



AKCINĖ BENDROVĖ  
**GRIGISKĖS**



Juridinių asmenų registras. Įmonės kodas 110012450. PVM mok. kodas LT100124515. Vilniaus g. 10, Grigiškės, LT-27101, Vilniaus m. sav.  
Tel. +370 5 243 5801. Faks.+370 5 243 5802. El. p. info@grigiskės.lt. A/s Nr. LT57 7044 0600 0091 4946. AB SEB bankas. Banko kodas 70440

Lithuanian Securities Commission  
Konstitucijos av. 23  
LT-08105 Vilnius, Lithuania

// .04.2011 No 026-SK/2011- 3//

## CONFIRMATION OF RESPONSIBLE PERSONS

Pursuing Part 2 of Article 21 of the Law on Securities of the Republic of Lithuania, and rules prepared by the Lithuanian Securities Commission for preparation and announcement of periodical and supplementary information, we, the undersigned – General Director Gintautas Pangonis and Director of Finance Department Nina Šilerienė approve that the audited financial statements of Grigiškės AB for the year 2010, as made in compliance with applicable accounting standards, are true, correctly reflect issuer's and aggregate consolidated companies' assets, liabilities, financial standing, profit or loss, and also that the audited consolidated annual report for the year 2010 shows fair business environment as well as description of the company's performance

ENCLOSURE: Audited consolidated financial report of Grigiškės AB for the year 2010, also audited consolidated annual report of Grigiškės AB for the year 2010 and the company's disclosure of compliance with the Governance Code of companies whose securities are traded on a regular market.

General Director

Gintautas Pangonis

Director of Finance Department

Nina Šilerienė

# AB Grigiškės

CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010,  
PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL  
REPORTING STANDARDS,  
AS ADOPTED BY THE EUROPEAN UNION,  
PRESENTED TOGETHER WITH INDEPENDENT AUDITORS' REPORT

## **Independent auditors' report to the shareholders of AB Grigiškės**

### Report on the Financial Statements

We have audited the accompanying financial statements of AB Grigiškės, a public limited liability company registered in the Republic of Lithuania (hereinafter “the Company”), and the consolidated financial statements of AB Grigiškės and subsidiaries (hereinafter the Group), which comprise the statement of financial position as at 31 December 2010, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes (comprising a summary of significant accounting policies and other explanatory information).

#### *Management's Responsibility for the Financial Statements*

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as set forth by the International Federation of Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

#### *Basis for Qualified Opinion*

As further discussed in Note 2.1 to the accompanying financial statements, the Company and the Group applied the IFRS 1 “First-time Adoption of International Financial Reporting Standards” exemption for the valuation of certain buildings and structures at deemed cost, except that the date of transition has been established as the 31 December 2010, and not 1 January 2009 as would be required by IFRS 1. In accordance with resolutions of the Government of the Republic of Lithuania, the Company's buildings and structures have been revalued (applying indexation rates) prior to 1 January 1996, and consequently in the prior years' financial statements have not been stated at either historical cost or fair value (deemed cost), as required by IFRS. We are unable to determine the historical cost values or the fair values (as deemed cost) of non-current assets with a carrying value of LTL 13,050 thousand as of 1 January 2009 and a carrying value of LTL 11,742 thousand as of 31 December 2009 and the effect this would have on the Group's and the Company's equity as of 1 January 2009 and 31 December 2009 and the statement of comprehensive income for the years 2009 and 2010.


### *Qualified Opinion*

In our opinion, except for the possible effect of the matter described in section "Basis for Qualified Opinion" above, the accompanying financial statements present fairly, in all material respects, the financial position of the Group and the Company as of 31 December 2010 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

### Report on Other Legal and Regulatory Requirements

Furthermore, we have read the accompanying consolidated Management Report for the year ended 31 December 2010 and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2010.

UAB ERNST & YOUNG BALTIC  
Audit company's licence No. 001335

A handwritten signature in blue ink, appearing to read 'Jonas Akelis', with a horizontal line extending to the right.

Jonas Akelis  
President  
Auditor's licence  
No. 000003

A handwritten signature in blue ink, appearing to read 'Asta Štreimikienė', with a horizontal line extending to the right.

Asta Štreimikienė  
Auditor's licence  
No. 000382

The audit was completed on 11 April 2011.

## CONTENTS

STATEMENTS OF FINANCIAL POSITION.....	3
STATEMENTS OF COMPREHENSIVE INCOME .....	5
STATEMENTS OF CHANGES IN EQUITY .....	6
STATEMENTS OF CASH FLOWS .....	7
NOTES.....	9
CONSOLIDATED ANNUAL REPORT .....	54

## STATEMENTS OF FINANCIAL POSITION

	Notes	Group				Company	
		As at 31 December 2010	As at 31 December 2009 (Restated)	As at 31 December 2008 (Restated)	As at 31 December 2010	As at 31 December 2009 (Restated)	As at 31 December 2008 (Restated)
<b>ASSETS</b>							
<b>Non-current assets</b>							
Property, plant and equipment	6	165,998,075	93,109,976	104,095,502	96,644,280	84,286,223	93,977,574
Investment property	6, 8	4,949,000	-	-	4,949,000	-	-
Intangible assets	7	12,771,370	2,330,532	2,461,616	129,213	99,369	203,549
<b>Non-current financial assets</b>							
Investments into subsidiaries	1	-	-	-	5,358,923	5,015,000	5,005,000
Non-current receivables	9	61,847	53,091	-	13,347,028	43,091	-
Total non-current financial assets		61,847	53,091	-	18,705,951	5,058,091	5,005,000
<b>Total non-current assets</b>		<b>183,780,292</b>	<b>95,493,599</b>	<b>106,557,118</b>	<b>120,428,444</b>	<b>89,443,683</b>	<b>99,186,123</b>
<b>Current assets</b>							
Inventories	10	19,623,910	10,620,079	14,826,904	9,960,609	8,988,447	12,558,106
Accounts receivable	11	32,357,453	14,231,492	18,770,638	18,038,094	17,250,622	21,058,324
Prepaid income tax		-	22,975	-	-	22,975	-
Other assets		1,513,830	553,326	408,581	482,562	507,916	383,625
Cash and cash equivalents	12	1,378,635	461,601	130,028	361,192	158,581	113,472
<b>Total current assets</b>		<b>54,873,828</b>	<b>25,889,473</b>	<b>34,136,151</b>	<b>28,842,457</b>	<b>26,928,541</b>	<b>34,113,527</b>
<b>TOTAL ASSETS</b>		<b>238,654,120</b>	<b>121,383,072</b>	<b>140,693,269</b>	<b>149,270,901</b>	<b>116,372,224</b>	<b>133,299,650</b>

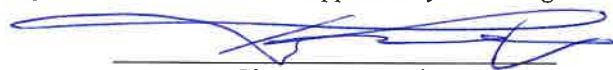
(cont'd on the next page)

## STATEMENTS OF FINANCIAL POSITION (CONT'D)

	Notes	Group			Company		
		As at 31 December 2010	As at 31 December 2009 (Restated)	As at 31 December 2008 (Restated)	As at 31 December 2010	As at 31 December 2009 (Restated)	As at 31 December 2008 (Restated)
<b>EQUITY AND LIABILITIES</b>							
<b>Equity</b>							
Share capital	13	60,000,000	60,000,000	60,000,000	60,000,000	60,000,000	60,000,000
Legal reserve	13	4,145,934	3,995,665	3,995,665	4,145,934	3,995,665	3,995,665
Foreign currency translation reserve	13	(53,388)	-	-	-	-	-
Retained earnings		20,273,624	3,332,980	703,421	15,962,278	4,702,451	1,697,059
Equity attributable to equity holders of the parent		84,366,170	67,328,645	64,699,086	80,108,212	68,698,116	65,692,724
Non-controlling interests		2,822,509	-	-	-	-	-
<b>Total equity</b>		<b>87,188,679</b>	<b>67,328,645</b>	<b>64,699,086</b>	<b>80,108,212</b>	<b>68,698,116</b>	<b>65,692,724</b>
<b>Liabilities</b>							
<b>Non-current liabilities</b>							
Grants and subsidies	15	8,410,520	461,938	318,641	8,410,520	461,938	318,641
Non-current borrowings	16	63,098,888	11,964,440	15,397,963	11,147,580	11,964,440	15,397,963
Financial lease obligations	17	7,156,940	10,681,454	12,593,549	6,813,065	10,589,013	12,247,115
Deferred income tax liability	26	3,927,139	196,543	304,293	2,052,891	196,543	304,293
Non-current employee benefits	18	730,067	370,053	370,053	370,053	370,053	370,053
<b>Total non-current liabilities</b>		<b>83,323,554</b>	<b>23,674,428</b>	<b>28,984,499</b>	<b>28,794,109</b>	<b>23,581,987</b>	<b>28,638,065</b>
<b>Current liabilities</b>							
Current borrowings	16	22,724,791	10,187,027	21,845,976	11,789,141	5,179,527	15,333,245
Current portion of financial lease obligations	17	4,242,460	5,275,819	7,653,001	3,787,762	5,026,833	7,321,274
Income tax payable		120,376	-	-	3,572	-	-
Trade and other payables	19	41,054,260	14,917,153	17,510,707	24,788,105	13,885,761	16,314,342
<b>Total current liabilities</b>		<b>68,141,887</b>	<b>30,379,999</b>	<b>47,009,684</b>	<b>40,368,580</b>	<b>24,092,121</b>	<b>38,968,861</b>
<b>TOTAL EQUITY AND LIABILITIES:</b>		<b>238,654,120</b>	<b>121,383,072</b>	<b>140,693,269</b>	<b>149,270,901</b>	<b>116,372,224</b>	<b>133,299,650</b>

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

The financial statements were approved by the management on 11 April 2011 and signed on its behalf by:

  
Gintautas Pangonis  
General Director

  
Nina Šilerienė  
Finance Director

## STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Group		Company	
		2010	2009	2010	2009
Revenue	20	245,785,467	118,929,736	129,742,468	109,709,336
Cost of sales	20	(213,055,227)	(98,759,686)	(115,663,202)	(91,012,026)
<b>Gross profit</b>		<b>32,730,240</b>	<b>20,170,050</b>	<b>14,079,266</b>	<b>18,697,310</b>
Other operating income	21	4,545,526	2,527,642	4,330,109	2,629,615
Selling and distribution expenses	23	(10,756,558)	(8,249,000)	(9,025,765)	(7,719,074)
General and administrative expenses	24	(11,129,268)	(9,050,776)	(6,844,537)	(8,074,719)
Other operating expenses	22	(430,472)	(245,389)	(150,924)	(245,389)
<b>Profit from operations</b>		<b>14,959,468</b>	<b>5,152,527</b>	<b>2,388,149</b>	<b>5,287,743</b>
Finance income	25	3,857	5,465	121,508	2,984
Finance expenses	25	(6,309,187)	(1,986,894)	(902,256)	(1,743,796)
<b>Profit before income tax</b>		<b>8,654,138</b>	<b>3,171,098</b>	<b>1,607,401</b>	<b>3,546,931</b>
Income tax	26	(1,111,856)	(541,539)	(87,692)	(541,539)
<b>NET PROFIT</b>		<b>7,542,282</b>	<b>2,629,559</b>	<b>1,519,709</b>	<b>3,005,392</b>
<b>Other comprehensive income</b>					
Exchange differences on translation of foreign operations		(53,388)	-	-	-
<b>Total comprehensive income for the year, net of tax</b>		<b>7,488,894</b>	<b>2,629,559</b>	<b>1,519,709</b>	<b>3,005,392</b>
<b>Profit attributable to:</b>					
The shareholders of the Company		7,200,526	2,629,559	1,519,709	3,005,392
Non-controlling interests		341,756	-	-	-
<b>Total comprehensive income attributable to:</b>		<b>7,542,282</b>	<b>2,629,559</b>	<b>1,519,709</b>	<b>3,005,392</b>
<b>attributable to:</b>					
The shareholders of the Company		7,147,138	2,629,559	1,519,709	3,005,392
Non-controlling interests		341,756	-	-	-
		<b>7,488,894</b>	<b>2,629,559</b>	<b>1,519,709</b>	<b>3,005,392</b>
Basic and diluted earnings per share (LTL)	27	0.12	0.04		

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

*The financial statements were approved by the management on 11 April 2011 and signed on its behalf by:*



Gintautas Pangonis  
General Director



Nina Šilerienė  
Finance Director



## STATEMENTS OF CHANGES IN EQUITY

### Group

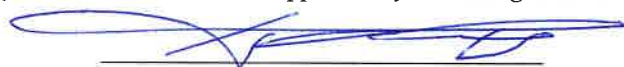
	Equity attributable to equity holders of the parent					Non-controlling interest	Total equity:
	Share capital	Legal reserve	Foreign currency translation reserve	Retained earnings	TOTAL:		
<b>Balance as at 31 December 2008</b>							
<b>(Restated) (Note 4)</b>	<b>60,000,000</b>	<b>3,995,665</b>	-	<b>703,421</b>	<b>64,699,086</b>	-	<b>64,699,086</b>
Net profit for the year	-	-	-	2,629,559	2,629,559	-	2,629,559
<b>Balance as at 31 December 2009</b>							
<b>(Restated) (Note 4)</b>	<b>60,000,000</b>	<b>3,995,665</b>	-	<b>3,332,980</b>	<b>67,328,645</b>	-	<b>67,328,645</b>
Net profit for the year	-	-	-	7,200,526	7,200,526	341,756	7,542,282
Other comprehensive income (expenses)	-	-	(53,388)	-	(53,388)	-	(53,388)
Total comprehensive income (expense) for the year	-	-	(53,388)	7,200,526	7,147,138	341,756	7,488,894
Transfer to legal reserve	-	150,269	-	(150,269)	-	-	-
Impact of IFRS 1 adoption (Note 3)	-	-	-	11,090,387	11,090,387	-	11,090,387
Dividends declared (Note 28)	-	-	-	(1,200,000)	(1,200,000)	-	(1,200,000)
Acquisition of new subsidiaries (Note 7)	-	-	-	-	-	2,480,753	2,480,753
<b>Balance as at 31 December 2010</b>	<b>60,000,000</b>	<b>4,145,934</b>	<b>(53,388)</b>	<b>20,273,624</b>	<b>84,366,170</b>	<b>2,822,509</b>	<b>87,188,679</b>

### Company

	Share capital	Legal reserve	Other reserves	Retained earnings	Total equity:
<b>Balance as at 31 December 2008</b>					
<b>(Restated) (Note 4)</b>	<b>60,000,000</b>	<b>3,995,665</b>	-	<b>1,697,059</b>	<b>65,692,724</b>
Net profit for the year	-	-	-	3,005,392	3,005,392
<b>Balance as at 31 December 2009</b>					
<b>(Restated) (Note 4)</b>	<b>60,000,000</b>	<b>3,995,665</b>	-	<b>4,702,451</b>	<b>68,698,116</b>
Transfer to legal reserve	-	150,269	-	(150,269)	-
Impact of IFRS 1 adoption (Note 3)	-	-	-	11,090,387	11,090,387
Dividends declared (Note 28)	-	-	-	(1,200,000)	(1,200,000)
Net profit for the year	-	-	-	1,519,709	1,519,709
<b>Balance as at 31 December 2010</b>	<b>60,000,000</b>	<b>4,145,934</b>	-	<b>15,962,278</b>	<b>80,108,212</b>

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

The financial statements were approved by the management on 11 April 2011 and signed on its behalf by:

  
Gintautas Pangonis  
General Director

  
Nina Šilerienė  
Finance Director

## STATEMENTS OF CASH FLOWS

	Group		Company	
	2010	2009	2010	2009
<b>Cash flows from (to) operating activities</b>				
Profit before income tax	8,654,138	3,171,098	1,607,401	3,546,931
<b>Adjustments for non-cash items:</b>				
Depreciation and amortisation	20,761,399	16,752,458	13,833,463	15,281,716
Interest (income) expenses, net	2,883,565	1,921,115	740,110	1,703,223
Loss (gain) on disposal of property, plant and equipment	(38,945)	(16,333)	13,925	(16,333)
(Gain) on disposal of emission rights	(2,503,450)	(1,511,636)	(2,503,450)	(1,511,636)
Allowance (reversal) for slow moving inventory, write-off to net realizable value	(79,969)	425,569	(79,969)	425,569
Property, plant and equipment impairment losses (reversal)	-	(329,426)	-	(329,426)
Allowance for doubtful accounts receivable (reversal)	150,959	762,648	(1,691)	727,337
	29,827,697	21,175,493	13,609,789	19,827,381
<b>Changes in working capital:</b>				
(Increase) decrease in trade receivables and other receivables	(5,994,041)	4,445,600	(638,634)	3,747,987
(Increase) decrease in inventories	(4,028,409)	4,649,344	(892,193)	4,012,178
(Increase) decrease in other assets	(542,196)	(167,718)	48,329	(147,266)
Increase (decrease) in trade and other payables	9,656,213	(6,661,220)	8,290,985	(5,987,239)
	(908,433)	2,266,006	6,808,487	1,625,660
Interest (paid)	(3,331,828)	(1,928,065)	(859,236)	(1,710,018)
Income tax (paid)	(1,471,673)	(640,000)	-	(640,000)
<b>Net cash flows from (to) operating activities</b>	<b>24,115,763</b>	<b>20,873,434</b>	<b>19,559,040</b>	<b>19,103,023</b>

(cont'd on the next page)

## STATEMENTS OF CASH FLOWS (CONT'D)

	Group		Company	
	2010	2009	2010	2009
<b>Cash flows from (to) investing activities</b>				
(Acquisition) of non-current assets	(18,356,653)	(3,435,786)	(15,897,292)	(3,286,123)
(Acquisition) of investments in subsidiaries (net of cash acquired in the Group)	2,347,079	(53,091)	(343,923)	(53,091)
Proceeds from sale of non-current assets	37,898	185,682	37,898	185,682
Grants and subsidies received	7,609,944	204,736	7,609,944	204,736
Proceeds on sale of emission rights	2,503,450	1,511,636	2,503,450	1,511,636
Interest received	1,475	961	119,125	805
Loans (granted)	-	-	(13,017,031)	-
<b>Net cash flows (to) investing activities</b>	<b>(5,856,807)</b>	<b>(1,585,862)</b>	<b>(18,987,829)</b>	<b>(1,436,355)</b>
<b>Cash flows from (to) financing activities</b>				
Dividends (paid)	(997,809)	-	(997,809)	-
Loans (repaid)	(21,096,310)	(10,880,124)	(4,627,975)	(9,882,420)
Proceeds from borrowings	10,420,729	-	10,420,729	-
Finance lease (payments)	(5,668,532)	(8,075,873)	(5,163,545)	(7,739,139)
<b>Net cash flows (to) financial activities</b>	<b>(17,341,922)</b>	<b>(18,955,997)</b>	<b>(368,600)</b>	<b>(17,621,559)</b>
<b>Net increase in cash and cash equivalents</b>	<b>917,034</b>	<b>331,575</b>	<b>202,611</b>	<b>45,109</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>461,601</b>	<b>130,026</b>	<b>158,581</b>	<b>113,472</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>1,378,635</b>	<b>461,601</b>	<b>361,192</b>	<b>158,581</b>
<b>Supplemental information of cash flows:</b>				
<b>Non-cash investing activity:</b>				
Property, plant and equipment acquisitions financed by financial lease	139,373	2,944,588	38,185	2,944,588
Payable for the property, plant and equipment outstanding as at year end	2,223,741	-	2,223,741	-

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

*The financial statements were approved by the management on 11 April 2011 and signed on its behalf by:*



Gintautas Pangonis  
General Director



Nina Šilerienė  
Finance Director

## NOTES TO THE FINANCIAL STATEMENTS

### 1. General information

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

The address of the Company's registered office is as follows: Vilniaus Str. 10, Grigiškės, Vilniaus 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.

### Structure of the Group

On 31 December 2010 and on 31 December 2009 AB Grigiškės group consists of AB Grigiškės and the following subsidiaries (hereinafter referred to as „the Group”):

2010					2009		Address	Principal activity
Name	Share of the stock held by the Group	Size of investment (cost)	Profit (loss) for the reporting period	Equity at the end of reporting period (100 %)	Share of the stock held by the Group	Size of investment (cost)		
Subsidiaries directly controlled by the Company:								
UAB Baltwood	100%	5,005,000	403,121	4,038,663	100%	5,005,000	Vilniaus Str. 10, Grigiškės, Vilniaus Mun., Lithuania	Wood processing: production of container wood, fuel granules and bonded furniture panels
UAB Ekotara	100%	10,000	-	10,004	100%	10,000	Vilniaus Str. 10, Grigiškės, Vilniaus Mun., Lithuania	Manufacturing of corrugated board, packing from corrugated board. No operations in 2009 and 2010.
UAB Naujieji Verkiai	100%	-	(3,579)	(73,969)	100%	-	Popieriaus Str. 15, Vilnius, Lithuania	Building and development of real estate. No operations in 2009 and 2010.
UAB AGR Prekyba	100 %	343,923	(905,450)	(896,937)	-	-	Konstitucijos Ave. 7, Vilnius, Lithuania	Investment activities and corporate governance.
		<u>5,358,923</u>				<u>5,015,000</u>		
Subsidiaries indirectly controlled by the Company:								
AB Klaipėdos Kartonas	97.96 %	-	6,505,565	50,970,045	-	-	Nemuno Str. 2, Klaipėda, Lithuania	Manufacturing of raw materials for production of corrugated board - testliner and fluting, production of paper honeycomb used in furniture industry.
UAB Klaipėda Recycling	97.96 %	-	-	-	-	-	Nemuno Str 2, Klaipėda, Lithuania	Waste-paper procurement. No operations in 2010.
OA O Mena Pak	82.01 %	-	926,602	(2,150,158)	-	-	Koshevovo Str. 6, Chernigovo dstr., Mena, Ukraine	Manufacturing of corrugated board, packing from corrugated board.

