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 Central bank of the Republic of Lithuania for preparation and announcement of periodical and supplementary information, we, the undersigned – President Gintautas Pangonis and Vice President for finance Nina Šilerienė approve that financial statements of GRIGISKES AB for the year 2014, 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 cash flows, and also that the consolidated annual report for the year 2014 shows fair business environment as well as descriptions of the company's performance and principal risks and uncertainties faced by consolidated companies.

President of GRIGISKES AB — Gintautas Pangonis

Vice President for finance of GRIGISKES AB — Nina Šilerienė

GRIGIŠKĖS AB

CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014,
PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS,
AS ADOPTED BY THE EUROPEAN UNION,
PRESENTED TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

CONTENTS

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Independent Auditor's Report

To the Shareholders of GRIGIŠKĖS AB

Report on the Parent Company's and Consolidated Financial Statements

We have audited the accompanying separate financial statements of GRIGIŠKĖS AB ("the Company"), which comprise the separate statement of financial position as at 31 December 2014, the separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 5–61. We have also audited the accompanying consolidated financial statements of GRIGIŠKĖS AB and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2014, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 5–61.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these separate and consolidated financial statements (hereinafter "the financial statements") in accordance with International Financial Reporting Standards as adopted by the EU and for such internal control as management determines is necessary to enable the preparation of these financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether these financial statements are free of 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 auditor's judgment, including the assessment of the risks of material misstatement of these financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's and Group's preparation and fair presentation of these 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 Company's and Group's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by Company's and Group's 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 audit opinion.

Opinion

In our opinion, the separate financial statements give a true and fair view of the unconsolidated financial position of GRIGIŠKĖS AB as at 31 December 2014, and of its unconsolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of GRIGIŠKĖS AB and its subsidiaries as at 31 December 2014, and of the consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements

Furthermore, we have read the consolidated annual report of GRIGIŠKĖS AB for the year ended 31 December 2014, set out on pages 62–103 of the financial statements, and have not identified any material inconsistencies between the financial information included in the annual report and the financial statements of GRIGIŠKĖS AB for the year ended 31 December 2014.

On behalf of KPMG Baltics, UAB

Rokas Kasperavičius
Partner pp
Certified Auditor

Rūta Kupinienė
Certified Auditor

Vilnius, the Republic of Lithuania
27 March 2015

STATEMENTS OF FINANCIAL POSITION

	Notes	Group		Company	
		As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
ASSETS					
Non-current assets					
Property, plant and equipment	4	242,506,729	204,425,907	144,472,305	107,081,287
Investment property	6	2,988,623	3,097,468	2,988,623	3,097,468
Intangible assets	5	14,935,976	15,943,355	1,217,734	1,312,395
Investments into subsidiaries	1	-	-	40,755,923	40,755,923
Other investments	1	100,000	-	100,000	-
Non-current receivables	8	1,659,203	613,835	5,310,289	1,487,305
Deferred income tax assets	23	-	-	561,823	323,631
Total non-current assets		**262,190,531**	**224,080,565**	**195,406,697**	**154,058,009**
Current assets					
Inventories	7	26,365,830	24,635,960	10,309,908	9,600,139
Accounts receivable	8	36,566,565	40,533,006	20,547,904	19,132,988
Other current assets		2,207,870	885,313	2,168,565	2,133,367
Current tax assets		61,248	338,567	-	85,817
Cash and cash equivalents	9	4,855,352	2,494,118	1,045,651	288,460
Total current assets		**70,056,865**	**68,886,964**	**34,072,028**	**31,240,771**
TOTAL ASSETS		**332,247,396**	**292,967,529**	**229,478,725**	**185,298,780**

(cont'd on the next page)

STATEMENTS OF FINANCIAL POSITION (CONT'D)

	No-tes	Group		Company	
		As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
EQUITY AND LIABILITIES					
Equity					
Share capital	10	65,700,000	65,700,000	65,700,000	65,700,000
Share premium	10	3,863,357	3,863,357	3,863,357	3,863,357
Legal reserve	10	5,656,030	5,322,763	5,656,030	5,322,763
Foreign currency translation reserve		(5,110,829)	(963,091)	-	-
Retained earnings		70,693,713	50,889,981	47,978,490	39,867,674
Equity attributable to equity holders of the parent		**140,802,271**	**124,813,010**	**123,197,877**	**114,753,794**
Non-controlling interests		2,162,429	2,172,560	-	-
Total equity		**142,964,700**	**126,985,570**	**123,197,877**	**114,753,794**
Liabilities					
Non-current liabilities					
Grants and subsidies	12	18,135,077	14,149,996	11,937,943	8,851,957
Non-current borrowings	13	66,697,021	59,106,353	25,775,643	19,766,430
Finance lease obligations	14	2,387,931	2,149,937	1,087,000	1,845,366
Loans from subsidiaries		-	-	4,500,000	4,000,000
Deferred income tax liability	23	1,742,820	2,159,712	-	-
Non-current employee benefits	15	680,198	766,807	341,568	303,806
Long-term trade payables and other non-current liabilities		428,817	124,301	114,504	203,995
Total non-current liabilities		**90,071,864**	**78,457,106**	**43,756,658**	**34,971,554**
Current liabilities					
Current portion of long term loans	13	26,372,962	12,249,759	17,334,788	4,944,803
Current borrowings	13	8,943,133	8,538,212	5,137,260	8,144,336
Current portion of finance lease obligations	14	2,044,185	1,349,810	1,143,280	1,098,956
Loans from subsidiaries		-	-	4,000,000	-
Income tax payable		1,167,200	449,112	200,685	-
Trade and other payables	16	60,683,352	64,937,960	34,708,177	21,385,337
Total current liabilities		**99,210,832**	**87,524,853**	**62,524,190**	**35,573,432**
TOTAL EQUITY AND LIABILITIES		**332,247,396**	**292,967,529**	**229,478,725**	**185,298,780**

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

The financial statements were approved by the management on 27 March 2015 and signed on its behalf by:

Gintautas Pangonis
President

Nina Šilerienė
Vice President, Finance

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Group		Company	
		2014	2013	2014	2013
Revenue	17	343,657,328	328,779,404	167,117,242	148,615,163
Cost of sales		(280,100,720)	(276,801,194)	(138,084,229)	(124,976,701)
Gross profit		**63,556,608**	**51,978,210**	**29,033,013**	**23,638,462**
Other operating income	18	4,285,045	2,080,760	3,291,850	1,100,570
Selling and distribution expenses	20	(25,302,786)	(23,473,478)	(11,953,524)	(9,922,379)
General and administrative expenses	21	(14,367,213)	(12,998,533)	(6,708,360)	(6,626,897)
Other operating expenses	19	(881,661)	(477,087)	(869,433)	(401,170)
Profit from operations		**27,289,993**	**17,109,872**	**12,793,546**	**7,788,586**
Finance income	22	250,126	178,245	182,064	20,530
Finance expenses	22	(1,664,045)	(2,296,567)	(696,786)	(711,177)
Profit before income tax		**25,876,074**	**14,991,550**	**12,278,824**	**7,097,939**
Income tax	23	(2,163,214)	(1,840,410)	(549,741)	(432,602)
NET PROFIT		**23,712,860**	**13,151,140**	**11,729,083**	**6,665,337**
Other comprehensive income					
Items that will never be reclassified to profit or loss		-	-	-	-
Items that are or may be reclassified to profit or loss		**(4,233,833)**	**(634,928)**	-	-
Exchange differences on translation of foreign operations		(4,233,833)	(634,928)	-	-
Total comprehensive income for the year, net of tax		**19,479,027**	**12,516,212**	**11,729,083**	**6,665,337**
Profit attributable to:					
The shareholders of the Company		23,436,984	13,052,891	11,729,083	6,665,337
Non-controlling interests		275,876	98,249	-	-
		23,712,860	**13,151,140**	**11,729,083**	**6,665,337**
Total comprehensive income attributable to:					
The shareholders of the Company		19,289,246	12,444,220	11,729,083	6,665,337
Non-controlling interests		189,781	71,992	-	-
		19,479,027	**12,516,212**	**11,729,083**	**6,665,337**
Basic and diluted earnings per share	24	0.36	0.21	0.18	0.11

The accompanying notes are an integral part of these financial statements.
The financial statements were approved by the management on 27 March 2015 and signed on its behalf by:

Gintautas Pangonis
President

Nina Šilerienė
Vice President, Finance

STATEMENTS OF CHANGES IN EQUITY

Group	Equity attributable to equity holders of the parent						Non-controlling interest	Total equity:
	Share capital	Share premium	Legal reserve	Foreign currency translation reserve	Retained earnings	Total:		
Balance as at 31 December 2012	**60,000,000**	**-**	**4,898,670**	**(354,420)**	**39,461,183**	**104,005,433**	**2,100,568**	**106,106,001**
Net profit for the year	-	-	-	-	13,052,891	13,052,891	98,249	13,151,140
Other comprehensive income (expenses)	-	-	-	(608,671)	-	(608,671)	(26,257)	(634,928)
Total comprehensive income (expenses)	**-**	**-**	**-**	**(608,671)**	**13,052,891**	**12,444,220**	**71,992**	**12,516,212**
Issue of ordinary shares (Note 1)	5,700,000	3,863,357	-	-	-	9,563,357	-	9,563,357
Transfer to legal reserve	-	-	424,093	-	(424,093)	-	-	-
Dividends approved (Note 25)	-	-	-	-	(1,200,000)	(1,200,000)	-	(1,200,000)
Transactions with owners of the Company	**5,700,000**	**3,863,357**	**424,093**	**-**	**(1,624,093)**	**8,363,357**	**-**	**8,363,357**
Balance as at 31 December 2013	**65,700,000**	**3,863,357**	**5,322,763**	**(963,091)**	**50,889,981**	**124,813,010**	**2,172,560**	**126,985,570**
Net profit for the year	-	-	-	-	23,436,984	23,436,984	275,876	23,712,860
Other comprehensive income (expenses)	-	-	-	(4,147,738)	-	(4,147,738)	(86,095)	(4,233,833)
Total comprehensive income (expenses)	**-**	**-**	**-**	**(4,147,738)**	**23,436,984**	**19,289,246**	**189,781**	**19,479,027**
Acquisition of NCI (Note 1)	-	-	-	-	(14,985)	(14,985)	(37,314)	(52,299)
Transfer to legal reserve	-	-	333,267	-	(333,267)	-	-	-
Dividends approved (Note 25)	-	-	-	-	(3,285,000)	(3,285,000)	(162,598)	(3,447,598)
Transactions with owners of the Company	**-**	**-**	**333,267**	**-**	**(3,633,252)**	**(3,299,985)**	**(199,912)**	**(3,499,897)**
Balance as at 31 December 2014	**65,700,000**	**3,863,357**	**5,656,030**	**(5,110,829)**	**70,693,713**	**140,802,271**	**2,162,429**	**142,964,700**

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STATEMENTS OF CHANGES IN EQUITY (CONT'D)

Company	Share capital	Share premium	Legal reserve	Retained earnings	Total equity:
Balance as at 31 December 2012	**60,000,000**	**-**	**4,898,670**	**34,826,430**	**99,725,100**
Net profit for the year	-	-	-	6,665,337	6,665,337
Other comprehensive income (expenses)	-	-	-	-	-
Total comprehensive income (expense) for the year	**-**	**-**	**-**	**6,665,337**	**6,665,337**
Issue of ordinary shares (Note 1)	5,700,000	3,863,357	-	-	9.563.357
Dividends approved (Note 25)	-	-	-	(1,200,000)	(1,200,000)
Transfer to legal reserve	-	-	424,093	(424,093)	-
Transactions with owners of the Company	**5,700,000**	**3,863,357**	**424,093**	**(1,624,093)**	**8,363,357**
Balance as at 31 December 2013	**65,700,000**	**3,863,357**	**5,322,763**	**39,867,674**	**114,753,794**
Net profit for the year	-	-	-	11,729,083	11,729,083
Other comprehensive income (expenses)	-	-	-	-	-
Total comprehensive income (expense)	**-**	**-**	**-**	**11,729,083**	**11,729,083**
Issue of ordinary shares (Note 1)	-	-	-	-	-
Dividends approved (Note 25)	-	-	-	(3,285,000)	(3,285,000)
Transfer to legal reserve	-	-	333,267	(333,267)	-
Transactions with owners of the Company	**-**	**-**	**333,267**	**(3,618,267)**	**(3,285,000)**
Balance as at 31 December 2014	**65,700,000**	**3,863,357**	**5,656,030**	**47,978,490**	**123,197,877**

The accompanying notes are an integral part of these financial statements.
The financial statements were approved by the management on 27 March 2015 and signed on its behalf by:

Gintautas Pangonis
President

Nina Šilerienė
Vice President, Finance

STATEMENTS OF CASH FLOWS

	Notes	Group		Company	
		2014	2013	2014	2013
Cash flows from (to) operating activities					
Profit before income tax		25,876,074	14,991,550	12,278,824	7,097,939
Adjustments for non-cash items					
Depreciation and amortisation net of grants		27,462,533	26,426,081	14,990,204	14,949,340
Finance (income) expenses, net	22	1,413,919	2,118,322	514,722	690,647
Loss (gain) on disposal and write-off of property, plant and equipment		(413,011)	(298,222)	(256,992)	(85,803)
Loss (profit) on disposal of emission rights		(2,080,312)	-	(2,080,312)	-
Property, plant and equipment impairment losses (reversal)		(3,128)	(8,825)	(3,128)	(6,250)
Allowance for doubtful accounts receivable (reversal)	8	394,266	(191,631)	(48,522)	16,640
		52,650,341	43,037,275	25,394,796	22,662,513
Changes in working capital					
(Increase) decrease in trade and other receivables		2,526,807	(9,980,785)	(5,189,378)	(5,573,584)
(Increase) decrease in inventories		(243,833)	(3,304,808)	(709,769)	(2,882,138)
(Increase) decrease in other assets		(1,322,557)	79,283	(35,198)	(1,797,486)
Increase (decrease) in trade and other payables		(7,567,149)	21,702,819	12,807,131	3,976,887
		(6,606,732)	8,496,509	6,872,786	(6,276,321)
Interest (paid)		(1,581,255)	(1,765,138)	(491,156)	(678,200)
Income tax (paid)		28,850	(1,735,796)	-	(1,186,926)
Net cash flows from (to) operating activities		**44,491,204**	**48,032,850**	**31,776,426**	**14,521,066**

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STATEMENTS OF CASH FLOWS (CONT'D)

	No-tes	Group 2014	Group 2013	Company 2014	Company 2013
Cash flows from (to) investing activities					
(Acquisition) of property, plant and equipment	4, 5	(67,127,876)	(51,925,534)	(52,937,088)	(24,769,100)
(Acquisition) of other investments		(100,000)	-	(100,000)	-
Proceeds from sale of property, plant and equipment		585,049	592,011	257,000	95,120
Grants and subsidies received	12	5,650,727	7,002,360	4,239,487	1,780,000
Proceeds from disposal of emission allowances		2,080,312	-	2,080,312	-
Interest received		-	11,968	-	19,306
Repaid (granted) loans		-	-	-	(1,250,000)
Net cash flows (to) investing activities		**(58,911,788)**	**(44,319,195)**	**(46,460,289)**	**(24,124,674)**
Cash flows from (to) financing activities					
Dividends (paid)		(3,447,598)	(1,200,000)	(3,285,000)	(1,200,000)
Issue of shares		-	9,563,357	-	9,563,357
Loans (repaid)		(11,277,859)	(10,736,099)	(3,972,903)	(4,049,640)
Proceeds from borrowings		32,991,730	4,027,900	22,372,101	4,027,900
Short-term loans increase (decrease)		404,921	(1,175,141)	(3,007,076)	38,064
Loans received from subsidiaries and related companies		-	-	4,500,000	4,000,000
Finance lease (payments)		(1,889,376)	(2,939,131)	(1,166,068)	(2,683,362)
Net cash flows (to) financing activities		**16,781,818**	**(2,459,114)**	**15,441,054**	**9,696,319**
Net increase (decrease) in cash and cash equivalents		**2,361,234**	**(1,254,541)**	**757,191**	**92,711**
Cash and cash equivalents at the beginning of the year		**2,494,118**	**1,239,577**	**288,460**	**195,749**
Cash and cash equivalents at the end of the year		**4,855,352**	**2,494,118**	**1,045,651**	**288,460**
Supplemental information of cash flows:					
Non-cash investing activity:					
Property, plant and equipment acquisitions financed by finance lease		2,930,088	451,675	439,516	126,860
Payable for property, plant and equipment outstanding as at year end		13,950,131	16,831,080	11,598,602	3,829,789

The accompanying notes are an integral part of these financial statements.
The financial statements were approved by the management on 27 March 2015 and signed on its behalf by:

Gintautas Pangonis
President

Nina Šilerienė
Vice President, Finance

NOTES TO THE FINANCIAL STATEMENTS

1. General information

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

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

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

Structure of the Group

As at 31 December 2014 and 2013 GRIGIŠKĖS AB group consists of GRIGIŠKĖS AB and the following subsidiaries (hereinafter referred to as the Group):

Name	2014				2013		Address	Principal activity
	Share of the stock held by the Group	Size of investment (cost)	Profit (loss) for the reporting period	Equity at the end of the reporting period (100%)	Share of the stock held by the Group	Size of investment (cost)		
Subsidiaries directly controlled by the Company:								
UAB Baltwood	100%	27,592,000	4,411,175	33,665,591	100%	27,592,000	Vilniaus St. 10, Grigiškės, Vilnius Mun., Lithuania	Wood processing: production of hardboards and coloured hardboards of wood fibre.
UAB Ekotara	100%	10,000	-	10,004	100%	10,000	Vilniaus St. 10, Grigiškės, Vilnius Mun., Lithuania	Corrugated board and packaging from corrugated board manufacturing. No operations in 2014 and 2013.
UAB Naujieji Verkiai	100%	-	1,194	(54,608)	100%	-	Popieriaus St. 15, Vilnius, Lithuania	Building and development of real estate.
UAB AGR Prekyba	100%	13,143,923	3,377,778	24,661,969	100%	13,143,923	Vilniaus St. 10, Grigiškės, Vilnius Mun., Lithuania	Investment activities and corporate governance.
UAB Grigiškių Energija	100%	10,000	(25)	115	100%	10,000	Vilniaus St. 14, Grigiškės, Vilnius Mun., Lithuania	Heat production and sale. No operations in 2014 and 2013.
		40,755,923				40,755,923		

1. General information (cont'd)

Name	2014				2013		Address	Principal activity
	Share of the stock held by the Group	Size of investment (cost)	Profit (loss) for the reporting period	Equity at the end of reporting period (100%)	Share of the stock held by the Group	Size of investment (cost)		
Subsidiaries indirectly controlled by the Company:								
AB Klaipėdos Kartonas	95.78%	-	8,021,348	52,981,891	95.78%	-	Nemuno St. 2, Klaipėda, Lithuania	Manufacturing of raw materials for production of corrugated board – test liner and fluting, production of paper honeycomb used in furniture industry.
UAB Klaipėda Recycling	95.78%	-	(945,862)	1,151,661	94.18%	-	Vilniaus St. 10, Grigiškės, Vilnius Mun., Lithuania	Waste-paper procurement.
PAT Mena Pak	93.79%	-	(348,850)	5,893,154	93.79%	-	Koshevovo St. 6, Chernigovo distr., Mena, Ukraine	Corrugated board and packaging from corrugated board manufacturing.

