engineering, design and advisory company Pöyry Management Consulting Oy operating under the name of AFRY, which will carry out audit of environmental, employee safety and health and operating processes at the Company.

06/03/2020 Grigeo AB plans to install a new recycling line of hygienic paper in order to improve the quality of manufactured products and increase production capacity.

07/04/2020 Regarding the publication of audited consolidated and separate financial statements of AB Grigeo for the year 2019 and postponing of the convening of the Annual General Meeting of Shareholders.

07/04/2020 AB Grigeo revises the calendar of preparation and publication of interim information in 2020.

16/04/2020 The possible impact of coronavirus (COVID-19) on the activities of AB Grigeo group of companies.

13/05/2020 AB Grigeo Klaipėda and Klaipėda University have signed a letter of intent regarding the provision of EUR 500,000 aid for the development of solutions intended for the reduction of environmental pollution and the training of environmental specialists.

13/05/2020 AB Grigeo Klaipėda temporarily suspends its production activities, because AB Klaipėdos Vanduo did not renew the sewage treatment agreement concluded with AB Grigeo Klaipėda.

26/05/2020 During the three months of 2020, the Group achieved the consolidated sales turnover of EUR 36.2 million. During the same period in question, the Company's sales amounted to EUR 17.6 million.
During the reporting period, the Group earned EUR 4.2 million and the Company earned EUR 2.3 million profit before taxes.

05/06/2020 AB Grigeo Klaipėda has signed a sewage treatment agreement with AB Klaipėdos vanduo and therefore resumes its production activities.

30/06/2020 Regarding postponement of publication of audited consolidated and separate financial statements of AB Grigeo for the year 2019 and of the convening of the Ordinary Annual General Meeting of Shareholders.

30/06/2020 AB Grigeo revises the calendar of preparation and publication of interim information in 2020.

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

The Company plans investments into a new paper converting line which will amount to approximately EUR 4.9 million. The project will be implemented during 2020 and will be financed by the Company's own funds. The fully automated line will be put in the renovated building owned by the Company in Grigiškės and will produce approximately 12 thousand tonnes paper production annually. Hygienic paper products for business and household use will update and supplement the Company's range of products. Plans are also made for the Company's subsidiary Grigeo Packaging UAB to invest in 2020 approximately EUR 1.8 million into two new production lines of corrugated cardboard packaging.

This investment will lead to increased production of corrugated cardboard boxes, expansion of product range and improvement of quality.

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

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

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

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

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

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

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

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

Name, surname	Business participation		Capital interest	
	Name of enterprise, agency and organisation	Position	Name of enterprise, agency and organisation	Capital share and votes, %
Norimantas Stankevičius	Grigeo AB	Chairman of the Supervisory Council	Grigeo AB	4.41
	Didma UAB	Project Director	Didma UAB	51.0
			Statybų namai UAB	62.0
			Technikos namai UAB	62.0
Vilius Oškeliūnas	Grigeo AB	Member of the Supervisory Council		
	Atelier Investment Management UAB	Director		
	Atelier Investment Management UAB	Board Member		
	Gerovės valdymas UAB	Wealth Manager		
	IM investment UAB	Director		
	Ars Lab Limited, IE	Chairman of the Board		
	Gerovės partneriai KŪB	Full Member		
	AB Invalda privatus kapitalas	Board Member		
Romualdas Degutis	Grigeo AB	Member of the Supervisory Council	Grigeo AB	0.03
	Telesat sprendimai UAB	Board Member	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	General Director		
Normantas Paliokas	UAB Elnorma	Director	UAB Elnorma	100.0

Name, surname	Business participation		Capital interest	
	Name of enterprise, agency and organisation	Position	Name of enterprise, agency and organisation	Capital share and votes, %
	Grigeo AB	Member of the Supervisory Council		
Daiva Duksienė	Grigeo AB	Members of the Supervisory Council		
	Autodina, UAB	Chief Accountant		
	Vilturas UAB	Chief Accountant		
	Ginekologijos ir šeimos klinika UAB	Chief Accountant		
Gintautas Pangonis	Grigeo AB	President		
	Ginvildos investicija UAB	Director	Grinvaldos investicija UAB	100.0
	Grigeo AB	Chairman of the Board		
	Grigeo Klaipėda AB	Board Member (Chairman of the Board till 1 January, 2020)		
	Naujieji Verkiai UAB	Chairman of the Board		
	Grigeo Baltwood UAB	Chairman of the Board		
	Grigeo Packaging UAB	Board Member (Chairman of the Board till 1 January, 2020)		
	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	Member of the Supervisory Council (Chairman of the Supervisory Council till 5 January, 2020)		
	Grigeo Recycling SIA	Chairman of the Supervisory Council		
Vigmantas Kažukauskas	Grigeo AB	Vice president, Business Development	Grigeo AB	0.85
	Grigeo AB	Board Member		
	Grigeo Klaipėda AB	Board Member		
	Grigeo Baltwood UAB	Board Member		
	Naujieji Verkiai UAB	Director		
	Naujieji Verkiai UAB	Board Member		
	Grigeo Packaging UAB	Board Member		
	Grigiškių energija UAB	Director		
	Grigiškių energija UAB	Board Member		
	Grigeo investicijų valdymas UAB	Board Member		
	Mena Pak AT	Member of the Supervisory Council		

Name, surname	Business participation		Capital interest	
	Name of enterprise, agency and organisation	Position	Name of enterprise, agency and organisation	Capital share and votes, %
Nina Šilerienė	Grigeo AB	Vice President, Finance (till 30 June, 2020)	Grigeo AB	0.24
	Grigeo AB	Board Member		
	Grigeo Klaipėda AB	Board Member (till 11 December, 2019)		
	Naujieji Verkiai UAB	Board Member		
	Grigeo Baltwood UAB	Board Member		
	Grigeo Packaging UAB	Board Member (till 31 December, 2019)		
	Grigiškių energija UAB	Board Member		
	Grigeo investicijų valdymas UAB	Board Member		
Saulius Martinkevičius	Grigeo AB	Vice President, Sales and Logistics	Grigeo AB	0.11
	Grigeo AB	Board Member		
	Grigeo Baltwood UAB	Board Member		
	Grigeo Recycling UAB	Director (till 30 April, 2020)		
	Grigeo Recycling UAB	Board Member (till 31 December, 2019)		
	Grigeo Recycling SIA	Board Member		
	Grigeo Packaging UAB	Board Member		
	Grigeo Klaipėda AB	Board Member		
Tomas Jozonis	Grigeo AB	Managing Director		
	Grigeo AB	Board Member		
	Grigeo Recycling SIA	Member of the Supervisory Council		
	Grigeo Recycling UAB	Board member (from 1 January, 2020)		
	Grigiškių energija UAB	Board Member		

21. Management report

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

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

b. Explanations of deviations from the Corporate Governance Code

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

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

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

d. Information about significant directly and indirectly controlled shares

As at 31 December 2019 there were 2,848 shareholders of Grigeo AB.

Shareholders owning in excess of 5 per cent of the authorised capital of the Issuer as at 31 December 2019 and/or 31 December 2018.

Shareholder's name (company's name, type, headquarters address, corporate ID number)	As at 31 December 2019			As at 31 December 2018		
	Number of ordinary registered shares owned by the shareholder	Portion of the authorised capital held, %	Votes granted by shares held by the right of ownership, %	Number of ordinary registered shares owned by the shareholder	Portion of the authorised capital held, %	Votes granted by shares held by the right of ownership, %
Ginvildos investicija UAB Turniškių St. 10a-2, Vilnius, 125436533	28,582,407	43.50	43.50	28,582,407	43.50	43.50
IRENA ONA MIŠEIKIENĖ	8,584,171	13.07	13.07	8,584,171	13.07	13.07

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

e. Information about transactions with related parties

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

Grigeo Klaipėda AB – subsidiary of Grigeo AB.
Grigeo Baltwood UAB – subsidiary of Grigeo AB.
Mena Pak AT – subsidiary of Grigeo AB.
Grigeo investicijų valdymas UAB – subsidiary of Grigeo AB.
Ginvildos investicija UAB – the main shareholder of Grigeo AB.
Statybų namai UAB – company related to the members of the Supervisory Board.
Grigeo Packaging UAB – subsidiary of 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.