**AB GRIGIŠKĖS**  
**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
(all amounts are in LTL unless otherwise stated)

**1. General information (cont'd)**

Changes in the Group in 2010

On 1 March 2010, the Company acquired the title to 100 % shareholding interest in UAB AGR Prekyba, with the following subsidiaries:

<b>Company name</b>	<b>Shareholder</b>	<b>Share of the stock held by the Group as at acquisition date</b>
UAB Avesko	UAB AGR Prekyba	100 %
AB Klaipėdos Kartonas	UAB Avesko	96.18 %
OAO Mena Pak	AB Klaipėdos Kartonas	80.52 %

At the acquisition of these subsidiaries goodwill of LTL 10,362 thousand has been accounted for under intangible assets caption. The goodwill appears due to expected synergies.

More detailed information on the subsidiaries acquired in 2010 is presented in Note 7.

In 2010 AB Klaipėdos Kartonas established a wholly owned subsidiary UAB Klaipėda Recycling, which did not perform any operations during 2010.

During November 2010 there was an internal reorganisation within the Group, as a result, UAB Avesko was merged with AB Klaipėdos Kartonas. On 16 December 2010 UAB Avesko was removed from the Register of Legal Entities, whereas all the rights and obligations were taken over by AB Klaipėdos Kartonas. Furthermore, share capital of AB Klaipėdos Kartonas was increased by issuing new share emission.

As at 31 December 2010 the number of employees of the Group was 940 (as at 31 December 2009 – 566). As at 31 December 2010 the number of employees of the Company was 448 (as at 31 December 2009 – 475).

The Company's management authorised these financial statements on 11 April 2011. 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.

**2. Accounting policies**

**2.1. Basis of preparation**

In the financial statements prepared for the year ended 31 December 2009 the statement that the Group and the Company has complied with International Financial Reporting Standards (IFRS), with an exception in respect of property, plant and equipment, which was accounted for at indexed value, was not included. This discrepancy was amended in these financial statements.

The financial statements for the current year have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union (hereinafter the EU), except that, in order to amend the above discrepancy and deviation from IFRS, the management treated the date of transition to IFRS the end of this financial year – 31 December 2010, and not 1 January 2009 (the beginning of the earliest period presented), as required by IFRS 1 "First-time Adoption of International Financial Reporting Standards". Due to this the shareholders' equity as at 1 January 2009 and as at 1 January 2010 and the depreciation expenses in the 2009 and 2010 statement of comprehensive income have not been adjusted to comply with IFRS, as disclosed in the accounting policies hereafter. The reason for this is the fact that it was impracticable to reliably determine the fair value of the buildings as of an earlier date.

## **2. Accounting policies (cont'd)**

### **2.1. Basis of preparation (cont'd)**

IFRS 1 requires that an entity's first IFRS financial statements are the first annual financial statements in which the entity adopts all IFRS, by an explicit and unreserved statement in those financial statements of compliance with IFRS. IFRS 1 requires the Company to prepare its IFRS financial statements as if it is a first-time adopter as the Company's financial statements in prior years by substance did not have an explicit and unreserved statement of compliance with IFRS, due to the inclusion of indexations of buildings, which did not meet the requirements of IAS 16 "Property, Plant and Equipment" (see section 2.7 below).

These financial statements have been prepared on a historical cost basis.

#### **Adoption of new and/or changed IFRSs and IFRIC interpretations**

The Group and the Company have adopted the following new and amended IFRS and IFRIC interpretations during the year:

- Amendment to IFRS 2 *Share-based Payment*
- Amendments to IFRS 3 *Business Combinations* and IAS 27 *Consolidated and Separate Financial Statements*
- Amendment to IAS 39 *Financial Instruments: Recognition and Measurement* – Eligible Hedged Items
- IFRIC 12 *Service Concession Arrangements*
- Improvements to IFRS (issued in 2008 and 2009 and effective on 1 January 2010).

The principal effects of these changes are as follows:

#### ***Amendments to IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements***

The amendments to IFRS 3 introduce significant changes in the accounting for business combinations occurring after becoming effective. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

The amendments to IAS 27 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions do not give rise to goodwill, nor they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

The changes to IFRS 3 and IAS 27 were applied prospectively, therefore, they affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after 1 January 2010.

The other standards and interpretations and their amendments adopted in 2010 did not impact the financial statements of the Group and the Company, because the Group and the Company did not have the respective financial statement items and transactions addressed by these changes.

## 2. Accounting policies (cont'd)

### 2.1. Basis of preparation (cont'd)

#### Standards issued but not yet effective

The Group and the Company has not applied the following IFRSs and IFRIC Interpretations that have been issued but are not yet effective:

**Amendments to IFRS 7 *Financial instruments: Disclosures*** (effective for financial years beginning on or after 1 July 2011, once adopted by the EU)

The amendment modifies disclosure requirements for certain transfers of financial assets. The amendment is not expected to have any impact on the standalone and consolidated financial statements since the Group and the Company do not have these kinds of transfers.

**IFRS 9 *Financial Instruments*** (effective for financial years beginning on or after 1 January 2013, once adopted by the EU). IFRS 9 will eventually replace IAS 39. The IASB has issued the first two parts of the standard, establishing a new classification and measurement framework for financial assets and requirements on the accounting for financial liabilities. The Group and the Company have not yet evaluated the impact of the implementation of this standard.

**Amendments to IAS 12 *Income Taxes*** (effective for financial years beginning on or after 1 January 2012, once adopted by the EU).

The amendment provides a practical solution to the problem of determining whether an entity that is measuring deferred tax related to investment property, measured using the fair value model, expects to recover the carrying amount of the investment property through use or sale by introducing a presumption that recovery of the carrying amount will normally be through sale. These changes will have no effect on the financial statements of the Group / the Company, as its investment properties are accounted for using cost method.

**Amendments to IAS 24 *Related Party Disclosures*** (effective for financial years beginning on or after 1 January 2011).

The amendments simplify the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. They also provide a partial exemption from the disclosure requirements for government-related entities. The implementation of these amendments will have no impact on the financial position or performance of the Group and the Company.

**Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*** (effective for financial years beginning on or after 1 February 2010).

The amendment changes the definition of a financial liability to exclude certain rights, options and warrants. The amendment will have no impact on the financial position or performance of the Group and the Company, as the Group and the Company do not have such instruments.

#### ***Improvements to IFRSs***

In May 2010 IASB issued omnibus of amendments to its standards. The amendments become effective for annual periods on or after either 1 July 2010 or 1 January 2011. The adoption of the following amendments may result in changes to accounting policies but will not have any impact on the financial position or performance of the Group and the Company:

- IFRS 3 *Business Combinations*;
- IFRS 7 *Financial instruments: Disclosures*;
- IAS 1 *Presentation of Financial Statements*;
- IAS 27 *Consolidated and Separate Financial Statements*;
- IFRIC 13 *Customer Loyalty Programmes*.

**Amendment to IFRIC 14 *IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*** (effective for financial years beginning on or after 1 January 2011).

The amendment modifies the accounting for prepayments of future contributions when there is a minimum funding requirement. This amendment will not have any impact on the standalone and consolidated financial statements because the Group and the Company do not have defined benefit assets.



## **2. Accounting policies (cont'd)**

### **2.1. Basis of preparation (cont'd)**

**IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*** (effective for financial years beginning on or after 1 July 2010).

The interpretation provides guidance on accounting for extinguishing financial liabilities with equity instruments. Since the Group and the Company do not have such transactions, IFRIC 19 will not have any impact on its financial statements.

### **2.2. Basis of consolidation**

The consolidated financial statements of the Group include AB Grigiškės 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.

#### **Basis of consolidation from 1 January 2010**

Losses within a subsidiary are 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.

#### **Basis of consolidation prior to 1 January 2010**

Certain of the above-mentioned requirements were applied on a prospective basis. The following difference, however, is carried forward in certain instances from the previous basis of consolidation - upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments at 1 January 2010 have not been restated.

### **2.3. Business combinations and goodwill**

#### **Business combinations from 1 January 2010**

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.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.



## **2. Accounting policies (cont'd)**

### **2.3. 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 IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

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

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

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

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

#### **Business combinations prior to 1 January 2010**

In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

## **2. Accounting policies (cont'd)**

### **2.4. Measurement and presentation currency**

The amounts shown in these financial statements are presented in the local currency of the Republic of Lithuania, Litas (LTL).

The functional currency of the Company and its subsidiaries operating in Lithuania is Litas. 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.

The assets and liabilities of foreign subsidiaries are translated into Litas at the reporting date using the rate of exchange as of 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.

Starting from 2 February 2002, Lithuanian Litas is pegged to Euro at the rate of 3.4528 Litas for 1 Euro, and the exchange rates in relation to other currencies are set daily by the Bank of Lithuania.

### **2.5. Investments in subsidiaries (the Company)**

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

### **2.6. Intangible assets other than goodwill**

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

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

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

Land lease right	90 years
Licenses, patents and etc.	3 years
Software	1 – 5 years
Other intangible assets	3 – 4 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. Accounting policies (cont'd)**

### **2.7. Property, plant and equipment**

According to the exception available under IFRS 1, part of buildings, acquired before 1 January 1996, were measured at fair values, determined as at 31 December 2010 by independent property valuator, and these values are used as deemed cost at that date (Note 3). Valuation of assets was performed using two methods: market comparables and depreciated replacement value (cost) method.

The market comparables approach (refers to the analogues of sales-purchase transactions). Such method includes using recent arm's length market transactions. Performing the valuation these assumptions are used:

- the asset is disposed in the open market;
- liability for acquired asset has no effect on the value of estimated asset or the part of it;
- the asset is built and/or is used in accordance with the laws' requirements and other standards of the Republic of Lithuania.

Assessing the fair value the total market trend, potential clients, the maximum best usage and liquidity of revalued assets are measured. Using the market comparables approach method the replacement with other asset principal is used. The available data is compared and the adjustment ratios are estimated (time, conditions of financing, place, physical depreciation, etc.).

Replacement value (cost) method is based on an assumption that a knowledgeable buyer will not pay for the same substitute property more than the amount necessary to create such property. This approach is particularly applicable when the subject property is related with relatively new buildings/constructions that reflect the highest or best use of the land lot or when the buildings/constructions on the land lot are relatively unique or specialized and the market has a limited supply of comparable properties. The replacement value of buildings/constructions is determined on the basis of typical sources, first of all details supplies by local professional construction companies and accepted national price-fixing measures. In some cases, the application of this approach is based on the construction cost of the subject property and information about the construction costs of similar buildings, less the accrued depreciation amount calculated with reference to data obtained from all sources.

Other non-current tangible assets are stated at cost less accumulated depreciation and impairment losses.

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

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

Buildings and structures	8 – 91 years
Machinery and equipment	5 – 33 years
Vehicles	6 – 8 years
Other equipment and other assets	4 – 10 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. Accounting policies (cont'd)**

### **2.8. 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 treated as a long-term investment.

Investment property is stated at historical cost less accumulated depreciation and adjusted for recognised impairment loss. 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.

### **2.9. Emission rights**

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 scheme works on a 'Cap and Trade' basis. EU Member States' governments are required to set an emission cap for each phase for all 'installations' covered by the Scheme; this cap is established in the National Allocation Plan (NAP), which is issued by the relevant authority in each Member State. The NAP describes the amount of yearly emissions (measured in tones 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 Company and the Group apply a net liability approach in accounting for the emission rights received. It records the emission allowances granted to it at a nominal (null) amount. Liabilities for emissions are recognised only as emissions are made (provisions are never made on the basis of the expected future emissions) and only when the reporting entity has made emissions in excess of the rights held. The Company and the Group have chosen a system that measures deficits on the basis of an annual allocation of emission rights.

The outright sale of emission rights 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 with a charge to the income statement.

## **2. Accounting policies (cont'd)**

### **2.10. Financial assets**

According to IAS 39 "Financial Instruments: Recognition and Measurement" the Group's and the Company's financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets, as appropriate. All purchases and sales of financial assets are recognised on the trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

#### **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 statement of comprehensive income.

The Group and the Company does not have any finance instruments at fair value through profit or loss as at 31 December 2010 and 2009.

#### **Held-to-maturity investments**

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group / the Company has the positive intention and ability to hold to maturity. Investments that are intended to be held-to-maturity are subsequently measured at amortised cost. Gains and losses are recognised in statement of comprehensive income when the investments are derecognised or impaired, as well as through the amortisation process. The Group and the Company did not have any held-to-maturity investments as at 31 December 2010 and 2009.

#### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recorded at the fair value of the consideration given. Loans and receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired, as well as through the amortisation process. Allowance for doubtful receivables is evaluated when the indications leading to the impairment of accounts receivable are noticed and the carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised (written off) when they are assessed as uncollectible.

#### **Available-for-sale financial assets**

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with unrealized gains or losses (except impairment and gain or losses from foreign currencies exchange) being recognised in other comprehensive income until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in other comprehensive income is included in the statement of comprehensive income.

The Group and the Company does not have any available for sale financial assets as at 31 December 2010 and 2009.



## **2. Accounting policies (cont'd)**

### **2.11. Derecognition of financial assets and liabilities**

#### **Financial assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- 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 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.

#### **Financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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 the statement of comprehensive income.

### **2.12. Inventories**

Inventories are valued at the lower of cost or net realisable value, after impairment evaluation for obsolete and slow moving items. Net realisable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Cost of inventory is determined by the first-in, first-out (FIFO) method. Unrealisable inventory has been fully written-off.

### **2.13. Cash and cash equivalents**

Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of 3 months or less and that are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and in current bank accounts as well as deposits in bank with original term equal to or less than 3 months.

## **2. Accounting policies (cont'd)**

### **2.14. Borrowings**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur.

The Group and the Company capitalise borrowing costs for all qualifying assets where construction was commenced on or after 1 January 2009. However, there were no borrowing costs matching the capitalisation criteria in 2010 and in 2009.

Borrowings are initially recognised at fair value of proceeds received, less the costs of transaction. They are subsequently carried at amortised cost, the difference between net proceeds and redemption value being recognised in the net profit or loss over the period of the borrowings. The borrowings are classified as non-current if the completion of a refinancing agreement before the date of the statement of financial position provides evidence that the substance of the liability at the date of the statement of financial position was long-term.

### **2.15. Financial lease – Group and the Company as a lessee**

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

The Group and the Company recognise financial leases as assets and liabilities in the statement of financial position at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, to the present value of the minimum lease payments. The rate of discount used when calculating the present value of minimum payments of financial lease is the interest rate of financial lease payment, when it is possible to determine it, in other cases, Company's incremental interest rate on borrowings applies. Directly attributable initial costs are included into the asset value. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

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

### **2.16. 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 months salary.

Current year cost of employee benefits is recognised as incurred in the statement of comprehensive income. The past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. Any gains or losses appearing as a result of curtailment and/or settlement are recognised in the statement of comprehensive income as incurred.

The above mentioned employee benefit obligation is calculated based on actuarial assumptions, using the projected unit credit method. Obligation is recognized 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 recognized in the statement of comprehensive income as incurred.

## **2. Accounting policies (cont'd)**

### **2.17. Grants and subsidies**

Grants and subsidies (hereinafter "grants") received in the form of non-current assets or 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 the financial statements as used in parts according to the depreciation of the assets associated with this grant. In the statement of comprehensive income, a relevant expense account is reduced by the amount of grant amortisation.

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.

### **2.18. Income tax**

The Group companies are taxed individually, irrespective of the overall results of the Group. Income tax charge is based on profit for the year and considers deferred taxation. 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 the Republic of Ukraine.

The standard income tax rate in Lithuania was 15 % in 2010 (20 % in 2009). After the amendments of Income Tax Law of Republic of Lithuania had come into force, 15 % income tax rate has been established for an indefinite period starting 1 January 2010. Income tax rate in Ukraine is 25 %.

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. 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 only be used to reduce the taxable income earned from the transactions of the same nature.

Deferred taxes are calculated using the liability method. Deferred taxes reflect the net tax effects 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 it will be realised in the foreseeable future, based on taxable profit forecasts. If it is believed that part of the deferred tax is not going to be realised, this part of the deferred tax asset is not recognised in the financial statements.

### **2.19. Revenue recognition**

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Sales are recognised net of VAT and discounts.

Revenue from sales of goods is recognised when delivery has taken place and transfer of risks and rewards has been completed.

Revenue from services is recognised when services are rendered.

Dividend income from subsidiaries is recognised in the Company's stand-alone financial statements when the dividends are declared by the subsidiary.



## **2. Accounting policies (cont'd)**

### **2.20. Impairment of assets**

#### **Financial assets**

Financial assets are reviewed for impairment at each date of the statement of financial position.

For financial assets carried at amortised cost, whenever it is probable that the Company will not collect all amounts due according to the contractual terms of loans or receivables, an impairment or bad debt loss is recognised in the statement of comprehensive income. The reversal of impairment losses previously recognised is recorded when the decrease in impairment loss can be justified by an event occurring after the write-down. Such reversal is recorded in the statement of comprehensive income. However, the increased carrying amount is only recognised to the extent it does not exceed the amortised cost that would have been had the impairment not been recognised.

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, has been incurred, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

#### **Other assets (excluding goodwill)**

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the statement of comprehensive income. 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 the statement of comprehensive income as the impairment loss.

### **2.21. Use of estimates in the preparation of financial statements**

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of the accompanying financial statements relate to depreciation (Notes 2.7, 2.8, 6), amortization (Note 2.6 and Note 7), valuation of buildings (Note 2.7, Note 6), non-current employee benefits (Note 2.16 and Note 18), impairment evaluation of goodwill (Note 2.3) and other assets (Note 2.20, Note 10 and Note 11). Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

At the date of preparing these financial statements, the underlying assumptions and estimates were not subject to a significant risk that from today's point of view it is likely that the carrying amounts of assets and liabilities will have to be adjusted significantly in the subsequent fiscal year. Should the circumstances change in the future, the estimate may need to be revised and the size of such revision cannot be reasonably estimated at the date of these financial statements.

### **2.22. Contingencies**

Contingent liabilities are not recognised in the financial statements, except for contingent liabilities associated with 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 or economic benefits are probable.

### **2.23. 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 when material.

**AB GRIGIŠKĒS**  
**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
(all amounts are in LTL unless otherwise stated)

**3. First – time adoption of International Financial Reporting Standards**

As it is mentioned in Note 2, these financial statements prepared in accordance with IFRS are the first financial statements in which all IFRS are adopted by the Company, except that the date of full transition has been established as at the end of this financial year – 31 December 2010, and not 1 January 2009 as required by IFRS 1. The only change between the previously applied accounting principles and the principles applied from 31 December 2010 related to the change from the indexed cost to deemed cost for accounting of buildings, as discussed in Note 2.7. Presentation of impact on equity of adopting IFRS to buildings as at 31 December 2010 is presented below:

	<u>Equity</u>
Impact of IFRS 1 adoption:	
Revaluation of buildings at deemed cost (Note 6)	13,047,594
Deferred tax liability related to deemed cost accounting for buildings (Note 26)	<u>(1,957,207)</u>
Total	<u>11,090,387</u>

**4. Correction of error**

When preparing the financial statements for 2009 and 2008, the Company has not accounted for LTL 315 thousand accrual for non-current employee benefits (net-off related deferred tax). In 2010 the Company corrected the mistake retrospectively by adjusting retained earnings as at 31 December 2008:

**Company**

	<b>Balance as stated earlier</b>	<b>Accrual for non- current employee benefits</b>	<b>Balance restated</b>
Non-current employee benefits as at 31 December 2009	-	370,053	370,053
Non-current employee benefits as at 31 December 2008	-	370,053	370,053
Deferred income tax liability as at 31 December 2009	252,051	(55,508)	196,543
Deferred income tax liability as at 31 December 2008	359,801	(55,508)	304,293
Retained earnings as at 31 December 2009	5,016,996	(314,545)	4,702,451
Retained earnings as at 31 December 2008	2,011,604	(314,545)	1,697,059

**Group**

	<b>Balance as stated earlier</b>	<b>Accrual for non- current employee benefits</b>	<b>Balance restated</b>
Non-current employee benefits as at 31 December 2009	-	370,053	370,053
Non-current employee benefits as at 31 December 2008	-	370,053	370,053
Deferred income tax liability as at 31 December 2009	252,051	(55,508)	196,543
Deferred income tax liability as at 31 December 2008	359,801	(55,508)	304,293
Retained earnings as at 31 December 2009	3,647,525	(314,545)	3,332,980
Retained earnings as at 31 December 2008	1,017,966	(314,545)	703,421

Correction of error did not influence statement of comprehensive income for 2009 and 2010.

**AB GRIGIŠKĒS**  
**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
(all amounts are in LTL unless otherwise stated)

**5. Financial assets and liabilities and risk management**

**Credit risk**

The Group and the Company does not have any significant concentration of trading counterparties. Group receivables from two major customers as at 31 December 2010 amounted to 13.72 % and 8.82 % respectively (18.9 % and 6.3% as at 31 December 2009) of the total Group's trade receivables. Company's receivables from two major customers as at 31 December 2010 amounted to 14.28 % and 6.48 % respectively (15.5% and 5.2 % as at 31 December 2009) 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 trade and other receivables, net of allowance for doubtful accounts recognised at the date of the statement of financial position. Credit risk or risk that a counterparty will not fulfill its obligations, is controlled by credit terms and monitoring procedures, using services of external credit insurance and debt recovery agencies.

**Liquidity risk**

The Group's and the Company's policy is to maintain sufficient cash and cash equivalents to meet its commitments at a given date in accordance with its strategic plans. The Group's liquidity (current assets / current liabilities) and quick ((current assets – inventory) / current liabilities) ratios as at 31 December 2010 were 0.8 and 0.5, respectively (0.9 and 0.5 as at 31 December 2009 respectively). The Company's liquidity and quick ratios as at 31 December 2010 were 0.7 and 0.5 respectively (1.1 and 0.7 as at 31 December 2009, respectively). As at 31 December 2010 current liabilities of the Group exceeded its current assets by LTL 13,268 thousand. As at 31 December 2010 current liabilities of the Company exceeded its current assets by LTL 11,527 thousand. The Company uses overdrafts and other short-term credits, furthermore as described in Note 31, some repayment terms for the current loans were already rescheduled subsequently.