Changes in the Group in 2014

There were no significant changes in the Group in 2014.

Changes in the Group in 2013

On 30 May 2013 the amended Articles of Association of GRIGIŠKĖS AB (hereinafter "the Company") were registered with the Register of Legal Entities after the increase of the authorised capital of the Company up to LTL 65,700,000 and the Company's shares of the new issue (5,700,000 units) were introduced to the Main List of AB NASDAQ OMX Vilnius stock exchange and admitted to trading. The authorised capital of the Company was increased after the placement of a new issue of the Company's shares, of the total nominal value of LTL 5,700,000, following the resolutions of the Annual General Meeting of Shareholders of the Company held on 26 April 2013.

Acquisition of other investments in 2014

The Group and the Company acquired other investments – 19.96% shares in UAB Veido Periodikos Leidykla in 2014 for LTL 100 thousand.

As at 31 December 2014, the number of employees of the Group was 814 (as at 31 December 2013 – 878). As at 31 December 2014, the number of employees of the Company was 336 (as at 31 December 2013 – 302).

The Company's management authorised these financial statements on 27 March 2015. 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

The financial statements of the Group and the Company are prepared in accordance with International Financial Reporting Standards effective as at 31 December 2014 that have been adopted for use in the European Union.

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

Changes in accounting policies

Except for the changes below, the Group and the Company have consistently applied the accounting policies set out in Note 2 to all periods presented in these consolidated and separate financial statements.

The Group and the Company have adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2014.

i. IFRS 12: Disclosure of Interests in Other Entities

IFRS 12 brings together into a single standard all the disclosure requirements about an entity's interest in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

IFRS 11 Joint Arrangements also became first applicable in 2014; however, it is not applicable to the Company as the Company does not participate in joint arrangements.

ii. IFRS 10: Consolidated Financial Statements

As a result of IFRS 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 (2011) introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

In accordance with the transitional provisions of IFRS 10 (2011), the Group reassessed the control conclusion for its investees at 1 January 2014. The Group concluded that there are no changes in control assessment as a consequence of new rules introduced by IFRS 10 (2011).

iii. Other amendments to standards

The following amendments to standards with effective date of 1 January 2014 did not have any impact on these separate and consolidated financial statements:

IAS 27 (2011) Separate Financial Statements;
IAS 28 (2011) Investments in Associates and Joint Ventures;
Amendments to IAS 32 on Offsetting Financial Assets and Financial Liabilities;
Amendments to IAS 27 on Investment Entities;
Amendments to IAS 36 on Recoverable Amount Disclosures for Non-Financial Assets;
Amendments to IAS 39 on Novation of Derivatives and Continuation of Hedge Accounting.

2. Accounting policies (cont'd)

2.1. Basis of preparation (cont'd)

New standards and interpretations not yet adopted

A number of new standards, amendments and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these consolidated and separate financial statements. Those which may be relevant to the Group and the Company as well as management's judgements regarding the possible impact of initial application of new and revised standards and interpretations are set out below. The Group and the Company do not plan to adopt these amendments, standards and interpretations early.

(i) Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 February 2015)

The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. Namely that they are:

- set out in the formal terms of the plan;
- linked to service; and
- independent of the number of years of service.

When these criteria are met, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered.

The Group and the Company do not expect the Amendment to have any impact on the financial statements since they do not have any defined benefit plans that involve contributions from employees or third parties.

(ii) IFRIC 21 Levies (effective for annual periods beginning on or after 17 June 2014)

The Interpretation provides guidance as to the identification of the obligating event giving rise to a liability, and to the timing of recognising a liability to pay a levy imposed by government.

In accordance with the Interpretation, the obligating event is the activity that triggers the payment of that levy, as identified in the relevant legislation and as a consequence, the liability for paying the levy is recognised when this event occurs. The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time. If the obligating event is the reaching of a minimum activity threshold, the corresponding liability is recognised when that minimum activity threshold is reached.

The Interpretation sets out that an entity cannot have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period.

It is expected that the Interpretation, when initially applied, will not have a material impact on the financial statements, since it does not result in a change in the Group's and the Company's accounting policy regarding levies imposed by governments.

(iii) Annual Improvements to IFRSs

The improvements introduce eleven amendments to nine standards and consequential amendments to other standards and interpretations. Most of these amendments are applicable to annual periods beginning on or after 1 February 2015, with earlier adoption permitted. Another four amendments to four standards are applicable to annual periods beginning on or after 1 January 2015, with earlier adoption permitted.

None of these amendments are expected to have a significant impact on the financial statements of the Group and the Company.

2. Accounting policies (cont'd)

2.2. Going concern

These financial statements for the year ended 31 December 2014 have been prepared under the assumption that the Group and the Company will continue as a going concern.

2.3. Basis of consolidation

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

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

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

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

2.4. Business combinations and goodwill

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

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 the statement of comprehensive income.

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

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

2. Accounting policies (cont'd)

2.5. Measurement and presentation currency

The amounts shown in these financial statements are presented in the local currency of the Republic of Lithuania – Lithuanian litas (LTL).

The functional currency of the Company and its subsidiaries operating in Lithuania is Lithuanian 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 at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange as at the date of the statement of financial position. Non-monetary items carried at cost are translated using the exchange rate at the date of the transaction.

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

From 2 February 2002, the litas has been pegged to the euro at the rate of LTL 3.4528 for EUR 1, and the exchange rates in relation to other currencies are set daily by the Bank of Lithuania.

2.6. Investments in subsidiaries (the Company)

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

At the end of 2011 the Company transferred a segment of its operations to one of its 100% subsidiaries. From the point of view of separate financial statements of GRIGIŠKĖS AB, this is in-kind contribution to the existing subsidiary. There is no guidance under IFRS on how to account for business contributions by the parent in its separate financial statements.

The Company made a decision to determine an appropriate accounting treatment. The policy followed was to recognise an increased investment in the subsidiary based on the fair value of the additional shares received and therefore recognise a gain/loss on disposal of the net assets of the segment transferred to the subsidiary (measured as the difference between fair value of shares received and the carrying values of the assets transferred).

2.7. 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 stated at fair value as at the date of acquisition. Intangible assets are recognised if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of asset can be measured reliably.

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

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

Land lease right	90 years
Licenses, patents and etc.	3 years
Software	1–3 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.

2. Accounting policies (cont'd)

2.7. Intangible assets other than goodwill (cont'd)

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.

2.8. Property, plant and equipment

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

Before 31 December 2010, buildings were accounted as follows:

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

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

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

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

Buildings and structures	8–91 years
Machinery and equipment	5–10 years
Vehicles	6–8 years
Other equipment and other assets	4–5 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)

2.9. Investment property

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

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

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

2.10. Emission allowances

The EU Emission Allowance Trading Scheme was established by Directive 2003/87/EC and commenced on 1 January 2005. The first phase ran for the three-year period from 2005 to 2007; the second runs for five years from 2008 to 2012 to coincide with the first Kyoto Commitment Period; the third – for 8 years from 2013 to 2020. The scheme works on a 'Cap and Trade' basis. EU Member States' governments are required to set an emission cap for each phase for all 'installations' covered by the Scheme; this cap is established in the National Allocation Plan (NAP), which is issued by the relevant authority in each Member State. The NAP describes the amount of yearly emissions (measured in tonnes of carbon dioxide equivalents) permitted per installation for each phase for which allowances will be allocated on an annual basis.

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

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

The Company and the Group apply a net liability approach in accounting for the emission allowances received. It records the emission allowances granted to it at a nominal (nil) 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 allowances held. The Company and the Group have chosen a system that measures deficits on the basis of an annual allocation of emission allowances.

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

2.11. Borrowing costs

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

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

2. Accounting policies (cont'd)

2.11. Borrowing costs (cont'd)

Borrowing costs may include:

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

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

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

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

2.12. Financial assets

The Group's and the Company's financial assets are classified as 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 do not have any financial instruments at fair value through profit or loss as at 31 December 2014 and 2013.

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 the statement of comprehensive income when the investments are derecognised or impaired, as well as through the amortisation process.

The Group and the Company do not have any held-to-maturity investments as at 31 December 2014 and 2013.

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 rate 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 – refer to Note 2.25 for measurement of impairment losses. Impaired debts are derecognised (written off) when they are assessed as uncollectible.

2. Accounting policies (cont'd)

2.12. Financial assets (cont'd)

Loans and receivables (cont'd)

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

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 do not have any available for sale financial assets as at 31 December 2014 and 2013.

2.13. Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.14. 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. Accounting policies (cont'd)

2.15. Inventories

Inventories are valued at the lower of cost or net realisable value. 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. The cost of finished goods and work in progress includes the applicable allocation of fixed and variable overhead costs based on a normal operating capacity. Unrealisable inventory has been fully written-off.

2.16. 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.

2.17. 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.

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.

2.18. Finance lease and operating lease

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

Finance lease – Group and the Company as a lessee

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

The Group and the Company recognise finance leases as assets and liabilities in the statement of financial position at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, to the present value of the minimum lease payments. The rate of discount used when calculating the present value of minimum payments of finance lease is the interest rate of finance 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 finance 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. Accounting policies (cont'd)

2.18. Finance lease and operating lease (cont'd)

Operating lease – the Group and the Company as lessee

Leases where the lessor retains all the risk and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

The gains from discounts provided by the lessor are recognised as a decrease in lease expenses over the period of the lease using the straight-line method.

If the result of sales and lease back transactions is an operating lease and the transaction has been carried out at fair value, any profit or loss is recognised immediately. If the sales price is lower than the fair value, any profit or loss is recognised immediately, except for the cases when the loss is compensated by lower than market prices for lease payments in the future. The profit is then deferred and it is amortised in proportion to the lease payments over a period, during which the assets are expected to be operated. If the sales price exceeds the fair value, a deferral is made for the amount by which the fair value is exceeded and it is amortised over a period, during which the assets are expected to be operated.

Operating lease – the Group and the Company as lessor

Assets leased under operating lease in the statement of financial position of the Group and the Company are accounted for depending on their nature. Income from operating lease is recognised as other income in the statement of income within the lease period using the straight-line method. All the discounts provided to the operating lessee are recognised using straight-line method during the lease period by reducing the lease income. Initial direct expenses incurred in order to generate lease income are included in the carrying value of the leased asset.

2.19. Non-current employee benefits

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

The past service costs are recognised as an expense on a straight-line basis in profit or loss immediately after the assessment of such liability. Any gains or losses appearing as a result of curtailment and/or settlement are recognised in 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 recognised in the statement of financial position and reflects the present value of these benefits on the preparation date of the statement of financial position. Present value of the non-current obligation to employees is determined by discounting estimated future cash flows using the discount rate which reflects the interest rate of the Government bonds of the same currency and similar maturity as the employment benefits. Actuarial gains and losses are recognised in other comprehensive income as incurred.

2.20. Financial guarantee contracts

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

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

2. Accounting policies (cont'd)

2.21. Grants and subsidies

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

2.22. Trade and other payable

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

The nominal or cost value of the other payables is assumed to appropriate their fair value, if these are current liabilities.

2.23. 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 Ukraine.

Income tax rate of 15% has been introduced starting from 1 January 2010 for companies operating in the Republic of Lithuania. Standard income tax rate in Ukraine for the year 2014 was 18% (2013 – 19%).

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

From 2014 tax losses carried forward shall not exceed 70 percent of the taxable profit of a taxable period according to Lithuanian laws.

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 they 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. Accounting policies (cont'd)

2.24. 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.

Interest income is recognised on an accrual basis (using the effective interest rate). Interest income is included in financial and investing activities result in statement of comprehensive income.

Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease terms.

2.25. 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.

Impairment of non-financial assets

Non-financial assets, except for goodwill, inventories and deferred tax, are reviewed for impairment whenever events or changes in circumstances indicate that carrying amount of an asset may not be recoverable. 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.

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

2. Accounting policies (cont'd)

2.26. 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 judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies, at the reporting date and within the next financial year. The significant areas of estimation used in the preparation of the accompanying financial statements relate to depreciation (Notes 2.8, 2.9, 4, 6), amortisation (Note 2.7 and Note 5), impairment of buildings (Note 2.8, Note 4), non-current employee benefits (Note 2.19 and Note 15), impairment evaluation of goodwill (Note 2.4, Note 5), recognition of deferred income tax asset (Note 2.23, Note 23), and impairment evaluation of other assets (Note 2.25, Note 8). Future events may occur which will cause the assumptions used in arriving at the estimates to change. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

2.27. Fair value measurement

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

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

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

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

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

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

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

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

2. Accounting policies (cont'd)

2.28. 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.

2.29. 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.

3. Financial instruments – fair values and risk management

Credit risk

The Group and the Company do not have any significant concentration of trading counterparties. The Group's receivables from two major customers as at 31 December 2014 amounted to 16.65% and 0.98% respectively (6.46% and 17.37% as at 31 December 2013) of the total Group's trade receivables. The Company's receivables from two major customers as at 31 December 2014 amounted to 24.51% and 2.01% respectively (0.00% (paid) and 43.33% as at 31 December 2013) of the total Company's trade receivables.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, consequently, the Company's management considers that its maximum exposure is reflected by the amount of current and non-current trade and other receivables, net of allowance for doubtful accounts and cash and cash equivalents recognised at the date of the statement of financial position. Credit risk or risk that a counterparty will not fulfil its obligations, is controlled by credit terms and monitoring procedures, using services of external credit insurance and debt recovery agencies.

The Group's and the Company's trade debtors ageing analysis is provided in Note 8.

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

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

Liquidity risk

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2014 and 2013 based on contractual undiscounted payments:

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total	Carrying amount
Interest bearing borrowings	-	6,956,470	30,497,353	62,795,885	6,493,593	106,743,301	102,013,116
Finance lease obligations	-	636,838	1,465,287	2,431,302	-	4,533,427	4,432,116
Trade payables	-	53,210,013	-	-	-	53,210,013	53,210,013
Other current liabilities	1,183,702	846,761	-	-	-	2,030,463	2,030,463
Balance as at 31 December 2014	**1,183,702**	**61,650,082**	**31,962,640**	**65,227,187**	**6,493,593**	**166,512,726**	**161,685,708**
Interest bearing borrowings	-	3,563,734	18,960,159	60,604,968	6,348,941	89,477,802	79,894,324
Finance lease obligations	-	361,645	1,038,446	2,190,190	-	3,590,281	3,499,747
Trade payables	-	55,500,795	208,783	-	-	55,709,578	55,709,578
Other current liabilities	1,071,161	665,111	-	-	-	1,736,272	1,736,272
Balance as at 31 December 2013	**1,071,161**	**60,091,285**	**20,207,388**	**62,795,158**	**6,348,941**	**150,513,933**	**140,839,921**

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2014 and 2013 based on contractual undiscounted payments:

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total	Carrying amount
Interest bearing borrowings	-	3,148,684	20,030,896	26,241,019	-	49,420,599	48,247,691
Finance lease obligations	-	304,367	864,618	1,099,374	-	2,268,359	2,230,280
Payables to related parties	-	4,259,592	4,192,494	4,552,354	-	13,004,440	13,004,440
Trade payables	-	26,867,755	-	-	-	26,867,755	26,867,755
Other current liabilities	591,633	425,096	-	-	-	1,016,729	1,016,729
Balance as at 31 December 2014	**591,633**	**35,005,494**	**25,088,008**	**31,892,742**	-	**92,577,882**	**91,366,895**
Interest bearing borrowings	-	1,444,035	12,238,049	24,156,142	-	37,838,226	32,855,569
Finance lease obligations	-	279,381	858,168	1,877,258	-	3,014,807	2,944,322
Payables to related parties	-	195,920	-	4,079,694	-	4,275,614	4,275,614
Trade payables	-	17,695,570	-	-	-	17,695,570	17,695,570
Other current liabilities	503,325	102,733	-	-	-	606,058	606,058
Balance as at 31 December 2013	**503,325**	**19,717,639**	**13,096,217**	**30,113,094**	-	**63,430,275**	**58,377,133**

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

Liquidity risk (cont'd)

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

As at 31 December 2014 and 2013 the Company had a guarantee issued to the bank to secure the loans of LTL 7,209 thousand (31 December 2013 – the loans of LTL 7,755 thousand and finance lease of LTL 5 thousand) of its subsidiary UAB Baltwood and a guarantee issued to the bank to secure the loans of LTL 12,275 thousand (31 December 2013 – 0) of its subsidiary AB Klaipėdos Kartonas.

As described in Note 29, as at 31 December 2014 current liabilities of the Group and the Company exceeded its current assets. The Company uses overdrafts and other short-term credits; furthermore as described in Note 29, some repayment terms for the current loans have been already rescheduled subsequently and other are planned to be rescheduled.

Interest risk

The major part of the Group's and the Company's borrowings (loans and finance lease obligations) are subject to variable rates, related to LIBOR, EURIBOR and VILIBOR, which creates an interest rate risk (Notes 13 and 14). There are no financial instruments designated to manage the exposure to fluctuation in interest rates outstanding as at 31 December 2014 and 2013.