The Group's transactions with related parties during the twelve months of 2019 and respective balances of accounts receivable / payable as at 31 December 2019:

	Sale of goods and services	Purchase of goods and services	Accounts receivable *	Accounts payable
Ginvildos investicija UAB	-	15,300	-	-
Statybų namai UAB	11,708	-	-	-
Total	**11,708**	**15,300**	**-**	**-**

* Accounts receivable include prepayments for goods and services.

The Company's transactions with related parties during the twelve months of 2019 and respective balances of accounts receivable / payable as at 31 December 2019:

	Sale of goods and services	Purchase of goods and services	Accounts receivable *	Accounts payable
Grigeo Baltwood UAB	3,799,530	1,248,447	352,852	1,132,806
Ginvildos investicija UAB	-	15,300	-	-
Grigeo Recycling UAB	112,421	5,619,646	13,027	534,107
Statybų namai UAB	11,708	-	-	-
Grigeo Klaipėda AB	85,110	494,727	8,310	70,686
Grigeo Packaging UAB	1,136,638	374,683	51,608	44,131
Total	**5,145,407**	**7,752,803**	**425,797**	**1,781,730**

* Accounts receivable include prepayments for goods and services.

f. Information about shareholders holding special controlling rights

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

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

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

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

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

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

i. Information about the powers of the Board Members

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

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

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

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

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

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

Names, surnames	Position	Education	Tenure	Capital share and votes, %
SUPERVISORY BOARD				
Norimantas Stankevičius	Chairman	University	Since 26 April 2019 until the General Shareholders' 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 General Shareholders' 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 General Shareholders' Meeting, to be held in 2023	-
Nina Šilerienė	Member	University		0.24
Vigmantas Kažukauskas	Member	University		0.85
Saulius Martinkevičius	Member	University		-
Tomas Jozonis	Member	University		-
ADMINISTRATION				
Gintautas Pangonis	President	University	-	-
Nina Šilerienė	Vice President, Finance (till 30 July, 2020)	University	-	0.24
Vigmantas Kažukauskas	Vice President, Business Development	University	-	0.85
Saulius Martinkevičius	Vice president, Purchasing & Logistics	University	-	0.11
Tomas Jozonis	Managing Director	University	-	-

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

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

Nina Šilerienė – Vice President, Finance (till 30 June, 2020). Education – university degree. Profession – economist for accounting, control and analysis of economic activities. Workplaces during the last 10 years:

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

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

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

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

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

Names, surnames	Tantiemes paid in 2019, EUR
SUPERVISORY BOARD	
Norimantas Stankevičius	12,000
Vilius Oškeliūnas	2,200
Romualdas Degutis	2,200
Tautvilas Adamonis	2,200
Daiva Duksienė	2,200
BOARD	
Gintautas Pangonis	39,200
Nina Šilerienė	30,850
Vigmantas Kažukauskas	30,850
Vytautas Juška	30,850
Normantas Paliokas	7,450

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

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

The Company is not aware of any agreements between shareholders.

22. Social responsibility report

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

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

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

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

a. Relationships with employees

The social dialogue between the employer and employees of the Group companies is guaranteed with the effective trade unions and/or work councils. Relationships with employees are defined under collective contractual terms. Group companies pay special attention to their employees. In order to ensure employee involvement in Group companies, we offer our employees the opportunity to use additional benefits. The list of additional benefits is reviewed and updated on an ongoing basis based on the needs of employees. Employees appreciate the additional benefits and use them.

Reward system. Competitive remuneration is one of the crucial factors in retaining current employees and attracting new talents.

Group companies continuously monitor the labour market situation, remuneration forecasts, and taking into consideration the data analytics available review their renumerations systems usually once a year in November and adjust it in the course of the year, if needed.

The criteria applied for respective positions are taken into consideration when determining the remuneration system, such as competence, know-how (technical knowledge, management volumes, human resources skills), level of problem solving (freedom of thought, problem complexity) and responsibility (freedom of actions, size of impact, type of impact) which falls upon a specific position. We aim for the level of the remuneration offered by the Group companies to be competitive in the labour market and to correspond to financial capabilities of the Group companies.

Remuneration structure must correspond to legal acts, terms of collective agreements and guidelines of the work remuneration system.

Group companies apply systems of additional monetary rewards which give employees opportunities to earn additional income, depending on personal results and the operating result of the Company.

In 2019 remuneration of employees from Group companies was increased twice, in April and August. On average, remuneration of employees from Group companies increased up to 5% during the year.

Employee performance evaluation. We appreciate the input of our employees into the operating results of Group companies; therefore, in 2019 Group companies continued successful discussions of employee work results – evaluations of employee work results. This employee performance evaluation reflects both the results achieved and how they were achieved by determining clear links not only with increase in remuneration but also with discussion of opportunities for professional improvement and promotion.

These periodic employee meetings are very welcome – through them, employees have the opportunity for active involvement in the Company's activities, frequent feedback acts as a great motivational tool and guidelines are given for improvement of employee qualifications.

Systematic monitoring and discussion of results also contributes to fulfilment of the Company's objectives.

Employee evaluation. For 10 years, we have been organising the Best Employees of the Year Award in Group companies which has become a tradition. The procedure description for the awards was updated in 2019 and it fundamentally altered the procedure followed to award the best employees. Awards were given to team members who best represent the Company's values in order to strengthen the organisational culture based on values.

As of 2019, quotas according to divisions or position groups were abandoned in the Best Employees of the Year Awards. Best employees are awarded not once a year but quarterly. Such new procedures allow to award more deserving team members.

All employees are able to nominate their colleagues for the awards.

At the end of the year Grigeo AB randomly selects one lucky one from all of the quarterly awarded employees who wins the main prize – a recreational trip to a foreign seaside resort.

Employee competence development. The year 2019 was the year based on values in Group companies. All companies carried out a systematic process for development of employee competences which encompassed all position groups: managers, specialist, workers.

We care about our new team members; therefore, employment of each employee in Group companies is based on respect for the person in accordance with the provisions of equal opportunities policies. Special attention is paid to all new employees; therefore, in 2019 we improved the evaluation process of the probationary period for production, technical and administration employees. Internal trainings were organised for senior management covering topics such as employee selection based on values, honesty, objective transparent criteria and appropriate feedback for all candidates.

The project Grigeo Grow – Talent Academy aimed at educating specialists of Group companies took place in 2019, and 11 specialists selected from the Group participated in the project. This project gave the opportunity to strengthen competences of the specialists in the project management area, to recognise their personal behavioural patterns. Participants of the Talent Academy took part in sessions aimed at formation of successful habits during which they learned the principles of efficiency and proactivity. They also created a tool for the dialogue of values which helped to evaluate discrepancies between the values proclaimed by the organisation and actual behaviour, and to form the basis for a cultural change. This process also involved a team of 20 managers which helped the team of talents to shape further organisational actions based on values.

In 2019 attention was paid to development of competences of workers, i.e. non-formal professional training programmes for production workers and technicians were updated to guarantee more fluidity in the processes of employee trainings and their introduction into processes; internal trainings of the good production practice were organised; special attention was paid to update the qualification assessment system of certain production and logistics workers which came into force in January 2020.