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2010 and 2009 based on contractual undiscounted payments:

	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Interest bearing borrowings	3,859,292	5,708,956	13,675,239	38,165,663	26,308,694	87,717,843
Financial lease obligations	-	1,494,562	2,923,864	7,405,294	-	11,823,721
Trade payables	-	31,400,977	-	-	-	31,400,977
Other current liabilities	1,552,564	2,337,220	-	-	-	3,889,784
<b>Balance as at 31 December 2010</b>	<b>5,411,856</b>	<b>40,941,715</b>	<b>16,599,103</b>	<b>45,570,958</b>	<b>26,308,694</b>	<b>134,832,325</b>
Interest bearing borrowings	5,117,745	1,145,302	4,511,288	12,283,219	-	23,057,554
Financial lease obligations	-	2,286,574	3,460,750	11,250,095	-	16,997,419
Trade payables	-	12,292,638	-	-	-	12,292,638
Other current liabilities	223,520	70,688	-	-	-	294,208
<b>Balance as at 31 December 2009</b>	<b>5,341,265</b>	<b>15,795,202</b>	<b>7,972,038</b>	<b>23,533,314</b>	<b>-</b>	<b>52,641,819</b>

**AB GRIGIŠKĖS**  
**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
(all amounts are in LTL unless otherwise stated)

**5. Financial assets and liabilities and risk management (cont'd)**

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2010 and 2009 based on contractual undiscounted payments:

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest bearing borrowings	-	3,801,163	8,345,224	11,368,000	-	23,514,387
Financial lease obligations	-	1,442,976	2,518,020	6,997,832	-	10,958,829
Payables to related parties	-	2,625,855	-	-	-	2,625,855
Trade payables	-	17,517,298	-	-	-	17,517,298
Other current liabilities	420,644	1,989,260	-	-	-	2,409,904
<b>Balance as at 31 December 2010</b>	<b>420,644</b>	<b>27,376,552</b>	<b>10,863,244</b>	<b>18,365,832</b>	<b>-</b>	<b>57,026,272</b>
Interest bearing borrowings	-	1,145,302	4,511,288	12,283,219	-	17,939,809
Financial lease obligations	-	2,210,703	3,271,019	11,152,669	-	16,634,391
Payables to related parties	-	15,254	-	-	-	15,254
Trade payables	-	11,520,137	-	-	-	11,520,137
Other current liabilities	223,520	70,688	-	-	-	294,208
<b>Balance as at 31 December 2009</b>	<b>223,520</b>	<b>14,962,084</b>	<b>7,782,307</b>	<b>23,435,888</b>	<b>-</b>	<b>46,403,799</b>

**Interest risk**

The major part of the Group's and the Company's borrowings (loans and financial lease obligations) are subject to variable rates, related to EUR LIBOR and VILIBOR, which creates an interest rate risk (Notes 16 and 17). There are no financial instruments designated to manage the exposure to fluctuation in interest rates outstanding as at 31 December 2010 and 2009.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no impact on the Group's equity, other than current year profit impact.

	Increase/decrease in basis points	Effect on the profit before the income tax
<b>2010</b>		
EUR	+100	(642,285)
EUR	-100	642,285
LTL	+100	(240,030)
LTL	-100	240,030
<b>2009</b>		
EUR	+100	(74,839)
EUR	-100	74,839
LTL	+100	(146,676)
LTL	-100	146,676

**AB GRIGIŠKĒS**  
**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
(all amounts are in LTL unless otherwise stated)

**5. Financial assets and liabilities and risk management (cont'd)**

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowings). There is no impact on the Company's equity, other than current year profit impact.

<b>2010</b>	<b>Increase/decrease in basis points</b>	<b>Effect on the profit before the income tax</b>
EUR	+100	(20,653)
EUR	-100	20,653
LTL	+100	(208,714)
LTL	-100	208,714
<b>2009</b>		
EUR	+100	(54,264)
EUR	-100	54,264
LTL	+100	(117,176)
LTL	-100	117,176

**Foreign exchange risk**

The Company's monetary assets and liabilities as at 31 December 2010 and 2009 are denominated in LTL or EUR, to which LTL is pegged, consequently the management of the Company believes that foreign exchange risk on EUR is insignificant.

Monetary assets and liabilities of the Group denominated in various currencies as at 31 December 2010 were as follows:

<b>Group</b>	<b>USD</b>	<b>EUR</b>	<b>LTL</b>	<b>Other</b>
Receivables	2,532	10,802,511	19,571,699	1,980,711
Cash and cash equivalents	-	608,145	770,490	-
Borrowings and financial lease obligations	1,696,450	64,510,578	31,016,051	-
Payables	693	4,749,303	30,218,508	445,305

Monetary assets and liabilities of the Group denominated in various currencies as at 31 December 2009 were as follows:

<b>Group</b>	<b>USD</b>	<b>EUR</b>	<b>LTL</b>	<b>Other</b>
Receivables	-	4,577,061	9,654,431	-
Cash and cash equivalents	-	373,408	88,193	-
Borrowings and financial lease obligations	-	22,474,164	15,634,576	-
Payables	-	2,173,012	10,413,834	-

**AB GRIGIŠKĖS**  
**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
(all amounts are in LTL unless otherwise stated)

**5. Financial assets and liabilities and risk management (cont'd)**

**Fair value of financial instruments**

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

Fair value is defined as the amount at which the instrument could be exchanged between knowledgeable willing parties in an arm's length transaction, and these parties intend to purchase (sell) assets or net off the liabilities. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

- (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.

Set out is a comparison by class of carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial statements:

	<b>Carrying amount</b>		<b>Fair value</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Financial assets</b>				
Cash	1,378,635	461,601	1,378,635	461,601
Receivables from related parties (including loans granted)	10,944	145,045	10,944	145,045
Trade receivables and other receivables	32,346,509	14,086,447	32,346,509	14,086,447
<b>Financial liabilities</b>				
Interest bearing loans and borrowings	85,823,679	22,151,467	85,823,679	22,151,467
Financial lease obligations	11,399,400	15,957,273	11,399,400	15,957,273
Trade payables	31,500,969	12,280,884	31,500,969	12,280,884
Payables to related parties	23,056	11,754	23,056	11,754
Other current liabilities	3,263,036	294,208	3,263,036	294,208

Set out is a comparison by class of carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements:

	<b>Carrying amount</b>		<b>Fair value</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Financial assets</b>				
Cash	361,192	158,581	361,192	158,581
Receivables from related parties (including loans granted)	13,979,846	4,203,276	13,979,846	4,203,276
Trade receivables	17,405,276	13,047,346	17,405,276	13,047,346
<b>Financial liabilities</b>				
Interest bearing loans and borrowings	22,936,721	17,143,967	22,936,721	17,143,967
Financial lease obligations	10,600,827	15,615,846	10,600,827	15,615,846
Trade payables	17,517,298	11,520,137	17,517,298	11,520,137
Payables to related parties	2,625,855	15,254	2,625,855	15,254
Other current liabilities	1,695,188	294,208	1,695,188	294,208

**AB GRIGIŠKĒS**  
**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
(all amounts are in LTL unless otherwise stated)

**6. Property, plant and equipment**

<b>Group</b>	<b>Buildings and structures</b>	<b>Machinery and equipment</b>	<b>Vehicles</b>	<b>Other assets</b>	<b>Construction in progress and prepayments</b>	<b>TOTAL</b>
<b>Cost or indexed cost:</b>						
Balance as at 31 December 2008	40,878,909	128,121,785	5,857,101	3,515,352	5,580,244	183,953,391
Additions	29,394	239,737	49,165	40,667	6,020,609	6,379,572
Disposals	(14,142)	(6,883,924)	(733,566)	(149,274)	-	(7,780,906)
Reclassifications	-	11,345,620	-	-	(11,345,620)	-
Balance as at 31 December 2009	40,894,161	132,823,218	5,172,700	3,406,745	255,233	182,552,057
Additions arising from acquisition of subsidiaries (Note 7)	34,185,265	19,478,730	664,901	7,735,093	2,671,778	64,735,767
Additions	212,118	2,148,588	650,023	440,917	17,104,562	20,556,208
Revaluation impact of IFRS 1 adoption (Note 3)	13,047,594	-	-	-	-	13,047,594
Transfer*	(14,352,152)	-	-	-	-	(14,352,152)
Disposals	(16,780)	(1,268,208)	(464,191)	(279,953)	-	(2,029,132)
Reclassifications	6,378,936	3,807,038	(527,250)	(6,966,184)	(2,692,540)	-
Reclassification to Investment property	(4,949,000)	-	-	-	-	(4,949,000)
Effect of foreign currency translation	87,710	76,966	-	-	558	165,234
Balance as at 31 December 2010	75,487,852	157,066,332	5,496,183	4,336,618	17,339,591	259,726,576
<b>Accumulated depreciation and impairment:</b>						
Balance as at 31 December 2008	15,793,229	58,388,887	3,319,637	2,356,136	-	79,857,889
Depreciation	1,081,287	14,283,320	800,623	455,342	-	16,620,572
Impairment loss/(reversal)	(6,250)	(277,654)	(39,335)	(6,187)	-	(329,426)
Disposals	(14,140)	(5,939,400)	(607,169)	(146,245)	-	(6,706,954)
Balance as at 31 December 2009	16,854,126	66,455,153	3,473,756	2,659,046	-	89,442,081
Depreciation	2,123,277	16,417,521	810,151	1,300,292	-	20,651,241
Impairment loss/(reversal)	(6,249)	9,405	-	-	-	3,156
Disposals	(15,672)	(1,312,709)	(421,442)	(270,370)	-	(2,020,193)
Transfer*	(14,352,152)	-	-	-	-	(14,352,152)
Reclassifications	579,610	385,581	(162,776)	(802,415)	-	-
Effect of foreign currency translation	2,385	1,983	-	-	-	4,368
Balance as at 31 December 2010	5,185,325	81,956,934	3,699,689	2,886,553	-	93,728,501
<b>Net book value as at 31 December 2009</b>	<b>24,040,035</b>	<b>66,368,065</b>	<b>1,698,944</b>	<b>747,699</b>	<b>255,233</b>	<b>93,109,976</b>
<b>Net book value as at 31 December 2010</b>	<b>70,302,527</b>	<b>75,109,398</b>	<b>1,796,494</b>	<b>1,450,065</b>	<b>17,339,591</b>	<b>165,998,075</b>

\* This transfer relates to the accumulated depreciation as at the revaluation date that was eliminated against the gross carrying amount of the revalued assets.



**AB GRIGIŠKĖS**  
**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
(all amounts are in LTL unless otherwise stated)

**6. Property, plant and equipment (cont'd)**

Company	Buildings and structures	Machinery and equipment	Vehicles	Other assets	Construction in progress and prepayments	TOTAL:
<b>Cost or indexed cost:</b>						
Balance as at 31 December 2008	38,923,042	116,001,399	4,414,462	3,347,737	5,580,244	168,266,884
Additions	-	170,957	-	38,343	6,020,609	6,229,909
Disposals	(14,142)	(6,883,924)	(733,566)	(149,274)	-	(7,780,906)
Reclassifications	-	11,345,620	-	-	(11,345,620)	-
Balance as at 31 December 2009	38,908,900	120,634,052	3,680,896	3,236,806	255,233	166,715,887
Additions	-	973,600	350,001	232,263	16,509,966	18,065,830
Revaluation impact of IFRS 1 adoption (Note 3)	13,047,594	-	-	-	-	13,047,594
Transfer*	(14,352,152)	-	-	-	-	(14,352,152)
Disposals	(12,361)	(934,339)	(328,957)	(159,612)	-	(1,435,269)
Reclassifications	(117,266)	40,862	-	117,266	(40,862)	-
Reclassification to Investment property	(4,949,000)	-	-	-	-	(4,949,000)
Balance as at 31 December 2010	32,525,715	120,714,175	3,701,940	3,426,723	16,724,337	177,092,890
<b>Accumulated depreciation and impairment:</b>						
Balance as at 31 December 2008	15,529,978	54,091,698	2,423,282	2,244,352	-	74,289,310
Depreciation	1,028,617	13,036,886	677,648	433,583	-	15,176,734
Impairment loss/(reversal)	(6,250)	(277,654)	(39,335)	(6,187)	-	(329,426)
Disposals	(14,140)	(5,939,400)	(607,169)	(146,245)	-	(6,706,954)
Balance as at 31 December 2009	16,538,205	60,911,530	2,454,426	2,525,503	-	82,429,664
Depreciation	959,142	11,993,471	486,412	330,897	-	13,769,922
Impairment loss/(reversal)	(6,249)	9,405	-	-	-	3,156
Disposals	(12,358)	(934,274)	(295,982)	(159,366)	-	(1,401,980)
Transfer*	(14,352,152)	-	-	-	-	(14,352,152)
Reclassifications	(77,840)	-	-	77,840	-	-
Balance as at 31 December 2010	3,048,748	71,980,132	2,644,856	2,774,874	-	80,448,610
<b>Net book value as at 31 December 2009</b>	<b>22,370,695</b>	<b>59,722,522</b>	<b>1,226,470</b>	<b>711,303</b>	<b>255,233</b>	<b>84,286,223</b>
<b>Net book value as at 31 December 2010</b>	<b>29,476,967</b>	<b>48,734,043</b>	<b>1,057,084</b>	<b>651,849</b>	<b>16,724,337</b>	<b>96,644,280</b>

\* This transfer relates to the accumulated depreciation as at the revaluation date that was eliminated against the gross carrying amount of the revalued assets.

The Group in 2010 has reviewed the classification of property, plant and equipment in acquired subsidiaries in 2010 and in order to make the consistent classification in all Group has performed reclassifications from other assets and vehicles groups to buildings and structures, machinery and equipment groups.

The depreciation charge of the Group's and the Company's property, plant and equipment for the year 2010 amounts to LTL 20,651 thousand and LTL 13,770 thousand, respectively (LTL 16,621 thousand and LTL 15,177 thousand in the year 2009, respectively). Amounts of LTL 427 thousand and LTL 220 thousand for the year 2010 (LTL 792 thousand and LTL 635 thousand for the year 2009, respectively) have been included into general and administrative expenses in the Group's and the Company's statement of comprehensive income, respectively. Meanwhile, LTL 135 thousand and LTL 61 thousand for the year 2010 (LTL 108 thousand and LTL 102 thousand in 2009) have been included into selling and distribution expenses in the Group's and Company's statement of comprehensive income, respectively. The remaining depreciation expenses of property, plant and equipment have been included into the cost of sales.



**AB GRIGIŠKĖS**  
**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
(all amounts are in LTL unless otherwise stated)

**6. Property, plant and equipment (cont'd)**

As at 31 December 2010, the part of the Group's and the Company's property, plant and equipment with a net book value of LTL 94,522 thousand and LTL 32,990 thousand, respectively (31 December 2009 – LTL 23,289 thousand and LTL 15,717 thousand, respectively) is pledged as a security for repayment of the loans granted by banks (Note 16).

As at 31 December 2010, the Group's and the Company's property, plant and equipment with a net book value of LTL 16,743 thousand and LTL 15,098 thousand, respectively (31 December 2009 – LTL 20,736 thousand and LTL 19,938 thousand, respectively) were acquired under finance lease.

Property, plant and equipment of the Group and the Company with an acquisition cost of LTL 50,508 thousand and LTL 35,852 thousand, respectively, were fully depreciated as at 31 December 2010 (LTL 27,382 thousand and LTL 26,686 thousand as at 31 December 2009, respectively), but were still in active use.

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

Group	2010			2009		
	Carrying amount	Total estimated costs of the project	Estimated date of completion	Carrying amount	Total estimated costs of the project	Estimated date of completion
Modernization of heat production for wider use of renewable resources	16,274,396	19,000,000	2011	124,191	17,725,000	2011
Other projects	1,065,195	2,290,000	2011	131,042	480,000	04/2010
<b>TOTAL:</b>	<b>17,339,591</b>	<b>21,290,000</b>		<b>255,233</b>	<b>18,205,000</b>	

Company	2010			2009		
	Carrying amount	Total estimated costs of the project	Estimated date of completion	Carrying amount	Total estimated cost of the project	Estimated date of completion
Modernization of heat production for wider use of renewable resources	16,274,396	19,000,000	2011	124,191	17,725,000	2011
Other projects	449,941	535,000	2011	131,042	480,000	04/2010
<b>TOTAL:</b>	<b>16,724,337</b>	<b>19,535,000</b>		<b>255,233</b>	<b>18,205,000</b>	

**AB GRIGIŠKĖS**  
**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
(all amounts are in LTL unless otherwise stated)

**7. Intangible assets**

**Goodwill**

As described in Note 1, on 1 March 2010, the Company acquired the AGR Prekyba group, consisting of UAB AGR Prekyba, UAB Avesko, AB Klaipėdos Kartonas and OAO Mena Pak. Total acquisition price was paid in cash.

At the acquisition of these subsidiaries goodwill of LTL 10,362 thousand has been accounted for. The goodwill appears due to expected synergies.

The Group has elected to measure the non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets. The fair values and carrying values of the assets acquired, liabilities and contingent liabilities assumed at the date of acquisitions made during 2010 were as follows:

	<b>Fair value of assets, liabilities and contingent liabilities</b>	<b>Book values</b>
Property, plant and equipment	64,735,766	64,735,766
Intangible assets	25,350	25,350
Other non-current assets	42,048	42,048
Inventories	4,915,454	4,915,454
Trade receivables	11,338,747 <sup>1</sup>	11,338,747
Other current assets	3,043,313	3,043,313
<b>Total assets</b>	<b>84,100,678</b>	<b>84,100,678</b>
Borrowings	(75,223,665)	(75,223,665)
Deferred income tax liability	(1,938,315)	(1,938,315)
Trade payables	(9,699,344)	(9,699,344)
Other liabilities	(4,776,779)	(4,776,779)
<b>Total liabilities</b>	<b>(91,638,103)</b>	<b>(91,638,103)</b>
<b>Total net liabilities</b>	<b>(7,537,425)</b>	<b>(7,537,425)</b>
<b>Non controlling interest</b>	<b>(2,480,753)</b>	<b>(2,480,753)</b>
<b>Fair value of acquired assets, liabilities and contingent liabilities attributable to the Group</b>	<b>(10,018,178)</b>	<b>(10,018,178)</b>

<sup>1</sup>The gross amount of trade receivables is LTL 11,699 thousand.

The differences between the amounts paid and the fair values of assets acquired and liabilities and contingent liabilities assumed on the acquisition of 2010 were as follows:

Fair value of acquired assets, liabilities and contingent liabilities attributable to the Group	(10,018,178)
Goodwill	10,362,101
Total purchase consideration	343,923
Cash acquired	(2,691,002)
<b>Total purchase consideration, net of cash acquired</b>	<b>(2,347,079)</b>

During the period between the acquisition date and 31 December 2010 acquired subsidiaries have generated LTL 108,019 thousand revenue and earned a profit of LTL 6,827 thousand. If the acquisition had been performed as at 1 January 2010, the revenue of the Group for the year ended 31 December 2010 would be larger by LTL 15,941 thousand and the net result would be larger by LTL 582 thousand.

**AB GRIGIŠKĖS**  
**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
(all amounts are in LTL unless otherwise stated)

**7. Intangible assets (cont'd)**

For the purpose of impairment evaluation, the goodwill as at 31 December 2010 was allocated to AB Klaipėdos Kartonas cash generating unit. The recoverable amount of cash generating unit as at 31 December 2010 was determined based on the value in use calculation using 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 2010 are described further.

The forecasted revenues were estimated based on the management assumptions as at 31 December 2010 assuming that the growth in revenue will be in line with the estimated inflation rate. The costs were projected based on the actual cost level taking into account estimated inflation. Cash flows beyond the five-year period were extrapolated using 2 % 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 10 % (pre-tax) for cash generating units located in Lithuania.

The assessment of the recoverable amount of the CGU as at 31 December 2010 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 2010, 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.

**Other intangible assets**

<b>Group</b>	<b>Land lease right</b>	<b>Licenses, patents</b>	<b>Software</b>	<b>Other assets and prepayments</b>	<b>TOTAL:</b>
<b>Cost:</b>					
Balance as at 31 December 2008	2,400,000	56,238	793,845	11,533	3,261,616
Additions	-	-	802	-	802
Balance as at 31 December 2009	2,400,000	56,238	794,647	11,533	3,262,418
Additions	-	-	111,011	52,548	163,559
Additions arising from acquisition of subsidiaries	-	-	25,350	-	25,350
Disposals, write-offs	-	-	(26,199)	(5,288)	(31,487)
Balance as at 31 December 2010	2,400,000	56,238	904,809	58,793	3,419,840
<b>Accumulated amortization:</b>					
Balance as at 31 December 2008	142,222	40,206	606,041	11,531	800,000
Amortization	26,667	9,066	96,153	-	131,886
Balance as at 31 December 2009	168,889	49,272	702,194	11,531	931,886
Amortization	26,666	6,946	74,063	2,483	110,158
Disposals, write-offs	-	-	(26,187)	(5,286)	(31,473)
Balance as at 31 December 2010	195,555	56,218	750,070	8,728	1,010,571
<b>Net book value as at 31 December 2009</b>	<b>2,231,111</b>	<b>6,966</b>	<b>92,453</b>	<b>2</b>	<b>2,330,532</b>
<b>Net book value as at 31 December 2010</b>	<b>2,204,445</b>	<b>20</b>	<b>154,739</b>	<b>50,065</b>	<b>2,409,269</b>

**AB GRIGIŠKĖS**  
**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
(all amounts are in LTL unless otherwise stated)

**7. Intangible assets (cont'd)**

<b>Company</b>	<b>Licenses, patents</b>	<b>Software</b>	<b>Other assets and prepayments</b>	<b>TOTAL:</b>
<b>Cost:</b>				
Balance as at 31 December 2008	56,238	778,460	6,245	840,943
Additions	-	802	-	802
Balance as at 31 December 2009	56,238	779,262	6,245	841,745
Additions	-	40,840	52,548	93,388
Disposals, write-offs	-	(16,793)	-	(16,793)
Balance as at 31 December 2010	56,238	803,309	58,793	918,340
<b>Accumulated amortization:</b>				
Balance as at 31 December 2008	40,206	590,944	6,244	637,394
Amortization	9,066	95,916	-	104,982
Balance as at 31 December 2009	49,272	686,860	6,244	742,376
Amortization	6,946	54,112	2,483	63,541
Disposals, write-offs	-	(16,790)	-	(16,790)
31 December 2010	56,218	724,182	8,727	789,127
<b>Net book value as at 31 December 2009</b>	<b>6,966</b>	<b>92,402</b>	<b>1</b>	<b>99,369</b>
<b>Net book value as at 31 December 2010</b>	<b>20</b>	<b>79,127</b>	<b>50,066</b>	<b>129,213</b>

The Group and the Company has not capitalised any internally generated intangible assets. Amortisation expenses of intangible assets are included within general and administrative expenses in the statement of comprehensive income.