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

	Increase/decrease in basis points	Effect on the profit before the income tax
2014		
EUR	+100	(712,092)
EUR	-100	712,092
LTL	+100	(352,361)
LTL	-100	352,361
2013		
EUR	+100	(494,799)
EUR	-100	494,799
LTL	+100	(339,142)
LTL	-100	339,142

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

Interest risk (cont'd)

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

	Increase/decrease in basis points	Effect on the profit before the income tax
2014		
EUR	+100	(304,179)
EUR	-100	304,179
LTL	+100	(200,600)
LTL	-100	200,600
2013		
EUR	+100	(103,675)
EUR	-100	103,675
LTL	+100	(254,324)
LTL	-100	254,324

Foreign exchange risk

The Company's monetary assets and liabilities as at 31 December 2014 and 2013 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 2014 were as follows (equivalent in LTL):

Group	UAH	USD	EUR	LTL	Other
Receivables	872,377	-	17,175,397	19,993,435	184,559
Cash and cash equivalents	72,498	-	4,488,820	294,034	-
Borrowings and finance lease obligations	-	-	(71,209,158)	(35,236,074)	-
Payables	(183,742)	-	(19,754,715)	(35,302,019)	-
Total	**761,133**	-	**(69,299,656)**	**(50,250,624)**	**184,559**

Monetary assets and liabilities of the Group denominated in various currencies as at 31 December 2013 were as follows (equivalent in LTL):

Group	UAH	USD	EUR	LTL	Other
Receivables	2,962,196	-	13,809,161	24,145,220	230,264
Cash and cash equivalents	278,922	-	1,398,567	816,629	-
Borrowings and finance lease obligations	-	-	(49,479,879)	(33,914,192)	-
Payables	(367,606)	-	(13,223,398)	(43,854,846)	-
Total	**2,873,512**	-	**(47,495,549)**	**(52,807,189)**	**230,264**

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

Foreign exchange risk (cont'd)

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

	Increase/decrease in basis points	Effect on the profit before the income tax
2014		
USD	+10	-
USD	-10	-
UAH	+10	7,611
UAH	-10	(7,611)
2013		
USD	+10	-
USD	-10	-
UAH	+10	287,351
UAH	-10	(287,351)

Fair value of financial instruments

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

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

31 December 2014:

Group	Note	Carrying amount	Fair value			
		Total	Level 1	Level 2	Level 3	Total
Financial assets						
Cash and cash equivalents		4,855,352	4,855,352	-	-	4,855,352
Trade and other receivables		36,566,565	-	-	36,566,565	36,566,565
Non-current receivables		1,659,203	-	-	1,659,203	1,659,203
Total financial assets		**43,081,120**	**4,855,352**	**-**	**38,225,768**	**43,081,120**
Financial liabilities						
Interest bearing loans and borrowings		(102,013,116)	-	(102,013,116)	-	(102,013,116)
Finance lease obligations		(4,432,116)	-	(4,432,116)	-	(4,432,116)
Trade payables		(53,210,013)	-	-	(53,210,013)	(53,210,013)
Other current liabilities		(2,030,463)	-	-	(2,030,463)	(2,030,463)
Total financial liabilities		**(161,685,708)**	**-**	**(106,445,232)**	**(55,240,476)**	**(161,685,708)**

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

Fair value of financial instruments (cont'd)

31 December 2013:

Group	Note	Carrying amount	Fair value			
		Total	Level 1	Level 2	Level 3	Total
Financial assets						
Cash and cash equivalents		2,494,118	2,494,118	-	-	2,494,118
Trade and other receivables		40,533,006	-	-	40,533,006	40,533,006
Non-current receivables		613,835	-	-	613,835	613,835
Total financial assets		**43,640,959**	**2,494,118**	**-**	**41,146,841**	**43,640,959**
Financial liabilities						
Interest bearing loans and borrowings		(79,894,324)	-	(79,894,324)	-	(79,894,324)
Finance lease obligations		(3,499,747)	-	(3,499,747)	-	(3,499,747)
Trade payables		(55,709,578)	-	-	(55,709,578)	(55,709,578)
Other current liabilities		(1,736,272)	-	-	(1,736,272)	(1,736,272)
Total financial liabilities		**(140,839,921)**	**-**	**(83,394,071)**	**(57,445,850)**	**(140,839,921)**

31 December 2014:

Company	Note	Carrying amount	Fair value			
		Total	Level 1	Level 2	Level 3	Total
Financial assets						
Cash and cash equivalents		1,045,651	1,045,651	-	-	1,045,651
Trade and other receivables		20,547,904	-	-	20,547,904	20,547,904
Non-current receivables (including loan granted to related party)		5,310,289	-	-	5,310,289	5,310,289
Total financial assets		**26,903,844**	**1,045,651**	**-**	**25,858,193**	**26,903,844**
Financial liabilities						
Interest bearing non-current borrowings		(48,247,691)	-	(48,247,691)	-	(48,247,691)
Finance lease obligations		(2,230,280)	-	(2,230,280)	-	(2,230,280)
Loans from subsidiaries		(8,500,000)	-	(8,500,000)	-	(8,500,000)
Trade payables		(31,372,195)	-	-	(31,372,195)	(31,372,195)
Other current liabilities		(1,016,729)	-	-	(1,016,729)	(1,016,729)
Total financial liabilities		**(91,366,895)**	**-**	**(58,977,971)**	**(32,388,924)**	**(91,366,895)**

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

Fair value of financial instruments (cont'd)

31 December 2013:

Company	Note	Carrying amount	Fair value			
		Total	Level 1	Level 2	Level 3	Total
Financial assets						
Cash and cash equivalents		288,460	288,460	-	-	288,460
Trade and other receivables		19,132,988	-	-	19,132,988	1,487,305
Non-current receivables		1,487,305	-	-	1,487,305	288,460
Total financial assets		**20,908,753**	**288,460**	**-**	**20,620,293**	**20,908,753**
Financial liabilities						
Interest bearing non-current borrowings		(32,855,569)	-	(32,855,569)	-	(32,855,569)
Finance lease obligations		(2,944,322)	-	(2,944,322)	-	(2,944,322)
Loans from subsidiaries		(4,275,614)	-	(4,275,614)	-	(4,275,614)
Trade payables		(17,695,570)	-	-	(17,695,570)	(17,695,570)
Other current liabilities		(606,058)	-	-	(606,058)	(606,058)
Total financial liabilities		**(58,377,133)**	**-**	**(40,075,505)**	**(18,301,628)**	**(58,377,133)**

There were no transfers between levels of the fair value hierarchy in 2014 and 2013 at the Group and the Company. However, the Company and the Group reassessed the allocation of trade and other receivables and trade and other payables from Level 2 to Level 3 fair value category.

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.

The fair value of financial instruments is determined based on observable market inputs, apart from market quoted prices; therefore, the fair value of interest bearing loans and borrowings as well as finance lease obligations is attributed to Level 2; the value of cash is attributed to Level 1. Trade and other receivables as well as trade and other payables are attributed to Level 3 category.

4. Property, plant and equipment

Group	Buildings and structures	Machinery and equipment	Vehicles	Other assets	Construction in progress and prepayments	TOTAL
Cost:						
Balance as at 31 December 2012	**94,507,119**	**185,040,118**	**6,221,751**	**5,648,462**	**10,733,486**	**302,150,936**
Additions	126,301	1,868,463	473,450	1,074,355	47,801,462	51,344,031
Disposals and write-offs	(654,205)	(1,595,558)	(588,504)	(254,762)	(26,312)	(3,119,341)
Transfer from construction in progress to property, plant and equipment	1,741,694	14,685,953	-	62,966	(16,490,613)	-
Reclassifications	(68,252)	199,805	(215,168)	(1,682)	-	(85,297)
Effect of foreign currency translation	(354,265)	(234,404)	(3,914)	(18,350)	-	(610,933)
Balance as at 31 December 2013	**95,298,392**	**199,964,377**	**5,887,615**	**6,510,989**	**42,018,023**	**349,679,396**
Additions	11,323	5,223,154	1,935,685	853,161	61,890,198	69,913,521
Disposals and write-offs	(50,000)	(9,401,486)	(1,798,067)	(363,200)	-	(11,612,753)
Transfer from construction in progress to property, plant and equipment	9,737,290	33,783,592	-	12,881	(43,533,763)	-
Reclassifications	(83)	1,081	11	(1,009)	-	-
Transfer to assets for resale	-	(5,567,811)	-	-	-	(5,567,811)
Effect of foreign currency translation	(2,415,002)	(1,635,777)	(31,143)	(136,276)	-	(4,218,198)
Balance as at 31 December 2014	**102,581,920**	**222,367,130**	**5,994,101**	**6,876,546**	**60,374,458**	**398,194,155**
Accumulated depreciation and impairment:						
Balance as at 31 December 2012	**12,763,760**	**102,009,792**	**3,965,428**	**3,389,756**	**-**	**122,128,736**
Depreciation	4,555,588	20,052,450	735,885	883,004	-	26,226,927
Impairment loss/(reversal)	(6,250)	740	(3,687)	372	-	(8,825)
Disposals and write-offs	(420,049)	(1,581,528)	(564,073)	(247,223)	-	(2,812,873)
Reclassifications	80,340	(48,995)	(41,734)	(54,026)	-	(64,415)
Effect of foreign currency translation	(103,836)	(105,435)	(554)	(6,236)	-	(216,061)
Balance as at 31 December 2013	**16,869,553**	**120,327,024**	**4,091,265**	**3,965,647**	**-**	**145,253,489**
Depreciation	4,605,302	21,240,723	773,457	1,061,259	-	27,680,741
Impairment loss/(reversal)	(3,128)	-	-	-	-	(3,128)
Disposals and write-offs	(49,997)	(8,863,723)	(1,581,546)	(355,797)	-	(10,851,063)
Reclassifications	-	-	-	-	-	-
Transfer to inventories for sale	-	(4,671,426)	-	-	-	(4,671,426)
Effect of foreign currency translation	(821,681)	(845,497)	(4,741)	(49,268)	-	(1,721,187)
Balance as at 31 December 2014	**20,600,049**	**127,187,101**	**3,278,435**	**4,621,841**	**-**	**155,687,426**
Net book value as at 31 December 2013	**78,428,839**	**79,637,353**	**1,796,350**	**2,545,342**	**42,018,023**	**204,425,907**
Net book value as at 31 December 2014	**81,981,871**	**95,180,029**	**2,715,666**	**2,254,705**	**60,374,458**	**242,506,729**

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

Company	Buildings and structures	Machinery and equipment	Vehicles	Other assets	Construction in progress and prepayments	TOTAL
Cost:						
Balance as at 31 December 2012	**32,777,206**	**113,404,902**	**2,087,855**	**2,780,544**	**9,803,525**	**160,854,032**
Additions	129,900	-	156,611	447,835	23,732,924	24,467,270
Disposals and write-offs	(383,244)	(1,384,081)	(342,581)	(207,722)	-	(2,317,628)
Transfer from construction in progress to property, plant and equipment	518,635	9,712,461	-	-	(10,231,096)	-
Reclassifications	-	-	-	-	-	-
Balance as at 31 December 2013	**33,042,497**	**121,733,282**	**1,901,885**	**3,020,657**	**23,305,353**	**183,003,674**
Additions	-	1,100,481	444,516	573,827	50,914,857	53,033,681
Disposals and write-offs	(50,000)	(1,912,162)	(393,024)	(190,362)	-	(2,545,548)
Transfer from construction in progress to property, plant and equipment	2,951,079	11,225,000	-	-	(14,176,079)	-
Reclassifications	-	-	-	-	-	-
Balance as at 31 December 2014	**35,943,576**	**132,146,601**	**1,953,377**	**3,404,122**	**60,044,131**	**233,491,807**
Accumulated depreciation and impairment:						
Balance as at 31 December 2012	**4,394,843**	**55,116,583**	**1,326,902**	**1,990,523**	**-**	**62,828,851**
Depreciation	1,965,333	12,810,916	285,344	346,407	-	15,408,000
Impairment loss/(reversal)	(6,250)	-	-	-	-	(6,250)
Disposals and write-offs	(383,243)	(1,383,576)	(333,741)	(207,654)	-	(2,308,214)
Reclassifications	-	-	-	-	-	-
Balance as at 31 December 2013	**5,970,683**	**66,543,923**	**1,278,505**	**2,129,276**	**-**	**75,922,387**
Depreciation	2,002,650	13,002,738	250,309	387,903	-	15,643,600
Impairment loss/(reversal)	(3,128)	-	-	-	-	(3,128)
Disposals and write-offs	(49,997)	(1,912,145)	(393,020)	(188,195)	-	(2,543,357)
Reclassifications	-	-	-	-	-	-
Balance as at 31 December 2014	**7,920,208**	**77,634,516**	**1,135,794**	**2,328,984**	**-**	**89,019,502**
Net book value as at 31 December 2013	**27,071,814**	**55,189,359**	**623,380**	**891,381**	**23,305,353**	**107,081,287**
Net book value as at 31 December 2014	**28,023,368**	**54,512,085**	**817,583**	**1,075,138**	**60,044,131**	**144,472,305**

As at 31 December 2014 and 2013, the net book value of the Group's and Company's property, plant and equipment acquired under finance lease was as follows:

	Group		Company	
	As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Machinery and equipment	5,020,959	4,708,262	3,419,548	4,470,662
Vehicles	1,885,616	857,579	681,806	453,474
Total	**6,906,575**	**5,565,841**	**4,101,353**	**4,924,136**

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

The depreciation charge of the Group's and the Company's property, plant and equipment for the years 2014 and 2013 is included in the following items in the statement of comprehensive income:

	Group		Company	
	As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Cost of production	26,998,668	25,485,812	15,286,963	15,005,406
General and administrative expenses	434,740	523,973	244,540	286,474
Selling and distribution expenses	247,333	217,142	112,097	116,120
Total	**27,680,741**	**26,226,927**	**15,643,600**	**15,408,000**

As at 31 December 2014, the part of the Group's and the Company's property, plant and equipment with a net book value of LTL 115,596 thousand and LTL 59,582 thousand, respectively (31 December 2013 – LTL 101,032 thousand and LTL 52,508 thousand, respectively) is pledged as a security for repayment of the loans granted by banks (Note 13).

Property, plant and equipment of the Group and the Company with an acquisition cost of LTL 44,450 thousand and LTL 27,100 thousand, respectively, were fully depreciated as at 31 December 2014 (LTL 35,210 thousand and LTL 22,350 thousand as at 31 December 2013, 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	2014			2013		
	Carrying amount	Total estimated costs of the project	Estimated date of completion	Carrying amount	Total estimated costs of the project	Estimated date of comple-tion
Construction of 10 MW steam boiler using renewable energy resources	-	-	finished	8,264,242	12,600,000	2014
Modernization of the existing boiler plant of AB Klaipėdos Kartonas through use of renewable energy resources	-	-	finished	14,801,181	18,000,000	2014
Paper manufacturing machine No 6	51,509,898	53,000,000	2015	14,599,349	53,000,000	2015
Paper manufacturing machine No 6 infrastructure	6,870,930	10,164,000	2015	-	-	-
Other projects	1,993,630	4,311,600	2015	4,353,251	5,191,000	2014
Total	**60,374,458**	**67,475,600**	-	**42,018,023**	**88,791,000**	-

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

Company	2014			2013		
	Carrying amount	Total estimated costs of the project	Estimated date of completion	Carrying amount	Total estimated costs of the project	Estimated date of completion
Construction of 10 MW steam boiler using renewable energy resources	-	-	finished	8,264,242	12,600,000	2014
Paper manufacturing machine No 6	51,509,898	53,000,000	2015	14,599,349	53,000,000	2015
Paper manufacturing machine No 6 infrastructure	6,870,930	10,164,000	2015	-	-	-
Other projects	1,663,303	2,330,000	2015	441,762	788,500	2014
Total	**60,044,131**	**65,494,000**	-	**23,305,353**	**66,388,500**	-

5. Intangible assets

	Group		Company	
	As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Goodwill	10,362,101	10,362,101	-	-
Other intangible assets	4,573,875	5,581,254	1,217,734	1,312,395
Total	**14,935,976**	**15,943,355**	**1,217,734**	**1,312,395**

Goodwill

On 1 March 2010, the Company acquired the AGR Prekyba group, consisting of UAB AGR Prekyba, UAB Avesko, AB Klaipėdos Kartonas and PAT Mena Pak.

At the acquisition of these subsidiaries goodwill of LTL 10,362,101 has been accounted for. The goodwill appeared due to expected synergies. Goodwill is not amortised, but tested annually for impairment.

For the purpose of impairment evaluation, the goodwill as at 31 December 2014 and 2013 was allocated to AB Klaipėdos Kartonas cash generating unit. The recoverable amount of cash generating unit as at 31 December 2014 and 2013 was determined based on the discounted cash flow projections based on the five-year financial forecasts prepared by the management. Significant assumptions used for the assessment of the value in use in 2014 and 2013 are described further.

The forecasted revenues were estimated based on the management assumptions as at 31 December 2014 and 2013 assuming that the growth in revenue will be in line with the estimated inflation rate, ongoing investment in manufacturing equipment productivity and efficiency gain and the actions of sale activation. 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 1% growth rate that reflects the best estimate of the management based on the current situation in the respective industry. The discount rate used by the management was estimated for cash generating unit as a weighted average cost of capital for that particular cash generating unit and is equal to 8% (pre-tax) for cash generating units located in Lithuania. The main assumptions applied in goodwill impairment evaluation were the same in 2014 and 2013.

The assessment of the recoverable amount of the CGU as at 31 December 2014 and 2013 resulted in no impairment of goodwill.