A 360 degree reassessment of management competences was carried out. During the reassessment, the competences which should be developed were determined, and methodology and tools which will facilitate development were discussed with business consultants.

Occupational safety and health. Group companies maintain a safe and reliable work environment which corresponds to the standards and requirements provided under national legal acts. We cultivate a safe and healthy work environment in day-to-day activities of companies and encourage employee involvement when registering and eliminating unsafe situations. We are pleased that our employees are active in this area and 669 unsafe situations were registered throughout the Group of companies, 593 of which were solved together with employees and the remaining are being solved.

During 2019, 23 minor accidents were registered in the Group which has almost 869 employees, unfortunately, one of the accidents was very serious. The main reasons for the accidents are unsafe actions, not wearing personal protective equipment, carelessness, slips. Therefore, we always pay special attention to improvement of workplace safety and health knowledge of our workers, we organised employee trainings on various safety and health related issues, such as manual lifting of cargos, work in a noisy environment, practical trainings of employee fire safety, employee evacuation, loader safety, prevention of accidents and incidents, usage of protective equipment, professional risk assessment trainings.

As usual, Group employees were involved in additional wellness activities, events and initiatives promoting care of personal health and safety. Companies organised basketball, football, table tennis tournaments and quizzes, employees and their family members took part in the Danske Bank marathon.

As every year, we financed flu vaccines for our employees, and tick-borne encephalitis vaccines for those working in outdoor conditions. Employees were insured from accidents and were able to choose an additional health insurance.

Group companies successfully improved their business processes in order to ensure maximum workplace safety: various repairs of work and recuperation, social areas were carried out, expansion of storage premises, floor coverings were refurbished therefore guaranteeing ergonomic, safe workplace conditions by reducing and eliminating factors of vibration, noise, heat and the possibility of any trip hazards.

Social activity, volunteering. The Group encourages volunteering activities. Each employee has an opportunity to get a paid day-off for volunteering work.

In the spring 2019, the staff of Group companies operating in Grigiškės traditionally contributed to the reforestation works in the surroundings of Vilnius city. As many as 4,200 tree seedlings were planted in the area of 1.2 ha. The forest area covered by our employees currently spans 11.7 ha.

We also organised a pie day during which we collected charity for the initiative "Išsipildymo akcija".

Grigeo Klaipėda AB team contributed to a blood donation initiative, took part in the "Run for hope", collected charity for the St. Francis oncology centre.

b. Relationships with the society

Promoting the community. It is important for the Group to encourage and maintain a tight relationship with the community of Grigiškės. We are proud that we became one of the major benefactors in the construction of the Grigiškės church which has become one of the main town attractions. Throughout the construction period the Company donated EUR 400,000 (in 2016–2019), including EUR 50,000 donated in 2019.

In 2019 we also donated more than EUR 12,800 to support the following activities:

- Annual present to the town of Grigiškės – monetary donation for the Christmas tree and its decoration;
- To take care of Grigiškės youth, in 2019 we made a monetary donation to Vilnius municipality Grigiškės "Šviesos" gymnasium and we contributed to implementation of the following projects: realisation of the exhibition "The historical path of a Lithuanian school in Grigiškės", we covered the expenses related to the gymnasium's participation in the international climate change summit in Finland, we supported the organiser public entity "Lithuanian Junior Achievement" which gave the opportunity for a gymnasium teacher to take part in the European Entrepreneurship Education Summit in Lille.
- We made a monetary donation to the public entity "Leidybos idėjų centras" for the publishing of the book "The age of business: Lithuanian capitalism, government and businessmen 1918–2018".
- In 2019 we provided support with Grigeo AB production to the day camp project "Read! Learn! Improve!" organised by the Grigiškės Branch Library of the Central Library of Vilnius City Municipality; public entity "Grigiškių sveikatos priežiūros centras", traditional religious community "Mažesniųjų Brolių Ordino Lietuvos Šv. Kazimiero provincijos Kauno Šv. Jurgio konventas", Vilnius municipality Grigiškės "Šviesos" gymnasium.

Grigiškės gymnasium provided the opportunity for employees of the Group companies to use its basketball court for evening training sessions and organisation of basketball and football championships.

Educational activities and practice opportunities. In continuing educational activities, 521 pupils and students had the opportunity to go to free excursions at the Company.

During the excursions, the visitors had a unique opportunity to get to know the Company, learn and see the process of manufacture of products used in everyday life from waste paper or cellulose.

Collaboration with education institutions results in young enthusiastic specialists joining our team every year. In 2019, 9 students completed traineeships in Group companies, and two of them were asked to stay as permanent employees.

Grigeo Klaipėda AB together with Klaipėda university students carry out a project "Eco bee. Automatic comb packaging" during which students complete traineeships at the Company. Open Days were organised for students of Klaipėda university, the Company also collaborates with Klaipėda schools for educational purposes, i.e. teaches their students the paper manufacturing process as well as other interesting and useful classes.

c. Environmental protection

The Group's philosophy is to produce environmentally-friendly products with the optimum use of natural resources. Attention for the environment is one of the key sustainability aspects of the Company which encourages continuous thought process and actions ensuring a safe and healthy environment for us and future generations. We invest constantly and install environmentally friendly equipment. In 2019 Grigeo Klaipėda AB invested EUR 0.5 million into enclosure of two waste pools and a smell ozonisation system. From then on air in these enclosed pools mixes with ozone, it is extracted and directed to reactors which eliminate up to 95% of smell-causing molecules.

As disclosed in note 31, on 7 January 2020, the Group was informed that a pre-trial investigation was initiated in the Klaipeda District Prosecutor's office regarding the Group company's Grigeo Klaipėda AB actions related to waste water management. In the investigation the Group company was suspected in that incompletely treated wastewater generated in the production process, in the period from 2012 (the exact time was not determined during the pre-trial investigation) to 7 January 2020, was discharged into the wastewater collection collector of AB Klaipėdos vanduo.

Energy. A detailed energy consumption audit was carried out at Grigeo AB in 2019 to determine energy consumption reduction possibilities and to provide technical and organisational measures to increase the Company's energy consumption efficiency. Based on the audit conclusions, an application was submitted to and approved to recover 85% of the PIS (public interest service) funds paid for the period 2019–2022, 75% of which will be invested into energy efficiency improvement projects in accordance with the audit plan for energy efficiency improvement measures.
Following implementation of the plan, a significant reduction of energy consumption per production unit is planned.

Energy consumption audit was carried out at Grigeo Baltwood UAB in accordance with the European Parliament and Council Directive 2020/27/EU of 25 October 2012. The objective of the energy audit was to identify energy consumption volumes, to determine energy consumption reduction possibilities and to provide technical and organisational measures to increase the Company's energy consumption efficiency.

Modern equipment was installed in Grigeo Packaging UAB which reduced electricity consumption for a thousand square meters of corrugated cardboard production by 5.1%, and steam consumption by 2.9%. Also, use of old fluorescent lightbulbs was terminated in 2019 in order to reduce electricity consumption, and LED lighting was installed instead.

Also, Airplus1 Lituanica reactive power compensation solution was installed. Up to 3.5 MWh electricity energy was saved and 3,500 MWh reactive energy annually.

Production environmental friendliness. EU Ecolabel was granted for the Company's products (hygienic paper, paper towels, etc.) (renewed in 2019) and the Swan Nordic Ecolabel certificate.

Swan Nordic Ecolabel and EU Ecolabel are ecological certificates with the objective to promote methods of production which would have a minimal effect on the environment. Raw materials and materials are selected based on the assessment of the effect the production has on the environment and human health. The products carrying the markings correspond to the environmental, quality, health and safety requirements.

We are proud that our hygienic paper products bear these certificates. They attest that we carry out our activities in line with international standards, we protect the environment and contribute to reduction of climate impact. These certificates also increase the Company's competitiveness in European markets.