Part of the non-current intangible assets of the Group and the Company with the acquisition value of LTL 114 thousand and LTL 24 thousand, respectively as at 31 December 2010 was fully amortised (LTL 704 thousand and LTL 604 thousand as at 31 December 2009, respectively) but was still in use.

As at 31 December 2010 and 31 December 2009, the Group's land lease rights with a carrying value of LTL 2,231 thousand are pledged as a security for repayment of the loan granted by banks (Note 16).

**8. Investment property**

In 2010 the Company has decided to transfer buildings, located at Vilniaus Str. 10 and Popieriaus Str. in Naujieji Verkiai to investment property as they were started to be held for rental income or for capital appreciation. As at 31 December 2010 these premises were reclassified from buildings to investment property group (Note 6). As at 31 December 2010 investment property fair value approximates its net book value.

**9. Non-current receivables**

As at 31 December 2010 non-current receivables in the Company mainly includes receivable from UAB AGR Prekyba (Group company) in amount of LTL 10,000 thousand and part of the receivable from UAB Baltwood (Group company) in amount of LTL 3,347 thousand (Note 29).

**AB GRIGIŠKĒS**  
**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
(all amounts are in LTL unless otherwise stated)

**10. Inventories**

	<b>Group</b>		<b>Company</b>	
	<b>As at 31 December 2010</b>	<b>As at 31 December 2009</b>	<b>As at 31 December 2010</b>	<b>As at 31 December 2009</b>
Raw materials	7,729,979	3,810,541	3,505,847	3,627,898
Work in progress	4,005,095	3,235,730	2,479,607	1,963,139
Finished goods	8,571,378	4,507,780	4,835,824	4,331,382
Goods in transit	178,127	6,664	-	6,664
	<b>20,484,579</b>	<b>11,560,715</b>	<b>10,821,278</b>	<b>9,929,083</b>
Less: net realisable value allowance	(860,669)	(940,636)	(860,669)	(940,636)
<b>TOTAL:</b>	<b>19,623,910</b>	<b>10,620,079</b>	<b>9,960,609</b>	<b>8,988,447</b>

The initial cost value of the Group's and Company's inventories accounted for at net realisable value as at 31 December 2010 amounted to LTL 861 thousand and LTL 861 thousand, respectively (31 December 2009 - LTL 941 thousand and LTL 941 thousand, respectively). Change in allowance for inventories for the year 2010 and 2009 has been included into general and administrative expenses.

As described in the Note 16, as at 31 December 2010 and 2009 Group and the Company have pledged inventory with a carrying value LTL 10,000 thousand and LTL 8,000 thousand respectively, were pledged as a collateral to the banks for the loans received.

**11. Accounts receivable**

	<b>Group</b>		<b>Company</b>	
	<b>As at 31 December 2010</b>	<b>As at 31 December 2009</b>	<b>As at 31 December 2010</b>	<b>As at 31 December 2009</b>
Trade receivables, gross	31,042,163	14,958,381	17,586,263	17,924,692
Other receivables, gross	2,351,722	158,584	1,279,754	155,544
	<b>33,393,885</b>	<b>15,116,965</b>	<b>18,866,017</b>	<b>18,080,236</b>
Less: allowance for doubtful trade receivables	(1,036,432)	(885,473)	(827,923)	(829,614)
<b>Total amounts receivable within one year:</b>	<b>32,357,453</b>	<b>14,231,492</b>	<b>18,038,094</b>	<b>17,250,622</b>

Change in allowance for doubtful trade receivables for the year 2010 and 2009 has been included into general and administrative expenses.

Trade receivables are non-interest bearing and are generally collectible on 15 – 40 days terms. The carrying amount of the Group's and the Company's trade and other receivables approximates their fair value.

As at 31 December 2010 and 2009 Group's and the Company's trade receivables were pledged to banks as a collateral for the loans received (Note 16).

**AB GRIGIŠKĒS**  
**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
(all amounts are in LTL unless otherwise stated)

**11. Accounts receivable (cont'd)**

Movements in the allowance for impairment of the receivables (individually impaired) were as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Balance as at 1 January</b>	<b>885,473</b>	<b>122,825</b>	<b>829,614</b>	<b>102,277</b>
Charge for the year	208,509	762,648	-	727,337
Reversed during the year	(57,550)	-	(1,691)	-
<b>Balance as at 31 December</b>	<b>1,036,432</b>	<b>885,473</b>	<b>827,923</b>	<b>829,614</b>

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

		Trade receivables past due but not impaired					
	Trade receivables neither past due nor impaired	Less than 30 days	30 – 60 days	60 – 90 days	90 – 360 days	More than 360 days	Total
2009	13,215,071	615,452	194,906	-	206,063	-	14,231,492
2010	25,598,820	5,057,781	1,035,374	169,774	495,704	-	32,357,453

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

<b>Trade receivables past due but not impaired</b>							<b>Total</b>
<b>Trade receivables neither past due nor impaired</b>	<b>Less than 30 days</b>	<b>30 – 60 days</b>	<b>60 – 90 days</b>	<b>90 – 360 days</b>	<b>More than 360 days</b>		
<b>2009</b>	10,205,319	1,808,011	762,318	189,438	53,484	4,232,052 <sup>1</sup>	17,250,622
<b>2010</b>	12,996,816	3,180,594	694,379	169,774	50,889	945,642 <sup>1</sup>	18,038,094

<sup>1</sup> As at 31 December 2009 the major part of overdue trade receivable by the Company was a receivable from Company's subsidiary UAB Baltwood, part of which in 2010 was reclassified to non-current receivables (Note 9). The remaining part of overdue receivable from UAB Baltwood as at 31 December 2010 is expected to be received in 2011, as the Group's management's plans are related to further improvement of operational performance and rescheduling terms of repayment of current bank loans due by subsidiary, therefore no allowance was accounted by the Company.

**12. Cash and cash equivalents**

	<b>Group</b>		<b>Company</b>	
	<b>As at 31 December 2010</b>	<b>As at 31 December 2009</b>	<b>As at 31 December 2010</b>	<b>As at 31 December 2009</b>
Cash at bank	1,339,035	447,564	332,429	146,725
Cash on hand	39,600	14,037	28,763	11,856
<b>TOTAL:</b>	<b>1,378,635</b>	<b>461,601</b>	<b>361,192</b>	<b>158,581</b>

As at 31 December 2010 and 2009 the major part of bank accounts of the Group and the Company are pledged to banks for loans, as described further in Note 16. As at 31 December 2010 and 2009 there were no restrictions on use of cash balances held in the pledged accounts.

**AB GRIGIŠKĖS**  
**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
(all amounts are in LTL unless otherwise stated)

**13. Share capital and reserves**

**Share capital**

The share capital of the Company was LTL 60,000 thousand as at 31 December 2010 and as at 31 December 2009. It is divided into 60,000 thousand ordinary registered shares with the nominal value of LTL 1 each.

All shares of the Company are fully paid. The Company does not have any other classes of shares than ordinary shares mentioned above, 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 2010.

As at 31 December 2010 and 31 of December 2009 the shareholders of the Company were:

	2010		2009	
	Number of shares	Number of shares	Number of shares	Proportion of ownership, %
Lithuanian legal entities	29,830,153	49.72	32,556,857	54.26
Lithuanian individuals	23,083,848	38.47	21,323,555	35.54
Foreign legal entities	6,870,407	11.45	6,064,376	10.11
Foreign individuals	215,592	0.36	55,212	0.09
<b>TOTAL:</b>	<b>60,000,000</b>	<b>100</b>	<b>60,000,000</b>	<b>100</b>
	Number of shares	Proportion of ownership, %	Number of shares	Proportion of ownership, %
UAB Ginvildos investicija	29,272,228	48.79	29,272,228	48.79
Rosemount Holdings LLC	5,639,967	9.40	5,639,967	9.40
Mišėikis Dailius Juozapas	-	-	5,997,932	10.00
Mišėikienė Irena Ona	8,731,686	14.55	-	-
<b>TOTAL:</b>	<b>43,643,881</b>	<b>72.74</b>	<b>40,910,127</b>	<b>68.19</b>

**Reserves**

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5 % of distributable retained earnings calculated for a statutory reporting purposes are required until the reserve reaches 10 % of the share capital.

The foreign currency translation reserve is used for translation differences arising on consolidation of financial statements of foreign subsidiary (Note 2.4.).

**14. Capital management**

The primary objectives of the Group's and the Company's capital management are to ensure that the Group and the Company complies with externally imposed capital requirements and that the Group and the Company maintains healthy capital ratios in order to support its business and to maximise shareholders' value (capital in the meaning of IAS 1 comprises equity 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 years ended 31 December 2010 and 2009.



**AB GRIGIŠKĖS**  
**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
(all amounts are in LTL unless otherwise stated)

**14. Capital management (cont'd)**

The Group and the Company are obliged to upkeep 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. There were no other externally imposed capital requirements on the Group and the Company. As at 31 December 2010 and 2009 the Company was not in breach of the above mentioned requirement. The Group company UAB Baltwood as at 31 December 2010 was not in compliance with this requirement.

Pursuant to the Law on Companies of Republic of Lithuania, if a company does not comply with the above requirement, the Board (or a head of administration, if the Board is not formed), no later than three months from the moment when it became aware or had to become aware about capital deficiency, must convene general shareholders' meeting, which has to consider how to solve this situation in accordance to the law. The situation in the company must be rectified no later than in the six months' period from the moment, when the Board became aware or had to become aware about capital deficiency. If the shareholders' meeting does not make any decision in order to rectify the situation or if situation was not rectified during the six month period since the Board became aware or had to become aware about capital deficiency, the Board (or head of administration, if the Board is not formed), no later than during two months since the date of shareholders' meeting, must apply to the court regarding reduction of a company's share capital in accordance to the law requirements. After the court's decision a company must reduce its share capital and make appropriate changes in company's by-laws. The shareholder of the company is planning to take certain actions to remedy this situation.

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

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Non-current liabilities (including deferred tax and grants)	83,323,554	23,674,428	28,794,109	23,581,987
Current liabilities	68,141,887	30,379,999	40,368,580	24,092,121
<b>Liabilities</b>	<b>151,465,441</b>	<b>54,054,427</b>	<b>69,162,689</b>	<b>47,674,108</b>
<b>Equity</b>	<b>87,188,679</b>	<b>67,328,645</b>	<b>80,108,212</b>	<b>68,698,116</b>
<b>Debt to equity ratio</b>	<b>174%</b>	<b>80%</b>	<b>86%</b>	<b>69%</b>

**15. Grants and subsidies**

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

Balance as at 31 December 2008	318,641
Received	204,735
Amortisation	(61,438)
Balance as at 31 December 2009	461,938
Received	8,043,997
Amortisation	(95,415)
Balance as at 31 December 2010	<b>8,410,520</b>

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). The Company in 2010 has started construction of bio-fuel boiler house, for which grants from EU funds is received.

The amortisation of grants is accounted for under cost of sales in the statement of comprehensive income and reduces the depreciation of related asset expenses.



**AB GRIGIŠKĖS**  
**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
(all amounts are in LTL unless otherwise stated)

**16. Borrowings**

	<b>Group</b>		<b>Company</b>	
	<b>As at 31 December 2010</b>	<b>As at 31 December 2009</b>	<b>As at 31 December 2010</b>	<b>As at 31 December 2009</b>
<b>Non-current borrowings:</b>				
Bank borrowings secured by the Group assets	63,098,888	11,964,440	11,147,580	11,964,440
	<b>63,098,888</b>	<b>11,964,440</b>	<b>11,147,580</b>	<b>11,964,440</b>
<b>Current borrowings:</b>				
Current portion of non-current bank borrowings secured by the Group assets	15,253,992	10,187,027	4,318,342	5,179,527
Current bank borrowings secured by the Group assets	7,470,799	-	7,470,799	-
	<b>22,724,791</b>	<b>10,187,027</b>	<b>11,789,141</b>	<b>5,179,527</b>
<b>TOTAL:</b>	<b>85,823,679</b>	<b>22,151,467</b>	<b>22,936,721</b>	<b>17,143,967</b>

Borrowings at the end of the year in national and foreign currencies:

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
LTL	20,403,036	14,667,602	17,653,036	11,717,602
EUR	64,228,472	7,483,865	5,283,685	5,426,365
USD	1,192,171	-	-	-
<b>TOTAL:</b>	<b>85,823,679</b>	<b>22,151,467</b>	<b>22,936,721</b>	<b>17,143,967</b>

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 2010 the Company and the Group complied with all the mentioned debt covenants, except for UAB Baltwood (subsidiary of the Company) EBITDA to financial liabilities ratio, which was equal to 2.4 (required not less than 3.8). Therefore, the loan of LTL 3.859 thousand is accounted for as current loans in the statement of financial position of the Group as at 31 December 2010. The management does not consider that the mentioned breach could result in any sanctions from the bank, furthermore, the covenant is being renegotiated with the bank.

Terms and debt repayment schedule

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 2010 the weighted average annual interest rate of borrowings outstanding was 2.58 % (2.78 % as at 31 December 2009). In 2010 and 2009 the period of repricing of floating interest rates on borrowings varies from 1 day to 12 months.

**AB GRIGIŠKĖS**  
**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
(all amounts are in LTL unless otherwise stated)

**16. Borrowings (cont'd)**

Pledged assets

For the loans from banks the Group and the Company have pledged property, plant and equipment (Note 6), intangible assets (Note 7), inventories (Note 10), trade accounts receivable (Note 11), bank accounts (Note 12), share of stock of AB Klaipėdos Kartonas held by the Group and UAB AGR Prekyba shares (Note 1).

The following interest rate bases are set for the borrowings as at 31 December 2010:

<b>Group</b>	<b>Currency</b>	<b>Nominal interest rate base</b>	<b>Repayment period</b>	<b>Carrying amount</b>
Overdraft	LTL	VILIBOR	2011	7,470,799
Secured bank loan	LTL	VILIBOR	2011-2013	10,182,240
Secured bank loan	EUR	LIBOR	2011-2014	5,283,681
Secured bank loan	EUR	VILIBOR	2011-2019	57,835,496
Secured bank loan	USD	LIBOR	2011	1,192,171
Secured bank loan	LTL	VILIBOR	2011	2,750,000
Secured bank loan	EUR	LIBOR	2011	1,109,292
<b>TOTAL:</b>				<b>85,823,679</b>

<b>Company</b>	<b>Currency</b>	<b>Nominal interest rate base</b>	<b>Repayment period</b>	<b>Carrying amount</b>
Overdraft	LTL	VILIBOR	2011	7,470,799
Secured bank loan	LTL	VILIBOR	2011-2013	10,182,241
Secured bank loan	EUR	LIBOR	2011-2014	5,283,681
<b>TOTAL:</b>				<b>22,936,721</b>

The following interest rates are set for the borrowings as at 31 December 2009:

<b>Group</b>	<b>Currency</b>	<b>Nominal interest rate base</b>	<b>Repayment period</b>	<b>Carrying amount</b>
Overdraft	LTL	VILIBOR	2010	268,422
Secured bank loan	LTL	VILIBOR	2010-2013	11,449,180
Secured bank loan	EUR	LIBOR	2010-2014	5,426,365
Secured bank loan	LTL	VILIBOR	2010-2011	2,950,000
Secured bank loan	EUR	LIBOR	2010-2011	2,057,500
<b>TOTAL:</b>				<b>22,151,467</b>

<b>Company</b>	<b>Currency</b>	<b>Nominal interest rate base</b>	<b>Repayment period</b>	<b>Carrying amount</b>
Overdraft	LTL	VILIBOR	2010	268,422
Secured bank loan	LTL	VILIBOR	2010-2013	11,449,180
Secured bank loan	EUR	LIBOR	2010-2014	5,426,365
<b>TOTAL:</b>				<b>17,143,967</b>

**AB GRIGIŠKĒS**  
**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
(all amounts are in LTL unless otherwise stated)

**16. Borrowings (cont'd)**

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

Year	Group		Company	
	As at 31 December 2010	As at 31 December 2009	As at 31 December 2010	As at 31 December 2009
Within one year	15,253,992	10,187,027	4,318,342	5,179,522
In the period of five years	63,098,888	11,964,440	11,147,580	11,964,440
	<b>78,352,880</b>	<b>22,151,467</b>	<b>15,465,922</b>	<b>17,143,967</b>

**17. Financial lease obligations**

The assets leased by the Group and the Company under financial lease contracts mainly consist of vehicles. Apart from the lease payments, other obligations under lease contracts are maintenance and insurance. The terms of the financial lease agreements are from 2 to 4 years. The currencies of the financial lease agreements are EUR and LTL.

As at 31 December 2010 the interest rate on the financial lease obligations fluctuates from 6 to 12 month EUR LIBOR or 6 month VILIBOR (as at 31 December 2009 – 6 month EUR LIBOR - 3 month EUR LIBOR or 6 month VILIBOR).

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

	Group		Company	
	As at 31 December 2010	As at 31 December 2009	As at 31 December 2010	As at 31 December 2009
Within one year	4,466,109	5,747,324	3,960,996	5,481,722
From one to five years	7,360,661	11,250,095	6,997,832	11,152,669
<b>Total financial lease obligations</b>	<b>11,826,770</b>	<b>16,997,419</b>	<b>10,958,828</b>	<b>16,634,391</b>
Interest	(427,370)	(1,040,146)	(358,001)	(1,018,545)
<b>Present value of financial lease obligations</b>	<b>11,399,400</b>	<b>15,957,273</b>	<b>10,600,827</b>	<b>15,615,846</b>
Financial lease obligations are accounted as:				
- current	4,242,460	5,275,819	3,787,762	5,026,833
- non-current	7,156,940	10,681,454	6,813,065	10,589,013

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 finance leases are secured by the lessor's charge over the leased assets (Note 6).

**AB GRIGIŠKĒS**  
**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
(all amounts are in LTL unless otherwise stated)

**18. Non-current employee benefits**

As at 31 December 2010 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 the Group's and the Company's statements of comprehensive income.

	<b>Group</b>	<b>Company</b>
As at 31 December 2008	370,053	370,053
Change during the year 2009	-	-
As at 31 December 2009	370,053	370,053
Additions arising from acquisitions of new subsidiaries	347,682	-
Change during the year 2010	12,332	-
As at 31 December 2010	<b>730,067</b>	<b>370,053</b>

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

	<b>As at 31 December 2010</b>	<b>As at 31 December 2009</b>
Discount rate	4.85%	7.67%
Anticipated annual salary increase	2.00%	2.00%

**19. Trade and other payables**

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

- Trade payables are non-interest bearing and are normally settled on 10 to 90-day terms.
- Other payables are non-interest bearing and have an average term of six months.

	<b>Group</b>		<b>Company</b>	
	<b>As at 31 December 2010</b>	<b>As at 31 December 2009</b>	<b>As at 31 December 2010</b>	<b>As at 31 December 2009</b>
Trade payables	31,524,025	12,292,638	20,143,153	11,535,391
Taxes, salaries and social insurance	4,754,736	1,889,972	2,038,276	1,696,895
Advances received	885,715	146,506	196,772	111,622
Other payables	3,889,784	588,037	2,409,904	541,853
<b>TOTAL:</b>	<b>41,054,260</b>	<b>14,917,153</b>	<b>24,788,105</b>	<b>13,885,761</b>

**AB GRIGIŠKĒS**  
**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
(all amounts are in LTL unless otherwise stated)

**20. Segment information**

**Operating segments**

For management purposes, the Group and the Company are organized into three operating business units based on their products produced and have three reportable segments: paper, hardboard and wood processing, raw material for corrugated cardboard and related production. Segment information about these business segments is presented below:

**Group 2010**

	<b>Paper and paper products</b>	<b>Hardboard and wood products</b>	<b>Raw material for corrugated cardboard and related production</b>	<b>Unallocated</b>	<b>TOTAL:</b>
Sales	60,762,127	64,271,728	114,503,450	6,248,162 <sup>1</sup>	<b>245,785,467</b>
Cost of sales	(51,556,002)	(59,889,429)	(96,137,055)	(5,472,741) <sup>2</sup>	<b>(213,055,227)</b>
<b>Gross profit</b>	<b>9,206,125</b>	<b>4,382,299</b>	<b>18,366,395</b>	<b>775,421</b>	<b>32,730,240</b>
Depreciation and amortization	6,292,205	5,436,581	5,965,777	3,066,836 <sup>3</sup>	<b>20,761,399</b>
Segment property, plant and equipment and intangible assets	40,493,130	45,326,172	61,586,924	21,001,118 <sup>3</sup>	<b>168,407,344</b>
Segment capital expenditure	1,191,212	16,920,371	2,112,153	496,031 <sup>3</sup>	<b>20,719,767</b>

**Group 2009**

	<b>Paper and paper products</b>	<b>Hardboard and wood products</b>	<b>Raw material for corrugated cardboard and related production</b>	<b>Unallocated</b>	<b>TOTAL:</b>
Sales	56,962,494	47,157,259	6,808,547	8,001,436 <sup>1</sup>	<b>118,929,736</b>
Cost of sales	(43,886,572)	(44,157,253)	(5,518,338)	(5,197,523) <sup>2</sup>	<b>(98,759,686)</b>
<b>Gross profit</b>	<b>13,075,922</b>	<b>3,000,006</b>	<b>1,290,209</b>	<b>2,803,913</b>	<b>20,170,050</b>
Depreciation and amortization	7,423,539	5,958,619	586,929	2,783,371 <sup>3</sup>	<b>16,752,458</b>
Segment property, plant and equipment and intangible assets	40,723,511	27,025,372	1,325,786	26,365,839 <sup>3</sup>	<b>95,440,508</b>
Segment capital expenditure	621,909	754,289	14,581	4,989,595 <sup>3</sup>	<b>6,380,374</b>

<sup>1</sup> 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 (in total for 2010 - LTL 6,248 thousand and for 2009 - LTL 8,001 thousand).