5. Intangible assets (cont'd)

Goodwill (cont'd)

With regard to the assessment of the recoverable amount of the above mentioned cash generating unit as at 31 December 2014 and 2013, 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

Group	Land lease right	Licenses, patents	Software	Other assets and prepayments	TOTAL
Cost:					
Balance as at 31 December 2012	**2,400,000**	**91,409**	**1,888,506**	**3,151,293**	**7,531,208**
Additions	-	37,467	144,663	851,048	1,033,178
Disposals, write-offs	-	-	-	-	-
Reclassifications	-	-	-	-	-
Transfer from prepayments to intangible assets	-	-	1,170,213	(1,170,213)	-
Effect of foreign currency translation	-	-	(1,450)	-	(1,450)
Balance as at 31 December 2013	**2,400,000**	**128,876**	**3,201,932**	**2,832,128**	**8,562,936**
Additions	-	-	27,595	354,842	382,437
Disposals, write-offs	-	-	-	-	-
Reclassifications	-	-	-	-	-
Transfer from prepayments to intangible assets	-	-	490,399	(490,399)	-
Effect of foreign currency translation	-	-	(6,040)	-	(6,040)
Balance as at 31 December 2014	**2,400,000**	**128,876**	**3,713,886**	**2,696,571**	**8,939,333**
Accumulated amortisation:					
Balance as at 31 December 2012	**248,888**	**64,135**	**1,019,236**	**527,038**	**1,859,297**
Amortisation	26,668	10,457	501,984	586,947	1,126,056
Disposals, write-offs	-	-	-	-	-
Reclassifications	-	-	-	-	-
Effect of foreign currency translation	-	-	(3,671)	-	(3,671)
Balance as at 31 December 2013	**275,556**	**74,592**	**1,517,549**	**1,113,985**	**2,981,682**
Amortisation	26,666	22,694	762,091	573,466	1,384,917
Disposals, write-offs	-	-	-	-	-
Reclassifications	-	-	-	-	-
Effect of foreign currency translation	-	-	(1,141)	-	(1,141)
Balance as at 31 December 2014	**302,222**	**97,286**	**2,278,499**	**1,687,451**	**4,365,458**
Net book value as at 31 December 2013	**2,124,444**	**54,284**	**1,684,383**	**1,718,143**	**5,581,254**
Net book value as at 31 December 2014	**2,097,778**	**31,590**	**1,435,387**	**1,009,120**	**4,573,875**

5. Intangible assets (cont'd)

Other intangible assets (cont'd)

Company	Licenses, patents	Software	Other assets and prepayments	TOTAL
Cost:				
Balance as at 31 December 2012	**91,409**	**1,597,958**	**660,968**	**2,350,335**
Additions	37,467	119,722	271,501	428,690
Disposals, write-offs	-	-	-	-
Reclassifications	-	-	-	-
Balance as at 31 December 2013	**128,876**	**1,717,680**	**932,469**	**2,779,025**
Additions	-	15,595	327,328	342,923
Disposals, write-offs	-	-	-	-
Reclassifications	-	-	-	-
Transfer from construction in progress	-	399,730	(399,730)	-
Balance as at 31 December 2014	**128,876**	**2,133,005**	**860,067**	**3,121,948**
Accumulated amortisation:				
Balance as at 31 December 2012	**64,135**	**882,272**	**91,438**	**1,037,845**
Amortisation	10,457	285,583	132,745	428,785
Disposals, write-offs	-	-	-	-
Reclassifications	-	-	-	-
Balance as at 31 December 2013	**74,592**	**1,167,855**	**224,183**	**1,466,630**
Amortisation	22,694	295,629	119,261	437,584
Disposals, write-offs	-	-	-	-
Reclassifications	-	-	-	-
Balance as at 31 December 2014	**97,286**	**1,463,484**	**343,444**	**1,904,214**
Net book value as at 31 December 2013	**54,284**	**549,825**	**708,286**	**1,312,395**
Net book value as at 31 December 2014	**31,590**	**669,521**	**516,623**	**1,217,734**

The Group and the Company have not capitalised any internally generated intangible assets. Amortisation expenses of intangible assets are included in the following captions in the statement of comprehensive income:

	Group		Company	
	As at 31 December 2014	**As at 31 December 2013**	**As at 31 December 2014**	**As at 31 December 2013**
Cost of production	1,149,897	795,591	303,306	309,548
General and administrative expenses	223,182	327,303	134,278	119,237
Selling and distribution expenses	11,838	3,162	-	-
Total	**1,384,917**	**1,126,056**	**437,584**	**428,785**

Part of the non-current intangible assets of the Group and the Company with the acquisition value of LTL 831 thousand and LTL 371 thousand, respectively as at 31 December 2014 was fully amortised (LTL 485 thousand and LTL 337 thousand as at 31 December 2013, respectively) but was still in use.

As at 31 December 2014 and 31 December 2013, the Group's land lease rights with a carrying value of LTL 2,098 thousand are pledged as a security for repayment of the loan granted by banks (Note 13).

6. Investment property

Group

Cost:	Buildings
Balance as at 31 December 2013	**3,620,000**
Additions	-
Disposals	-
Balance as at 31 December 2014	**3,620,000**
Accumulated depreciation:	
Balance as at 31 December 2013	**522,532**
Depreciation	108,845
Disposals	-
Balance as at 31 December 2014	**631,377**
Net book value as at 31 December 2013	**3,097,468**
Net book value as at 31 December 2014	**2,988,623**

Company

Cost:	Buildings
Balance as at 31 December 2013	**3,620,000**
Additions	-
Disposals	-
Balance as at 31 December 2014	**3,620,000**
Accumulated depreciation:	
Balance as at 31 December 2013	**522,532**
Depreciation	108,845
Disposals	-
Balance as at 31 December 2014	**631,377**
Net book value as at 31 December 2013	**3,097,468**
Net book value as at 31 December 2014	**2,988,623**

Investment property represents buildings, located at Vilniaus St. 10 and Popieriaus St. in Naujieji Verkiai. Part of the investment properties are rented to third parties. Rent contracts are open-ended. Depreciation charge is included in general and administrative expenses.

Fair value measurement

The cost of investment property was determined based on the independent valuation of the property carried out on 31 December 2010. Management assessed that the changes in the real estate market during 2013 and 2014 did not have significant impact of the net book value of the investment property.

The fair value measurement for investment property has been categorised as a Level 3 fair value.

Group and Company	Carrying amount		Fair value (Level 3)	
	As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Investment property	2,988,623	3,097,468	2,988,623	3,097,468
Total	**2,988,623**	**3,097,468**	**2,988,623**	**3,097,468**

7. Inventories

	Group		Company	
	As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Raw materials	13,320,285	10,018,255	4,193,082	3,848,642
Work in progress	1,542,873	4,296,003	1,168,365	1,849,556
Finished goods	11,049,631	10,155,720	4,709,397	3,901,941
Goods in transit	453,041	165,982	239,064	-
TOTAL:	**26,365,830**	**24,635,960**	**10,309,908**	**9,600,139**

The cost of the Group's and the Company's inventories was decreased by LTL 808 thousand and LTL 792 thousand, respectively (31 December 2013 – LTL 1,197 thousand and LTL 1,182 thousand, respectively) in order to reach net realisable value as at 31 December 2014. Net realisable value adjustment was accounted for under cost of sales.

As described in the Note 13, as at 31 December 2014 the Group and the Company have pledged inventory with a carrying value of LTL 20,431 thousand and LTL 4,000 thousand respectively (31 December 2013 – LTL 18,814 thousand and LTL 4,000 thousand, respectively) as a collateral to the banks for the loans received.

8. Accounts receivable

	Group		Company	
	As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Trade receivables, gross	35,322,534	37,107,705	19,895,100	18,494,446
Loans issued to subsidiary	-	-	4,161,048	1,257,338
Other non-current receivables	1,659,203	613,835	1,149,241	229,967
Other receivables, gross	2,147,566	3,934,570	916,481	950,741
	39,129,303	**41,656,110**	**26,121,870**	**20,932,492**
Less: allowance for doubtful trade receivables	(903,535)	(509,269)	(263,677)	(312,199)
Total amounts receivable, net	**38,225,768**	**41,146,841**	**25,858,193**	**20,620,293**
from this amount:				
Total non-current receivables	**1,659,203**	**613,835**	**5,310,289**	**1,487,305**
Total current receivables	**36,566,565**	**40,533,006**	**20,547,904**	**19,132,988**

Information on loans provided to related parties are presented under Note 26.

Change in allowance for doubtful trade receivables for the year 2014 and 2013 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. For further analysis of credit risk please refer to Note 3. Information on receivables from related parties is presented under Note 26. As at 31 December 2014 and 2013 the Group's and the Company's trade receivables amounting to LTL 8,428 thousand (31 December 2013 – LTL 9,643 thousand) were pledged to banks as collateral for the loans received (Note 13).

8. Accounts receivable (cont'd)

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

	Group		Company	
	2014	2013	2014	2013
Balance as at 1 January	**509,269**	**700,900**	**312,199**	**295,559**
Charge for the year	495,780	16,640	52,992	16,640
Reversed during the year	-	(208,271)	-	-
Receivables written off as uncollectible	(101,514)	-	(101,514)	-
Balance as at 31 December	**903,535**	**509,269**	**263,677**	**312,199**

Impairment allowance booked by the Group and the Company is related to trade receivables as at 31 December 2014 and 2013.

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 neither past due nor impaired	Trade receivables past due but not impaired					Total
		Less than 30 days	30-60 days	60-90 days	90-360 days	More than 360 days	
2013	33,046,293	7,105,665	450,497	203,113	47,785	293,488	41,146,841
2014	31,971,391	5,862,198	245,405	76,401	70,373	-	38,225,768

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

	Trade receivables neither past due nor impaired	Trade receivables past due but not impaired					Total
		Less than 30 days	30-60 days	60-90 days	90-360 days	More than 360 days	
2013	17,021,901	3,445,284	87,787	27,977	37,344	-	20,620,293
2014	23,282,141	2,486,355	74,763	10,934	4,000	-	25,858,193

9. Cash and cash equivalents

	Group		Company	
	As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Cash at bank	4,851,571	2,337,434	1,042,229	258,155
Cash on hand	3,781	156,684	3,422	30,305
TOTAL:	**4,855,352**	**2,494,118**	**1,045,651**	**288,460**

As at 31 December 2014 and 2013 bank accounts of the Group amounting to LTL 4,065 thousand (2013: LTL 1,483 thousand) and the Company amounting to LTL 1,036 thousand (2013: LTL 254 thousand) are pledged to banks for loans, as described further in Note 13. As at 31 December 2014 and 2013, there were no restrictions on use of cash balances held in the pledged accounts.

10. Share capital and reserves

Share capital

The share capital of the Company was LTL 65,700 thousand as at 31 December 2014 and 31 December 2013. It is divided into 65,700 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 2014 and 2013.

As at 31 December 2014 and 31 of December 2013 the shareholders of the Company were:

	2014		2013	
	Number of shares	Proportion of ownership, %	Number of shares	Proportion of ownership, %
Lithuanian legal entities	25,990,733	39.6	26,514,716	40.4
Lithuanian individuals	30,031,016	45.7	29,739,968	45.3
Foreign legal entities	8,340,672	12.7	9,045,365	13.8
Foreign individuals	1,337,579	2.0	399,951	0.5
TOTAL:	**65,700,000**	**100**	**65,700,000**	**100**

Three major shareholders as at 31 December 2014 and 31 December 2013 are listed below:

	2014		2013	
	Number of shares	Proportion of ownership, %	Number of shares	Proportion of ownership, %
UAB Ginvildos Investicija	25,582,407	38.94	25,582,407	38.94
Raiffeisen Bank International AG	5,469,967	8.33	5,639,967	8.58
Mišeikienė Irena Ona	7,472,585	11.37	8,898,475	13.54
TOTAL:	**38,524,959**	**58.64**	**40,120,849**	**61.06**

Share premium

The Company's authorised capital was increased after the new issue of shares of the total nominal value of LTL 5,700,000, following the resolutions of the annual general meeting of shareholders of the Company held on 26 April 2013. The nominal value per share is LTL 1, while the emission of shares was issued for EUR 0.51 per share (equivalent in LTL – 1.76). Share premium is a difference between the nominal value and emission price of shares, less expenses related to emission of shares.

Reserves

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

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

11. Capital management

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

The Group and the Company manage their capital structure and make adjustments to it in the light of changes in economic conditions and the risk characteristics of their 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 2014 and 2013.

On 30 May 2013 the amended Articles of Association of GRIGIŠKĖS AB were registered with the Register of Legal Entities after the increase of the authorised capital of the Company up to LTL 65,700,000 and the Company's shares of the new issue (5,700,000 units) were introduced to the Main List of AB NASDAQ OMX Vilnius stock exchange and admitted to trading. The authorised capital of the Company was increased after the placement of a new issue of the Company's shares, of the total nominal value of LTL 5,700,000, following the resolutions of the annual general meeting of shareholders of the Company held on 26 April 2013.

The funds received upon the issue of shares were intended for financing the planned investment projects. As it has been declared, investments were intended for acquisition and construction of a new paper manufacturing machine and for construction of new boiler houses. The aims of these projects include increase of production capacities and sales, as well as reduction of energy costs. New boiler house was finished and started to be used in 2014, the new paper machine is expected to be finished in 2015, as referred to in Note 4.

The Group and the Company are obliged to maintain its equity at not less than 50% of its share capital (comprised of share capital and share surplus), as imposed by the Law on Companies of the Republic of Lithuania. There were no other externally imposed capital requirements on the Group and the Company. As at 31 December 2014 and 2013 the Company was not in breach of the above mentioned requirement.

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

	Group		Company	
	2014	2013	2014	2013
Non-current liabilities (excluding subsidies, grants and deferred tax liability)	70,193,967	62,147,398	31,818,715	26,119,597
Current liabilities	99,210,832	87,524,853	62,524,190	35,573,432
Total liabilities	**169,404,799**	**149,672,251**	**94,342,905**	**61,693,029**
Equity, attributable to equity holders of the parent	**140,802,271**	**124,813,010**	**123,197,877**	**114,753,794**
Debt to equity ratio	**120%**	**120%**	**77%**	**54%**

12. Grants and subsidies

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

	Group	Company
Balance as at 31 December 2012	**8,214,716**	**8,099,580**
Received	7,002,360	1,780,000
Amortisation	(1,067,080)	(1,027,623)
Balance as at 31 December 2013	**14,149,996**	**8,851,957**
Received	5,697,051	4,285,811
Amortisation	(1,711,970)	(1,199,825)
Balance as at 31 December 2014	**18,135,077**	**11,937,943**

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 Group implemented construction of two bio-fuel boiler houses and installation of biodegradable waste treatment system. Grants were received in 2013 and in 2014 after completion of the Projects.

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.

13. Borrowings

	Group		Company	
	As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Non-current borrowings:				
Bank borrowings secured by the Group assets	66,697,021	59,106,353	25,775,643	19,766,430
	66,697,021	**59,106,353**	**25,775,643**	**19,766,430**
Current borrowings:				
Current portion of non-current bank borrowings secured by the Group's assets	26,372,962	12,249,759	17,334,788	4,944,803
Current bank borrowings secured by the Group's assets	8,943,133	8,538,212	5,137,260	8,144,336
	35,316,095	**20,787,971**	**22,472,048**	**13,089,139**
TOTAL:	**102,013,116**	**79,894,324**	**48,247,691**	**32,855,569**

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

	Group		Company	
	2014	2013	2014	2013
LTL	35,236,074	33,914,192	20,060,037	25,432,416
EUR	66,777,042	45,980,132	28,187,654	7,423,153
TOTAL:	**102,013,116**	**79,894,324**	**48,247,691**	**32,855,569**

As at 31 December 2014 the Group and the Company had unused borrowings and overdrafts of LTL 19,578 thousand and LTL 18,384 thousand, respectively (2013: LTL 52,144 thousand and LTL 37,138 thousand, respectively).

Information on borrowings from related parties is presented under Note 26.

13. Borrowings (cont'd)

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 2014 and 2013 the Company and the Group complied with all the mentioned debt covenants.

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 2014 and 2013 the Company's and the Group's interest rates are variable and depend on VILIBOR, LIBOR or EURIBOR and on the margin agreed with the bank which meets the market conditions. In 2014 and 2013, the period of re-pricing of floating interest rates on borrowings varies from 1 month to 12 months.

For analysis of liquidity risk please refer to Note 3.

Pledged assets

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

The following interest rate bases are set for the borrowings as at 31 December 2014:

Group	Currency	Nominal interest rate base	Repayment period	Carrying amount
Overdraft	LTL	VILIBOR	2015	5,137,260
Secured bank loan	EUR	EURIBOR	2014–2015	6,560,320
Secured bank loan	EUR	EURIBOR	2015–2017	19,832,883
Secured bank loan	EUR	EURIBOR	2014–2016	1,794,451
Secured bank loan	LTL	VILIBOR	2012–2018	8,672,777
Secured bank loan	LTL	VILIBOR	2016	6,250,000
Secured bank loan	LTL	VILIBOR	2016	6,800,000
Secured bank loan	LTL	VILIBOR	2015	409,116
Overdraft	LTL	VILIBOR	2015	1,153,610
Overdraft	LTL	VILIBOR	2015	1,655,000
Overdraft	LTL	VILIBOR	2015	997,263
Secured bank loan	EUR	EURIBOR	2018	10,619,629
Secured bank loan	EUR	EURIBOR	2012–2019	32,130,807
TOTAL:				**102,013,116**

Company	Currency	Nominal interest rate base	Repayment period	Carrying amount
Overdraft	LTL	VILIBOR	2015	5,137,260
Secured bank loan	EUR	EURIBOR	2014–2015	6,560,320
Secured bank loan	EUR	EURIBOR	2015–2017	19,832,883
Secured bank loan	EUR	EURIBOR	2014–2016	1,794,451
Secured bank loan	LTL	VILIBOR	2012–2018	8,672,777
Secured bank loan	LTL	VILIBOR	2016	6,250,000
TOTAL:				**48,247,691**

13. Borrowings (cont'd)

The following interest rate bases are set for the borrowings as at 31 December 2013:

Group	Currency	Nominal interest rate base	Repayment period	Carrying amount
Overdraft	LTL	VILIBOR	2014	8,144,336
Overdraft	LTL	VILIBOR	2014	393,876
Secured bank loan	EUR	EURIBOR	2014–2015	2,570,926
Secured bank loan	EUR	EURIBOR	2015–2017	1,450,176
Secured bank loan	EUR	EURIBOR	2014–2016	3,222,758
Secured bank loan	LTL	VILIBOR	2012–2018	11,038,080
Secured bank loan	LTL	VILIBOR	2015	6,250,000
Secured bank loan	EUR	LIBOR	2012–2014	179,293
Secured bank loan	LTL	VILIBOR	2015	6,800,000
Secured bank loan	LTL	VILIBOR	2013–2015	954,564
Secured bank loan	LTL	VILIBOR	2014	333,336
Secured bank loan	EUR	EURIBOR	2012–2019	38,556,979
TOTAL:				**79,894,324**

Company	Currency	Nominal interest rate base	Repayment period	Carrying amount
Overdraft	LTL	VILIBOR	2014	8,144,336
Secured bank loan	EUR	EURIBOR	2014–2015	2,570,926
Secured bank loan	EUR	EURIBOR	2015–2017	1,450,176
Secured bank loan	EUR	EURIBOR	2014–2016	3,222,758
Secured bank loan	LTL	VILIBOR	2012–2018	11,038,080
Secured bank loan	LTL	VILIBOR	2015	6,250,000
Secured bank loan	EUR	LIBOR	2012–2014	179,293
TOTAL:				**32,855,569**

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

	Group		Company	
	As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Within one year	26,372,962	12,249,759	17,334,788	4,944,803
In the period of five years	60,270,902	52,793,878	25,775,643	19,766,430
After 5 years	6,426,119	6,312,475	-	-
TOTAL:	**93,069,983**	**71,356,112**	**43,110,431**	**24,711,233**

14. Finance lease obligations

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

As at 31 December 2014 the interest rate on the finance lease obligations fluctuates from 6 month EURIBOR or 3-6 months EUR LIBOR (as at 31 December 2013 fluctuates from 6 month EURIBOR or 3-6 months EUR LIBOR).