Management system certificate ISO 14001:2015 proves that the Company controls environmental impact in its manufacturing and production distribution processes. We responsibly choose and use raw materials, energy sources, install environmentally friendly technologies, manage discharge and other manufacturing waste.

Business risk management

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

The main risk assessment and management directions of the Company:

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

d. Business ethics and transparency

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

The Group established an internal channel used to provide information about any irregularities. Employees can use the channel to inform about threats to public safety and health, life of health or a person, environmental threats and other infringements.

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

We have a transparent remuneration policy (we pay state taxes and contributions to Sodra), our participation in tenders (public procurement) is transparent and we pay all taxes in accordance with the legal requirements.

We carry out public procurement in accordance with the management system procurement procedure which clearly defines the criteria for selection of suppliers (price, quality, delivery and payment terms of a product or a service).

In 2019 Grigeo Klaipėda AB terminated relationship with two representatives of Grigeo Klaipėda AB top management, i.e. Production Director and Managing Director, due to potentially non-transparent activities of the employees and actions against the interests of the company.

Human rights. We respect and guarantee human rights and freedoms defined in the Universal Declaration of the Human Rights approved in the General Assembly of the United Nations, the Convention for the Protection of Human Rights and Fundamental Freedoms of the European Council, conventions of International Labour Organisation and the laws of the Republic of Lithuania. This aspect is discussed in more detail in the Group Business Ethics Code which defines strict approach of the Group to child labour, right to association and trade unions, discrimination, etc. In 2019, there were no incidents related to discrimination or human rights violations in the Company.

We protect personal data and guarantee personal privacy. We manage only as many personal data as is necessary taking into consideration the determined data management objectives and in strict adherence with requirements of the Law on Legal Protection of Personal Data and other legal requirements regulating personal data protection.

CORPORATE GOVERNANCE CODE

The public company Grigeo AB (hereinafter – "**the Company**"), following Article 21(3) of the Law on Securities of the Republic of Lithuania and item 24.5 of the Trading Rules of Nasdaq Vilnius AB, discloses its compliance with the Governance Code, approved for the companies listed on the Nasdaq Vilnius, and its specific provisions or recommendations. In the event of non-compliance with the Code or with certain provisions thereof or recommendations, it must be specified which provisions are not complied with and the reasons of non-compliance, and other explanatory information referred to in this form must be provided.

PRINCIPLES/ RECOMMENDATIONS	YES/ NO /NOT APPLICABLE	COMMENTARY
Principle 1: General meeting of shareholders, equitable treatment of shareholders, and shareholders' rights The corporate governance framework should ensure the equitable treatment of all shareholders. The corporate governance framework should protect the rights of shareholders.		
1.1. All shareholders should be provided with access to the information and/or documents established in the legal acts on equal terms. All shareholders should be furnished with equal opportunity to participate in the decision-making process where significant corporate matters are discussed.	Yes	The Company fully follows this recommendation. In accordance with the Law on Companies of the Republic of Lithuania, the Company's website and the NASDAQ Vilnius Exchange provide information on the General Shareholders' Meetings being convened, the resulting draft decisions and other information held by the Company as well as documents which should be submitted to the General Shareholders' Meeting and the decisions reached in Lithuanian and English.
1.2. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all of their holders.	Yes	The Company's authorised capital is comprised of 65,700,000 ordinary shares with the nominal value of EUR 0.29 each. The same rights are granted to all holders of the Company's shares.
1.3. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The Company fully follows this recommendation.
1.4. Exclusive transactions that are particularly important to the company, such as transfer of all or almost all assets of the company which in principle would mean the transfer of the company, should be subject to approval of the general meeting of shareholders.	Yes	The Company will follow this recommendation.

1.5. Procedures for convening and conducting a general meeting of shareholders should provide shareholders with equal opportunities to participate in the general meeting of shareholders and should not prejudice the rights and interests of shareholders. The chosen venue, date and time of the general meeting of shareholders should not prevent active participation of shareholders at the general meeting. In the notice of the general meeting of shareholders being convened, the company should specify the last day on which the proposed draft decisions should be submitted at the latest.	Yes	The procedures for convening of and participating in the General Shareholders' Meetings provide shareholders with equal opportunities to participate in the General Shareholders' Meetings and do not prejudice their rights or interests. In accordance with the procedure established under the Law on Securities, the notice of the General Shareholders' Meeting being convened is announced publicly in the central database of regulated information administered by AB Nasdaq Vilnius and the Company's website. The Company's General Shareholders' Meetings are held at the address of the Company's head office and operations at Vilnius St. 10, Grigiškės, Vilnius. The chosen venue of the General Shareholders' Meetings does not prevent active participation of shareholders at the General Shareholders' Meeting. In the notice of the General Shareholders' Meeting being convened the Company informs that shareholders can provide their proposed draft decisions at any time until the shareholders' meeting.
1.6. With a view to ensure the right of shareholders living abroad to access the information, it is recommended, where possible, that documents prepared for the general meeting of shareholders in advance should be announced publicly not only in Lithuanian language but also in English and/or other foreign languages in advance. It is recommended that the minutes of the general meeting of shareholders after the signing thereof and/or adopted decisions should be made available publicly not only in Lithuanian language but also in English and/or other foreign languages. It is recommended that this information should be placed on the website of the company. Such documents may be published to the extent that their public disclosure is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	The Company follows this recommendation. The Company makes publicly available the documents prepared for the General Shareholders' Meeting in advance in Lithuanian and English. The Company also publicly announces information on the decisions adopted during the General Shareholders' Meeting in Lithuanian and English. The Company also places the aforementioned information on its website.
1.7. Shareholders who are entitled to vote should be furnished with the opportunity to vote at the general meeting of shareholders both in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	The Company follows this recommendation. The notice on the General Shareholders' Meeting being convened always informs of the opportunity for the shareholders to vote in writing in advance by completing the general voting ballot.

1.8. With a view to increasing the shareholders' opportunities to participate effectively at general meetings of shareholders, it is recommended that companies should apply modern technologies on a wider scale and thus provide shareholders with the conditions to participate and vote in general meetings of shareholders via electronic means of communication. In such cases the security of transmitted information must be ensured and it must be possible to identify the participating and voting person.	No	The Company does not follow this recommendation as up until now no such preferences were expressed by the shareholders. The notice on the General Shareholders'' Meeting being convened always informs that the Company does not provide the opportunity to participate and vote in the General Shareholders' Meeting via electronic means of communication.
1.9. It is recommended that the notice on the draft decisions of the general meeting of shareholders being convened should specify new candidatures of members of the collegial body, their proposed remuneration and the proposed audit company if these issues are included into the agenda of the general meeting of shareholders. Where it is proposed to elect a new member of the collegial body, it is recommended that the information about his/her educational background, work experience and other managerial positions held (or proposed) should be provided.	Yes	The Company follows this recommendation. The Company discloses information on candidatures of members of the collegial body to the shareholders immediately after it receives proposals regarding candidatures of members of the collegial body. The Company has in the past remunerated the members of the collegial body only with tantiemes awarded by the General Shareholders' Meeting; therefore, information on the proposed renumeration was not disclosed when providing information on candidatures of members of the collegial body. The Company also provides information on the proposed audit firm and the offered price of services when this issue is included in the agenda of the General Shareholders' Meeting.
1.10 Members of the company's collegial management body, heads of the administration[1] or other competent persons related to the company who can provide information related to the agenda of the general meeting of shareholders should take part in the general meeting of shareholders. Proposed candidates to member of the collegial body should also participate in the general meeting of shareholders in case the election of new members is included into the agenda of the general meeting of shareholders.	Yes	The Company follows this recommendation. Related competent persons who can provide information related to the agenda of the General Shareholders' Meeting always take part in the General Shareholders' Meeting. Proposed candidates to members of the collegial body as far as is practicable take part in the General Shareholders' Meetings.