<sup>2</sup> Unallocated cost of sales include costs related to unallocated sales (for 2010 - LTL 5,473 thousand and for 2009 - LTL 5,198 thousand), identifiable as expenses for purchases of wood and gas needed for energy production.

<sup>3</sup> Unallocated depreciation and amortization, property, plant and equipment and intangible assets and capital expenditure are related to energy and other utilities services sales.

**AB GRIGIŠKĖS**  
**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
(all amounts are in LTL unless otherwise stated)

**20. Segment information (cont'd)**

**Company 2010**

	<b>Paper and paper products</b>	<b>Hardboard and wood products</b>	<b>Raw material for corrugated cardboard, and related production</b>	<b>Unallocated</b>	<b>TOTAL:</b>
Sales	60,764,575	49,220,022	11,472,674	8,285,197 <sup>1</sup>	<b>129,742,468</b>
Cost of sales	(51,558,450)	(46,904,242)	(9,690,735)	(7,509,775) <sup>2</sup>	<b>(115,663,202)</b>
<b>Gross profit</b>	<b>9,206,125</b>	<b>2,315,780</b>	<b>1,781,939</b>	<b>775,422</b>	<b>14,079,266</b>

Depreciation and amortization	6,292,205	3,926,359	550,310	3,064,589 <sup>3</sup>	<b>13,833,463</b>
Segment property, plant and equipment and intangible assets	40,493,130	34,291,773	984,643	21,003,947 <sup>3</sup>	<b>96,773,493</b>
Segment capital expenditure	1,191,212	16,261,146	210,829	496,031 <sup>3</sup>	<b>18,159,218</b>

**Company 2009**

	<b>Paper and paper products</b>	<b>Hardboard and wood products</b>	<b>Raw material for corrugated cardboard, and related production</b>	<b>Unallocated</b>	<b>TOTAL:</b>
Sales	56,970,841	36,764,929	6,808,802	9,164,764 <sup>1</sup>	<b>109,709,336</b>
Cost of sales	(43,894,834)	(35,027,738)	(5,518,593)	(6,570,861) <sup>2</sup>	<b>(91,012,026)</b>
<b>Gross profit</b>	<b>13,076,007</b>	<b>1,737,191</b>	<b>1,290,209</b>	<b>2,593,903</b>	<b>18,697,310</b>

Depreciation and amortization	7,423,539	4,487,878	586,929	2,783,370 <sup>3</sup>	<b>15,281,716</b>
Segment property, plant and equipment and intangible assets	40,723,511	15,970,456	1,325,786	26,365,839 <sup>3</sup>	<b>84,385,592</b>
Segment capital expenditure	634,225	604,627	14,581	4,977,278 <sup>3</sup>	<b>6,230,711</b>

<sup>1</sup> 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 (in total for 2010 - LTL 8,285 thousand and for 2009 - LTL 9,165 thousand).

<sup>2</sup> Unallocated cost of sales include costs related to unallocated sales (for 2010 - LTL 7,510 thousand and for 2009 - LTL 6,571 thousand), identifiable as expenses for purchases of wood and gas needed for energy production.

<sup>3</sup> Unallocated depreciation and amortization, property, plant and equipment and intangible assets and capital expenditure are related to energy and other utilities services sales.

Payroll related expenses included in the Group's and Company's cost of sales in 2010 amounts to LTL 21,550 thousand and LTL 12,551 thousand, respectively (in 2009 - LTL 14,795 thousand and LTL 13,445 thousand, respectively).



**AB GRIGIŠKĖS**  
**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
(all amounts are in LTL unless otherwise stated)

**20. Segment information (cont'd)**

**Split by geographical areas**

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

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Domestic market (Lithuania)</b>	<b>97,908,658</b>	<b>66,651,112</b>	<b>53,887,107</b>	<b>60,169,283</b>
<b>Foreign market</b>				
Latvia	21,526,856	10,261,059	12,938,788	9,126,176
Poland	32,463,404	7,634,539	13,406,537	7,536,625
Sweden	8,859,379	7,351,612	8,859,379	7,351,612
Denmark	10,663,434	6,754,498	10,251,046	6,576,238
Estonia	9,356,598	4,594,331	6,458,927	4,594,331
The Netherlands	3,397,253	3,149,024	3,397,253	3,149,024
Slovakia	3,963,554	2,936,754	3,963,554	2,936,754
Finland	2,818,267	1,832,893	2,671,885	1,832,893
Great Britain	3,935,663	1,451,464	3,935,663	1,430,747
Norway	1,275,057	1,340,322	1,275,057	1,340,322
Czech Republic	5,302,193	1,280,158	3,585,410	1,214,340
Germany	3,912,088	656,879	2,253,797	555,526
Belarus	5,173,770	563,732	978,551	563,732
Italy	1,009,721	512,879	-	-
Hungary	481,917	440,864	134,002	124,263
France	821,514	12,679	-	-
Russia	6,439,534	-	-	-
Ukraine	24,369,433	-	-	-
Other countries	2,107,174	1,504,937	1,745,512	1,207,470
<b>Foreign market, total</b>	<b>147,876,809</b>	<b>52,278,624</b>	<b>75,855,361</b>	<b>49,540,053</b>
<b>TOTAL:</b>	<b>245,785,467</b>	<b>118,929,736</b>	<b>129,742,468</b>	<b>109,709,336</b>

**Property, plant and equipment and investment property location**

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Lithuania	162,111,027	93,109,976	101,593,280	84,286,223
Ukraine	8,836,048	-	-	-
<b>TOTAL:</b>	<b>170,947,075</b>	<b>93,109,976</b>	<b>101,593,280</b>	<b>84,286,223</b>

**AB GRIGIŠKĖS**  
**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
(all amounts are in LTL unless otherwise stated)

**21. Other operating income**

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Gain from sale of emission rights	2,503,450	1,511,636	2,503,450	1,511,636
Rental income	554,796	596,783	545,796	647,959
Income from sale of low value inventory	892,889	-	892,889	-
Income from sale of scrap	376,588	294,189	376,588	291,632
Write-off of accounts payables	14,838	2,808	-	2,808
Insurance compensations	8,823	27,622	6,463	22,590
Gain from disposal of property, plant and equipment	3,719	16,333	4,923	16,333
Other income	190,423	78,271	-	136,657
<b>TOTAL:</b>	<b>4,545,526</b>	<b>2,527,642</b>	<b>4,330,109</b>	<b>2,629,615</b>

**22. Other operating expenses**

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Expenses related to rented property	169,898	169,898	143,100	169,898
Other expenses	260,574	75,491	7,824	75,491
<b>TOTAL:</b>	<b>430,472</b>	<b>245,389</b>	<b>150,924</b>	<b>245,389</b>

**23. Selling and distribution expenses**

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Fuel and transportation services	5,943,631	3,633,986	4,687,113	3,295,586
Salaries and related expenses	2,198,484	2,150,399	1,993,301	1,996,322
Mediation, marketing, promotion and representation	1,378,672	1,360,999	1,361,262	1,354,611
Repairs and maintenance	474,506	480,172	463,710	464,586
Depreciation and amortization	135,368	108,327	61,167	101,619
Other sales expenses	625,897	515,117	459,212	506,350
<b>TOTAL:</b>	<b>10,756,558</b>	<b>8,249,000</b>	<b>9,025,765</b>	<b>7,719,074</b>

**24. General and administrative expenses**

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Salaries and related expenses	5,809,972	4,057,708	3,652,992	3,595,542
Taxes, except for income tax	1,132,365	745,655	690,963	682,497
Fuel and transportation services	645,302	373,888	318,943	309,982
Bank charges	449,519	151,570	175,159	138,003
Asset repairs and maintenance	468,135	452,415	465,113	450,940
Depreciation and amortization	426,607	791,652	219,717	634,890
Security services	389,356	354,693	302,656	374,693
Insurance services	187,553	232,181	150,629	172,765
Consulting services	353,769	268,130	176,965	256,130
Communication services	118,269	67,443	65,028	67,443
Advertising and representation	127,245	52,689	54,233	46,247
Other administrative expenses	1,021,176	1,502,752	572,139	1,345,587
<b>TOTAL:</b>	<b>11,129,268</b>	<b>9,050,776</b>	<b>6,844,537</b>	<b>8,074,719</b>

**AB GRIGIŠKĖS**  
**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
(all amounts are in LTL unless otherwise stated)

**25. Finance income and (expenses), net**

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Interest income	1,475	961	119,126	805
Other finance income	2,382	4,504	2,382	2,179
<b>Total finance income</b>	<b>3,857</b>	<b>5,465</b>	<b>121,508</b>	<b>2,984</b>
Interest on loans and leases	(2,885,040)	(1,922,076)	(859,236)	(1,704,028)
Net foreign exchange losses	(3,204,977)	(31,830)	(38,007)	(30,350)
Other finance expenses	(219,170)	(32,988)	(5,013)	(9,418)
<b>Total finance expenses</b>	<b>(6,309,187)</b>	<b>(1,986,894)</b>	<b>(902,256)</b>	<b>(1,743,796)</b>
<b>Finance income and expenses, net</b>	<b>(6,305,330)</b>	<b>(1,981,429)</b>	<b>(780,748)</b>	<b>(1,740,812)</b>

Foreign exchange loss increased in 2010 in the Group due to currency fluctuations of acquired subsidiary OAO Mena Pak which is operating in Ukraine.

**26. Income tax**

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Components of income tax expenses</b>				
Current income tax	1,276,782	651,046	188,551	651,046
Correction of income tax for previous periods	-	(1,757)	-	(1,757)
Deferred income tax (income)	(164,926)	(107,750)	(100,859)	(107,750)
<b>Income tax expenses recorded in the statement of comprehensive income</b>	<b>1,111,856</b>	<b>541,539</b>	<b>87,692</b>	<b>541,539</b>

**AB GRIGIŠKĖS**  
**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
(all amounts are in LTL unless otherwise stated)

**26. Income tax (cont'd)**

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 pretax income as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Profit before tax</b>	<b>8,654,138</b>	<b>3,171,098</b>	<b>1,607,401</b>	<b>3,546,931</b>
Income tax expenses computed at 15 % in 2010 and 20 % in 2009	1,298,121	634,220	241,110	709,386
Effect of higher tax rate in Ukraine (25% in 2010)	251,118	-	-	-
Effect of change in tax rate	-	(84,017)	-	(84,017)
Change in deferred tax asset valuation allowance	945,082	301,644	1,042,034	172,936
Correction of income tax for previous periods	-	(1,758)	-	(1,758)
Utilized tax incentive due to investment projects	(1,186,127)	-	(1,186,127)	-
Permanent differences	(196,338)	(308,550)	(9,325)	(255,008)
<b>Income tax expenses reported in the statement of comprehensive income</b>	<b>1,111,856</b>	<b>541,539</b>	<b>87,692</b>	<b>541,539</b>

	<b>Group</b>		<b>Company</b>	
	<b>As at 31 December 2010</b>	<b>As at 31 December 2009 (Restated)</b>	<b>As at 31 December 2010</b>	<b>As at 31 December 2009 (Restated)</b>
<b>Deferred income tax asset</b>				
Allowance for accounts receivable	209,428	132,821	124,188	124,442
Investment incentive (bio-fuel boiler construction)	995,256	-	995,256	-
Allowance for inventories	129,100	141,095	129,100	141,095
Non-current employee benefits	109,510	55,508	55,508	55,508
Vacation accrual	602,034	195,858	225,496	174,947
Tax loss carry forward	871,471	854,995	-	-
Deferred income tax asset before valuation allowance	2,916,899	1,380,277	1,529,548	495,992
Less: valuation allowance	(1,760,238)	(815,156)	(1,248,546)	(266,348)
Deferred income tax asset, net of valuation allowance	1,156,561	565,121	281,002	229,644
<b>Deferred income tax liability</b>				
Intangible assets (land lease)	(330,667)	(334,667)	-	-
Property, plant and equipment (investment incentive)	(317,662)	(366,096)	(317,662)	(365,286)
Property, plant and equipment revaluation(deemed cost)	(4,328,492)	-	(1,957,207)	-
Property, plant and equipment (repairs incentive)	(59,024)	(60,901)	(59,024)	(60,901)
Other	(47,855)	-	-	-
Deferred income tax liability	(5,083,700)	(761,664)	(2,333,893)	(426,187)
<b>Deferred income tax, net</b>	<b>(3,927,139)</b>	<b>(196,543)</b>	<b>(2,052,891)</b>	<b>(196,543)</b>

**AB GRIGIŠKĒS**  
**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
(all amounts are in LTL unless otherwise stated)

**26. Income tax (cont'd)**

The Group's deferred tax asset and liability were set-off to the extent they related to the same tax administration institution and the taxable entity.

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

Group	As at 31 December 2008 (Restated)	Recognised in statement of compre- hensive income	As at 31 December 2009 (Restated)	Recognised in statement of compre- hensive income	Acquired subsidiaries	Recognised in retained earnings	As at 31 December 2010
Intangible assets	(2,257,780)	26,667	(2,231,113)	26,668	-	-	(2,204,445)
Property, plant and equipment (investment incentive)	(2,766,180)	325,537	(2,440,643)	322,894	-	-	(2,117,749)
Property, plant and equipment Investment incentive (bio-fuel boiler construction)	-	-	-	40,340	(15,848,907)	(13,047,594)	(28,856,161)
Property, plant and equipment (repairs incentive)	(418,518)	12,511	(406,007)	12,511	-	-	(393,496)
Non-current employee benefits	370,053	-	370,053	12,332	347,682	-	730,067
Allowance for accounts receivable	122,825	762,648	885,473	150,959	359,753	-	1,396,185
Allowance for inventories	515,067	425,569	940,636	(79,967)	-	-	860,669
Vacation accrual	108,292	1,197,425	1,305,717	488,473	2,219,371	-	4,013,561
Tax loss carry forward	6,223,778	(523,805)	5,699,973	109,831	-	-	5,809,804
Other	-	-	-	(319,033)	-	-	(319,033)
Total temporary differences before valuation allowance	1,897,537	2,226,552	4,124,089	7,400,048	(12,922,101)	(13,047,594)	(14,445,558)
Valuation allowance	(3,926,154)	(1,508,219)	(5,434,373)	(6,300,546)	-	-	(11,734,919)
<b>Total temporary differences</b>	<b>(2,028,617)</b>	<b>718,333</b>	<b>(1,310,284)</b>	<b>1,099,502</b>	<b>(12,922,101)</b>	<b>(13,047,594)</b>	<b>(26,180,477)</b>
<b>Deferred income tax, net</b>	<b>(304,293)</b>	<b>107,750</b>	<b>(196,543)</b>	<b>164,926</b>	<b>(1,938,315)</b>	<b>(1,957,207)</b>	<b>(3,927,139)</b>
<b>Change in deferred tax attributable to:</b>							
Change in temporary differences		23,733		164,926			
Change in tax rate		84,017		-			

**AB GRIGIŠKĖS**  
**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
(all amounts are in LTL unless otherwise stated)

**26. Income tax (cont'd)**

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

Company	As at 31 December 2008	Recognised in statement of comprehensive income	As at 31 December 2009	Recognised in statement of comprehensive income	Recognised in retained earnings	As at 31 December 2010
Property, plant and equipment (investment incentive)	(2,766,180)	325,537	(2,440,643)	322,894	-	(2,117,749)
Property, plant and equipment Investment incentive (bio-fuel boiler construction)	-	-	-	-	(13,047,594)	(13,047,594)
Property, plant and equipment (repairs incentive)	(418,518)	12,511	(406,007)	12,511	-	(393,496)
Non-current employee benefits	370,053	-	370,053	-	-	370,053
Allowance for accounts receivable	102,277	727,337	829,614	(1,691)	-	827,923
Allowance for inventories	515,067	425,569	940,636	(79,967)	-	860,669
Vacation accrual	-	1,166,304	1,166,304	337,000	-	1,503,304
Tax loss carry forward	1,385,693	(1,385,693)	-	-	-	-
Total temporary differences before valuation allowance	<b>(811,608)</b>	<b>1,271,565</b>	<b>459,957</b>	<b>7,225,787</b>	<b>(13,047,594)</b>	<b>(5,361,850)</b>
Valuation allowance	<b>(987,397)</b>	<b>(1,152,906)</b>	<b>(2,140,303)</b>	<b>(6,553,397)</b>	<b>-</b>	<b>(8,323,641)</b>
<b>Total temporary differences</b>	<b>(1,799,005)</b>	<b>118,659</b>	<b>(1,680,346)</b>	<b>672,390</b>	<b>(13,047,594)</b>	<b>(13,685,491)</b>
<b>Deferred income tax, net</b>	<b>(304,293)</b>	<b>107,750</b>	<b>(196,543)</b>	<b>100,859</b>	<b>(1,957,207)</b>	<b>(2,052,891)</b>
Change in temporary differences		23,733		100,859		
Change in tax rate		84,017		-		

Deferred income tax asset and liability, related to entities operating in Lithuania, were accounted at 15 % rate in 2010 and 2009. The deferred tax of company operating in Ukraine was calculated using 25 % tax rate in 2010. The expiry date of deferred tax asset from investment incentive is the end of year 2014.

**27. Basic and diluted earnings per share (LTL)**

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	
	2010	2009
Net profit (loss) attributable to the shareholders	7,200,526	2,629,559
Average number of ordinary shares	60,000,000	60,000,000
<b>Earnings per share</b>	<b>0.12</b>	<b>0.04</b>



**AB GRIGIŠKĖS**  
**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
(all amounts are in LTL unless otherwise stated)

**28. Dividends per share**

	2010	2009
Approved dividends*	1,200,000	-
Number of shares**	60,000,000	60,000,000
Approved dividends per share (LTL)	0.02	-

\* The year when the dividends are approved.

\*\* At the date when dividends are approved.

**29. Related party transactions**

The parties are considered related when one party has the possibility to control the other one or have significant influence over the other party in making financial and operating decisions. The related parties of the Group and the Company and considered the following:

- UAB Ginvildos Investicija - the main shareholder of the Company;
- Subsidiaries of AB Grigiskės (for the list of the subsidiaries, see also Note 1);
- UAB Didma, UAB Remada and UAB Naras (companies related to the members of Supervisory board).

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

There are no guarantees or pledges given or received in respect of the related party payables and receivables. Related party receivables and payables are expected to be settled in cash or set-off against payables / receivables to / from a respective related party.

**Group 2010**

	Sale of goods and services	Purchase of goods and services	Amounts receivable	Amounts payable
UAB Ginvildos investicija	6,676	139,075	-	23,056
UAB Didma	601,815	360,022	183,899	-
UAB Naras	55,249	3,700	12,286	-
UAB Naujieji Verkiai	3,086	-	897	-
<b>TOTAL:</b>	<b>666,826</b>	<b>502,797</b>	<b>197,082</b>	<b>23,056</b>

**AB GRIGIŠKĖS**  
**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
(all amounts are in LTL unless otherwise stated)

**29. Related party transactions (cont'd)**

**Group 2009**

	<b>Sale of goods and services</b>	<b>Purchase of goods and services</b>	<b>Amounts receivable</b>	<b>Amounts payable</b>
UAB Ginvildos investicija	329	161,276	-	11,754
UAB Didma	362,453	190,581	129,985	-
UAB Remada	873	-	5,228	-
UAB Ekotara	-	-	9,842	-
UAB Naras	53,260	-	-	-
<b>TOTAL:</b>	<b>416,915</b>	<b>351,857</b>	<b>145,055</b>	<b>11,754</b>

**Company 2010**

	<b>Sale of goods and services</b>	<b>Purchase of goods and services</b>	<b>Amounts receivable</b>	<b>Amounts payable</b>
UAB Baltwood	2,429,075	2,573,362	3,841,528	-
UAB AGR Prekyba	-	-	10,000,000	-
UAB Ginvildos investicija	380	139,075	-	23,056
UAB Didma	2,548	313,427	-	-
UAB Naras	55,205	-	10,047	-
UAB Naujieji Verkiai	3,086	-	897	-
AB Klaipėdos Kartonas	332,284	7,133,263	127,374	2,602,799
<b>TOTAL:</b>	<b>2,822,578</b>	<b>10,159,127</b>	<b>13,979,846</b>	<b>2,625,855</b>

**Company 2009**

	<b>Sale of goods and services</b>	<b>Purchase of goods and services</b>	<b>Amounts receivable</b>	<b>Amounts payable</b>
UAB Baltwood	1,782,502	1,411,285	4,187,969	-
UAB Ginvildos investicija	329	154,850	-	11,754
UAB Didma	3,274	173,781	237	-
UAB Remada	873	-	5,228	-
UAB Naras	53,260	-	9,842	-
UAB Naujieji Verkiai	-	9,500	-	3,500
<b>TOTAL:</b>	<b>1,840,238</b>	<b>1,749,416</b>	<b>4,203,276</b>	<b>15,254</b>

As at 31 December 2010 receivables in amount of LTL 10,000 thousand from UAB AGR Prekyba and part of the receivable in amount of LTL 3,347 thousand from UAB Baltwood were accounted for under non-current receivables caption in the financial statements position of the Company (Note 9). Intercompany receivables bear interest rates that approximate market interest rates.