14. Finance lease obligations (cont'd)

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

	Group		Company	
	As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Within one year	2,102,129	1,400,105	1,168,985	1,137,549
From one to five years	2,431,298	2,190,176	1,099,374	1,877,258
Total finance lease obligations	**4,533,427**	**3,590,281**	**2,268,359**	**3,014,807**
Interest	(101,311)	(90,534)	(38,079)	(70,485)
Present value of finance lease obligations	**4,432,116**	**3,499,747**	**2,230,280**	**2,944,322**
Finance lease obligations are accounted for as:				
- current	2,044,185	1,349,810	1,143,280	1,098,956
- non-current	2,387,931	2,149,937	1,087,000	1,845,366

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

15. Non-current employee benefits

As at 31 December 2014 and 2013 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.

	Group	Company
As at 31 December 2012	648,608	169,349
Change during the year 2013	118,199	134,457
As at 31 December 2013	766,807	303,806
Change during the year 2014	(86,609)	37,762
As at 31 December 2014	680,198	341,568

Actuarial gains and losses during 2014 and 2013 were insignificant; therefore, they were not separated and disclosed in the statement of other comprehensive income.

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

	As at 31 December 2014	As at 31 December 2013
Discount rate	2.84%	4.58%
Anticipated annual salary increase	5.00%	5.00%

16. Trade payables and other current liabilities

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

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

	Group		Company	
	As at 31 December 2014	**As at 31 December 2013**	**As at 31 December 2014**	**As at 31 December 2013**
Trade payables	53,210,013	55,709,578	31,372,195	17,891,490
Taxes, salaries and social insurance	4,923,646	7,270,331	2,164,854	2,805,681
Advances received	519,230	221,779	154,399	82,108
Other payables	2,030,463	1,736,272	1,016,729	606,058
TOTAL:	**60,683,352**	**64,937,960**	**34,708,177**	**21,385,337**

17. Segment information

Operating segments

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

Group 2014	Paper and paper products	Hardboard and wood products	Raw material for corrugated cardboard and related production	Unallocated	Elimination	TOTAL
Sales	110,299,710	68,757,226	163,216,539	1,383,853	-	**343,657,328**
Sales between segments	-	(10,050,817)	(22,827,518)	(16,774,783)	49,653,118	-
Non-consolidated segment sales	110,299,710	78,808,043	186,044,057	18,158,636	(49,653,118)	**343,657,328**
Cost of sales	(87,734,828)	(54,918,996)	(136,525,352)	(921,544)	-	**(280,100,720)**
Gross profit	**22,564,882**	**13,838,230**	**26,691,187**	**462,309**	-	**63,556,608**
Depreciation and amortisation	8,511,101	4,129,394	12,379,527	4,154,481	-	**29,174,503**
Segment property, plant and equipment, investment property and intangible assets	93,535,699	25,702,366	92,410,600	38,420,562	-	**250,069,227**
Goodwill	-	-	10,362,101	-	-	**10,362,101**
Segment capital expenditure	42,169,729	3,559,795	14,565,312	10,001,122	-	**70,295,958**

17. Segment information (cont'd)

Group 2013	Paper and paper products	Hardboard and wood products	Raw material for corrugated cardboard and related production	Unallocated	Elimination	TOTAL
Sales	98,535,483	74,222,521	155,415,989	605,411	-	**328,779,404**
Sales between segments	-	(9,381,473)	(17,219,014)	(19,081,594)	45,682,081	-
Non-consolidated segment sales	98,535,483	83,603,994	172,635,003	18,178,514	(45,682,081)	**328,779,404**
Cost of sales	(79,208,506)	(61,391,817)	(135,726,821)	(474,050)	-	**(276,801,194)**
Gross profit	**19,326,977**	**12,830,704**	**19,689,168**	**131,361**	-	**51,978,210**
Depreciation and amortisation	8,304,048	4,497,961	10,405,978	4,285,174	-	**27,493,161**
Segment property, plant and equipment, investment property and intangible assets	56,487,000	27,687,689	92,960,520	35,969,420	-	**213,104,629**
Goodwill	-	-	10,362,101	-	-	**10,362,101**
Segment capital expenditure	15,887,332	4,222,850	23,664,774	8,602,253	-	**52,377,209**

[1] Unallocated sales include sales not attributable to either of the listed segments, namely sales of heating energy (steam) (as the Company has its own steam house) and other utilities services (in total for 2014 – LTL 1,384 thousand and for 2013 – LTL 605 thousand).

[2] Unallocated cost of sales includes costs related to unallocated sales (for 2014 – LTL 922 thousand and for 2013 – LTL 474 thousand), identifiable as expenses for purchases of wood and gas needed for energy production.

[3] Unallocated depreciation and amortisation, property, plant and equipment and intangible assets, and capital expenditure are related to energy and other utilities services sales.

Company 2014	Paper and paper products	Raw material for corrugated cardboard, and related production	Unallocated	TOTAL
Sales	110,299,710	38,658,896	18,158,636	**167,117,242**
Cost of sales	(87,734,828)	(33,124,738)	(17,224,663)	**(138,084,229)**
Gross profit	**22,564,882**	**5,534,158**	**933,973**	**29,033,013**
Depreciation and amortisation	8,511,101	3,524,446	4,154,482	**16,190,029**
Segment property, plant and equipment, investment property and intangible assets	93,535,699	16,722,401	38,420,562	**148,678,662**
Segment capital expenditure	42,169,729	1,205,753	10,001,122	**53,376,604**

17. Segment information (cont'd)

Company 2013	Paper and paper products	Raw material for corrugated cardboard, and related production	Unallocated	TOTAL
Sales	98,535,483	30,392,675	19,687,005	**148,615,163**
Cost of sales	(79,208,506)	(27,089,743)	(18,678,452)	**(124,976,701)**
Gross profit	**19,326,977**	**3,302,932**	**1,008,553**	**23,638,462**
Depreciation and amortisation	8,304,048	3,387,742	4,285,173	**15,976,963**
Segment property, plant and equipment, investment property and intangible assets	56,487,000	19,034,730	35,969,420	**111,491,150**
Segment capital expenditure	15,887,332	406,375	8,602,253	**24,895,960**

[1] Unallocated sales include sales not attributable to either of the listed segments, namely sales of heating energy (steam) (as the Company has its own steam house) and other utilities services (in total for 2014 – LTL 18,159 thousand and for 2013 – LTL 19,687 thousand).
[2] Unallocated cost of sales includes costs related to unallocated sales (for 2014 – LTL 17,225 thousand and for 2013 – LTL 18,678 thousand), identifiable as expenses for purchases of wood needed for energy production and other utilities services.
[3] Unallocated depreciation and amortisation, property, plant and equipment, investment property and intangible assets, and capital expenditure are related to energy and sales of other utilities services.

Payroll related expenses included in the Group's and the Company's cost of sales in 2014 amount to LTL 33,641 thousand and LTL 13,187 thousand, respectively (in 2013 – LTL 33,467 thousand and LTL 11,680 thousand, respectively).

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:

	Group		Company	
	2014	**2013**	**2014**	**2013**
Domestic market (Lithuania)	**112,399,204**	**114,869,597**	**83,823,064**	**77,294,732**
Foreign market				
Poland	83,135,810	57,638,820	14,891,530	9,741,468
Latvia	23,433,226	26,909,765	18,361,716	16,822,063
Estonia	23,010,822	22,354,196	14,905,471	10,639,299
Ukraine	21,911,057	33,960,073	1,835,546	1,726,930
Denmark	13,127,126	15,067,910	11,536,994	13,229,701
Finland	12,534,786	11,127,412	7,582,304	5,836,515
Belarus	12,153,144	9,833,486	1,933,714	1,772,583
Sweden	9,885,617	12,798,715	4,548,660	5,140,636
Germany	5,976,647	3,123,280	518,683	117,971
The Netherlands	5,857,013	1,077,612	2,906,745	-
Great Britain	4,499,437	123,814	-	-
Czech Republic	3,776,439	775,314	123,720	-
Russia	3,686,331	5,026,636	1,543,507	2,035,581
Italy	2,588,997	4,696,344	-	-
Hungary	2,497,555	2,883,441	964,520	1,469,469
Slovakia	740,808	3,207,735	537,713	2,092,014
Norway	571,251	78,792	571,251	78,792
France	393,990	1,097,685	-	-
Other countries	1,478,068	2,128,777	532,104	617,409
Foreign market, total	**231,258,124**	**213,909,807**	**83,294,178**	**71,320,431**
TOTAL:	**343,657,328**	**328,779,404**	**167,117,242**	**148,615,163**

17. Segment information (cont'd)

Split by geographical areas (cont'd)

Property, plant and equipment and investment property location:

	Group		Company	
	2014	2013	2014	2013
Lithuania	242,259,343	201,115,549	147,460,928	110,178,755
Ukraine	3,236,009	6,407,826	-	-
TOTAL:	**245,495,352**	**207,523,375**	**147,460,928**	**110,178,755**

18. Other operating income

	Group		Company	
	2014	2013	2014	2013
Gain from sale of emission allowances	2,080,312	48,394	2,080,312	-
Rental income	259,104	291,642	267,699	271,440
Gain on sale of scrap	440,162	721,274	38,870	161,265
Insurance compensations	72,634	223,826	22,180	127,905
Gain from disposal of property, plant and equipment	413,011	298,222	256,992	85,803
Other income	1,019,822	497,402	625,797	454,157
TOTAL:	**4,285,045**	**2,080,760**	**3,291,850**	**1,100,570**

19. Other operating expenses

	Group		Company	
	2014	2013	2014	2013
Expenses related to rented property	-	203,725	13,297	42,322
Insurance expenses	96,735	114,115	23,122	36,051
Other expenses	784,926	159,247	833,014	322,797
TOTAL:	**881,661**	**477,087**	**869,433**	**401,170**

20. Selling and distribution expenses

	Group		Company	
	2014	2013	2014	2013
Fuel and transportation services	15,303,746	15,462,835	5,177,130	4,315,407
Salaries and social insurance	4,143,163	3,952,872	2,537,355	2,304,782
Mediation, marketing, promotion and representation	3,477,517	2,712,932	3,152,923	2,490,186
Asset repair and maintenance	440,826	445,627	291,255	315,961
Depreciation and amortisation	259,171	220,304	112,097	116,120
Other sales expenses	1,678,363	678,908	682,764	379,923
TOTAL:	**25,302,786**	**23,473,478**	**11,953,524**	**9,922,379**

21. General and administrative expenses

	Group		Company	
	2014	2013	2014	2013
Salaries and social insurance	7,360,562	6,023,647	3,193,169	2,990,115
Taxes, except for income tax	1,540,628	1,311,233	648,234	528,387
Fuel and transportation services	178,565	155,701	94,239	95,537
Bank charges	205,091	327,101	68,643	161,682
Asset repair and maintenance	932,443	775,519	495,548	525,354
Depreciation and amortisation	766,767	991,454	487,663	545,889
Security services	461,070	466,137	180,164	179,389
Insurance services	403,378	427,743	165,624	164,930
Consulting services	197,388	218,790	163,800	141,010
Communication services	95,546	117,816	26,306	44,456
Professional services	183,640	236,413	102,298	136,852
Advertising and representation	202,581	122,485	98,437	60,582
Support	84,417	119,972	48,917	92,931
Listing of securities and related costs	107,375	108,370	99,633	102,955
Allowance (reversal) for impairment of doubtful receivables	394,266	(191,631)	(48,522)	16,640
Other administrative expenses	1,253,496	1,787,783	884,207	840,188
TOTAL:	**14,367,213**	**12,998,533**	**6,708,360**	**6,626,897**

22. Finance income and expenses

	Group		Company	
	2014	2013	2014	2013
Interest income	43,402	11,968	179,268	19,306
Foreign exchange gains, net value	-	-	-	-
Other finance income (Note 1)	206,724	166,277	2,796	1,224
Total finance income	**250,126**	**178,245**	**182,064**	**20,530**
Interest on loans and leases	(1,581,255)	(1,765,138)	(656,310)	(678,200)
Net foreign exchange losses	(76,203)	(443,680)	(35,278)	(25,621)
Other finance expenses	(6,587)	(87,749)	(5,198)	(7,356)
Total finance expenses	**(1,664,045)**	**(2,296,567)**	**(696,786)**	**(711,177)**
Finance income and expenses, net	**(1,413,919)**	**(2,118,322)**	**(514,722)**	**(690,647)**

The Group and the Company capitalise borrowing costs for all qualifying assets where construction was commenced on or after 1 January 2009. In 2014 the Group and the Company capitalised borrowing costs of LTL 587,055 and 423,057 respectively (in 2013 – LTL 172,269 thousand and LTL 121,636 thousand, respectively).

Foreign exchange loss in the Group in 2014 and 2013 is generated by subsidiary PAT Mena Pak, which is operating in Ukraine.

23. Income tax

Components of income tax expenses	Group		Company	
	2014	2013	2014	2013
Current income tax	2,866,632	1,681,646	955,511	604,188
Correction of income tax for previous periods	(286,526)	(1,584)	(167,578)	(1,605)
Deferred income tax (income)	(416,892)	160,348	(238,192)	(169,981)
Income tax expenses (income) recorded in the statement of comprehensive income	**2,163,214**	**1,840,410**	**549,741**	**432,602**

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

	Group		Company	
	2014	2013	2014	2013
Profit before tax	**25,876,074**	**14,991,550**	**12,278,824**	**7,097,939**
Income tax expenses computed at 15%	3,881,411	2,248,733	1,841,824	1,064,691
Effect of higher tax rate in Ukraine	(3,848)	(8,844)	-	-
Effect of change in tax rate	-	-	-	-
Change in not recognised deferred tax asset	(437,994)	54,753	(68,211)	54,753
Correction of income tax for previous periods	(286,526)	(1,584)	(167,578)	(1,605)
Effect of utilized tax incentive due to investment projects	(1,128,150)	(881,700)	(1,128,150)	(881,700)
Non-deductible expenses	138,321	429,052	71,856	196,463
Income tax expenses (income) reported in the statement of comprehensive income	**2,163,214**	**1,840,410**	**549,741**	**432,602**

23. Income tax (cont'd)

	Group		Company	
	As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Deferred income tax asset				
Allowance for accounts receivable	121,981	79,136	39,552	46,830
Investment incentive	1,128,150	881,700	1,128,150	881,700
Write-down of inventories to net realisable value	118,754	177,473	118,754	177,248
Non-current employee benefits	73,397	115,021	51,235	45,571
Vacation accrual	451,146	444,339	245,321	221,596
Tax loss carry forward	-	-	-	-
Other accruals	-	7,160	-	-
Deferred income tax asset before valuation allowance	**1,893,428**	**1,704,829**	**1,583,012**	**1,372,945**
Less: valuation allowance	(158,306)	(224,078)	(158,306)	(224,078)
Deferred income tax asset, net of valuation allowance	**1,735,122**	**1,480,751**	**1,424,706**	**1,148,867**
Deferred income tax liability				
Intangible assets (land lease right)	(314,667)	(318,667)	-	-
Property, plant and equipment (investment incentive)	(113,544)	(171,547)	(58,563)	(83,137)
Property, plant and equipment revaluation (deemed cost)	(2,916,583)	(3,078,610)	(671,172)	(670,460)
Property, plant and equipment (repairs incentive)	(51,517)	(53,394)	(51,517)	(53,394)
Capitalised borrowing costs	(81,631)	(18,245)	(81,631)	(18,245)
Deferred income tax liability	**(3,477,942)**	**(3,640,463)**	**(862,883)**	**(825,236)**
Deferred income tax, net	**(1,742,820)**	**(2,159,712)**	**561,823**	**323,631**

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.

23. Income tax (cont'd)

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

Group	As at 31 December 2012	Recognised in statement of comprehensive income	As at 31 December 2013	Recognised in statement of comprehensive income	As at 31 December 2014
Intangible assets	(2,151,113)	26,668	(2,124,445)	26,665	(2,097,780)
Property, plant and equipment (investment incentive)	(1,465,924)	322,277	(1,143,647)	262,978	(880,669)
Property, plant and equipment	(20,747,340)	223,272	(20,524,068)	1,203,888	(19,320,180)
Investment incentive	5,555,000	323,000	5,878,000	1,643,000	7,521,000
Property, plant and equipment (repairs incentive)	(368,474)	12,511	(355,963)	12,511	(343,452)
Non-current employee benefits	648,608	118,199	766,807	(86,609)	680,198
Allowance for accounts receivable	743,979	(216,399)	527,580	285,627	813,207
Write-down to net realisable value	881,693	301,460	1,183,153	(391,462)	791,691
Vacation accrual	2,476,369	485,891	2,962,260	(218,890)	2,743,370
Tax loss carry forward	2,204,400	(2,204,400)	-	-	-
Capitalised borrowing costs	-	(121,636)	(121,636)	(422,570)	(544,206)
Other	22,542	25,191	47,733	25,652	73,385
Total temporary differences before valuation allowance	**(12,200,260)**	**(703,966)**	**(12,904,226)**	**2,340,790**	**(10,563,436)**
Valuation allowance	(1,128,832)	(365,022)	(1,493,854)	438,490	(1,055,364)
Total temporary differences	**(13,329,092)**	**(1,068,988)**	**(14,398,080)**	**2,779,280**	**(11,618,800)**
Deferred income tax, net	**(1,999,364)**	**(160,348)**	**(2,159,712)**	**416,892**	**(1,742,820)**
Change in temporary differences		(160,348)		416,892	

23. 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 2012	Recognised in statement of comprehensive income	As at 31 December 2013	Recognised in statement of comprehensive income	As at 31 December 2014
Property, plant and equipment (investment incentive)	(777,351)	223,099	(554,252)	163,829	(390,423)
Property, plant and equipment	(4,752,840)	283,110	(4,469,730)	(4,748)	(4,474,478)
Investment incentive	5,555,000	323,000	5,878,000	1,643,000	7,521,000
Property, plant and equipment (repairs incentive)	(368,474)	12,511	(355,963)	12,511	(343,452)
Non-current employee benefits	169,349	134,457	303,806	37,762	341,568
Allowance for accounts receivable	295,559	16,640	312,199	(48,522)	263,677
Write-down of inventories to net realisable value	833,273	348,382	1,181,655	(389,964)	791,691
Vacation accrual	1,198,650	278,657	1,477,307	158,164	1,635,471
Capitalised borrowing costs	-	(121,636)	(121,636)	(422,570)	(544,206)
Total temporary differences before valuation allowance	**2,153,166**	**1,498,220**	**3,651,386**	**1,149,462**	**4,800,848**
Valuation allowance	(1,128,832)	(365,022)	(1,493,854)	438,486	(1,055,368)
Total temporary differences	**1,024,334**	**1,133,198**	**2,157,532**	**1,587,948**	**3,745,480**
Deferred income tax, net	**153,650**	**169,981**	**323,631**	**238,192**	**561,823**
Change in temporary differences		169,981		238,192	

Deferred income tax asset and liability, related to entities operating in Lithuania, were accounted for at 15% rate in 2014 and 2013. The deferred tax of the company operating in Ukraine was calculated using 18% tax rate in 2014, 19% in 2013. The expiry date of the use of deferred tax asset from investment incentive applied to entities operating in Lithuania is five years.