[1] For the purposes of this Code, heads of the administration are the employees of the company who hold top level management positions.

Principle 2: Supervisory Board

2.1. Functions and liability of the Supervisory Board

The Supervisory Board of the company should ensure representation of the interests of the company and its shareholders, accountability of this body to the shareholders and objective monitoring of the company's operations and its management bodies as well as constantly provide recommendations to the management bodies of the company.

The Supervisory Board should ensure the integrity and transparency of the company's financial accounting and control system.

2.1.1. Members of the Supervisory Board should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders and represent their interests, having regard to the interests of employees and public welfare.	Yes	Based on the Company's information available, all members of the Supervisory Board act in good faith for the benefit of the Company and its shareholders.
2.1.2. Where decisions of the Supervisory Board may have a different effect on the interests of the company's shareholders, the Supervisory Board should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed about the company's strategy, risk management and control, and resolution of conflicts of interest.	Yes	The collegiate body treats all shareholders impartially and fairly.
2.1.3. The Supervisory Board should be impartial in passing decisions that are significant for the company's operations and strategy. Members of the Supervisory Board should act and pass decisions without an external influence from the persons who elected them.	Yes	The Supervisory Board is impartial in passing decisions that are significant for the Company's operations and strategy.
2.1.4. Members of the Supervisory Board should clearly voice their objections in case they believe that a decision of the Supervisory Board is against the interests of the company. Independent[2] members of the Supervisory Board should: a) maintain independence of their analysis and decision-making; b) not seek or accept any unjustified privileges that might compromise their independence.	Yes	Members of the Supervisory Board maintain independence and clearly voice their will in decision-making.
2.1.5. The Supervisory Board should oversee that the company's tax planning strategies are designed and implemented in accordance with the legal acts in order to avoid faulty practice that is not related to the long-term interests of the company and its shareholders, which may give rise to reputational, legal or other risks.	Yes	The Supervisory Board oversees that the Company's tax planning strategies are designed and implemented in accordance with the legal acts.

[2] For the purposes of this Code, the criteria of independence of members of the Supervisory Board are interpreted as the criteria of unrelated parties defined in Article 31(7) and (8) of the Law on Companies of the Republic of Lithuania.

2.1.6. The company should ensure that the Supervisory Board is provided with sufficient resources (including financial ones) to discharge their duties, including the right to obtain all the necessary information or to seek independent professional advice from external legal, accounting or other experts on matters pertaining to the competence of the Supervisory Board and its committees.	Yes	The Supervisory Board is provided with premises for meetings and all the necessary information, they have the right to seek an independent professional advice from external legal, accounting or other experts on matters pertaining to the competence.

2.2. Formation of the Supervisory Board

The procedure of the formation of the Supervisory Board should ensure proper resolution of conflicts of interest and effective and fair corporate governance.

2.2.1. The members of the Supervisory Board elected by the general meeting of shareholders should collectively ensure the diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance between the qualifications of the members of the Supervisory Board, it should be ensured that members of the Supervisory Board, as a whole, should have diverse knowledge, opinions and experience to duly perform their tasks.	Yes	The members of the Supervisory Board elected by the General Shareholders' Meeting collectively ensure the diversity of qualifications, professional experience and competences and seek for gender equality.
2.2.2. Members of the Supervisory Board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience.	Yes	In accordance with the Company's Articles of Association, members of the Supervisory Board are elected by the General Shareholders' Meeting for the period of 4 years, the maximum interval allowed under the legal acts of the Republic of Lithuania.
2.2.3. Chair of the Supervisory Board should be a person whose current or past positions constituted no obstacle to carry out impartial activities. A former manager or Management Board member of the company should not be immediately appointed as chair of the Supervisory Board either. Where the company decides to depart from these recommendations, it should provide information on the measures taken to ensure impartiality of the supervision.	Yes	Chair of the Supervisory Board is a person whose current or past positions constitute no obstacle to carry out impartial activities. A former manager or Management Board member of the Company has not been immediately appointed as Chair of the Supervisory Board either.

2.2.4. Each member should devote sufficient time and attention to perform his duties as a member of the Supervisory Board. Each member of the Supervisory Board should undertake to limit his other professional obligations (particularly the managing positions in other companies) so that they would not interfere with the proper performance of the duties of a member of the Supervisory Board. Should a member of the Supervisory Board attend less than a half of the meetings of the Supervisory Board throughout the financial year of the company, the shareholders of the company should be notified thereof.	Yes	Each member devotes sufficient time and attention to perform his duties as a member of the Supervisory Board, other professional obligations do not interfere with the proper performance of the duties of a member of the Supervisory Board.
2.2.5. When it is proposed to appoint a member of the Supervisory Board, it should be announced which members of the Supervisory Board are deemed to be independent. The Supervisory Board may decide that, despite the fact that a particular member meets all the criteria of independence, he/she cannot be considered independent due to special personal or company-related circumstances.	No	The Company presents to the shareholders the proposals received for candidatures of members of the Supervisory Board.
2.2.6. The amount of remuneration to members of the Supervisory Board for their activity and participation in meetings of the Supervisory Board should be approved by the general meeting of shareholders.	Yes	Tantiems were awarded to all members of the collegial body for their work.
2.2.7. Every year the Supervisory Board should carry out an assessment of its activities. It should include evaluation of the structure of the Supervisory Board, its work organisation and ability to act as a group, evaluation of the competence and work efficiency of each member of the Supervisory Board, and evaluation whether the Supervisory Board has achieved its objectives. The Supervisory Board should, at least once a year, make public respective information about its internal structure and working procedures.	No	The Supervisory Board has not carried out an assessment of its activities.

Principle 3: Management Board

3.1. Functions and liability of the Management Board

The Management Board should ensure the implementation of the company's strategy and good corporate governance with due regard to the interests of its shareholders, employees and other interest groups.

3.1.1. The Management Board should ensure the implementation of the company's strategy approved by the Supervisory Board if the latter has been formed at the company. In such cases where the Supervisory Board is not formed, the Management Board is also responsible for the approval of the company's strategy.	No	Strategies have not been formed in the Company.
3.1.2. As a collegial management body of the company, the Management Board performs the functions assigned to it by the Law and in the Articles of Association of the company, and in such cases where the Supervisory Board is not formed in the company, it performs *inter alia* the supervisory functions established in the Law. By performing the functions assigned to it, the Management Board should take into account the needs of the company's shareholders, employees and other interest groups by respectively striving to achieve sustainable business development.	Yes	As a collegial management body of the Company, the Management Board performs the functions assigned to it by the Law on Companies and in the Articles of Association of the Company. By performing the functions assigned to it, the Management Board takes into account the needs of the Company's shareholders, employees and other interest groups by respectively striving to achieve sustainable business development.
3.1.3. The Management Board should ensure compliance with the laws and the internal policy of the company applicable to the company or a group of companies to which this company belongs. It should also establish the respective risk management and control measures aimed at ensuring regular and direct liability of managers.	Yes	Based on its competence and the functions attributed, the Management Board aims to ensure compliance with the laws and the internal policy of the Company.
3.1.4. Moreover, the Management Board should ensure that the measures included into the OECD Good Practice Guidance[3] on Internal Controls, Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards.	Yes	Various documents are effective at the Company which ensure internal control of the highest level, ethics and compliance management measures.
3.1.5. When appointing the manager of the company, the Management Board should take into account the appropriate balance between the candidate's qualifications, experience and competence.	Yes	When appointing the manager of the Company, the Management Board takes into account the appropriate balance between the candidate's qualifications, experience and competence.