Purchases from UAB Baltwood include purchases of container wood. Moreover, purchases from AB Klaipėdos Kartonas include purchase of testliner and fluting used as raw materials in the production. Accounts receivable and accounts payable to the related parties bear the same terms and conditions as receivables and payables to external customers and suppliers.

**AB GRIGIŠKĒS**  
**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
(all amounts are in LTL unless otherwise stated)

**29. Related party transactions (cont'd)**

Remuneration of the management

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

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Management remuneration	1,750,288	1,055,237	1,105,321	947,020
Average number of managers	14	8	8	7

In 2010 and 2009 the management of the Company did not receive any guarantees; no other payments or property transfers were made or accrued.

**30. Off-balance sheet items**

**Information on emission rights**

Emission allowances that were granted to the Company are reflected in the permission to emit greenhouse gasses. Emission rights are granted free of charge and are recognized as intangible assets at zero value.

The Company received 256,626 units of emission rights for the period 2008-2012. In addition total of 79,475 units were received from a reserve in 2009 and 2010 for usage till the end of 2012. The number of rights is equally apportioned for each year.

**Emission rights**

	<b>Quantity</b>	
	<b>Group</b>	<b>Company</b>
<b>As at 31 December 2008</b>	<b>(12,617)</b>	<b>(12,617)</b>
Emission rights allocated	53,356	53,356
Emission rights used	(33,356)	(33,356)
Sale of emission right	(38,000)	(38,000)
<b>As at 31 December 2009</b>	<b>(30,617)</b>	<b>(30,617)</b>
Emission rights allocated	85,669	53,356
Emission rights allocated additionally	30,125	30,125
Emission rights used	(69,334)	(36,223)
Sale of emission right	(42,000)	(42,000)
<b>As at 31 December 2010</b>	<b>(26,157)</b>	<b>(25,359)</b>

The shortage of emission rights as at 31 December 2010 and as at 31 December 2009 was covered from the rights received in 2011 and in 2010, respectively before reporting to the regional environment protection department. There was no liability recognized in the statement of financial position arising from shortage of rights because it is not expected to incur expenses for the acquisition of required emission rights.

**AB GRIGIŠKĖS**  
**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
(all amounts are in LTL unless otherwise stated)

---

**31. Subsequent events**

On 5 January 2011 the Company increased the share capital of UAB AGR Prekyba by LTL 10 million, by issuing 100,000 shares with a nominal value of LTL 100 each.

On 15 January 2011 the Company has signed amendment of overdraft LTL 4,000 thousand (outstanding balance as at 31 December 2010 LTL 2,164 thousand (Note 16)) agreement with AS UniCredit Bank Lithuanian branch, according to which the term of the overdraft repayment was extended till 15 January 2012.

***GRIGIŠKĖS AB***  
***AUDITED CONSOLIDATED ANNUAL REPORT***  
***FOR THE YEAR 2010***

## TABLE OF CONTENTS

1. REPORTING PERIOD FOR WHICH THIS FINANCIAL STATEMENTS HAVE BEEN PREPARED	4
2. AUDIT INFORMATION.....	4
3. GROUP COMPANIES AND THEIR CONTACT DETAILS.....	4
4. NATURE OF CORE ACTIVITIES OF THE GROUP COMPANIES .....	5
5. CONTRACTS WITH INTERMEDIARIES OF PUBLIC TRADING IN SECURITIES AND CREDIT INSTITUTIONS.....	5
6. AUTHORISED CAPITAL OF THE ISSUER .....	6
6.1. <i>The authorized capital registered at the Register of Legal Persons</i> .....	6
6.2. <i>Information on the prospective increase of the authorized capital by converting issued debt securities or derivative securities into shares</i> .....	6
6.3. <i>Rights and obligations conferred by the shares</i> .....	6
7. SHAREHOLDERS .....	7
7.1. <i>Number of shareholders of the Company</i> .....	7
7.2. <i>Main shareholders owning in excess of 5 per cent of the authorised capital of the Issuer</i> .....	7
7.3. <i>Shareholders holding special controlling rights</i> .....	7
7.4. <i>Restrictions of the voting rights</i> .....	7
7.5. <i>Agreements between/among the shareholders</i> .....	7
8. INFORMATION ON TRADING WITH ISSUER'S SECURITIES ON THE REGULATED MARKETS .....	8
8.1. <i>Key characteristics of the shares of the Company</i> .....	8
8.2. <i>Share trading information</i> .....	8
8.3. <i>Capitalisation of the Company's shares</i> .....	9
8.4. <i>Issuer's share trading on other stock exchanges and regulated markets</i> .....	9
8.5. <i>Own shares buy out</i> .....	9
8.6. <i>Restrictions on shares transfer</i> .....	9
8.7. <i>Official takeover bid</i> .....	9
9. EMPLOYEES .....	9
10. AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE ISSUER .....	10
11. SIGNIFICANT AGREEMENTS .....	10
12. INFORMATION ON THE MANAGING BODIES OF THE ISSUER .....	11
12.1. <i>Members of the managing bodies</i> .....	11
12.2. <i>Information of the Chairman of the Board, Head of Administration and Director of Finance Department</i> .....	11
12.3. <i>Information on the participation in the activities of other enterprises, agencies and organisations (name of the enterprise, agency or organisation and position thereat, capital interest and votes in excess of 5 per cent)</i> .....	12
12.4. <i>Data on the commencement and expiration of the tenure of each managing body</i> .....	13
12.5. <i>Information about payments and loans to the members of the managing bodies</i> .....	13
12.6. <i>Loans, guarantees and warranties granted to the members of the Issuer managing bodies to secure fulfilment of their obligations</i> .....	13



13. REVIEW OF ACTYVITY OF THE GROUP COMPANIES.....	14
13.1. Material events in the Issuer's activities .....	14
13.2. Newest events in the Issuer's activities .....	17
13.3. Offices and branches .....	18
13.4. Risk factors .....	18
13.5. Suppliers.....	19
13.6. Sales and markets .....	19
13.7. Strategy of the activity and plans for the close future .....	20
13.8. Financial indicators .....	21
13.9. Patents, licenses and research.....	21
13.10. Environment protection .....	21
13.11. Sureties .....	21
14. RELATED PARTY TRANSACTIONS.....	21
15. COURT AND ARBITRATION PROCEEDINGS .....	22

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

Annual report has been prepared for the year 2010.

## 2. AUDIT INFORMATION

The annual consolidated report of Grigiskės AB covering the twelve months of 2010 is audited.

## 3. GROUP COMPANIES AND THEIR CONTACT DETAILS

Grigiskės AB (further the Company or the Issuer) has seven subsidiaries: Klaipėdos kartonas AB, Baltwood UAB; Ekotara UAB; Naujieji Verkiai UAB, Mena Pak OAO, AGR Prekyba UAB and Klaipėda Recycling UAB.

Status	Issuer	Subsidiary	Subsidiary
Name	Grigiskės AB	Klaipėdos kartonas AB	Baltwood UAB
Company's ID No.	110012450	141011268	126199731
Authorised capital	60.000.000 LTL	84.605.460 LTL	9.950.000 LTL
Address	Vilniaus str. 10, Grigiskės, Vilnius	Nemuno str. 2, Klaipėda	Vilniaus str. 10, Grigiskės, Vilnius
Phone	+370 5 243 58 01	+370 46 39 56 01	+370 5 243 59 45
Fax	+370 5 243 58 02	+370 46 39 56 00	+370 5 243 58 98
E-mail	<a href="mailto:info@grigiskės.lt">info@grigiskės.lt</a>	<a href="mailto:info@kartonas.lt">info@kartonas.lt</a>	<a href="mailto:info@baltwood.lt">info@baltwood.lt</a>
Internet address	<a href="http://www.grigiskės.lt">www.grigiskės.lt</a>	<a href="http://www.kartonas.lt">www.kartonas.lt</a>	<a href="http://www.baltwood.lt">www.baltwood.lt</a>
Legal form	Public Limited Liability Company	Public Limited Liability Company	Private Limited Liability Company
Date of registration	23 May, 1991	22 September, 1994	10 April, 2003
Administrator of the register	State Enterprise Centre of Registers	State Enterprise Centre of Registers	State Enterprise Centre of Registers

Status	Subsidiary	Subsidiary	Subsidiary
Name	Ekotara UAB	Naujieji Verkiai UAB	Mena Pak OAO
Company's ID No.	302329061	300015674	00383260
Authorised capital	10.000 LTL	100.000 LTL	511.470 UAH
Address	Vilniaus str. 10, Grigiskės, Vilnius	Popieriaus str. 15, Vilnius	Koshevovo str. 6, Chernihiv region, Mena, Ukraine
Phone	+370 5 243 58 01	+370 5 243 59 33	+380 4644 21341
Fax	+370 5 243 58 02	+370 5 243 58 02	+380 4644 21084
E-mail	<a href="mailto:info@grigiskės.lt">info@grigiskės.lt</a>	<a href="mailto:info@grigiskės.lt">info@grigiskės.lt</a>	<a href="mailto:menapack@ukr.net">menapack@ukr.net</a>
Internet address	<a href="http://www.ekotara.lt">www.ekotara.lt</a>	-	<a href="http://www.menapack.com.ua">www.menapack.com.ua</a>
Legal form	Private Limited Liability Company	Private Limited Liability Company	Public Limited Liability Company
Date of registration	10 April, 2009	6 April, 2004	30 December, 1993
Administrator of the register	State Enterprise Centre of Registers	State Enterprise Centre of Registers	Chernihiv region, Mena distr. Public administration

Status	Subsidiary	Subsidiary
Name	AGR Prekyba UAB	Klaipėda Recycling UAB
Company's ID No.	302416687	302529158
Authorised capital	10.000 LTL	10.000 Lt
Address	Konstitucijos av. 7 Vilnius	Nemuno str. 2, Klaipėda,
Phone	+370 5 243 5933	+370 46 395 601
Fax	+370 5 243 58 02	+370 46 395 600
E-mail	<a href="mailto:vikz@grigiskes.lt">vikz@grigiskes.lt</a>	<a href="mailto:info@kartonas.lt">info@kartonas.lt</a>
Internet address	-	-
Legal form	Private Limited Liability Company	Private Limited Liability Company
Date of registration	10 July, 2009	16 July, 2010
Administrator of the register	State Enterprise Centre of Registers	State Enterprise Centre of Registers

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

Core business activities of Grigiškės AB are as follows: manufacturing of toilet paper, paper towels and paper napkins, medical cellulose wadding, corrugated board, products from corrugated board, self-coloured and painted hardboard.

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

Core business activities of Baltwood UAB are as follows: wood processing, manufacturing of container wood, fuel granules and bonded furniture panel.

Core business activities of Mena Pak OAO are as follows: manufacturing of corrugated board, packing from corrugated board.

Core business activities of Ekotara UAB are as follows: manufacturing of corrugated board, packing from corrugated board. The company has not been operating in year 2010.

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

Core business activity of Klaipėda Recycling UAB is planned to be a waste-paper procurement. The company has not been operating in year 2010.

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

On the 16th of December 2010 Avesko AB was checked out of register of legal entities of Republic of Lithuania.

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

The Company has signed a contract with Finasta AB (financial brokerage company) (Maironio str. 11, Vilnius, tel. (8-5) 203 2233, fax: (8-5) 203 2244, [info@finasta.lt](mailto:info@finasta.lt)) on the handling of securities issued by the Company and payment of dividend to the shareholders for 2004 – 2009 financial years.

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

The Company has no signed contracts with financial brokerage companies and credit institutions for providing investment services for the Company.

## 6. AUTHORISED CAPITAL OF THE ISSUER

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

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

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

All shares of the Issuer are fully paid up.

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

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

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

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

- 1) to receive a part of the Company's profit - dividend;
- 2) to receive the Company's funds when the authorized capital of the Company is being reduced with a view to paying out the Company's funds to the shareholders;
- 3) to receive shares without payment if the authorized capital is increased out of the Company funds, except in cases specified in the Law on Companies of the Republic of Lithuania;
- 4) to have the pre-emption right in acquiring shares or convertible debentures issued by the Company, except in cases when the general meeting decides to withdraw the pre-emption right in acquiring the Company's newly issued shares or convertible debentures for all the shareholders in the manner prescribed by Law on Companies of the Republic of Lithuania;
- 5) to lend to the Company in the manner prescribed by laws of the Republic of Lithuania; however, when borrowing from its shareholders, the Company may not pledge its assets to the shareholders. When the company borrows from a shareholder, the interest may not be higher than the average interest rate offered by commercial banks of the locality where the lender has his place of residence or business, which was in effect on the day of conclusion of the loan agreement. In such a case the Company and shareholders shall be prohibited from negotiating a higher interest rate;
- 6) to receive a part of assets of the Company in liquidation;
- 7) to bequeath all or a part of the shares to the ownership of the other people;
- 8) to transfer all or part of the shares to ownership of other people;
- 9) to attend the general meetings of shareholders;
- 10) to vote at general meetings of the shareholders according to voting rights carried by their shares (each fully paid share of the nominal value of 1 (one) LTL gives its holder one vote at the general meeting);
- 11) to receive information on the Company according to the procedure laid down in the laws of the Republic of Lithuania and the Articles of Association of the Company;
- 12) to file a claim with the court for reparation of damage resulting from nonfeasance or malfeasance by the Company manager and Board members of their obligations prescribed

by the Law on Companies and other laws of the Republic of Lithuania and the Articles of Association of the Company as well as in other cases laid down by laws of the Republic of Lithuania;

- 13) to authorize a person to vote on his/her behalf at the general meeting of the shareholders;
- 14) to exercise other property and non-property rights provided by laws of the Republic of Lithuania.

## 7. SHAREHOLDERS

### 7.1. Number of shareholders of the Company

On the 31<sup>st</sup> of December 2010 there were 2.665 shareholders of Grigiskės AB.

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

7.2. table. Shareholders owning in excess of 5 per cent of the authorised capital of the Issuer on the 31<sup>st</sup> of December 2010.

Shareholder's name (company's name, type, headquarters address, corporate ID number)	31 December 2010			31 December 2009		
	Number of ordinary registered shares owned by the shareholder	Interest in the authorised capital, %	Votes granted by shares held by the right of ownership, %	Number of ordinary registered shares owned by the shareholder	Interest in the authorised capital, %	Votes granted by shares held by the right of ownership, %
UAB „GINVILDOS INVESTICIJA“ Turniškių g. 10a-2, Vilnius, 125436533	29.272.228	48,79	48,79	29.272.228	48,79	48,79
ROSEMOUNT HOLDING LLC 3533 Fairview Industrial Drive SE, Salem, OR 97302, United States of America	5.639.967	9,40	9,40	5.639.967	9,40	9,40
DAILIUS JUOZAPAS MIŠEIKIS	-	-	-	5.997.932	10,00	10,00
IRENA ONA MIŠEIKIENĖ	8.731.686	14,55	14,55	-	-	-

### 7.3. Shareholders holding special controlling rights

There are no shareholders holding special controlling rights.

### 7.4. Restrictions of the voting rights

There are no restrictions of the voting rights.

### 7.5. Agreements between/among the shareholders

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

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

Registered ordinary shares of Grigiškės AB were listed on the secondary lists of NASDAQ OMX VILNIUS (ticker – GRG1L) till the 30<sup>th</sup> of June, 2010. Since the 1<sup>st</sup> of July, 2010 shares of Grigiškės, AB are listed in the main list of NASDAQ OMX VILNIUS, AB.

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

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

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

### 8.2. Share trading information

8.2. table. Share trading information

Reported period	Price, LTL			Turnover, LTL			Total turnover	
	Max.	Min.	Last session	Max.	Min.	Last session	Units	LTL
2008, I Q	2,70	2,40	2,48	183.621	0	0	167.207	431.407
2008, II Q	2,45	1,11	1,11	45.478	0	5.910	96.273	174.179
2008, III Q	1,44	1,11	1,14	1.311.782	0	4.812	1.325.360	1.700.485
2008, IV Q	1,14	0,29	0,30	42.459	0	6.593	884.565	378.011
<b>2008</b>	<b>2,70</b>	<b>0,29</b>	<b>0,30</b>	<b>1.311.782</b>	<b>0</b>	<b>6.593</b>	<b>2.473.405</b>	<b>2.684.081</b>
2009, I Q	0,45	0,30	0,31	458.897	0	0	4.465.664	1.751.743
2009, II Q	0,49	0,33	0,45	122.162	0	20.205	2.033.965	873.993
2009, III Q	1,09	0,42	1,02	185.607	0	22.208	2.889.167	2.017.305
2009, IV Q	1,03	0,88	0,93	62.921	364	5.460	863.978	817.846
<b>2009</b>	<b>1,09</b>	<b>0,30</b>	<b>0,93</b>	<b>458.897</b>	<b>0</b>	<b>5.460</b>	<b>10.252.774</b>	<b>5.460.887</b>
2010, I Q	1,33	0,92	1,27	643.163	0	14596,94	3.109.465	3.731.893
2010, II Q	1,35	1,24	1,34	98.746	0	25.194	1.017.209	1.319.328
2010, III Q	2,02	1,32	1,95	299.041	0	38.734	1.817.780	3.065.303
2010, IV Q	2,850	2,000	2,676	293.473	0	7.054	1.994.606	5.010.498
<b>2010</b>	<b>2,850</b>	<b>0,920</b>	<b>2,676</b>	<b>643.163</b>	<b>0</b>	<b>7.054</b>	<b>7.939.060</b>	<b>13.127.022</b>

8.2. figure. Share price and turnover 01.01.2004 – 31.12.2010.



Grigiškės AB share price declined in May 2008 because of the annual general meeting decision to increase authorised capital to 60.000.000 LTL (registered in May 2008). Annual general meeting decided to issue 20.043.343 ordinary registered shares of the nominal value of 1 (one) litas and to



give the newly issued ordinary registered shares of the nominal value of 1 (one) litas to the shareholders for free.

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

8.3. table. Capitalisation of the Company's shares

Last session date	Capitalisation, LTL
<b>28.12.2007</b>	<b>107.882.974</b>
31.03.2008	99.092.509
30.06.2008	66.600.000
30.09.2008	68.400.000
<b>31.12.2008</b>	<b>18.000.000</b>
31.03.2009	18.600.000
30.06.2009	27.000.000
30.09.2009	61.200.000
<b>31.12.2009</b>	<b>55.800.000</b>
31.03.2010	76.000.000
30.06.2010	80.400.000
30.09.2010	117.000.000
<b>31.12.2010</b>	<b>160.560.000</b>

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

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

### 8.5. Own shares buy out

The Company has not bought out own shares.

### 8.6. Restrictions on shares transfer.

There are no restrictions on shares transfer.

### 8.7. Official takeover bid

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

## 9. EMPLOYEES

During the year 2010 the number of the Group employees fluctuated naturally: in some companies the number of employees has decreased and in some has increased.

9.1. table. Average number of listed employees of the Group

	2010	2009
Number of employees	940	585

The average number of the Group employees of the year 2010 is by 355 employees or 60,7 percent higher than the figure of the year 2009 is. The reason of that fact is the transaction performed on the 1<sup>st</sup> of March, 2010 when Grigiškės AB purchased 100 percent of shares of AGR Prekyba UAB. After the transaction was finished the employees of daughter companies Klaipėdos kartonas AB and Mena pak OAO also got a status of employees of Grigiškės AB Group.

9.2. table. Average number of listed employees of the Company

	2010	2009
Number of employees	448	511

9.3. table. Number of employees of the Group, average salary and grouping of employees by education in 2010.

Employees	Average salary	Employees by education				
		University	College	Secondary	Basic	Elementary
Workpeople	1.742	45	162	463	58	10
Managers	4.995	87	22	4	-	-
Specialists	2.415	68	19	2	-	-
<b>Total</b>	<b>2.140</b>	<b>200</b>	<b>203</b>	<b>469</b>	<b>58</b>	<b>10</b>

9.4. table. Number of employees of the Group, average salary and grouping of employees by education in 2009.

Employees	Average salary	Employees by education				
		University	College	Secondary	Basic	Elementary
Workpeople	1.785	29	86	287	69	3
Managers	5.239	43	9	-	-	-
Specialists	2.857	60	17	-	-	-
<b>Total</b>	<b>2.302</b>	<b>132</b>	<b>111</b>	<b>276</b>	<b>63</b>	<b>3</b>

9.5. table. Number of employees of the Company, average salary and grouping of employees by education in 2010.

Employees	Average salary	Employees by education				
		University	College	Secondary	Basic	Elementary
Workpeople	2.142	24	90	197	22	1
Managers	5.498	58	16	4	-	-
Specialists	3.014	27	7	2	-	-
<b>Total</b>	<b>2.681</b>	<b>109</b>	<b>113</b>	<b>203</b>	<b>22</b>	<b>1</b>

9.6. table. Number of employees of the Company, average salary and grouping of employees by education in 2009.