24. Basic and diluted earnings per share

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

	Group	
	2014	2013
Net profit (loss) attributable to the shareholders	23,436,984	13,052,891
Weighted average number of ordinary shares	65,700,000	63,325,000
Earnings per share	**0.36**	**0.21**

	Company	
	2014	2013
Net profit (loss) attributable to the shareholders	11,729,083	6,665,337
Weighted average number of ordinary shares	65,700,000	63,325,000
Earnings per share	**0.18**	**0.11**

25. Dividends per share

	2014	2013
Approved dividends*	3,285,000	1,200,000
Number of shares**	65,700,000	60,000,000
Approved dividends per share (LTL)	**0.05**	**0.02**

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

26. Related party transactions

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

- UAB Ginvildos Investicija - the main shareholder of the Company;
- Subsidiaries of GRIGIŠKĖS AB (for the list of the subsidiaries, see also Note 1);
- UAB Didma, UAB Remada, UAB Remados Statyba, UAB Bakenas, UAB Statybų Namai, UAB Technikos Namai 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.

As at 31 December 2014 and 2013 the Group had no guarantees or pledges given or received in respect of the related party payables and receivables.

The Company as at 31 December 2014 and 2013 had a guarantee issued to the bank to secure the loans of LTL 7,209 thousand (31 December 2013 – the loans of LTL 7,755 thousand and finance lease of LTL 5 thousand) of its subsidiary UAB Baltwood and a guarantee issued to the bank to secure the loans of LTL 12,275 thousand (31 December 2013 – 0) of its subsidiary AB Klaipėdos Kartonas.

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 2014	Sale of goods and services	Purchase of goods and services	Amounts receivable *	Amounts payable
UAB Ginvildos Investicija	20,000	312,660	900,000	13,129
UAB Didma	1,124	892,986	9,453	282,481
UAB Statybų Namai	38,985	-	7,102	-
UAB Naujieji Verkiai	9,333	-	770	-
TOTAL:	**69,442**	**1,205,646**	**917,325**	**295,610**

Group 2013	Sale of goods and services	Purchase of goods and services	Amounts receivable *	Amounts payable
UAB Ginvildos Investicija	-	182,702	-	-
UAB Didma	1,194,430	276,953	125,645	-
UAB Statybų Namai	35,084	-	-	-
UAB Naujieji Verkiai	11,372	-	1,019	-
TOTAL:	**1,240,886**	**459,655**	**134,521**	-

* Amounts receivable include prepayments for goods and services.

26. Related party transactions (cont'd)

Company 2014	Sale of goods and services	Purchase of goods and services	Amounts receivable *	Amounts payable **
UAB Baltwood	17,903,953	9,746,470	397,527	8,744,848
UAB Ginvildos Investicija	20,000	177,130	700,000	13,129
UAB Didma	1,124	892,986	-	282,481
UAB Klaipėda Recycling	438,745	1,780,554	861,610	-
AB Klaipėdos Kartonas	178,304	20,596,903	4,161,048	4,246,463
UAB Naujieji Verkiai	9,333	-	770	-
UAB Statybų Namai	38,985	-	7,102	-
TOTAL:	**18,590,444**	**33,194,043**	**6,128,057**	**13,286,921**

Company 2013	Sale of goods and services	Purchase of goods and services	Amounts receivable *	Amounts payable **
UAB Baltwood	19,481,784	9,396,675	-	4,160,875
UAB Ginvildos Investicija	-	163,812	-	-
UAB Didma	1,467	105,874	-	-
UAB Klaipėda Recycling	145,662	394,737	129,816	-
AB Klaipėdos Kartonas	154,849	16,580,862	2,965,704	114,739
UAB Naujieji Verkiai	11,372	-	1,019	-
UAB Statybų Namai	35,084	-	7,857	-
TOTAL:	**19,830,218**	**26,641,960**	**3,104,396**	**4,275,614**

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

Sales to UAB Baltwood mainly include sales of heating energy (steam) and other utilities services. Purchases from UAB Baltwood include purchases of packaging materials and biofuel.

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

The Company has a loan receivable from subsidiary AB Klaipėdos Kartonas amounting to LTL 4,161 thousand as at 31 December 2014 (31 December 2013: LTL 1,257 thousand). The loan matures on 30 September 2018 and bears fixed annual interest rate, which approximates to the interest rate payable to the bank.

The Company has a loan payable to UAB Baltwood amounting to LTL 4,000 thousand as at 31 December 2014 (31 December 2013: LTL 4,000 thousand), which matures on 11 April 2015 and loan payable amounting to LTL 4,500 thousand as at 31 December 2014 (31 December 2013: LTL 0 thousand), which matures on 19 May 2017. The loans bear fixed annual interest rate, which approximates to the interest rate payable to the bank.

26. Related party transactions (cont'd)

Remuneration of the management

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

	Group		Company	
	2014	2013	2014	2013
Management remuneration	2,455,144	2,508,328	973,040	915,216
Average number of managers	17	17	5	5

In 2014 and 2013 the management of the Company did not receive any guarantees; no other payments or property transfers were made or accrued. In 2014 the Company paid bonuses to its Supervisory Board and Management Board in total amount of LTL 230 thousand (in 2013 – LTL 230 thousand).

As at 31 December 2014 and 2013, the Group and the Company issued loans to the Management of the Company and the Group, amounting to LTL 1,475 thousand and LTL 1,000 thousand respectively (2013: none). Loans bear fixed interest rate and mature in 2017–2019. Loans are not secured.

27. Off-balance sheet items

Information on emission allowances

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

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

Emission allowances	Quantity (not audited)	
	Group	Company
As at 31 December 2012	**91,373**	**87,640**
Emission allowances allocated	64,722	39,614
Purchase of emission allowances	-	-
Emission allowances used	(33,832)	(254)
Sale of emission allowances	(3,733)	-
As at 31 December 2013	**118,530**	**127,000**
Emission allowances allocated	87,854	38,074
Purchase of emission allowances	-	-
Emission allowances used	(15,251)	(175)
Sale of emission allowances	(100,000)	(100,000)
As at 31 December 2014	**91,133**	**64,899**

28. Subsequent events

On 1 January 2015 the Republic of Lithuania joined the euro zone and the Lithuanian national currency litas was replaced by the euro. As a result, GRIGIŠKĖS AB and its subsidiaries operating in Lithuania converted its financial accounting to euros as from 1 January 2015 and the financial statements for subsequent years will be prepared and presented in euros. Future comparative information will be translated into euros using the official exchange rate of LTL 3.4528 to EUR 1.

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

29. Going concern

As at 31 December 2014 current liabilities of the Group and the Company exceeded their current assets by LTL 29,154 thousand and LTL 28,452 thousand respectively (2013: LTL 18,638 thousand and LTL 4,333 thousand respectively). The net current liability position was mainly influenced by significant investments made to the property, plant and equipment of the Group and the Company, which are expected to be finalized in 2015 (Note 4). The Group invested over LTL 67 million to property, plant and equipment in 2014, from this amount the Company invested almost LTL 53 million. The investments were financed by own funds as well as from borrowings.

The Group's and the Company's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of credit facilities to meet their commitments at a given date in accordance with its strategic plans. Under effective loan agreements, financial liabilities mature from 2015 to 2019. As at 31 December 2014, current loans of the Company amounting to LTL 5,137 thousand and current loans of the Group amounting to LTL 8,943 thousand mature in 2015. The Group's and the Company's management is discussing the possible extension of these contractual loan maturities; however, formal agreements have not been finalised yet. Taking into account the long-term successful cooperation with the banks the Management of the Group expects to reach the agreement with the banks on the delay of repayment of part of long-term loans for subsequent periods.

Furthermore, as disclosed in Note 13, as at 31 December 2014 the Group and the Company had unused borrowings and overdrafts of LTL 19,578 thousand and LTL 18,384 thousand, respectively (2013: LTL 52,144 thousand and LTL 37,138 thousand, respectively).

Liquidity management plans are based on further improvement of the Group's and the Company's results and on extension of repayment schedules of current liabilities. The Company has prepared a forecast of the Group's operations for 2015, which allows the management to be confident about the Group's improved operational performance. The forecasted EBITDA of GRIGIŠKĖS AB is expected to reach LTL 32 million in 2015, while the EBITDA of the Group is planned to reach LTL 60 million in 2015.

Due to the reasons mentioned above the Management of the Company is confident that the Group and the Company will be able to continue as a going concern for a period of not less than 1 year.

CONSOLIDATED ANNUAL REPORT

TABLE OF CONTENTS

1. Reporting period for which this information has been prepared

Reports have been prepared for the twelve months of 2014.

2. Audit information

The consolidated annual report of GRIGIŠKĖS AB for the year 2014 has been prepared by the Management. The compliance of the financial data presented in the consolidated annual report with the set of consolidated financial statements for the year 2014 has been checked by an independent auditor.

3. Group companies and their contact details

GRIGIŠKĖS AB (further the Company or the Issuer) has eight subsidiaries: Klaipėdos Kartonas AB, Baltwood UAB; Ekotara UAB; Naujieji Verkiai UAB, Mena Pak PAT, AGR Prekyba UAB, Klaipėda Recycling UAB and Grigiškių Energija UAB.

Status	Issuer	Subsidiary	Subsidiary
Name	**GRIGIŠKĖS** AB	**Klaipėdos Kartonas** AB	**Baltwood** UAB
Company's ID No.	110012450	141011268	126199731
Authorised capital	65,700,000 LTL	41,001,895 LTL	32,537,000 LTL
Shares directly or indirectly controlled by GRIGIŠKĖS AB	Company has not acquired any own shares	95.78%	100%
Address	Vilniaus str. 10, Grigiškės, Vilnius	Nemuno str. 2, Klaipėda	Vilniaus str. 10, Grigiškės, Vilnius
Phone	+370 5 243 58 01	+370 46 39 56 01	+370 5 243 59 00
Fax	+370 5 243 58 02	+370 46 39 56 00	+370 5 243 59 10
E-mail	info@grigiskes.lt	info@kartonas.lt	info@baltwood.lt
Internet address	www.grigiskes.lt	www.kartonas.lt	www.baltwood.lt
Legal form	Public Limited Liability Company	Public Limited Liability Company	Private Limited Liability Company
Date of registration	23 May 1991	22 September 1994	10 April 2003
Administrator of the register	State Enterprise Centre of Registers	State Enterprise Centre of Registers	State Enterprise Centre of Registers

Status	Subsidiary	Subsidiary	Subsidiary
Name	**Ekotara** UAB	**Naujieji Verkiai** UAB	**Mena Pak** PAT
Company's ID No.	302329061	300015674	00383260
Authorised capital	10,000 LTL	100,000 LTL	4,011,470 UAH
Shares directly or indirectly controlled by GRIGIŠKĖS AB	100%	100%	93.79%
Address	Vilniaus str. 10, Grigiškės, 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	info@grigiskes.lt	info@grigiskes.lt	menapack@ukr.net
Internet address	www.ekotara.lt	-	www.menapack.com.ua
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	Subsidiary
Name	**AGR Prekyba** UAB	**Klaipėda Recycling** UAB	**Grigiškių Energija** UAB
Company's ID No.	302416687	302529158	302674488
Authorised capital	12,810,000 LTL	3,000,000 Lt	10,000 Lt
Shares directly or indirectly controlled by GRIGIŠKĖS AB	100%	95.78%	100%
Address	Vilniaus str. 10, Grigiškės, Vilnius	Vilniaus str. 10, Grigiškės, Vilnius	Vilniaus str. 14, Grigiškės, Vilnius
Phone	+370 5 243 5933	+370 5 243 3393	+370 5 243 5933
Fax	+370 5 243 58 02	-	+370 5 243 58 02
E-mail	vigmantas.kazukauskas@grigiskes.lt	info@krec.lt	vigmantas.kazukauskas@grigiskes.lt
Internet address	-	www.klaipedarecycling.lt	-
Legal form	Private Limited Liability Company	Private Limited Liability Company	Private Limited Liability Company
Date of registration	10 July 2009	16 July 2010	7 October 2011
Administrator of the register	State Enterprise Centre of Registers	State Enterprise Centre of Registers	State Enterprise Centre of Registers

4. Mission, vision, values of the companies

We create and deliver our products with a mind of You: our customers, employees, partners and colleagues. We do care on the things that matter to You and the ways we can contribute to Your quality of life enhancement.

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

Vision – to become recognised European manufacturer.

Values

5. 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, corrugated board, products from corrugated board.

Core business activities of Klaipėdos Kartonas AB are as follows: manufacturing of the raw materials for production of corrugated board – Test liner 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 self-coloured and painted hardboard.

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

Core business activities of Ekotara UAB are as follows: manufacturing of corrugated board, products from corrugated board. The company has not been operating in year 2014.

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

Core business activity of Grigiškių Energija UAB is planned to be a business of heat production and sale. The company has not been operating in year 2014.

Core business activity of Klaipėda Recycling UAB is waste-paper procurement.

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

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

The Company has signed a contract with Finasta AB (financial brokerage company) (Maironio str. 11, Vilnius, tel. (8~5) 203 2233, fax: (8~5) 203 2244, info@finasta.lt) on payment of dividend to the shareholders for 2004 and subsequent 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) on the handling of securities issued by the Company and for making the market for the shares of GRIGIŠKĖS AB.

7. Authorised capital of the issuer

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

7.1.1. Table. Structure of the authorized capital as at 31 December 2014.

Tape of shares	Number of shares	Par value, LTL	Total value, LTL	Interest in the authorised capital, %
Ordinary registered shares	65,700,000	1	65,700,000	65,700,000

All shares of the Issuer are fully paid up.

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

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

7.3. Rights and obligations conferred by the shares

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

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

8. Shareholders

8.1. Number of shareholders of the Company

As at 31 December 2014 there were 2,622 shareholders of GRIGIŠKĖS AB.

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

8.2. table. Shareholders owning in excess of 5 per cent of the authorised capital of the Issuer as at 31 December 2014.

Shareholder's name (company's name, type, headquarters address, corporate ID number)	31 December 2014			31 December 2013		
	Number of ordinary registered shares owned by the shareholder	Interest in the authorised capital, %	Votes granted by shares held by the right of ownership, %	Number of ordinary registered shares owned by the shareholder	Interest in the authorised capital, %	Votes granted by shares held by the right of ownership, %
UAB „GINVILDOS INVESTICIJA" Turniškių str. 10a-2, Vilnius, 125436533	25,582,407	38.94	38.94	25,582,407	38.94	38.94
IRENA ONA MIŠEIKIENĖ	7,472,585	11.37	11.37	8,898,475	13.54	13.54
RAIFFEISEN BANK INTERNATIONAL AG Am Stadtpark 9, 1030 Wien, Austria	5,469,967	8.33	8.33	413,576	0.63	0.63

8.3. Shareholders holding special controlling rights

There are no shareholders holding special controlling rights.

8.4. Restrictions of the voting rights

There are no restrictions of the voting rights.

8.5. Agreements between/among the shareholders

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

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

Registered ordinary shares of GRIGIŠKĖS AB are listed in the main list of NASDAQ OMX VILNIUS, AB (ticker – GRG1L).

9.1. Key characteristics of the shares of the Company

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

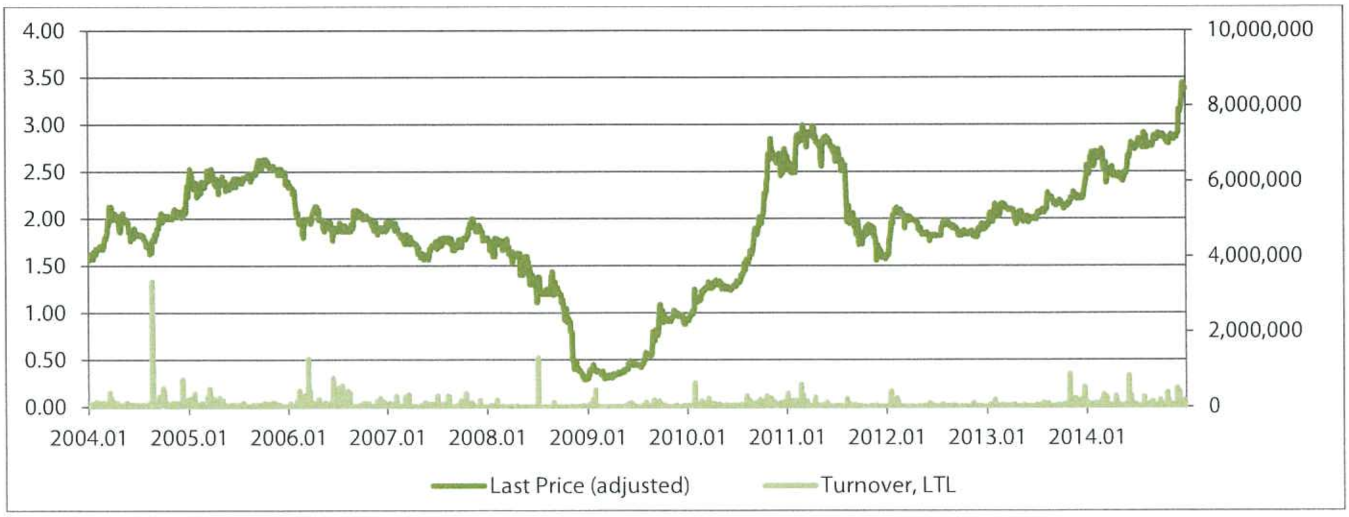
Type of shares	Securities ISIN code	Number of shares	Par value, LTL	Total par value, LTL
Registered ordinary shares	LT0000102030	65,700,000	1	65,700,000

9.2. Share trading information

9.2. table. Share trading information

Reported period	Price, LTL				Turnover, LTL			Total turnover	
	Max.	Min.	Last session	Average	Max.	Min.	Last session	Units	LTL
2010	**2.850**	**0.920**	**2.676**	**1.653**	**643,163**	**0**	**7,054**	**7,939,060**	**13,127,02**
2011, I Q	2.997	2.486	2.883	2.746	593,054	0	22,989	1,221,311	3,354,105
2011, II Q	2.987	2.555	2.624	2.822	251,419	360	8,948	463,059	1,306,703
2011, III Q	2.745	1.726	1.823	2.076	223,677	0	9,137	753,319	1,564,106
2011, IV Q	1.937	1.554	1.595	1.746	41,693	0	4,142	328,401	573,445
2011	**2.997**	**1.554**	**1.595**	**2.458**	**593,054**	**0**	**4,142**	**2,766,090**	**6,798,360**
2012, I Q	2.120	1.595	1.989	1.950	417,134	0	2,995	1,142,755	2,228,267
2012, II Q	1.999	1.761	1.816	1.854	100,495	0	2,177	372,658	691,007
2012, III Q	1.975	1.816	1.844	1.902	64,688	0	2,404	329,661	626,890
2012, IV Q	1.951	1.802	1.899	1.861	107,318	0	6,812	294,869	548,774
2012	**2.120**	**1.595**	**1.899**	**1.914**	**417,134**	**0**	**6,812**	**2,139,943**	**4,094,938**
2013, I Q	2.165	1.934	2.099	2.091	192,333	0	39,187	635,718	1,329,516
2013, II Q	2.103	1.944	2.013	2.014	70,459	1,038	4,485	384,097	773,749
2013, III Q	2.282	1.992	2.175	2.146	119,591	0	16,291	705,898	1,515,028
2013, IV Q	2.441	2.106	2.441	2.215	873,460	0	96,149	1,764,603	3,908,303
2013	**2.441**	**1.934**	**2.441**	**2.156**	**873,460**	**0**	**96,149**	**3,490,316**	**7,526,595**
2014, I Q	2.745	2.382	2.521	2.582	336,995	0	6,878	1,173,593	3,030,465
2014, II Q	2.811	2.400	2.755	2.568	840,130	0	6,890	1,340,247	3,441,555
2014, III Q	2.918	2.755	2.900	2.832	268,642	0	0	757,732	2,146,076
2014, IV Q	3.442	2.800	3.384	2.989	499,981	0	4,568	1,073,638	3,209,200
2014	**3.442**	**2.382**	**3.384**	**2.722**	**840,130**	**0**	**4,568**	**4,345,210**	**11,827,296**

9.2. figure. Share price and turnover 01.01.2004 – 31.12.2014.