[3] Link to the OECD Good Practice Guidance on Internal Controls, Ethics and Compliance: https://www.oecd.org/daf/anti-bribery/44884389.pdf

3.2. Formation of the Management Board		
3.2.1. The members of the Management Board elected by the Supervisory Board or, if the Supervisory Board is not formed, by the general meeting of shareholders should collectively ensure the required diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance in terms of the current qualifications possessed by the members of the Management Board, it should be ensured that the members of the Management Board would have, as a whole, diverse knowledge, opinions and experience to duly perform their tasks.	Yes	The members of the Management Board elected by the Supervisory Board collectively ensure the required diversity of qualifications, professional experience and competences, representatives of both genders form the Management Board.
3.2.2. Names and surnames of the candidates to become members of the Management Board, information on their educational background, qualifications, professional experience, current positions, other important professional obligations and potential conflicts of interest should be disclosed without violating the requirements of the legal acts regulating the handling of personal data at the meeting of the Supervisory Board in which the Management Board or individual members of the Management Board are elected. In the event that the Supervisory Board is not formed, the information specified in this paragraph should be submitted to the general meeting of shareholders. The Management Board should, on yearly basis, collect data provided in this paragraph on its members and disclose it in the company's annual report.	Yes	Names and surnames of the candidates to become members of the Management Board, information on their educational background, qualifications, professional experience, current positions, other important professional obligations and potential conflicts of interest are disclosed without violating the requirements of the legal acts regulating the handling of personal data at the meeting of the Supervisory Board in which the Management Board or individual members of the Management Board are elected.
3.2.3. All new members of the Management Board should be familiarised with their duties and the structure and operations of the company.	Yes	Members of the Management Board are familiarised with their duties and the structure of the Company, corporate documents of the Company are shared.
3.2.4. Members of the Management Board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience and sufficiently frequent reconfirmation of their status.	Yes	Clauses 8.1., 8.2. of the Company's Articles of Association provide that the Management Board is the collegial body of the Company's management and comprises 5 members. Members of the Management Board are elected for a tenure of 4 years by the Supervisory Board. The number of tenures for a member of the Management Board is not restricted.

3.2.5. Chair of the Management Board should be a person whose current or past positions constitute no obstacle to carry out impartial activity. Where the Supervisory Board is not formed, the former manager of the company should not be immediately appointed as chair of the Management Board. When a company decides to depart from these recommendations, it should furnish information on the measures it has taken to ensure the impartiality of supervision.	Yes	Chairman of the Management Board is a person whose current or past positions constitute no obstacle to carry out impartial activity.
3.2.6. Each member should devote sufficient time and attention to perform his duties as a member of the Management Board. Should a member of the Management Board attend less than a half of the meetings of the Management Board throughout the financial year of the company, the Supervisory Board of the company or, if the Supervisory Board is not formed at the company, the general meeting of shareholders should be notified thereof.	Yes	Each member devotes sufficient time and attention to perform his duties as a member of the Management Board.
3.2.7. In the event that the Management Board is elected in the cases established by the Law where the Supervisory Board is not formed at the company, and some of its members will be independent[4], it should be announced which members of the Management Board are deemed as independent. The Management Board may decide that, despite the fact that a particular member meets all the criteria of independence established by the Law, he/she cannot be considered independent due to special personal or company-related circumstances.	Not applicable	
3.2.8. The general meeting of shareholders of the company should approve the amount of remuneration to the members of the Management Board for their activity and participation in the meetings of the Management Board.	Yes	Tantiemes are awarded to members of the Management Board for their activity in the Board.

[4] For the purposes of this Code, the criteria of independence of the members of the board are interpreted as the criteria of unrelated persons defined in Article 33(7) of the Law on Companies of the Republic of Lithuania.

3.2.9. The members of the Management Board should act in good faith, with care and responsibility for the benefit and the interests of the company and its shareholders with due regard to other stakeholders. When adopting decisions, they should not act in their personal interest; they should be subject to no-compete agreements and they should not use the business information or opportunities related to the company's operations in violation of the company's interests.	Yes	Based on the information available to the Company, all members of the Management Board act in good faith, with care and responsibility for the benefit and the interests of the Company and its shareholders and they aim to maintain their independence in decision-making. In accordance with the provisions of the Law on Companies of the Republic of Lithuania, all members of the Management Board have the obligation of secrecy regarding the Company's commercial (production) activities and confidential information which has come to their knowledge during their tenure as a member of the Management Board.
3.2.10. Every year the Management Board should carry out an assessment of its activities. It should include evaluation of the structure of the Management Board, its work organisation and ability to act as a group, evaluation of the competence and work efficiency of each member of the Management Board, and evaluation whether the Management Board has achieved its objectives. The Management Board should, at least once a year, make public respective information about its internal structure and working procedures in observance of the legal acts regulating the processing of personal data.	No	The Management Board has not carried out an assessment of its activities.

Principle 4: Rules of procedure of the Supervisory Board and the Management Board of the company

The rules of procedure of the Supervisory Board, if it is formed at the company, and of the Management Board should ensure efficient operation and decision-making of these bodies and promote active cooperation between the company's management bodies.

4.1. The Management Board and the Supervisory Board, if the latter is formed at the company, should act in close cooperation in order to attain benefit for the company and its shareholders. Good corporate governance requires an open discussion between the Management Board and the Supervisory Board. The Management Board should regularly and, where necessary, immediately inform the Supervisory Board about any matters significant for the company that are related to planning, business development, risk management and control, and compliance with the obligations at the company. The Management Board should inform he Supervisory Board about any derogations in its business development from the previously formulated plans and objectives by specifying the reasons for this.	Yes	The Management Board and the Supervisory Board act in close cooperation.

4.2. It is recommended that meetings of the company's collegial bodies should be held at the respective intervals, according to the pre-approved schedule. Each company is free to decide how often meetings of the collegial bodies should be convened but it is recommended that these meetings should be convened at such intervals that uninterruptable resolution of essential corporate governance issues would be ensured. Meetings of the company's collegial bodies should be convened at least once per quarter.	Yes	Meetings of the Company's collegial bodies are held at such respective intervals that uninterruptable resolution of the Company's essential corporate governance issues would be ensured.
4.3. Members of a collegial body should be notified of the meeting being convened in advance so that they would have sufficient time for proper preparation for the issues to be considered at the meeting and a fruitful discussion could be held and appropriate decisions could be adopted. Along with the notice of the meeting being convened all materials relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body present at the meeting agree with such change or supplement to the agenda, or certain issues that are important to the company require immediate resolution.	Yes	Members of a collegial body are notified of the meeting being convened in advance so that they would have sufficient time for proper preparation for the issues to be considered at the meeting and a fruitful discussion could be held and appropriate decisions could be adopted.
4.4. In order to coordinate the activities of the company's collegial bodies and ensure effective decision-making process, the chairs of the company's collegial supervision and management bodies should mutually agree on the dates and agendas of the meetings and close cooperate in resolving other matters related to corporate governance. Meetings of the company's Supervisory Board should be open to members of the Management Board, particularly in such cases where issues concerning the removal of the Management Board members, their responsibility or remuneration are discussed.	Yes	In order to coordinate the activities of the Company's collegial bodies and ensure effective decision-making process, the chairs of the Company's collegial supervision and management bodies mutually agree on the dates and agendas of the meetings and close cooperate in resolving other matters related to the Company's corporate governance.

Principle 5: Nomination, remuneration and Audit Committees

5.1. Purpose and formation of committees

The committees formed at the company should increase the work efficiency of the Supervisory Board or, where the Supervisory Board is not formed, of the Management Board which performs the supervisory functions by ensuring that decisions are based on due consideration and help organise its work in such a way that the decisions it takes would be free of material conflicts of interest.

Committees should exercise independent judgment and integrity when performing their functions and provide the collegial body with recommendations concerning the decisions of the collegial body. However, the final decision should be adopted by the collegial body.