Employees	Average salary	Employees by education				
		University	College	Secondary	Basic	Elementary
Workpeople	1.872	29	83	226	54	3
Managers	5.186	42	9	-	-	-
Specialists	2.993	50	15	-	-	-
<b>Total</b>	<b>2.389</b>	<b>121</b>	<b>107</b>	<b>226</b>	<b>54</b>	<b>3</b>

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

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

## 11. SIGNIFICANT AGREEMENTS

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

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

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

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

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

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

### 12.1. Members of the managing bodies

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

Full names	Positions	Capital share and votes, %
<b>SUPERVISORY COUNCIL</b>		
Norimantas Stankevičius	Chairman	-
Algimantas Goberis	Member	-
Valdas Urbonas	Member	-
Romualdas Juškevičius	Member	-
Tautvilas Adamonis	Member	-
<b>BOARD</b>		
Gintautas Pangonis	Chairman	0,22
Nina Šilerienė	Member	0,07
Audris Vilčinskas	Member	-
Normantas Paliokas	Member	-
Vigmantas Kažukauskas	Member	0,91
<b>ADMINISTRATION</b>		
Gintautas Pangonis	Director General	0,22
Nina Šilerienė	Director of Finance Department	0,07
Vigmantas Kažukauskas	Director for Business Development	0,91

### 12.2. Information of the Chairman of the Board, Head of Administration and Director of Finance Department

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

Employers	Positions
Bitė GSM UAB (current name Bite Lietuva UAB)	Director general, chairman of the board
Grigiskės AB	Director general, chairman of the board

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

Employers	Positions
Lietuvos Telekomas AB (current name TEO LT AB)	Chief Finance Manager
Grigiskės AB	Director of Finance Department, member of the board

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

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

Name	Business participation		Capital interest	
	Name of enterprise, agency and organisation	Positions	Name of enterprise, agency and organisation	Capital share and votes, %
Norimantas Stankevičius	Didma UAB	Director	Didma UAB	51,00
			Naras UAB	62,48
			Ginvildos investicija UAB	13,0
	Baltwood UAB	Member of the board		
	Grigiskės AB	Chairman of the supervisory council		
Tautvilas Adamonis	Remada UAB	Director General	Remada UAB	100,0
	Grigiskės AB	Member of the supervisory council		
	Remados statyba UAB	Director	Remados statyba UAB	100,0
Gintautas Pangonis			Ginvildos investicija UAB	79,0
	Grigiskės AB	Director General	Grigiskės AB	0,22
	Grigiskės AB	Chairman of the board		
	Klaipėdos kartonas AB	Chairman of the board		
	Naujieji Verkiai UAB	Chairman of the board		
	Baltwood UAB	Chairman of the board		
	Ekotara UAB	Chairman of the board		
	Mena Pak OAO	Member of the Supervisory council		
Normantas Paliokas	Lucky loot UAB	Chairman of the board		
	Didma UAB	Head of Vilnius Representative Office		
	Ginvildos investicija UAB	Director		
	Baltwood UAB	Member of the board		
Vigmantas Kažukauskas	Grigiskės AB	Member of the board		
	Grigiskės AB	Director for Business Development	Grigiskės AB	0,91
	Grigiskės AB	Member of the board		
	Klaipėdos kartonas AB	Member of the board		
	Naujieji verkiai UAB	Director		
	Naujieji Verkiai UAB	Member of the board		
	Ekotara UAB	Member of the board		

Name	Business participation		Capital interest	
	Name of enterprise, agency and organisation	Positions	Name of enterprise, agency and organisation	Capital share and votes, %
	AGR Prekyba UAB	Director		
Audris Vilčinskas	Lavista UAB	Director	Lavista UAB	100,0
	Grigiškės AB	Member of the board		
Nina Šilerienė	Grigiškės AB	Director of Finance Department	Grigiškės AB	0,07
	Grigiškės AB	Member of the board		
	Klaipėdos kartonas AB	Member of the board		
	Naujieji Verkiai UAB	Member of the board		
	Baltwood UAB	Member of the board		
	Ekotara UAB	Member of the board		

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

The Supervisory Council of Grigiškės AB was elected on the 11<sup>th</sup> of December 2007 for a 4 years' period (ending in 2011). The Board of the Company was elected on the 11<sup>th</sup> of December 2007 for a 4 years' period (ending in 2011).

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

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

	Salaries LTL	Tantiemme LTL	Dividends LTL	Other payments LTL
Totally for all members of the supervisory council	-	-	-	-
In average per one member of the supervisory council	-	-	-	-
Totally for all members of the board	-	-	-	-
In average per one member of the board	-	-	-	-
Totally for all members of the administration	553.978	-	14.428	-
In average per one member of the administration	184.659	-	4.809	-

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

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

None.

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

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

**January** Grigiskės AB has received notification from Dailius Juozapas Mišeikis on the acquisition of voting rights. The threshold that was crossed - 10%, the reason for crossing the threshold - securities acquisition.

“GRIGISKES”, AB and “HANNER”, AB have signed a selling-purchasing agreement on obtaining of 100% shares of „AGR Prekyba“, UAB. After the terms of the agreement are fulfilled and the authorization from the Competition Council of the Republic of Lithuania is received, „GRIGISKES“, AB will obtain „AGR Prekyba“, UAB, that owns 100% shares of „AVESKO“, UAB. „AVESKO“, UAB owns 96,18% shares of „KLAIPEDOS KARTONAS“, AB.

The objective of this transaction is to expand the business of corrugated board and products made of corrugated board of “GRIGISKES”, AB.

„KLAIPEDOS KARTONAS“, AB has invested a lot into renovation of the equipment while economy was growing, so now it produces high quality cardboard paper products: testliner and fluting, that are the main materials used in production of corrugated board. Also in the year 2007, company has launched a new product - paper honeycomb, used in furniture industry. Company's turnover made LTL 110 mln. (EUR 31,9 mln.) in the year 2008 and LTL 123,3 mln. (EUR 35,7 mln.) in the year 2007.

After the obtaining of „KLAIPEDOS KARTONAS“, AB, the Group of „GRIGISKES“, AB will obtain the full cycle business starting with production of the cardboard paper and finishing with production of the products made of corrugated board. The Group will be also augmented by OAO „MENA PAK“, subsidiary of „KLAIPEDOS KARTONAS“, AB, that operates in Ukraine and produces packaging from corrugated board.

**February** Carrying out the project “The modernisation of the heat sector through the greater use of renewable energy resources” (No.VP3-3.4-ŪM-02-K-01-006) “Grigiskės”, AB and „Enerstena“, UAB signed a contract for design and equipment supply, on the 10th of February, 2010. Under this contract „Enerstena“, UAB undertook obligations to finish all designing and construction work of „Järnforsen Energi System AB“ Swedish company made wood fuel 17,5 MWh steam boiler on its own risks, forces, means and materials until the 31st of March, 2011. Value of the contract is LTL 17,6 mln. (EUR 5,1 mln.). The support of up to LTL 9,4 mln. (EUR 2,7 mln.) from the Cohesion Fund of the European Union and the budget of Lithuanian Republic for the implementation of the Project was granted.

On the 25th of February 2010 “GRIGISKES” AB received the authorization of the Competition Council of the Republic of Lithuania to pursue concentration by acquisition 100 % of the shares of "AGR prekyba" UAB, which holds 100 % of the shares of "AVESKO" UAB, which owns 96,18 % of the shares of “KLAIPEDOS KARTONAS” AB.

“GRIGIŠKĖS” AB shall acquire 100 % of shares of "AGR Prekyba" UAB after the terms of the share purchase - sale agreement signed between "GRIGIŠKĖS" AB and "Hanner" AB are fulfilled and a memorandum of the transaction completion is signed.



**March**

On the 1st of March 2010, GRIGIŠKĖS AB and HANNER AB have signed a memorandum of finishing of the shares' selling-purchasing transaction. By this transaction, HANNER AB has sold and GRIGIŠKĖS AB has purchased 100 % of shares of AGR Prekyba UAB. The AGR Prekyba UAB owns 100 % of shares of AVESKO UAB. The latter owns 96,18 % shares of KLAIPĖDOS KARTONAS AB.

The objective of this transaction is to expand the business of corrugated board and products made of corrugated board of GRIGIŠKĖS AB.

The Ordinary General Shareholders Meeting of Grigiskės AB, code 110012450, Vilniaus g. 10, Grigiškės, LT-27101, Vilniaus m. sav., is convened by initiative and the decision of the Board.

The Date of the Meeting - the 27th of April, 2010, Tuesday. Time - 11 a.m., place - Vilniaus g. 10 (the company's administration building), Grigiškės, Vilniaus m. sav., Lithuania. Registration of shareholders starts at 10.30 a.m.

The Board confirmed the following agenda for the Ordinary General Meeting of Shareholders:

- 1) Company's annual report 2009.
- 2) Company's auditor's report 2009.
- 3) Approval of the financial statements of the year 2009.
- 4) Net Profit appropriation of the year 2009.
- 5) Selection of the firm of auditors and fixing of the conditions of the remuneration for the audit services.

**April**

The Management Board meeting on 06 04 2010 approved the audited Company's annual report, heard the auditor's opinion on the company's activities of the year 2009, evaluated positive and decided to supply to the General Meeting general ballot paper (voting bulletin), projects of annual financial statement and profit appropriation for approval and to tender to the General Meeting to elect an audit company ERNST & YOUNG BALTIC, UAB for the financial year 2010 and 2011 audit and fix a sum payable for the audit services not more than 56350 LTL (plus VAT) for a single financial year.

The Board meeting on 27 April 2010 approved a revised budget for the year 2010. It is planned that the Group which consists of Grigiskės AB, daughter enterprise Baltwood UAB and indirectly controlled daughter enterprise Klaipėdos kartonas AB in the year 2010 will reach a turnover of LTL 230 mln. (EUR 66.6 mln.), which is LTL 111.1 mln. (EUR 32.2 mln.) or 93% over the turnover of 2009. The Group's profit before taxes will reach LTL 7.6 mln. (EUR 2.2 mln.) and will be LTL 4.4 mln. (EUR 1.27 mln.) or 2.4-fold higher than it was reached on the year 2009.

The Group's planned results for the year 2010 are corrected after the activity plans of the new Group's members were evaluated. On the 18th of December 2009 proclaimed forecasted financial indicators for the year 2010 of Company Grigiskės AB remain unchanged.

The General Meeting of shareholders of Grigiskės AB was held on 27-04-2010. The meeting heard the annual report for the year 2009 and the Auditor's report for the year 2009 and made following resolutions:

- to approve the Company's financial statements for the year 2009;
- to approve the appropriation of Company's profit (loss) for the year 2009: for dividends to distribute LTL 0,02 (0,006 EUR) per ordinary registered share and to pay



in total LTL 1 200 000 (374.544 EUR) of dividends and to appropriate LTL 150.269 (43.521 EUR) to the legal reserves;

- to elect an audit company ERNST & YOUNG BALTIC, UAB for the financial year 2010 and 2011 audit and to fix a sum payable for the audit services not more than 56.350 LTL (16.320 EUR) (plus VAT) for a single financial year.

**June** On June 17, 2010 Grigiškės AB submitted an application for admission of its securities to the Main list.

Over the five months of year 2010 turnover of the Group which consists of Grigiškės AB and subsidiaries Klaipėdos kartonas AB, Baltwood UAB and Mena Pak OAO outmeasured LTL 81.9 mln. (EUR 23.7 mln.). Comparing with the same period of 2009 the sales increased in LTL 33.5 mln. (EUR 9.7 mln.) or 69 %.

Over the five months of year 2010 turnover of Grigiškės AB outmeasured LTL 48.6 mln. (EUR 14.0 mln.). Comparing with the same period of 2009 the sales increased in LTL 3.2 mln. (EUR 0.9 mln.) or 7 %.

The main reasons of rising turnover are reviving foreign markets and purchased subsidiaries on March 1, 2010.

**July** Grigiskės AB has received notification from Irena Ona Mišeikienė on the acquisition of voting rights. The threshold that was crossed - 10%, the reason for crossing the threshold - securities acquisition by inheritance.

Klaipėdos kartonas AB the subsidiary of Grigiškės AB has established a subsidiary company Klaipėda Recycling UAB. It is planned that this new company will run a business of waste-paper procurement.

**August** The Board meeting on 5 August 2010 approved a corrected budget for the year 2010. It is planned that Grigiskės AB sales in 2010 will increase to LTL 126,5 mln. (EUR 36,6 mln.) and will be higher by LTL 16,8 mln. (EUR 4,9 mln.) than it was in 2009. The company will earn a profit before taxes of LTL 1,6 mln. (EUR 0,5 mln.) which will be LTL 1.9 mln. (EUR 0,55 mln.) or 54% lower than it was in 2009.

Planned profit before taxes for the year 2010 is corrected after the expected financial results of the six months of the year 2010 and the trends of raw materials prices were re-evaluated.

On the 27th of April 2010 proclaimed forecasted financial indicators for the year 2010 of Grigiskės AB Group remain unchanged. It was planned that the Group which consists of Grigiskės AB, daughter enterprises Baltwood UAB, Klaipėdos kartonas AB and Mena Pak OAO in the year 2010 will reach a turnover of LTL 230 mln. (EUR 66,6 mln.), which is LTL 111,1 mln. (EUR 32,2 mln.) or 93% over the turnover of 2009. The Group's profit before taxes will reach LTL 7,6 mln. (EUR 2,2 mln.) and will be LTL 4,4 mln. (EUR 1,27 mln.) or 2,4-fold higher than it was reached on the year 2009.

Grigiškės, AB has signed a contract with an audit company Ernst & Young Baltic, UAB for the Company's and Group's annual financial statements audit for years 2010 and 2011. A sum payable for the audit services - 56.350 LTL (16.320 EUR) (plus VAT) for a single financial year.

On the 25<sup>th</sup> of August AVESKO, UAB, a member of GRIGIŠKĖS, AB has been reformed into a joint-stock company with a name AVESKO, AB. In order to more transparent management of subsidiaries of GRIGIŠKĖS, AB in the future it is planned to reorganize by the merger Klaipėdos kartonas, AB and not operating AVESKO, AB.

- September** Grigiskės AB was present at forum of investors “Vilnius Invest 2010” held by NASDAQ OMX Vilnius AB. Here, in this event, Company's activities, results of the activities, plans and prospect of the Company were presented by general director Gintautas Pangonis.
- November** The extraordinary meeting of shareholders of KLAIPĖDOS KARTONAS AB the subsidiary of GRIGIŠKĖS AB was held on 15-11-2010. The Meeting made the resolution to reorganize KLAIPĖDOS KARTONAS AB and AVESKO AB according to the part 3 of Article 2.97 of the Civil Code of the Republic of Lithuania by the way of connecting AVESKO AB to KLAIPĖDOS KARTONAS AB. After the reorganization the company AVESKO AB will end and the company KLAIPĖDOS KARTONAS AB will continue the activities and will assume all the rights (including property) and obligations of AVSEKO AB.
- December** Over the eleven months of 2010 the turnover of Grigiskės AB Group, which consists of producing companies Grigiskės AB, Baltwood UAB, Klaipėdos kartonas AB and Mena Pak OAO, outmeasured LTL 224,4 mln. (EUR 65,0 mln.) and reached 97,6% of proclaimed forecasted turnover for 2010.
- Over the eleven months of 2010 the turnover of Grigiskės AB outmeasured LTL 117,6 mln. (EUR 34,1 mln.) and reached 93,0% of proclaimed forecasted turnover for 2010.
- On the 5th of August 2010 proclaimed forecasted financial indicators for the year 2010 of Grigiskės AB and the Group remain unchanged.
- On the 16th of December 2010 Avesko AB was checked out of register of legal entities of Republic of Lithuania. The Group of Grigiskės AB consists of: Grigiskės AB, Baltwood UAB, Klaipėdos kartonas AB, Ekotara UAB, Naujieji Verkiai UAB, Mena Pak OAO, AGR Prekyba UAB and Klaipėda Recycling UAB.
- The Board meeting on 21st of December 2010 approved an ambitious budget for the year 2011.
- It is planned that The Group which consists of producing companies Grigiskės AB, Baltwood UAB, Klaipėdos kartonas AB and Mena Pak OAO in the year 2011 will reach a turnover of LTL 300 mln. (EUR 86.9 Mio), which is LTL 70 Mio (EUR 20.3 Mio) or 30% over the expected turnover of 2010. The Group profit before taxes will reach LTL 12 Mio (EUR 3.5 Mio) and will be LTL 4.4 Mio (EUR 1.3 Mio) or 58% higher than it is expected for the year 2010.
- It is also planned that Grigiskės AB sales in 2011 will increase to LTL 145 Mio (EUR 42 Mio) and will be higher by LTL 18.5 Mio (EUR 5.4 Mio) than it is expected for the year 2010. The company will earn a profit before taxes of LTL 4.8 Mio (EUR 1.4 Mio) which will be LTL 3.2 Mio (EUR 0.9 Mio) higher than it is expected for the year 2010.
- In planning the activities for the year 2011 company has evaluated the trends of 2010 and signs of development of the economy. For the next year the Group will focus on the sales in export markets of the hygienic paper products, litliner, fluting and packaging made of corrugated board.

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

**December, 2010** On the 18th of February 2011 Grigiskės AB signed a proactive reliability maintenance service agreement with the company SKF Lietuva UAB. The aim of the agreement is to

improve the reliability and efficiency of existing production assets. This contract will last over a period of one year and is part of the company's strategy to improve their market position.

Mr. Pangonis, General Director of Grigiskės AB, stated that with the experience of SKF, a global service provider in the pulp and paper industry with high quality standards, it will be possible to reduce cost and improve output. The tissue market is still growing fast and the demand for high quality tissue is increasing. Also the market for packaging material and wood products is demanding more and more quality and a great sense of flexibility.

To support the contract, Grigiskės AB also invested in an extensive computerized maintenance management system, to help structuring all maintenance activities and keep an eye on the cost. Because of experience from all over the world, SKF is in a unique position to help the company with the implementation.

With these activities, Grigiskės AB continues to fulfill the ambition to modernize the company in order to become an important player in the market.

### *13.3. Offices and branches*

Company has Country sales representatives operating in Latvia, Estonia and Poland. No new offices or branches are planned to open in 2011.

### *13.4. Risk factors*

Information about financial risk management is provided in notes of annual audited consolidated statements of 2010.

#### *Economic risk factors*

**Fibre Hardboard production.** After a significant decline in demand for production in 2008, which also continued in the first half of 2009, in the second half of 2009 there were signs of moderate growth in fiberboard production demand. Compared to 2009, during the 2010 sales of fiberboard products rose by 34 percent. Market trends allow Company to expect a certain level of sales growth in 2011.

The most significant influence on the results of this business make price changes of natural gas used to produce thermal energy and raw wood. Though reduced, the risk of rise of price of these resources remains relevant in 2011 too. Company believes that possible negative impact of natural gas prices rise will even more reduced after the completion of biofuel-fired boiler construction in the end of March 2011.

**Paper production.** As Company's paper production is export accounts for around 60 percent of all paper products sales, the sales are affected by exchange rate fluctuations, as well as transport and raw material prices. Since the main export sales currency is euro, exchange rate risk is at a minimum.

In 2011, as the in 2010, Company plans growth of sales in all markets.

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

### *Social risk factors*

Salaries are paid in terms set in collective agreement.

### *Technical – technological risk factors*

On purpose to improve technical level of production supply Company's production equipment and buildings are constantly upgraded, new equipment is acquired and processes are automated.

Company introduced quality control system and was operating under LST EN ISO 9001:2001 standard requirements before the year 2008. After the successful recertification in May 2008 the validity period of quality certificate was prolonged unit 2011. In May 2010 the quality control system was audited. The audit concluded that requirements of LST EN ISO 9001:2008 standard are fulfilled in Company.

### *Ecological risk factors*

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

## 13.5. Suppliers

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

Supplier's country	2010	2009
	%	%
Lithuania	78	75
Estonia	9	8
Poland	4	4
Latvia	2	2
Germany	1	2
Belarus	1	0
Austria	1	1
Other countries	4	8
<b>TOTAL</b>	<b>100</b>	<b>100</b>

Main suppliers of energy resources are Lithuanian companies.

## 13.6. Sales and markets

In 2010 Grigiškės AB developed its production and sales of the products in three major directions:

- Paper production: necessities for consumer market (toilet paper, paper towels, paper napkins) and products for business (toilet paper, paper towels). Sales of paper production rose by 6,7 per cent in 2010, as compared to 2009.
- Fibre hardboard. In 2010 market of these products showed undeniable signs of recovery. Sales of hardboard products increased by 33,9 percent in 2010 compared with 2009.
- Corrugated cardboard and related production. In 2010 demand of these products grew the most. Sales of corrugated board production increased by 70,7 percent in 2010 compared with 2009.

## 13.6.1. table. Group's sold produce

Produce	2009		2008	
	thousand litas	%	thousand litas	%
Hardboard and wood products	64.272	26,1	47.157	39,7
Paper and paper products	60.762	24,7	56.962	47,9
Raw material for corrugated cardboard, corrugated cardboard and related production	114.503	46,6	6.809	5,7
Other sales	6.248	2,6	8.001	6,7
<b>TOTAL</b>	<b>245.785</b>	<b>100</b>	<b>118.930</b>	<b>100</b>

## 13.6.2. table. Company's sold produce

Produce	2009		2008	
	thousand litas	%	thousand litas	%
Hardboard and wood products	49.220	37,9	36.765	33,5
Paper and paper products	60.765	46,8	56.971	51,9
Raw material for corrugated cardboard, corrugated cardboard and related production	11.473	8,8	6.809	6,2
Other sales	8.285	6,5	9.165	8,4

## 13.6.1. table. Company's countries of sales

Country	2010		2009	
	thousand litas	%	thousand litas	%
United Kingdom	3.936	3,0%	1.431	1,3%
Belarus	979	0,8%	564	0,5%
Czech Republic	3.585	2,8%	1.214	1,1%
Denmark	10.251	7,9%	6.576	6,0%
Estonia	6.459	5,0%	4.594	4,2%
Latvia	12.939	10,0%	9.126	8,3%
Poland	13.407	10,3%	7.537	6,9%
Lithuania	53.887	41,5%	60.169	54,8%
Norway	1.275	1,0%	1.340	1,2%
The Netherlands	3.397	2,6%	3.149	2,9%
Slovakia	3.964	3,1%	2.937	2,7%
Finland	2.672	2,1%	1.833	1,7%
Sweden	8.859	6,8%	7.352	6,7%
Hungary	134	0,1%	124	0,1%
Germany	2.254	1,7%	556	0,5%
Other countries	1.744	1,3%	1.207	1,1%
<b>Total</b>	<b>129.742</b>	<b>100,0%</b>	<b>109.709</b>	<b>100,0%</b>

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

It is planned that The Group which consists of producing companies Grigiskes AB, Baltwood UAB, Klaipėdos kartonas AB and Mena Pak OAO in the year 2011 will reach a turnover of LTL 300 mln. (EUR 86.9 Mio), which is LTL 70 Mio (EUR 20.3 Mio) or 30% over the expected turnover of 2010. The Group profit before taxes will reach LTL 12 Mio (EUR 3.5 Mio) and will be LTL 4.4 Mio (EUR 1.3 Mio) or 58% higher than it is expected for the year 2010.