9.3. Capitalisation of the Company's shares

9.3. table. Capitalisation of the Company's shares.

Last session date	Capitalisation, LTL
31.12.2010	**160,560,000**
31.03.2011	172,980,000
30.06.2011	157,440,000
30.09.2011	109,380,000
31.12.2011	**95,700,000**
31.03.2012	119,340,000
30.06.2012	108,960,000
30.09.2012	110,640,000
31.12.2012	**113,940,000**
31.03.2013	125,940,000
30.06.2013	132,254,100
30.09.2013	142,897,500
31.12.2013	**160,373,700**
31.03.2014	165,629,700
30.06.2014	181,003,500
30.09.2014	190,530,000
31.12.2014	**222,328,800**

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

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

9.5. Own shares buy out

The Company has not bought out own shares.

9.6. Restrictions on shares transfer

There are no restrictions on shares transfer.

9.7. Official takeover bid

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

10. Employees

Over the twelve months of the year 2014 the number of the Group employees fluctuated naturally.

10.1. table. Number of employees of the Group.

	31.12.2014	31.12.2013
Number of employees	814	878

10.2. table. Number of employees of the Company.

	31.12.2014	31.12.2013
Number of employees	336	302

10.3. table. Average number of employees, salary and grouping of employees by education of the Group during the twelve months of 2014.

Employees	Average salary, LTL	Employees by education			
		University	College	Secondary	Basic
Workpeople	2,543	50	186	340	16
Managers	8,182	58	4	5	-
Specialists	3,584	124	32	10	-
Total	**3,213**	**232**	**222**	**355**	**16**

10.4. table. Average number of employees, salary and grouping of employees by education of the Group during the twelve months of 2013.

Employees	Average salary, LTL	Employees by education			
		University	College	Secondary	Basic
Workpeople	2,324	39	202	371	30
Managers	7,086	73	10	2	-
Specialists	3,436	120	32	7	-
Total	**2,966**	**232**	**244**	**380**	**30**

10.5. table. Average number of employees, salary and grouping of employees by education of the Company during the twelve months of 2014.

Employees	Average salary, LTL	Employees by education			
		University	College	Secondary	Basic
Workpeople	3,018	19	61	118	9
Managers	9,466	24	3	1	-
Specialists	4,169	59	11	8	-
Total	**3,879**	**102**	**75**	**127**	**9**

10.6. table. Average number of employees, salary and grouping of employees by education of the Company during the twelve months of 2013.

Employees	Average salary	Employees by education			
		University	College	Secondary	Basic
Workpeople	2,751	17	50	114	9
Managers	8,743	25	4	1	-
Specialists	3,896	59	14	4	-
Total	**3,650**	**100**	**68**	**120**	**9**

11. Amendments to the articles of association of the issuer

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

12. Information on the managing bodies of the issuer

The Company has the general meeting of shareholders, the sole-person managing body – the head of the Company (the President), the collegial managing 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, education and their capital share and votes.

Full names	Positions	Education	Tenure	Capital share and votes, %
SUPERVISORY COUNCIL				
Norimantas Stankevičius	Chairman	University	Since 26 April 2011 until the annual General Meeting, to be held in 2015	4.41
Algimantas Goberis	Member	College		-
Romaldas Juškevičius	Member	University		-
Tautvilas Adamonis	Member	University		-
Daiva Duksienė	Member	University		-
AUDIT COMMITTEE				
Norimantas Stankevičius	Chairman	University	Since 29 April 2011 until the election of audit committee members in 2015	4.41
Tautvilas Adamonis	Member	University		-
Daiva Duksienė	Member	University		-
BOARD				
Gintautas Pangonis	Chairman	University	Since 26 April 2011 until the annual General Meeting, to be held in 2015	-
Nina Šilerienė	Member	University		0.24
Vigmantas Kažukauskas	Member	University		0.85
Normantas Paliokas	Member	University		-
Vytautas Juška	Member	University		-
ADMINISTRATION				
Gintautas Pangonis	President	University	-	-
Nina Šilerienė	Vice President, Finance	University	-	0.24
Vigmantas Kažukauskas	Vice President, Business Development	University	-	0.85
Vytautas Juška	Vice President, Purchasing & Logistics	University	-	-
Robertas Krutikovas	Director General	University	-	0.31

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

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

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

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

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

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

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

Name	Business participation		Capital interest	
	Name of enterprise, agency and organisation	Positions	Name of enterprise, agency and organisation	Capital share and votes, %
Norimantas Stankevičius	Didma UAB	Project director	Didma UAB	51.00
			Naras UAB	62.48
			Bakenas, UAB	100.00
			Statybų Namai, UAB	62.00
			Technikos Namai, UAB	62.00
	GRIGIŠKĖS AB	Chairman of the supervisory council	GRIGIŠKĖS AB	4.41
Algimantas Goberis	GRIGIŠKĖS AB	Member of the supervisory council		
Romaldas Juškevičius	GRIGIŠKĖS AB	Member of the supervisory council		
Tautvilas Adamonis	Remada UAB	Director General	Remada UAB	100.0
	GRIGIŠKĖS AB	Member of the supervisory council		
	Remados Statyba UAB	Director	Remados Statyba UAB	100.0
Daiva Duksienė	GRIGIŠKĖS AB	Member of the supervisory council		
Gintautas Pangonis	GRIGIŠKĖS AB	President	Ginvildos Investicija UAB	100.0
	GRIGIŠKĖS 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		
	Grigiškių Energija UAB	Chairman of the board		
	Klaipėda Recycling UAB	Chairman of the board		
	Mena Pak PAT	Chairman of the Supervisory council		
Normantas Paliokas	Didma UAB	Head of Vilnius Representative Office		
	Ginvildos Investicija UAB	Director		
	GRIGIŠKĖS AB	Member of the board		
Vigmantas Kažukauskas	GRIGIŠKĖS AB	Vice president, Business Development	GRIGIŠKĖS AB	0.85
	GRIGIŠKĖS AB	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, %
	Klaipėdos Kartonas AB	Member of the board		
	Baltwood UAB	Member of the board		
	Naujieji Verkiai UAB	Director		
	Naujieji Verkiai UAB	Member of the board		
	Ekotara UAB	Director		
	Ekotara UAB	Member of the board		
	Grigiškių Energija, UAB	Director		
	Grigiškių Energija, UAB	Member of the board		
	AGR Prekyba UAB	Director		
Vytautas Juška	GRIGIŠKĖS AB	Vice president, Purchasing & Logistics		
	GRIGIŠKĖS AB	Member of the board		
	Baltwood UAB	Member of the board		
	Klaipėda Recycling UAB	Member of the board		
	Grigiškių Energija UAB	Member of the board		
Nina Šilerienė	GRIGIŠKĖS AB	Vice President, Finance	GRIGIŠKĖS AB	0.24
	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		
	Grigiškių Energija 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 26 April 2011 for a 4 years' period (ending in 2015). The Board of the Company was elected on 26 April 2011 for a 4 years' period (ending in 2015).

13. Review of activity of the group companies

13.1. Material events in the Issuer's activities

This section contains summary of all GRIGIŠKĖS AB published reports on material event. Full text of reports could be found on the Company's website:
http://www.grigiskes.lt/en/for_investors/material_events/2014_m/ .

02.01.2014 GRIGIŠKĖS AB received notification from managers of the Company and related parties on the transactions in issuer's securities.

24.02.2014 During the twelve months of 2013, the Group achieved the consolidated sales turnover of LTL 328.8 million (EUR 95.2 million). During the same period in question, the Company's sales amounted to LTL 148.6 million (EUR 43.0 million).

During the reporting period, the Group earned LTL 15.4 million (EUR 4.5 million) and the Company earned LTL 7.1 million (EUR 2.1 million) profit before taxes.

01.04.2014	The Annual General Meeting of Shareholders of GRIGIŠKĖS AB is convened by initiative and the decision of the Board of GRIGIŠKĖS AB on 24 April 2014 at 11 a.m.
15.04.2014	According to unaudited data during the three months of 2014, the Group achieved the consolidate sales turnover of LTL 86.2 million (EUR 25 million). During the same period in question, the Company's sales amounted to LTL 38.7 million (EUR 11.2 million).
24.04.2014	The General Meeting of Shareholders of GRIGIŠKĖS AB was held on 24.04.2014. The meeting heard the consolidated annual report of the Company for the year 2013 and the auditor's report for the year 2013 and made decisions on other matters in question.
30.04.2014	During the three months of 2014, the Group achieved the consolidated sales turnover of LTL 86.2 million (EUR 25 million). During the same period in question, the Company's sales amounted to LTL 38.7 million (EUR 11.2 million). During the reporting period, the Group earned LTL 3.9 million (EUR 1.1 million) and the Company earned LTL 1.4 million (EUR 0.4 million) profit before taxes.
22.05.2014	Klaipėdos Kartonas AB, a subsidiary of GRIGIŠKĖS AB, successfully completed the construction of a new biofuel boiler and began to operate it. This modern 17.5 MW boiler will enable the company to have an up to 100 per cent supply of green energy produced by burning wood waste bought by the company.
30.05.2014	GRIGIŠKĖS AB received notifications from Rosemount Holdings LLC on the disposal of voting rights and from Akitta Investment Limited on the acquisition of voting rights.
06.06.2014	GRIGIŠKĖS AB received notification from managers of the Company and related parties on the transactions in issuer's securities.
13.06.2014	GRIGIŠKĖS AB received notification from managers of the Company and related parties on the transactions in issuer's securities.
29.07.2014	During the 1st half of 2014, the Group achieved the consolidated sales turnover of LTL 175.3 million (EUR 50.8 million). During the same period in question, the Company's sales amounted to LTL 81.1 million (EUR 23.5 million). During the reporting period, the Group earned LTL 10.9 million (EUR 3.2 million) and the Company earned LTL 4.8 million (EUR 1.4 million) profit before taxes.
06.08.2014	GRIGIŠKĖS AB received notifications from managers of the Company and related parties on the transactions in issuer's securities.
17.09.2014	During the eight months of 2014, the Group achieved the consolidated sales turnover of LTL 232.3 million (EUR 67.3 million). During the same period in question, the Company's sales amounted to LTL 109.5 million (EUR 31.7 million). During the reporting period, the Group earned LTL 14.6 million (EUR 4.2 million) and the Company earned LTL 6.2 million (EUR 1.8 million) profit before taxes.
17.09.2014	On the 17th and 24th of September, Mr. Gintautas Pangonis, the president of GRIGIŠKĖS AB, is present in seminar and at webinar organized by the magazine "Investuok".
23.09.2014	GRIGIŠKĖS AB signed a contract with an audit company KPMG Baltics, UAB for the Company's and the Group's annual financial statements audit for the years 2014 and 2015.
03.11.2014	During the nine months of 2014, the Group achieved the consolidated sales turnover of LTL 261.8 million (EUR 75.8 million). During the same period in question, the Company's sales amounted to LTL 123.7 million (EUR 35.8 million). During the reporting period, the Group earned LTL 18.9 million (EUR 5.5 million) and the Company earned LTL 8.4 million (EUR 2.4 million) profit before taxes.
03.11.2014	GRIGIŠKĖS AB successfully finished the construction of biofuel boiler in Vilnius.
22.12.2014	It is planned that the Group in the year 2015 will reach a turnover of LTL 385 million (EUR 111.5 million). The Company will reach a turnover of LTL 210 million (EUR 60.8 million) in 2015. It is also planned that the Group's profit before taxes will reach LTL 27 million (EUR 7.8 million) and the Company will earn a profit before taxes of LTL 11 million (EUR 3.2 million).
23.12.2014	GRIGIŠKĖS AB received notifications from managers of the Company and related parties on the transactions in issuer's securities.

13.2. Newest events in the Issuer's activities

27.02.2015 During the year 2014, the Group achieved the unaudited consolidated sales turnover of LTL 343.7 million (EUR 99.5 million). During the same period in question, the Company's unaudited sales amounted to LTL 167.1 million (EUR 48.8 million).
During the reporting period, the Group earned LTL 25.9 million (EUR 7.5 million) and the Company earned LTL 10.9 million (EUR 3.2 million) unaudited profit before taxes.
According to the evaluation made by the Board of GRIGIŠKĖS AB, on 20 of December 2013 proclaimed forecasted financial indicators for the year 2014 of GRIGIŠKĖS AB and Group are achieved. Thus, the Ordinary General Meeting of Shareholders of the Company will be proposed to distribute for dividends for the year 2014 almost 7 cents of LTL per share, which would be equal to 2 cents of EUR per share.

13.3. Offices and branches

The Company has Country marketing representatives operating in Latvia and Estonia. No new offices or branches are planned to be opened in 2015.

13.4. Group's markets and risk factors

Information about financial risk management is provided in notes to the audited consolidated financial statements.

Economic risk factors

Paper production. In 2014, the hygienic paper market grew by 12% compared with 2013. Sales extended to 25 countries (for comparison in 2013 was exported to 21 country). Baltic tissue market in 2014 grew by 6.6%, in which paper towel category grew the most – even 11.2%. GRITE brand of GRIGIŠKĖS AB (without other private labels products produced by the Company) accounted for 21.3% of the Baltic tissue market.

In foreign markets, we boosted sales everywhere where we operated. The highest growth of sales was achieved in Poland market – 52%.

In 2014 we not only maintained our key customers, but also added new ones to the customer list.

Despite the current situation and the currency devaluation in Eastern markets, both in Ukraine and Belarus we found solvent customers and even increased sales.

It is forecasted that in 2015 the hygienic paper market of the Baltic countries will increase by up to 5%; likely, mostly in the category of paper towels. In 2015 GRITE brand repositioning project, updating of the range of products and expansion in new segments should strengthen the GRITE brand as the brand of the best price-quality ratio tissue market.

Greater emphasis in increasing sales will be placed on Lithuania, Latvia, Estonia, Poland and Scandinavia.

The Company's paper production export, which accounts for around 64.9 percent of all paper products sales, is affected by exchange rate fluctuations, as well as changes in transport and raw material prices. Since the main export sales currency is euro, exchange rate risk is at a minimum.

Corrugated cardboard packaging products market. In 2014, GRIGIŠKĖS AB produced 27% more packaging than in 2013 while the overall market growth was about 7%. Increasing market share is settled by the success of investments and consistent focus on improving product quality, process optimization and increase in labour productivity. This year, the Company does not intend to stop and plans further investment in the development of production facilities, technology and processing equipment upgrading and development of new markets. Planned growth for this year will be more modest, but still will exceed the overall market average.

GRIGIŠKĖS AB Group of companies has a complete packaging processing cycle: we purchase waste paper, produce raw cardboard paper, then corrugated cardboard from raw cardboard paper, and finally, packaging from cardboard according to individual needs. The complete packaging processing cycle enables us to offer our customers stable supply and highest quality assurance and traceability from the packaging up to the paper from which the packaging was manufactured as well as competitive prices. In 2014, the main packaging markets included Lithuania, Latvia, Estonia, Finland, and Russia.

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

Raw cardboard paper market. In 2014, the sales of Klaipėdos Kartonas AB increased by 2% compared with 2013. The growth in the company's income in 2014 was mostly influenced by a higher volume of sales. The company earned its major part of income in the markets of Baltic and Western-Central Europe countries (respectively 43% and 40%). The rest of income came from the markets of CIS countries.

Western European countries market. Sales in the Western-Central European countries grew by 70%. Reasons of which are: active and successful sales operations redirecting part of the production from eastern to western market due to the unstable situation in the eastern market.

CIS countries market. In 2014 the turnover decreased by 33 percentage points compared to 2013. Reasons of which are: the geopolitical situation, economic instability and decision to expand sales in Western European markets.

Baltic countries market. In 2014, the Company's sales in the markets of the Baltic countries decreased and accounted for 43% of overall sales (in 2013 – 50%).

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

Wood products market. In 2014, the sales revenue of Baltwood UAB amounted to LTL 78.7 million. About 70% of production was exported to the countries of the European Union. The main wood product export markets included the United Kingdom, Sweden, Finland, Poland, Italy, and Latvia. In 2015, the company plans further expansion in foreign markets and growth of hardboard sales by 14%.

Hardboard production accounts for a major part of wood products. The main buyers of these products are cabinet and cushioned furniture manufacturers, special packaging manufacturers and users, the DIY (Do-It-Yourself) sector, and construction companies.

The main competitors of Baltwood UAB are Polish, French, Russian, Belarusian, and Finnish hardboard producers; however, not all of them are able to compete in the sector of those consumers who set higher quality requirements (furniture, door, and special packaging manufacturers).