5.1.1. Taking due account of the company-related circumstances and the chosen corporate governance structure, the Supervisory Board of the company or, in cases where the Supervisory Board is not formed, the Management Board which performs the supervisory functions, establishes committees. It is recommended that the collegial body should form the nomination, remuneration and Audit Committees[5].	Yes	The Audit Committee is formed at the Company.
5.1.2. Companies may decide to set up less than three committees. In such case companies should explain in detail why they have chosen the alternative approach, and how the chosen approach corresponds with the objectives set for the three different committees.	Yes	The Company has not formed the Nomination and Remuneration Committees. In accordance with the procedure provided under legal acts, candidatures of members of the collegial body are proposed for consideration to the electing General Shareholders‘ Meeting or collegiate body which elects them, candidatures for administration managers are considered and approved by the Company‘s Management Board. The Company does not have an approved remuneration policy, plans are made to approve it during the next General Shareholders’ Meeting in accordance with the Law on Companies of the Republic of Lithuania. Remuneration of administration managers is determined by the Company’s Management Board.
5.1.3. In the cases established by the legal acts the functions assigned to the committees formed at companies may be performed by the collegial body itself. In such case the provisions of this Code pertaining to the committees (particularly those related to their role, operation and transparency) should apply, where relevant, to the collegial body as a whole.	Yes	Provisions of this Code pertaining to the committees (particularly those related to their role, operation and transparency) apply to the collegial body which performs functions of the committees.

[5] The legal acts may provide for the obligation to form a respective committee. For example, the Law on the Audit of Financial Statements of the Republic of Lithuania provides that public-interest entities (including but not limited to public limited liability companies whose securities are traded on a regulated market of the Republic of Lithuania and/or of any other Member State) are under the obligation to set up an Audit Committee (the legal acts provide for the exemptions where the functions of the Audit Committee may be carried out by the collegial body performing the supervisory functions).

5.1.4. Committees established by the collegial body should normally be composed of at least three members. Subject to the requirements of the legal acts, committees could be comprised only of two members as well. Members of each committee should be selected on the basis of their competences by giving priority to independent members of the collegial body. The chair of the Management Board should not serve as the chair of committees.	Yes	The Company has formed an Audit Committee which comprises 3 members of the Company's Supervisory Board. Chairman of the Management Board is not a member of the Audit Committee.
5.1.5. The authority of each committee formed should be determined by the collegial body itself. Committees should perform their duties according to the authority delegated to them and regularly inform the collegial body about their activities and performance on a regular basis. The authority of each committee defining its role and specifying its rights and duties should be made public at least once a year (as part of the information disclosed by the company on its governance structure and practice on an annual basis). In compliance with the legal acts regulating the processing of personal data, companies should also include in their annual reports the statements of the existing committees on their composition, the number of meetings and attendance over the year as well as the main directions of their activities and performance.	Yes	The Company's Supervisory Board has determined authority of the Audit Committee in its approved internal rules of the Audit Committee.
5.1.6. With a view to ensure the independence and impartiality of the committees, the members of the collegial body who are not members of the committees should normally have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or request that certain employees of the company or experts would participate in the meeting. Chair of each committee should have the possibility to maintain direct communication with the shareholders. Cases where such practice is to be applied should be specified in the rules regulating the activities of the committee.	Yes	Under the internal rules of the Audit Committee, the Audit Committee has the right to invite the Chairman of the Supervisory Board, certain employees of the Company and external auditors to its meetings.

5.2. Nomination committee		
5.2.1. The key functions of the nomination committee should be the following: 1) to select candidates to fill vacancies in the membership of supervisory and management bodies and the administration and recommend the collegial body to approve them. The nomination committee should evaluate the balance of skills, knowledge and experience in the management body, prepare a description of the functions and capabilities required to assume a particular position and assess the time commitment expected; 2) assess, on a regular basis, the structure, size and composition of the supervisory and management bodies as well as the skills, knowledge and activity of its members, and provide the collegial body with recommendations on how the required changes should be sought; 3) devote the attention necessary to ensure succession planning.	No	To this day, the Company has never formed a Nomination Committee.
5.2.2. When dealing with issues related to members of the collegial body who have employment relationships with the company and the heads of the administration, the manager of the company should be consulted by granting him/her the right to submit proposals to the Nomination Committee.	No	To this day, the Company has never formed a Nomination Committee.
5.3. Remuneration committee		
The main functions of the remuneration committee should be as follows: 1) submit to the collegial body proposals on the remuneration policy applied to members of the supervisory and management bodies and the heads of the administration for approval. Such policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as conditions which would allow the company to recover the amounts or suspend the payments by specifying the circumstances under which it would be expedient to do so; 2) submit to the collegial body proposals regarding individual remuneration for members of the collegial bodies and the heads of the administration in order to ensure that they would be consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned; 3) review, on a regular basis, the remuneration policy and its implementation.	No	To this day, the Company has never formed a Renumeration Committee.

5.4. Audit Committee 5.4.1. The key functions of the Audit Committee are defined in the legal acts regulating the activities of the Audit Committee[6]. 5.4.2. All members of the committee should be provided with detailed information on specific issues of the company's accounting system, finances and operations. The heads of the company's administration should inform the Audit Committee about the methods of accounting for significant and unusual transactions where the accounting may be subject to different approaches. 5.4.3. The Audit Committee should decide whether the participation of the chair of the Management Board, the manager of the company, the chief finance officer (or senior employees responsible for finance and accounting), the internal and external auditors in its meetings is required (and, if required, when). The committee should be entitled, when needed, to meet the relevant persons without members of the management bodies present. 5.4.4. The Audit Committee should be informed about the internal auditor's work program and should be furnished with internal audit reports or periodic summaries. The Audit Committee should also be informed about the work program of external auditors and should receive from the audit firm a report describing all relationships between the independent audit firm and the company and its group. 5.4.5. The Audit Committee should examine whether the company complies with the applicable provisions regulating the possibility of lodging a complaint or reporting anonymously his/her suspicions of potential violations committed at the company and should also ensure that there is a procedure in place for proportionate and independent investigation of such issues and appropriate follow-up actions. 5.4.6. The Audit Committee should submit to the Supervisory Board or, where the Supervisory Board is not formed, to the Management Board its activity report at least once in every six months, at the time that annual and half-yearly reports are approved.	Yes	The Company has formed an Audit Committee the main functions of which correspond to these recommendations.

[6] Issues related to the activities of Audit Committees are regulated by Regulation No. 537/2014 of the European Parliament and the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities, the Law on the Audit of Financial Statements of the Republic of Lithuania, and the Rules Regulating the Activities of Audit Committees approved by the Bank of Lithuania.

Principle 6: Prevention and disclosure of conflicts of interest The corporate governance framework should encourage members of the company's supervisory and management bodies to avoid conflicts of interest and ensure a transparent and effective mechanism of disclosure of conflicts of interest related to members of the supervisory and management bodies. The corporate governance framework should recognise the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.		
Any member of the company's supervisory and management body should avoid a situation where his/her personal interests are or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory or management body should, within a reasonable period of time, notify other members of the same body or the body of the company which elected him/her or the company's shareholders of such situation of a conflict of interest, indicate the nature of interests and, where possible, their value.	Yes	The Company fully follows these recommendations.
Principle 7: Remuneration of the company The remuneration policy and the procedure for review and disclosure of such policy established at the company should prevent potential conflicts of interest and abuse in determining remuneration of members of the collegial bodies and heads of the administration, in addition it should ensure the publicity and transparency of the company's remuneration policy and its long-term strategy.		
7.1. The company should approve and post the remuneration policy on the website of the company; such policy should be reviewed on a regular basis and be consistent with the company's long-term strategy.	No	The Company plans to approve the remuneration policy during the next General Shareholders' Meeting and to public it on its website.
7.2. The remuneration policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as the conditions specifying the cases where the company can recover the disbursed amounts or suspend the payments.	Yes	The Company's remuneration policy will include all forms of remuneration.