It is also planned that Grigiskes AB sales in 2011 will increase to LTL 145 Mio (EUR 42 Mio) and will be higher by LTL 18.5 Mio (EUR 5.4 Mio) than it is expected for the year 2010. The company will

earn a profit before taxes of LTL 4.8 Mio (EUR 1.4 Mio) which will be LTL 3.2 Mio (EUR 0.9 Mio) higher than it is expected for the year 2010.

In planning the activities for the year 2011 company has evaluated the trends of 2010 and signs of development of the economy. For the next year the Group will focus on the sales in export markets of the hygienic paper products, litliner, fluting and packaging made of corrugated board.

### 13.8. Financial indicators

Financial ratios	2008 audited		2009 audited		2010 audited	
	Group	Company	Group	Company	Group	Company
EBITDA	12.550.059	12.312.244	21.904.985	20.569.459	35.720.867	16.221.612
EBITDA profitability	8,6%	9,1%	18,4%	18,7%	14,5%	12,5%
Gross margin	10,9%	11,2%	17,0%	17,0%	13,3%	10,9%
Operating margin	-0,8%	0,1%	4,3%	4,8%	6,1%	1,8%
Net margin	-2,7%	-1,8%	2,2%	2,7%	3,1%	1,2%
ROE, %	-5,8%	-3,6%	4,0%	4,5%	9,8%	2,0%
ROA, %	-2,9%	-2,0%	2,0%	2,4%	4,2%	1,1%
Current ratio	0,73	0,88	0,85	1,12	0,81	0,71
Quick ratio	0,41	0,55	0,50	0,74	0,52	0,45
Cash to current liabilities	0,003	0,003	0,015	0,007	0,020	0,009
P/E	-4,60	-7,23	21,22	18,57	21,29	105,65
Earnings per share	-0,07	-0,04	0,04	0,05	0,13	0,03
Debt to equity ration	1,16	1,01	0,80	0,69	1,64	0,76
Debt to total assets ratio	0,54	0,50	0,44	0,41	0,60	0,41

### 13.9. Patents, licenses and research

The Company and the Group have no patents and licenses.

### 13.10. Environment protection

Emission rights movement for 2010

	Amount, pcs.	
	The Group	The Company
31 December 2009	(30.617)	(30.617)
Emission rights allocated	85.669	53.356
Additional emission rights allocated	30.125	30.125
Emission rights used	(69.334)	(36.223)
Sale of emission rights	(42.000)	(42.000)
31 December 2010	<b>(26.157)</b>	<b>(25.359)</b>

### 13.11. Sureties

Grigiškės AB issued a surety and by this assumed responsibility for the proper debt payment obligation to DnB NORD bank AB of a borrower - Klaipėdos kartonas AB. If Klaipėdos kartonas AB defaults, Grigiškės AB will assume responsibility to cover the debt, but not more than 10.000.000 LTL.

During the year 2010 Klaipėdos kartonas AB repaid 10.000.000 LTL to DnB NORD bank AB.

## 14. RELATED PARTY TRANSACTIONS

All transactions with related persons were carried out at market prices  
 AB „Klaipėdos kartonas“ – subsidiary of Grigiškės AB.



Baltwood UAB – subsidiary of Grigiškės AB.

OA O „Mena Pak“ – AB „Grigiškės“ subsidiary.

Ginvildos Investicija UAB – major shareholders of Grigiškės AB.

Didma UAB, Remada UAB and Naras UAB – companies related to the managing officers of the group.

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

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

Klaipėda Recycling UAB – subsidiary of the group not subject to consolidation.

14.1. table. Group's transactions with related persons during twelve months of 2010. Balances of amounts receivable/payable in relation thereto on the 31<sup>st</sup> of December 2010 (LTL)

	Sales of goods and services	Acquisition of goods and services	Receivable from related persons	Amounts payable to related persons
Ginvildos Investicija UAB	6.676	139.075		23.056
Didma UAB	601.815	360.022	183.899	
Remada UAB				
Naras UAB	55.249	3.700	12.286	
Ekotara UAB				
Naujieji Verkiai UAB	3.086		897	
Klaipėdos kartonas AB				
Mena Pak OA O				
<b>Total</b>	<b>666.826</b>	<b>502.797</b>	<b>197.082</b>	<b>23.056</b>

14.2. table. Company's transactions with related persons during twelve months of 2010. Balances of amounts receivable/payable in relation thereto on the 31<sup>st</sup> of December 2010 (LTL)

	Sales of goods and services	Acquisition of goods and services	Receivable from related persons	Amounts payable to related persons
Baltwood UAB	2.429.075	2.573.362	3.841.528	
AGR Prekyba UAB			10.000.000	
Ginvildos Investicija UAB	380	139.075		23.056
Didma UAB	2.548	313.427		
Remada UAB				
Naras UAB	55.205		10.047	
Ekotara UAB				
Naujieji Verkiai UAB	3.086		897	
Klaipėdos kartonas AB	332.284	7.133.263	127.374	2.602.799
<b>Total</b>	<b>2.822.578</b>	<b>10.159.127</b>	<b>13.979.846</b>	<b>2.625.855</b>

## 15. COURT AND ARBITRATION PROCEEDINGS

During the twelve months of 2010 the Group and the Company were not involved in any legal proceedings would have a material impact on the financial statements.



## 16. INFORMATION ON COMPLIANCE WITH GOVERNANCE CODE

The public company Grigiškės, following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 24.5 of the Trading Rules of the stock exchange NASDAQ OMX Vilnius, discloses its compliance with the Governance Code, approved by the VSE for the companies listed on the regulated market, and its specific provisions. In the event of non-compliance with the Code or with certain provisions thereof, it must be specified which provisions are not complied with and the reasons of non-compliance.

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

essence and purpose of this body.		
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.	Yes	The management board of Company consists of 5 members. The council of observers (supervisory board) also consists of 5 members. This is set forth in the Articles of Association of the Company. The Articles of Association shall be approved by the supreme managing body of the Company, i.e., the general meeting of shareholders.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	Yes	In accordance with the Articles of Association of AB Grigiškės, the council of observers shall be elected by the general meeting of shareholders for the maximum period of 4 years. This is the maximum period permitted by the legislation of the Republic of Lithuania. The general meeting of shareholders is entitled to revoke all or individual members of the council of observers before expiration of their tenure.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The chairperson of the council of observers, as formed in the Company, has not been the head of the Company.
<b>Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting</b> <b>The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.</b>		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	The collegial body elected by the general meeting of shareholders is elected in compliance with the procedure prescribed by the legislation of the Republic of Lithuania and does not contradict it. Concurrently, the interests of small shareholders, disinterested and unbiased supervision of the managing bodies are ensured.
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes	Latest 21 day before the general meeting of shareholders the Company shall publish proposed draft resolutions. Where the election of the members to the collegial body is included in the agenda of the meeting, the Company shall disclose the foremost information about the nominees to the members. Information about the members of the council of observers and the management board is disclosed by the Company in its periodical reports. Accordingly, there is enough time for the shareholders to decide on which nominee they will vote.
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	The Company complies with the provisions laid down in this recommendation: before a member is appointed to the council of observers, the proposed candidate is announced and his/her suitability to hold this position is presented for the shareholders present at the nominating meeting. The shareholders are free to ask questions. Every shareholder votes to express his/her opinion as to whether or not he/she is satisfied with the competence of the nominated member to the council of observers. Information about the members to the council of observers is disclosed by the Company in its periodical reports.
3.4 In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the	Yes	The members to the collegial body of the Company, as formed by the general meeting of shareholders, are elected taking into consideration the structure and types of

company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.		activities of the Company; the members have versatile knowledge, opinions and experience necessary for the proper performance of their tasks.
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	Yes	New members elected to the collegial bodies of the Company are made familiar with the Company, its organization, activity specifics, etc.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.	No	Independency of the members of the council of observers has not been evaluated in the Company so far; the Company has not discussed the contents of the concept of "sufficiency" of independent members.
<p>3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependent are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <ol style="list-style-type: none"> <li>1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years;</li> <li>2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees;</li> <li>3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations);</li> <li>4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1);</li> <li>5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and</li> </ol>	Yes	According to the criteria laid down in paragraph 3.7, there is an independent member in the council of observers of the Company.

<p>consulting services), major client or organization receiving significant payments from the company or its group;</p> <p>6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;</p> <p>7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;</p> <p>8) He/she has not been in the position of a member of the collegial body for over than 12 years;</p> <p>9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.</p>		
<p>3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.</p>	No	The Company has not defined the concept of independency.
<p>3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.</p>	No	The Company has not applied so far the practice of evaluation and announcement of independency of the members of the council of observers.
<p>3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.</p>	No	The Company has not applied so far the practice of evaluation and announcement of independency of the members of the council of observers.
<p>3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. The general shareholders' meeting should approve the amount of such remuneration.</p>	No	Members of the collegial bodies are not remunerated for their work from the funds of the Company.
<p><b>Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting</b>  <b>The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring of the company's management bodies and protection of interests of all the company's shareholders.</b></p>		
<p>4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management</p>	Yes	The council of observers regularly makes recommendations to the managing bodies of the Company and monitors their activities.

performance.		
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	Yes	To the best knowledge of the Company, all members of the council of observers act in a good will in respect of the Company, comply with the interests of the Company (not those of third parties) and take efforts to maintain independency in decision making.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	Members of the collegial body properly perform the functions delegated to them: actively participate at the sitting of the collegial body and devote sufficient time for the performance of their duties as the members of the collegial body.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	The collegial body treat all shareholders in a fair and unbiased manner. There have been no conflicts of interests so far.
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Yes	In accordance with the Articles of Association, transactions of the Company shall be considered and approved by the management board: <ul style="list-style-type: none"> <li>• decisions to invest, transfer or lease the tangible long-term assets the book value whereof exceeds 1/20 of the statutory capital of the company (calculated individually for every type of transaction);</li> <li>• decisions to pledge or mortgage the tangible long-term assets the book value whereof exceeds 1/20 of the statutory capital of the company (calculated for the total amount of transactions);</li> <li>• decisions to offer surety or guarantee for the discharge of obligations of third parties the amount whereof exceeds 1/20 of the statutory capital of the company;</li> <li>• decisions to acquire the tangible long-term assets the price whereof exceeds 1/20 of the statutory capital of the company.</li> </ul>
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using	Yes	The collegial body is independent in making decision important for the activities and strategy of the Company. Also, there are no restrictions for the collegial body to receive information of the Company's employees.

the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advise the human resources department, executive directors or collegial management organs of the company concerned.		
4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.	No	No committees have been formed in the Company so far. Conflicts of interests in the fields relating to appointment of directors of the Company, establishment of salary to the directors of the Company as well as audit control and evaluation of the Company have been avoided so far.
4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgment and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.	No	No committees have been formed in the Company so far.
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.	No	No committees have been formed in the Company so far.
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of	No	No committees have been formed in the Company so far.

every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.		
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	No	No committees have been formed in the Company so far.
<p>4.12. Nomination Committee.</p> <p>4.12.1. Key functions of the nomination committee should be the following:</p> <ul style="list-style-type: none"> <li>• Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company;</li> <li>• Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes;</li> <li>• Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body;</li> <li>• Properly consider issues related to succession planning;</li> <li>• Review the policy of the management bodies for selection and appointment of senior management.</li> </ul> <p>4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.</p>	No	No nomination committee has been formed in the Company so far.
<p>4.13. Remuneration Committee.</p> <p>4.13.1. Key functions of the remuneration committee should be the following:</p> <ul style="list-style-type: none"> <li>• Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body;</li> <li>• Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's</li> </ul>	No	No remuneration committee has been formed in the Company so far.



<p>remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies;</p> <ul style="list-style-type: none"> <li>• Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company;</li> <li>• Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation;</li> <li>• Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;</li> <li>• Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors);</li> <li>• Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies.</li> </ul> <p>4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:</p> <ul style="list-style-type: none"> <li>• Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;</li> <li>• Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;</li> <li>• Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has.</li> </ul> <p>4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.</p> <p>4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.</p>		
<p>4.14. Audit Committee.</p> <p>4.14.1. Key functions of the audit committee should be the following:</p> <ul style="list-style-type: none"> <li>• Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group);</li> <li>• At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided;</li> <li>• Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its</li> </ul>	Yes	Supervisory board performs the functions of the Audit Committee.

<p>findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually;</p> <ul style="list-style-type: none"> <li>• Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations;</li> <li>• Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee;</li> <li>• Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.</li> </ul> <p>4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.</p> <p>4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.</p> <p>4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.</p> <p>4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.</p> <p>4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for</p>		
--	--	--

<p>employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.</p> <p>4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.</p>		
<p>4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.</p>	No	Such practice has not been applied in the Company.
<p><b>Principle V: The working procedure of the company's collegial bodies</b>  <b>The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.</b></p>		
<p>5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.</p>	Yes	The Company fully complies with these recommendations.
<p>5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.</p>	Yes	Sittings of the collegial bodies of the Company are held at such intervals as are necessary to ensure uninterrupted tackling of essential issues relating to the management of the Company.
<p>5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.</p>	Yes	Members of the collegial bodies are notified on the sitting in advance (before three days) by sending them the agenda and materials of the sitting by e-mail, so that they'd have enough time to properly prepare for consideration of the issues to be addressed at the sitting and share in useful discussions leading to adoption of proper resolutions.
<p>5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where</p>	Yes	In order to coordinate operations of the collegial bodies of the Company and to ensure efficient decision-making process, chairpersons of the collegial supervisory and managing bodies of the Company agree upon the dates and agendas of future sittings, closely cooperate in tackling other issues relating to the management of the Company.

issues concerning removal of the board members, their liability or remuneration are discussed.		
<b>Principle VI: The equitable treatment of shareholders and shareholder rights</b> <b>The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.</b>		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The authorized capital of the Company is comprised of 60.000.000 ordinary shares. The par value of one share is LTL 1. All shareholders of the Company enjoy equal rights.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The Company fully complies with this recommendation.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	Yes	Major decisions are made by the Management Board. No support of the general meeting of shareholders is required.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders.	Yes	Procedures of convocation and holding the general meetings of shareholders of AB Grigiškės create the shareholders equal opportunities to attend the meetings and do not violate their rights and interests. Notices of convocation of the general meeting are published in the Lietuvos Rytas daily, as it is stipulated in the Articles of Association of the Company. The place, date, time and agenda of the meeting shall be specified in the notice. Information is also disclosed in the Central database of regulated information administrated by NASDAQ OMX Vilnius and on the Company's website: <a href="http://www.grigiskes.lt">www.grigiskes.lt</a> .
6.5. If is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	The Company fully complies with this recommendation.
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	Shareholders of AB Grigiškės may exercise their right to attend the general meeting of shareholders personally or through a proxy, provided such a person is properly authorized or is a party to a voting right cession agreement made in the statutory procedure; also, the shareholders of the Company may vote by filling in common ballot-papers as it is stipulated in the Company Law.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch	No	The Company does not comply with the provisions of this recommendation, because there have been no such request on the part of the shareholders.

shareholder meetings by means of modern technologies.		
<b>Principle VII: The avoidance of conflicts of interest and their disclosure</b> <b>The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.</b>		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	The Company fully complies with these recommendations.
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	The Company fully complies with these recommendations.
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	The Company fully complies with these recommendations.
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	The Company fully complies with these recommendations.
<b>Principle VIII: Company's remuneration policy</b> <b>Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.</b>		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	No	Such practice has not been applied in the Company so far.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	Such practice has not been applied in the Company so far.
8.3. Remuneration statement should leastwise include the following information: <ul style="list-style-type: none"> <li>• Explanation of the relative importance of the variable and non-variable components of directors' remuneration;</li> <li>• Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration;</li> <li>• An explanation how the choice of performance criteria contributes to the long-term interests of the company;</li> <li>• An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled;</li> <li>• Sufficient information on deferment periods with regard to</li> </ul>	No	Such practice has not been applied in the Company so far.

<p>variable components of remuneration;</p> <ul style="list-style-type: none"> <li>• Sufficient information on the linkage between the remuneration and performance;</li> <li>• The main parameters and rationale for any annual bonus scheme and any other non-cash benefits;</li> <li>• Sufficient information on the policy regarding termination payments;</li> <li>• Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code;</li> <li>• Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code;</li> <li>• Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned;</li> <li>• A description of the main characteristics of supplementary pension or early retirement schemes for directors;</li> <li>• Remuneration statement should not include commercially sensitive information.</li> </ul>		
<p>8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.</p>	No	Such practice has not been applied in the Company so far.
<p>8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year.</p> <p>8.5.1. The following remuneration and/or emoluments-related information should be disclosed:</p> <ul style="list-style-type: none"> <li>• The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting;</li> <li>• The remuneration and advantages received from any undertaking belonging to the same group;</li> <li>• The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted;</li> <li>• If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director;</li> <li>• Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year;</li> <li>• Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points.</li> </ul> <p>8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:</p> <ul style="list-style-type: none"> <li>• The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application;</li> <li>• The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year;</li> <li>• The number of share options unexercised at the end of the</li> </ul>	No	Such practice has not been applied in the Company so far.

<p>financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights;</p> <ul style="list-style-type: none"> <li>• All changes in the terms and conditions of existing share options occurring during the financial year.</li> </ul> <p>8.5.3. The following supplementary pension schemes-related information should be disclosed:</p> <ul style="list-style-type: none"> <li>• When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year;</li> <li>• When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year.</li> </ul> <p>8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.</p>		
8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.	No	The remuneration policy of disclosure practice has not been applied in the Company so far.
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.	No	The remuneration policy of disclosure practice has not been applied in the Company so far.
8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.	No	The remuneration policy of disclosure practice has not been applied in the Company so far.
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.	No	The remuneration policy of disclosure practice has not been applied in the Company so far.
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.	No	The remuneration policy of disclosure practice has not been applied in the Company so far.
8.11. Termination payments should not be paid if the termination is due to inadequate performance.	No	The remuneration policy of disclosure practice has not been applied in the Company so far.
8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	No	The remuneration policy of disclosure practice has not been applied in the Company so far.
8.13. Shares should not vest for at least three years after their award.	No	The remuneration policy of disclosure practice has not been applied in the Company so far.
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price	No	The remuneration policy of disclosure practice has not been applied in the Company so far.



movements, should be subject to predetermined and measurable performance criteria.		
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	No	The remuneration policy of disclosure practice has not been applied in the Company so far.
8.16. Remuneration of non-executive or supervisory directors should not include share options.	No	The remuneration policy of disclosure practice has not been applied in the Company so far.
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	No	The remuneration policy of disclosure practice has not been applied in the Company so far.
8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	No	The remuneration policy of disclosure practice has not been applied in the Company so far.
8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	No	Such practice has not been applied in the Company so far.
8.20. The following issues should be subject to approval by the shareholders' annual general meeting: <ul style="list-style-type: none"> <li>• Grant of share-based schemes, including share options, to directors;</li> <li>• Determination of maximum number of shares and main conditions of share granting;</li> <li>• The term within which options can be exercised;</li> <li>• The conditions for any subsequent change in the exercise of the options, if permissible by law;</li> <li>• All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.</li> </ul>	No	Such practice has not been applied in the Company so far.
8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.	No	Such practice has not been applied in the Company so far.
8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.	No	Such practice has not been applied in the Company so far.

8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.	No	Such practice has not been applied in the Company so far.
<b>Principle IX: The role of stakeholders in corporate governance</b> <b>The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.</b>		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The Company complies with all statutory requirements aimed at ensuring the rights of interest holders.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.	Yes	The Company complies with all statutory requirements aimed at ensuring the rights of interest holders.
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	The Company complies with all statutory requirements aimed at ensuring the rights of interest holders.
<b>Principle X: Information disclosure and transparency</b> <b>The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.</b>		
10.1. The company should disclose information on: <ul style="list-style-type: none"> <li>• The financial and operating results of the company;</li> <li>• Company objectives;</li> <li>• Persons holding by the right of ownership or in control of a block of shares in the company;</li> <li>• Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration;</li> <li>• Material foreseeable risk factors;</li> <li>• Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations;</li> <li>• Material issues regarding employees and other stakeholders;</li> <li>• Governance structures and strategy.</li> </ul> <p>This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.</p>	Yes	The Company complies with this recommendation.
10.2. It is recommended to the company, which is the parent of other companies, that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.	Yes	The Company complies with this recommendation.
10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and	Partly	The Company regularly discloses information on the professional background, qualifications of the members of

management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.		supervisory and management bodies, chief executive officer of the company as well as potential conflicts of interest that may have an effect on their decisions.
10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.	Yes	The Company complies with this recommendation.
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	The Company publishes information through the Central database of regulated information administrated by NASDAQ OMX Vilnius in Lithuanian and English simultaneously, of possible. The Stock Exchange places the received information on its home page and trade system, thus ensuring simultaneous placement of information to all readers. In addition, the Company, if possible, publishes its information prior to or after trade sessions of the stock exchange NASDAQ OMX Vilnius and provides information for all markets where securities of the Company are traded simultaneously. The Company does not publish in commentaries, interviews or otherwise any information likely to affect the price of its emitted securities until such information is announced through the Central database of regulated information administrated by NASDAQ OMX Vilnius. The mentioned information is also placed on the website of the Company: <a href="http://www.grigiskes.lt">www.grigiskes.lt</a> .
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient or in cases provided by the legal acts free of charge access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	Essential events, press releases, activity reports and other information important for the shareholders are published on the website of the Company in Lithuanian and English.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	The Company fully complies with this recommendation.
<b>Principle XI: The selection of the company's auditor</b> <b>The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.</b>		
11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements	Yes	The Company complies with this recommendation, except for audited of interim financial statement.
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	An audit company is proposed to the general meeting of shareholders by the council of observers.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should	Not applicable	Audit company has not rendered other services for the Company.

be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.		
---	--	--