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

Ukrainian Business Environment Ukraine's political and economic situation has deteriorated significantly since the Government's decision not to sign the Association Agreement and the Deep and Comprehensive Free Trade Agreement with the European Union in late November 2013. In February 2014, following the devaluation of the national currency, the National Bank of Ukraine introduced certain administrative restrictions on currency conversion transactions and also announced a transition to a floating foreign exchange rate regime. The final resolution and the effects of the political and economic crisis are difficult to predict but may have further severe effects on the Ukrainian economy.

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

Social risk factors

Salaries are paid in terms set in collective agreement.

Technical – technological risk factors

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

The construction of a 10 MW thermal power biomass-fired steam boiler was finished in Vilnius in 2014. As a result of the construction of the new biofuel boiler house, the consumption of natural gas will decrease because two biofuel boiler houses using renewable sources, i.e. fuel-wood, will be in operation.

The construction of a 17.5 MW thermal power biomass-fired steam boiler was finished in Klaipėda in 2014. This investment will enable the subsidiary company Klaipėdos Kartonas AB to have an up to 100 per cent supply of green energy produced by burning wood waste bought by the company thereby reducing or eliminating the use of natural gas consumption

Ecological risk factors

The Company carrying out business activities, follows "Pollution integrated prevention and control" principles. Rational use of energy and natural resources, applying modern production and environmental components cleaning technologies without compromising product quality.

The Company pays taxes 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).

Polluted water is cleaned in mechanical way and pumped to Vilnius city biological cleaning complex.

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

Management system operating in accordance with ISO 14001 was implemented in 2012. The regular audit of management systems performed in 2014 by UAB Det Norske Veritas confirmed that the Company's management systems comply with the requirements of LST EN ISO 9001 and LST EN ISO 14001.

13.5. Suppliers

13.5.1 table. Countries of suppliers' of main raw materials and materials for the Company over the twelve months of the year

Supplier's country	2014	2013
	%	%
Lithuania	53.8	68.5
Italy	25.6	3.7
Estonia	5.2	5.5
Poland	4.1	2.3
Sweden	2.2	0.3
Germany	1.8	2.2
Finland	1.8	8.2
Austria	1.6	0.4
Belarus	1.1	1.0
Hungary	0.6	0.0
Latvia	0.6	0.6
The Netherlands	0.4	0.0
Russia	0.2	4.1
Bulgaria	0.2	2.2
Other countries	0.8	1.0
TOTAL	**100.0**	**100.0**

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

The meeting of the Board of GRIGIŠKĖS AB on 19 December 2014 approved the budget for the year 2015.

It is planned that the Group which consists of companies GRIGIŠKĖS AB, Baltwood UAB, Klaipėdos Kartonas AB, Mena Pak OAO and Klaipėda Recycling UAB in the year 2015 will reach a turnover of LTL 385 million (EUR 111.5 million). The Group's profit before taxes will reach LTL 27 million (EUR 7.8 million). It is also planned that EBITDA of the Group will reach LTL 60 million (EUR 17.4 million) in 2015.

It is also planned that GRIGIŠKĖS AB in the year 2015 will reach a turnover of LTL 210 million (EUR 60.8 million). The Company will earn a profit before taxes of LTL 11 million (EUR 3.2 million). It is also planned that EBITDA of GRIGIŠKĖS AB will reach LTL 32 million (EUR 9.3 million) in 2015.

These goals will be achieved by expanding the Group's sales in the local and foreign markets. The growth of GRIGIŠKĖS AB sales will be the highest in the Group. These results will be achieved after beginning to operate a new papermaking machine in the first quarter of 2015. The new papermaking machine will replace the two oldest ones out of three machines operating in the Company. After this upgrade, GRIGIŠKĖS AB will produce paper products in 2015 by 36% more compared to the production of 2014.

These forecasts are not audited.

13.7. Financial indicators

13.7.1. table. Group's financial and performance indicators.

Financial ratios	2010	2011	2012	2013	2014
EBITDA	35,625,442	40,792,205	35,586,189	43,535,953	54,752,526
EBITDA profitability	14.5%	13.3%	12.3%	13.2%	15.9%
Gross margin	13.3%	15.1%	15.7%	15.8%	18.5%
Operating margin	6.1%	6.3%	4.6%	5.2%	7.9%
Net margin	3.1%	4.2%	3.2%	4.0%	6.9%
ROE, %	9.8%	13.8%	9.1%	11.3%	17.6%
ROA, %	4.2%	5.2%	3.7%	4.8%	7.6%
Current ratio	0.81	0.87	0.66	0.79	0.71
Quick ratio	0.52	0.50	0.40	0.51	0.44
Cash to current liabilities	0.020	0.032	0.015	0.028	0.049
P/E	21.29	7.49	12.21	12.29	9.49
Earnings per share	0.13	0.21	0.16	0.21	0.36
Dividend per share	0.02	0.02	0.02	0.05	*
Dividend payout ratio	0.16	0.09	0.13	0.25	*
Debt to equity ratio	1.64	1.45	1.32	1.20	1.20
Debt to total assets ratio	0.60	0.57	0.55	0.52	0.52

* - indicator for the year 2014 will be calculated after the Ordinary General Shareholders' Meeting has approved dividends for the year 2014.

13.7.2. table. Company's financial and performance indicators.

Financial ratios	2010	2011	2012	2013	2014
EBITDA	16,126,187	22,507,154	20,608,752	22,737,926	27,783,750
EBITDA profitability	12.4%	14.1%	18.6%	15.3%	16.6%
Gross margin	10.9%	14.4%	18.1%	15.9%	17.4%
Operating margin	1.8%	5.7%	8.3%	5.2%	7.7%
Net margin	1.2%	8.5%	7.6%	4.5%	7.0%
ROE, %	2.0%	15.7%	8.8%	6.2%	9.9%
ROA, %	1.1%	9.0%	5.4%	3.8%	5.7%
Current ratio	0.71	0.68	0.49	0.88	0.54
Quick ratio	0.47	0.49	0.33	0.61	0.38
Cash to current liabilities	0.009	0.002	0.005	0.008	0.017
P/E	105.65	7.07	13.43	24.06	18.96
Earnings per share	0.03	0.23	0.14	0.11	0.18
Dividend per share	0.02	0.02	0.02	0.05	*
Dividend payout ratio	0.79	0.09	0.17	0.49	*
Debt to equity ratio	0.76	0.54	0.57	0.54	0.77
Debt to total assets ratio	0.41	0.33	0.35	0.33	0.41

* - indicator for the year 2014 will be calculated after the Ordinary General Shareholders' Meeting has approved dividends for the year 2014.

13.8. Patents, licenses, surveys

The Company and the Group have no patents and licenses.

13.9. 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.
Mena Pak PAT – subsidiary of GRIGIŠKĖS AB.
AGR Prekyba UAB – subsidiary of GRIGIŠKĖS AB.
Ginvildos Investicija UAB – major shareholders of GRIGIŠKĖS AB.

Didma UAB, Remada UAB and Naras UAB – companies related to companies related to the members of Supervisory Council.
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 GRIGIŠKĖS AB.
Grigiškių Energija UAB – subsidiary of the Group not subject to consolidation.

13.9.1. table. The Group's transactions with related parties over the twelve months of 2014. Balances of amounts receivable/payable in relation thereto as at 31 December 2014 (LTL).

	Sales of goods and services	Purchase of goods and services	Receivable from related parties *	Amounts payable to related parties
Ginvildos Investicija UAB	20,000	312,660	900,000	13,129
Didma UAB	1,124	892,986	9,453	282,481
Statybų Namai UAB	38,985	-	7,102	-
Naujieji Verkiai UAB	9,333	-	770	-
Total	**69,442**	**1,205,646**	**917,325**	**295,610**

* Amounts receivable include prepayments for goods and services.

13.9.2. table. The Company's transactions with related parties over the twelve months of 2014. Balances of amounts receivable/payable in relation thereto as at 31 December 2014 (LTL).

	Sales of goods and services	Purchase of goods and services	Receivable from related parties	Amounts payable to related parties
Baltwood UAB	17,903,953	9,746,470	397,527	8,744,848
Ginvildos Investicija UAB	20,000	177,130	700,000	13,129
Didma UAB	1,124	892,986	-	282,481
Klaipėda Recycling UAB	438,745	1,780,554	861,610	-
Klaipėdos Kartonas AB	178,304	20,596,903	4,161,048	4,246,463
Naujieji Verkiai UAB	9,333	-	770	-
Statybų Namai UAB	38,985	-	7,102	-
Total	**18,590,444**	**33,194,043**	**6,128,057**	**13,286,921**

13.10. Court and arbitration proceedings

Over the twelve months of 2014 the Group and the Company were not involved in court or arbitration proceedings which would have a material impact on the financial position of GRIGIŠKĖS AB.

INFORMATION ON COMPLIANCE WITH GOVERNANCE CODE

The public company GRIGIŠKĖS, following Article 21(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
Principle I: Basic Provisions **The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.**		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	The Company fully complies with this recommendation. Plans and forecasted result of the Company are published on an annual basis.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	All supreme managing bodies of the Company are focused on the implementation of the main objectives and tasks of the Company.
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	The one-person managing body – the head of the Company, the collegial managing body – the management board and the supervisory body – the council of observers (supervisory board) cooperate in view of seeking the best benefit for the Company and its shareholders.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	The Company fully complies with these recommendations.
Principle II: The corporate governance framework **The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.**		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	Yes	The Company fully complies with this recommendation, as its bodies consist of the single-person managing body (the head of the Company), the collegial managing body (the management board) and the supervisory body (the council of observers).
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	The management board is responsible for strategic management of the Company and parries out other essential managerial functions in the Company. The council of observers (supervisory board) is responsible for the efficient supervision of the managing bodies of the Company.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the	Not applicable	Both the council of observers (supervisory board) and the management board are formed in the Company.

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

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

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

Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.[3]		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	The collegial body elected by the general meeting of shareholders is elected in compliance with the procedure prescribed by the legislation of the Republic of Lithuania 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 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	Yes	The members to the collegial body of the Company, as formed by the general meeting of shareholders, are elected taking into consideration the structure and types of activities of the Company; the members have versatile knowledge, opinions and experience necessary for the proper performance of their tasks.

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

should have knowledge of and experience in the field of remuneration policy.		
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[4] number of independent[5] members.	No	Independency of the members of the council of observers has not been evaluated in the Company so far; the Company has not discussed the contents of the concept of "sufficiency" of independent members.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependent are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related	Yes	According to the criteria laid down in paragraph 3.7, there is an independent member in the council of observers of the Company.

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

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

with later position) as per pension plans (inclusive of deferred compensations); He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counselling and consulting services), major client or organization receiving significant payments from the company or its group; He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company; He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; He/she has not been in the position of a member of the collegial body for over than 12 years; He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.		
3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.	No	The Company has not defined the concept of independency.
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	No	The Company has not applied so far the practice of evaluation and announcement of independency of the members of the council of observers.

3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	No	The Company has not applied so far the practice of evaluation and announcement of independency of the members of the council of observers.
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds[6]. The general shareholders' meeting should approve the amount of such remuneration.	Yes	Members of the collegial bodies were remunerated for their work from the funds of the Company by tantjemes.
Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting **The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring[7] of the company's management bodies and protection of interests of all the company's shareholders.**		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.[8]	Yes	The council of observers regularly makes recommendations to the managing bodies of the Company and monitors their activities.
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	Yes	To the best knowledge of the Company, all members of the council of observers act in a good will in respect of the Company, comply with the interests of the Company (not those of third parties) and take efforts to maintain independency in decision making.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any	Yes	Members of the collegial body properly perform the functions delegated to them: actively participate at the sitting of the collegial body and

[6] It is notable that currently it is not yet completely clear, in what form members of the supervisory board or the board may be remunerated for their work in these bodies. The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) provides that members of the supervisory board or the board may be remunerated for their work in the supervisory board or the board by payment of annual bonuses in the manner prescribed by Article 59 of this Law, i.e. from the company's profit. The current wording, contrary to the wording effective before 1 January 2004, eliminates the exclusive requirement that annual bonuses should be the *only* form of the company's compensation to members of the supervisory board or the board. So it seems that the Law contains no prohibition to remunerate members of the supervisory board or the board for their work in other forms, besides bonuses, although this possibility is not expressly stated either.
[7] See Footnote 3.
[8] See Footnote 3. In the event the collegial body elected by the general shareholders' meeting is the board, it should provide recommendations to the company's single-person body of management, i.e. the company's chief executive officer.

directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half[9] of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.		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: • 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 tape of transaction); • 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); • 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; • decisions to acquire the tangible long-term assets the price whereof exceeds 1/20 of the statutory capital of the company.
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies.[10] Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the	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.

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

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

remuneration committee should ensure that the consultant concerned does not at the same time advice the human resources department, executive directors or collegial management organs of the company concerned.		
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[11]. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.	Yes	An Audit committee is formed in the Company. 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.	Yes	An Audit committee is formed in the Company.
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two	Yes	An Audit committee of the Company is composed of 3 members.

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

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.		
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 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.	Yes	The authority of the Audit committee is determined by Supervisory Council by approving the Audit committee's internal rules.
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	Yes	According to the Audit Committee's internal rules the Audit Committee has the right to invite to its meetings the Chairman of the Supervisory Board and certain employees of the Company, the external auditor.
4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes;	No	No nomination committee has been formed in the Company so far.

Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; Properly consider issues related to succession planning; Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.		
4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: 1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; 2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; 3) Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company; 4) Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation; 5)Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; 6)Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors);	No	No remuneration committee has been formed in the Company so far.

7) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should: Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies. 4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.		
4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: 1)Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); 2)At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; 3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; 4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions	Yes	An Audit committee is formed in the Company.

of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations;
5)Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee;
6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.
4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.
4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.
4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.
4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The

committee should be timely furnished information on all issues arising from the audit. 4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.		
4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment 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.	No	Such practice has not been applied in the Company.
Principle V: The working procedure of the company's collegial bodies **The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.**		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	The Company fully complies with these recommendations.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least	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.

once in a quarter, and the company's board should meet at least once a month.[12]		
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	Members of the collegial bodies are notified on the sitting in advance (before five days) by sending them the agenda and materials of the meeting by e-mail (at least before 2 days), so that they'd have enough time to properly prepare for consideration of the issues to be addressed at the meeting and share in useful discussions leading to adoption of proper resolutions.
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	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.
Principle VI: The equitable treatment of shareholders and shareholder rights **The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.**		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The authorized capital of the Company is comprised of 65.700.000 ordinary shares. The par value of one share is 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.[13] All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	Yes	The approvals of General meeting shareholders are obtained for important transactions with the criteria established in the Company Law of Republic of Lithuania and the articles of association of the company.

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

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

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 GRIGIŠKĖS AB 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: www.grigiskes.lt.
6.5. If possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general 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 GRIGIŠKĖS AB 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 shareholder meetings by means of modern technologies.	No	The Company does not comply with the provisions of this recommendation, because there have been no such request on the part of the shareholders.

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

Principle VIII: Company's remuneration policy **Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.**		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	No	Such practice has not been applied in the Company so far.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be 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: Explanation of the relative importance of the variable and non-variable components of directors' remuneration; Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; An explanation how the choice of performance criteria contributes to the long-term interests of the company; An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; Sufficient information on deferment periods with regard to variable components of remuneration; Sufficient information on the linkage between the remuneration and performance; The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; Sufficient information on the policy regarding termination payments; Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code; Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned; A description of the main characteristics of supplementary pension or early retirement schemes for directors; Remuneration statement should not include commercially sensitive information.	No	Such practice has not been applied in the Company so far.
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the	No	Such practice has not been applied in the Company so far.

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.		
8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.5.1. The following remuneration and/or emoluments-related information should be disclosed: The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; The remuneration and advantages received from any undertaking belonging to the same group; The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; All changes in the terms and conditions of existing share options occurring during the financial year. 8.5.3. The following supplementary pension schemes-related information should be disclosed: When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year;	No	Such practice has not been applied in the Company so far.

When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		
8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.	No	The 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 movements,	No	The remuneration policy of disclosure practice has not been applied in the Company so far.

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: Grant of share-based schemes, including share options, to directors; Determination of maximum number of shares and main conditions of share granting; The term within which options can be exercised; The conditions for any subsequent change in the exercise of the options, if permissible by law; All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.	No	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	No	Such practice has not been applied in the Company so far.

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.		
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.

Principle IX: The role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.**		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The Company complies with all statutory requirements aimed at ensuring the rights of interest holders.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.	Yes	The Company complies with all statutory requirements aimed at ensuring the rights of interest holders.
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	The Company complies with all statutory requirements aimed at ensuring the rights of interest holders.
Principle X: Information disclosure and transparency **The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.**		
10.1. The company should disclose information on: The financial and operating results of the company; Company objectives; Persons holding by the right of ownership or in control of a block of shares in the company; Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; Material foreseeable risk factors; Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; Material issues regarding employees and other stakeholders; Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.	Yes	The Company complies with this recommendation.
10.2. It is recommended to the company, which is the parent of other companies, that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.	Yes	The Company complies with this recommendation.
10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of	Partly	The Company regularly discloses information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company as well as potential conflicts of interest that may have an effect on their decisions.

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.		
10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.	Yes	The Company complies with this recommendation.
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the NASDAQ OMX 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: www.grigiskes.lt.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient or in cases provided by the legal acts free of charge access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	Essential events, press releases, activity reports and other information important for the shareholders are published on the website of the Company in Lithuanian and English.
10.7. It is recommended that the company's annual 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.

Principle XI: The selection of the company's auditor The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.		
11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements	Yes	The Company complies with this recommendation, except for audited of interim financial statement.
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	An audit company is proposed to the general meeting of shareholders by the 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 be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Yes	The Company complies with this recommendation. In 2014 Audit company has not rendered other services for the company.

1. Information about payments to the members of the managing bodies

Table. Information on the salaries, bonuses and other payments from profit paid by the Issuer in 2014.

	Salaries, LTL	Bonuses, LTL	Dividends, LTL	Other payments, LTL
Totally for all members of the supervisory council		45,000		
In average per one member of the supervisory council		9,000		
Totally for all members of the board		185,000		
In average per one member of the board		37,000		
Totally for all members of the administration	973,040		3,568	
In average per one member of the administration	194,608		714	

Table. Information on the salaries, bonuses and other payments from profit paid by the Issuer in 2013.

	Salaries, LTL	Bonuses, LTL	Dividends, LTL	Other payments, LTL
Totally for all members of the supervisory council		45,000		
In average per one member of the supervisory council		9,000		
Totally for all members of the board		185,000		
In average per one member of the board		37,000		
Totally for all members of the administration	915,216		5,108	
In average per one member of the administration	183,043		1,022	