7.3. With a view to avoid potential conflicts of interest, the remuneration policy should provide that members of the collegial bodies which perform the supervisory functions should not receive remuneration based on the company's performance.	Yes	The Company intends to follow this recommendation.
7.4. The remuneration policy should provide sufficient information on the policy regarding termination payments. Termination payments should not exceed a fixed amount or a fixed number of annual wages and in general should not be higher than the non-variable component of remuneration for two years or the equivalent thereof. Termination payments should not be paid if the contract is terminated due to inadequate performance.	Yes	The Company intends to follow this recommendation.
7.5. In the event that the financial incentive scheme is applied at the company, the remuneration policy should contain sufficient information about the retention of shares after the award thereof. Where remuneration is based on the award of shares, shares should not be vested at least for three years after the award thereof. After vesting, members of the collegial bodies and heads of the administration should retain a certain number of shares until the end of their term in office, subject to the need to compensate for any costs related to the acquisition of shares.	No	The Company does not apply the financial incentive scheme.
7.6. The company should publish information about the implementation of the remuneration policy on its website, with a key focus on the remuneration policy in respect of the collegial bodies and managers in the next and, where relevant, subsequent financial years. It should also contain a review of how the remuneration policy was implemented during the previous financial year. The information of such nature should not include any details having a commercial value. Particular attention should be paid on the major changes in the company's remuneration policy, compared to the previous financial year.	Yes	The Company intends to follow this recommendation.
7.7. It is recommended that the remuneration policy or any major change of the policy should be included on the agenda of the general meeting of shareholders. The schemes under which members and employees of a collegial body receive remuneration in shares or share options should be approved by the general meeting of shareholders.	Yes	The Company intends to follow this recommendation.

Principle 8: Role of stakeholders in corporate governance The corporate governance framework should recognise the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle the concept “stakeholders” includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.		
8.1. The corporate governance framework should ensure that the rights and lawful interests of stakeholders are protected.	Yes	The Company follows all of the requirements established under the legal acts to ensure that the rights of stakeholders are protected.
8.2. The corporate governance framework should create conditions for stakeholders to participate in corporate governance in the manner prescribed by law. Examples of participation by stakeholders in corporate governance include the participation of employees or their representatives in the adoption of decisions that are important for the company, consultations with employees or their representatives on corporate governance and other important matters, participation of employees in the company’s authorised capital, involvement of creditors in corporate governance in the cases of the company’s insolvency, etc.	Yes	The Company follows all of the requirements established under the legal acts to ensure that the rights of stakeholders are protected.
8.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	The Company follows all of the requirements established under the legal acts to ensure that the rights of stakeholders are protected.
8.4. Stakeholders should be provided with the possibility of reporting confidentially any illegal or unethical practices to the collegial body performing the supervisory function.	No	In accordance with the legal acts of the Republic of Lithuania, the Company has established an internal channel to submit information on any infringements, information of this has been published on the Company’s website.

Principle 9: Disclosure of information The corporate governance framework should ensure the timely and accurate disclosure of all material corporate issues, including the financial situation, operations and governance of the company.		
9.1. In accordance with the company's procedure on confidential information and commercial secrets and the legal acts regulating the processing of personal data, the information publicly disclosed by the company should include but not be limited to the following:		
9.1.1. operating and financial results of the company;	Yes	The Company follows this recommendation.
9.1.2. objectives and non-financial information of the company;	Yes	The Company follows this recommendation.
9.1.3. persons holding a stake in the company or controlling it directly and/or indirectly and/or together with related persons as well as the structure of the group of companies and their relationships by specifying the final beneficiary;	Yes	The Company follows this recommendation.
9.1.4. members of the company's supervisory and management bodies who are deemed independent, the manager of the company, the shares or votes held by them at the company, participation in corporate governance of other companies, their competence and remuneration;	No	The Company does not fully follow this recommendation.
9.1.5. reports of the existing committees on their composition, number of meetings and attendance of members during the last year as well as the main directions and results of their activities;	No	To this day, the Company has never publicly disclosed this information.
9.1.6. potential key risk factors, the company's risk management and supervision policy;	Yes	The Company follows this recommendation.
9.1.7. the company's transactions with related parties;	Yes	The Company follows this recommendation.
9.1.8. main issues related to employees and other stakeholders (for instance, human resource policy, participation of employees in corporate governance, award of the company's shares or share options as incentives, relationships with creditors, suppliers, local community, etc.);	No	The Company does not fully follow this recommendation.
9.1.9. structure and strategy of corporate governance;	No	The Company has not publicly disclosed the structure and strategy of corporate governance.
9.1.10. initiatives and measures of social responsibility policy and anti-corruption fight, significant current or planned investment projects. This list is deemed minimum and companies are encouraged not to restrict themselves to the disclosure of information included into this list. This principle of the Code does not exempt companies from their obligation to disclose information as provided for in the applicable legal acts.	Yes	The Company follows this recommendation.

9.2. When disclosing the information specified in paragraph 9.1.1 of recommendation 9.1, it is recommended that the company which is a parent company in respect of other companies should disclose information about the consolidated results of the whole group of companies.	Yes	The Company follows this recommendation.
9.3. When disclosing the information specified in paragraph 9.1.4 of recommendation 9.1, it is recommended that the information on the professional experience and qualifications of members of the company's supervisory and management bodies and the manager of the company as well as potential conflicts of interest which could affect their decisions should be provided. It is further recommended that the remuneration or other income of members of the company's supervisory and management bodies and the manager of the company should be disclosed, as provided for in greater detail in Principle 7.	Partially	The Company periodically discloses information on the Company's supervisory and management bodies and the Manager of the Company as well as potential conflicts of interest which could affect their decisions should be provided.
9.4. Information should be disclosed in such manner that no shareholders or investors are discriminated in terms of the method of receipt and scope of information. Information should be disclosed to all parties concerned at the same time.	Yes	The Company presents information through the information disclosure system used by the AB Nasdaq Vilnius Exchange in Lithuanian and English simultaneously. The Company usually publishes information before the trade session announced by the AB Nasdaq Vilnius Exchange or after it and presents it simultaneously to all markets in which the Company's securities are traded. Information which could have an effect on the price of securities is not disclosed by the Company in comments, interviews or in other ways until such information is publicly published through the information system of the Exchange. This information is also published on the Company's website www.grigeo.lt.

Principle 10: Selection of the company's audit firm The company's audit firm selection mechanism should ensure the independence of the report and opinion of the audit firm.		
10.1. With a view to obtain an objective opinion on the company's financial condition and financial results, the company's annual financial statements and the financial information provided in its annual report should be audited by an independent audit firm.	Yes	The Company follows this recommendation.
10.2. It is recommended that the audit firm would be proposed to the general meeting of shareholders by the Supervisory Board or, if the Supervisory Board is not formed at the company, by the Management Board of the company.	Yes	The Audit Committee actively participates in the auditor selection process. The Audit Committee submits a recommendation to the Company's Management Board for candidature of the auditor. The final decision is made by the General Shareholders' Meeting convened by the management Board which also submits draft decisions.
10.3. In the event that the audit firm has received remuneration from the company for the non-audit services provided, the company should disclose this publicly. This information should also be available to the Supervisory Board or, if the Supervisory Board is not formed at the company, by the Management Board of the company when considering which audit firm should be proposed to the general meeting of shareholders.	No	Approval of the supervising Audit Committee regarding non-audit services provided by the audit firm has been received but has not been publicly disclosed.